Chapter 5

Nichibei, *Torii*, Leader?

Perceptions of Japan's regional leadership role (1990-1995)

> Bereft of a sense of direction, and uncertain about the future, Japan has been haunted by a vague angst about its future which has led it sometimes to hedge, and at least to limit, its commitment to demands, requests and suggestions coming from overseas that Japan, now a global economic power, should take on more global responsibility.[1]

For much of the Cold War, Japanese regional foreign policy priorities were prefaced on a low diplomatic profile on most issues, a course based on two primary, interrelated factors; to follow the US on major policy issues while re-integrating politically and economically with wary East Asia countries. With the end of the Cold War, the underlying need for Japan to show policy solidarity with the US diminished. Similarly, for the US, the end of the Cold War enabled it to push for greater reform on areas it had hitherto compromised. Amongst the major elements of this revision of US regional interests was the ease of access by East Asia (and Japan in particular) into the US domestic market. The large US trade deficit with Asia became an issue that cut across ideological and party political lines. Of interest for the regional actors and scholars was the extent to which the unfolding 'New World Order' would change regional political, strategic and economic dynamics. Some things, however, were unlikely to change.

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[1] T. Inoguchi, 'Four Japanese scenarios for the future', p. 15.

Despite the change in the international system, considerations of Japanese leadership in the Asia Pacific still revolved around the ideal that countries contribute to the international system in a fashion that is commensurate with their economic and strategic profile. Much of the discussion revolved around Japan's leadership responsibilities as the world's second largest economy, primarily seen through its trade surpluses (especially with the US) and its position as an international and regional creditor. Other aspects of its position, such as its unwillingness to break with its Constitution and conduct military engagements overseas consistent with collective self-defence, were also discussed. Yet the perception of the benefits of economic strength more than outweighed the political and strategic elements when considering Japan's contributions to the maintenance of the postwar multilateral system. Seen in Chapter 2, for an increasing number of analysts, scholars and policymakers, the absence of Cold War constraints gave Japan an opportunity to make the most of its power.

For the most part, discussions of the role that Japan should play in the international system saw it using its developmental experiences and economic power to increase its responsibility as a leader in the regional and international political economy. What 'leadership' actually meant was: from a US-based liberal and realist informed view, Japan's post-war example could either fuel an expanded US-Japan 'New World Order' partnership or, respectively a continuance of existing support for US hegemony. Scholars and government officials on both sides of the Pacific began debate over what elements of Japan's foreign relations would change and what would be maintained. An often repeated argument was that Japan was no longer able to maintain the reactive foreign policy driven by the Yoshida Doctrine and the restrictions enforced upon it by its Constitution, particularly given the size of its economy and the increasingly global scope of its economic interests.[2] Traditional societal

[2] Y. Funabashi, 'Japan's International Agenda for the 1990s', in Y. Funabashi (ed.), *Japan's International Agenda*, New York University Press, New York, 1994, p. 2.

values and long established norms, such as perseverance and adaptation, or the addition by Takeshita of altruism, could not be the basis for global policies.[3] Yet the task of pointing out failures of the old system proved far easier than implementing new guiding principles. As previous scholarship was based on material capabilities, Prime Minister Suzuki's late 1970s/early 1980s characterisation of Japan as *ichiwari kokka* or the '10 percent nation' (of global GDP) was only a starting point. With the end of the Cold War and the ongoing clamour for Japan to increase its regional and global responsibilities, this achievement was now followed with a query - 'What are you going to do with the 10 percent'?

Along with the international aspects of Japan's role, an examination of Japan's domestic debate was necessary. Although Japanese public opinion generally supported a greater international role, a clear undertaking as to what this new position within the international community involved had yet to be announced to this audience.[4] Polomka chose to define what internal and external characteristics a new role for Japan should aim to accomplish, as well as a move away from a largely US-informed lens of Japanese leadership.

> Japan seeks acceptance as a 'normal' member of the international community which eschews a sovereign right to belligerency. It seeks a role, acceptable to its people, which sustains Japan's domestic cohesion and safeguards its security, including its core societal values; reassures its neighbours of its peaceful intentions; and makes an honourable contribution to the international common good while earning Japan authority and prestige commensurate with its economic and financial power.[5]

Amongst hazy concepts such as 'normal' and 'honourable contribution' used to define Japan's involvement in international affairs, Japan was also undergoing an internal debate about the need or desirability to internationalise its economy and society. Internationalisation (*kokusaika*) required definition and elaboration to overcome the insular (*sakoku*) mentality that arguably encapsulated the Japanese approach to regional and global affairs.

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[3] T. Inoguchi, 'Four Japanese scenarios for the future', pp. 15-16. Inoguchi commented that Japan's leadership spent most of its time "tenaciously adhering to time honoured ways of doing things".
[4] T. Inoguchi, *Japan's Foreign Policy in an Era of Global Change*, p. 102.
[5] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?' *Canberra Papers on Strategy and Defence No. 97*, Strategic and Defence Studies Centre, ANU, Canberra, 1992, p. 78.

The framework of this debate was neatly encapsulated by Chalmers Johnson. To his mind, "the questions are obvious. Role in what? What is to be the new play? What was and what happened to Japan's old role? Is Japan the only nation that needs a new role?"[6] Role inevitably depended on context – a difficult proposition considering that during the early stages of the post-Cold War era, it was unclear what this context was. Was the post Cold War system the 'end of history'[7] or another chapter in the convoluted but time-old narrative of international affairs? What seemed clear to Johnson were the variables that affected the choice that Japan took and the way in which analysts processed their information.

> … In order to conceive of a new role for Japan, one must first write the play in which Japan is to be cast. Its elements must include the vacuum left by the end of the Cold War, the anachronisms in the old Japan-US relationship, the decline of America industrially and the failure of American leaders to mount an economic reform program, the degree to which Japan is tying the East Asian region together economically, the ambiguities in Japan's political system (what Yamaguchi has called 'the blanks that were left in the Constitution'), and the structural differences between Japanese capitalism and Anglo-American capitalism.[8]

There were a number of answers to these questions provided by different analysts looking at varying aspects of Japan and its wider role. When largely US scholars talked of Japan and a leadership role, they often included one of the following as areas where they should show more responsibility and influence: 'speaking up' in international forums; 'taking the initiative' in bilateral and multilateral contexts; increasing its regional 'responsibilities'; increasing its burden of cost sharing in international collaborative efforts (such as aid and UN peacekeeping); working towards 'global objectives' (the environment, whaling); and providing intellectual input into global economic, humanitarian and security debates.[9] The language of increased responsibility asked Japan to enact an international profile reminiscent of the US, in keeping with hegemonic stability theory, or to reprise its Cold War role as hegemonic

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[6] C. Johnson, *Japan in Search of a 'Normal Role'*, IGCC Working Paper 3, University of California (San Diego), 1992, p. 1.
[7] See F. Fukuyama, *The End of History and the Last Man*, Penguin, London, 1992.
[8] C. Johnson, *Japan in Search of a 'Normal Role'*, p. 2.
[9] A. Rix, 'Japan and the Region: Leading from Behind', p. 64.

supporter, albeit with some postwar modifications. Implicit in this discussion of Japan's role were other issues with wider international political economy implications. Given Japan's domestic protectionism, US officials feared that Japan could subvert the evolution of non-discriminatory regional and global institutions, an important factor given US relative decline as a state interested in providing leadership to maintain, for example, an international trade regime free of restrictions.[10] Possessing the financial capacity and economic size to act, Japan was an obvious choice for a strengthened trade leadership role.[11]

Another set of responses to questions of role and Japan's position came from the immediate region. Whilst general East Asian interests in Japan's role coincided with some of those enunciated by the US, their perception of Japan's responsibilities was different. Whilst Asian leaders were in favour of increased trade and investment from Japanese government and business, they remained uncomfortable about economic power translating to political or strategic influence. After the Cold War, uncertainty and muted angst followed the seeming decline of the US regional presence and the 'vacuum' that would follow any withdrawal. While Mahathir Muhammad looked 'east' to Japan for economic assistance in maintaining Malaysia's economic growth and development, political and strategic influence were tempered by the sizeable US force presence in the region. Trust in Japan's actions was lacking, continuing Japan's legitimacy deficit in regional affairs.[12]

The end of the Cold War and the reticence to contemplate US withdrawal from active engagement in regional affairs drove debate on the role of the US and Japan. More often than

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[10] For Japan's role in mitigating this eventuality, see Y. Funabashi, 'Japan's International Agenda for the 1990s', pp. 18-20. This is most apparent in the continuing problems in agreement to the terms of the Uruguay Round of the GATT, a process that was to take ten years. Yet, at the stage APEC was created, the prospects for continued gridlock were substantial. For the problems of attaining an agreement in the GATT during the mid-1980s, see A. Capling, *Australia and the Global Trading System*, Cambridge University Press, Cambridge, 2001, especially Chapter 6. For the slow progress of the GATT and the impact this had on APEC's formation, see J. Ravenhill, *APEC and the Construction of Pacific Rim Regionalism*, Cambridge University Press, Cambridge, 2001, pp. 79-82.

[11] T. Inoguchi, *Japan's Foreign Policy in an Era of Global Change*, p. 141.

[12] A. Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the problem of Regional Order*, Routledge, London, 2001, p. 168, 181, 191 and M. Yahuda, *The International Politics of the Asia Pacific*, 2nd ed., Routledge, London, 2003, pp. 188-189.

not, their roles considered in light of these major factors were intertwined as a determination was made between power-sharing and burden sharing within the alliance. As noted in Chapter 2, there were four traditional roles that Japan could fulfil as far as academics and policymakers were concerned with: Japanese hegemony; US hegemony with Japan remaining as a crucial alliance partner in the Asia Pacific; Japan as supporter of a declining US (variously labelled as 'bigemony' by Rix, 'Global Partnership' by Miyazawa and Bush in 1991, *Nichibei* by Gilpin); or 'Pacific Globalism', where Japan would become an honest broker for East Asia in a world of decentralised global power and increased economic interdependence. With the US economic relationship, Japan had the option of hedging its bets and diversifying its portfolio of interests as much as possible.[13] However, the strategic partnership was broadly incompatible with a hedging tactic even though the broader post-Cold War alliance would need to be re-fashioned, re-cast or revoked. In the early 1990s, the US sought greater responsibility and burden sharing, fulfilling a long standing foreign policy objective to increase Japan's burden under the alliance.

The US debate on Japan's role, although couched in terms of choice, quickly reinforced the status quo. Whilst Rapkin and Johnson noted that Japan had greater systemic responsibilities, they simultaneously argued that Japan could not pursue such a role due to its legitimacy deficit and mercantilist economic policies.[14] Hence the 'new' role would be nothing more than a continuation of the old one, with one important distinction –greater Japanese contribution and support for US decisions, systemic or otherwise. If the US struggled to maintain its role as the hegemonic victor of the Cold War, Japan's responsibility was to prevent a return to systemic confusion, like that seen after the First World War. As a result, Japan could no longer continue with the luxury of its postwar policies of mercantilist economic policy, reactive foreign policy and a passive security profile.

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[13] T. Inoguchi, Japan's Foreign Policy in an Era of Global Change, p. 101.
[14] D. Rapkin, 'Japan and World Leadership?', pp. 208-210 and C. Johnson, *Japan in Search of a 'Normal Role'*, p. 3.

The early 1990s in US and Japanese diplomacy reinforced the difficulty in revising the relationship given the strictures placed on role and responsibility. While noting that although Japan had evolved into a more 'mature' nation, the alliance structure of the past 40 years remained largely unchanged. This was rhetorically re-emphasised in 1992 when President Bush met Prime Minister Miyazawa and pronounced that the responsibility for facing the challenges of the 21st century 'would be theirs'.[15] This policy was continued albeit without any great fervour into the Clinton Administration, although the push for greater Japanese contributions was always near the surface of the relationship. More interestingly, the status quo was rationalised as a way that Japan would support a continuance of US foreign policy, keeping the US with its 'isolationist tendencies' politically and economically engaged with the rest of the world.[16]

Japan's engagement with East Asia in general had hitherto been based on two central supports: the US alliance and the wider San Francisco Treaty system maintaining strategic stability in East Asia and; the increasing linkages between Japan, its rapidly expanding industrial concerns and raw materials acquisitions in Southeast and Northeast Asia.[17] Although the majority of exports from its affiliate manufacturing industries were destined for the US market and these businesses were more integrated with Japanese rather than the local economy, Japan was seen as the leader in regional development, due to its ongoing and increasing financial contributions to regional economic development. Japan's interests in producing low cost manufactured goods coincided with a wider regional interest in industrial development and state building, especially as the amount of Japanese FDI and ODA into Southeast Asia continued to rise from the late 1980s into the early 1990s (seen in Chapter 4, Tables 5, 6 and 8). However, the close link between these central supports meant that Japan's

[15] T. Kimura, 'Japan-US Relations in the Asia Pacific Region', p. 52.
[16] Y. Funabashi, 'Japan's International Agenda for the 1990s', pp. 16-18.
[17] The NIEs are typically described as Hong Kong, Singapore, South Korea and Taiwan.

leadership role in the region was constrained. From South Korea in the north to Indonesia in the south, Japanese rearmament or 'normalisation' and an extension of its security capabilities, either within the alliance or outside of it, posed problems for the regional economic and security environment. The 'burden of history' made Japanese foreign policy choices far more constrained than for its Pacific allies and neighbours.

Although refraining from direct comments for the most part, regional expectations of a Japanese leadership role remained firmly linked to its ability to maintain a strong position in the region's economic development – both directly, through trade and investment, and indirectly, as a de-facto supporter of regional interests in multilateral fora.

> Japan's primary regional role in this scenario would be that of coordinator or promoter of the interests of the Asia Pacific countries, which have not been fully represented either in the UN system or in the economic institutions of the industrialised countries, such as the OECD. Japan's secondary regional role is that of moderator, especially in security areas.[18]

This revised role would also enhance regional peace and security measures through the alliance with the US and the incorporation of the region's socialist countries into the regional political economy.[19] Also, from this perspective, Japan could act as an 'honest broker' to diffuse tensions or reconcile combatants in conflicts, such as Cambodia and Korea. The role that this view supported was one of mutual benefit; not only could the pursuit of this role aid in assisting regional economic interdependence, but it could also reduce regional security concerns and mitigate Japan's legitimacy 'debt'.[20]

Often trying to mitigate tensions between the two regional role conceptions required Japan managing the tension, often through reactive diplomacy. Japanese ideas of 'comprehensive security' also fitted into this framework, given Japan's awareness of traditional security paradigms and the potential for this dialogue to be misconstrued by its neighbours as a return to the past. Traditional security demands needed expanding to take into account security

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[18] T. Inoguchi, 'Four Japanese scenarios for the future', pp. 22-23.
[19] Y. Funabashi, 'Japan and the New World Order', p. 69.
[20] T. Inoguchi, 'Four Japanese scenarios for the future', p. 24.

of resources and economic power given the growing levels of power in East Asia. This argument also coalesced around specific Japanese vulnerabilities, as well as balancing US and regional views of role and regional security in the one broad policy. The idea of comprehensive security in practice could be seen in the creation of the ASEAN Regional Forum (ARF) in 1994. However, as this chapter demonstrates, the peculiarities of Japanese foreign policy were not the concern of US foreign policy.

