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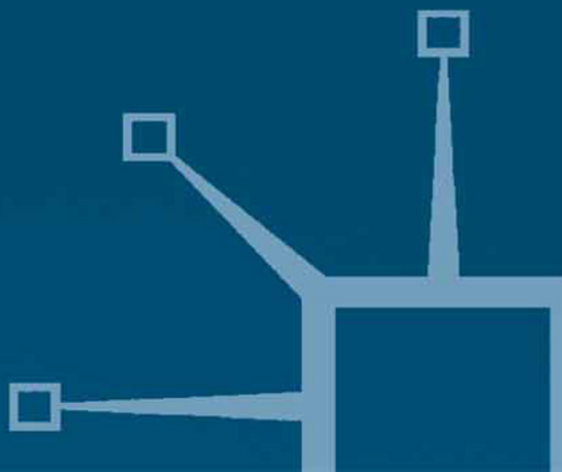
Global Change

A Japanese Perspective

Takashi Inoguchi



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Global Change

A Japanese Perspective

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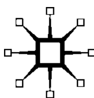

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TAKASHI INOGUCHI

List of Abbreviations

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
CNN	Cable News Network
COCOM	Coordinating Committee for Export Control
FDI	foreign direct investment
GATT	General Agreement on Tariffs and Trade
G7	Group of Seven (large democratic economies)
IMF	International Monetary Fund
LDP	Liberal Democratic Party (Japan)
MFN	most-favoured nation
NATO	North Atlantic Treaty Organization
SDI	Strategic Defense Initiative
UN	United Nations Organization
UNAMIR	UN Assistance Mission to Rwanda
US	United States of America
WTO	World Trade Organization

Introduction

This essay is an attempt to look at international order or, alternatively, international change, from a perspective of dialectics rather than dynamics. In seeking to outline the global change that has occurred in the late twentieth century, it does not look unidimensionally at the size of arsenals, competitiveness of goods, or the degree of liberalism in specific regimes but, rather, at the development of problems that are logically associated with these issues.

Using three metaphors – the end of the Cold War, the end of geography and the end of history – I explain why conflicting forces are at work in the current globalization process in the areas of international security, the world economy and domestic governance. The first metaphor is a phrase much used by former US President George Bush; the second was coined by Richard O' Brien, a British financial consultant; and the third was introduced by Francis Fukuyama, a US expert on international affairs. These three metaphors have often been used to describe US military supremacy, the disappearing tyranny of distance and the triumph of capitalist democracy, respectively.[1] I, however, use these expressions to illustrate the nature of global change by focusing on the dialectical processes between these global phenomena and opposing forces to them.

Dialectics is a particularly useful tool when the world is undergoing colossal change, for it allows one to look at the development of events not only from a linear perspective, but also from that of countervailing forces. These three dimensions of the globalization process can thus be recognized as phases within ongoing, competitive processes. Against this background, I have addressed three fundamental questions in the areas of international security, the world economy and domestic governance; namely, the extent to which the concept of national security is meaningful, the degree to which national economies seem likely to be integrated into the world economy, and the degree to which state sovereignty will probably be relativized.

One might thus ask to what extent international security is feasible, how far the global integration and liberalization of economic activities might progress, and to what degree non-state actors are able to exercise their influence. President Bush scored an unmistakable victory for the United States when, in 1991, for reasons not yet fully explained, the Soviet Union disintegrated. A strong United States used its military clout to drive the Soviet Union into a corner and induce a transformation of the Soviet political economy. The Soviet Empire self-destructed in the process; it was the end of the Cold War.

After the 1985 Plaza Agreement, international financial transactions started to overtake international commodity trade at an astronomical pace.[2] Foreign exchange transactions exceeded foreign trade in goods and services, and new patterns appeared in the financial markets. Thus, while on a given day it might be advisable to sell dollars and buy deutschmarks, a few days later to do the opposite might be more profitable. Against such a background O'Brien declared that, as far as international financial markets were concerned, considerations of geography had become meaningless. A truly global market-place had been born. When the Berlin Wall crumbled in 1989, Fukuyama found himself sharing the sentiments that had been expressed by Hegel when Prussia was defeated by Napoleon in 1806. For him, too, it was the end of history.

In this essay I should like, however, to give these metaphors my own definitions. First, by the end of the Cold War I mean the ambivalence between the United States' short-term military primacy and its concern with the medium- and long-term decline of US economic and technical competitiveness which, in turn, supports military supremacy. Second, I interpret the end of geography as referring to the tension between the total deregulation and globalization of economic activity on the one hand, and the protectionist and regionalist forces that resist such trends on the other. Third, the end of history is a phrase that I use to indicate the ambivalence between economic liberalization and democratization, and the consequent anxiety concerning social instability.[3] Moreover, because both the metaphors, which gained currency around 1990, and my definitions refer to three different domains, I believe it is appropriate to examine them separately.

Before I present my conceptualization of global change, however, let me briefly refer to the analytical methods employed in this study of international affairs. Generally speaking, there are two basic ways of looking at global change: a bird's-eye view and a worm's-eye view. The former provides a macro perspective, similar to what one would get when looking at the Earth from a satellite; the latter provides a micro perspective – that of an ant crawling on the ground. Although neither view allows life-sized observations to be made, it is human nature to make every effort to view life through a telescope and a microscope precisely because we find it hard to ascertain facts from life-sized observations.

In order to understand properly such a huge topic as global change, the complementary macro and micro perspectives must be considered, as well as their place in a larger context. If our understanding of global change is to be more than shallow, it is imperative that we properly grasp the mechanisms of the minor, individual underlying movements.[4]

Notes

1 Richard O'Brien, *Global Financial Integration: The End of Geography*, London, Pinter Publishers, 1992; Francis, Fukuyama: *The End of History and the Last Man*, New York, Basic Books, 1991.
2 Eugene Skolnikoff, *The Elusive Transformation; Science, Technology, and the Evolution of International Politics*, Princeton, NJ, Princeton University Press, 1993.
3 Takashi Inoguchi, *Gendai nihon gaiko* (*Contemporary Japanese Diplomacy*), Tokyo, Chikuma Shobo, 1993.
4 Takashi Inoguchi, *Shakai kagaku nyumon* (*Introduction to Social Science*), Tokyo, Chuo Koronsha, 1985.

Part I

A Dialectical Approach

1
Global Change

International security

The recent phase in the area of international security is usually referred to as the end of the Cold War. The United States has achieved military supremacy, in terms of strategic nuclear and conventional forces, and has overwhelmed the Soviet Union during the last quarter of the twentieth century. Thus, if the Cold War era is called Pax Russo-Americana, it would perhaps be fitting to call the post-Cold War era Pax Americana for, since the Russians gave up the military contest, the United States alone possesses massive military capabilities. In my view, this Pax Americana will probably continue for some time into the twenty-first century.

In an article I published in early 1989 (see the Appendix to this volume), I presented four scenarios, primarily focused on US–Japan relations, that looked at the future of the world over the next 25 to 50 years, namely, *Pax Americana II*, *bigemony* (US–Japan hegemony), *Pax Nipponica* (Japanese hegemony), and *Pax Consortis* (peace maintained through a concert of nations).[1]

According to my first scenario, the world will continue to be led by the United States, but some adjustments will be made. The United States will maintain military and economic primacy and, perhaps most important, what Joseph Nye Jr has called soft power – primacy in the intellectual and institutional spheres.

The second scenario envisages greater cooperation between the United States and Japan, and their subsequent joint leadership of the world. The United States will maintain its military primacy

T. Inoguchi, *Global Change*
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but, since its economic power will diminish somewhat, Japan's economic power will be marshalled, as symbolized by its trade surplus and the high savings rates that generate it.

According to my third scenario, Japan will achieve both military and economic supremacy, and gradually begin to exercise its influence globally, beginning with the Asia–Pacific region.

In the fourth scenario, I hold that US primacy will gradually decline, but no other single power will emerge to lead the world. Instead, several major countries, or a group thereof, will develop a cooperative system of management to tackle world issues.

Among the factors that would determine the actual occurrence of any of these scenarios are technological innovation, the possibility that nuclear weapons might be abolished and the burdens of history. In other words, much would depend on which country has the greatest capability to achieve technological innovation, the kind of world that the relinquishment of nuclear arsenals would bring about, and how the legacy of the Second World War would be played out. The last point is particularly relevant to Japan and Germany, both of which have had constraints imposed on their international behaviour as a result of their historical burdens.

An examination of these four scenarios on the basis of the three factors already identified has led me to conclude that, over the short to medium term, it is most likely that the first scenario, Pax Americana II, will be played out. But as a proposition for the long term, the fourth scenario, Pax Consortis, is attractive and cannot easily be ruled out.

My article on these four scenarios precipitated tremendous reaction. It was originally published in the late 1980s in the then leading British quarterly on international affairs, since when it has been reprinted a number of times in several books and is one of the most frequently quoted of my writings. Furthermore, although the article was published during the Cold War, the four scenarios have been substantiated by events that have unfolded since it ended and do not seem to require major revisions.

Advances in military technology have prompted the United States and Russia to reduce their weapons arsenals for, while countries are wont to build stockpiles when weapons lack precision, arsenals are trimmed as weapons technology advances.

Thus the United States and Russia have been steadily reducing their stockpiles of strategic nuclear weapons and, realizing that military-related production is undercutting their economic competitiveness, they have also been reducing their conventional forces. While further advances in military technology could trigger another arms race, which might not be contested by the United States and Russia, for the time being the United States will maintain its predominant position in the area of international security.

Nonetheless, Pax Americana II at the start of the twenty-first century does not mean the unqualified, worldwide hegemony of the United States. For, with the end of the Cold War and the new era of US–Russian cooperation, Moscow has become a Washington ally. Yet Russia's regional hegemonic rhetoric and actions have led the United States to readjust its direction and tone down US–Russian cooperation.

At the height of the Cold War, supreme leader of the Soviet Union Leonid Brezhnev promulgated the principle of limited state sovereignty in order to check the power of countries in the Soviet bloc. Following this so-called Brezhnev Doctrine of the 1960s, Moscow adopted a new hegemonic policy in 1991, the Kozyrev Doctrine – named after the then Russian foreign minister – which it applied to the former Soviet republics. According to the Brezhnev and Kozyrev doctrines, which are often compared to the Monroe Doctrine of the United States and India's Indira Doctrine of the 1970s, certain regions were placed within Moscow's sphere of influence, as a result of which it was able to once more hold sway over a broader area.

Be that as it may, Moscow remains a Washington ally and the need to manage its nuclear arms remains a major factor in Washington's close relationship with the Russian Federation. But despite its overwhelming victory over the Soviet Union in the Cold War, the realities of US–Russian cooperation are stark.

Meanwhile, the military primacy of the United States is tainted by the medium- and long-term fragility of its economy and technology – the bases on which its support is predicated. No matter how powerful it might be over the short term, the United States, which has expended excessive energy on international security, is concerned that its declining economic and technological

competitiveness may preclude it from being able to support its military primacy over the medium and long term. This, in turn, has aroused concern about its declining competitiveness in other areas. Conversely, according to the perception that has swept through US society, it would be unfair were those economies that spend relatively little on international security, such as Japan and Germany, to become increasingly competitive.

Behind US President Bill Clinton's election success was the recognition that, with the Cold War over, the United States should reduce its foreign commitments and boost its competitiveness, while its economically powerful allies should cooperate so that it can concentrate on its domestic agenda. President Clinton is a symbol of the end of the Cold War. As he took on the mission of dismantling the realities of the Cold War, piece by piece, increasing national competitiveness has inevitably become his greatest concern. It follows that, on the international front, he has attempted to turn to multilateralism and to manage the world by leading a concert of allies.

Yet the question remains regarding how to harmonize the US public's demand for peace dividends, the country's financial disarray, and the persisting perception that the United States is number one. While looking inward, the United States is beginning to drift: in demanding peace dividends, the public is often calling for dividends for financially strapped households and firms rather than the increased expenditure needed if the country is to remain in the lead role. The result tends to be an aggressive policy according to which Washington is demanding that its allies shoulder ever-increasing responsibilities.

Domestic concerns are reflected in the emerging prospects of a minimal US role in international security, especially in Washington's intensifying demand that its allies share more international responsibility, and its strong and punitive action against certain foreign countries, particularly rebellious states perceived to be challenging US hegemony.

Despite repeated indications that the United States will disengage significantly abroad, Washington's adherence to its stance that it is number one, combined with its sense of responsibility as a world leader, have scarcely allowed it to reduce defence spending. Rather, it persists in demanding its allies' allegiance.

Seizing upon the nuclear dispute in North Korea, the United States stepped up its demands for its allies' unflagging support for an infinite extension of the Nuclear Non-Proliferation Treaty – while non-governmental organizations launched campaigns against other potential nuclear powers such as Japan – and increasingly demanded cooperation with its military actions.

Thus, there is competition among the guiding principles of post-Cold War US foreign policy: namely, the need to maintain US primacy (proclaimed mainly by rightists), the desire for increased competitiveness (professed by the middle-of-the-road majority), and the resolve to strengthen multilateralism (propounded mainly by leftists).[2] The United States has temporarily regained lost ground in terms of increased competitiveness because of its openness, and this is the great force that will allow the revival of its medium- and long-term competitiveness.

In addition to the intellectual openness that facilitates the application of new ideas, the strength of the United States lies in the free movement of capital that promotes activities worldwide and the relatively free movement of labour from overseas, made possible by its immigration laws and such agreements as the North American Free Trade Agreement. Both these factors limit wage increases at home, encourage technical innovation and facilitate the resurgence of industrial competitiveness.

The world economy

In the domain of the world economy, a phenomenon usually called the end of geography has become increasingly salient. With geographical distance no longer a significant obstacle to economic activity, the phenomenon has become an indisputable fact. Where one might once have used the phrase 'tyranny of distance' in relation to Australia, for example, it is no longer relevant.[3] Technological advances have made telecommunications and transport easy, and it has become common for economic activity to be undertaken on a global scale: the economy has been globalized. Comparative advantages among trading partners in terms of production costs change constantly, making unworkable domestic-based corporate management focused primarily on domestic competition. Instead, there is a need for a corporate

management strategy and national economic management that take world markets into account. With a constant need for structural adjustment, the end of geography makes people busy and restless.

The best evidence of the non-viability of economic management limited to one country is the gradual disappearance of closed and regulated economies.[4] Market opening and deregulation have become the main trend in policy worldwide. This trend can be seen in almost every country, not only in Russia and China, but also in India, Algeria, Peru, Nigeria and Indonesia.

In India, bureaucrats were basically in control of the socialist economy from the days of Prime Minister Jawaharlal Nehru until the time of Prime Minister Rajiv Gandhi, when the country gradually began to take steps towards market liberalization. Beginning in 1991, under the leadership of Prime Minister Narasimha Rao, Finance Minister Manmohan Singh, an advocate of market liberalization, pursued an aggressive policy of gradually dismantling preferential measures for lower social classes, slowly freeing the national budget from its bias towards social policy and bringing industrialization programmes on the right track. As a result, India's foreign reserves rapidly accumulated, and a policy of borrowing less from the World Bank and the Asian Development Bank began to take root. In the meantime, the Indian middle class has already created a market of over 200 million people, presenting a very promising prospect for the country's economic development in the twenty-first century.

