tled "Markets, Democratic States, and Regional Order," was held on December 10-11, 2005 in Kyoto. This symposium brought together specialists in the areas of comparative politics, international relations, and international law for the purpose of putting the contending hypotheses into proper analytical perspective and thus helping to advance our understanding about the nature and consequences of recent political-economic changes in the most dynamic regions of the world. The fruits of the symposium are published in this special issue of the Kyoto Journal of Law and Politics. I would like to thank Professors T. J. Pempel (University of California, Berkeley), Miles Kahler (University of California, San Diego), Sakda Thanitcul (Chulalongkorn University), William Keech (Carnegie Mellon University), William Mishler (University of Arizona), and Masahiko Asada (Kyoto University) for participating in the symposium and contributing their papers to this special issue, as well as Professors Stephan Haggard (University of California, San Diego), Jongryn Moe (Yonsei University), James Tang (University of Hong Kong), Toshimitsu Shinkawa (Kyoto University), Hiroshi Nakanishi (Kyoto University), Satoshi Machidori (Kyoto University), and Kengo Soga (Osaka University) for presenting their papers at the symposium.

Motoshi Suzuki
Principal Organizer
2005 COE International Symposium

JAPAN RETHINKS ITS SECURITY: THE U.S., ASIAN REGIONALISM, OR SOME KIND OF MIX?

T.J. Pempel

ABSTRACT

Japan is in the midst of a systematic overhaul of its security policies. This paper begins by examining the historical roots of Japan's earlier policies. It focuses on Japan's balancing its interests in the U.S. with its desire for improved relations with Asia. The key tools during this earlier period were economic; military and diplomatic actions were minimal. Global conditions as well as changes in Japan have stimulated important revisions. Among other things, a new strategic doctrine has been articulated; Japan's bilateral ties to the U.S. have been bolstered; and Japan has shown a greater willingness to utilize military forces abroad, even without a United Nations mandate. Concretely, this has meant sending military assistance to U.S. actions in Afghanistan and Iraq. Equally importantly, despite the ongoing enrichment of economic linkages across Northeast Asia, Japan's political relationships with China, the ROK and the DPRK have soured as the result of rising nationalist tensions.

KEY WORDS ■ Japan ■ security ■ bilateralism ■ Self-Defense Forces ■ Koizumi

The security situation in East Asia, particularly in Northeast Asia, has undergone a series of deep structural shifts in the last decade and a half. The collapse of the Soviet Union ended fifty years of superpower bipolarity and left the US as the world's only superpower. China's incredible economic success catapulted that country into a position of heightened regional and global influence. A changing Taiwanese domestic politics and an invigorated PRC nationalism have led to escalating cross-straits tensions. DPRK claims to be actively pursuing a nuclear weapons program along with its conventional missile capabilities inject a frighteningly new instability into the regional security chemistry. Additionally, Asia, once deeply cleaved by colonial empires and subsequently divided by the exigencies of post-colonial nation-building, has become far more cohesive as a region, drawn together by the economic forces of finance, investment, and cross-border production.
networks along with enhanced cross-border communication, environmental cooperation, and cultural diffusion among other things. Indeed, even in the security area, East Asia has shown increased signs of multilateral cooperation, most notably with the creation of the ASEAN Regional Forum (ARF) in 1993, and supplemented by ad hoc arrangements such as the Six Party Talks on the nuclear problem in North Korea. East Asia (particularly Northeast Asia) remains a long way from having given birth to a ‘security community’ but it has made significant headway in reducing the likelihood that longstanding territorial disputes and competing nationalisms will result in overt military conflicts.

Japanese security policies have been shifting rapidly in response to these new structural dynamics. Broadly speaking, Japan’s policy alterations have been most noteworthy in two major geographical directions: toward the Asian region and toward the United States. Moreover, Japan has become far more willing to employ military, as opposed to purely economic, mechanisms in pursuit of its foreign policy goals.

This paper examines these changes with an eye toward highlighting the most important changes in Japanese security policy. It begins with a brief ‘baseline’ examination of Japan’s longstanding approach to external security. The next section then examines Japan’s ties to the U.S., and in particular, its positive activation of an explicitly military role, a role long pushed by Washington but one increasingly embraced with enthusiasm by Japanese leaders. Clearly bilateral US-Japan security ties have become much closer, particularly in the wake of 9/11. The third section shifts to Japanese ties to the Asian region. It demonstrates that in important ways Japan’s moves to bandwagon with the US have weakened some of its longstanding Asian connections. But importantly, that weakening has been largely in the areas of security and diplomacy; economic and financial ties between Japan and the Asian region remain quite vibrant, creating something of a mismatch between military policies that move Japan toward the US and away from Asia, but economic and financial policies that keep it deeply embedded in the Asian region.

The Baseline: Japan’s Postwar Foreign Policy Bias

Since the end of the American Occupation the US-Japan Security Treaty has been the keystone in Japan’s arch of security and foreign policies. Maintaining close ties with the US has been the starting point for all Japanese foreign policy. Yet in their earliest formulation these bilateral ties were imbalanced. Japan was content to allow the US to carry virtually all the responsibility for military muscularity in or around Asia including taking on a preponderant share of the responsibilities for the defense of Japan. Constrained at home by an ambiguously pacifist constitution, a public skeptical about military means to secure peace, and opposition parties hostile to the US-Japan Security Treaty and in favor of constraints on Japan’s own Self-Defense Forces, Japan’s foreign policy relied heavily on the bilateral ties with the US for external security combined with a reliance on its own economic successes for any unilateral moves it sought to make abroad. Japan was an active supporter of global multilateral organizations such as the United Nations, the G-7, GATT and WTO, the World Bank, the Asian Development Bank, and so forth. But military security depended largely on the US nuclear umbrella, the Seventh Fleet, and military forces stationed within Japan.

