

JAPAN ECONOMIC CURRENTS

A COMMENTARY ON ECONOMIC AND BUSINESS TRENDS

Observations on the Relationships Between Japan, China and the United States

by Tamotsu Nakano, KRI International

Chomin Nakae's classic book, "A Discourse by Three Drunkards on Government," written just after Japan won the 1894-95 Sino-Japanese War and was moving fast toward what would be the 1905 Russo-Japanese War, is a wonderful snapshot of Japan's security situation in the early 20th century.

In Nakae's political satire, two young men and the eminent Master Nankai sit in a bar heatedly debating what foreign policy Japan, -then just emerging from the isolationist Tokugawa period, -should pursue.

Pointing out the imperialistic designs of the great powers that were preying on Asia, "Mr. Heroic" insists that Japan should launch itself onto the continent while enriching and strengthening itself at home.

The second drunkard, Mr Gentleman, just returned from

abroad, rebuts Mr Heroic, arguing that Japan should not become involved on the continent but instead should make its contribution to Asia and the world through cultural exchanges and economic cooperation. Doing so, he says, would make Japan a moral, respected nation and thereby immune to invasion.

The third, the eminent Master Nankai, speaks about a "rhythm of history." He acknowledges that Mr. Heroic's premise has some validity – if Japan were not to become involved on the continent, it might disappear as a nation. On the other hand, Mr Gentleman could be right – by promoting an expansionary policy, Japan may end up having to pay the great price of going to war.

Fueled by rounds of sake, the three men come to no real resolution. But some one hundred years later, it would seem that the fictitious Master Nankai's balanced philosophy would be the best course for Japan; 'hard power' (i.e. military strength) can lead to armed conflict.

But sometimes 'soft power' (i.e. diplomacy and persuasion) can be

all the greater, bringing to mind the Japanese proverb, "The yielding overcomes the unyielding."

In the first half of the 20th century, Japan repeatedly relied on 'hard power' in aggressive, expansionary wars (Sino-Japanese, Russo-Japanese, Intervention in China, and World War II) before finally experiencing defeat. Although Japan's spirit was weakened, it benefited from America's policy to contain Communism and is today an economic superpower. But the time has come for Japan to give new thought to how best deal with the Asian mainland and with China, the regional heavyweight.

When Japan won in Asian soccer cup match, Chinese fans erupted into boos – clearly, Japan needs to deal forthrightly with the hard feelings of Chinese toward it, which appear to have been exacerbated by President Jiang Ze Min.

There is also a definite need for Japan to reexamine its relationship with the Asian continent from a 21st century context. Examining the relationship through the three prisms presented by Chomin

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Nakae's Mr Heroic, Mr Gentleman, and Master Nankai, might be helpful:

The jingoistic Mr Heroic would caution that the rise in China's military spending (especially the enhancement of its arsenal of assault weapons), coupled with its territorial expansionism in the Senkaku Archipelago and the Taiwan Straits, and the rapid development of its economy and its scientific and technical capabilities are manifestations of China's threat – not only to Japan, but also to the rest of Asia and the world. Moreover, the Communist Party dictatorship is inclined to exercise hegemony. Before Japan becomes China's victim, it should strengthen its military power and be prepared to confront China and the North Korean rogue state. In the diplomatic arena, Japan should revise its policy of appeasement toward China through Overseas Development Assistance (ODA) while enhancing its own hard power, he would say.

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The gentleman who returned from abroad would refute this aggressive stance, instead welcoming China's development as premise of Japanese advancement and conducive to the economies of Japan and the US. He would argue that the Communist Party dictatorship is only for the sake of appearances and a way-station on the road to future development. And with regard to North Korea, it would be entirely appropriate for China to take the lead in promoting multilateral cooperation.

By contrast, the learned Master Nankai would say that the best way to observe the Japan-China relationship is from a historical and global point of view. When China is viewed through the "historical rhythm" of several thousand years, it is no wonder that sudden growth has followed China's freedom of being the target of imperialistic

powers and Japan for the past 150 years and then being contained by the Cold War era.