This chapter covers a number of formative events in the construction of perceptions of Japanese leadership during the first half of the 1990s. The first was the advent of the Gulf War and the role it was expected to play as a major economic power. It also became a formative event in its post-Cold War relations with the US. The Gulf War and the US demand for 'practical support' from allies like Japan undermined its hedging policies. Japan was left in no doubt about the hierarchy of the alliance. Any financial power Japan possessed would not count towards its role or leadership: the 'checkbook' would not be the equal of military power as far as the US was concerned.[21] Japan's heavily criticised responses to this conflict were to pre-occupy Japanese policymakers and a wide variety of scholars around the world. Its decision to rely upon reactive foreign policy instruments was the result of compromise to not only give the US support but also not alarm East Asia with its actions. As became apparent during this period, explored during Chapter 6, the decisions that Japan was to make were to have sizeable repercussions for its regional position during the latter part of the decade. Japan was expected to act 'responsibly' in contributing to the US-led UN efforts in the Gulf War. The US insistence on Japanese military cooperation was a sign that the Japanese leadership the US wanted was different from what Japan was prepared for and, at the time, what East Asia expected from Japan.

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[21] T. Inoguchi, *Japan's Foreign Policy in an Era of Global Change*, p. 104.

Second, Japan's increasing economic weakness exacerbated questions of economic leadership, especially in East Asia. Increasingly, Japan and its model of state-led development was seen by developing countries in the region as a means to speed the pace of their economic development. However, they sought to emulate this model at a time when Japan was increasingly unable to provide this support because of its own growing economic weakness. This period saw the increasing influence of the US/EU-sponsored neoliberal model through the programs of the IMF and World Bank with Japan struggling to defend its de-facto leadership of the model. As the head goose in the chain of 'flying geese' economic development, the example that it provided in the 1990s was nowhere near as persuasive as its experience during the 1980s. East Asian perceptions of Japanese leadership relied heavily on Japan's economic development and its ability to facilitate the region's economic growth and development. With this element of Japan's regional influence in relative decline, Southeast Asia in particular looked to other partners, namely China and international markets, to pursue its agenda of national development.

Japan-US relations: Supplant or support?

The early 1990s saw a period of renewed interest in the relationship between the alliance partners. With the Cold War's conclusion, a modified environment began to evolve in the Pacific theatre, where the *raison d'etre* for the US and Japan alliance was in question, leading some, like Johnson, to see the need for a new basis for the partnership.[22] Would the traditional US bilateral 'hub and spokes' foreign policy approach to its dealings in the region during the Cold War continue unchanged?[23] Would the responsibilities of the partner members remain the same or be re-negotiated? There was much debate on what power balance would exist

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[22] C. Johnson, *Japan in Search of a 'Normal Role'*, p. 2 and T. Kimura, 'Japan-US Relations in the Asia Pacific Region', p. 56.
[23] D. Crone, 'Does Hegemony Matter? The Reorganisation of the Pacific Political Economy', *World Politics*, 45(4), July 1993, pp. 503-504.

between the alliance partners, following on from the highpoint of macroeconomic cooperation demonstrated in the mid to late 1980s between Japan and the US through the Plaza Accord (as seen in Chapter 4). And would Japan's role in the partnership increase, remain static or decrease?

The end of the Cold War drew attention to continuing role of US bases, with post-Cold War administrations in the US searching for a 'peace dividend' and regional countries ambiguous about the remaining US presence in light of the changing strategic environment. During 1994, US forces pulled out of The Philippines and reduced their numbers in South Korea. The prospect of similar cuts in Japan's deterrent faced a negative reaction from a number of fearful Japanese policy elites. The potential for this to occur highlighted ongoing dilemmas for Japan's role in the region. A diminution or withdrawal of the US deterrent might lead to a Japanese military build-up, which might re-consider the constitutional limits on offensive military capabilities such as nuclear weapons despite strong domestic and regional opposition to this.[24] The US had a historical role in maintaining not only this fear but also its solution. During Nixon's meeting with Mao Tse Tung in 1972, the US-Japan alliance was promoted as the 'cap on the bottle' which prevented Japan from re-emerging as a military power.[25] This argument was the same as the one used after the end of official reparations agreements in 1949 and the signing of the Japan American Security Agreement in 1951. Similarly, the US government, in its discussions with individual countries in East Asia, remained prepared to promote the alliance in mutually beneficial terms.

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[24] E. Brown, 'Japanese security policy in the post-Cold War era', p. 442. This, according to various observers, including Sato Seizaburo and Ozawa Toshi, would cause a rethink of military and security policy that could lead to Japan developing nuclear weapons. The potential for such a program existed; in the early 1990s, Japan was believed to be able to achieve this within six months of a decision being made.

[25] T. Inoguchi, 'Japan's United Nations peacekeeping and other operations', p. 87 and The Japan Times, "Nixon: Keeping Japan in check in US interest," [http://www.japantimes.com/cgi-bin/getarticle.pl5?nn20031216b6.htm], Accessed 16/12/2003.

Much of the debate on future roles highlighted the durability of the Japan-US Security Treaty constructed in 1952. For US-Japanese policymakers and academics close to the alliance, the maintenance of the US force presence remained crucial, albeit for different reasons. For Japan, it acted as a foundation for its own perception of security and enabled Japan to deter potential threats whilst also remaining within the rhetorical limits of the Constitution. From a US perspective, the presence of the Seventh Fleet and Eighth Army in Japan provided a base from which its forces could deter conflict at regional hotspots in East Asia (namely Taiwan and the Korean Peninsula), through both conventional and nuclear capabilities. Those who supported a continuance of the alliance argued that, although regional conditions had changed, the alliance would evolve to fit new regional circumstance as it had since the 1950s. The new alliance rationale relied upon inertia and the common belief that any systemic divorce was destabilising and hence undesirable.[26] The alliance with the US remained intact, but would be seen primarily as a confidence building mechanism to build greater cooperation in East Asia, an argument that fitted within the image of Japan's status quo role supporting US regional and global leadership.

Yet, there were a number of factors that made other academics and observers question the inherent official desire to maintain the existing balance. The end of the Cold War tempted some to think beyond the existing maintenance of present strategic arrangements. Pressure on what Prime Minister Miyazawa called 'a pretence of foreign policy' (Japan's deference to US foreign policy interests) built as past assumptions made way to new realities.[27] While a 'normal' role was often used to pressure Japan to re-arm, other scholars suggested that 'normal' implied fitting Japan's foreign and strategic policies within the confines of constitutional legality. Analysts like Polomka argued that the US-Japan Mutual Defence Treaty was ill-suited to the

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[26] See J. Welfield, 'Rock of Ages or Edifice of Clay? The American Japanese Alliance at the Turn of the Millennium', *Pacific Research*, May 1996, pp. 6-11.
[27] M. Tamamoto, 'Japan's Search for Recognition and Status', in W. Hunsberger (ed.), *Japan's Quest: The Search for International Role, Recognition and Respect*, M. E. Sharpe, Armonk (New York), 1997, p. 4.

emerging post-Cold War order, where Cold War threats declined as issues and new, unforeseen challenges arose.[28] As a result, Polomka and Funabashi amongst others argued that Japan should consider boosting its role in regional conflict mediation and measures that dealt with regional 'human security'.

Johnson contended that the status quo was weakened and increasingly outdated, outlining three contradictory "relics of the Cold War"[29] in US post Cold War policy toward Japan and Asia. The cost of US forces in Japan, the convoluted rhetoric of keeping US forces in the region and the gap between expectation and responsibility of Japanese support for US interests was an increasing burden on US regional diplomacy and overall regional strategic health.[30] This view supported an image of Japan as a country that should be given more responsibility for ensuring regional stability, given that pacifism had become, self-servingly or otherwise, a substantial part of mainstream Japan's national identity.[31] In an article after the Gulf War, Johnson expanded upon his view, arguing that Japan should cast off its postwar role and become a more liberal democratic nation in the vein of the US, including liberalised regimes in trade and immigration.[32] He maintained that a continuance of existing structures denied the region long-term stability. The increase in size of Japan's economy and security forces as well as the end of the Cold War meant that this 'unequal' relationship precluded a healthy relationship.[33]

This view for change increasingly became a minority view. As noted earlier, scholars saw the potential in revitalising, as opposed to recasting, Japan's role in the region. The early

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[28] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 33.
[29] E. A. Olsen, 'A New American Strategy in Asia?', *Asian Survey*, 31(12), December 1991, p. 1153 cited in C. Johnson, *Japan in Search of a 'Normal Role'*, p. 12.
[30] C. Johnson, *Japan in Search of a 'Normal Role'*, p. 2. See also C. Johnson and E. Keehn, 'The Pentagon's ossified strategy', *Foreign Affairs*, 74(4), July-August 1995, pp. 103-115.
[31] M. Tamamoto, 'Japan's Search for Recognition and Status', p. 6. The foundations of such pacifism are seen as the result of the Peace Constitution coupled with the nuclear-inspired end to Japan's part in the Second World War.
[32] C. Nickerson, 'The Worrier Nation', *The Boston Globe* (City Edition), September 8 1991, p. 14.
[33] C. Johnson, *Japan in Search of a 'Normal Role'*, p. 1.

1990s saw the continuation of the perception that the interdependence, and especially economic complementarity, between the two countries was closer than before.[34] Japan's role in the Asia Pacific was cast as a 'global partnership', a view supported by former policymakers and officials like US ambassador to Japan Michael Armacost. There were numerous issues that became included in debate on the future of the partnership: dealing with other major Asian powers (such as Russia and China); resolving regional conflicts; strengthening the economic underpinning's of fledgling regional democracies; improving economic cooperation in the Asia Pacific; encouraging closer scientific and technological cooperation; and accommodating Japan's desire for a seat in the UN Security Council.[35] Interest groups made it clear that a continuation of the existing partnership was necessary given the uncertainty about the future. During the early 1990s, Keidanren, the association representing Japanese business interests, announced that their slogan for the next decade would be *kyoosei* or 'mutual vitality'; a vision to maintain global business health and reduce tensions between states, most notably with the US.[36] These topics were repeated in The Tokyo Declaration by Prime Minister Miyazawa and President Bush in early 1992 in their discussions of post-Cold War relations.[37] The two most powerful nation-state economies would combine their power to manage the transition to the post-Cold War order.

Unfortunately, as had previously occurred, both Japan and the US spent most of their time trying to manage their own bilateral affairs. The aforementioned meeting between Miyazawa and Bush served to underline the differences and difficulties inherent in this increasingly competitive relationship. After delays and a decision taken without Japan's knowledge to shift the focus of the discussions from the future of their global partnership to bilateral trade discussions, the meeting turned into a farce.

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[34] M. H. Armacost, *Friends or Rivals? The Insider's Account of US-Japan Relations*, pp. 14-16.
[35] M. H. Armacost, *Friends or Rivals? The Insider's Account of US-Japan Relations*, pp. 129-130.
[36] E. Vogel, 'Japanese-American Relations after the Cold War', p. 197.
[37] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 32.

> Bilateral negotiations over burden-sharing bore a strong resemblance to the bargaining over trade. Japanese passivity invited American pressure. Pressure in turn provoked Japanese defensiveness. Frictions attracted press attention and the issues were politicised. Negotiations were invariably protracted and concessions came slowly and reluctantly. Exasperation mounted on both sides. The Japanese acquired a reputation in Washington for taking as long as possible to do as little as necessary. Americans in turn came to be viewed by the Japanese as likely to raise yet another demand each time they pocketed a concession. This reinforced Tokyo's disposition to take its time doling out such favours. In the end, the methods employed to cope with the accumulating problems in the relationship seemed increasingly to reinforce those same difficulties.[38]

Bush's food poisoning at an official banquet was a symbolic image of the meeting; ending these discussions with more rancour than agreement.[39] Visions of enhanced cooperation returned to the continuity of trade and associated economic disputes. At the heart of this dispute lay the perception of Japan's role as a supporter of the US and its policies, regardless of whether those policies were in Japan's selfish state interests or not.

Japan-US Trade: Perceptions of Responsibility

These pressures in the economic relationship had existed for decades but now became more important considering the growing difficulties in the US economy, namely in the 'hollowing out' of the US industrial base to East Asia. The passionate, although misguided, debate on hegemonic succession noted earlier in Chapter 2 was prefaced on the potential movement of systemic responsibility from the US to Japan. Although Japan injected large amounts of foreign direct investment into the US, as Table 5.1 shows, the emotional debate over trade publicly overwhelmed this contribution to US economic development, a debate that came to grow increasingly heated as this period continued.[40] Emphasis on trade ignored the shrinking ability of Japan to contribute to US growth.

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[38] M. H. Armacost, *Friends or Rivals? The Insider's Account of US-Japan Relations*, p. 25.
[39] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 33.
[40] Schaller points out that after Ishihara's *The Japan That Can Say 'No'*, novels such as Michael Crichton's *Rising Sun* and Pat Choate's *Agents of Influence*, both highlighting the 'sinister nature' of the Japanese, were published for an American audience. See M. Schaller, *Altered States: The United States and Japan since The Occupation*, p. 257.

Table 5.1: Japanese FDI in the US, 1990-1995 (millions of US$)

Year	Japanese FDI to US	Total Japanese FDI	Proportion of Japanese FDI to US (% of total)
1990	556,060.96	1,209,470.96	45.98
1991	331,824.95	764,793.90	43.39
1992	227,971.31	561,445.71	40.60
1993	188,328.32	461,635.68	40.80
1994	184,123.52	437,497.76	42.08
1995	205,561.45	466,434.88	44.07

Source: determined from Japanese Ministry of Finance, [www.mof.go.jp/english/fdi/reference01.xls], Accessed 17/9/2004 and OECD, [www.oecd.org/dataoecd/43/46/1894369.xls], Accessed 17/8/2004.

Over the period covered in this chapter, more than 40 percent of total Japanese FDI was invested in the US, a substantial amount that does not take into account the large sums injected into US securities and bonds. It is also interesting to note the rapid reduction in overall FDI as a result of the crisis in Japan, with FDI falling to below half of its 1990 level. Despite the proportion remaining at a stable level, the US could not expect the same level of support given Japan's growing domestic economic problems – problems arguably caused by the failed attempt at macroeconomic management through the late 1980s, starting with the Plaza Accord.

Yet, the perception was that without Japanese financial support, the US would continue to decline at a faster rate relative to both Japan and West Germany. Hence, US perceptions of Japanese leadership remained heavily tied to how Japan could either continue to support the status quo, take greater responsibility in taking the burden off the US or replace the status quo with new arrangements in which US interests would inevitably suffer.

If economic figures were taken purely at face value, Japan gave the appearance of strength, notably seen in terms of soft economic power (Table 5.2). After being the largest aid donor for the majority of the post-WW2 era, Japan surpassed the US in 1993. Whilst aid lacked the practical importance of trade balances, such figures reinforced US policymakers'

perceptions of Japan's unfair practices and their impact upon the ability of the US to maintain its pre-eminence in the international system.