Economic growth became the key mechanism for enhancing Japan’s own security. Security, meanwhile, was defined broadly. “Comprehensive security” was the watchword, meaning Japan’s external security policies would involve not just military protection of the nation’s borders but also food, energy, technology, and economic security, among others. A rapidly expanding Japanese economy in turn provided ever greater resources with which to pursue its foreign policy goals. With an air that periodically bordered on triumphalism, Japanese leaders took for granted both their country’s continued rapid development as well as its undisputed economic leadership within the Asian region. Following the Plaza Accord of 1985, the value of the yen jumped rapidly fostering the widespread outflow of foreign direct investment and enhanced purchasing power by Japanese corporations. Political and business leaders from a host of countries throughout developing Asia looked to Japan as the logical model to emulate as they pursued their own economic strategies (Woo-Cumings, 1999). Meanwhile, a network of Japanese foreign assistance, trade, production networks and bank loans became pivotal in advancing the economic fortunes of much of Asia while simultaneously reinforcing Japan’s position as the undisputed leader of Asia’s region wide development.

Within Asia, Japan was long accorded semi-automatic leadership. The huge imbalance in economic capabilities between Japan on the one hand and the rest of Asia on the other made this a logical positioning. From the early 1960s until probably the Asian economic crisis of 1997-98, Japan also devoted considerable effort to building close economic and diplomatic ties to the rest of Asia and to the pursuit of what it often labeled its “omnidirectional foreign policy.” Official Development Assistance (ODA) to the ROK, Taiwan, Southeast Asia and later China; diplomatic normalization with the ROK and the PRC, followed by substantial official economic assistance and investment in both; extensive foreign direct investment by Japanese manufacturers and financial institutions across the region; and explicit governmental support for a variety of Asian regional organizations such as APEC, the ASEAN Plus Three (APT), and ARF were but a few of the key components in Japan’s economic outreach to the rest of Asia and to a fusing of Japan’s own economic growth with broader regional development (Hatch and Yamamura, 1996).

These basic parameters of Japan’s foreign policy were—at least in Japanese eyes—clearly hierarchical. Japan was dependent on the US for its military security and Japanese defense planning was predicated on SDF forces playing a subsidiary role to the US nuclear umbrella and the maritime dominance of the US Seventh Fleet. Diplomatically, Japan took multi-
ple cues from US policymakers, more often than not positioned as a loyal follower of US diplomatic initiatives. For a long time, too, the US led Japan technologically and economically, although the gap between the two had narrowed by the 1980s. In contrast, Japan sought to position itself as the unchallenged leader of the Asian region. Using its economic and technological prowess as the principal currency of exchange, Japan for most of the postwar period was clearly the economically and technological Atlas in an Asia of 98 pound weaklings.

This ambiguous position of dependence on the US and leadership over much of Asia suited Japan well for most of the 1980s and into the 1990s. Ties with the US were predominantly positive—if periodically jolted by bilateral trade disputes. Meanwhile, vast sums of Japanese capital and Japanese “leadership from behind,” bolstered unprecedented growth, closer friendship with the US. Japan’s willingness to commit to a broader geographical scope for the treaty that included the Far East, the US was spending about five times more on its military than its next closest competitor while its total military budget was greater than that of the next twenty countries combined. Among the capabilities it possesses that most other countries do not even own in proportionate terms are long range strategic transport, mobile logistics, advanced precision-guided weaponry, stealth technology, and global satellite surveillance and communications systems (O’Hanlon, 2003: 172).

But American power was put to new uses under George W. Bush in a series of unilateral strategic and foreign policy actions aimed at reshaping the global status quo. Bush’s actions broke with the prior fifty years of a predominantly multilateral and status quo oriented US foreign policy (Daadler and Lindsey, 2003: 13; Ikenberry, 2001). US interests were defined unilaterally and assumed that the end of the Cold War gave the country a unique opportunity to transform the world (Soeya, 2005b: 74).

The Bush administration quickly moved to shuck off any constraints that might be placed on it by international organizations or global treaties (except notably within the economic area where it continued to support WTO, IMF and other such bodies). Early in the administration, the US, reflecting the new dominance of neoconservatives and classic realists, explicitly renounced a host of longstanding and relatively new global agreements from the ABM treaty to the Kyoto Accord to the Convention Against Small Arms, the Biological Weapons Convention, the Chemical Weapons Convention, the International Court of Justice and many others.

US military and strategic thinking also underwent comprehensive overhaul with the move from a “threat-based” to “capabilities-based” military. The new US doctrines were laid out in the Quadrennial Defense Review (QDR) of 2001, the Bush speech at West Point June 2002 and the National Security Strategy (NSS) of September, 2002 and that of 2006. The new doctrine called for the US to take on three major goals—“[to] defend the peace by fighting terrorists and tyrants...[to] preserve the peace by building good relations among the great powers...[and to] extend the peace by encouraging free and open societies on every continent.” (Gaddis, 2004:83). New were Bush’s elevation of the terrorist threat to the level of that posed by tyrants, the explicit notion of preemptive warfare to achieve his goals, and the aim of actively removing the causes of terrorism and tyranny through military action.