In the field of international finance, integration occurs worldwide, daily and instantaneously. In trade, investment and innovation, the tyranny of distance is vanishing. Anywhere on the globe, firms that provide superior products by exploiting a comparative advantage can succeed worldwide, while those that are even slightly slow or complacent find themselves suddenly facing financial difficulties. They end up bankrupt, causing widespread unemployment. Technological advance requires constant structural adjustment, which is always painful.

Moreover, technological innovation necessitates extremely large investments and even a small misjudgement can lead to a huge waste of money. For the closer research comes to being on the

cutting edge, the more its advance is akin to navigating uncharted waters. The development of a high-definition television system, fast plutonium reactors or next-generation support fighter planes has naturally raised doubts as to whether the associated investments might prove to be a tremendous financial waste.

There is always the possibility that, at one point, serious consideration will be given to developing a certain technology and that the blind pursuit of a single goal will lead to cost considerations being overlooked and the vested interests connected with the project simply continuing with it due to inertia. Furthermore, even in the event that such a huge investment were to bear fruit, there lurks the possibility that such new technology might lose its competitiveness in but a few years, due to the sudden emergence of a rival technology.

Among those trying to further promote the end of geography, the United States is exerting the greatest pressure. For it is by strengthening the global free-trade regime that it is striving to open markets completely and enhance its competitiveness. Even before the Cold War ended, the end of geography had been well under way as technology advanced. But it is also a significant post-Cold War phenomenon, in that the United States' demand that foreign markets be opened has rapidly become an important policy item, as concern with the decline in its competitiveness has increased.

Due to the enormous gaps in the personal income of its citizenry, it is natural that the United States would opt to seek access to foreign markets, rather than to expand domestic demand beyond current levels. In particular, Washington has attempted to liberalize rapidly growing markets in the Asia–Pacific region by applying strong hegemonic pressures. Moreover, Washington is seeking market liberalization in those areas of the service sector – such as banking, securities trading, construction and transport – that have already been liberalized in the United States and Britain, with a view to greatly expanding its share in foreign markets.[5]

In the meantime, opposing the globalization of economic activity, protectionism and regionalism have become more prominent. Both movements seek to mitigate two trends necessitated by

economic globalization: the rising cost of technology and constant structural adjustment. For as technology progresses, innovation requires a longer lead time and higher costs, thus accelerating technological protectionism.

Once an innovation has been achieved, the desire grows to firmly protect it in order to maintain its competitiveness for as long as possible. Attesting to this is the fact that intellectual property rights were particularly emphasized in a new agreement signed at the Uruguay Round of the General Agreement on Tariffs and Trade. Closely related to this, it was also decided that, in resolving disputes, plaintiffs who appeal to the Agreement are to be granted positions of advantage, while the defendants must respond to the appeals.

Structural adjustment implies that there is a constant need for adaptation to changes in the market-place for, without such continuous contrivances and endeavours, competitiveness tends to decline due to innovation, market liberalization and other forces. Yet, structural adjustment cannot be undertaken too frequently because the scale of technology, capital and equipment needed has become very large. Instead of letting market forces cause bankruptcies and lay-offs, adjustment requires capital investment and redeployment of the labour force in new industries. As structural adjustment intensifies and firms feel the need to gain time to accommodate domestic political demands, they invariably resort to protectionism. It is in this context that protectionism is fuelled by moves to alleviate competitive pressure from the world market.

Regionalism is a movement that aims to vitalize intraregional economic exchanges by further promoting market liberalization within a region, while taking what might be perceived as protectionist measures outside the region. Depending on which aspect is stressed, regionalism may or may not become protectionist. Without doubt, the United States maintains protectionist measures at home, while demanding that other countries open their markets. Its domestic protectionism is particularly conspicuous towards those countries that have a trade surplus with it and which, it alleges, are strengthening their competitiveness by preserving unfair trade barriers. Regionalism has been crystallized by the United States in its promotion of market liberalization in Canada and

Mexico through the North American Free Trade Agreement, as well as through bilateral negotiations such as the US–Japan Structural Impediment Initiatives.

It should be noted that, since it has been acknowledged that top-down rule-making, the system followed by the General Agreement on Tariffs and Trade, presents numerous difficulties, there has been a move to establish bottom-up rules for international economic activity. Cooperation in market liberalization and economic development, in the framework of the Asia–Pacific Economic Cooperation forum, is an example of the more congenial bottom-up approach.

President Clinton was elected on the strength of his campaign promises to eliminate unfair practices and increase US competitiveness. While bent on prising open foreign markets, he pledged to continue taking protectionist, retaliatory measures against unfair trade partners. Yet the reality is that both the US government and businesses in the United States have become 'McDonaldized' in terms of their quick-results orientation: unless palpable results are produced in three minutes – just like a McDonald's hamburger – there is petulance all round.

Based on the presumption that foreign markets are a problem, US government and business – both equally action-oriented – are fast to cast their nets abroad. But, without prior study or consultation, they return home like seagulls, having picked up mere crumbs on foreign shores. Thus, in the absence of serious research on foreign markets, much less market-entry efforts, the United States continues to demand the opening of markets aboard.[6]

Nonetheless, the United States' strength lies in its unflagging capitalism. Undaunted by the need for lay-offs and wage cuts, some US firms that have single-mindedly set out to regain their competitive edge have made significant progress. Against this background, a series of demands have been made by US business interests. They have sought the setting up of quasi-cartels to capture bilateral market share, as was seen in the US–Japan Framework Talks in areas including semi-conductors, government procurement and cellular telephones. These interests have also wanted to prevent military technology transfers, as a result of which Congress and the Commerce Department balked at the joint development with Japan of the FSX, a next-generation support

jet fighter; it was only after Japan made a major concession that Washington agreed to go ahead with the project and scheduled a test flight for 1995.

US interests have also demanded concerted efforts to advance technological research and development, which has allowed the United States recently to pull ahead of Japan in the area of computers and electronic communications since the early 1990s. Further, there have been calls for the complete liberalization of foreign markets, particularly in targeted areas such as the service sector in which the United States is competitive.[7]

To achieve these goals, Washington has not only resorted to bilateral negotiations, but also sought to expand and consolidate regional free-trade arrangements, and employed a comprehensive strategy to establish rules for global economic activity. While this produced a temporary setback in the US–Japan Framework Talks, it led to the successful conclusion of the GATT Uruguay Round, the signing of the North America Free Trade Agreement, and the expansion and deepening of the Asia–Pacific Economic Cooperation forum – Mexico, Chile and Papua New Guinea agreed to join; the groundwork was laid for discussing security, human rights and environmental agendas within this forum; and preliminary actions were initiated to set up economic rules.

Domestic society

Among the ideologies that provide organizing principles for domestic society, communism has been discredited, as Fukuyama has argued; in Europe, at least, it has practically disappeared. This is what the end of history is all about. The Berlin of 1989 corresponds to the Jena of 1806. After Napoleon's victory at Jena, Hegel saw the end of one history; Fukuyama saw the end of another.

The official version of history in postwar Germany is that German history leads to the Third Reich (Nazi Germany), where it also ended. There are many endings in Germany.[8] However, when only one of several competing ideologies becomes predominant, everything begins to loosen up: economic and political controls and restrictions are eased and it is the end of history.

In fact, since the first oil crisis in 1973, a great number of

countries – more than 100 out of the nearly 175 independent states – have begun to move towards democratization and economic liberalization. This was the twentieth century's third wave of democratization, following those in the wake of the First and Second World Wars.

Meanwhile, economic deregulation and political democratization have become unpredictably destabilizing factors. Not only has economic deregulation been costly to the communists, but a group of Indian castes, who had previously received preferential social treatment, has also lost a great deal. Members of the lowest social class and of slightly higher social groups have increased their demands on the grounds that government policies no longer give them fair protection. Another loser could be Islamic fundamentalists, who use their own ploys and exploit outrages at social inequalities expanded by deregulation, for Islam preaches universal equality before Allah.[9]

Democratization has brought ethnic, linguistic and religious claims to the forefront. As states lose control, it is not unusual for social order to give way to chaos. The former Yugoslavia, as well as Somalia, Mozambique and Cambodia, are cases in point. In the former Yugoslavia, the dissolution of the Soviet Union and its threats weakened the unity of the country which, combined with the economic attraction of the European Union, prompted Slovenia and Croatia to secede from the federation. Their independence then provoked Serbia and triggered a cruel civil war in Bosnia–Herzegovina, located between Serbia and Croatia. It is a mosaic polity where an extreme mixture of religious, linguistic and ethnic groups developed in the days of Ottoman rule, and mutual brutal slaughter continues in an attempt at ethnic cleansing. In Kosovo, Serbia has been accused of conducting a policy of ethnic cleansing targeting Albanians and, as a result, NATO forces have intervened following numerous warnings and protracted negotiations.

Historically, the United States has been a self-proclaimed champion of freedom and democracy.[10] President Clinton acknowledges this, and does not hesitate to use the stick, as evidenced by the threat to invoke the so-called Super 301 clause, and the setting of numerical targets to prise open Japanese markets. Promoting democratization and fighting human rights abuses, both

domestically and externally, have been priorities on President Clinton's agenda. Even after the demise of communism, human rights suppression persists; democratization merely inches forward. To demand a change in policy, the United States itself also commonly resorts to a policy of the stick – denying most-favoured-nation rights, suspending official development aid and imposing economic sanctions. But even if the United States exerts political pressure because of human rights violations, some countries will not budge.

A case in point is China. When Washington threatened not to extend China's most-favoured-nation status unless it substantially improved its human rights practices, Beijing did not cave in, forcing the Clinton administration to back down. Rather than expecting every single demand to be met, it would appear that the United States is more concerned with avoiding reproaches from future generations for having given in to oppressive forces. It thus sets out both to demonstrate solidarity with pro-democracy groups against non-democratic countries and to stand firm on democratic principles.

Due to the end of history, the United States itself has been losing some degree of cohesiveness. In US politics, national leadership rests in Congress during peacetime, and only in wartime can a president's leadership become prominent. Like former President Lyndon B. Johnson, President Clinton has attempted to mobilize the public to resolve social and economic problems at home as if it were wartime, but to no avail.

Despite its preaching about human rights, the US government's heavy-handed suppression of the Rodney King incident in Los Angeles and that of David Koresh in Waco, Texas, seems inevitably self-contradictory in the eyes of those who hear Washington's sermons about human rights. Beijing countered Washington's criticism on human rights abuses by arguing that the United States lags significantly behind China in terms of the ratio of deaths from freezing and the wage gap between men and women, thus contending that the United States is not making a serious enough effort to protect human rights.

Washington exerts pressure on foreign countries by arguing that, when human rights and democracy are suppressed, legal and institutional remedial mechanisms must be established as is

done in the United States. This is because, as a hegemonic power, the United States believes that if other countries adopt its political and economic systems, it can compete on a level playing field. Liberalism and democracy are complex mechanisms in terms of costs and procedures but, Washington's argument goes, why not first adopt them as political systems, and then compete? It believes that once capitalism and democracy take root, US expansion will become easier. Increasingly, the United States is saying that it should handicap non-democratic, non-capitalist states and deny them special protection and rights.[11]

Having somewhat briefly laid out the basic forces working underneath a number of the major global changes we have witnessed of late, I will delve into more detailed expositions of the main points in what follows.

2
The End of the Cold War

The post-Cold War world is in a bewildering state of flux, with contending forces everywhere attempting to overwhelm or undermine each other. Fundamentally, the situation can be traced to the policies of the United States, which were cut adrift by the absence of the Soviet threat when the bipolar age came to an end. This chapter will reflect on the conceptual frameworks of global politics as used by the United States. Namely, the Westphalian, the Philadelphian and the Anti-utopian frameworks will be explained in relation to their principal authors. In the absence of the arch-enemy, or any other comparable adversary to counter, the United States has been caught in a policy dilemma: isolationism and global ambitions contradict each other. In the second half of the 1990s, the United States experienced an economic boom, yet it remains deeply ambivalent about globalization of the economy. While promoting human rights and democracy around the world, Washington wavers with regard to these goals when business interests and security concerns come into play. While steadfastly championing democracy and a free market worldwide, it is increasingly calling these values into question as democratic political systems reveal more contradictions and the market system fails to address domestic social problems such as unemployment, poverty and the widening income gap.

US foreign policy underwent some significant changes that coincided with the shift from a Republican to a Democratic administration. The disintegration of the Soviet Union in 1991 and the disappearance of communism from the map of Europe

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produced the first major turning point in US foreign policy since 1945. All the effort and energy that had gone into fighting communism and deterring aggression and attack from the communist camp were rendered virtually meaningless almost overnight. Yet, the self-congratulatory New World Order of President George Bush went sour shortly after the Gulf War victory.

When the monolithic confrontation of the Cold War faded, non-Cold War-related schisms resurfaced. In an unstable world full of transitions and transformations, the United States found itself to be the only hegemonic leader willing to take military action against the blatant aggression that had triggered the Gulf War. The other four permanent members of the United Nations Security Council were unwilling or unable to shoulder the role. The United Nations launched peacekeeping and peace enforcement operations in many countries, but they did not function as effectively as envisioned by Boutros Boutros-Ghali, then its Secretary-General.

Not even the United States can deploy up to half a million troops in remote locations continuously and for extended periods. The all-too-frequent result: tough words initially, followed by softer words and little or no action. In Somalia the United States intervened but, after having found the country totally out of control, withdrew. US warships were sent to the Adriatic Sea in connection with fighting in the former Yugoslavia, but they achieved little militarily in the attempt to defuse the conflict in Bosnia–Herzegovina and were only able to force the removal of heavy artillery weapons from Sarajevo.

Primacy, multilateralism and neo-isolationism

Debate has been going on in the United States regarding whether it should give priority to the world order, or embrace the principle of the United States as the strongest power since the end of the Vietnam War.[1] The latter option is based on the argument that, unless the United States leads the world, turning a blind eye to the costs, the world will go to the dogs, taking the fortunes of the United States with it. As for the costs, the argument continues, the United States has no choice but to pressure its allies into cooperating through burden-sharing schemes. By ex-

tension, some believe that a scheme should be institutionalized to make it easier to compel others to cooperate – while Washington still has the clout to convince them.

Conversely, others argue that, given the United States' declining competitiveness, which was apparent from the late 1970s until the early 1990s, the international burden-sharing scheme should be maintained through cooperation among major countries. Rather than spend great sums of money out of vanity to preserve its position of leadership, the United States should adopt a policy of multilateralism.[2] Advocates of this approach believe that the United States should leave world affairs to consultations with other major countries and devote its maximum efforts to its own domestic socioeconomic problems. Although the United States has the power to coerce others into cooperation, the cost of doing so is extremely high and the effect short-lived. Current reality sees a mixture of these two lines of argument, but one gets the impression that US policy is constantly wavering between leadership and cooperation.

Because of its strong desire to maintain its position of leadership, the United States tends to give the impression that, rather than consulting the major powers, it is coercing them. Since the underlying support for US coercion has been diminishing, there is a tendency, furthermore, for Washington's words to be strong but its actions weak: it starts off strong, firm and even indomitable, but in the end will compromise. A case in point is Washington's position on extending China's most-favoured-nation status. Another example is its initial insistence on, and subsequent retreat from, numerical targets in the US–Japan Framework Talks. Moreover, although the United States appears to be taking a very hard line in talks on the inspection of nuclear installations in North Korea, it also gives the impression that it is being manoeuvred somewhat by Pyongyang.

A contrary perception has it that the United States is a reluctant hero that, unlikely to achieve a great deal in the first place, has significantly reduced international expectations, for example US policy towards Bosnia and Herzegovina before the Dayton accords, when it treated European allies as equals yet presented ineffectual, ambiguous proposals, causing the major countries that had been consulted to withdraw quietly.

