



Myth of Japanese 'closed' market

Open for business, just expensive to do business

Is the Japanese market closed? To ask such a question brings looks of disbelief from listeners. Of course Japan is closed, and it is wreaking economic havoc with its exports according to the received truths of conventional wisdom.



MATT DICKERSON
Columnist

The truth is more complex. Most of the evidence purports that the Japanese economy is closed is anecdotal, which ought not inspire confidence. Japan is, in fact, one of the world's largest importers. In 1990, Japan was the third largest importer — behind the United States and Germany — taking in \$235 billion in goods. Japan exports more than it imports, but it is imports that determine the openness of markets.

Japan and America differ little in imports as a proportion of gross domestic product (GDP). In 1990, Japan and the United States imported 8 and 10 percent of GDP respectively. In contrast, West Germany imported 23 percent of GDP. On a per head measure, again Japan and America differ little and are substantially lower than European levels: Imports per head were \$1,900 and \$2,050 respectively for Japan and the United States, versus nearly \$4,500 for Europe's six largest importers.

The next question determining the openness of the Japanese market is whether it responds to changes in the price of foreign goods. If Japan has closed markets, we expect little, if any, increase in import volume in response to price decreases. Between 1985 and 1990, the yen appreciated 65 percent against the dollar; that is, dollar-denominated goods had become cheaper relative to yen-denominated goods. Imports surged into Japan over the time period by an incredible 84 percent in dollar terms. This implies a great deal of price responsiveness and an open market.

The Japanese market is not laissez faire, but neither are American and European markets. Japan's average tax on imports, or tariff, on industrial products is 2.6 percent. Europe and America's rates are 2.9 and 3 percent respectively.

Non-tariff barriers, such as quotas and the like were shown in a World Bank study to be similar in Japan and the United States. Japan famously applies non-tariff barriers to agriculture in particular. America, however, protects more of its manufacturers with non-tariff barriers than Japan.

So why does America and much of the rest of the world run a persistent trade deficit with Japan?

Overseas subsidiaries of U.S. companies in Japan act as conduits for imports into Japan, drawing from parent factories and suppliers in the United States and exporting little to the United States. Hence, investment in Japan is key to exporting

more to Japan. The trick is getting more U.S. companies on the ground in Japan. But what a trick.

Japanese land prices are spectacularly high compared with land prices in the rest of the world. In a 1990 survey of 340 U.S. companies, 64 percent gave the cost of Japanese land as the major hurdle restraining expansion. Another survey of the biggest 284 U.S. companies in Japan found that 70 percent thought that the Japanese market was open and considered the chief constraint to be the high cost of physical assets like factories, warehouses and land. Only 3 percent claimed that the Japanese market was closed. America, among many other countries, doesn't import much to Japan because of the high cost of doing business there — not because of a closed market.

In recent years, American trade policy has taken on Cold War rhetoric. James Fallows, Atlantic magazine's Washington editor wrote in a 1989 article that the United States must "contain Japan." Now President Clinton's chief economic adviser, Laura D'Andrea Tyson, has concocted a "domino effect" economic doctrine: High-technology industries are swallowed up whole one after another by foreign competitors with a subsidy here, a tariff there and a quota for insurance. So Clinton went to a Boeing plant to denounce European Community (EC) subsidies to Airbus and then rushed off to Silicon Valley to announce a multi-billion dollar subsidy plan for high-technology industries. Message: America can cheat, but others can't. Trade tensions, no surprise, reached a crescendo.

This is a strange time for this kind of bluster. James Stewart, in a recent New Yorker magazine article, wrote that "industries once all but ceded to the Japanese are being reinvented by Americans, from advanced microchips to high-definition television." America's proportion of high-technology increased from a little more than 2.5 to nearly 3.5 percent of GDP between 1989 and 1992, accounting for a larger share of output than cars and trucks. The United States currently runs a record \$35 billion surplus in high-technology product with the rest of the world. The EC abandoned development of high-definition television (HDTV) in February after making it the center of its industrial policy and throwing one billion dollars of public money at the project.

These and other developments serve as a rebuke to Clinton's proposals for industrial and trade policy. "Nothing President Clinton is likely to do to spur economic growth," a recent New York Times editorial counsels, "can come close to packing the wallop of a completed trade pact." Indeed, trillions of dollars are on the line over the next eight years. Vilifying Japan is not only unfair and misplaced, it invites the kind of trade retaliation that could throw the world economy reeling into chaos.

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North Korea trouble

Nuclear capacity a problem for all

President Clinton has learned quickly during his time in the White House that while he may have been elected on domestic issues, international affairs quickly transfixed the attention of the American people.

However one issue that has not gained wide attention is the revelation that North Korea has become a nuclear power, and Clinton must react quickly and decisively to head off rising tensions in the region.