Table 5.2: Net Official Development Assistance, 1990-1995 ($US Millions)

	Japan	United States
1990	9069	11,394
1991	10,952	11,262
1992	11,151	11,709
1993	11,259	10,123
1994	13,239	9927
1995	14,489	7367

Note: US figures for 1990, 1991 and 1992 include debt forgiveness.
Source: OECD, Reference DAC Statistical Tables, Global ODA Net, 1950 - 2002, [http://www.oecd.org/dataoecd/43/24/1894385.xls], Accessed 22/2/2004.

The weakness of Japan in traditional hegemonic terms may have been readily apparent to Susan Strange and a few others, but the size of the trade deficit (see Table 5.3) and the perception of a US beset by problems facing a strengthening rival stirred fears that a power shift would occur. In a repeat of the previous period covered in Chapter 4, uncertainty and economic competition stirred latent protectionism and accusations of Japan 'free-riding'. On top of the accusations were those related to trade. Despite widespread pressuring led by the US, the lack of access and low demand for US exports in Japan's domestic market continued to foster these perceptions. This perception existed despite the fact that Japan's formal trade barriers were not so much greater than those of other OECD nations; a post-Tokyo Round tariff average of 6.2 percent compared favourably to figures for the US (3.3), Canada (4.6) and Germany (5.7).[41] Additionally, as Figure 1 in Chapter 4 showed, despite the one-way invective against the protectionist Japanese domestic economy, the US and Japan had relatively similar tariff postures. Ravenhill made the point that, even if restrictions fell to the OECD average,

[41] J. Ravenhill, 'The "Japan Problem" in Pacific Trade', pp. 108-109.

Japan would still import 23 percent fewer manufactured goods than other industrialised countries.[42]

Table 5.3: US-Japan Trade, 1990-1995 (millions of US$)

Year	Exports to Japan	Imports from Japan	Balance with Japan
1990	48,580	89,684	-41,105
1991	48,125	91,511	-43,385
1992	47,813	97,414	-49,601
1993	47.892	107,246	-59,355
1994	53,488	119,156	-65,668
1995	64,343	123,479	-59,137

Source: US Census Bureau, "US Trade Balance with Japan," [http://www.census.gov/foreign-trade/balance/c5880.html], Accessed 11/8/2001.

For the US, academic arguments in the face of sustained growth in the bilateral trade deficit with Japan did not have the same impact as a hostile Congress. In the face of 'unfair' Japanese restrictions, in agriculture as well as in 'structural impediments' to US manufactured goods and services, the US had sought numerous policy options to combat Japanese competitiveness. Despite a range of policies, such as the imposition of 'voluntary' export restraints, preferential trade concessions, an appreciated exchange rate and a higher oil price, the US started to ponder the merits of restricted trade. Ultimately, in the late 1980s, the US concluded that the real problems lay in "the various structural impediments to import penetration" embodied in the inherently closed *keiretsu* industrial structure of many Japanese exporters.[43] The Structural Impediments Initiative, the first rounds of which were concluded during the spring of 1990, aimed to deregulate Japan's domestic market, as well as pressuring Japan to spend more on infrastructure projects to prime the pump of Japanese domestic consumption.[44] As the figures from Table 5.3 suggest, these politically charged and diplomatically costly initiatives achieved little in the way of trade results.

This episode led to a clear indication of the increasing difference between leadership and US foreign policy. Leadership, and specifically US postwar leadership, in IPE had

[42] J. Ravenhill, 'The "Japan Problem" in Pacific Trade', p. 111.
[43] J. Ravenhill, 'The "Japan Problem" in Pacific Trade', p. 110.
[44] M. H. Armacost, *Friends or Rivals? The Insider's Account of US-Japan Relations*, p. 56.

traditionally focused on the hegemon maintaining a free and open trading system. However, the perception of the 'Japanese competitive threat' on the part of US policymakers was such that the US began to contravene this role. For Kindleberger and Gilpin, one of the main theoretical reasons for leadership in IPE was the prevention of a closed system of trade that they felt led to the Great Depression and the World Wars. During this period, the US began to contemplate closed regionalism, a set of policies that was anathema to international relations leadership. The scope of the reaction to Japanese imports became obvious when the US moved towards more exclusive regionalism in 1994 through the North American Free Trade Agreement (NAFTA).[45] In creating this trading bloc, the US made it clear that Japanese intransigence on trade liberalisation and deregulation was a central reason for this decision. For the US, Japan inaction precipitated a US reaction – a lack of Japanese leadership in supporting the US drove a lack of US leadership in the wider IPE.[46]

Not surprisingly, the increasingly hard tactics used by US negotiators to bring about a resolution caused equal resentment in Tokyo.[47] There began a strong current in Japanese thinking, following Bush's visit in 1992, that the US was still unable to engage in discussions of joint roles without trying to leverage the strategic elements of the alliance to attain economic concessions, in effect trivialising the important statecraft of the strategic alliance for short term domestic expediency. As mentioned before, the US established annual summits discussing the need for reform, with trade at the forefront of discussions, seen in the terms of agreement that

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[45] Y. Funabashi, 'Japan and the New World Order', p. 64. This US plan was also a result of pressure from the growth of the European Economic Community (EEC), the precursor to the European Union (EU).
[46] 'A dogs-of-war house for Japan', *The Economist*, January 19th 1991, pp. 31-32. Japan was of course happy to do nothing as reforms in Europe would undermine the rationale that Japan used to protect its wider agriculture industry, particularly its politically sensitive rice sector.
[47] R. Wade, 'Japan, the World Bank and the Art of Paradigm Maintenance: *The East Asian Miracle* in Political Perspective', p. 9.

Miyazawa and President Clinton made during their meeting in April 1993.[48] The *gaiatsu* that was applied led to the breakdown in the relationship during the 1994 deadlock between Prime Minister Hosokawa and President Clinton. This dispute came within minutes of starting a trade war as Hosokawa said 'no' to Clinton's demands that Japan be kept to a specific share of the US car market during February 1994.[49]

Rising feelings of mutual distrust continued to be inflamed by perceptions of historical rivalry and animosity, entertained by notions of hegemonic decline and the lack of Japanese systemic responsibility.

> The Japanese increasingly suspect that Paul Kennedy got it right in his *The Rise and Fall of the Great Powers*. The US has been so long engaged in being a hegemonic power it has forgotten how to manage its domestic affairs, just as Japan has been so long preoccupied with economic cooperation it has forgotten how to manage foreign and security problems.[50]

They were not consulted when multilateral problems like Iraq (to be addressed shortly) became an issue of global importance; yet, they were expected to pay the bill for the peace-enforcement operations in the Persian Gulf, giving rise to the phrase that Japan was suffering "taxation without representation".[51] Funabashi argued that this, in turn, raised the spectre of increased nationalism (such as the "Fed-up with America" or *kenbei* movement), ultimately weakening the bilateral relationship with the US, along with Japan's long-term interests.[52] The

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[48] See M. E. Janow, 'Trading with an Ally: Progress and Discontent in US-Japan Trade Relations,' in G. L. Curtis (ed.), *The United States, Japan and Asia*, W. W. Norton, New York, 1994, pp. 53-95.
[49] G. McCormack, *The Emptiness of Japanese Affluence*, Allen & Unwin, St. Leonards, 1996, p. 163.
[50] C. Johnson, *Japan in Search of a 'Normal Role'*, p. 7.
[51] E. Vogel, 'Japanese-American Relations after the Cold War', in E. R. Beauchamp (ed.), *Dimensions of Contemporary Japan: A Collection of Essays*, Garland, New York, 1998, p. 194.
[52] Y. Funabashi, 'Japan and the New World Order', pp. 62-63. Akira Iriye, in many of his works, has covered this aspect of the bilateral relations between them since Commodore Perry set anchor in Tokyo Bay in 1853. see Akira Iriye (ed.), *Mutual Images: Essays in American-Japanese Relations*, Harvard University Press, London, 1975 and Akira Iriye, 'War, Peace and US-Japanese Relations,' in Akira Iriye and Warren Cohen (eds.), *The United States and Japan in the Postwar World*, University Press of Kentucky, Lexington, 1989, pp.191-208.

growth of revisionist academic approaches to the postwar partnership only added to perceptions that Japan had exploited the relationship.[53]

If nothing else, the 1990s reinforced the US view of Japan's role as that of a supporting power assisting the maintenance of US hegemonic structures and (by association) US national interests. When Japan did not fulfil these perceptions, the US acted to pressure them into this role, using whatever leverage was necessary to achieve the goal of greater Japanese responsibility. Essentially, this meant that Japan needed to take on a greater burden in the alliance, a meaning that became clear in the context of the Gulf War.

'Which Role? This Role' – Japan and the Gulf War

Reliant upon the active security presence of the US on its soil, Japan found itself in a difficult position after the Cold War. The Bush Administration made it very clear that the Cold War distinction between economics and security needed reform. As far as the US was concerned, its tolerance of the Yoshida Doctrine and Japanese immobility on strategic affairs was at an end. As a result, Japan would be asked to contribute to global security matters, commensurate with its global economic position, regardless of its complicating effects for Japan's diplomacy in East Asia. Attendant responsibilities accrued from being the globe's second largest economy, regardless of the constraints posed by the Constitution or the latent fears of those countries that had experienced Japanese autarchy.[54] Japan's role and its leadership potential, as far as the US was concerned, would be determined by its ability to imitate or adequately support the US role and would continue to follow US self-interest. As hinted at through two Pentagon papers, the economic and military primacy that the US gained during the Cold War

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[53] Revisionists are generally noted to include, amongst others, C. Johnson, *MITI and the Japanese Miracle* and Karel von Wolferen, *The Enigma of Japanese Power: People and Politics in a Stateless Nation*, Macmillan, London, 1989.
[54] Y. Funabashi, 'Japan's International Agenda for the 1990s', p. 2 and P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 3.

was to be maintained into the 1990s.[55] As far as the US was concerned, military power remained "the ultimate guarantor of peace and security".[56]

This stronger line on the alliance caught Japan in a difficult position. With domestic and international criticism, a wider definition of leadership was a subject the Japanese government was sensitive to *gaiatsu*, especially from their alliance partner. The issue of legitimacy in accelerating the 'normalisation' of its strategic position would be a task that postwar experience and the consensus-based, reactive foreign policy model had not prepared it for. Along with the difficulty of changing existing domestic and regional perceptions of Japan's security role in the region, came the issue of how to accomplish this shift without negatively affecting its established regional relationships. It was this background that was to cause so many problems for Japan during the first war of the post-Cold War era.

The tension between the images of Japan as regional developmental model/reactive diplomatic facilitator and as a responsible global US ally came into view through the Gulf War. The well accepted notions of Japan's reactive, low-profile foreign policy, coupled with its Constitution, were attacked by previously supportive scholars such as Funabashi for irresponsibility in the face of 'new' challenges posed by the 'New World Order'. The contradiction between Japan's pacifist constitution and emphasis on self-defence and deterrence through the US alliance, that had existed for four decades as an accepted part of the postwar compromise, were now perceived as 'convenient two-facedness'.[57] As far as Western perception was concerned, the idea that the Yoshida Doctrine could be a dual economic

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[55] These were the *Defence Strategy for the 1990s* and *Defence Planning Guidance, 1994-1998*. See B. Gellman, 'Keeping the US First', *The Washington Post*, March 11 1992, p. 11 and D. Oberdorfer, 'Strategy for solo superpower; Pentagon looks to 'regional contingencies', *Washington Post*, May 19th 1991, p. A1. For a summary of this period, see J. Mann, *Rise of the Vulcans: The History of Bush's War Cabinet*, Viking Penguin, New York, 2004.
[56] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 20.
[57] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 11. Ironically, criticism was also directed towards the US-drafted Constitution for not recognising the future problems that it would pose for Japan's functioning as an autonomous nation state.

development/disarmament model for the post-Cold War order was seen as unrealistic idealism.[58] As Dower suggested,

> until the Gulf War, Japan seemed to offer not merely a striking contrast to its previous self but also a major hope, directly and by example, for a more stable, less militarised world order. Now, instead, it is the most ridiculed and reviled of all the nations on the anti-Iraq side. The civilian oriented economy, the peace constitution and the pacifist political constituency are the butt of made-in-America Gulf War jokes, the target of anger and abuse. The Japanese have been told that they will never qualify as a great power in the new world order without awesome firepower, military forces that can be dispatched abroad and a snappier responsiveness to US demands.[59]

Japan's leadership role was now inexplicably linked to the actions its alliance partner and the demands of the post Cold War order. With the war won, 'peace dividends' would now be pursued by the US and Japan would be expected to align itself with these interests.

Interested in maintaining the global strategic status quo but also reducing the cost of maintaining force capability, the US wanted greater Japanese commitment and contribution. Although it was ultimately Japan's decision, the US informed them that the future strength of their alliance and global partnership relied on the economic and strategic burdens that Japan was prepared to bear. Scutage was not longer acceptable and a modern alliance required Japan to become a physical contributor to the international strategic balance. As Polomka noted, the US took the view that "…security alliances were bonded on the battlefields; allies shared the risks as well as the rewards, fighting together, shedding blood together".[60] Yet the exact nature or size of this increased contribution was unclear. US policymaking in regards to Japan's responsibility were vague in terms of what 'responsibility' meant.

The aftermath of the Gulf War for the relationship between the two countries can be related back to this point. The strange episodic nature of Japanese government reaction to Gulf War events can in part be explained through poor US communication towards its

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[58] Y. Funabashi, 'Japan and the New World Order', p. 59 and 'Time to wake up', *The Economist*, March 9th 1991, pp. 32-33.
[59] J. Dower, 'Japan and the US Samurai Spirit', *Bulletin of the Atomic Scientists*, June 1991, p. 29 cited in P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', pp. 3-4.
[60] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', pp. 19-20.

definition of Japan's role and strategic responsibility. After the beginning of the Gulf War on August 2nd 1990, when the Iraqis invaded their smaller neighbour Kuwait, a rapid initial Japanese response was followed by hesitation as issues regarding the 'peace' aspects of its Constitution came into relief.[61] Announced three days after the invasion, Japan's reaction combined economic sanctions on Iraq with a halt to inter-governmental cooperation. This announcement by Prime Minister Kaifu, preceding a similar response from the UN,[62] was seen as a sign of Japan's maturing ability to act on foreign policy issues.[63] With Prime Minister Kaifu's goodwill visit to the Middle East aborted during the invasion of Kuwait, the early optimism was replaced by increasingly negative reactions.[64] Whilst Japan's diplomatic response fulfilled initial expectations, the following practical response, combined with ongoing tensions in the relationship with the US, reinforced the image of Japanese recalcitrance and free-riding.