The QDR argued that new, post Cold War challenges would require greater flexibility in the existing US basing system. Forces would need to be closer to what the US identified as the “arc of instability” stretching from Northern Africa to Southeast Asia. America’s new focus would be on mobility to conduct expeditionary operations in distant theaters rather than on the fixed bases designed to ward off, or respond to, conventional attacks from well identified adversaries. The US would therefore require additional bases and stations beyond those in Western Europe and Northeast Asia,
many of which would be either closed or reoriented toward the new mission.

Key to the new basing doctrine has been the creation and maintenance of selective hubs in bedrock host states (such as Japan) including potentially in new places (such as Australia), along with "lily pads" holding pre-positioned equipment to which rapidly deployable forces can 'leap to and from' in response to contingencies in a wide variety of geographical locations.

Of particular salience to East Asia, the new doctrine calls for a substantial reduction and repositioning of US forces in the Republic of Korea and adjustments of bases in Japan. The change in Korea would remove the US tripod at the DMZ allowing US forces in ROK to conduct more than just one task, i.e. its traditional defense of ROK from DPRK attack. At the same time, the US requested that Japan allow for the transfer of US military command functions for the US Army I Corps (now based in Fort Lewis, Washington) to Camp Zama in Kanagawa Prefecture. Such a transfer would underscore and enhance Japan's role in broader US global military strategy as well as deepen ties between the US military and the Ground Self-Defense Forces. Since the sphere of action of the Army I Corps reaches to the Middle East, the relocation of headquarters from Fort Lewis to Camp Zama would expand considerably the geographic scope of the US-Japan Security Treaty taking it well beyond its current focus on "the Far East." This in turn would involve Japan's shifting from its longstanding support for "collective defense" to the more activist doctrine of "collective security".

Within this overall doctrinal shift, the Bush administration envisioned a much more active and cooperative role for Japan, as articulated in the election-year report generated in October, 2000 by Richard Armitage (subsequently Deputy Secretary of State) and a half dozen Japan specialists most of whom joined the administration (Institute for National Strategic Studies Special Report, 2000). For many in Japan, especially within the military and within the ruling LDP, American demands for such an enhanced security role were hardly an unwelcome interference; rather they provided an excuse to pursue more activist military policies long on the Japanese shelf. Particularly under Prime Minister Koizumi's administration, Japan eagerly embraced the strategy of overt bandwagoning with the superpower, giving off few signs that it ever considered any alternatives such as balancing with other nation-states against the rise in US power or embracing exclusively Asian regional institutions. Koizumi personally worked to become in Asia what Tony Blair was in Europe—an unabashed adherent of US foreign policy.

Japan's enhanced shift toward the US and toward greater reliance on its military capabilities was facilitated by the demise of the political left domestically. But even more substantially, it was lubricated by the enhanced and explicitly military fears about the DPRK and a "rising China." Japanese military concerns were hardly without merit. China, for instance, has been expanding its blue water navy and became more aggressive in its search for guaranteed energy resources both in the Middle East and in West Africa

(Shambaugh, 2002, 2005). Bilateral ties worsened further in spring 200 when both China and Japan announced plans to explore for natural gas in territory contested by the two countries in the East China Sea. Moreover, Chinese vessels periodically broached areas that Japan considered within its national economic zone. In one such instance, on November 10, 2004, the Japanese Navy discovered a Chinese nuclear submarine in Japanese territorial waters near Okinawa. Although the Chinese apologized and called the sub's intrusion a "mistake," Defense Agency Director Ono gave it wide publicity, further inflaming Japanese public opinion against China.

Tensions between the two countries were also exacerbated by the situation in Taiwan. Taiwan has substantial strategic importance to Japan. On average, there is one Japanese vessel passing the Bashi Channel located at the southern tip of Taiwan heading for Japan every fifteen minutes. This makes the Straits of Taiwan literally important to Japan's national security. Any Chinese threats to 'retake' Taiwan by force pose serious threats to the currently favorable status-quo.

Relations between Japan and the DPRK have become even more overtly hostile, further contributing to the sense that the Japanese security posture needed to change. Japan and the DPRK lack normal diplomatic relations but Japan's participation in KEDO and the apparent resolution of the 1994 nuclear threats kept relations on a generally positive note. Then in August 1998, North Korea fired a long range Taepodong over Northern Japan—"a brazen act that shook the Japanese out of their remaining complacency about North Korea the way Sputnik shook the United States in 1957." (Green, 2001:22).

In addition to the threat posed by its missiles, the DPRK remains the only country in Northeast Asia that has not signed the Chemical Weapons Convention. And North Korea has been a continuous irritant to Japan domestically. Pro-North Korean residents in Japan contribute as much as ¥4 billion to the DPRK every year, much of the money being transported on ships that move between Niigata and Pyongyang. Moreover, DPRK transfers of illegal drugs, most especially methamphetamine, to Japan pose a serious social problem within the country (and unlike the situation with drugs from China, lacking normal diplomatic relations with the DPRK, Japan has found it impossible to engage in bilateral efforts to curtail illegal exports) (Tsunekawa, 2005: 115:24).

Also contributing to the sense of a militarily threatening North Korea were events such as the Japanese Coast Guard's sinking of a North Korean spy ship on December, 22-23, 2001; the failure of five North Koreans to obtain asylum in the Japanese consulate in Shenyang, China in May 2002; Japan's decision to salvage the wreck of the spy ship from China's EEX in June and July of 2002, and eventually to put it on public display in downtown Tokyo, well-marked as it was with signs indicating the threats the ship (and the DPRK) posed to Japan. Ultimately, relations between the two became even worse with revelations about the DPRK's nuclear program and its admission to having abducted a number of Japanese citizens. Subsequent DPRK missile tests in July 2006 and nuclear tests in October of
that year further enflamed Japanese security concerns.

