

# JAPAN ECONOMIC CURRENTS

A COMMENTARY ON ECONOMIC AND BUSINESS TRENDS

## Promotion of Diversified Healthcare Services to Revitalize Japan's Economy

by Yukihiro Matsuyama, Fujitsu Research Institute

### **J**apan's Population Expected to Decline by Half

According to government estimates, Japan's total population, which stood at 127 million in 2000, will gradually shrink by almost half to 64 million in 2100. By contrast, the US population is expected to double, from 281 million in 2000, and to 570 million in 2100. Japan, then, has a four-fold handicap in its efforts achieving the same economic growth rate as the United States.

A downward trend in population expansion (Japan's 2001 total fertility rate of 1.36 is below the rate of replacement) inevitably leads to an aging society. In 1990, only 12 percent of the Japanese population was

elderly (those aged over 65) somewhat lower than the level of 12.5 percent in the United States. Only ten years later, however, the percentage of Japanese elderly represented 17.4 percent of total population, while it stood nearly unchanged at 12.7 percent in the US. More alarmingly, Japan's elderly population is expected to register 35.7 percent in 2050, compared to the corresponding US forecast of 20.3 percent.

The problem of Japan's aging society is so serious that it jeopardizes the sustainability of the country's social security system which is based on the assumption that the active working population will support the elderly. The Japanese government, however, has delayed implementing drastic structural reform plans to revise the current system.

The table (see page 2) compares the expected premium rate hike in Japan's social security system between 2000 and 2025 and that of the United States. As of 2001, total insurance premium payments (including employers' contributions) accounted for 27.0 percent of monthly salaries in Japan and 15.3 percent in the United States. The

11.7 percent difference in individuals' burden is owed to two factors: (a) Japanese retirees receive more generous public pension benefits than American retirees, and (b) the US figure does not include medical insurance premiums for working people (a little more than 8 percent of workers' pre-tax salary). As a result, the actual spread is a more modest 3.7 percent.

Assuming no change in the current system, however, extensive demographic analysis reveals that the ratio of insurance premium burdens will soar to 46.7 percent in Japan in 2025, while only a moderate increase of 22 percent is predicted for the United States. This 24.7 percent difference between the two countries by 2025 (exceeding today's gap by 13 percent), means that Japanese companies and its employees will be forced to bear much heavier costs to support the aged population. It is certainly possible that some Japanese companies might be persuaded to move their headquarters to the United States.

### **More Funds to the Healthcare Sector**

Table I, on the other hand, suggests a solution for the

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# Promotion of Diversified Healthcare Services to Revitalize Japan's Economy

## U.S.-JAPAN COMPARISON OF PREMIUM RATE FORECAST IN SOCIAL SECURITY SYSTEM (DATA BELOW INDICATES PERCENTAGES)

		2001	Increase	2025
Japan	*Public Pension	17.35	14.55	31.90
	**Healthcare (Medical & LTC)	9.67	5.17	14.84
	<b>Total</b>	27.02	19.72	46.74
US	Social Security	12.40	3.6	16.00
	Medicare Part A	2.90	3.1	6.00
	<b>Total</b>	15.30	6.7	22.00

\*NUMBERS LISTED IN COLUMNS OF "JAPAN'S PUBLIC PENSION" ARE THE GOVERNMENT ESTIMATION.

\*\*NUMBERS FOR "JAPAN'S HEALTHCARE" CATEGORY ARE THE AUTHOR'S ESTIMATION, INCLUDING PREMIUMS FOR BOTH MEDICAL AND LONG-TERM CARE INSURANCE.

NUMBERS FOR THE UNITED STATES ARE THE AUTHOR'S ESTIMATION, BASED ON PUBLICLY RELEASED MATERIALS FROM THE US GOVERNMENT.

Japanese government to overcome negative effects of aging society, because three-quarters of the potential increase in social security premiums is related to pensions, accompanied by a minimal increase of approximately 5 percent in healthcare - a manageable level.

The catastrophic increase in the ratio of expected pension premiums to salaries is largely due to a defect in the present system: pension benefits have been systematically raised before actual increased premiums were implemented. In fact, average Japanese senior couples aged above 65 receive a monthly pension of ¥230,000 (\$ 1,870). If they maintain a frugal lifestyle, this income is sufficient to cover

expenses and leave their personal savings untapped.