The difference in perceptions of responsibility between the US and Japan were clear and should not have come as a surprise to the US. Japan's reaction to Iraq was in keeping with the 'Takeshita Principles' announced a few years earlier, which clearly outlined its low key responses to potential conflicts. Yet the clarification of Japan's interests and responsibilities were clearly not relevant as far as US interests in Japan's responsibilities were concerned.[65] Despite US calls for open-ended multilateral assistance for Kuwait's defence and after the commencement of the UN embargo on Iraq, Japanese reactions could be categorised as slow and mixed. Although Japan initially offered $100 million towards conflict-related costs, the US

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[61] For general information on the Gulf War, see R. W. Tucker and D. C. Hendrickson, *The Imperial Temptation: The New World Order and America's Purpose*, Council on Foreign Relations Press, New York, 1992 and PBS Frontline, "The Gulf War", [www.pbs.org/wgbh/pages/frontline/gulf/], Accessed 20/8/2004.
[62] T. Inoguchi, *Japan's Foreign Policy in an Era of Global Change*, p. 98.
[63] K. Itoh, 'The Japanese State of Mind: Deliberations on the Gulf Crisis,' *Journal of Japanese Studies*, 17(2), Summer 1991, p. 275.
[64] See 'Kaifu cancels Mideast Trip', *The San Francisco Chronicle*, August 14 1990, p. A18.
[65] The announcement, made in May 1988, outlined the three 'Takeshita Principles', which included: "the strengthening of cooperation to achieve peace" and covered measures such as 'positive participation' in diplomatic efforts, the dispatch of necessary personnel and "the provision of financial cooperation aiming at the resolution of regional conflicts"; the strengthening of international cultural exchange; and the expansion of Japan's official development assistance. M. Kohno, "In Search of Pro-active Diplomacy: Increasing Japan's International Role in the 1990s."

had in mind a much larger sum. On August 29th 1990, the offer expanded to $1 billion, followed on September 14th by an offer of $3 billion.[66] After heavy lobbying by US Ambassador Michael Armacost to senior LDP figures, the US government was able to persuade Japan to pledge $9 billion, which it paid for through raising taxes and issuing bonds, requiring a special supplementary budget.[67] From Japan's view, this demonstrated its level of support for the US and its role.[68]

Given the controversy over constitutional amendments and its defence posture, the Diet was not recalled to discuss Japan's reaction to the invasion of Kuwait until October 12th 1990.[69] Kaifu presented the United Nations Peace Cooperation Bill (UNPCB) to the Diet on October 16th, but it was abandoned after substantial Diet resistance and surveys that found two thirds of the population opposed to Japan's involvement in the Gulf. A subsequent loss of LDP seats in the election of November 8th effectively halted the legislation.[70] Belatedly, after following a previous example, when Japan sent minesweepers to patrol the Gulf in 1987, Japanese minesweepers were again sent albeit after the main body of fighting was finished, a decision that did not contribute enough as far as the US was concerned.[71] Eventually, Japan contributed $13 billion to the war effort, easing although not allaying tension with the US over this first act of the 'New World Order'.

The lack of an immediate response in keeping with US expectations set off an increasing amount of criticism aimed not only at Japan's response but also its wider

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[66] K. Itoh, 'The Japanese State of Mind: Deliberations on the Gulf Crisis', p. 275.
[67] T. Inoguchi, *Japan's Foreign Policy in an Era of Global Change*, pp. 99-100. The size of the package was also a result of compensations for exchange rate movements between the original pledge and the final disbursement.
[68] See 'A dogs-of-war house for Japan', *The Economist*, January 19th 1991, pp. 31-32.
[69] For a sense of the complexity involved, see T. Inoguchi, 'Japan's United Nations peacekeeping and other operations', pp. 85-89 and P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 22.
[70] T. Inoguchi, *Japan's Foreign Policy in an Era of Global Change*, pp. 99-100. For a popular sense of the ramifications of the UNPCC and the questions of Japan's role in the alliance and in the world, see K. Ito, 'The Japanese State of Mind: Deliberations on the Gulf Crisis', pp. 275-290.
[71] T. Inoguchi, 'Japan's United Nations peacekeeping and other operations', p. 95 and P. J. Woolley, 'Japan's 1991 Minesweeping Decision: An Organisational Response', in E. R. Beauchamp (ed.), *Dimensions of Contemporary Japan: A Collection of Essays*, Garland, New York, 1998, p. 117.

contribution to political and strategic affairs. The Gulf War became a catalyst for a wide ranging critique of Japan's politics and culture. The failure to commit an immediate contribution, such as sending a medical team like South Korea and The Philippines, "demonstrated the enormous gap between Japan's economic might and its immature political prowess and still-low level of real internationalisation".[72] Not only was the Japanese *sakoku* mentality under attack but so too was the lack of progress towards a 'normal' Japan, both in terms of a 'normal' free trade and politico-strategic position. As far as it concerned notions of international responsibility, Funabashi argued that Japan was nothing more than "an automatic teller machine, albeit one that needs a couple of kicks before it dishes out the money".[73] Although Japanese 'checkbook diplomacy' had been warranted and welcome when the US faced macroeconomic crises during the 1980s, the Gulf War required an altogether different response.

While Japan struggled with the new demands made upon it, debate about Japan's role in the post-Cold War order continued with the US at the forefront of discussions. Japan's perceived 'free-riding' on weakening US leadership during the Gulf War drew links between its lack of a military contribution and the 1991-1992 US recession. The coincidental beginning of a US recession at the same time as the Gulf War exacerbated US anger towards Japan and Japanese disquiet. US frustration was further inflamed by the perception that Japan was boosting exports to Kuwait, Jordan and Egypt through tied project loans rather than grants, otherwise taking advantage of the war for their own benefit.[74] Rather than pursue common interests, US perceptions of Japan turned to the image of the mercenary mercantilist due to its alleged abuse of US military activity in defending Japan's access to cheap and easily accessible

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[72] Y. Funabashi, 'Japan's International Agenda for the 1990s', p. 2.
[73] Y. Funabashi, 'Japan's International Agenda for the 1990s', p. 2.
[74] *The Economist*, 'A dogs-of-war house for Japan', January 19th 1991, pp. 31-33

oil.[75] The suggestion that the US required more substantive help from Japan to guarantee its oil supply tweaked long-standing Japanese sensitivity on the subject, particularly in relation to Japan's vulnerability in the late 1930s. In the 1950s, George Kennan noted that the importation of oil constituted a 'remote control' on Japan, a fact that Japan was well aware of. For Japanese policymakers, the potence of the 'oil weapon' underlined their reliance on external sources for most of their raw materials, and underlined their relative economic fragility and dependence on the US regional security presence.[76]

For Japan, the increasing burden that was being asked of it by the US was not accompanied by a greater decision-making role or diplomatic recognition. Japan rushed to fulfil US expectations at a pace that did not take into account the enormity of the changes that were being instituted. Polomka argued that the subsequent "draft bills on peacekeeping were pushed forward, not in the context of a debate about broad principles and careful analysis of Japan's long-term interests, but simply because 'it is expected of us'".[77] The US use of the alliance and *gaiatsu* to further its own interests did little to inspire wider confidence in the autonomy of Japan's political process, its potential to determine its own role, or to find foreign policy decisiveness in a post-Cold War environment.[78] Yet for all the ramifications of Japan's push to become more strategically active, Japan remained passive in the face of US pressure, with its most negative reaction coming from the absence of Japan from the initial list of

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[75] R. Scalapino, "The Changing Order in Northeast Asia and the Prospects for U.S.-Japan-China-Korea Relations," [http://www-igcc.uscd.edu/publications/policy_papers/pp47.html], Accessed 13/7/2000. P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 29. US complaints neglected the fact that its own economy had a greater vulnerability to higher oil prices. Part of the US reaction is historical in nature. During the previous oil shocks of 1973 and 1979, both Germany and Japan had suffered more than the US, aided by its own substantial oil reserves and relative self-sufficiency. By the Gulf War, the US had become much more reliant on Arabian Gulf oil, relying on it for at least half of its supply whilst both Germany and Japan diversified energy sources and became more efficient with their oil consumption. See R. Leaver, 'The Gulf War and the New World Order: Economic Dimensions of a Problematic Relationship', *Australian Journal of Political Science*, 27(2), June 1992, p. 244 and 248.

[76] B. Cumings, "Power and Plenty in Northeast Asia: The Sources of United States Policy and Contemporary Conflict", in A. Mack and P. Keal (eds.), *Security and Arms Control in the North Pacific*, Allen and Unwin, Sydney, 1988, p. 87.

[77] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 5.

[78] K. Itoh, 'The Japanese State of Mind: Deliberations on the Gulf Crisis', p. 275.

countries that Kuwait thanked after the war. The diminution of Japan's effort rankled, especially since Germany, who had attracted similar criticism for its lack of direct support, was thanked.[79] Hence, remarks that Japan faced 'taxation without representation' gained semi-official credence in Japanese policymaking circles. The ongoing absence of an effective Japanese military deterrent provided an obvious target for *gaiatsu* when the US defined its relative decline in terms where Japan was the main beneficiary. As Japan discovered during the earlier 'Nixon Shocks' analysed in Chapter 3, the alliance did not constrain the US from pursuing options solely favourable to their national interests.

If this was not already clear, the US continued to emphasise the catalytic properties of the Gulf War for the wider strategic role Japan was now expected to play. Shortly after the Iraqi invasion, the US dispatched a 'wish-list' of military options to Japan, a list that contravened Japan's Constitution. It was also reported that the headquarters of Japan's Maritime Self Defence Force (SDF) received a direct call from the US Naval headquarters in Yokosuka requesting naval escorts for the USS Carrier *Midway*, bypassing all of the official channels.[80] Top-level communications often bypassed Prime Minister Kaifu, instead going to senior LDP *zoku* leaders like Takeshita. Had this procedure been repeated with European allies, it would have caused a major incident. If demands for physical assistance were unlikely, the US sought to unilaterally increase Japan's burden elsewhere. For example, the US House of Representatives adopted a resolution that threatened to withdraw US forces from Japan if Tokyo refused to pay the full cost of stationing US forces there.[81] However, if these demands were meant to shock Japan into reform, they had the opposite effect. The different elements of the Japanese policymaking community that the US thought it could leverage ended up in

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[79] T. Reid, 'Japan's Frustration: Tokyo says its Gulf role was Misunderstood', *Washington Post*, March 17 1991, p. A21.
[80] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 28.
[81] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 29. Japan already contributed more than half (approximately 70%) of base costs, but the unilateral threat of imposition of a full cost structure did little to soothe bilateral relations.

conflict with each other, often along generational lines. Nevertheless, for US observers such as Katzenstein and Rouse, even internal Japanese turmoil offered reform opportunities.

> The criticisms levied against Japan in the wake of the Gulf War and anticipation of the substantial political changes that the end of the Cold War might bring about in Asia are providing a strong impetus for Japan's political leadership to remedy that shortcoming. International crises during the interwar years and the experience of World War Two jolted the US out of its isolationist stance. Crises of similar magnitude may do the same for Japan.[82]

For the US, the Gulf War exposed the impracticality of the existing alliance structure, given the gap between the rhetoric and utility of the alliance. The rhetorical holes that had existed between the letter, interpretation and implementation of Japan's foreign policy profile were no longer acceptable. The established norms, previously accepted by the US in the context of the Cold War, became undermined by these contradictions, and as a result, reinforced the argument for reform to 'normalise' Japan's strategic and economic structure. Even by its own self assessment, through its desire to fulfil its UN obligations and seek a 'normal' profile with widespread regional and global acceptance, Japan was not successful in fulfilling its self-ascribed political and security responsibilities.[83] The inability to act either under the alliance or through the UN in Iraq undermined official statements promoting its accession to the UNSC as a permanent member tasked with maintaining security, a concept central to the notion of Japan as a 'global civilian power'.[84]

The US desired outcome for Japan's contribution to Iraq did not achieve its final goal but it did force change. The move reflected US intent to reform Japan's strategic profile, a policy no different to that historically desired by Acheson in the 1950s and 1960s or Nixon in

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[82] P. J., Katzenstein and M. Rouse, 'Japan as a Regional Power in Asia,' in J. A. Frankel and M. Kahler (eds.), *Regionalism and Rivalry: Japan and the United States in Pacific Asia*, Chicago University Press, Chicago, 1993, pp. 240-241.

[83] The policy of normalising its relations with the region through the UN has been part of Japan's foreign policy since the mid 1950s. See Fukushima, *Japanese Foreign Policy: The Emerging Logic of Multilateralism*, Macmillan, London, 1999, especially Chapter 3. The Economist found that Japan would not face regional unease as Indonesia, The Philippines, Singapore and the South Koreans agreed with the notion of Japan sending troops abroad on UN-sponsored peacekeeping missions. *The Economist*, 'Time to wake up', March 9th 1991, pp. 32-34.

[84] T. Inoguchi, 'Japan's United Nations peacekeeping and other operations', in E. R. Beauchamp (ed.), *Dimensions of Contemporary Japan: A Collection of Essays*, Garland, New York, 1998, p. 97.

the 1970s. Whilst politely supporting Japan's multilateral aspirations to permanently join the UN Security Council, the US lobbied Japan to overcome Article Nine's limitations on its involvement in foreign military deployments through the existing alliance.[85] The immediate result of the Gulf War and US pressure on Japan was the passing of the International Peace Cooperation Law (IPCL) in 1992, which defined a preliminary and awkward path between the US role of Japan as a supportive strategic partner and the existing constitutional limitations on the SDF enforced by ongoing domestic and regional pressure.[86] However, this piece of legislation did nothing to end speculation as to the future direction of Japanese reform to its postwar role.

Of particular interest was whether Japan could re-interpret the Constitution to allow limited 'collective self-defence' (*shudanteki jieiken*). Dodging this issue without either seeking a referendum to change the Constitution or enhancing regional diplomacy would not only create criticism from domestic constituents but it could also destabilise the regional strategic environment. East Asian countries did not trust Japan's right to collective self-defence without the prior imprimatur of the UN. Throughout the early 1990s, the argument that the Constitution denied Japan the option to utilise its self-defence forces beyond its territorial waters remained undebated.[87] Even in Japan, most Diet discussions of the IPCL made little of the issues (political, strategic and legislative) contained within the bill apart from the relevance and impact of this legislation on the Constitution.[88] That this conflicted with the preamble and Article 4 of the 1960 US-Japan Security Treaty, which referred to 'maintenance of international peace and security of the Far East', also stayed out of discussions.[89] From the US perspective, it desired a greater strategic contribution from Japan through the alliance, using Japanese

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[85] R. Leaver, 'The Gulf War and the New World Order', p. 255.
[86] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', pp. 5-6.
[87] P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', pp. 5-6.
[88] K. Itoh, 'The Japanese State of Mind: Deliberations on the Gulf Crisis', p. 277.
[89] G. Hook, J. Gilson, C. Hughes and H. Dobson, *Japan's International Relations: Politics, Economics and Security*, Routledge, London, 2001, pp. 129-130, 471-472.

strategic 'normalisation' within the alliance structure to attain US goals. The definition of the 'areas surrounding Japan' area became one element to see change through talks that culminated in the Joint Japan-US Declaration on Security in 1996 and in the Revised Guidelines on Japanese-US Defence Cooperation produced in September 1997,[90] examined in the following chapter.