This general strategic climate was the backdrop for major changes in Japanese policy following the September 11, 2001 attacks in the US. The US, of course, utilized its overwhelming military prowess to topple the Taliban regime in Afghanistan behind United Nations endorsement. In quick sequence following its military successes in Afghanistan, the Bush government’s military and strategic circles began preventative military actions aimed at forcing a regime changes in Iraq (which the US incorrectly alleged had developed weapons of mass destruction). This was followed by growing US pressures against an alleged Iranian nuclear program and a series of actions aimed to raise at least the threat of regime change in North Korea.

For Japanese anxious to change the country’s strategic policies, September 11 was unexpected opportunity. As Friman and his collaborators (2006: 42) have phrased it “the post-September 11th security environment became an opportunity for the LDP to achieve policies it had long wanted to pursue but believed to be impossible. Using the demands of an attacked and enraged ally as a foot in the door, and then relying on widespread public fears of a dangerously unbalanced neighbor, the government took steps that had long been planned.”

Unlike prior occasions where US policy shifts exposed deep fissures within Japanese policy elites frequently resulting in paralysis, the new Bush policies were for the most part enthusiastically embraced by Japan. Koizumi responded to these new American activities by building on the 1997 reconfigurations of the US-Japan Security Treaty. Unlike Japan’s collective foot dragging in 1991, Koizumi moved quickly to coordinate Japanese actions with those of the US following the attacks of September 11. Just two weeks after the event, Koizumi visited the US to express his active support for the “war on terror.” Following the US invasion of Afghanistan, on Oct. 29, 2001, the Japanese Diet enacted the “Special Anti-Terrorism Measures Law” and “Amendment to the Self-Defense Forces Law.” These provided the legal justification allowing Japan to send three convoy vessels to the Indian Ocean on November 26, 2001 in support of the US in Afghanistan. This represented the first dispatch of Japanese military forces out of the ‘areas surrounding Japan’ since 1945. Japanese tankers serviced not only US and British vessels but also those of a variety of European navies as well as ships from Australia and New Zealand, moving Japan closer to “collective security” than ever before.

Koizumi, along with Tony Blair and Silvio Berlusconi, also proved to be one of the industrial world’s few strong supporters of US actions in Iraq. In the wake of the US invasion of Iraq, Japan, in June 2003, passed three laws—the Bill Concerning Measures to Ensure National Independence and Security in a Situation of Armed Attack; the Bill to Amend the Security Council Establishment Law; and the Bill to Amend the Self-Defense Forces Law and the Law Concerning Allowances, etc. of Defense Agency Personnel. Overwhelming majorities in both houses of parliament supported these bills, in striking contrast to prior, highly contentious debates over even the most minute SDF activities. The new laws gave Japan a legal foundation for expanding the prime minister’s authority and for building a rapid response system in cases of emergency (in contrast, for example, to the disastrous lack of such capabilities at the time of the 1994 Kobe earthquake). Japan also pledged $1.5 billion grant to Iraq for aid and $3.5 billion in loans at the Madrid donors’ conference in October 2003.

In July 2003 a more important law was passed—the Law Concerning Special Measures on Humanitarian and Reconstruction Assistance in Iraq. This law, followed up with a December 19 general order from Minister Ishiba to the SDF—led to Japan’s sending troops for reconstruction activities including medical services to local inhabitants, long term repair and construction of infrastructure, school rehabilitation, and the like.

These laws explicitly removed many long-standing constraints on the SDF thereby authorizing them to take part in a range of new activities. By the middle of 2003, Japan had pledged to send some 500 troops in support of the US. These arrived in January of 2004, and even though they were restricted from combat actions—indeed they required military protection, first by the Dutch and then by the Australians—their mission was one that would have been unthinkable for the Japanese military a decade or two earlier. Authorization for these forces to continue was extended in December 2004, even as many other countries in the dwindling “coalition of the willing” were pulling troops out As Uriu (2003: 178) argued, “...Koizumi seems intent on using this unique opportunity to fulfill his long-term desire to move Japan toward a more active foreign policy role.” Japan’s new role hewed closely to US preferences.

Bilateral ties were revitalized and expanded at the diplomatic level while personally close ties were fostered between Bush and Koizumi, most overtly manifested in Koizumi's visit to Bush's Crawford “ranch” on May 22-23, 2003. To critics, once-pacifist and passive Japan suddenly appeared willing to play an enhanced and active role in support of US military policies, serving even as America’s “deputy sheriff” in various parts of East Asia (Tisdall, 2005), most notably vis a vis North Korea.

In a February 19, 2005 meeting of the Security Consultative Committee (the so-called 2 Plus 2 meeting among the foreign and defense ministers of both the US and Japan) the US and Japan reached a broad understanding on common strategic objectives, and underscored the need to continue examinations of the roles, missions, and capabilities of Japan’s Self-Defense Forces (SDF) and the U.S. Armed Forces in pursuing those objectives. These included an expansive array of issues throughout the Asian region, including, in a move that frustrated the PRC, calling for “the peaceful resolution of issues concerning the Taiwan Strait through dialogue.” Furthermore, in October, 2005 an agreement entitled “Transformation and Realignment for the Future” was reached by that laid out a number of areas for explicit military cooperation between the two countries. Among other things, Japan agreed that the US Kitty Hawk aircraft carrier based in Yokosuka would be replaced by the nuclear-powered USS George H.W. Bush in 2009. This would be Japan’s first time hosting a nuclear aircraft carrier (Nikkei
Koizumi's support for the US was not without its economic as well as strategic rewards. It was not clear whether or not the US decision to cut out France and Germany from development of oil fields in Iraq would explicitly benefit Japan; allocations of drilling rights remain quite confidential. But without a doubt Japan's strategic support for the US made it much easier to go forward in developing the Azadegan oil field in Iran for an estimated $2.8 billion, a deal likely to have been opposed by the US had Koizumi not been so close on Iraq (Mochizuki, 2004: 116).