Another significant dimension to the debate between primacy and multilateralism has been added by the end of the Cold War. As the Soviet threat has disappeared, so has the overriding justification for extensive foreign engagement. Hence the revival of isolationism. The advocates of neo-isolationism embrace a constricted view of US national interests – national defence, namely, the protection of the security, liberty and property of US citizens, is its only vital interest – and argue that internationalism is not only unnecessary, but counterproductive.

No country in the post-Cold War world has the power to threaten the sovereignty and territorial integrity of the United States. With the oceans providing natural defence and its neighbours to the north and south militarily weak, the United States is inherently a very secure country and could even be said to be strategically immune. Controlling about one-quarter of the gross world product – twice as much as its nearest competitor, Japan – the United States is better placed than most to go it alone.[3] Thus, neo-isolationism raises unilateral sentiments and encourages US citizens to look inward.

The rise of neo-isolationism is quite evident in US domestic politics, both in the popular mood and in the halls of Congress. In this setting, domestic agendas are increasingly being given priority, and budget cuts have tended to be targeted at foreign policy in general. Since the 1994 mid-term elections in particular, the Republican-controlled Congress has vigorously sought to slash the Federal budget in the area of foreign affairs and international organizational involvement. In the new isolationism, moreover, the US international posture seems to lean towards unilateralism rather than multilateral relations.

Scepticism, disregard for, and even hostility towards, the United Nations and other international organizations are now commonplace in the United States. Well before the new Republican-dominated Congress took office, the negative attitude towards the United Nations was evident: the previous Congress had legislated a unilateral reduction in Washington's contribution to peacekeeping, from 31 per cent to 25 per cent.[4] Such tendencies have been reinforced by ongoing demographic changes in Congress. Internationally-minded Senators and representatives with personal experience in the Second World War and in the creation of the

United Nations have retired; over half the members of the present Congress were elected in the 1990s and include many younger politicians with a strong orientation to local interests.

Neo-isolationists' attempts to reduce the degree of US foreign engagement, however, have been vigorously countered by the advocates of both primacy and multilateralism. The latter argue that Washington's disengagement is unlikely to make the United States secure, and may even make it less secure. US withdrawal from the world stage would trigger competition among aspiring regional powers, this position holds, thus seriously undermining international security. Despite the rise of neo-isolationism, the Clinton administration has repeatedly stressed the importance of the country's active role as a global power, and the Congress has neither embraced the idea of a small-force structure as envisaged by neo-isolationists nor moved to significantly reduce the defence budget.

Conceptual frameworks of global politics

The conceptual basis of global politics at the beginning of the twenty-first century has emerged from the legacy of three models of the recent past. One is the Westphalian, which can be represented by the analysis of Henry Kissinger in his book *Diplomacy*; another is the Philadelphian, as expressed by Bruce M. Russett in *Grasping the Democratic Peace*; and the third is the Anti-utopian, as suggested by the work of Samuel Huntington in *The Clash of Civilizations and the Remaking of World Order*.[5] In the task of advancing US goals in the realms of security, business or democracy, these frameworks mingle in the minds of US policymakers in a peculiar way in the face of each situation.

The sovereign and territorial nation state was considered the basic unit of action throughout much of the nineteenth and twentieth centuries, and the Westphalian model was dominant.[6] This model is based on the principle of state sovereignty and premised on the assumption that order reigns within the nation state while all without is anarchy. The state holds sovereignty over territory and population. The degree of democratization differs from one state to another, but democracy is not a major issue in the Westphalian model.

Towards the end of the twentieth century, however, two other models from the past made a comeback, although both considerably transformed in content and character. One is the Philadelphian and the other the Colonial, which I call the Anti-utopian. The Philadelphian model is named after the liberal union of states that existed in the American colonial period until the Civil War. This model is based, essentially, on legal procedures whereby states try to resolve disputes among themselves.[7] It is premised on the notion of popular sovereignty and existed on the fringes of the European Westphalian system.

In the nineteenth century, when the world economy incorporated more fully the areas peripheral to the core European economies, the workings of globalizing market forces gradually undermined the Philadelphian system. At the end of the twentieth century, however, that model reemerged, incorporating components of the state sovereignty concept of the Westphalian model and spreading to the liberal democracies of Europe and the Asia–Pacific region. The resuscitation of the Philadelphian framework constitutes part of the third wave of democratization that extended over the last quarter of the twentieth century.

With the end of the Second World War, the Colonial model of global politics seemed to disappear. In the latter half of the twentieth century, most colonies became independent and more than 150 states were created, but the legacy of that model lingered on the outer fringes of the Westphalian system in Europe. In the mid-twentieth century, as the doctrines of national self-determination, human rights and democracy came to be widely adopted by many of the newly emerging states, the sway of the Colonial model was bound to fade. Now, at the start of the twenty-first century, however, we can detect its return in a new guise, as my Anti-utopian model. While concern with territorial aggrandizement has been discarded, it retains the core component of colonialism – the mission to civilize the world – now advanced in the name of security for humankind as a whole, humanitarian assistance and global governance.

Our interest in these models here is related to peace, world economics and democracy, so I will first try to characterize them so that we can see more clearly how useful they are in understanding the US drift at the beginning of the twenty-first century.

These models can be differentiated in terms of actors, basic premise and behavioural modality. The actors in the Westphalian model are 'normal' states, and the basic premise is state sovereignty. In the Philadelphian model, the actors are liberal democracies as politico-economic systems, and the basic premise is the ideology of liberal democracy. The actors in the Anti-utopian model are failed or failing states, and the basic premise is loss of sovereignty.

The features of normal states are strong state sovereignty and a strong assumption that order exists within and the rest of the world is a threat and represents anarchy. These states are especially sensitive to infringements of sovereignty and territory. They react strongly to anything that they believe to be interference in their internal affairs, and cultivate strong ties with expatriate citizens, transmitting ideas and sentiments across borders to those citizens. China, with its almost obsessive rejection of anything smacking of interference in internal affairs, is a good example, and is in stark contrast to the tolerance shown by the United States, which is receptive to diverse ideas and even to the influence of overseas special-interest groups in political affairs.

As discussed in Chapter 10 below, the behavioural modalities of normal states are balancing and bandwagoning. The aim of balancing is to contain the potentially explosive assertiveness of other normal states, and maintenance of fighting capability is considered necessary. In the face of an overwhelmingly powerful state or coalition of states, a normal state may resort to bandwagoning. If you cannot beat them, join them.

The features of liberal democracies are firmly entrenched popular sovereignty and broad acceptance of universal norms and values, such as the undergirding of the free market and democratic politics. These states are more sensitive to the importance of union among themselves as something that will ensure economic interdependence and integration, and they are concerned with the creation of well-integrated, strong networks of global security arrangements built on their own shared norms and values. A good example of this spirit can be seen in the G7 summits, convened each year since the mid-1970s. Another relevant example, on the level of regional cohesion, is the European Union. It, too, strives to control protectionist forces and state sovereignty on the one hand,

and the potentially volatile politics of marginalized segments of the globe on the other.

The behavioural modalities of liberal democracies can be described as binding and hiding.[8] In order to achieve broader, stronger union, like-minded actors band together. The emergence of forces that threaten liberal democratic norms at their foundation, however, may drive them to strategies of concealment. War and imperialism are one source of such forces (as seen during the period between the two World Wars); ideas and civilizations are another (as with Fascism until 1945 and communism from 1945 to 1991).

Failed or failing states are those that have been marginalized economically and undergone a hollowing out of their sovereignty. They are buffeted by global economic change and vulnerable in terms of security, as well as prone to civil disorder and strife. They tend to invite intervention from without, which may come in the guise of colonization, humanitarian relief or military aggression.

The behavioural modalities exhibited by failed or failing states are hollowing out and collapse. No longer autonomous, they suffer from anarchy within and intervention from outside, yet are so amorphous that their strength is not much affected by outside intervention. Such states remind one of Winston Churchill's 1927 comment on the British bombardment of mid-Yangtze River cities from warships as Chinese Nationalist forces mobilized support and moved towards Beijing: 'Punishing China is like beating a jellyfish.'[9]

The positions regarding peace, world economics and democracy vary amongst these three models. The aim for international society according to the Westphalian model is to maintain internal hierarchies as well as preserve inalienable rights. War is considered a means of achieving peace. A political system does not necessarily have to be a democracy, as long as it meets the criteria of a normal state; rather, in order to be successful at balancing, overtly ideological rhetoric must be avoided. The national economy has primacy over the world economy. China's rigid insistence on the higher exchange rate of the Hong Kong dollar and the Chinese yuan *vis-à-vis* the US dollar may be explained, in part, by the status and prestige the national currency has in states of the Westphalian model.

For the Philadelphian framework, the ultimate aim is to achieve democratic peace on the premise that democracies rarely fight each other. The assumption is that peace will reign when states worldwide have been democratized, as outlined in Chapter 10. Liberal democracies can be built only through the firm observance of the rule of law, individual freedom and human rights, so whether the actors are democratic or not matters immensely. In this framework, the world economy has primacy over national economies, and free trade, global standards and globalization are the key words. This is known among some as the US capitalist system.

States in the grip of the Anti-utopian model are characterized by neither war nor peace, and suffer from a gridlock reminiscent of Leon Trotsky's remark regarding the Brest-Litovsk peace between Germany and Russia in 1918: it is questionable whether a state in which there is neither war nor peace can lead to revolution. In such states, no viable political system, let alone democracy, is likely to emerge. Even if democratic structures are set up, they are rather like *bonsai*, cultivated in isolation in the capital city by vulnerable governing elites whose strength is shored up by outside powers. Even if economic growth does take off, development may be dependent on the outside.

Examples of all three of these models can be found in the world today, and their legacy is reflected in a curious mixture in US foreign policy, whether that related to international security, world economics or democracy. In fact, the coexistence of these separate strands suggests the presence of forces competing for control of the grand strategy of the United States, and that competition can perhaps explain the country's post-Cold War drift in the realm of foreign policy.

Competition for a grand strategy

Critics and observers have noted that the United States lacks an effective grand strategy at the beginning of a new century. Most of its proposals so far have concerned weapons and military personnel: at what level to maintain them, by what amount to reduce them, and in what areas they should be redeveloped.[10] One can see the uneasy coexistence of global ambition and

isolationist politics in the US polity at the core of this lack of strategy.[11] The United States faces the question of how to satisfy global agendas as the resources to sustain them are increasingly meagre and when the nation tends to look inward. When the Cold War ended, the United States became the only remaining superpower, and governing the whole globe on the basis of its own tax revenues and its own sailors and soldiers became more difficult.

Three major streams of thought have been advanced regarding the options for a grand strategy for the United States, as represented in the works of Henry Kissinger, Bruce Russett and Samuel Huntington. Their ideas are in basic accord with the three frameworks of global politics portrayed above. In the world portrayed in Kissinger's *Diplomacy*, the key dicta of international relations are balancing and bandwagoning. The two key themes are state sovereignty and the primacy of foreign policy, while all other concerns are judged according to whether they facilitate the realization of the skilful balance of power, that is, peace. It is argued that US hegemony, going back to 1945, is bound to gradually fade and, to bolster the country's international leadership, the United States must engage in intermittent balancing acts.

In *Grasping the Democratic Peace*, Russett demonstrates how democracies rarely fight each other. By promoting democracy everywhere, advocates of this theory argue, the United States can lessen the likelihood of the outbreak of war; countries with systems that do not rival or threaten each other would have no need to fight each other. The more passive approach would be for the United States to avoid contact with non-democracies, which might deplete its resources, limiting interaction to liberal democracies. Russett clearly holds that liberal democracy must be universal if it is a political system originating in the West.[12]

In *The Clash of Civilizations and the Remaking of World Order*, Huntington's attention focuses on regions of the world that are potentially resource-draining: the Islamic world and China. He argues that many civilizations are incompatible and that the world abounds with situations ripe for clash. His essays sum up his position: 'International primacy matters'. He does not claim that Western values are universal, but that they are unique. US interests will be most effectively served, he argues, by adopting the

Atlanticist policy of close cooperation with European partners so as to protect and promote the interests, values and culture of the precious and unique Western civilization they share.[13]

As Kissinger sees it, the Westphalian model will not fade away soon; Russett's argument demonstrates the resuscitation of the Philadelphian model; and Huntington shows how the Colonial framework has returned in Anti-utopian guise. They are each different, but they all act to restrain the United States from entering into futile interactions with the rest of the world that might result from the inherent contradiction of global ambitions and isolationist policies.

The United States was the first new nation to develop not under the Westphalian but the Philadelphian framework. Shedding the hide-bound traditions and vices of the old states of Europe, it started anew and dedicated itself to the ideals of freedom, democracy and equality. The key behavioural modalities in the Westphalian framework were balancing and bandwagoning. In the Philadelphian framework, they were binding and hiding: bind others through shared norms, values and rules; build international institutions and conclude international agreements; promote commerce and increase interdependence; and promote democracy. But sometimes hiding in the background is desirable. As a matter of fact, the United States did hide during the First World War and up until Pearl Harbour.

The United States had a high propensity towards isolationism as a way of coping with the dynamism of the Westphalian system centred in Europe. From the Washington to the Monroe administrations, this hiding was very important. The *Federalist* papers enjoined the young republic's leaders not to get entangled in the vicious power politics of Europe and, even after it grew into a power on a par with the major states across the Atlantic, these instincts prevailed, particularly during the period from 1914 until 1941. While the United States is very strong – the strongest of all the 190-odd countries now in existence – it does sometimes shrink and back off from entanglements overseas, as was the case in Somalia and even in the Gulf War in 1991.

An Anti-utopian framework can be a trap from which others can only keep their distance. US President Lyndon B. Johnson would have said of the Chicanos in his home state of Texas that

you have to terrorize them in order to get them to behave. Perhaps President George Bush, a fellow Texan, was reminded of this dictum when he decided to go to war against Iraq's President Saddam Hussein. Late nineteenth-century British imperialists said of Iranian disturbances and turmoil that 'one can only let them make a stew of themselves'.[14] Did President Clinton instinctively recognize this 'truth' when he decided not to order US troops to Rwanda and Zaire (now known as Congo), and saw hundreds of thousands of people there massacred?

At the start of the twentieth century, the three frameworks coexist and often mingle. On the surface, the Westphalian framework seems robust. As far as the United Nations is concerned, however, there has been a substantial loosening of the criteria whereby a state is regarded as normal in the Westphalian framework. Originally envisaged as housing an organization for some 50 states, the UN Headquarters building in New York now faces the need to accommodate nearly 200. In other words, major obstacles are not placed in the way of UN membership for states that are still relatively vulnerable to crisis. Only during the Cold War era were attempts made to balance member states (for example, by having Mongolia and Japan admitted at the same time).

The presence in the United Nations of failed or failing states is now quite pronounced, we must admit. This complicates the situation for a Philadelphian actor like the United States, which believes it must behave on the basis of universal principles and shared norms and values. Its framework, consisting of freedom, democracy and equality, is like the medieval Christian framework that was universally accepted, irrespective of the feudal lords, the Hanseatic League, city states or secular rules.[15] During medieval times, the Christian world covered only one peninsula of the Eurasian continent. The Westphalian framework emerged while the medieval legacy was still manifest and, until the mid-twentieth century, Westphalian states did not have to worry too much about the Anti-utopian framework, which did not have much say in world affairs as a whole.