Premiere Kim Il-Sung's government is the first ever to pull out of a 155-nation nuclear nonproliferation treaty, a move tantamount to admitting that his Communist nation has nuclear weapons. The North Koreans pulled out of the treaty only two weeks prior to a deadline set by the International Atomic Energy Agency that the government submit to special inspections to ascertain the extent of nuclear weapons research.

North Korea is the first nation since Iraq to be ordered to open undeclared facilities to IAEA inspection. The facilities, near Yongbyon, are believed to be waste dumps which will prove that North Korea is engaged in secret plutonium production.

Clinton's Director of Central Intelligence, James Woolsey, also believes that North Korea has nuclear weapons and stated that North Korea is engaged in biological weapons research, a clear violation of United Nations policy.

A rumored deal with Iran that would send plutonium to the Persian Gulf nation in exchange for missiles capable of carrying nuclear devices adds to the unease surrounding the situation.

Sung's government has become increasingly isolated over the last few years especially since the breakup of its largest benefactor, the Soviet Union,

the remnants of which just canceled a 30-year military alliance with North Korea.

Today, North Korea's two largest trading partners, China and Russia, are demanding cash for all transactions, further driving a troubled economy closer to implosion. The economy is so weak that citizens are encouraged to eat only two meals per day, and there is a government-imposed curfew for any sort of personal electric energy consumption past 7 p.m.

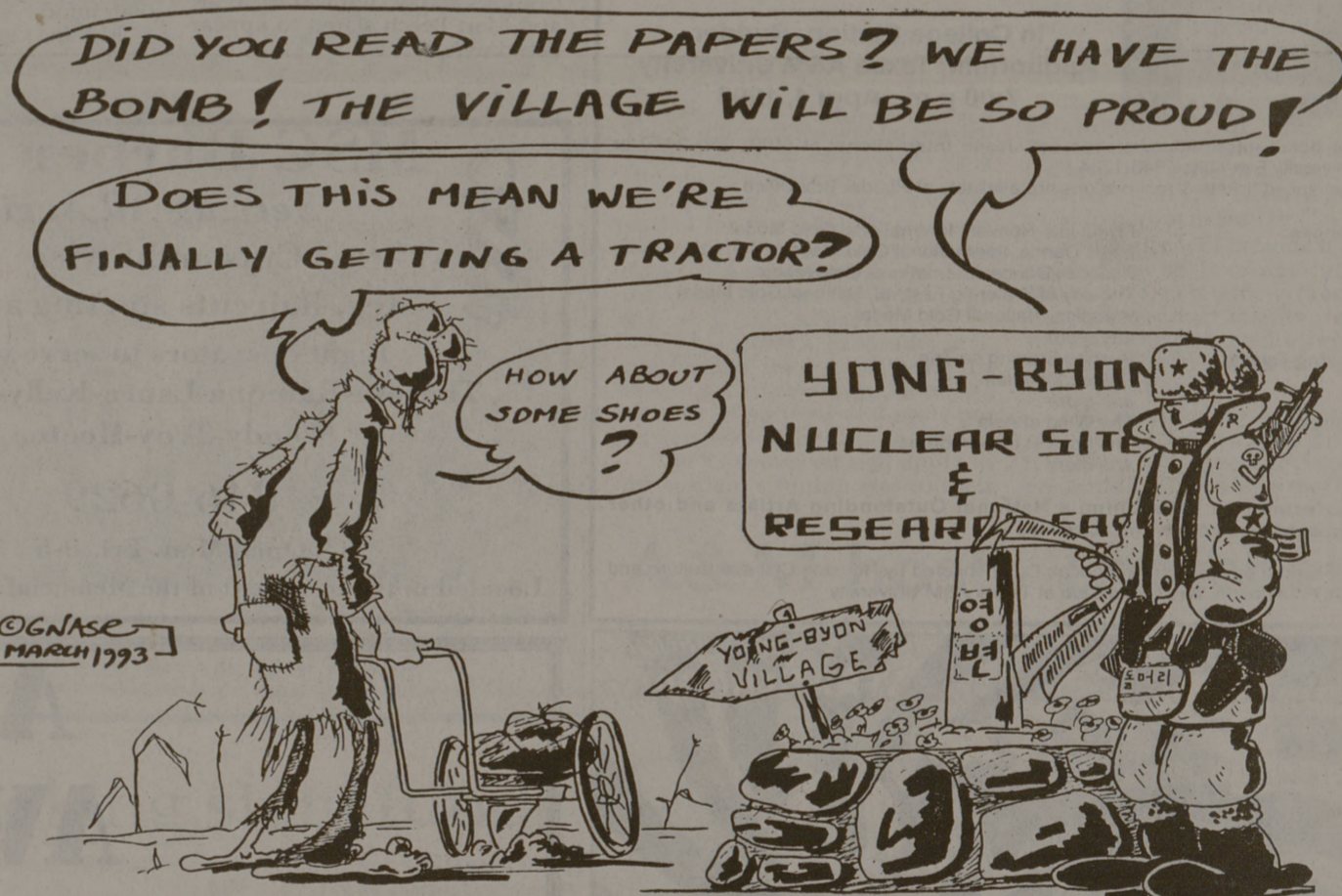
Clinton must walk a very fine line when dealing with the problems in North Korea.