Beyond expanding Japan's support of the US in the Middle East, Japan under Koizumi began to devote more explicit attention to the country's own strategic situation. Six governments in East Asia have deployed or possess ballistic missiles—China, ROK, Russia, Taiwan, Vietnam and North Korea. Of these China, North Korea, and Russia have missiles capable of reaching Japan. Most immediately worrisome for strategic thinkers in Japan, the DPRK's No Dong has a range of about 1300 KM enabling it to reach most parts of Japan. Japanese thinkers and policymakers became more overtly sensitive to this potentially threatening situation and were less quick to assume that the US nuclear shield will 'solve' any consequent security problem for Japan.

As a consequence, Japan began to consider a more active military role in and around the home islands as well as in the Middle East. This was clear in Japan's new NDPO of December 2004. That document laid out the country's midterm defense buildup plan for fiscal 2005-2009 with expanded structures and directions. Among the most important elements, the document broke precedent by identifying China and North Korea as potential security concerns. It also explicitly stressed the country's need to deal with both ballistic missile and guerrilla attacks as well as traditional invasion threats involving Japanese airspace and territorial waters. Japan's security interests were overtly expanded from defense of the home islands to include international security, international peacekeeping and counterterrorism as key targets of Japan's overall national defense strategy. To meet the newly characterized threats, Japan, it was argued, needed a new "multifunctional: military capability with a centralized SDF command and a rapid reaction force.

The overall thrust of the new NDPO was to strengthen air and naval capabilities including the capability for force projection. It also wove into Japanese strategic thinking explicit cooperation with the US on missile defense, arms exports, the export by Japan of technologies "developed in Japan and the Asian Region: Economically Hot, Politically Cool"

As was noted above, Japan's relations with most of Asia involved heavy doses of foreign aid, direct investment, the creation of multinational production networks particularly in electronics and automobiles, enhanced regional trade, and the like. Japan was also an early and important advocate, along with Australia, of APEC (Ashizawa, 2004). A major consequence was the growing regionalization of East Asia with enhanced intraregional trade, investment and other private sector links (Pempel, 2005, Chap. 1).

At the same time, as Asia grew and as Japan's own economy faltered, its automatic leadership at the head of Asia's "flying geese" became more problematic. Other countries, most notably South Korea and Taiwan, but also Singapore and to a lesser extent Thailand, developed high levels of self generating economic muscle. And even more importantly, China, with its rapid and sustained growth and its own huge domestic market, moved into a position of potential leadership within the regional economy.

Japan's economic stature as leader of the region took a particularly major blow during the economic crises of 1997-98. As will be quickly remembered, the currencies first of Thailand, then Indonesia, and subsequently several other Asian countries including South Korea, were subject to speculative attacks, largely through foreign exchange markets. In all cases the
Asian currencies plummeted dramatically in value. Unhappy over what it saw as the global non-response to the first crisis, in Thailand, Japan then proposed a $100 billion Asian Monetary Fund (AMF), with approximately one-half of the funds to be contributed by Japan. The fund would have provided rapid short term liquidity to the affected countries. The United States, China and the International Monetary Fund (IMF) all opposed the Japanese proposal. To varying degrees among its opponents, it was feared as an institution that could challenge the primacy of the IMF, and enhance Japan's regional influence.

Only now is the country emerging from an economically frustrating "lost decade" (Hiwatari and Miura, 2002; Pempel, 2006). Its own domestic economic troubles, combined with the coincident economic successes of other Asian countries including South Korea, Taiwan, Thailand, Malaysia and eventually and most significantly, China, combined to reduce Japan's once automatic leadership role. Furthermore, as Japan increases its reliance on military muscle, its status within Asia has become even more muddied. The country's prior regional capabilities have been compromised and, as will be argued below, it has been slow to take the lead in most Asian regional security measures, opting instead to coordinate its military actions with a strengthening of US-Japan ties.

Yet, Japan has been active in new ventures involving regional economic and financial institutionalization. Thus, in the wake of the economic crisis, many countries in Asia, including Japan, became convinced that greater financial cooperation among the countries of the region was necessary if a future regional meltdown was to be avoided. One of the early steps toward regional financial cooperation was the so-called Chiang Mai Initiative (CMI). CMI involved a variety of bilateral and regional currency swap agreements designed to mobilize the collective foreign reserve holdings of the major Asian countries (Japan, ROK, China, Singapore, Brunei, Hong Kong) and to use these to combat any future liquidity crises.

When the CMI originally went into effect, considerable stress was placed, by those who stressed how little change it represented, on the limited amounts of money involved in the swaps, as well as on the requirement for most swaps to be congruent with IMF regulations. The message was, essentially, that CMI represented no significant departure from an IMF-run global financial system and that CMI linkage to the IMF was more important than the links among the Asian economies per se.