In the meantime, wary of worsening an already gloomy economic outlook, the Japanese government has been postponing planned pension premium increases since the bursting of the so-called economic bubble in the early 1990s.

As a result, even an optimistic scenario prepared by the Japanese government reveals a terrifying revenue shortfall totaling ¥544 trillion (\$4.4 trillion) in pension funds for private corporate employees and civil servants. Inevitably, the government will be forced to reduce the actual value of the current pension benefits by 15-20 percent – not only to cover the shortfall, but more fundamentally,

to redistribute the burden of paying for the retirement of Japan's seniors.

### Is A Solution At Hand?

Winning public approval for such a drastic 15-20 percent reduction in pension benefits could provide the Koizumi Cabinet with a promising political option in promoting structural reforms under consideration. Why? Despite a mathematical reserve shortfall in the long run, pension funds for private corporate employees currently hold ¥170 trillion in reserve - sufficient to cover six years in benefit payments.

Therefore, by cutting benefits, it would be possible to save the system without undermining financial stability of Japan's pension system by refunding a part of pension reserve (¥25 trillion) to working generations, and by freezing the current pension premium rate to 17.35 percent for a decade or longer. Furthermore, a 1 percent increase per year over the next ten years in the consumption tax would generate additional tax revenue of ¥2.5 trillion every year, which could be applied to cover the retirement costs of today's workers.

As a result, the government could implement the consumption tax increase - a prerequisite for

rebuilding the structure and foundations of the economy under the structural reforms - in a way to offset its negative effects by refunding a part of pension reserve.

This proposal (a tax increase coupled with a relief measure) essentially shifts income from the relatively well-to-do elderly to younger working generations while securing tax revenues to support healthcare programs for the ever-expanding aged population.

### **More Consumer-Oriented Healthcare Services in the Near Future?**

Securing funds to support increasing healthcare expenditure is only a first step. Next, in order to cope with the rapidly aging society, Japan needs a system that could optimize such funds and thereby enable the promising healthcare sector to play a key role in revitalizing the Japanese economy.

Healthcare providers need capital to create and expand new business, which in turn generate new employment. There are many beneficial spill-over effects, as well: (i) a reduction in the time required for biotechnology drug development, as well as clinical application of regenerative medicine, (ii) the development of rehabilitation facilities, and (iii) the

establishment of more efficient specialized medical facilities (such as acute care and semi-acute care hospitals).

Japan's universal healthcare insurance system consists of medical insurance and, since 2000, long-term care insurance. Although all citizens subscribe to one type of medical insurance, the present system is structured in such a complicated way that most politicians do not fully understand it. Japan's healthcare insurance system faces four basic problems:

(1) There are more than 5,200 insurers (most are small-sized organizations that carry annual deficits), of which there are: 3,242 municipalities managing National Health Insurance (covering all non-corporate employees – such as self-employed persons and farmers); 1,756 corporate health insurance associations (covering workers in large corporations); one government-administered health insurance program (principally covering employees of small and medium-sized companies); 23 mutual aid associations for national public service employees; and 54 mutual aid associations for local government employees, and other insurers.

(2) Recent data reveals that approximately ¥12 trillion was

spent by the government to support Japan's health care system. Annual healthcare expenditures now reach ¥35 trillion – skyrocketing spending in this sector due to Japan's demographic changes will continue to aggravate the nation's financial conditions.

(3) Many employees are angry that approximately one-third of the premium revenue of corporate health insurance associations of large corporations is allocated to programs specifically designed for the senior citizens aged above 70.

(4) Approximately 9 percent of those enrolled in the National Health Insurance fail to make their premium payments. In addition, Japan's healthcare system puts an inequitably heavier burden on corporate employees in premium payments than on self-employed persons, who sometimes avoid paying their full tax obligations by understating their self-reported income to tax authorities.

In order to solve these problems, the Japanese government has been discussing drastic reform plans of its health insurance system for more than four years, but has not yet reached a final conclusion. Meanwhile, healthcare providers have been facing various problems, including:

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1,002 municipal hospitals – major healthcare providers in many regions – have reported annual deficits exceeding ¥70 billion, with accumulated deficits of ¥1.3 trillion. A lack of good management is primarily responsible for such financial crises.

(1) 42 national university hospitals across the country are suffering from even more irresponsible and poor management than municipal hospitals: there is no financial data available by type of medical care.