Relations Within Asia Today

Rather than fearing China as it flexes its long-dormant muscles, it is more correct to think that China is simply regaining its power. After all, Chinese civilization dates back some 7,000 years – throughout that time, China was at the center of world affairs. In the latter half of the 20th century, following two world wars, military 'hard power' has become ineffective because of the annihilating powers of weapons of mass destruction.

Armed confrontation with the PRC is a no-win situation. China has a population of 1.3 billion – if conflict were to break out and inflict casualties of one million Chinese annually, defeating China would take 1,300 years!

As the famed scholar and artist Tenshin Okakura observed 100 years ago, the United States and the West are most advantaged by any schism in Asia. But now that there is a chance that Asia can be united through China's development, the US is displeased. Faced with an

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intact Cold War structure in northeast Asia, the US remains wary of any sudden rapprochement between Japan and China, as well as between China and Korea.

Though the Japan-US alliance is important to Japan, the basic role that Japan should play through its diplomatic efforts is to foster a vision of "one Asia," as is the case in the European Union, and it should pursue opportunities for development in cooperation with Europe and the United States.

The well-known New York Times columnist Thomas Friedman once wrote an insightful article about China's development and its soft power. "When I was a child, my father said that I must eat everything on my plate because so many people in China are starving. However when I recently saw the development in Dairen, I felt that China today is no longer the China of the past. Today I should say to my daughter, 'Finish your homework, otherwise the Chinese will take away your job!'"

Friedman went on to discuss the Iraq war, "In Iraq, the United States finds itself in a military quagmire. On the other hand, China, India and the Philippines are sending one million maids to the Middle East, through whom the people of that region are being educated. Asia's 'soft power' is more effective

than the military 'hard power' of the United States."

Japan can actively make its contribution through non-military efforts, including post-conflict activities and reconstruction following huge natural disasters, and the like.

As Prime Minister Koizumi has repeatedly stressed, the normalization of relationships between Japan and North Korea will be accomplished within several years. The collapse of the Cold War structure in northeast Asia is not far in the future. A security framework may be established in cooperation with China and Russia. Hopefully, the day to discuss an

It is undeniable that Japan's launch onto the continent brought suffering throughout Asia. Japan, however, should look at history not only from an Asian point of view, but from a bird's eye view, as if from the world as a whole. The world is in a state of disarray today, convulsed in a complicated interconnection between religion and terrorism. Asian sagacity is desperately needed. ■

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Asian version of homeland security may be realized one day. Indeed, a non-military Asian Homeland Security Ministry, acting through 'soft power' may not be a far-fetched dream.

FY2005 Quota for H-1B Visas Was Filled On Day One

by Sandra Boyd, "Compete America"

Several months of dire warnings from US business organizations came to pass on October 1, 2004 – the very first day of FY 2005 – when the annual quota for 65,000 H-1B visas was filled. Near-desperate US business interests are urging Congress to take action so that they can secure the workers they need. But if Congress does not act, American companies, medical facilities and educational institutions will be unable to hire H-1B visa holders for one full year.

The H-1B visa program is used by virtually every multinational company based in the US. It allows highly educated foreign nationals, including those graduating from American colleges and universities, to work in the United States for a maximum of six years. Typically, these individuals are generally ineligible for other types of visas and would have to return to their home countries.

Opponents of an increase in the H-1B visa quota are wide-ranging and influential, including the AFL-CIO, the Department for Professional Employees, and the Institute of Electrical and Electronics Engineers. Arguing that foreign nationals take jobs that would otherwise be filled by American citizens, these

opponents are teaming with traditionally anti-immigration groups to block efforts to allow relief on the H-1B visa cap.