When some 120 countries are reported to be broadly defined as democratic states,[16] one realizes that, coming under the umbrella of the Philadelphian framework, there are many of the Anti-utopian category. The Philadelphian framework compels the

United States to act in the defence of, and to promote, such universal principles as freedom, democracy and equality. Finding itself the only remaining superpower – not the *primus inter pares* but the primo in every sense – it is compelled to act by its need for global governance. But it cannot act wilfully, in the Westphalian or Colonial mould, but must conduct itself as befits the framer of the Philadelphian ideas. Now, instead of 'letting them make a stew of themselves', the missionary impulses of this framework advocate the extending of humanitarian assistance. Global governance is expected to have a human face.

Meanwhile, the Westphalian framework is still very strong. It is even stronger when states are not really normal states, but offshoots of the old European-dominated Westphalian framework and, thus, tend to be torn by internal agitation and mobilized by nationalism and patriotism, often aggravated by the absence of adequate resources to cope with domestic difficulties. The Philadelphian framer in this world of coexistence frequently becomes entangled in Anti-utopian framework dèbâcles that accompany its ostensibly humanitarian involvements, and then may find itself barked at from the Westphalian framework. As long as the reconfigured Pax Americana draws its contours from the Westphalian, Philadelphian and Anti-utopian worlds, the United States will continue to face multidimensional encounters of numerous kinds, and the frameworks will intermingle in various ways, depending on its strategy and objectives.

Having grasped the three contending and complementing frameworks of global politics the United States preaches and practises when conducting its foreign policy, I now turn to the global picture of international security in which the United States looms large.

3
International Security

The changing environment

The disappearance of Cold War bipolarity has fundamentally changed the dynamics of international security. In this chapter, I portray the United States left alone without its major competitor, the Soviet Union, wavering between multilateralism and unilateralism, and easily constrained by domestic actors, narrow special interests and moody public opinion. During the Cold War, the two superpowers were compelled to get involved in most regional conflicts due to their global competition. Their rivalry often caused and complicated local conflicts, as they intervened directly or supported proxy wars in such diverse areas as Vietnam, Afghanistan, Angola, Ethiopia and Nicaragua. But the superpowers also played the role of *de facto* world policemen, providing security guarantees throughout the world. In the post-Cold War world, however, both Russia and the United States have often disengaged from regional affairs, especially when no significant strategic interest has existed. They have taken a more selective approach to their regional security commitments, and frequently pursued a policy of benign neglect towards remote local conflicts.

Superpower disengagement from regional affairs began as Soviet leader Mikhail Gorbachev launched his ambitious reform programmes at home. After decades of military build-up and proxy wars had drained Russia's Treasury and ruined its economy, the Kremlin had to withdraw support from numerous regional conflicts

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and concentrate on domestic agendas. Thus, his *perestroika* initiated sweeping cutbacks in Soviet commitments abroad. Gorbachev made a series of decisions to retrench foreign commitments, withdrawing from Cam Ranh Bay in Vietnam, Cuba, Yemen, Ethiopia and Afghanistan.

To secure an international environment more conducive to his internal reforms, Gorbachev also enunciated a new United Nations policy. In his article entitled 'Realities and Guarantees for a Secure World' that appeared in *Pravda* and *Izvestia* in September 1987, Gorbachev called for enhancing the activities of the United Nations in specific functional areas, ranging from ecology and medicine to terrorism, and adopting a higher UN profile in regional conflicts and international disarmament issues.[1] This prompted the administration of President Ronald Reagan to reverse its previously hostile policy towards the United Nations, generating a greater degree of cooperation and collaboration among the great powers in the United Nations Security Council. This helped bring about a series of peaceful settlements in Afghanistan, Angola, Namibia, Nicaragua and on the Iran–Iraq border, where new UN peacekeeping operations were initiated.[2]

While Moscow's disengagement from regional affairs opened the way for the settlement of various once intractable conflicts, it also contributed to the eruption of various ethnic and religious conflicts around the world. Soviet entrenchment from its overstretched foreign policy had destabilizing effects in various regions. As Soviet power disappeared in the Balkans in the early 1990s, the looming crisis threatened peace and stability in that part of the world. After Pax Sovietica vanished in the wake of the disintegration of the empire, local conflicts sprouted even in such former Soviet republics as Armenia and Azerbaijan. Moscow's sweeping disengagement from the Middle East also created political vacuums and regional imbalances, which provided an ill-fated opportunity for Iraq's invasion of Kuwait.

As the Soviet Union significantly curtailed its regional involvement, not only did the United States emerge as the single remaining superpower, but it was able to reduce the scope of support for its Cold War allies. Although Washington was shouldering tremendous burdens, it was able, with increasing Russian cooperation, to exert historic leadership in the Gulf crisis and

led a multinational coalition to reverse Iraq's invasion of Kuwait. But this raised international expectations for a greater US role in international security. The successful conduct of the war against Iraq proved that the United States alone has the military capability, political influence and economic leverage to intervene in a number of situations around the world. No less significantly, since President Bush embraced the United Nations as a central instrument to rally international support and legitimize collective measures against Iraq, the world's expectations for the reactivated world body have also increased.

In the absence of Soviet power and a geopolitical yardstick that guides its post-Cold War foreign policy, however, Washington was forced to respond to relentless media coverage of civil wars, famines, refugees and massive human rights abuses around the world. Despite his initial reluctance to get involved in the post-Gulf War Kurdish crisis, President Bush yielded to mounting international pressures and his allies' prodding, and embarked on Operation Provide Comfort.[3]

Although the United States had no national interest in the outcome of the civil war in Somalia, the unrelenting media attention to the famine there finally compelled the Bush administration to send a large US peacekeeping force to deliver massive emergency relief. Similarly, international expectations and the so-called CNN effect compelled the United States to undertake unprecedented humanitarian operations in northern Iraq and Somalia.

It was also during the heady days in the wake of the Gulf War that various ethnic and religious conflicts flared up in many parts of the world. The nature of conflicts has increasingly changed from interstate to intrastate. Of the 21 UN peacekeeping operations established between 1988 and 1995, only eight were related to interstate wars, while 13 were linked to intrastate conflicts.[4]

Internal conflicts have posed additional problems for the United Nations. First, they often result in the collapse of governments and state institutions, which creates a practical problem in terms of identifying the parties with whom one is to deal. Second, the collapse of governments entails a breakdown of law and order, and creates humanitarian crises. Civilians fall victim to aimless killing and general banditry, and often become refugees. Third,

intrastate conflicts are essentially fought by guerrilla forces, comprising militias and armed civilians without clear front lines. Finally, intrastate wars generally necessitate costly post-conflict rehabilitation and reconstruction, as the functions of government are suspended and its assets are destroyed and looted during the conflicts. The United Nations was not originally designed to deal with conflicts within states. In fact, the principle of non-interference in the domestic jurisdiction of the state is unequivocally enshrined in Article 2 (7) of the Charter.

As the nature of conflicts has changed, it has become increasingly difficult for the United States and other major powers to get involved in multilateral peace operations. For major powers usually have no stakes in intrastate conflicts and, more often than not, non-intervention best serves their interests. Thus, even were the UN Secretary-General to wish to negotiate a cease-fire and a viable solution to a conflict, he might not be able to gain the necessary political support and resources.

Wavering on multilateralism

Against a background of a rapidly changing international security environment, the United States, as the only remaining superpower, continues to provide security guarantees in areas in which it has vital interests: Western Europe, the Western hemisphere, the Middle East and the Far East. In addition, the United States has engaged in one trouble spot after another as news coverage on civil wars, famine and human rights abuses around the world have made the White House feel compelled to take action. Thus, although the US public had expected to benefit from post-Cold War peace dividends, the country's overseas agenda has been expanded by the media, leading it to assume a growing security burden around the world as a preeminent global power.

To mitigate the United States' increasing security burdens, Washington has utilized multilateral frameworks such as the United Nations and regional organizations. It was in the Western hemisphere, once the exclusive security preserve of the United States, that the United Nations launched its first peacekeeping operations. With Washington's blessing, the United Nations Observer Group in Central America set up a cease-fire observation mission

in Nicaragua and helped manage the demobilization of the Contras, the Nicaraguan resistance, while the United Nations Observer Mission to Verify the Electoral Process in Nicaragua monitored an election there.

The United States also supported a more ambitious UN operation in El Salvador.[5] And, in the wake of the ouster of Haiti's democratically elected President, Jean-Bertrand Aristide, the United States encouraged and supported the roles of the United Nations and the Organization of American States.

In other areas, such as Cambodia, the former Yugoslavia, Mozambique, Angola and Liberia, Washington fully endorsed UN peacekeeping operations and supported the roles of regional organizations such as the European Union, the Organization of African Unity and the Economic Community of West African States. In Somalia, the US-led operation was concluded at the beginning of May 1993 and responsibility passed over to the United Nations, which established the United Nations Operation in Somalia II.

Despite these efforts, the United States' embrace of multilateralism proved short-lived. An unfortunate development in Somalia in 1993 prompted Washington to drastically change its policy towards the United Nations and humanitarian assistance in general. In the wake of the death of 24 Pakistani peacekeepers at the hands of Somali soldiers in June, violence in the Somali capital of Mogadishu quickly escalated until the beginning of October, when 12 US soldiers were killed, 75 wounded, and six listed as missing in action. The televised images of a dead US ranger triggered negative public reaction at home and within days there was a shift in Washington's policy, followed by disengagement. Other Western powers followed suit. In February 1994, the Security Council limited UN involvement in Somalia and in November finally decided to terminate its mandate there at the end of March 1995.[6]

Even before the October 1993 débâcle in Somalia, isolationist sentiment had been building in the United States, and Congress had voiced opposition to a greater US role in UN peacekeeping. But the tragedy prompted the United States to reverse dramatically its policy towards UN peacekeeping. In the face of a firestorm in Congress and the media over the loss of US lives, President

Clinton abandoned the policy of assertive multilateralism and retreated to a much more cautious position on UN peacekeeping.

In May 1994, the Clinton administration issued Presidential Decision Directive 25, which imposed stringent restrictions on any US participation in UN peacekeeping activities. Under the auspices of this directive, Washington would not only refrain from taking direct part in large-scale UN peacekeeping missions, but it would prevent the Security Council from authorizing such operations.

The first victim of Washington's new peacekeeping policy was Rwanda. Throughout the Rwandan massacre, which started on 6 April and lasted until 22 June 1994 – when an elite French force of 2500 arrived in the southern third of the country – the international community remained utterly passive and even cynical about the ongoing blood-bath. When the killing started, the first United Nations Assistance Mission in Rwanda comprised 2500 troops. When Hutu militia killed ten Belgian soldiers and assassinated Rwandan President Juvénal Habyarimana, the Belgian government decided to pull out its troops and called on the Security Council to withdraw the entire UN force. The Council then decided to reduce the force to 270, pulling out the bulk of the UNAMIR I forces.

Then, in May 1994, when the withdrawal had been completed, the Council reversed its decision and authorized the deployment of 5500 troops in UNAMIR II. Despite UN Secretary-General Boutros Boutros-Ghali's appeal, however, member states dragged their feet in sending troops until the killing frenzy had ceased. The United States resisted appeals for intervention, and spent weeks debating whether the mass killing of members of Rwanda's Tutsi minority by Hutu majority extremists should properly be defined as genocide. In pursuit of its own national interests, only France volunteered to dispatch a 2500-strong force in Operation Turquoise, which the Security Council narrowly authorized.

In the meantime, half a million Rwandan refugees were murdered and more than a million Rwandans fled the country.[7] In his three-hour visit to the Rwandan capital of Kigali in March 1998, President Clinton conceded that the United States had been slow to publicly declare the Rwandan killings genocide and had not acted sufficiently quickly.

The US retreat from multilateral peacekeeping operations since 1993 has had a far-reaching effect on international security. Besides Rwanda, Washington's negative attitude stymied other UN operations, especially in Haiti and the former Yugoslavia. In the absence of strong US leadership and active participation, UN peacekeeping and humanitarian operations have become increasingly bogged down and, as a result, other countries have shown increasingly less interest.

In the post-Cold War era, the United States is the only power with a credible military capability that can impose its own will on any part of the world. Thus, if Washington is disengaged from UN peacekeeping operations, the combatants may well defy the United Nations' efforts at mediation, condemning them to failure. In contrast, when the United States is willing to back up UN missions, they are more likely to succeed in restoring and maintaining security. In the era of US hegemonic peace, Washington's role as the world premier security provider has become crucial in maintaining international peace.

Public opinion and domestic politics

As mentioned earlier, once the Berlin Wall had come down, agenda-setting in Washington was increasingly influenced by the media. Without a Cold War geopolitical yardstick, foreign policy agenda-setting has become more susceptible to media coverage and public reaction to it. The media is a double-edged sword: a change in focus can cause public opinion to swing 180 degrees overnight. News coverage can galvanize public support for international intervention just as much as for retreat. The media's role in reversing Washington's policy on Somalia was just as significant as it had been when President Bush initially decided to intervene in that anarchic, famine-ridden country.

In terms of mobilizing public support for a vigorous foreign policy, the end of the Cold War had a rather negative effect on public opinion. While the Cold War's demise proved conducive to bringing about international cooperation for the maintenance of peace and security around the globe, the sudden disappearance of immediate security threats loosened the US attitude towards foreign affairs, significantly eroding the consensus on national

security and foreign policy. Without the Cold War geopolitical compass, political leaders in Washington find it increasingly difficult to persuade a reluctant public to support global engagement and underwrite costly foreign operations in remote places where no clear national interest exists.

Moreover, while the end of the Cold War brought about the military primacy of the United States, it somewhat diminished the relative importance of foreign policy *vis-à-vis* domestic agendas. As over four decades of superpower rivalry ended, domestic political coalition was unravelled and even national unity was weakened. The conclusion of the Cold War provided a welcome opportunity to redirect resources and attention to long-neglected domestic needs; but the lack of overriding anti-Soviet imperative made it harder for national leaders to prioritize a wide array of domestic problems.[8]

In addition, US foreign policy was adversely affected by another crucial domestic factor in the 1990s: the large, accumulating government deficits that have created chronic money shortages. The most bizarre example is the Gulf War, often caricatured as a war of Western mercenaries against Iraq, funded by major Gulf states and Japan. Thanks to its booming economy, the United States had eliminated its budget deficit by 1998, but a series of balanced-budget measures – first taken in 1985 and accelerated in the mid-1990s – have had an enduring impact on Federal expenditure on international affairs and, therefore, foreign policy in general.

Such domestic factors have contributed to the United States' post-Cold War drift, causing disarray in its foreign policy. The right wing of US public opinion, which believes that primacy matters, has induced Washington to act as a hegemon. The left wing, which argues that multilateralism matters, encourages the government to restructure international institutions and their rules. And the majority, in the centre, is forcing the government to reduce expenditure on foreign policy by waving a banner declaring that manufacturing matters. From the synthesis of this threefold pressure on the government seems to have been created the primary feature of the US diplomacy: initially tough words threatening unilateral action, followed by soft actions commensurate with its weak financial basis. The United States has become what Alan Tonelson has described as 'a superpower without a

sword' and, according to Jagdish Bhagwati, is suffering from 'diminished giant syndrome'.[9]

The 1994 Congressional elections had a particularly significant impact on Washington's foreign policy. The shift in the Congressional leadership not only brought new conservative Republicans into leadership positions, but also signalled a preoccupation with domestic politics, especially over the mounting national debt, taxes, government spending and the budget. The Republican leadership vigorously pursued a drive to achieve small government, in order to slash Federal expenditure in accordance with its Contract with America – the platform on which Republican Congressional candidates ran in the 1994 elections.