These BSAs have expanded in scope however. By early 2005, some sixteen bilateral swap agreements had been organized under CMI totaling $39 billion. Then at the 8th meeting of Finance Ministers of the APT in Kuala Lumpur on May 5, 2005 the APT agreed to double the amounts in existing swap arrangements, raising the total to $80 billion. (For reference, the Indonesian package from the IMF totaled about $38 billion; that to Korea was $57 billion, so despite the apparent increase in funds subject to BSAs, none of those now in existence would have provided amounts capable of solving the respective crises of 1997-98 on a purely regional basis.)

A particularly strong advocate of the increases was Kuroda Haruhiko, head of the Asia Development Bank and an original proponent of the Japanese proposal for an AMF in 1997. In April, 2005 he created the Office for Regional Economic Integration and appointed Kawai Masahiro, a well known proponent of regional monetary union, as its head. Kuroda’s actions were in keeping with Japanese efforts to foster a yen-denominated version of the AMF and thereby to blunt the rising economic influence of China (Asia Pacific Bulletin, May 13, 2005) Kuroda, Kawai and the ADB, as well of course as many Asian governments, thus remain important forces pushing for greater Asian financial cohesion.

Equally important for Japan's economic links to the region has been the development of an Asian bond market. At the heart of the problem is the effort to mobilize regional savings for regional investment. A bond market denominated in local currencies allows Asian borrowers to avoid the “double mismatch” problem that arose in 1997-98. That problem involved borrowing short in foreign currency (mostly dollars) and lending long in domestic currency. That system worked well so long as exchange rates were stable, or better yet so long as the foreign currencies were weakening. Its drawbacks became clear when that pattern reversed.

Many of Asia's central banks are awash in liquidity. These reserves have also been expanding rapidly, particularly since the crisis of 1997-98. The countries of Asia now account for 70 percent of global foreign exchange reserves, compared to only 30 percent in 1990 and 21 percent in the early 1970s (roughly $2 trillion today). Japan, with roughly $840 billion, leads the way. For the most part, Asian (and Japanese) reserves have been invested in US-denominated Treasury notes, the dollars from which in turn flow back to Asia as portfolio flows and foreign direct investments. The costs of this round-tripping as shown by the yield spread between US Treasuries and Eurodollar and global bonds issues by Asian economies is estimated to be about 2 percent by CFC Securities (Bogler, 2005:14) Using a portion of the collective Asian surplus to support direct borrowing within Asia in local currencies—effectively cutting out the middle-man—promises to provide more diversified outlets for investing these huge Asian surpluses. Additionally, a local bond market would also ensure Asian borrowers relatively direct access to capital markets and investors, thereby freeing them from many of their longstanding dependence on bank borrowing. The Asian Development Bank, for example, estimates that between 2005 and 2010, East Asia will require $180 billion or 6-7 percent of regional GDP annually, in gross investment in physical infrastructure alone (Pholsena, 2004). Using Asian capital directly for such expenditures makes considerable intra-regional sense. Genuine currency diversification will require stable, liquid and attractive markets for yen, yuan or euro denominated financial assets. An Asian bond market represents a mechanism for developing longer term sources of indigenous finance and again, Japan has been an active promoter of such a regional approach.

Finally, it is probably also worth noting that Japan, though slower than several other Asian governments, has been moving toward the negotiation of a variety of bilateral free trade agreements (FTAs) with partners such as
Singapore, Thailand and the Philippines (Pempel and Urata, 2006; Urata, 2005). Bilateral FTAs increased in number among many states worldwide in the 1990s. For the most part Asian countries did not participate in this expansion, relying instead on global trade agreements negotiated in conjunction with the WTO. As of October 1, 2002, of the thirty top economies in the world, only five were not members of any FTAs—Japan, China, South Korea, Taiwan and Hong Kong (Pempel and Urata, 2005). Since then, and particularly since the collapse of the Doha Round in September 2003 in Cancun, there has been an explosion in the number of bilateral, regional, and other preferential free trade pacts. In many cases, the new FTAs represented a substantial shift in national policy from multilateralism to bilateralism or regionalism.

Equally importantly, despite its own domestic economic troubles, Japan continues to invest heavily in Asia (with higher absolute amounts though lower percentages of its total fdi going there than in the 1970s). And Japanese trade with the region continues to rise. Thus, Japanese exports to Asia rose from 28.5 percent of its total in 1970 to 41.1 percent in 2000. Correspondingly Japanese imports from Asia jumped even more—from 17.6 percent to 41.7 percent. In short, Japan’s foreign economic policies toward the Asian region remain highly positive and broadly conducive to closer regional connections.

Efforts to build closer economic ties bilaterally and multilaterally between Japan and the rest of Asia has not been matched by collaboration in fostering Asian regional security ties. Japan was a strong proponent of the ASEAN Regional Forum (ARF) as well as an important back-door advocate pushing for US support for the new institution (Ashizawa, 2004). And for a long time, Japanese-Chinese diplomatic relations were characterized primarily by positive economic interactions. All of this has changed substantially, however, particularly since 2000-2001. And meanwhile, Japanese DPRK relations, as was indicated above, have also worsened, perhaps faster.

Bilateral Japanese-Chinese relations had been moving along well, particularly following normalization of diplomatic relations and subsequently as a result of Japanese investments in China. Japan provided about $35 billion in economic assistance since the normalization of relations between the two countries. Furthermore, bilateral trade and investment ties between the two moved forward at a rapid pace and China now outstrips the US as Japan's major trade partner. At the same time, as China’s growth in GNP continued to hit near double-digit figures, concerns within Japan expanded about the potential strategic and diplomatic implications of a stronger China, particularly as its rapid economic growth allowed it to expand its military budget geometrically. In response Japan announced in October, 2001 that it would reduce and redirect its ODA to China in recognition of the country’s rising economic success and diminished need. The result was an overall reduction combined with a shift from multi-year pledges of ODA to China in favor of a single year pledge system and a revised focus away from infrastructure and construction to environmental protection, increased living standards, education, institution building, and technology transfer.