The US perception of the leadership role that Japan should undertake reflected long standing strategic goals emphasised by the end of the Cold War and the relative decline of the US. Whilst the analysis of Japan's future roles included notions of hegemonic succession and *Nichibei* partnerships, it became clear that the US sought to maintain its existing pre-eminent global position. The supporting role that the US ascribed to Japan maintained the bilateral political hierarchy, whilst expanding Japan's responsibilities, in balancing the terms of trade, maintaining its purchases of US securities as well as increasing its strategic posture. The Gulf War demonstrated this desire and the means by which it tried to pressure Japan to reform to fit this conception of Japan's role. The inability of Japan to overcome domestic limitations encouraged the reform efforts of the US, frustrated by the continual reliance on postwar norms of governmental actions and intransigence in both the economic and strategic elements of the bilateral relationship.

Despite its importance, the Japan-US alliance did not address other issues in foreign policy that were of importance to Japan but not of great significance to its *Nichibei* partner. East Asia remained a crucial element of Japan's foreign policy on political, economic and security affairs. Combining foreign policy with regards to the US and East Asia remained, as it had since the postwar settlement, the paradox of Japanese foreign policy: how would the

[90] G. Hook et al, *Japan's International Relations*, p. 140.

relationships balance when each had differing perceptions of Japan's regional role?[91] As noted previously, East Asian perceptions of Japan's leadership role were very much in keeping with an image of Japan as a facilitator of regional development through trade and investment. The other side of this image saw Japan maintaining a limited strategic role in partnership through the US alliance with its economic power being used to maintain US influence on a regional and global scale. Any departure from the existing status quo could upset the carefully cultivated balance between Japan's two roles.

In response to this balancing act, Japan hedged its US reliance with increased support for regional multilateralism. Attuned to regional fears of great power bilateralism and its limited capacity for unfettered foreign policy action, Japanese foreign policy sought to reassure the region of its constructive engagement with East Asia while slowly reforming its postwar compromises. Started by the Gulf War and facilitated by regional concern over the process of democratisation in Cambodia (as seen later in the chapter), Japan strongly supported both UN and regional efforts to improve strategic stability. Recognising ASEAN's ongoing concerns about regional stability and their ramifications, Japan took on a role that was within the tolerance limits of what was perceived as regionally acceptable.

Japan and East Asia

As noted earlier in the chapter, perceptions of Japan's leadership depended upon context. For the US, leadership was seen in terms of what Japan could do to assist the US in light of its growing economic problems. Coupled with this economic support, the US expected Japan to boost its postwar strategic presence, aiding its ally in not only strengthening the bilateral alliance, but also the overall position of the US within international economic and strategic affairs. While interested in maintaining regional and global economic and strategic stability,

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[91] T. Kimura, 'Japan-US Relations in the Asia Pacific Region', p. 69.

East Asian states differed in their perception of what role Japan should play to achieve this. For East Asia, Japan and leadership was perceived through the lens of Japan's capacity to expedite regional development. In particular, regional states saw Japan and the role of its businesses in increasing bilateral trade, ODA and foreign direct investment as important sources of funding and patronage. Whilst occupying an important catalytic role in economic development, East Asia was far more cautious as to Japan converting economic size into politico-strategic influence. Fears of a return to an imperial past meant that Japanese actions in this area were faced by a 'legitimacy deficit', a difficulty that was only partially overcome by constraints on Japanese action through its alliance with the US. The slow pace of political reform to this postwar system, the continued presence of the US in Japan and widespread domestic pacifism in Japan reassured the region of its northern neighbour's rejection of coupling economic power with politico-strategic elements.

As noted in previous chapters, whilst the region was wary of domination by its larger neighbour, countries like Malaysia and Thailand lobbied for greater Japanese involvement in their economic affairs. By acting as a catalyst for their economic development, Japan could have a limited regional leadership role in assisting the key task of economic development, a priority for every state in the region. As seen in previous chapters, this remained a slow and incremental process, demonstrated through the 30 years it had taken for Japan to gradually ease itself into this position.[92] The public symbolism of the Tanaka Riots and the continued wariness of Japanese motives limited the capacity for Japan to act without the region's active involvement. There remained two elements to this process, both through regional *gaiatsu* and the influence that this foreign policy debate had on Japan's internal debate. The debate about regional responsibility fed into the domestic struggle to define Japan's identity, either through *sakoku* (isolation) or *kokusaika* (internationalisation).

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[92] A. Rix, 'Japan and the Region: Leading from Behind', p. 65.

Whilst the main regional perceptions looked to Japanese action in the sphere of regional economics, Japan slowly increased its regional political profile, using its economic size and influence to promote regional stability. Following on from the Fukuda Doctrine of 1977 and its vision of a partnership between Japan and Southeast Asia, Japan became involved in the post-Cold War process of assisting the re-integration of Communist countries into the region. Its activism in the political settlement in Cambodia and the establishment of the ASEAN Regional Forum (ARF) demonstrated a capacity for action that fulfilled but did not exceed regional expectations of its political role. It also assisted China to diplomatically recover from the international condemnation following the suppression of student demonstrations at Tiananmen Square in June 1989. Whilst this role was in Japan's own national interest as a neighbour, its actions did facilitate China's re-entry into regional dialogues designed to ease tensions and increase dialogue between North and Southeast Asia, as well as the US. Overall, Japanese foreign policy was caught trying to balance itself between the demands placed on it by the US as well as those constraints placed on it by its immediate neighbours.

The problem of history

Japan's legitimacy deficit remained as a major constraint its actions after 1990. Interestingly, after remaining as an ever present but never discussed element in regional relations during the Cold War, the fall of the Berlin Wall ended the need to maintain Cold War solidarity. Along with the growth of human rights as an international issue, Japan's past conduct (notably the issues of 'comfort women', Unit 731 and the 'Nanking Massacre' of 1937)[93] became an issue of moral responsibility not covered by previous reparation agreements. Because Japan ruled out retrospective compensation, despite a number of attempts through limited apologies and large

[93] G. McCormack, *The Emptiness of Japanese Affluence*, p. 229. Japan has officially refused to accept the existence of such women despite evidence, refusing to pay compensation to those women who claim to be amongst this group. The Nanking Massacre occurred during 1937, when Japanese troops invaded the then capital of China. Between 20 000 and 300 000 people were killed. Both issues shared the same official response; only recently did the government agree to the possibility of such issues/events occurring. For a comprehensive view of Japanese war-crimes, see Tanaka, *Hidden Horrors: Japanese War Crimes in World War 2*, Westview, Boulder, 1996.

ODA programs, Japan's past culpability remained undiminished in popular feeling around East Asia. This widespread view was at odds with some East Asian leaders who were happy to maintain the Cold War diminution of the issue, arguing that Japan should concentrate more on current developmental issues.[94]

Nevertheless, Japan's reticence to apologise came to be negatively compared to the German response after the Second World War, although Prime Minister Murayama in 1994 came as close as any postwar Japanese leader had come to an unreserved apology.[95] While Japan had proffered broad statements of regret, an ongoing perception of a lack of contrition undermined the substance in the official pronouncements.[96] From a regional perspective, Japanese policymakers needed to reverse this perception through supporting statements with actions, as well as combating the perception of reluctant apologies.[97] Until this occurred, as Funabashi argued, the perception that Japan has not come to terms with its own past would constrain the range of action available to Japanese foreign policy.[98] It should also be noted that regional reminders of Japan's legitimacy deficit were also used to pressure Japan to make decisions favourable to East Asia.[99] Notwithstanding the use of 'preventative reminding', East

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[94] T. Kimura, 'Japan-US Relations in the Asia Pacific Region', p. 61. Some regional leaders, such as Dr. Mahathir and Lee Kwan Yew, called on Japan to forget about the past and focus on the future of Japan's regional diplomacy.

[95] For the comparison between Germany and Japan, see I. Buruma, *The Wages of Guilt: Memories of War in Germany and Japan*, Farrar Straus Giroux, New York, 1994. For Murayama's statement, see MOFA, "Statement by Prime Minister Tomiichi Murayama on the 'Peace, Friendship, and Exchange Initiative", [http://mofa.go.jp/announce/press/pm/murayama/state9408.html], Accessed 2/2/2004.

[96] See S. Ogawa, 'The Difficulty of Apology: Japan's struggle with Memory and Guilt', *Harvard International Review*, 22(3), Fall 2000, pp. 42-47.

[97] G. McCormack, *The Emptiness of Japanese Affluence*, p. 229 and p. 259.

[98] Y. Funabashi, 'Japan's International Agenda for the 1990s', p. 19 and Funabashi, 'Japan and the New World Order', p. 71.

[99] A. Broinowski, *About Face: Asian Accounts of Australia*, Scribe, Melbourne, 2003, p. 140. Broinowski noted that a common Southeast Asian response to 'outside' regional countries like Japan and Australia raised 'old' issues when trying to put these countries on the diplomatic defensive, increasing the possibility of gaining favourable concessions. Professor Hernandez of the University of Philippines noted that they always reminded "the Japanese, 'Hey, you guys! You were the aggressors'. This is a technique; you know how it is". For China's use of 'preventative reminding', see R. Drifte, *Japan's Security Relations with China since 1989: From Balancing to Bandwagoning*, Routledge-Curzon, London, 2003, p. 18.

Asian perceptions of Japan's role continued to be informed by a lack of trust in Japan's motives, further limiting regional support for Japan's normalisation process.

Japan and the Politics of Regional Economics

While notions of a legitimacy deficit affected the capacity of Japan to undertake a political and strategic role commensurate with its economic size, regional perceptions of Japan's role saw it growing its economic influence. Japanese leadership and responsibility were interpreted through continued economic strength through policy instruments such as investment, trade and aid.[100] There was an expectation that Japan's increasing trade surpluses and investment in the region would continue into the next decade. However, because of the 1991 domestic crash, this increased influence and economic power largely did not eventuate, remaining more or less stagnant during the period up to 1995. While the volume of Japanese yen flowing to the region declined overall, this decline was partially offset by the appreciating yen. In 1990, the average value of the yen was 144.8 to the US dollar; by 1995, it had appreciated to 94.1 to the US dollar.[101] The speed of new Japanese investment slowed while Japanese assets accumulated in value, giving a distorted picture of strength at a time of increasing domestic economic weakness.

Though economics provided the force behind the perception, the future of security and stability in the wider Asia Pacific region was also an important issue for Japan to manage. As a major beneficiary of the open trading system, Japan sought an important role as a facilitator of Asia Pacific-wide dialogue, noting that exclusion from East Asia or North America was contrary to its interests. This policy was demonstrated through Japan's activism in the development of institutions such as the ASEAN Regional Forum (ARF) and APEC. Initiatives such as the 'Miyazawa Doctrine' pronounced in 1993 sought to walk a fine line

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[100] A. Rix, 'Japan and the Region: Leading from Behind', p. 68.
[101] OECD, [http://www.oecd.org/dataoecd/43/46/1894369.xls], Accessed 17/8/2004.

between the interests of both the US and the region. According to Curtis, this foreign policy posture relied on "the idea that Japan can be Asian without rejecting its ties to the West, and that it can play an important role in Asia without retreating into an anti-Western nationalism".[102] From this basis, Japan might be seen as an 'honest broker' or, as Pempel termed it, a *torii* or 'bridge' between the Eastern and Western sides of the Pacific.[103] The continuing danger was that it would please neither country or region and its interests, a problem that became more difficult to manage after 1990.

Not that this conflict in Japan's regional diplomacy was the only complicating factor in the search for an acceptable regional profile. The basis for the idea that Japan could become the central economic force in the East Asia economy was beginning to fade. Japan's regional investment and trade profiles, which had both seen a rapid increase during the latter stages of the 1980s, now saw slowing growth. As Table 5.4 shows, only in 1995 was there a significant increase in investment upon 1990 levels to ASEAN countries, whereas FDI to NIEs declined to 80 percent of their 1990 figures.

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[102] G. L. Curtis, 'Meeting the Challenge of Japan in Asia,' in G. L. Curtis (ed.), *The United States, Japan and Asia*, W. W. Norton, New York, 1994, p. 228.
[103] T. Pempel, 'Gulliver in Lilliput: Japan and Asian economic regionalism', p. 15.

Table 5.4: Distribution of Japan Foreign Direct Investment Abroad,
in Selected Regions And Countries, Fiscal Year, 1990-1995* (in $US millions)

Countries/Regions	1990	1991	1992	1993	1994	1995
NORTH AMERICA	27,595.3	19,155.3	14,973.1	15,820.1	18,126.2	23,798.1
European Union 1)	13,526.2	9,026.7	6,867.4	7,464.9	6,176.1	8,444.2
ASIA & PACIFIC 2)	11,395.7	9,446.8	9,732.4	9,170.8	11,637.9	15,712
Asian NIEs 3)	2,542.8	1,614.1	1,288.8	1,869.6	1,850.2	2,102
ASEAN	4,140.1	3,755.3	3,955.8	3,190.6	5,191.7	5,699.2
Viet Nam	0.7	0	10.2	46.7	173.1	204
Cambodia	0	0	3.1	0.9	0	0
Lao PDR	0	0	0	0	0	0
Myanmar	0.7	0	0	0	0.9	23.3
Brunei Darussalam	0	0	0	0	14.6	15.9
Indonesia	1,115.3	1,210.4	1,690.6	856.1	1,769.1	1,645.1
Malaysia	736.8	893.6	725.3	802.1	755.3	589.7
Philippines	264.5	205.9	165.7	212.2	668.2	735.3
Singapore	850.8	622.3	690.6	660.9	1,077.2	1,214.6
Thailand	1,171.2	823	670.1	611.5	732.8	1,270.9
GLOBAL TOTAL	57,684.4	42,276.6	34,974.7	37,332.7	41,887.5	52,675.9

Source: Data compiled from ASEAN FDI Database with figures taken from Ministry of Finance, Japan.
*) the fiscal year begins in April, and ends in March of the following year.
1) European Union comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.
2) Includes Asian NIEs, ASEAN, Middle East, West Asia, Australasia and other Oceanic countries.
3) Excludes Singapore.

Part of the vision for Japan becoming the region's economic leader involved transference of economic focus to its immediate region from the US. However, as both Table 5.4 and 5.5 show, the US and North America were still the pre-eminent locations for Japanese investment. While perceptions of Japan's importance to East Asia through its investment were acclaimed and feared, in terms of absolute size, Japan invested in the US close to triple the amount invested in Southeast Asia and the NIEs, demonstrated in Table 5.5.

Table 5.5: Proportion of Japanese FDI to Selected Regions, 1990-1995 (Millions of US$)

Countries/ Regions	1990	1991	1992	1993	1994	1995
NORTH AMERICA	27,595.30	19,155.30	14,973.10	15,820.10	18,126.20	23,798.10
%	47.84	45.31	42.81	42.38	43.27	45.18
NIEs and ASEAN	6,682.90	5,369.40	5,244.60	5,060.20	7,041.90	7,801.20
%	11.59	12.70	15.00	13.55	16.81	15
GLOBAL TOTAL	57,684.40	42,276.60	34,974.70	37,332.70	41,887.50	52,675.90
%	100.00	100.00	100.00	100.00	100.00	100.00

Source: Data compiled from ASEAN FDI Database with figures taken from Ministry of Finance, Japan.