At the same time, neo-isolationism and unilateral sentiments became increasingly evident in the halls of Congress and the popular mood. Under such circumstances, foreign policy in general, and the United Nations in particular, were not seen as priority concerns. The Republican-dominated Congress is generally hostile towards the United Nations and other multilateral organizations. Conservative Republicans in particular have not only attempted to reduce US contribution to the UN budget and peacekeeping efforts, but have also continued the drive to slash the overall foreign policy budget, a move that has prevented the Clinton administration from pursuing a proactive foreign policy.[10]

In fact, since control of the US Congress shifted from the Democrats to the Republican Party in 1994, domestic politics have increasingly impinged upon the President's conduct of foreign policy. One example is the issue of abortion. The proclivity of the United States to mix religion and morality with politics is widely recognized. It stands in clear contrast to the West European penchant for ideologizing politics and the Asia–Pacific tendency to 'monetarize' politics. So sensitive is the United States to religious issues that it did not have a Roman Catholic President for nearly its first two centuries. The abortion issue is so intensely politicized that doctors at abortion clinics have been murdered by opponents of abortion.

The primary victim of the abortion issue is US policy with regard to the United Nations and other international organizations. In late 1997 and again in early 1998, the issue of paying UN arrears became a bargaining chip the Republicans used to

force the Clinton administration to accept restrictive abortion language in the fiscal 1988 foreign assistance appropriations bill. When President Clinton took office in 1993, one of his first acts was to revoke an executive order instated by President Reagan, and maintained by President Bush, barring the use of Federal money for international organizations that perform abortions or promote abortion rights overseas.

The Republicans, increasingly combative about abortion and hostile to international organizations, confronted President Clinton over the abortion issue by tying it to the payment of the UN arrears which, amounting to about US$1 billion, created widespread anti-US sentiment in the United Nations. After Kofi Annan took office as United Nations Secretary-General in 1997, the Clinton administration and Republican leaders – particularly Senators Jesse Helms and Joseph Biden – carefully negotiated a deal to pay US$819 million in back dues to the United Nations.

In the latter part of 1997, however, an anti-abortion group led by Representative Chris Smith of New Jersey attached to the Appropriation Bill the restrictions against private organizations that condone abortion-related activities. The Clinton administration refused to accept these restrictions, and the House leadership retaliated by omitting from the Bill the authorization for the payment of the UN arrears. Without taking final action on the proposed Helms–Biden agreement for United Nations reform and payment of arrears, the first session of the 105th Congress thus adjourned.

In April 1998, the Senate narrowly approved sweeping legislation to pay US debts to the United Nations, but it again included an anti-abortion provision, which President Clinton strongly opposes. What is at stake is not only payment of back dues to the United Nations, but also US participation in a new International Monetary Fund emergency credit line and the planned reorganization of the State Department. Thus, due to a peculiarly domestic issue, the impasse over the payment of UN debt continues, and US policy regarding the United Nations and other international organizations has become a virtual hostage of the abortion war.

Changing public opinion and domestic politics have kept US foreign policy adrift. As Washington's policy-makers are swayed

by global ambition and isolationism, its foreign policy shifts back and forth between engagement and disengagement, between unilateralism and multilateralism. To illustrate this point, let us consider the former Yugoslavia and Haiti.

In the former Yugoslavia, European powers' willingness to manage the crisis was matched by the United States' lack of willingness to become involved militarily and its willingness to let Britain and France take the initiative. Political leaders in Washington were aware that the US public had no great interest in the conflict and, thus, was not convinced of the need for US military involvement. But the European powers were unable to impose a settlement on the combatants. Moreover, although Russia participated in UN peacekeeping operations along with Britain and France, it generally disagreed with the Western approach to solving the crisis and, in December 1994, even vetoed a draft Security Council resolution ordering sanctions against Serbia. In fact, with Moscow opposed to Washington's position on the war in the Balkans until the Dayton Agreement, the war continued.

In the second half of 1995, however, Washington changed its tune. It no longer refused to play the role of Europe's gendarme, recognizing that it alone had the ability to restore peace and security and impose law and order in the former Yugoslavia. The US government realized that, to provide credible deterrence against the recurrence of armed conflicts, overwhelming US military power – the backbone of the North Atlantic Treaty Organization (NATO) – was indispensable. So, to secure public support for a large military involvement, Washington brought Bosnian, Croatian and Serbian negotiators to the country's heartland – Dayton, Ohio.

Once the United States decided to deploy ground forces, Britain, France and Russia accepted the US role in military intervention and peacekeeping. It was only after the United States dominated the negotiations and assumed a central role in military intervention that the conflict was resolved. With the major powers involved supporting the Dayton Agreement and the deployment of NATO forces, primarily comprising US troops, the guns fell silent and the cease-fire held.

In Haiti, the United States originally encouraged the Organization of American States and the United Nations to play a leading role in restoring the deposed democratically elected President

Aristide. While US cooperation was helpful, the fact that it did not intend to involve itself militarily precluded an early settlement. The Somalia débâcle and Presidential Decision Directive 25 also delayed President Clinton's decision to take military action. It was only after Haitian refugees, and their impact on southern Florida, became a domestic problem needing immediate action that the Clinton administration changed its policy.

As the United States asserted its political will and assumed a leadership role, the UN Security Council authorized the use of force to remove Haiti's military dictatorship and reinstate the democratically elected president. In the face of imminent military intervention by the United States, the military junta finally agreed to give up power and a US-led international force facilitated the transition to civilian rule.[11]

In the realm of security, the US government under the Clinton administration has, far more than the Bush administration, emphasized such multilateral regional security schemes as NATO expansion, the Asia–Pacific Economic Cooperation forum and the Association of South-East Asian Nations Post-Ministerial Conference. The idea underlying this multilateral strategy is the recognition that the US government cannot underwrite regional security worldwide.

Yet the Clinton administration has also resorted to strong unilateral measures as the predominant actor in matters concerning regional security; the issue of weapons of mass destruction, especially with regard to Iraq and North Korea, is a case in point. An ironic situation has, as a result, emerged: the more the United States cries out for local initiative in regional security arrangements, the larger its role becomes. Thus, the strategies of the advocates of both multilateralism and primacy create an expansive force for US foreign policy. However, domestic factors – prevalent neo-isolationism and financial constraints in particular – directly contravene such global ambitions and seriously undermine the Clinton administration's efforts to engage in international affairs.

4
The End of Geography

In the mid-1980s, a new economic era arrived that inspired a financial analyst, Richard O'Brien, to herald the victory of international financial market forces and declare the end of geography. Prior to 1986, trade in goods and services had always been larger than trade in currency. But in 1986, currency trade for the first time surpassed trade in goods and services. This marked the beginning of the liberalization of financial markets on a global scale. In economic transactions, especially in financial-market transactions, geographical distance had lost much of its significance. In this chapter I portray globalization and its consequences in US economic foreign policy.

But the end of geography is not limited to financial markets. Steady progress in information technology is globalizing economic activity in general, disregarding national borders. Global market liberalization has been promoted everywhere and global economic integration has been steadily advancing. At the same time, there has been a burgeoning opposition. This has taken the form of protectionism, erecting barriers and impediments designed to thwart competition from abroad; regionalism, liberalizing the market on a regional scale while discriminating against extra-regional actors; or subsidiarity, enabling the national government to abide by the principles of market liberalization and economic integration, and the subnational government to skirt compliance with those principles.

Since market liberalization invites intermittent changes in comparative advantage, and the concomitant need to make structural

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adjustments, the counteracting forces are bound to flourish. Thus, if the common goal is to maintain free trade and facilitate deeper integration, it is vital that globalization be advanced and the opposition forces contained.

US economic strategy

The United States has simultaneously adopted a number of economic strategies in pursuit of its goals of economic renewal and competitiveness. One such strategy involves the General Agreement on Tariffs and Trade-focused recodification of economic rules, including new agendas pertaining to their harmonization such as intellectual property rights. This strategy has been further invigorated under the newly established World Trade Organization (WTO) regime.

Another US strategy is its bilateral approach, a case in point being the US–Japan Structural Impediments Initiative talks through which Washington is attempting to eliminate or reduce Japan's impediments to imports, and so achieve its twin goals of reducing its trade deficit and enhancing its competitiveness, with a view to standardizing and harmonizing economic rules and practices. Washington conducts its negotiations in a fashion widely interpreted in the Asia–Pacific region as the USA pounding and punishing not a surplus-rich, but a jellyfish-like Japan, without being able to produce any immediate tangible results.

A third US strategy is its regionalist approach. On its own territory, it pursues a policy encapsulated in the North American Free Trade Agreement, by means of which it is trying to accelerate market liberalization in Mexico and Canada as well as in the United States. The aim is to facilitate deeper integration which would, presumably, enhance the competitiveness not only of the United States, but of the Americas as a whole.

In the United States, an increasing number of opinion leaders seem to be of the persuasion that General Agreement on Tariffs and Trade-type integration is too shallow to meet the challenges of global integration and liberalization of economic activity and that, given the somewhat uncertain prospects of the GATT Uruguay Round and the World Trade Organization, the United States should, together with other countries, reach bilateral agreements

concerning the codification of universal rules of economic conduct.[1]

When the tide of market liberalization and the globalization of economic activity have spread worldwide, how to establish a new set of economic activities globally, yet in ways favourable to national economic conditions and strategies, will be a key concern of all countries, especially those that dominate the world economy, namely, the United States, the member states of the European Union and Japan. The United States and the European Union have been particularly assiduous in shaping those economic rules, while Japan has steadily become more skilled in contributing to the rule-making process.

Washington scored three successes: the conclusion of the GATT Uruguay Round and the establishment of the World Trade Organization; the North American Free Trade Agreement and its expansion to most of the Western hemisphere; and the enlarged Asia–Pacific Economic Cooperation (APEC) forum at Seattle in 1993 and its subsequent annual summit meetings. The signatories to these agreements, including the United States, have thereby succeeded in broadening and deepening the scope of market liberalization, as well as in making it easier for non-compliant countries to be punished through the General Agreement on Tariffs and Trade/World Trade Organization. Washington has been assiduous not only in shaping the economic rules and institutions at all levels – global, regional and bilateral – but also in pushing market liberalization through bilateral negotiations, especially with APEC countries and Japan, while trying to get assured access to local markets. The impact of the breakdown of US–Japan Framework Talks in February 1994 may be much greater than it at first seemed, as it heralded the advent of multilateralism to previously bilateralist Japan.[2]

In its efforts to shape economic rules and institutions, the US government seems to share the same ideas as business concerns.[3] With government–corporate symbiosis seemingly pronounced, confusion arises when the government's economic ideology gives the appearance of being *laissez-faire*, while corporate reality seems to favour the symbiotic relationship enjoyed by many oil, weapons, automobile and semiconductor firms in other countries, particularly in the Asia–Pacific region. A good illustration of just such a situation is Ross Perot, a US presidential candidate in 1992, who

made a fortune primarily through good deals with the government in Texas, but who campaigned on the theme of small government. Another example is the pressure exerted on Tokyo both by President Bush and the many business leaders who visited Japan in the winter of 1992, as well as by the high-ranking officials who conducted the failed 1993–94 US–Japan Framework Talks in Washington, DC.

In terms of economic strategy, it is widely believed that the US economy was distorted by the Cold War confrontation with the Soviet Union, and that the baroque arsenals of strategic nuclear weapons – as they have been characterized by Mary Kaldor – and all their associated systems have made the United States somewhat less than competitive in a number of key industrial sectors and high-tech areas. What is important here is not whether the perception is empirically based but, rather, the fact that both the US government and the people appear persuaded by the argument and are determined to achieve greater competitiveness.

The basis of US business strategy abroad is how to cope with the growing competitiveness of foreign countries. US firms, intermittently exposed to this threat over the second half of the twentieth century, have adapted to the changing environment by partially hollowing out their domestic manufacturing bases and investing abroad. Hence, the United States boasts the largest foreign direct investment. Although it invests in virtually every country, with but a few exceptions, Western Europe receives the lion's share of US investment, with Latin America and the Asia–Pacific region jointly in second place.

The competitive threat from the Asia–Pacific region is, in part, Japan-led, as many Japanese firms have transferred production not only from Japan, but also from North America and Western Europe to the Asia–Pacific region. While these moves represent a massive hollowing out of Japan's domestic manufacturing base, seen from another angle, they represent a Japan Inc. diversification plan.[4] Many Japanese firms have set up joint ventures with local Asian firms and, while they naturally import capital goods from Japan, their products tend to go to the US rather than the Japanese market.

More recently, the surge in China's economic growth has also come to be seen as threatening US competitiveness.[5] There has been a blossoming of indigenous Chinese economic development

fuelled by massive infusions of capital, from overseas Chinese, in the form of direct investment that is, at least for the moment, politically secured by the Chinese government. This represents a new Asia–Pacific competitive threat, namely, the Chinese capitalist–communist business alliance.

Their competitive edge threatened by firms in the Asia–Pacific region, US enterprises have decided to get on the bandwagon of Pacific dynamism: unable to beat the competition, they have decided to join it. The two associated US strategies are the government–business alliance, and the grass-roots people-to-people alliance.

The government–business alliance strategy manipulates Washington's power to help business. It is a combination of taking advantage of US security hegemony in the Asia–Pacific region and adapting the Japanese government–business model to the United States. It focuses on threats and bargaining tools which help obtain quick and tangible results. As mentioned above, this approach also creates international rules and institutions which help the United States retain its position of leadership in the region. Thus the US government's recurrent threats of unilateral retaliation, its penchant for agenda formulation and rule-making in both the GATT Uruguay Round and the enlarged 1993 Asia–Pacific Economic Cooperation forum in Seattle, and its eminent leaders' recommendations.

The grass-roots people-to-people alliance strategy is an alliance of non-governmental organizations on both sides of the Pacific designed to reshape the Asia–Pacific governments' goals and means of development in ways that are more harmonious with the ideological and policy tenets of the United States.[6] This is a natural strategy for a number of reasons. First, it is compatible with the political culture of the United States that stresses grass-roots participation. Second, the strategy enables the United States to reach out to grass-roots organizations when it cannot make contact on an intergovernmental level. US centres tend to focus on larger cities, while the number and degree of activity of non-governmental organizations in the United States far surpass those in Japan, for instance. Third, this strategy enables the United States to make up for the relative underrepresentation of US firms in the Asia–Pacific region.

US direct investment is focused on the relatively higher income states such as Japan, Australia, Hong Kong and Singapore, which together account for 74 per cent of US investment in the Asia–Pacific region. Although US direct investment in such countries as Indonesia, Malaysia, Thailand, China and the Philippines has been growing rapidly in the 1990s, it pales by comparison with Japan's direct investment.

Scepticism about globalization

The United States' regional economic strategy is best exemplified by its efforts to expand the scope of the North America Free Trade Agreement with Canada and Mexico and to create a free-trade zone in the Western hemisphere. At the first Latin American summit meeting in Miami in December 1994, democratic nations of the region committed themselves to the Free Trade Area of the Americas. In April 1998, leaders of 34 countries in the Western hemisphere gathered in Santiago, Chile, where they signed a joint declaration pledging to move towards their goal of concluding a free-trade agreement by 2005.

