Abstract

The US–Japan trade dispute has been widely reported. It continues to threaten the stability of the world trading order because the United States alleges that the Japanese market remains ‘closed’ to its exports. The Clinton administration has made it clear that it will judge the openness of the Japanese market by results. In light of this, this paper examines how the pattern of Japan’s total multilateral trade and trade with the United States has changed between 1981 and 1991. It finds that between 1986 and 1991, more than half of the growth in Japan’s total multilateral trade, and all of the growth in trade with the United States, was a result of intra-industry trade growth. The paper also finds that most of the growth in intra-industry trade is a result of import growth in net export industries. This is the type of trade that the United States has been urging Japan to increase and is consistent with an opening-up of the Japanese market.

**HAS JAPAN BEEN ‘OPENING-UP’?: EMPIRICAL ANALYTICS OF TRADE PATTERNS**

**Introduction**

The recent escalation of the US–Japan trade dispute has been widely reported. The issue under dispute is the ‘closed’ nature of the Japanese market. The Clinton administration has made it clear that it will judge the openness of the Japanese market by results — using quantitative indicators of the success of importers in Japan rather than by Japan’s compliance with international trade rules.¹ With this criterion of ‘openness judged by results’ in mind, previous researchers have examined the extent of Japan’s intra-industry trade as an indicator of ‘openness’ (Balassa 1986; Lawrence 1987, 1991; Lincoln 1990; Lowe 1991; Park and Park 1991; Petri 1991; Ravenhill 1993; Saxonhouse 1986, 1993).² The focus on intra-industry trade underlies the recognition that the only way in which Japan can reduce its massive trade surplus with the United States (and some of the other OECD countries) is by increasing its share of intra-industry trade in total trade.³ This focus also derives from the fact that the US–Japan trade dispute is about the bilateral imbalance in manufactures trade, a category of trade in which intra-industry trade can play an important role.⁴ The United States and Japan tend to specialise in, and export, similar manufactured goods. In this context, Japan’s surplus could be reduced