(2) Many regional medical institutions offer only general services, and are not specialized in certain medical treatments. As a result, they tend to make redundant investments.

(3) There is no nationwide database available to healthcare providers, which can serve as an information base for medical guidelines or clinical protocols. Therefore, patients are facing a risk of irregular quality of medical treatment.

In essence, Japan's healthcare industry is the largest in its size, but the slowest in introducing market principles it lacks a system to create services that would appeal to many more healthcare consumers, even with extra fee payments.

Not surprisingly, these compounding problems are driving calls for reform plans these days. Minister of Health, Labor, and Welfare, Sakaguchi, has suggested his private reform plan to integrate healthcare insurers by prefecture. This plan, which turned out to be more drastic than one prepared by bureaucrats working under him, could solve a problem of small-sized, weak insurers that are overprotected under the present system. To the dismay of bureaucrats who did not take Sakaguchi's proposal seriously because they expected him to lose his office in the October cabinet reshuffle, he was reappointed.

Second, today many prefectural governors are eager to integrate all the parties involved in healthcare services in their districts. Such integration means collaboration among medical institutions, universities, and the private enterprises, in order to provide residents with quality medical services by global standards. Such collaboration is clearly the most effective way to achieve financial stability without having to take central government subsidies.

Third, given a financial crisis not only in many localities, but for the central government, both municipal and national university hospitals

must take the initiative to carry on without government support.

In conclusion, momentum for reform is driving the creation of a Japanese version of an Integrated Healthcare Network/Integrated Delivery System. Such a system would do much to improve the quality of medical services in Japan, as well as trim costs by promoting specialization of medical institutions and/or their vertical integration by region. ■

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# “US and Japanese Commercial Interests Converge Over China’s IPR Regime”

by Myron Brilliant, US Chamber of Commerce

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Over the past twenty years, the United States and Japan have been viewed more often as competitors than strategic partners on the global stage. Highly profiled battles over steel, agriculture and trade policy, in general, have frequently dominated bilateral economic discussions between the two governments and their respective business sectors.

“In light of this ongoing concern, the United States and Japan have a common agenda to help the Chinese government improve its efforts to protect IPR in that market.”

Today, however, we see a potential area of collaboration that deserves attention and could serve as a model for future cooperative efforts. China’s entry into the World Trade Organization (WTO) and in particular, in the area of intellectual property rights (IPR) provides this important opportunity for our two countries to work together on a common agenda.

Businesses in both Japan and the United States realize the potential of China’s market and we both are eager to work with China as a partner in this important and historic endeavor. The stakes are

large. In becoming a member of the WTO, the world’s most populous nation agreed to undergo a major transformation of its economic system and accept global business practices.

A wide-ranging education program is underway throughout China, with government and party officials, judges, and industry executives receiving training in WTO principles. Moreover, a

broad range of technical assistance programs, in cooperation with foreign governments and businesses, are being adopted to help China with its capacity to meet the demands of accession. With the world watching and with the strong commitment of the Central Government in China, there is no question that China can be successful in implementing its WTO commitments that would strengthen the global trading system as a whole and encourage further trade liberalization.

In implementing its commitments, however, China does

face a myriad of challenges. The commitments required China to pledge to both general and specific actions, ranging from adoption of WTO principles of non-discrimination, to a major overhaul of existing laws and trade practices, to reducing or eliminating tariffs, quotas or other barriers on more than 7,000 agricultural and industrial products. While some of the commitments will be phased in over 10 years, the complexity of the task for China is enormous, especially given its diversity from region to region.

## The US and Japan Have Common Interests in Enforcing IPR

In the area of in the area of IPR, American and Japanese companies have high hopes that China’s accession into the WTO will lead to the development of a regime that cracks down on widespread IPR violations. Counterfeit and pirated products made in China have damaged US and Japanese industries, ranging from electronic appliances and motorcycles to pharmaceutical products, DVDs, and game software. In light of this ongoing concern, the United States and Japan have a common agenda to help the Chinese government

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improve its efforts to protect IPR in that market.

In joining the WTO, China committed to comply with the WTO's TRIPs Agreement (Trade-Related Aspects of Intellectual Property Rights), upon accession. The TRIPs Agreement defines the scope and enforcement obligations of signatories in various areas of intellectual property rights, including copyrights, patents, trademarks and trade secrets. Under the terms of its WTO accession, China is to provide specific details on aspects of its laws and administrative practices that need to be changed to conform with both the letter and intent of the TRIPs agreement. China is also required to improve its enforcement regime, including implementing effective civil, criminal and border measures.