Opponents further contend the H-1B visas drive down salary levels by importing "cheap labor" from abroad. Rather than looking abroad for workers to fill business needs, they insist, the Federal government should focus on the long-term goal of improving US math and science education and job training skills so that high-tech jobs can be filled domestically.

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Few could disagree with the inherent benefits of improving US education and job skills. But in many critical disciplines, particularly in math, science and engineering, 50 percent or more of the advanced degrees at US universities are awarded to foreign nationals.

"Compete America," a coalition of more than 200 corporations, universities, research institutions and trade associations, believes that the US should reap the return

on the investments already made. After all, US taxpayers and companies directly fund much of the cutting edge research at American universities; most of this work is done by graduate students. It is counterproductive for US policy to encourage these individuals to return to their home countries and compete against the United States.

H-1B visas are critical to creating and supporting US jobs. America's ability to have access to top talent is critical to the nation's economic

growth and national security. Top talent is needed to compete and win. While American companies prefer to hire domestic employees – it's actually cheaper, and there is less red tape – in many highly skilled professions it is vital to hire the best talent available. This keeps the US competitive, builds the economy and drives job growth at home.

According to the Chronicle of Higher Education, number of foreign students applying to US

“The United States is simply not producing enough American scientists, doctors, engineers and educators. A recent study by the National Science Board shows the US now ranks 17th among nations of 18-24 year olds earning science and engineering degrees.”

schools from countries that traditionally account for the most applications has dropped precipitously: applications from students in China declined by 76 percent, those from India fell 58 percent, and even Western Europe had a 30 percent decline. The drop crossed all fields of study, with an 80 percent plunge in applications to engineering programs and a 65 percent reduction in those to physical sciences programs.

Nor are American institutions likely to fill the gap. In its most recent biennial study, the National Science Board warns that the US may be the global leader in scientific research and development, but the future is uncertain. The shrinking US science and engineering labor force is an “emerging and critical problem” for the US, the NSB says, along with competition from other nations that place a priority on science education. For example, the study shows that the United States now ranks 17th among nations surveyed in the proportion

of its 18 – 24 year-olds earning natural science and engineering degrees. By contrast, the United States ranked third in 1975.

The NSB report also points out that foreign nationals with advanced degrees comprise an increasing share of the science and engineering workforce, largely because they stayed in the US after earning their advanced degree. This is a structural shift masked by the unprecedented economic growth of the 1990s and the huge demand it generated for highly educated professionals. The cyclical nature of the economy does not negate the fact that the United States is not producing

enough American scientists, doctors, engineers and educators.

Is Congressional Relief Near At Hand?

Like the US business community, Congress was shocked when the H-IB visa quota was exhausted on the very first day of FY2005. There are several proposals now pending in the House and Senate that would provide relief, and in the brief “lame duck session” after the elections, Compete America will push hard. But it is uncertain how long that session will be and whether the H-IB issue will be included in an omnibus appropriations bill. Nor does relief in early 2005 seem likely, given a new Congress.

Moreover, with bipartisan Congressional interest in broad immigration reform, the H-IB issue may be wrapped into a much larger legislative package.

“Compete America urges immediate action. If we do not respond appropriately to the FY 2005 H-IB visa cap being hit, there will be a diminished chance for Congressional relief — both now and in the future. We can’t wait for the time to be right because looking forward, the environment and circumstances are not going to be any better than they are right now.”

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That said, Compete America urges immediate action. If we do not respond appropriately to these attacks and to the FY 2005 cap being hit, there will have be a diminished chance for relief both now and in the future. We can't wait for the time to be right because looking forward the environment and circumstances are not going to be any better than they are right now.

If all else fails, Congress can allow some H-1B visa relief while discouraging over-use by lifting the cap while reinstating a fee structure formerly paid by businesses submitting H-1B applications. From 1998 through 2003, the employer-

paid H-1B visa fees totaled more than \$692 million. The fees have helped the federal government to provide training to more than 55,600 US workers and to fund scholarships for more than 12,500 American students in science and engineering. ■

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