The basis for perceptions of Japan's economic leadership continued but was increasingly based on weakening underlying figures. Japanese investment grew in the region throughout the period, through the development of raw materials sources that could be used in the manufacturing operations of keiretsu as well as the local development of keiretsu affiliates. ASEAN's overall importance in Japan's FDI was small but growing, from 7.17 percent in 1990 to 12.39 percent and 10.81 percent in 1994 and 1995. Seen in Table 5.5, with the addition of the NIEs over the same years, Japanese investment grew from 11.59 percent to 16.81 percent and 15 percent respectively. But Japanese influence diminished as ASEAN countries became a growing site of global manufacturing, not only with Japanese keiretsu increasing their presence but also from SMEs and multinationals from the NIEs, Europe and North America. After struggling to reach 20 percent of Japan's global investment in manufacturing during the 1980s, Southeast Asia became the destination for 42 percent of manufacturing capital in 1995. As productivity and consumer demand declined at home, Japanese firms moved their operations offshore to take advantage of low cost conditions elsewhere in the rest of East and Southeast Asia. Japanese manufacturers also encouraged their suppliers to follow suit, setting up the Japanese *keiretsu* system in countries outside of Japan and Northeast Asia.[104] This movement of

[104] W. Hatch, "Exporting the State: Japanese Administrative and Financial Guidance in Asia."

FDI had the effect of diffusing some of the latent trade tensions between the US and Japan, although NIEs had already been targeted by the US for their growing exports to the US market.

Regional trade was another aspect of economic power that could be used to support the claim of Japanese leadership in South and North East Asia. As seen in Table 5.6, Japan's trade importance to both South Korea and China was apparent, although the US shared comparable influence by 1995. South Korea's continued reliance on Japan as a source of technology was apparent, with the overall trade balance in Japan's favour growing from $6 to $15.5 billion between 1990 and 1995.

Table 5.6: NE Asia Balance of Trade with Japan, 1990-1995 (in US$ millions)

South Korea	Exports	Imports	Balance	Exports to Japan as % of total exports	Imports from Japan as % of total imports	Exports to US as % of total exports	Imports from US as % of total imports
1990	12638	18574	-5936	19.44	26.59	29.86	24.26
1991	12356	21120	-8764	17.19	25.91	25.89	23.19
1992	11600	19458	-7858	15.14	24.14	23.69	22.73
1993	11564	20016	-8452	14.15	24.72	22.29	22.17
1994	13523	25390	-11867	14.03	24.76	21.32	21.05
1995	17088	32597	-15509	13.61	24.08	19.25	22.46
China	Exports	Imports	Balance	Exports to Japan as % of total exports	Imports from Japan as % of total imports	Exports to US as % of total exports	Imports from US as % of total imports
1990	9210	7656	1554	14.65	14.20	8.45	12.22
1991	10252	10032	220	14.25	15.71	8.62	12.54
1992	11699	13686	-1987	13.68	16.72	10.06	10.88
1993	15782	23303	-7521	17.23	22.50	18.53	10.27
1994	21490	26319	-4829	17.78	22.75	17.72	12.08
1995	28466	29007	-541	19.11	21.95	16.61	12.20

Source: IMF, *Direction of Trade Statistics*, various issues.

Japan also constituted 20 percent of China's imports and exports, putting Japan in a strong position to take credit for China's growth rate nearing 10 percent towards the end of this period. In the case of China, the continuing boom in exports following Deng Xiaoping's 'Open Door' reforms found substantial markets in both the US and Japan, taking 16.6 percent (up from 8.4 percent in 1990) and 19.1 percent (up from 14.6 percent) respectively of China's

exports in 1995. Chinese exports to Japan tripled in the period while imports from Japan increased by a factor of 4. The figures suggested the increasing significance of China to the regional economy and Japan's dual role as a source of exports and a market fuelling China's export-led industrialisation and wider economic development.

For Southeast Asia, regional trade with Japan was crucial and a major reason for perceptions of leadership. As Table 5.7 demonstrates, for the main five founding members of ASEAN, Japan was a crucial source of imports, a much larger source than the US for the most part, and a major export market. For all five ASEAN members, Japanese imports made up more than 20 percent of their total imports. With a reasonable proportion of these goods being used in local affiliates of Japanese keiretsu or in local, export-oriented industrial ventures, Japan was perceived to exert a form of 'network' power over Southeast Asia.[105] However, the limits of that power and the pressure that this power exerted on their political relationship can also be seen through these figures. In a continuation of long-standing problems between the two 'partners', Southeast Asia (apart from oil and timber rich Indonesia) continued to face growing trade deficits with Japan that had historically led to the 'Tanaka Riots'. While economic leadership could be construed by the size of these figures, the political ramifications of this conflicted with Japan's continued reluctance to open Japan's domestic market to agricultural goods and reform informal 'structural impediments'. Japan's ongoing domestic recession made these figures less positive and reduced the potential for future growth, a limitation that would become especially significant during the Asian Financial Crisis.

[105] see P. J. Katzenstein and T. Shiraishi (eds.), *Network Power: Japan and Asia*, Cornell University Press, London, 1997, and in particular, Doner, R. F., 'Japan in East Asia: Institutions and Regional Leadership', pp. 197-233.

Table 5.7: ASEAN-5 Balance of Trade with Japan, 1990-1995 (in US$ millions)

Indonesia	Exports	Imports	Balance	Exports to Japan as % of total exports	Imports from Japan as % of total imports	Exports to US as % of total exports	Imports from US as % of total imports
1990	10923.4	5454.8	5468.6	42.53	24.79	13.10	11.45
1991	10766.8	6326.9	4439.9	36.90	24.40	12.02	13.10
1992	10760.5	6013.8	4746.7	31.68	22.04	13.01	14.01
1993	11172.2	6248.4	4923.8	30.34	22.06	14.20	11.49
1994	10929	7740.1	3188.9	27.29	24.20	14.55	11.22
1995	12288.3	9216.8	3071.5	27.05	22.69	13.92	11.71
Thailand							
1990	3969	10144	-6175	17.20	30.36	22.71	10.78
1991	5135	11038	-5903	17.82	29.11	21.06	10.52
1992	5686	11905	-6219	17.51	29.26	22.49	11.74
1993	6300	13963	-7663	16.95	30.31	21.54	11.68
1994	7728	16442	-8714	16.95	30.23	20.90	11.86
1995	9477	21625	-12148	16.57	29.35	17.62	11.54
Malaysia							
1990	4506	7055	-2549	15.32	24.19	16.95	16.95
1991	5458	9582	-4124	15.86	26.07	16.88	15.31
1992	5401	10379	-4978	13.27	25.99	18.65	15.86
1993	6113	12533	-6420	12.97	27.48	20.33	16.93
1994	7010	15907	-8897	11.93	26.71	21.19	16.62
1995	9199	21179	-11980	12.48	27.29	20.77	16.31
Singapore							
1990	4616	12263	-7647	8.75	20.12	21.26	16.08
1991	5133	14115	-8982	8.67	21.30	19.71	15.85
1992	4825	15202	-10377	7.60	21.16	21.10	16.54
1993	5526	18663	-13137	7.46	21.95	20.35	16.41
1994	6766	22511	-15745	6.98	21.93	18.67	15.23
1995	9219	26308	-17089	7.80	21.15	18.26	15.05
Philippines							
1990	1622	2397	-775	19.79	18.45	37.88	19.53
1991	1771	2517	-746	20.03	19.44	35.65	20.16
1992	1745	3087	-1342	17.75	21.20	39.10	18.03
1993	1811	4022	-2211	16.07	22.80	38.52	20.02
1994	2020	5447	-3427	15.04	24.17	38.55	18.47
1995	2740	6303	-3563	15.77	22.29	35.79	18.47

Source: IMF, *Direction of Trade Statistics*, various issues. Excludes Brunei.

The limitations of relying heavily on economic links in cementing good relations between the region and Japan had become clear from the late 1970s onwards, when the relationship grew to include cultural exchanges and cooperation. The main form of cooperation came in the form of foreign aid, which assisted Japan's regional image as a facilitator of regional development and perceptions of its regional economic leadership.[106] During the early 1990s, at least a third of all Japanese ODA flowed to China, Bangladesh, Thailand, The Philippines and Indonesia.[107] The preference for large aid budgets fulfilled multiple purposes, as noted in Chapter 4. Whilst these funds 'recycled' trade surpluses and fulfilled an unofficial purpose of regional reparations for past behaviour, official aid also constituted the main diplomatic tool that Japan had to counteract the constraining effects of the Constitution. Aid promoted Japan's emergence as a responsible neighbour that had learnt from past criticisms of its past actions.

Japan certainly gained from this aid effort, manipulating the aid to assist the internationalisation of its industries and research and development. For example, an important program that demonstrated this was the short-lived Asian Industries Development (AID) plan, which like the Cambodia-Laos-Myanmar Working Group (CLM-WG) and the ASEAN Economic Ministers (AEM)-MITI Economic and Industrial Cooperation Committee (AMEICC) after it, sought to develop increased cooperation between Japanese and regional governments and enterprises. The programs sought to create Small Medium Enterprises (SMEs) using official loans and Japanese investment, establishing export promotion policies and technology transfers between companies. It assisted investment in East Asia but it also was tied to the development of regional subsidiaries for Japanese companies seeking low cost

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[106] A. Rix, 'Japan and the Region: Leading from Behind', p. 68.
[107] A. Rix, 'Japan and the Region: Leading from Behind', p. 73.

alternatives in the face of the *endaka* and wider economic interests.[108] For Japan's continued economic success, expanded Japanese investment in East Asia enabled Japanese corporations to remain competitive in the face of challenges from the US and other Asian exporters.

The program also managed to fulfil other foreign policy objectives. Aid was being used as a facet of Japan's 'comprehensive security' policy in the region.[109] Under Prime Minister Kaifu, Japan further clarified its guidelines for the distribution of foreign aid, basing decisions on the overall policies of recipient states towards military expenditure, particularly the development of nuclear capabilities, the export or import of arms and the development of democratic freedoms.[110] Written into the 1992 ODA Charter (that lasted until 2002), the promotion of comprehensive security and the new emphasis of this in aid policy came to be seen in the actions taken by Japan over the Chinese nuclear tests of May and June 1995, culminating in the first suspension of aid to China since the 1972 normalisation of relations.[111]

Wider regional perceptions of Japan's role did not respond positively to the retreat of Japan's overall economic influence during the early 1990s, a trend that was to continue for the rest of the decade. Whilst the argument for Japan being the source of the East Asian developmental miracle through administrative guidance and the 'flying geese' model remained, revised scholarship saw Japanese influence as being part of a more complex process of regional development involving the globalisation of production networks, increased intergovernmental disputes over bilateral economic relationships and the rapid pace of technological change.[112]

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[108] A. Rix, 'Japan and the Region: Leading from Behind', p. 68 and W. Hatch, "Exporting the State: Japanese Administrative and Financial Guidance in Asia." Such interests included internationalising the yen MITI linked Japanese associations with their Southeast Asian counterparts in the automotive, electrical products and communications sectors to create a set of regional standards on production and safety rather than accepting that US or EU standards become de-facto global standards.
[109] W. J. Long, 'Nonproliferation as a Goal of Japanese Foreign Assistance', p. 328.
[110] W. J. Long, 'Nonproliferation as a Goal of Japanese Foreign Assistance', p. 329.
[111] W. J. Long, 'Nonproliferation as a Goal of Japanese Foreign Assistance', pp. 333-334.
[112] M. Bernard, and J. Ravenhill, 'Beyond Product Cycles and Flying Geese: Regionalisation, Hierarchy and the Industrialisation of East Asia', *World Politics*, 47(2), January 1995, p. 171.

Rather than following Japan's development path, East Asian manufacturing was "characterised by shifting hierarchical networks of production" linked to Japanese technological innovation and access to the American market.[113] This was notable too in the different patterns of investment, management and industry within Japanese *keiretsu* conglomerates.[114] Overseas affiliates of Japanese companies did not wholly absorb the Japanese management system, which included such elements such as the lifetime employment system, labour-management conferences and job rotation. A 1991 survey found that less than 50 percent of the affiliate's operations were in complete agreement with the management system.[115] As such,

> while Japan is creating a formidable production network in Asia, it is not alone. The nexus between China and the overseas Chinese community in Southeast Asia provides one counterweight; US and European multinationals supply another.[116]

Additionally, after the Plaza Agreements, the Taiwanese and Korean currencies both appreciated against the US dollar and afterwards, as domestic production costs rose because of this change, they also began to invest in Southeast Asia and China. As a result, Japan could not claim to be the only source of foreign capital in the regional economy.[117] Although it could lay claim to a catalytic role in the initial economic development of the region, Japan could no longer claim sole credit for the continuation of the 'miracle'.

Japan as developmental facilitator

This growing complexity entered a wider discussion of the need to promote regional economic development and the best way to accomplish this historically difficult task. As noted in

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[113] M. Bernard, and J. Ravenhill, 'Beyond Product Cycles and Flying Geese', p. 172.
[114] I. Yamazawa, 'On Pacific economic integration', in P. Drysdale and R. Garnaut (eds.), *Asia Pacific Regionalism*, Harper, Sydney, 1994, pp. 204-205. Important in notions of the 'flying geese' pattern were the actions of two types of business; entrepreneurial SMEs that desired to 'catch-up' with more advanced competitors, and multinational enterprises. SMEs are generally connected with older industries with smaller start up costs. The electronics and fine chemicals industry are generally driven by MNEs, with their greater R&D budgets and capacity to enter into joint ventures with local partners.
[115] S. Urata, 'Intrafirm Technology Transfer by Japanese Multinationals in Asia,' in D. J. Encarnation (ed.), *Japanese Multinationals in Asia: Regional Operations in Comparative Perspective*, Oxford University Press, New York, 1999, p. 148.
[116] M. H. Armacost, *Friends or Rivals? The Insider's Account of US-Japan Relations*, p. 221.
[117] M. Bernard, and J. Ravenhill, 'Beyond Product Cycles and Flying Geese', p. 182 and P. J. Katzenstein and M. Rouse, 'Japan as a Regional Power in Asia', p. 239.

previous chapters, the area of regional development quickly became an area of focus for both Japan and the US in the aftermath of the Second World War. Although initially uninterested in Southeast Asia and more interested in US markets and investment, Japan's role as a partner in Southeast and Northeast Asian economic development grew – as an importer of raw materials, as a source of postwar reparations and ODA, and as an exporter of manufactured goods. By the mid-1980s, following the Plaza Accords and loss of domestic competitiveness, the amount of Japanese FDI flowing to the region increased markedly. This increase and the associated growth of regional economies led to a number of consequences. First, scholars and policymakers began to promote the success of the 'East Asian Miracle', not only for East Asian development but also as a wider, openly applicable means of facilitating development on a global basis.[118] Second, with the US in relative decline, East Asia would become the fulcrum of the world economy. It was predicted that the East Asian developmental model would cause trade conflict between it and the West, possibly leading to the wider ramification of closed, competing regional economic blocs. The perceived regional role that Japan played was central to both, as a model of success and as a patron for other East Asian states seeking to emulate Japan.