To be fair, China has been working on IPR protections since the early 1990s – it has made important improvements in its legal framework by amending its patent, trademark and copyright laws consistent with the provisions of TRIPs. Yet piracy in China remains rampant and a continuing concern of the business communities in the US and Japan. According to the Business Software Alliance, estimates of losses in China for

global companies from IPR retail and software piracy for 2001 alone were about \$1.7 billion.

Despite some progress in promulgating and revising regulations to advance protection of IPR, enforcement remains inadequate and infringement continues. In part, this is an issue of political will on the part of central and local government officials in China. Rule of law generally, including in such areas as transparency, judicial review, and uniform enforcement of laws need to be strengthened. Moreover, enforcement of IP rights will not be a deterrent or effective until significant civil and criminal penalties are applied routinely to IP infringers.

What are intellectual property rights? Do the United States, Japan and China place the same value on protecting such rights? In the great economic histories of the United States and Japan, both countries have developed their own unique experiences and perspectives on the issue of intellectual property. It has been a difficult position to argue that ideas can be a form of property, and even more difficult to enforce rights to that property. What's more, the United States and Japan both benefited economically when their

stock and protection of intellectual property was relatively low. Over time, however, both countries realized the benefits of an effective IPR system, overcoming fears of innovator monopoly.

Historically, many in China did not see safeguarding of IPR as in their personal, or national interest, as the costs of legal acquisition of technology can be very high. Moreover, IPR enforcement is perceived as a foreign initiative, only benefiting companies abroad. Traditional Chinese thinking does not consider knowledge to be a form of property. It has been often perceived as a western idea with immediate benefits to western concerns.

Yet, there are important signs that this is changing. There appears to be a growing recognition that protecting intellectual property rights is essential in order to foster an innovative technologically driven economy. Despite the above-mentioned reservations, increasingly the Chinese government understands the link between promoting innovation and protecting IPR. IPR protection will facilitate economic development in China.

How can private sector efforts in the United States and Japan bolster China's stake in an IPR regime?

**2000-2001 ESTIMATED U.S. TRADE LOSSES DUE TO COPYRIGHT PIRACY IN CHINA  
(IN MILLIONS OF U.S. DOLLARS)  
AND 2000-2001 ESTIMATED LEVELS OF COPYRIGHT PIRACY (IN PERCENTAGES)**

<b>MOTION PICTURES</b>				<b>ENTERTAINMENT SOFTWARE</b>			
Loss: 2001	2000	Video Piracy: 2001	2000	Loss: 2001	2000	Piracy Level: 2001	2000
160.0	120.0	88%	90%	455.0	NA	92%	99%
<b>RECORDS AND MUSIC</b>				<b>BOOKS</b>			
Loss: 2001	2000	Piracy Level: 2001	2000	Loss: 2001	2000		
47.3	70.0	90%	93%	130.0	130.0		
<b>BUSINESS SOFTWARE APPLICATIONS</b>				<b>TOTAL LOSSES</b>			
Loss: 2001	2000	Piracy Level: 2001	2000				
717.4	765.1	93%	94%	1,507.0	1,085.1		

SOURCE: IIPA.COM

OTHER SOURCES: BUSINESS WEEK ARTICLE ON HIGH TECH IN CHINA  
COLUMBIA UNIVERSITY CONFERENCE ON US AND JAPAN COOPERATION ON IPR  
FEER ARTICLE ON THE CHINESE SOFTWARE INDUSTRY (SEPT 19 ISSUE)  
US EMBASSY TOKYO, US EMBASSY ITALY

Siemens, and Matsushita are investing in huge projects. These investments aren't for production or assembly, but research projects, seeking to tap into China's quickly growing intellectual resources. A record 465,000 Chinese students graduated last year with degrees in science and engineering – almost equaling American levels.