But the most serious challenge to reaching a final agreement remains convincing the United States Congress of the benefits of free trade throughout the hemisphere. President Clinton has pressed for approval of so-called fast-track authority, under which Congress can approve or reject proposed trade treaties negotiated by the administration, but cannot amend them. Such unlimited trade negotiation authority is crucial to concluding a hemisphere-wide free-trade accord, because other countries will be reluctant to negotiate trade deals with the United States if they feel Congress will change the terms after agreement has been reached.

But labour unions in the United States and liberal Democrats, led by House Democratic leader Richard A. Gephardt, were concerned that the trade deals proposed by the Clinton administration would not provide adequate protection for workers and the environment. Facing strong opposition from business, labour unions and members of his own party, President Clinton withdrew the fast-track legislation in November 1997, after it became clear that it would not be enacted. As a result, the second Summit of the Americas, held in Chile in April 1998, focused less on

trade issues than on social issues, such as education, poverty reduction, democracy, human rights and drug trafficking.

The lack of fast-track authority hurt Washington's credibility regarding free trade and raised doubts about its commitment. As the United States wavers on fast-track authority, there are serious concerns that, in the interim, Latin American nations will bypass the United States and form regional groups that will create economic ties with Europe and Asia. In fact, Latin American countries are forging trade links among themselves, Canada, Europe and Asia. South America's largest trading nations – Brazil, Argentina, Chile, Paraguay and Uruguay – have formed the Mercosur Customs Union, and talks are under way to merge the Mercosur group with the five-nation Andean pact, comprising Venezuela, Colombia, Ecuador, Peru and Bolivia. These two trade groups would form a market of some 310 million consumers and, were these groups to form alliances with Europe and Asia, they would put exporters in the United States at a competitive disadvantage.

The Asian financial crisis in 1997 prompted the International Monetary Fund to bail out Thailand, Indonesia and South Korea. Strict conditions for loans have pushed these Asian economies towards a free-market system, for the Fund agreed to provide credit but, in exchange, it imposed not only sweeping austerity measures – a contractionary macroeconomic policy of high taxes, lower spending, and high interest rates – but also extensive conditions that required the governments to reform their financial institutions and substantially alter their economic structures and even political behaviour. These conditions include the radical alteration of the central features of capitalism in these countries.

Through these IMF bail-outs, Washington managed to resolve the Asian currency crisis and restore economic and financial stability, at least in the short run, in a region that has become increasingly important to the world economy. In the process, the United States also successfully promoted market opening, economic deregulation and financial reform in the three states, where the old-style Asian economic model – which combined the dynamism of the market with centralized government planning – had often proved an impediment to Washington's economic strategies. Despite these successes, however, the US Congress is ambivalent about the International Monetary Fund's expanded

role and balked at approving US$18 billion to bolster the Fund's coffers, largely because anti-abortion activists tied this issue to their demands for tighter restrictions on US foreign aid for family planning.

But behind Congressional scepticism about funding the International Monetary Fund, a force opposing economic globalization is also at work. When the United States had a relatively closed economy, the impact of international economic issues on ordinary citizens was not great, which meant that international economic policy was the purview of elites, particularly a handful of experts in and around the Treasury Department. However, as more citizens of the United States are directly affected by international trade and financial flows, international economic policy has become more of a domestic issue. Economic globalization has aroused popular fear about its impact, especially in terms of the job displacements that trade liberalization often entails. Thus, international economic issues have become increasingly important to law-makers, while Congress more often reflects popular, rather than elite, perceptions about international economic policy. The issue of funding the International Monetary Fund has also become highly politicized.

While globalization has changed the domestic policy-making mechanism with regard to international economic issues, post-Cold War domestic political dynamism has affected the issue of funding the International Monetary Fund. During the Cold War, the threat of communism provided a reason for supporting international organizations, particularly the Bretton Woods institutions that the United States and its Western allies controlled. But the demise of the Cold War has unravelled traditional internationalist coalitions in Congress.

In the Democratic Party, support for international institutions is weakened by those concerned with foreign competition and unemployment, as well as those criticizing IMF loans to human rights violators such as Indonesia. Republican ideological purists also opposed additional IMF funding, as they regard the Fund as an interference in the functioning of free markets. Thus, although the Senate passed IMF funding, Congressional Republican leaders dropped it from a popular supplemental budget bill in April 1998, further delaying approving the Clinton administration's request

for US$18 billion. That money was intended to replenish the International Monetary Fund's capital after it had been drained by the Asian economic crisis.

Since Asia's economic woes hardly affected the booming US economy, the new financing for the International Monetary Fund is not seen as a pressing concern by many US law-makers. Although the Fund's members agreed in 1997 to increase their contribution to bolster its resources to contain future economic malaise, the new financing remains uncertain as long as its largest contributor is unable to secure Congressional approval.

Opening Japanese markets

While the United States has been both unfolding its multilateral strategy by establishing international economic rule and pushing its regional strategy of expanding the free market in the Western hemisphere, it has at the same time been pursuing a bilateral strategy no less assiduously. One of the most prominent examples of this is Washington's drive to open Japanese markets.

In its efforts to formulate international economic rules, the United States has focused on market liberalization, with particular emphasis on the emerging Asia–Pacific markets. Most economies in the region enjoyed fairly high economic growth throughout the 1990s – until a series of currency crises hit the area in 1997 – having enjoyed market access to the United States, accommodated Japan's foreign direct investment, and imported capital goods from Japan. This structure has tended to foster a perennial trade surplus *vis-à-vis* the United States while producing a deficit *vis-à-vis* Japan. Japan's economy is more extreme than that of most Asia–Pacific economies in that it does not import a large volume of capital and manufactured goods, although it enjoys market access to the United States. This has provoked the US government to seek further market liberalization.

Japan is a liberal democracy. Yet, to the great distress of the US government, its markets look largely closed to the outside world. Some US analysts/critics would reason that this is because, first, Japan's bureaucracy is too strong and regulates economic activities in such a way as not to encourage foreign capital

penetration into Japan. Therefore, it is necessary to conduct negotiations sector by sector, to make Japan agree on certain target figures and then deliver. If promises are not kept, punishment ensues.

Second, they believe consumers are too meek and accepting. They should stand up for what they want and, to encourage this, civic groups and political parties committed to the sovereignty of the consumer are needed. One-party dominance by the Liberal Democratic Party, which is a friend of bureaucracy and business, but not necessarily of grass-roots consumers, must be moderated by a healthy opposition that is strong enough to enhance its power and intermittently replace the ruling party.

Third, some maintain peculiar practices continue to be widespread in the business world: lifetime employment; *keiretsu* networks involving large and small firms, as well as corporations and banks; and special relations between government and business.

The above practices, the claim goes, encourage the Japanese to stick together, excluding healthy competition and leaving little room for foreign employees or foreign capital to invigorate business. Thus, reason analysts and critics in the United States, they should try to crack open the shell by gradually persuading Japan to adopt certain global standards for products and corporate practices so that, in due course, the peculiarities and their consequent barriers will be smoothed out, allowing foreign businesses to operate more freely in Japan.

The complaints the US government entertain are not confined to the above. Now and then, it will express dissatisfaction with the way decisions are made by the Japanese government. Above all, it feels that Tokyo is slow, often evasive, and like a multi-headed monster or headless chicken: it cannot see where the ultimate decision-making authority lies. In other words, there are too many decision-making units with veto power or with no decision-making apparatus worthy of the name.[7] The US government seeks to encourage the creation of normal states, in which authority and hierarchy are abundantly clear and effectively observed. To this end, it seeks to identify, encourage and help politicians who will lead the nation with clear vision and skilful powers of persuasion.

Japan's closed economy was not a problem during the US

Occupation in 1945–52, nor for a long time thereafter. The 'Japan problem' was not perceived to exist until Japan, grown superrich, came to be considered a free-loader in terms of the US security mechanisms at a time when the burden of hegemony was beginning to grow painful. In addition, economic globalization amplified the importance of the problem with Japan.

The Plaza Agreement of 1985 called for market-demand expansion and the liberalization of markets, along with measures that would smoothly make the exchange rate of the US dollar against the yen lower than against other major currencies, so that the United States' economy could recover less painfully. The Japanese government took the message seriously and the Maekawa Report, submitted to Prime Minister Yasuhiro Nakasone in 1985, proposed the assiduous promotion of domestic market expansion and liberalization. In general, the former advanced more rapidly than the latter, and the already robust upswing in the business cycle was further accelerated. By contrast, constrained by the policies of Reaganomics, the US economy was slow to pick up momentum. Thus, when the bilateral economic relationship soured during the late 1980s and early 1990s, this general contrast was greatly exaggerated by both sides.

What happened then was that the trade deficit became the scapegoat for this sourness on the part of the US government. Washington demanded liberalization of Japan's markets so that US business could augment its profits in Japan, and lobbied hard for the Japanese government to promote this end. The United States took fairly strong action against Japan because of its resistance to market liberalization, intermittently serving Super 301 ultimatums. But the trade deficit was not visibly reduced and a series of negotiations conducted between the two countries led to bad feelings on both sides, among members of the élite and the general public. The Japanese public was dismayed by the subsequent Japan-bashing, while the élite spokesmen argued that Japan could, indeed, 'say no'. The acrimonious debates that ensued greatly harmed the bilateral relationship.

Is there a way out of this vicious circle? The US government followed the line of reasoning described above in an attempt to dismantle bureaucratic regulations, end one-party dominance, and put an end to consumer docility. I do not believe that the US

government was a key actor in engineering the 1993 dismantling of the LDP's one-party dominance, but it was one of the few events that were realized in harmony with the logic entertained by Washington.

Inflation rose in the late 1980s. As political scandals mushroomed, the unity of the LDP began to weaken. Led by Ichiro Ozawa, many broke ranks with the Liberal Democratic Party. Members of the public were emboldened to voice their grievances and sense of injustice. The young, ambitious, and opportunity-seekers rallied around the banner of Morihiro Hosokawa – former governor of Kumamoto Prefecture and a member of a former aristocratic family related to the Imperial Family – to mobilize support for the Japan New Party, which Hosokawa came to head.

Meanwhile, the LDP changed prime minister three times: Toshiki Kaifu, Sosuke Uno and Kiichi Miyazawa. In the summer of 1993, Miyazawa was defeated by a no-confidence vote in connection with the US–Japan Framework Talks. The subsequent election brought the opposition parties together to form a coalition government headed by Hosokawa. This was a brilliant victory on the part of Hosokawa and Ozawa, and possibly the US government, as well. Washington offered open support, in the heat of trade and economic talks, to opposition leaders claiming to stand on the side of the consumer. It paved the way for the 1993 fall of the LDP government headed by Miyazawa.

As I will explain in Chapter 6, the basic tone of Japanese politics changed completely during the 1993–6 period. The era of reformist coalition government quietly passed as the LDP made a comeback under the leadership of Ryutaro Hashimoto in 1996.[8] The United States' pursuit of liberalizing the Japanese market through promotion of a two-party system thus did not produce significant results. However, Washington has continued its drive to prise open Japanese markets through bilateral negotiations with the LDP government, particularly in the area where multilateral mechanisms have failed to resolve trade disputes.

5
The End of History

Global politics does not end at the global level. Rather, much deeper forces are in action at the national and subnational levels, bringing about the huge torrents of liberalization and democratization. This chapter reflects on the dialectics of such forces. In the 1980s, there were conspicuous moves towards economic deregulation in developing countries in the wake of economic globalization, which was rendering excessively regulated economies obsolete. In tandem with this came the demand for political liberalization and democratization.[1] While bureaucratic regulation normally involves social and political clients, and dismantling bureaucratic regulation facilitates the realignment of social and political groups in society, it can also become a major factor in social destabilization.

When an economy undergoes deregulation and structural adjustment, and the corresponding political system faces increasingly strident popular demands for democratization and transparency, it is not surprising that destabilization occurs in the societies in the developing world that are in transition. This is especially the case when the changes are not accompanied by a combination of economic growth and an evolving political thaw.

As explained earlier, the US government has pursued political and economic strategies in giving momentum to the tide of market liberalization and democratization. Washington, therefore, continued to offer encouragement and support to Russian President Boris Yeltsin, even when his reform efforts seemed to be faltering

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and Russia seemed to have gone beyond the limit of international tolerance in terms of military and political intervention in the affairs of adjacent newly independent states such as Georgia, Moldavia and Ukraine.

Very warm indeed have been US encouragement of and support for South Korea and Taiwan as they have moved towards further democratization, and Washington has reacted sternly to overt suppression of human rights and democratic movements. Such was the case at the time of the suppression of the demonstrators in Tiananmen Square, of the separatists in Indonesia's East Timor region, and of anti-government forces in Myanmar.

Human rights and democracy are inextricably related to the traditions of the US government,[2] and the thick report published annually by the US State Department on the status of human rights and democracy worldwide offers ample testimony to the importance attached to the issue in the United States.

Experiments in the Asia–Pacific region

The United States takes great pride in its identity as the first new nation endowed with freedom and democracy.[3] Through propagation of the Washington, Monroe and other doctrines, it has actively promoted the emergence of republics in its own backyard, Latin America. In the Asia–Pacific region, it has intervened directly in the democratization of the Philippines and Japan. In the Philippines, it first succeeded to the colonial role of Spain but, even after granting the country independence, it continued indirectly to promote democracy there.[4] After the end of the occupation of Japan, as well, the United States continued to be involved in that country's democratization.[5]

A third wave of democratization promoted by the United States took place in the last quarter of the twentieth century.[6] The Philippines experienced this with the Washington-engineered 'people-power' revolution of 1986 that brought Corazon Aquino to power. South Korea received the blessing of the United States when it set aside military rule and paved the way for democratic elections, first bringing former military leaders and eventually civilian leaders to power as presidents. The wave extended to Taiwan, which abolished the one-party rule of the Kuomintang and allowed opposition parties.

Movements for the protection of human rights and promotion of democracy have continued in the Asia–Pacific region in the 1990s. The United States has targeted China, Indonesia and Myanmar as countries with bad records in these areas, and has focused its efforts on monitoring human rights violations and cases of suppression of advocates of democracy, imposing sanctions of various kinds.

It is important to grasp the historical and contextual setting of each policy thrust when we attempt to analyse US efforts to promote liberal democracy in the Asia–Pacific region. It is of no small importance that the United States and its allies were the victors in the Second World War, and that the United States has continued to wield broad-ranging influence over the course and content of politics in the area ever since.

Pax Americana – challenged or not by the other superpower, the former Soviet Union – dominated the latter half of the twentieth century. Throughout this time, for better or worse, priority was given to what the United States considered important. When its main concern was maintaining a bulwark against communism in the Pacific Rim, Washington did not place the highest priority on democratization.

Washington's involvement in the Philippines and Japan was occasioned by military occupation, in the former case following the defeat of Spain in the Spanish–American War of 1898 and, in the latter, following Japan's Second World War defeat in 1945. The Philippines became the first republic based on a democratic system in Asia, and Japan has been the only practising liberal democracy in the region for half a century.[7]

The Philippines adopted a parliamentary political system after independence, marred somewhat by the clique-centred authoritarianism of President Ferdinand Marcos throughout much of the 1970s and until the mid-1980s. Ultimately, Washington was instrumental in ousting Marcos from the presidency and paving the way for the election of Corazon Aquino, widow of the assassinated contender for the presidency. Overall, the United States has treated Japan and the Philippines in a friendly way, while on occasion behaving in ways only a former occupying power could get away with, such as in its maintenance of military bases in both countries.