The role of Japan as a de facto model for East Asian development was one that both the US and East Asia acknowledged as a positive image, but each had their own motivations for supporting it. As mentioned in Chapter 3, from early on in the aftermath of WW2, the US saw that a development-fostering role for Japan could assist the regional fight against Communism. In spite of fears for a return to Japanese control, Japan's economic and military weakness as well as the US alliance mitigated these concerns. Although memories of Japanese autarchy were still fresh, Southeast Asia wanted a continuance of Japanese trade and an

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[118] See The World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, Policy Research Report, Washington, 1993.

increase in investment to develop their economies, damaged by war and largely underdeveloped apart from infrastructure based around colonial industries. Overall, from an East Asian perspective, it not only wanted Japanese assistance in economic development, in terms of investment, technical transfers and aid, but also in terms of defending the state-led economic development model that Japan had helped inspire.

In the 1990s, the interests in this role for Japan had changed, especially for the US. Its relative economic decline, coupled with Japan's relative economic success threatened US influence. As a consequence, this resurrected the old fear that Japan could reassert its exclusive economic power over the region. With the GATT Uruguay Round frustrated by the absence of consensus from 1987 onwards, region-wide fears of a return to protectionist closed regionalism returned, partially assisted by Malaysia's 1990 vision of the East Asian Economic Caucus (EAEC). As East Asia's largest and most developed country, the disposition of Japan toward the idea was perceived as crucial in the success or failure of regional free trade. An example of racial and geographical 'closed' regionalism and, like the Asia Pacific Economic Cooperation (APEC) forum, it was based on the fear of the collapse of the multilateral world trading system. However, Mahathir's EAEC proposal planned a slower liberalisation timetable for the developing nations of Southeast and East Asia, amongst a wider range of policies designed to reduce Western economic influence.[119] With the symbolism of the world's most dynamic region turning its back on the liberal trading system, established powers like the US were fearful of having won the Cold War, only to have 'lost' the peace. However Japan, fearing that it would have to take on domestic market liberalisation to achieve the role as the region's market for agricultural and manufactured goods as well as scale down its alliance with the US, rejected the idea. The potential exclusion of the US, the region's largest market for its exports,

[119] A. Yoji, "An ASEAN Perspective on APEC," *Columbia International Affairs Online*, Columbia University Press, October 1998, [https://wwwc.cc.columbia.edu/sec/dlc/ciao/conf/aky01/], Accessed 5/11/2000 and R. Higgott and R. Stubbs, 'Competing Conceptions of economic regionalism: APEC vs. EAEC in the Asia Pacific', *Review of International Political Economy*, 2(3), Summer 1995, p. 523.

coupled with the argument that Japan was a natural leader of the Asian economic miracle, complicated considerations of a post-Cold War economic order.[120] Japan had set about following a course of action that would try to marry Asian and Pacific interests together.

In 1989 and 1990, Japan (along with Australia and South Korea) established APEC to promote and improve regional cooperation and free trade in the face of fears that increased regional protectionism was a real possibility. In particular, great fears were held for a potential trade war between Japan and the US as the interests of each diverged. This in itself could be seen through their attitudes to APEC. For the US and others, the forum provided an opportunity to liberalise regional markets, correcting long-standing trade imbalances caused by mercantilist economic policies.[121] The US saw Japan's role as using its regional influence to push the liberalisation of regional economies to the point of free market competition. East Asia, on the other hand, wanted Japan to maintain an open market and defend their right to use the same policies that had enabled Japan to rebuild after 1945. Although the region had an interest in free trade (albeit for their exports to the US), their interest was not in 'reciprocity' or in rapid liberalisation, as it was for the US.

The view that Japan had a responsibility to reform both itself and the region to avoid the prospect of a wider economic dislocation with the US over trade was promoted by Peter Drysdale in *International Economic Pluralism*, the argumentative basis behind APEC.[122] In a role that only offered "indirect recompense", Japan needed to carry the responsibility of leadership to maintain the growth and viability of the regional economy. However,

> the question is whether the Japanese community and the political leadership understand and will accept this leadership responsibility. It involves the effort of addressing tough

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[120] The dependence on the US market was well understood by Japan. See S. Young, 'Globalism and Regionalism: complements or competitors?', in P. Drysdale and R. Garnaut (eds.), *Asia Pacific Regionalism*, Harper, Sydney, 1994, p. 187.

[121] See E. Krauss, 'Japan, the US and the emergence of multilateralism in Asia', *The Pacific Review*, 13(3), 2000, pp. 473-494.

[122] The need for Japan to use its 'leadership' to build a regional consensus, and to act responsibly to take the regional trade burden off the US, is a strong theme in Chapter 9 of Drysdale's book.

> political problems and of being a willing and active participant in building an international partnership and constituency in the Pacific that will make it manageable.[123]

Drysdale argued that this adjustment would be assisted by a "Pacific economic alliance" that could pressure Japan to act to take on a greater economic burden similar to that of the US after WW2.[124] He coupled Japan's liberalisation in the finance and manufacturing industries in the 1980s with the wider drive for free trade to ease global protectionist sentiment. However, this argument remained tied to the unrealistic premise that every country had an overriding interest in maintaining regional economic growth and security through free trade. While Drysdale rightfully saw regional economic development and growth best achieved by placating tension between the US and Japan, given the fundamental historical differences, free trade was not a tool that could accomplish a task that was beyond discussion and went to the heart of the postwar order in the Pacific.[125]

With the end of the Cold War, both Western and East Asian states attempted to co-opt Japan into following policies conducive to each other interests. The US and other Western states lobbied Japan to pressure other East Asian states to participate in advocating regional liberalisation. On the other side, East Asian states lobbied Japan to balance US economic *gaiatsu* through advocating a more independent, pro-East Asian position. Despite Although popularly enunciated by Japanese nationalist Ishihara Shintaro and Prime Minister Mahathir, in 'The Asia that can say No', broad-based regional support existed for Japan to act as the spokesperson of Asian interests in multilateral fora. These institutions included the Group of Seven (G-7) and the IMF/World Bank, where the allocation of voting rights to Asia (particular in the latter) lagged behind contemporary changes in the global economy.[126] That these

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[123] P. Drysdale, *International Economic Pluralism*, p. 247.
[124] P. Drysdale, *International Economic Pluralism*, p. 247.
[125] Drysdale, *International Economic Pluralism*, pp. 22-23, 26.
[126] See J. Rapkin and J. Strand, 'The US and Japan in Bretton Woods institutions: sharing or contesting leadership?', *International Journal*, 52, Spring 1997, pp. 265-296 and C. B. Johnstone, 'Paradigms Lost: Japan's Asia policy in a time of growing Chinese Power', *Contemporary Southeast Asia*, 21(3), December 1999, p. 372.

organisations also pushed a Western, market liberalisation-focused reform agenda also rankled with regional leaders that saw rapid market liberalisation as being contrary to their national interests. These international fora became one of the main arenas in which tension between the two perceptions accrued, as the Asian Financial Crisis showed, a period subject to analysis in Chapter 6.

The debate over State vs. Market-led development

The tension between US and East Asian capitalist visions could be seen in the struggle, particularly in the Bretton Woods institutions, namely the IMF and World Bank.[127] After seeking and attaining an increase in its voting position beginning of the 1980s, by the late 1980s and early 1990s, Japan began to attain a level of responsibility in global economic institutions commensurate with its economic size. In spite of US arguments about systemic responsibility, Japan withdrew its absolute support for US and Western policies within these institutions, actively promoting its own experience as a model for the developing world.[128] Whilst neo-liberal views, termed the 'Washington Consensus' by John Williamson,[129] called for liberalisation and deregulation as being crucial to state development, Japan complained that this view did not take into account the experiences of itself and other East Asian states. Out of all of the divergences between the two models, it was the role of the state in economic development that became highlighted. The Japanese Overseas Economic Cooperation Fund (OECF) released a report in 1991 that was critical of the "World Bank's excessive emphasis on the allocative efficiency of market mechanisms" and reiterated the point that East Asian economic developmental experiences were different from the Washington model.[130] These differences in opinion were partially accommodated in 1993 with the World Bank report *The*

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[127] M. Tamamoto, 'Japan's Search for Recognition and Status', pp. 6-7.
[128] J. Rapkin and J. Strand, 'The US and Japan in Bretton Woods institutions: sharing or contesting leadership?', p. 276 and pp. 280-281.
[129] see J. Williamson, 'What Washington Means by Policy Reform', in J. Williamson (ed.), *Latin American Adjustment: How Much Has Happened*, Institute for International Economics, Washington, 1990.
[130] J. P. Rapkin and J. R. Strand, 'The US and Japan in Bretton Woods institutions', pp. 290-291.

East Asian Miracle, which acknowledged that under select circumstances state intervention was beneficial to economic development.[131]

This small victory was the high point for Japan's advocacy of Asian interests, and by association, its East Asian public diplomacy.[132] This position obviously did not fit within US perceptions of the regional role that Japan should pursue. As Wade noted, Japan did not publicly follow up the report with another study, perhaps fearing that forcing the issue would harm its US relations.[133] In potential contrast with its earlier refusal to accept Western arguments of the proper role of the state, Strand and Rapkin later observed Japan's support for US initiatives on privatisation and liberalisation.[134] This demonstrated if nothing else the desire on Japan's behalf to manage the gap between the two perceptions of its role and responsibilities in the region. It also reflected Japan's increasing economic and political weakness and a reduced diplomatic profile in the mid 1990s. With increasing debt-related economic problems, Japan's political strength was turned to solving domestic issues.

Beyond an Economic role

With the close linkages between economics and the stability of the region in the post-Cold War environment, Japan's role in this became an important part of deciphering future regional changes. Since the Fukuda Doctrine in 1977, Japan had generally sought to pursue diplomatic objectives that would slowly ease tensions and improve regional peace and stability through a regional acceptance of Japan and its increasing power. While the US desired Japan to follow the existing bilateral structure remnant of the Cold War, Japan increasingly used multilateralism to fulfil responsibilities that both the US and the wider region desired of it. After the shock of

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131 J. P. Rapkin and J. R. Strand, 'The US and Japan in Bretton Woods institutions', p. 291 and The World Bank, *The East Asian Miracle: Economic Growth and Public Policy*.
132 See E. Sakakibara, *Beyond Capitalism: The Japanese Model of Market Economics*, University Press of America, Lanham, 1993.
133 R. Wade, 'Japan, the World Bank and the Art of Paradigm Maintenance: *The East Asian Miracle* in Political Perspective', *New Left Review*, 217, May 1996, p. 30.
134 J. P. Rapkin and J. R. Strand, 'The US and Japan in Bretton Woods institutions', p. 293.

US Gulf War bilateralism, Japan slowly increased its politico-strategic role through the UN and ASEAN, rather than purely through the US alliance. For Japan, the conduct of Japanese foreign policy through such institutions assisted Japan in overcoming its legitimacy deficit and combating domestic isolationism. As well as overcoming both US and regional concerns relating to Japan's regional role, it also enabled Japan to diversify strategic affairs way from a total reliance on the US alliance.

The early 1990s saw every Japanese Prime Minister utilising multilateral diplomacy in at least one of the major foreign policy events during their terms of office. Each one of these saw Japan acting in either a facilitating or brokering capacity. For example, the Miyazawa government (1991-1993) sent peacekeepers to Cambodia while the Hosokawa administration (1993-1994) presided over the creation of the Defence Problem Advisory Board which, through the Higuchi Report, argued that a multilateral security framework be pursued alongside the US alliance.[135] The Murayama administration (1994-1996) faced North Korea's nuclear aspirations through complex deliberations with China, South Korea and the US while also dealing with China's increasing economic success and assertive behaviour towards Taiwan.[136] This bilateral relationship, along with the changes to Japan's policy towards regional multilateral efforts to promote regional stability through the Cambodian peace process and the creation of ARF, demonstrated a regional role that fulfilled Japan's and the wider region's desire for regional stability.

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[135] J. Tsuchiyama, 'Ironies in Japanese Defence and Disarmament Policy', p. 146 and C. B. Johnstone, 'Paradigms Lost: Japan's Asia policy in a time of growing Chinese Power', p. 375.

[136] M. Kohno, "In Search of Pro-active Diplomacy: Increasing Japan's International Role in the 1990s." Kohno sees this through Murayama's active diplomatic efforts to establish the Korean Peninsula Energy Development Organisation (KEDO), a cooperative framework among Japan, the United States and South Korea. It was created to supervise North Korea's nuclear capabilities and begin the construction of replacement light-water nuclear reactors in March 1995.

Post-Gulf War compromises and UN Peacekeeping

Whilst the US alliance remained central to Japanese perceptions of their own security, Japan's move towards multilateralism was perceived as widening its ability to affect regional stability issues. It also suited the new post Cold War environment where regional neighbours desired greater multilateral discussions and the permanence of US bases in East Asia was in question. Regardless of the problems caused by the Gulf War or the difficulty of finding a role consistent with long-standing UN-centred rhetoric, Japan realised that its postwar posture on strategic issues required reform. As noted earlier, through the partial reforms instituted through the International Peace Cooperation Law in 1992, Japan developed a five point legal framework that clarified the restrictions posed by the Constitution and its ability to participate in UN peacekeeping and other operations.[137] The highly conditional terms of this law restricted the variety of roles and areas that Japan could become involved in while any differentiation required Cabinet approval, which again called into question the issue of responsibility.[138] Given the controversial nature of the debate domestically and the constitutional constraints on non-UN sanctioned security activities, the resultant reforms pleased neither a largely sceptical domestic population nor the US seeking a greater 'responsible' role for Japan in regional security.[139] After the Gulf War, Japan made minor

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[137] T. Inoguchi, 'Japan's United Nations peacekeeping and other operations', p. 88. The five principles for Japan's involvement in UN operations were: 1) an agreement of ceasefire needed to be reached; 2) the various parties had to agree to the deployment of UN forces and Japan's specific involvement within them; 3) the UN forces would remain impartial; 4) if any of these issues are not complied with, Japan had the right to withdraw its forces; and 5) the use of weapons would be limited to the direct protection of persons conducting international peace cooperation assignments.

[138] T. Inoguchi, 'Japan's United Nations peacekeeping and other operations', pp. 93-94, 95. Typical roles included and approved under the legislation were activities the inspection of weapons, patrolling, monitoring, administrative guidance, medical care and aid distribution. It ruled out from the beginning any form of traditional peacekeeping, as well protecting the supply of humanitarian supplies (Bosnia, Rwanda/Zaire and Somalia), establishing order (as in Somalia) or ceasefire (Balkans) or peace enforcement (Kuwait).

[139] Y. Takeda, 'Japan's Role in the Cambodian Peace Process', pp. 562-563 and P. Polomka, 'Japan as Peacekeeper: Samurai State, or New Civilian Power?', p. 3. Even before the deployment of Japan's contribution, public opinion polls suggested that 56% did not want the force to go to Cambodia. The approximately 200 journalists and 40 TV crews of the Japanese media who covered Japan's operations were openly sceptical of their country's involvement in Cambodia. When nine police officers were injured in a Khmer Rouge attack during May 1993, the Japanese government asked that its force be redeployed to more secure areas, as the Japanese contingent was lightly armed and unable to use their weapons unless directly threatened. This caused disquiet amongst the international

contributions only to UN operations in Mozambique, El Salvador and Rwanda as well as Cambodia up to 1995.[140] Yet it was this compromise that began Japan's movement from being a passive economic and diplomatic supporter of regional stability to an active albeit constrained participant.