Chinese officials particularly want to encourage the Chinese software industry, and recognize that international standards must be applied in its development, and at international prices. China's current software industry is small, but growing at about 30 percent a year. Chinese will soon be the dominant language on the web and China has one of the most developed broadband connections in the world. With ever greater numbers of Chinese intellectual property producers – entrepreneurs who have the ear of officials and the admiration of the people – calls for greater IPR enforcement will grow louder. They

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Many foreign companies that have been unsuccessful in China quickly realize how the lack of IPR protection impacts their bottom line. The choices are simple. Some of these companies might elect to invest other markets but most see the long term potential in China and are determined to try to influence Chinese attitudes about IPR. Many in Japan and the United States recognize that cooperative efforts can be made towards helping China see their own stake in a better IPR regime. There is currently very little patenting activity by Chinese companies, but as the economy develops and modernizes, this activity will rise.

Multinational companies, in particular, have resources to invest in building awareness of this issue and many are taking action. Take Microsoft, for example. They are investing \$750 million in research and training programs in China. This is partly because of China's regulation that foreign companies wishing to do business must have a domestic partner – domestic roots. But by entering into this partnership, Microsoft will nurture domestic forces that will fight for their own stake in IPR rules. Indigenous intellectual property will change the face of the argument from foreign to Chinese. Not only Microsoft, but Alcatel, GE, Intel,

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will be the biggest force on the frontline to change public opinion.

It will be some time before these forces can gather enough steam to compete globally. Intellectual property products constitute 7 percent of US GDP, but still just 2 percent of Chinese GDP. The trends, however, are clear: China is not content to be relegated to low-tech manufacturing. The government commitment to technological advancement will provide its own impetus for strengthening IPR enforcement.

Exporters of intellectual property should not wait for domestic Chinese forces to realize the benefits of IPR. Admittedly, this is a long-term solution. Private sector partnerships like those spearheaded by Microsoft and Matsushita show how American and Japanese industries can help new Chinese companies and themselves by entering into joint ventures with these new companies and guiding them towards IPR-responsible production.

### **Sharing experiences: IPR is All About What You Know**

The US and Japanese governments can help foster progress in China by exploring cooperation between their relevant government agencies and those in China. The US and Japanese patent

offices have a long history of cooperation. A recent agreement to recognize each other's patents is a testament to the high regard they place in each other, and their willingness to cooperate.

Along with the USTR (the US Trade Representative) Office, Japan's Ministry of Economy Trade and Industry and other departments, these two countries offices can draw on their respective strengths to push China towards better IPR rules and enforcement. The United States, with the greatest amount of pirated materials in the world, has extensive experience in enforcement. Japan has more recent experience in the transition from a technology importer to a mature technology exporter. And Japan has the most advanced patent office in the world, and has courts dedicated entirely to complex IPR cases.

The US Congress appropriated just \$20 million for a myriad of domestic agencies like USTR, as well as the Departments of Commerce and Agriculture, to help China enforce IPR. Yet the US Patent Office has no staff in China. The Japanese Patent Office does have full-time staff in China, which could act as a model for a US team. Funding for these kinds of projects is essential on the US side.

Information sharing is the lifeblood of any U.S.-Japan cooperation, and if possible, formal channels should be developed to make it easier for the two countries' relevant bodies to communicate concerns and exchange information. American and Japanese enforcement officials' experience can be passed on to Chinese police and customs agents through seminars and educational campaigns. Transfers of American and Japanese enforcement technologies could help support a new IPR system. A provincial rating system would address regional disparities in IPR enforcement and allow companies to target problems in particular provinces. Rating local governments could put pressure on them to do a better job with enforcement.

### **Capacity-Building will Make the Difference**

Together, the two governments should cooperate to give financial and technical assistance to help cover the overall costs of China's IPR system. While almost every government agency has hired people to monitor and enforce China's compliance, more can be done to help build the Chinese IPR regime's capacity.

Lack of knowledge and understanding and insufficient

“By working together and through our governments in conjunction with relevant bodies in China much can be accomplished.”

training also impedes effective enforcement efforts in China. A broad range of private sector companies and groups from Japan, the United States and Europe should coordinate on developing a unified plan for supporting China's capacity in the IP area. Currently, most of the efforts are ad hoc and bilateral in nature. The problem is too serious and important to be addressed in an uncoordinated manner. Mere explanations of how the US or Japan approach IP enforcement are not alone going to result in significant changes in China's IPR regime. By working together and through our governments in conjunction with relevant bodies in China much can be accomplished.