In other areas once occupied by foreign powers, like southern

Korea (1945–8), South Vietnam and Taiwan, the United States followed other courses in promoting liberal democracy.[8] In Korea and Vietnam, internal cleavages were accentuated by the rivalry and confrontation between the United States and the Soviet Union. In South Vietnam, France was allowed to rule, and China (the Kuomintang) in Taiwan. In South Korea, the United States has served as *de facto* guarantor of Seoul's security, even in the face of the civil-cum-international war of 1950–3. In Vietnam, weakness and corruption in the southern regimes as well as communist destabilization thwarted the US attempts to promote democracy. In Taiwan, the United States has consistently discouraged communist China from attempting to swallow the island state, even when it has meant support of an authoritarian regime.

In South Korea, after a second attempt at democratization was hijacked in 1961, military regimes ruled until 1987. With the military regime led by President Roh Tae Woo, moves to democratize politics proceeded, although many of the old security laws were kept basically intact. In 1992, the first civilian politician, Kim Young Sam, was elected President. In the December 1997 presidential election, it was widely reported that Washington wanted Kim Dae Jung, the most popular opposition leader, to get the job.

When weak and corrupt traditional leaders gave up trying to rule South Vietnam, the military took over and, when the communists occupied all of South Vietnam in 1975, the military itself disappeared. Ultimately, there has been little chance for democratization to flourish there.

In Taiwan, the regime in power sought to expand its power base. In the mid-1980s, having observed how US influence led to the rapid downfall of President Ferdinand Marcos as well as the astounding populist power released by his ouster, Taiwan's Jiang Jingguo saw the writing on the wall. He proceeded, if grudgingly, to democratize his government's politics to a certain extent, allowing political parties other than the ruling Kuomintang. Although the Chinese communists tried to discourage any move towards Taiwanese independence by their sabre-rattling actions in the Taiwan Strait in the midst of presidential elections on the island in March 1996, the mayoral and gubernatorial elections in November 1997 clearly demonstrated the dramatic increase

in support for the largest opposition party; the change came perhaps too fast from the viewpoint of the communists and the Kuomintang alike.[9] Thus, in both South Korea and Taiwan, democratic elections were repeatedly held, and democracy has been relatively well observed in practice.

In the 1990s, Washington targeted mainly China, Indonesia and Myanmar among Asian countries in its promotion of human rights and democracy. Sanctions were imposed on all three countries to protest against alleged violations of human rights and suppression of democratic movements. The United States imposed sanctions on some 35 countries between 1993 and 1996.[10] One wonders about the meaning and effect of such sanctions, especially in relation to the matter of so-called human rights violations. Although public opinion in the United States in the 1990s has been quite critical of, and vocal concerning, all three countries in these respects, it would appear that the degree of US criticism levelled against them in terms of government policy fluctuates significantly and in direct proportion to its self-assertion in the areas of commercial and security interests.

Myanmar came under military rule in the early 1960s, after some trial-and-error attempts to institute a parliamentary system and practise democratic politics, and has since remained under authoritarian rule.[11] The United States has recently been active in promoting human rights and democracy in Myanmar, where it appears that business interests are small. Human rights non-governmental organizations have been active, trying to prevent private corporations from pursuing business interests there.

Indonesia, after experimenting briefly with parliamentary politics, like Myanmar became an authoritarian state.[12] Although Presidents Sukarno and Suharto were quite different, both were authoritarian leaders. The United States targeted Indonesia as having violated human rights and suppressed pro-democracy activists in annexed East Timor and Irian Jaya, as well as on the main islands. But the United States did not go so far as to impose sanctions on Indonesia, perhaps because of its strategic importance. Meanwhile, the Indonesian government has been drumming up support in the United Nations for its position on the East Timor issue by offering countries in Africa and elsewhere in the Third World official development assistance. As a form of protest against

intimidating moves by Washington, Jakarta cancelled an order for advanced fighter aircraft from the United States.

The Asian economic crisis of 1997, however, presented another opportunity for the United States to promote political liberalization and democracy in Indonesia. The Clinton administration lobbied vigorously to persuade President Suharto to both accept stringent conditions for IMF bail-outs and undertake economic and political reforms. After nationwide riots erupted in May 1998, President Clinton openly called on the Indonesian leader to resign and President Suharto did so.

Thailand has maintained its independence throughout history, but military *coups d'état* are frequent.[13] It was accorded special status by the United States as a key bulwark against communism during the Cold War and especially during the Vietnam War. The United States more or less tolerated authoritarian politics there. Yet, with the end of the Cold War and in tandem with the growth of a middle class in Thailand, Bangkok seems to have set aside its old reliance on leadership based on a triumvirate of military, bureaucratic and business interests, and to be moving purposefully through a fairly dramatic process of liberal democratic politics, towards an overhaul of its Constitution, legal system and administrative mechanisms.

In Malaysia, parliamentary politics has been practised for a long time, although marred somewhat by strict measures and affirmative-action politics. Singapore has had a parliamentary political system since it became independent in 1965 and, like Malaysia, has a fairly authoritarian government. The United States has been vocal regarding the illiberal aspects of its rule, focusing attention, for instance, on a number of cases where democratically elected members of parliament found their activities constrained by the government.

In the early 1990s, both Malaysia and Singapore objected to pressure from Washington on the question of political liberty, arguing against the principles of US-style individualism, asserting its preference for Asian values – community, family values, diligence, respect for the elderly and loyalty. This position was aptly summarized by Lee Kwan Yew, the Senior Minister in Singapore, who said that chaos would ensue and competitiveness decline were American-style democracy adopted in Asia.

Lee and many other Singaporean and Malaysian opinion leaders believe that US-style democracy would infect the Asia–Pacific region with the malaises of excessive individualism and lack of self-discipline leading, ultimately, to the many ills that have long afflicted US society. Such counter-offensives may have been driven by the domestic need for unity and solidarity against the tide of globalization, which is inextricably wrapped up in the destiny of multicultural societies. Malaysia and Singapore are the Asia–Pacific countries where foreign direct investment has been highest for a long time, and where the United States does not seem to be promoting democracy as vigorously as might otherwise be the case.

In former and current communist countries, the United States has been more aggressive. It focused on China (as discussed in the next section) in the 1990s, criticizing human rights abuses and the suppression of pro-democracy activism. In the past decade, Washington has changed its tone from harsh to somewhat moderate. It condemned the Chinese government following the Tiananmen Square massacre, then imposed economic sanctions, but has gradually eased its tough stance as China's economic interdependence with the United States has deepened.

When the Chinese show of force *vis-à-vis* Taiwan in the Taiwan Strait added a new security dimension to the Sino-US relationship, the United States raised its stick again. But, since President Jiang Zemin's first visit to the United States in late 1997, Washington has basically let China do as it wishes, while not backing down on most of its criticism.

Much of Washington's efforts have focused on North Korea, but not necessarily on the issue of democratization *per se*.[14] Stressing the nuclear resource issue, in 1993–4, it presented Pyongyang with an ultimatum of sorts stating that, unless it stopped working on developing a capability to produce nuclear weapons, the United States would impose both economic and military sanctions. Complex talks resulted in the creation of the Korean Energy Development Organization in 1994, whereby South Korea, the United States and Japan would help North Korea install safe light-water reactors free of charge so that Pyongyang would not need to set up nuclear-power-enabling facilities by itself.

In 1996–7, Washington shifted its attention to the famine in

North Korea, arguing that famine is more prone to occur under a dictatorship because the free flow of information is obstructed. Since individual North Koreans' access to information is severely restricted (citizens may not even own a radio), such things as market forces or democratic ideas are unlikely to take root for some time to come. The United States does continue to hold out the carrot, while waiting to see what change may appear on the horizon.

Washington's priorities were clearly reflected in its policy towards Cambodia where, through the mechanisms of the United Nations, it was instrumental in the transfer of rule from communist forces to an at least nominally democratic leadership. It is not clear how much coordination took place but, in the wake of the Cold War, the United Nations' Agenda for Peace has clearly come to hold many ideas in common with US academics. Strategically not of high priority for the United States, however, Cambodia has not been given continuous attention. Following the 1997 auto-*coup d'état*, it fell to the Japanese government to play the central role in persuading Hun Sen to compromise.

Vietnam may be an exception in that it has not invited strong criticism from the US government for its human rights and democratization record. Since nothing comparable to the Tiananmen Square incident or the Pol Pot regime has emerged there, Vietnam has been treated in a fairly friendly fashion. Unlike China, particularly in its posture *vis-à-vis* Taiwan, Vietnam does not pose a strategic threat to Washington. Rather, it can be a positive presence given the vague perception of an imminent threat held by some people in the United States. Moreover, market liberalization has taken place much more smoothly in Vietnam – in the first phase, at least – than in China or North Korea.

Human rights in China

In the 1980s, the overall prospects for promoting democracy in China looked reasonable from the US viewpoint.[15] In late 1978, Deng Xiaoping's reform policies were launched and, throughout the 1980s, a general trend towards liberalization spread in China's society and economy. Much more was heard from democratically inclined intellectuals, and democratic consciousness seemed to

be slowly on the rise. In international forums such as the United Nations, the government gradually shifted its position on the issue of human rights. Beijing began to share the majority's denunciation of certain countries on the issue of the abuse of human rights, making it, in a sense, part of the human rights regime.

However, when the display of national mourning occasioned by the death of Hu Yaobang, Secretary-General of the Chinese Communist Party in 1989, unexpectedly turned into an incipient pro-democracy movement, reminiscent of the mourning for Zhou Enlai in the mid-1970s, the Chinese government became alarmed.

The pro-democracy movement gained momentum and began to pressurize the government to appoint Zhao Ziyang to follow Secretary-General Hu. Under Deng Xiaoping, with the support of the military and party hard-liners, the leadership struck back hard, and the Tiananmen Square incident took place in June that year. Televised around the world by CNN and other television networks, it was portrayed as a large-scale massacre of innocent citizens, completely altering the situation in China and the international environment surrounding the country.

On the eve of the Tiananmen Square incident, the United States was active in typical fashion *vis-à-vis* China: its embassy in Beijing was busy establishing contacts with opposition leaders and pro-democracy intellectuals, as well as with party and government officials close to the Zhao Ziyang group, but not with those in command. Evidence suggests a rupture in communication with China for some time before and after the event.

Economic sanctions were imposed on China, led by the G7 countries. The United States adopted a hard line on human rights and related issues from then on but, because of the political thaw and later the end of the Cold War unfolding in Europe, it began cautious secret consultations with the Chinese government shortly afterwards on security-related issues. The sanctions were kept in place until 1991, when Japanese initiatives led to their partial lifting.[16]

No appreciable change took place in Washington's China policy in 1992 with the change from a Republican to a Democratic administration, and the Clinton administration continued to emphasize human rights and related issues. But it did take a

more clearly defined, positive stance, judged by some as preferable to the sometimes secretive Bush administration policy, which had not shown particular concern for human lives and rights.

The boom in the Chinese economy became unmistakable in 1991, however, causing US business interests to question the need to be concerned with nothing but human rights issues in China. Pressure from the business sector seems to have forced the Clinton administration to move towards what may be called conditional engagement.[17] If China toed the line as far as human rights were concerned, the US government would consider the renewal of China's most-favoured-nation status in trade. Whenever the trade issue came up, the matter of human rights resurfaced but, ultimately, Washington did renew China's MFN status.

This pattern, observed repeatedly during the first Clinton administration, led Washington's opponents to mock its China policy. When the perceived economic benefits are great and the corresponding pressure from business is strong, its human rights policy softens. This was true towards China, Indonesia and Myanmar in the 1990s to an almost predictable degree.

The first Clinton administration faced a series of crises in East Asia.[18] Following the North Korean nuclear crisis of 1994, the US government enhanced its vigilant posture. It took action in March 1996 when China showed belligerence towards Taiwan, as President Lee Denghui seemed to be shifting towards independence for Taiwan, holding military exercises in the Taiwan Strait during Taiwan's presidential elections. By sending two aircraft carrier task forces into the Taiwan Strait, the United States sent a signal to China that it should not attempt to force Taiwan into submission; dusting off its domestic law, the Taiwan Relations Act, Washington would back up its moral commitment to democracy. As tension increased, the rhetoric on human rights issues was toned down. The choice boiled down to business or security, with the debate between conditional engagement and constructive engagement primarily hinging on the different priorities accorded to security and business. The supporters of the former were hard-liners on security.

With the October 1994 nuclear agreement concluded in Geneva, quasi-*détente* settled in between North Korea and the United States. A similar environment with China was established in

November 1997 when President Jiang Zemin visited the United States. From that time on, business as usual became the predominant mood in Sino-US relations, and human rights is no longer a priority issue. This took a virtually statistical form in the number and priority of Big Business guests, compared with those from non-government organizations, at the presidential banquets for President Jiang Zemin held in Washington in November 1997.[19]

Following the presidential visit, the Chinese government released Wei Jingsheng, an intermittently jailed dissident first arrested for appealing to the communist leadership for a fifth modernization (democratization, in addition to the official four modernizations in the areas of agriculture, industry, defence, and science and technology). In April 1998, as preparations went forward for President Clinton's visit to China, the Chinese government freed the most prominent Tiananmen Square student leader, Wang Dan.

Overall, US human rights policy towards China seems susceptible to its priorities in bilateral relations. This may be natural, as there has been no significant human rights regime of a multilateral nature in the Asia–Pacific region.[20] Its absence is further accentuated by the flourishing of business opportunities in China. The issue of human rights tends to be given short shrift. It would be incorrect to think that the United States has abandoned human rights issues when it comes to China; rather, it is likely to keep waving the human rights banner independently from what it clearly sees as its first priority in the bilateral relationship. Human rights abuses and the fledgeling democracy movement continue to be matters of intense interest to Washington, especially in the cultural realm and at the grass-roots level.[21]

Vigorous US intelligence and research activities have played a central role in sustaining human rights policies with regard to China. Whatever the topic, Washington possesses intense interest and broad information resources, whether at the Department of State, in the Central Intelligence Agency or in academia.

China and other countries in the Asia–Pacific region have been noteworthy for their relatively high economic growth and cautious moves towards the easing of authoritarian government. Partly as a result, social destabilization has not been as overt and dramatic there as in other regions of the world. Destabilizing elements

do exist, but it would appear that rapid economic change has prevented them from emerging in explosive form. Leaders in the region are well aware of these latent elements, and have figured in policies preventing any attempts at rapid liberalization or democratization. Cases in point may be seen in China and Indonesia, which suppressed protesters in Tiananmen Square and East Timor, respectively, as the demand for political participation grew among the populace in tandem with the economic development these governments have assiduously pursued.

Such regional realities have also impinged on US foreign policy with regard to human rights and democratization. Concern about regional security, political stability, economic prosperity and business opportunities, which occasionally come into conflict, often run counter to the goals of promoting liberalism in politics and democracy. These mutually conflicting objectives, furthermore, are intertwined, complicating for Washington the design of its foreign policy. Coping with forces countervailing liberalism and democracy, Washington's foreign policy at times seems to be adrift.

Part II

Japan Adrift

6
US Unipolarity and the US–Japan Alliance

Japan has made its alliance with the United States the main axis of its national security. Yet, now that the Cold War is over and Russia – no longer the most serious threat facing the United States – has become one of Washington's most important allies, there is concern that the United States may begin to drift in the direction of hollowing out and even scrapping its alliance with Japan.[1] Since 1952, the Japanese government has been gripped with the fear that Japan might be discarded by the United States were it to ignore Washington's preferences.