Historical memories also continued to cast a long shadow over relations between Japan and China. These had been minimized prior to Koizumi’s prime ministership, although they returned to the headlines during the visit to Japan of Chinese premier Jiang Zemin late in 1998. They were reignited by Koizumi’s regular visits to Yasukuni Shrine, as well as the revision of Japanese history text books. Among the results: anti-Japanese protests at soccer matches in China, ongoing competitive claims to the Senkaku/Diaoyu Islands, Chinese intrusions into the Japanese consulate in Shenyang in pursuit of North Korean asylum seekers, and the kinds of territorial breaches by Chinese military vessels and competition over energy rights in waters claimed by both countries noted in the prior section. Just as historical legacies lay beneath the surface of many problems, so too was the psychological perception that China seemed to be “rising” while Japan was at best “stagnant.” This played out not only militarily but economically.

As was noted above, China, following the Asian economic crisis and following its accession to the WTO, began to demonstrate a renewed interest in Asian regional diplomacy. These included China’s proposing and then generating an FTA with ASEAN, an event which proved somewhat embarrassing to Japan, as Prime Minister Koizumi who visited ASEAN soon after the Chinese proposal was unable to match it with anything more than a promise to ‘explore’ such an agreement. Moreover, China advanced the agreement with ASEAN by what it called an ‘early harvest,’ allowing Southeast Asian agricultural products easy access to China, an action unimaginable in Japan.

Meanwhile within Northeast Asia, China also normalized relations with the ROK and expanded trade and economic relations so that by 2001 China was the ROK’s number one target of investment. In 2002 China-Hong Kong became South Korea’s largest export market (China Daily, 2/2/02). Seoul also began cooperating with the PRC on military matters. Both China and Korea issued declarations indicating their opposition to Japan’s bid for a permanent seat on the UN security council (Korea’s President Roh actually came out explicitly in favor of a seat for Germany, making even more explicit his failure to support Japan’s claims). Then in April 2005, President Roh announced that his country would seek to be a “balancer” in the Asian region, a role that implied a new proximity to China at the expense of Korea’s prior ties to the US and Japan. All of these actions created growing diplomatic problems for Japan which had traditionally taken its own leadership role in Asia, but particularly among ASEAN and with the ROK, for granted.

Tensions between Japan and China were continually exacerbated by the situation in Taiwan as noted above. Japanese policymakers, nominally supportive of the longstanding policy of “one China,” have increasingly taken positions supportive of Taiwan militarily. Taiwan is an economically successful democracy with long historical ties to Japan and increasingly anxious to demonstrate its autonomy from the PRC. Perhaps even more importantly, as a potential thorn in the side of an increasingly problematic China, Taiwan has become an increasingly appealing cause celebre to many
Japanese policymakers.

Thus, soon after Koizumi came into office, former Taiwan president Lee Tung-hui was granted a visa to visit Japan for medical treatment. A second visa for touring was given in 2004. On April 4, 2005 members of Lee's Taiwan Solidarity Union made a very public visit to Yasukuni in memory of Taiwanese who had served in the Japanese military during World War II.

Taiwan has also been an important fulcrum in Japan's stronger ties to the US. This was made clear in the 1996 rearticulation of the US-Japan Security Treaty. Coming as it did on the heels of the Chinese missile tests across the Taiwan Straits in March 1996, and explicitly stating that Japan's security was linked to that of the "Asia-Pacific" (implicitly at least including Taiwan), the Chinese saw the actions as explicitly aimed at them, rather than as a reinforcement of the status quo (as it was interpreted by both the US and Japan) (Green, 2001: 90-91).

Then on February 19, 2005 Japan and the US signed a new military agreement in which, for the first time, Japan joined the administration in identifying security in the Taiwan Strait as a "common strategic objective." As Chalmers Johnson noted (2005) "Nothing could have been more alarming to China's leaders than the revelation that Japan had decisively ended six decades of official pacifism by claiming a right to intervene in the Taiwan Strait."

It was clear by the end of the Koizumi administration in September, 2006 that relations between Japan and China had plummeted to one of their worst levels since relations had been normalized some thirty years earlier. Competing nationalisms returned to the surface and were most manifest in Chinese popular demonstrations against Japan, first at soccer matches and then on the streets. These demonstrations came with the clear support of the Chinese government but it was also clear that Japan was not particularly anxious to take steps to reduce tensions, as some 85 legislators made a collective (if long planned) visit to Yasukuni in April 2004, further inflaming bilateral and regional relations. As a tangible manifestation of these declining bilateral ties, Chinese Vice Minister Wu Yi in May 2005 abruptly cancelled a scheduled visit with Koizumi, presumably because of his Yasukuni Shrine visits. South Korean President Roh has also held off on official visits to Japan, explicitly because of the Yasukuni visits. This situation was partly reversed with the accession to the prime ministership of Abe Shinzo and his quick visits to both China and the ROK. But the long run implications of his visit remain to be seen.