We should further work to build multilateral support for these capacity-building efforts. The World Bank and World Intellectual Property Organization (WIPO) have programs to help developing countries, but costs are very high to address enforcement administration, judicial processing, increased burdens on penal systems, and most immediately important, and the costs of the actual development of a system. The two governments can

help advise China on compliance with the Trade-Related Intellectual Property Rights (TRIPs) Agreement and on judicial improvements.

The original TRIPs Agreement was engineered to be a trade-off between assumption of IPR obligations and market access in agriculture, textiles and apparel, and the US and Japan should not impose trade-distorting barriers in these areas. As a further measure of goodwill, the US and Japan can jointly comply with TRIPs Article 66.2, which provides for additional technology transfers into developing countries. Medicines would be particularly appropriate as a gesture of goodwill, and could be subsidized by the government or private intellectual property-concerned parties.

### Conclusion

IPR has been a fertile ground for Americans and Japanese to work together, and it is a promising area for future cooperation. Private sector organizations and companies in Japan and the United States have a vital role in fostering change in China. Some organizations are mobilizing in the United States including the US Chamber of Commerce, the

Pharmaceutical Research and Manufacturers of America, the International Intellectual Property Alliance, the Business Software Alliance and International Anti-Counterfeiting Coalition. Promising dialogue between US organizations and their counterpart organizations in Japan have started.

The next step is for this dialogue to translate into a concerted plan of action that will be seen in China as constructive. I have high hopes that this can be achieved. ■

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Article prepared by Myron Brilliant, Vice President, Asia, US Chamber of Commerce with support and contribution from Orion Richardson, Asia Intern, US Chamber of Commerce. The views contained herein are the views of the authors and do not necessarily reflect the position of the US Chamber of Commerce.

# 'Heads Up On Hot Topics Affecting the US and Japan' "US Trade Agenda-Preview for 2003"

by Brink Lindsey, Cato Institute

The Bush Administration's trade policy can be characterized as "one step back, two steps forward," explained Brink Lindsey, the Cato Institute's Director for Trade Policy Studies.

Speaking at the "Heads Up on Hot Topics Affecting the US and Japan" breakfast December 18, Lindsey said that upon taking office, the White House concentrated first on winning trade negotiating authority (TPA, previously called "fast track") from Congress. Now that it has secured TPA, it will try to complete trade agreements. But the promises the Administration made in order to win enough votes to pass TPA were "one step back," Lindsey charged: now the US has to reconcile its free trade rhetoric with newly-enacted protectionist legislation.

Especially worrisome, Lindsey said, is that the US's 30 percent steel tariffs, its "obscenely lavish" 2002 farm bill, blocked Canadian softwood lumber imports, and tighter textile and apparel rules dealt a "body blow" to US credibility in convincing other countries to open their markets. "These concessions have provided protectionist politicians in other countries excuses on a silver platter and will make the US's efforts to liberalize trade in the World Trade

Organization (WTO) much more difficult," he predicted.

## Bush Trade Policy

On the multilateral front, the US has recently offered two bold proposals – one to eliminate export subsidies on agriculture and limit trade-distorting domestic price supports, and the other to eliminate all tariffs on industrial goods by 2015.

But while both proposals are ambitious, many trading partners, especially developing countries, Lindsey said, will be skeptical about whether the Bush Administration will actually remove all protections to the US agriculture, textiles, and steel sectors.

Turning to the long-discussed hemispheric Free Trade Agreement of the Americas (FTAA), Lindsey said the initiative is on "life support but neither the US nor the South Americans want to be blamed for killing it" by admitting they cannot make the painful concessions required.

Bilateral free trade agreements (FTAs) with Chile and Singapore have just been concluded and Congressional approval is certain. But other FTAs, which are primarily prompted by foreign policy and security concerns (with Morocco, Central America, Southern Africa

and Australia) will not proceed so quickly, Lindsey believes.

But given the fact that the WTO will – at best – meet its end-2004 timetable, and the FTAA is nearly dead, bilateral agreements are the only tangible accomplishments the Administration will be able to point to since the passage of TPA. As a result, Lindsey concluded, the Bush White House will continue to emphasize bilateral FTAs. ■

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Keizai Koho Center (KKC) is an independent, non-profit organization designed to promote the understanding of Japan's economy and society at home and abroad. Its financial resources are derived entirely from the private sector.

KKC fosters a deeper understanding of Japan's basic social structure. Furthermore, it conducts public affairs activities to improve the Japanese people's recognition of Japan's global role.

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