Sanctions should not be ruled out but may not work against a country that is reacting more and more like a caged animal. The North Koreans also appear to be very jealous of the meteoric success of their hated neighbors, South Korea and Japan.

South Korea is believed to be feverishly working on its own nuclear weapons program and Japan is stockpiling plutonium at an alarming rate. American armed forces are currently engaged in joint maneuvers with South Korean military forces inside South Korea, a move that North Korea has described as "provocative," but Clinton must stand his ground and increase military readiness in the area.

The North Korean economy must be allowed to run its course without outside aid until they agree to disclose all atomic activities. And Clinton must be every bit as firm with North Korea as he has so far been with Iraq.

While an embargo would be counterproductive, other nations must also be firm with their dealings in North Korea, but some credit may have to be extended to head off a civil war inside the country that would put the entire Pacific Rim in danger.



COLLEGE STATION, TX
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1993
MAIL CALL

University talks out both sides of mouth

First of all, I would like to applaud Texas A&M for its recognition of a NORML chapter on campus.

However, I am very surprised. Two months ago I was arrested and charged with possession of marijuana. I was off-campus, but the University handed down a number of sanctions against me for violating its drug policy. I am confused as to how the University can in good faith punish me for being in possession of marijuana off campus, while almost simultaneously recognizing NORML on campus.

The logic behind A&M's drug policy is not reasonable. I understand A&M must enforce a drug policy on campus, but the University draws its right to punish off campus offenders by deciding "they are likely to interfere with the edu-

cational processes and orderly operation of the University." Isn't an organized group who are pro-marijuana more of a threat to the "orderly operations" of the University than a single person?

In addition, the University official who decides the off-campus offenders should be considered "likely to interfere with the educational processes of the University" does so, not by interviewing the accused personally, but simply by the nature of the offense.

Personally, I feel TAMU had no business in punishing me for being in possession of marijuana off campus in the first place. In recognizing NORML, they have succeeded in completely underscoring their silly policy that anyone found in possession of marijuana, simply by the nature of the offense, can be punished, if not suspended.

Jenny Davidson
Class of '95

'Aggie' mars grad's impression of A&M

Last semester several Aggies wrote about being harassed by other Aggies because of their choice in dress and general self-presentation. These letters made me very sad, but I also felt lucky that I had not encountered the same type of molestation considering my hair has been every color of the rainbow, and my style of dress is definitely my own. Perhaps these were unjustified, isolated incidents. Since I hadn't encountered them, and I'm graduating in May, I thought I wouldn't.

On Friday, March 5, I crossed the street in front of a few cars near Deware. As a car passed, the male passenger yelled, "Go back to Texas University!" Go back? I've never attended that school. My father '64, mother '68, and uncle '69, passed on their love for this school to me. My father taught here; my sister was born here, and I live four blocks from my parents' first house. I even study agriculture! It seems to me I was meant to be an Aggie. Go back to t.u.?

It's sad that one person could say something to make me feel so bad, but he did. What's worse is, he had a proud A&M sticker on his car just like the A&M sticker on mine. Not only am I an Aggie, I have thrived here. I've earned scholarships, made good grades, been active in

organizations, worked on campus, represented A&M in athletic and academic competition and attended the spirited sporting events. Why does the way I choose to present myself make me less of an Aggie in another Aggie's eyes?

As graduation draws near and the offers from graduate schools flow in, I have been thinking of the good memories of A&M I will take with me. I thank the Aggie in that car for marring them a bit.

Karla Rachelle Goldman
Class of '92

Ticket decision delay angers May graduate

I am graduating in May and am writing in reference to the new "ticket system" for graduation. I received a letter from the Office of Admissions stating that the graduation in 73 days can only be seen by having a ticket. I understand the need to provide a safe environment for the visitors, and the need to have the campus not so crowded for the faculty and staff, but the notice of this arrangement is appalling.

I have reserved three rooms already for graduation, and now they are telling me that all of my family can not come? I

have five sisters, so the six tickets will not even cover half of my family. All of my family had an influence on my finishing college, and thus they do not want to watch me walk across the stage on television. If A&M wanted to change its policy, they should have given more notice than 73 days.

It is very inconvenient for all the people who made graduation reservations back in November. It is unfair to do this to the May graduates. Implementing the system next year would have been a better choice. A&M is supposed to be a well known University for having indescribable graduations. This new ticket system has definitely shattered that tradition.

Linda McDonald
Class of '92

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