Japanese relations with North Korea became even more problematic than those with China or South Korea. Ironically, the worsening came in the wake of efforts to normalize diplomatic ties. These led to an apparent breakthrough visit by Koizumi to Pyongyang on September 17, 2002. During his visit, Koizumi extracted an explicit confession from Kim Jong-il that his country had abducted various Japanese citizens over the preceding decades as had long been claimed by Japanese officials. While the acknowledgment itself could have served as a positive step toward improve relations, Kim also announced that a substantial number of the abductees had died (often under mysterious and hard-to-believe circumstances). Japan had been putting forward eleven cases involving sixteen Japanese citizens. Only five allegedly remained alive; the DPRK claimed that of the remainder eight had died and three had never entered the country. The five who were alive were permitted to return with Koizumi to Japan on the promise that they would subsequently return to North Korea after a short visit to see relatives. The public outcry in Japan against the North, however, combined with mass media exhortation for sympathy for the abductees made their return to the North became politically impossible. So too was any formal normalization of bilateral Japan-DPRK relations.

Then in October, 2002 the DPRK acknowledged having a highly enriched policies of the US toward the DPRK combined with the abductees issue and the North's growing missile arsenal presented Japan with a dilemma: improved ties with the DPRK or adherence to the policies of the US? For the most part, the Japanese government has opted to be a loyal partner of the United States in the Six Party Talks, aimed at resolving the DPRK nuclear question. Japan has, however, also pushed the abductees' issue rather unilaterally (though with nominal US support). Throughout the SPT process, Japan, with US support, continued not only to press for strong guarantees of North Korean denuclearization but also for a resolution of the kidnapping issue.

In September, 2005 the talks reached a nominal resolution spelling out multiple areas of "agreement" but lacking in specific measures and timetables. However just as the agreement was being reached the US Treasury took actions to freeze DPRK accounts worth about $24 million in the Banco Delta Asia on allegations of "money laundering and other financial crimes" The US argued that these steps were merely law enforcement under the US Patriot Act; the DPRK saw them as 'financial sanctions' and boycotted the talks until agreeing to return in November 2006. Throughout the process Japan continued largely to support the US position and also to advance its own security moves against potential DPRK conventional or nuclear threats. Among these have been measures to restrict North Korean shipping from entering Japan and talks of an economic blockade by Japan of the DPRK. It is quite possible that a successful outcome to these talks will begin to mitigate the growing gap between Japan and the US on one side of Asia-Pacific relations and China, the ROK, Russia, and the DPRK on the other. Following the DPRK missile test of July, 2006, Japan introduced a UN resolution to encourage sanctions. It pushed for greater sanctions after the subsequent nuclear test and as of this writing it was considering taking independent anti-DPRK sanctions along with Australia. As a result of all of these actions, Japan's security ties with the rest of Northeast Asia have worsened considerably despite continued close economic links.

Clearly, this worsening of the security situation in Northeast Asia has come about partly as a result of Japan's close identification with the US and its own moves toward enhanced nationalism and more overt military policies. At the same time, Japan has maintained positive economic relations
with most of the region, and has indeed, been an active proponent of economic regionalization and formal regional institutions in the economic and financial areas.

Concluding Remarks

This paper has demonstrated that Japanese security policies have undergone a series of significant changes over the last decade or decade and a half. These have primarily involved a shift away from earlier policies that relied heavily on the US military in conjunction with Japanese economics to create a Japanese foreign policy that was omnidirectional and driven largely by economics. During that process Japan remained close to the US both militarily and economically—despite growing US frustrations about Japan’s economic success and its alleged “free ride” on defense. But these policies also paved the way for generally close ties between Japan and the rest of Asia. Japan was thus very much at the forefront of the regionalization activities that helped to spur two or more decades of Asian regional economic growth and closer production and trade ties. Japan managed to sustain a foreign policy that was clearly bimodal—one mode focused on close ties to the US and the other on close ties toward Asia.

More recently, however, Japan has moved to enhance its military links to the US. At least partly as a result of these links—though bolstered as well by the emasculation of a domestic opposition—Japanese nationalism has been boosted. In turn, Japan’s diplomatic relations with China, the DPRK and the ROK have soured. In particular, Japan’s close ties with a US government committed to a strong policy against the DPRK have not hindered Japan from forging closer ties with North Korea, but have contributed to diplomatic and security frictions with China and South Korea and to a reduction in the influence of the Six Party Talks. As noted, a successful outcome to the Six Party Talks—and/or other confidence building measures in the security arena—might eventually work to mitigate the current tensions. But at the moment, Japanese security shifts have moved it unmistakably away from a regionalizing Asia and toward an increasingly unilateral and military-minded US. Whether or not these will change will with a new Japanese administration is unclear.

References


China Daily Feb. 2, 2002 “China Becomes South Korea’s Number One Investment Target.”


Johnson, Chalmers (2005) NAPSNET March 23. This paper was also published by the Japan Policy Research Institute. A version with citations and references included can be found at: http://www.jpri.org/publications/workingpapers/wp105.html.


PEMPEL: Japan Rethinks Its Security: The U.S., Asian Regionalism, or Some Kind of Mix?

Yomiuri Shimbun (various dates)

Web sites:
http://www.aseansec.org/16234.htm
http://www.brookings.edu/fp/cnaps/events/20041215.htm
http://www.ipri.org/publications/workingpapers/wp105.htm

T.J. PEMPEL is Director of the Institute of East Asian Studies and Professor of Political Science at the University of California, Berkeley. He is the author of thirteen books and over one hundred academic articles. His most recent books include Regime Shift: Comparative Dynamics of the Japanese Political Economy and Remapping East Asia: Dynamics of a Region, both published by Cornell University Press.