This role achieved greatest prominence in Indochina, specifically in Cambodia. The lack of trust that Southeast Asia had in Japan's ability to act responsibility required confidence building, a task for which Japan's strengths in consultative diplomacy and multilateral initiatives were well suited. As noted earlier, substantial emphasis in the Fukuda Doctrine went to Japan assisting regional stability and development through easing tensions between Indochina and ASEAN, an effort that had widespread regional support.[141] An integral country in the initial settlement achieved between Cambodia's warring factions and Vietnam, Japan held a crucial role alongside Thailand in supporting a peaceful resolution of the civil war. Its major contribution beyond supporting ASEAN diplomacy was through providing the resources to establish the new Cambodian state. It was a major contributor in financing and staffing the Cambodian UN contingent. After 1992, Japan paid for 12.45 percent of the peacekeeping operation, the second largest contribution after the US. [142] Out of the $800 million pledged to the UN reconstruction process during 1992, Japan pledged $150-200 million, making it the largest contributor, and it remained the largest contributor of funds up to 1996.[143] Japan also contributed 600 SDF personnel to the peacekeeping mission, although this contribution was limited by operational restrictions. This operation became the first deployment of Japanese

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community as there were fears that special treatment would be sought by other countries in future peacekeeping missions.

[140] T. Inoguchi, 'Japan's United Nations peacekeeping and other operations', p. 92.

[141] C. B. Johnstone, 'Paradigms Lost: Japan's Asia policy in a time of growing Chinese Power', p. 375.

[142] Y. Takeda, 'Japan's Role in the Cambodian Peace Process', *Asian Survey*, 38(6), June 1998, p. 554, 563.

[143] Y. Takeda, 'Japan's Role in the Cambodian Peace Process', pp.565-566.

security personnel since WW2 and the first that had implicit ASEAN and wider regional support.[144]

On a broader question of the post Cold War security architecture, moves to replace the US as the foundation of regional security began, with Japanese diplomacy central to the formation of potential replacements. Whilst Japan continued to emphasise the US alliance, multilateral processes were seen as a good way of easing strategic tensions given the potential continuation of US withdrawal, a possibility strengthened by the US withdrawal from The Philippines in 1994. In 1994, Prime Minister Hosokawa commissioned the Higuchi Report to examine the future of Japanese defence policy. The panel reported that Japan consider a "multilateral security strategy", including greater emphasis on regional security dialogue.[145] In concrete terms, this process could coalesce around ASEAN. This was a natural progression from the Fukuda Doctrine.

Rather than enter into a collective agreement like NATO that might upset ASEAN's consensus diplomacy, the idea of a non-binding security dialogue became the new preferred approach to regional security. Japan had already been pursuing consultative security dialogues at some length by 1994, with Japan's interest in facilitating a regional dialogue centred on ASEAN beginning in the early 1990s. Foreign Minister Nakayama and MOFA officials floated the concept of a regional institute of strategic and international studies during 1991, notably at the July 1991 ASEAN-Post Ministerial Conference (PMC) in Kuala Lumpur.[146] Although ASEAN liked the plan, the US feared that such an organisation would detract from its bilateral system of regional 'hub and spokes' alliances. With the US hostile to the potential uses of this

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[144] E. Brown, 'Japanese security policy in the post-Cold War era', p. 438.
[145] C. B. Johnstone, 'Paradigms Lost: Japan's Asia policy in a time of growing Chinese Power', p. 375.
[146] M. Leifer, 'The ASEAN Regional Forum', *Adelphi Paper*, No. 302, International Institute of Strategic Studies, London, 1996, p. 23. The then Bush administration was worried that such a multilateral grouping could eventually undermine the "utility and credibility of existing bilateral arrangements to which the US was committed".

organisation as a competitor to its bilateral alliances, the plan came to naught.[147] Nevertheless, Leifer argued that the institute was designed to reduce Japan's legitimacy deficit by both involving itself in regional security matters whilst also maintaining US post- Cold War strategic engagement in East Asia.

> A multilateral security dialogue that did not jeopardise Japan's special security relationship with the US fitted well into its long-standing approach to the region which precluded a forward military role. Underlying Foreign Minister Nakayama's initiative was an attempt to encourage a new structure of regional relations that would perpetuate US military engagement. Japan feared above all that a US military withdrawal from East Asia might spark off a dangerous competition for regional hegemony from which Tokyo would not be able to distance itself.[148]

In January 1992, ASEAN moved in the direction of the Japanese proposal, desiring to have the three regional great powers (US, Japan and China) at a regional meeting to discuss wider security issues.[149] With President Clinton at the White House, the US was more favourably disposed towards the idea of a regional non-binding security dialogue. When ASEAN governments pushed to initiate this cooperative framework, Japan, amongst others (like Canada and Australia) supported it.[150] The ARF began meeting in July 1993, overcoming many of the negative reactions that had hitherto left other plans for a regional security community at the planning stage.[151] This process again underlined the difference in leadership debates between the US and Southeast Asia. Any responsibility from the US perspective needed Japan to fulfil a role consistent with its global interests, whereas Southeast Asia desired a leadership role for Japan that was consistent with their interests in economic development and took into account Japan's continuing regional legitimacy deficit.

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147 M. Leifer, 'The ASEAN Regional Forum', p. 23.
148 M. Leifer, 'The ASEAN Regional Forum', p. 24.
149 M. Leifer, 'The ASEAN Regional Forum', p. 24.
150 M. Leifer, 'The ASEAN Regional Forum', p. 27. In January 1993, Prime Minister Kiichi Miyazawa made a speech in Bangkok stressing that nations region needed to come up with a framework that could deal with security issues and after continued diplomacy, the first meeting of ARF began in July of the same year.
151 E. Brown, 'Japanese security policy in the post-Cold War era', p. 440.

Japan and Northeast Asia: China and North Korea

Whereas Southeast Asia saw greater Japanese involvement, Northeast Asia favoured more limited Japanese activism. After the Cold War, relations between Japan and its two neighbours entered a new phase, if only because of diminished Soviet influence. Japan's role as a facilitator and honest broker, first seen in the Japanese response to Tiananmen Square Massacre of 1989, became a role that even China welcomed in the face of wider disquiet over its human rights record and the continued perception of it as a threat to regional stability. Unlike the US policy of isolation, Japan's closer proximity to China drove a more conciliatory diplomatic response that sought to bring a rapid return to peace and stability.[152] Up to July 1993, only one high profile figure within the Bush and Clinton Administrations (Secretary of State Warren Christopher) met with similar Chinese counterparts. In a direct contrast, Japan met all of the major Chinese officials and Japan's Emperor Hirohito made a visit to China in 1992.[153] Whilst China was being categorised as a 'rogue state' by the then US Ambassador to the UN Madeleine Albright during 1993, Japan sought to normalise relations, even attempting to alleviate mutual environmental concerns.[154]

Japan's policy of promoting stability with China through engagement and acting as an 'honest broker' functioned well but was not without its own problems. When Japan occupied a role that the region on the whole was comfortable with, it faced few problems in getting its agenda forwarded for further discussion. However, when that role conflicted with another state's perceived core interests, Japan was attacked for ignoring its legitimacy deficit. For

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[152] C. Johnstone, 'Clinching the Giant: Tokyo's China Strategy and Implications for US-Japan Relations,' in Peter Drysdale and Dong Dong Zhang (eds.), *Japan and China: Rivalry or Cooperation in East Asia*, Asia Pacific Press, Canberra, 2000, p. 119. See also D. A. Baldwin and H. V. Milner, 'Economics and National Security,' in H. Bienen (ed.), *Power, Economic and Security: The United States and Japan in Focus*, Westview, Boulder, 1992, pp. 32-33. Baldwin and Milner argue that security is a concept that differs between countries and is based on the amount of risk that a country is willing to absorb.

[153] M. Oksenberg, 'China and the Japanese-American Alliance', in G. L. Curtis (ed.), *The United States, Japan and Asia*, W. W. Norton, New York, 1994, p. 99.

[154] M. Oksenberg, 'China and the Japanese-American Alliance', pp. 100-101. Ultimately, US policy moved to engagement during the last months of 1993, following growing concerns over North Korea's nuclear weapons program and the necessity of China's support for a solution to be successful.

example, during China's Nuclear Tests in 1995, Japan maintained humanitarian aid, avoiding enacting sanctions while suspending $180 million in grant aid to China.[155] Although the aid suspended only amounted to a fraction of the total aid budget, it upset China to the point where Premier Li Peng reminded Japan of its occupation of China and Japan's nuclear hypocrisy, considering that it sheltered under the US nuclear umbrella.[156]

Whilst dealing 'honestly' in 'partnership' with Southeast Asia, the same policy did not bear the same effects in Northeast Asia. In pursuing regional peace and stability, Japan faced a more complex geopolitical environment that proved difficult to reform. Reform in this case meant resolving long-standing issues of Japanese colonialism and the aftermath of WW2. In the case of North Korea, Japan's efforts to facilitate stability in their bilateral relationship early in the 1990s were complicated by its own bilateral relations with South Korea and the United States. This relationship was to be further complicated in light of North Korea's nascent nuclear weapons program. In September 1990, in keeping with a more open, post-Cold War diplomatic process, Japan sent a parliamentary scoping mission over to North Korea to discuss the future of their relationship. Led by Kanemaru Shin, a senior LDP figure seen as the party's 'kingmaker', the unofficial mission expressed Japan's apologies for Korea's colonial occupation, stating Japan's preparedness to make an initial payment of compensation before a soon to be negotiated normalisation of relations.[157] Despite the trip's success, its substance had not been agreed to by the LDP. In addition, the US and South Korea were completely unaware of this plan and were unhappy that the North would be offered better compensation than that offered to South Korea in 1965. The deal also came without preconditions, especially those pertaining to the North's significant military capability. North Korea, believing that Kanemaru's trip was

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[155] R. A. Scalapino, "The Changing Order in Northeast Asia and the Prospects for U.S.-Japan-China-Korea Relations" and W. J. Long, 'Non-proliferation as a Goal of Japanese Foreign Assistance', p. 334.
[156] W. J. Long, 'Non-proliferation as a Goal of Japanese Foreign Assistance', p. 335.
[157] M. H. Armacost, *Friends or Rivals? The Insider's Account of US-Japan Relations*, p. 146. In return, North Korea was prepared to set up a direct line of communication, return of detained Japanese citizens and resume air links between the two countries

official, held Japan to Kanemaru's terms, a continuing problem in the struggle to normalise relations between the two countries in later years.[158]

Conclusion

After five years of increased diplomatic activity in the Asia Pacific, Japan found itself in a similar leadership position to that which it faced at the start of the decade. In its role with the US, Japan was expected to follow the role of an alliance partner, with perceptions of leadership tied to Japan's ability to contribute to both the economic and strategic roles that the US desired of it. On the economic side, the US desired Japan to speed liberalisation of 'Japan Inc' and reform the state-led development model that continued to act as a precedent for other states' economic development. As it had during the past two decades, the US wanted these reforms to reduce the trade deficit with not only Japan but most of East Asia, as well as open up regional investment opportunities that continued to be closed to foreign investment. It was in a strategic perspective that the US desired the most reform to Japan's role. Seeing the post-Second World War compromise embodied in the Yoshida Doctrine as an anachronism, US perceptions of Japan centred on Japan encouraging greater responsibility in the alliance. The Gulf War demonstrated the US interest in changing Japan's role, regardless of Japan's legitimacy deficit and the confines of the Constitution. The US attitude towards ARF also demonstrated that a different form of strategic responsibility was undesirable if it did not reinforce and maintain the alliance between the US and Japan. If Japan was an ally of the US, then Japan had a responsibility to be loyal in following US interests, regardless of whether they were the same as Japan's interests or not.

Whilst the US perceived Japan as a loyal ally that should use its influence to begin reforms in East Asia, the East Asian perception of Japan differed. The East Asian perception of Japan's leadership role as a source of developmental assistance and diplomatic facilitator

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[158] M. H. Armacost, *Friends or Rivals? The Insider's Account of US-Japan Relations*, p. 147.

remained intact. Demonstrating the partnership that Fukuda had announced in the late 1970s, Japan sought for itself a leadership role in increasing the mutually shared interest of regional peace and stability. Japan was a sympathetic voice in support of their developmental models in international economic institutions even if there was little achieved as a result. Although the general trade balance remained unequal between Japan and the wider region, the relative growth in investment and technical exchanges were welcomed as ASEAN, alongside the NIEs, fulfilled their primary national interests of economic development. Japan's attempts to bridge the legitimacy deficit and the different strategic roles each side of the Pacific wanted for it constituted another substantial difference between the US and Asian view of leadership. Although East Asia supported Japan's continuing alliance with the US, the region also desired greater multilateralism than the US to ease regional tensions. Its role in the Cambodian peace process and ARF highlighted the growing but essentially limited politico-strategic Japanese involvement in the region. Japan remained in a position where it relied on the support of both regions for its diplomacy and economic health, but at a time when the end of the Cold War had led to a growing divergence in the conceptions of what Japan's regional role should be.

Although a thought present during Nixon's administration, fears of an imminent US economic meltdown during the early 1980s led scholars to predict a significant change within international relations. As demonstrated so far in this thesis, perceptions of Japanese leadership evolved to consider this possibility. But as soon as this change seemed likely, the main driver of Japan's potential, Japan's economic dynamism began to fail and lose the element of surprise that had led analysts to call Japan's postwar growth a miracle in the first place. With the other main pillar of the perceptions of systemic economic change, the continuing dire state of the US economy and its manufacturing sector beginning to show signs of recovery, while Japan's role came to be seen in a far less optimistic light. For the US, 1995 heralded the end of

the early 1990s recession, the beginning of the 'Information Technology' (IT) boom and a change in the economic relationship between the two Pacific partners and rivals.

In the second half of the 1990s, Japan was to suffer the same fate as its *Nichibei* partner; the prospect of relative economic decline and the decline of its regional influence. Japan's economic strength, the basis for the perception for greater regional leadership and responsibility, faltered as badly as Indonesia and South Korea during the Asian Financial Crisis. Coupled with an increasing number of participants investing and trading with the region and the rapid rise of China and its regional economic diaspora, Japan's influence came to be seen in terms other than leadership. As Japan's 1995 Financial Crisis hit, it revealed how deep the change in the regional political economy had become. During the Asian Financial Crisis of 1997-1999, analysed in Chapter 6, Japan's role in the Asia Pacific remained contested and subject to regional and global scrutiny. While previous periods had seen East Asia and the US attempt to manage Japanese growth and leadership aspirations, the period between 1996 and 2000 saw each trying to manage the implications of Japan's relative decline. As a result, perceptions of a leadership role for Japan were far less prevalent than they had been only five years before.