Moreover, all serious consideration of what alternatives there might be to the alliance with the United States is precluded by the perception that the termination of the alliance might be accelerated were the impression given that Japan has begun to explore such alternatives. Indeed, as long as Washington perceives the alliance to be unfair, any hint that Japan might be moving away from it could well expedite a US move to discard the alliance.

In particular, it is strongly argued in Japan that, due to its own historical memories, Tokyo must maintain the alliance with the United States by any means possible. This argument derives from the realization that, in terms of Japan's security, it was the beginning of a mistaken path when the Anglo-Japanese alliance was abrogated and Tokyo had to rely on the Washington Treaty of 1922, an unstable multilateral arrangement. It also stems from the realization that the Allied relationship with Germany eliminated the possibility of US–Japan reconciliation before the Second

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World War. And most importantly, it is strongly emphasized that, as long as no country emerges on the horizon to take over the leading role that the United States has thus far assumed, friendship with it should transcend all else.

The crux of the matter, however, is the drift of the United States. As discussed earlier in Part I, the debate over US primacy and multilateralism has continued since the end of the Vietnam War. But, with the end of the Cold War, the debate has taken on new dimensions. Despite its emergence as the sole remaining superpower with unchallenged military supremacy, the United States has been left, since the demise of the Soviet threat, without a geographical compass by which to guide its post-Cold War foreign policy. Such disarray has been confounded by dwindling public support for extensive US international commitments as the people of the United States increasingly demand that national resources be redirected to long-neglected domestic agendas. Thus, the end of the Cold War has left US foreign policy wavering constantly between leadership and cooperation, and between unilateralism and multilateralism.

America's drift in the wake of the Cold War has significant implications for security in the Asia–Pacific region. The Bush administration initiated the reduction of military personnel under its East Asian Strategic Initiative.[2] The troop strength adjustments envisaged in phase one of the first Initiative report released in 1990 resulted in the withdrawal of 15 250 troops, or 12 per cent of the US military personnel stationed in East Asia. Moreover, in the wake of the eruption of Mt Pinatubo, the Philippine Senate did not ratify a new agreement for the continued use of Subic Naval Base, which led to the withdrawal of 8000 US troops stationed in the Philippines.

In February 1995, however, the Clinton administration terminated the post-Cold War reduction of military personnel, declaring, in the East Asian Strategic Review – the successor to the Bush administration's East Asian Strategic Initiative – the country's 'commitment to maintain a stable forward presence in the region, at the existing level of about 100 000, for the foreseeable future'.[3] This change was a reflection of the growing concern, among US military planners, over tension involving the North Korean nuclear programme and continuing uncertainty on the Korean Peninsula.

In addition, policy-makers in Washington came to recognize the importance of the general reassurance mission of US forces for, as isolationist tendencies grew in Washington, especially in Congress, concern increased in East Asia regarding the United State's staying power in the region. It was feared that further US military disengagement would trigger a destabilizing arms race and exacerbate geopolitical tension in the region.

America's post-Cold War role has also had a significant impact on Japan's security alliance. In the absence of the Soviet threat, the rationale for this alliance has been questioned. In the short term, Washington's security concern with East Asia, particularly regarding China and North Korea, justifies the continuation of the security treaty relationship.

Nevertheless, there persists in Washington the argument that Japan is a free-rider, hanging on to the coat tails of the US security guarantee. In addition, trade and other economic disputes with Japan have become more salient in the wake of the Cold War, during which the United States was more willing to turn a blind eye to these problems in order to ensure Tokyo's political and diplomatic cooperation against the Soviet Union.

Without such an overriding imperative, bilateral economic problems could undermine the strength of the US–Japan security alliance. In particular, as pressure grows in the US economy, the huge Japanese trade surplus with the United States becomes politically explosive, as was the case during the Bush administration and the early Clinton administration. More people in the United States will criticize the asymmetrical nature of the security alliance, questioning why the United States should continue to provide security guarantees for Japan while the former suffers the economic dislocations caused by imports from the latter.

The Clinton administration's East Asian Strategic Review renewed the US commitment to East Asian security. As a result, the United States will maintain the presence of about 45 000 troops in Japan for the foreseeable future. As uncertainties continue to surround East Asian security, the US–Japan security alliance has been increasingly recognized as a strategic asset, serving as a balancer or stabilizer in the region. The robust nature of the US economy in the second half of the 1990s, combined with Japan's prolonged economic slump, has also helped quiet the criticism of Japan over its trade practices.

Amid the Asian financial crisis of 1997, however, Tokyo's weak economic performance became the target of Washington's criticism. In early 1998, US exports to Japan plummeted, helping increase the US trade deficit to a 10-year record of $11.5 billion in January and $12.1 billion in February. As long as the US economy remains strong, the risk of exports to Japan declining is quite limited. But, over the long term, there exists the potential that the security alliance between the two countries may be undermined, especially were the US economy to slow down considerably.

In Japan, the sharp ideological conflict over the US–Japan security alliance that had existed during much of the Cold War era has largely faded. The Socialists – who had embraced unarmed neutrality and strenuously opposed the US–Japan Security Treaty for decades – almost completely reversed their foreign policy and security platforms in the process of becoming a coalition partner of the Liberal Democratic Party (LDP) in 1994–6. Thus, there is now a broad-based consensus in Japan regarding the maintenance of the security alliance with the United States, US military engagement in the Asia–Pacific region, and the constitutional legitimacy of the Self-Defence Forces.[4]

But the rape of a schoolgirl by US servicemen in Okinawa in the autumn of 1995 underscored the fragility of public support for the US military presence in Japan and the importance of redefining the US–Japan security alliance in the post-Cold War era. The tragic incident triggered sharp public reaction and exposed the long-neglected problem of the concentration of US bases in Okinawa Prefecture, where some 60 per cent of the US military personnel based in Japan are stationed. After the incident, Japanese popular support for the security relationship with the United States dropped sharply, while public demand for a reduction in the US military presence on Okinawa increased dramatically.

The redistribution of US bases became a politically explosive issue as the prefecture's Governor Ota refused to sign the mandatory extension of land leased for US military use. To defuse the situation, the US and Japanese governments created a Special Action Committee on Okinawa in 1996, which produced an agreement to reduce by 20 per cent the total area used by US facilities on Okinawa. However, the issue of base distribution is far from resolved, since other prefectures are strongly opposed

to accommodating any military facilities relocated from Okinawa.

Official and public debates over the restructuring of the alliance have also gained momentum as regional security in East Asia has become a major source of mutual concern to Washington and Tokyo. Despite the nuclear agreement between North Korea and the United States reached in 1994, the uncertainties have continued on the Korean Peninsula, particularly with regard to the North's intentions towards the South. As Taiwan held its first presidential election in 1996, tension also increased between mainland China and Taiwan. In the face of these security challenges in the region, policy-makers in Tokyo and Washington undertook an intensive review of the security alliance.

In fact, the tension across the Taiwan Strait in March 1996 created the context for revitalizing the alliance during the summit meeting held in Tokyo between President Clinton and Prime Minister Ryutaro Hashimoto in April 1996. Just before the summit, the two governments signed an Acquisition and Cross-Servicing Agreement, which mandates Japan to provide logistic support – in the form of food, fuel and other supplies – for the US forces during peacetime in the context of joint military exercises, UN peacekeeping operations and international relief operations.

At the summit, the two leaders focused on bilateral security matters and issued a joint declaration – the Japan–US Joint Declaration on Security: an Alliance for the 21st Century – in which they reaffirmed Washington's commitment to maintain 100 000 forward-deployed military personnel in the region, including the current level in Japan, and Japan's continued support for the presence of US forces in Japan.

President Clinton and Prime Minister Hashimoto also articulated regional security goals, specifically referring to China's positive and constructive role, stability on the Korean Peninsula, the normalization of Russo-Japanese relations and multilateral regional security dialogues. As part of the declaration on security, they also agreed to a review of the 1978 Guidelines for US–Japan Defense Cooperation to promote coordination during regional contingencies.

Thus, the Clinton–Hashimoto summit in April 1996 was a first step towards revitalizing the US–Japan security alliance by expanding the scope of security cooperation to include Japanese peacetime logistical support and discussion of regional security

issues. But their joint statement is too vague to translate into policy, and many complex issues remain to be addressed.

The impact of Russia and China

How does the US drift affect Japanese foreign policy? It is evident that Japan will not initiate the scrapping of the bilateral alliance, but Japanese diplomacy continues to adapt cautiously to changes in the international environment. It could experience a pronounced shift, triggered by such factors as Russia's military revival, China's rise as a great power, anti-Japanese sentiment in the United States, instability on the Korean Peninsula or broader regional instability, the results of which could be quite surprising.

Concern over Russian military revival is similar to apprehension regarding Germany's resurgence as a formidable military power after the First World War. It reemerged, despite its exhaustion, ten years after the First World War. This fear has been bolstered by the enunciation of the Kozyrev doctrine – which advocates the rights of intervention in former Soviet republics – the establishment of the Russian Emergency Mobilization Unit, and a degree of success in Moscow's pro-Serbian diplomacy in the Bosnia–Herzegovina conflict. Such fear is widely considered groundless, since Russia's economic infrastructure, considerably destroyed and debilitated, is a far cry from that of Germany between the Wars. However, given Moscow's level of science and technology and the potential for its post-reform economic development, it is likely that Russia will, over the medium to long term, accomplish a military resurgence that will have significant implications for neighbouring countries.

It will be a major choice of future Japanese foreign policy whether Japan is to enjoy a harmonious relationship with Russia, or whether the frigid relationship is to continue. Immediately following the end of the Cold War, the Japanese Ministry of Foreign Affairs tended to single-mindedly highlight the territorial issue involving the Kurile Islands, while Tokyo's Ministry of Finance was reluctant to provide financial aid to Russia on the grounds that its infrastructure had not been sufficiently developed or prepared to benefit from financial aid. Perhaps both countries should apply a little more ingenuity and make further efforts to set more creative policy lines.

In early 1992, the Japanese government held an international conference on Russian aid in Tokyo. In response to Washington's strong wish that the conference succeed, then Prime Minister Kiichi Miyazawa made a political decision. Prior to his 1993 summit meeting with the US President, he decided to make concessions on the Russian issue and curry favour with Washington in an attempt to assuage the confrontation with the US government at the comprehensive economic talks during the US–Japan meeting. How should this be interpreted? Was Japan's Russia policy tossed aside in favour of US–Japan ties, was Japan coerced into cooperating with the United States, or was a shift in Japan's Russia policy contrived under the guise of US–Japan relations?

Japan's policy towards Russia is greatly affected by the US drift. Particularly in conjunction with instability in China and the possibility that Beijing may emerge as a great power – which will be discussed below – Japan is faced with the question of what kind of relationship it should develop with Russia.

In this respect, the process initiated by Japan's Prime Minister Hashimoto and Russia's President Boris Yeltsin at their summit meeting in Krasnoyarsk in November 1997 merits attention. Although the process is not expected to achieve a breakthrough in the immediate future in the long-stalled negotiations over the return of the Kurile Islands – which Japan calls its Northern Territories – the Japanese government has become more prepared to discuss other issues and improve relations with Russia in the hope that this might lead to the return of the islands. Until Krasnoyarsk in 1997, Tokyo resisted economic cooperation with Moscow. But the Japanese government has changed tactics, and Russian and Japanese officials have begun to discuss various large-scale projects, including the upgrading of the Trans-Siberian railway, the construction of pipelines from a Siberian gas field, and oil projects off Sakhalin Island in the Russian Far East.

At their Krasnoyarsk meeting, Prime Minister Hashimoto and President Yeltsin outlined a plan to achieve a peace treaty by 2000 and promote bilateral economic cooperation. At their follow-up summit in 1993 in Kawana 129 kilometres south of Tokyo, the two leaders further developed the plan, particularly steps to boost Japanese investment in Russia and Tokyo's support for Russian economic reforms. These high-level talks also dealt with military,

security and environmental issues such as combating global warming, organizing disaster drills in the Sea of Japan involving the two countries' naval forces, and East Asian regional security.

It remains unclear how long it will be before a peace treaty is signed and the territorial disputes dating from the Second World War are brought to a close. However, Russo-Japanese relations have been improving steadily, albeit slowly, as bilateral trade and investment have been increasing. For the first time in a century, a Russian destroyer paid a courtesy call on a Japanese port in 1997, while in February 1998, Tokyo and Moscow signed a fishing agreement that would help resolve disputes that have frequently led Russian patrol vessels to seize Japanese fishing boats.

In November 1998, Japanese Prime Minister Keizo Obuchi and President Yeltsin held a meeting in Moscow, after which they issued a joint communiqué and announced the conclusion of wide-ranging agreements covering economic, financial, technological and other areas. The communiqué stipulated that a peace treaty was to be concluded in the near future, and that a committee defining and demarcating territorial borders was to be set up to finalize the territorial issue. No such treaty has yet been concluded, as of June 2000. Thus it would seem that the Japanese and Russian governments have reached a broad agreement according to which the territorial issue is to be resolved in the warm atmosphere of increasing bilateral economic, technological, financial and other transactions, and that the peace treaty will bring about the final resolution of the territorial dispute.

Gradually improved ties between the two countries have raised expectations for a mutually beneficial economic partnership. Russia has vast quantities of untapped natural resources in its Far East, while Japan has the technologies and capital to exploit those resources. However, a closer relationship between Moscow and Tokyo would have significant strategic implications for the US–Japan alliance and regional politics in East Asia.

China's rise as a great power can be seen in its rapid economic development, achieved as a result of its reform and opening-up policies. In comparison with the economies of such great powers as the United States, Japan and European countries, the absolute size of the Chinese economy is beginning to grow very quickly, increasing the possibility that it might be perceived as a threat.

Somewhat different from the Japanese economic development model – which is characterized by a general unwillingness to allow foreign investment – China's economic development merits attention in that it wholeheartedly embraces foreign capital, especially overseas Chinese capital, as a driving force for economic development. When such a massive input of direct foreign investment leads to shifts from conventional low-tech firms to high-tech firms, and from overseas Chinese capitalists to US and Japanese capitalists, it is expected that investing firms will increasingly demand that China's economic rules be modified. For large capital investment signifies a corresponding commitment so, unless the investment climate improves considerably, speedy foreign capital divestment may result.

Ultimately, this foreign investment will increase the possibility of there being a peaceful change in the Chinese economic, then political, system; there is a possibility that the communist dictatorship may simply collapse in time. In that event, the Chinese economy might gain further momentum after a short period of confusion. For, were communist control over the Chinese economy to disappear and a certain degree of political stability to be restored, this impetus could not be stopped as long as the developmental momentum in the Chinese economy continued.

Yet, were China to fall into a state of confusion, its unity and stability would be lost, and economic development could well be out of the question. One could envisage the possible eruption of civil war that would draw in such neighbouring states as Russia, Kazakhstan and India, with China becoming fragmented into several parts. Within Taiwan's ruling Kuomintang Party government, there is the view that, as peaceful evolution occurs in China, the country's disintegration will also ensue, and that the party should take advantage of such a possibility to make a glorious return to the mainland. This is the point on which the Kuomintang Party differs most significantly from the People's Progressive Party, which seeks independence for Taiwan.

It was during November 1998 non-governmental and yet quasi-official talks across the Taiwan Strait that a Taiwanese representative first called for democratic reunification. By this, it would seem, is meant reunification based on popular preferences on both sides of the Taiwan Strait, reached amicably rather than by force. But

it should be borne in mind that, against the background of China's steadily advancing grass-roots democratization, particularly in the form of the free election of village chiefs by secret ballot, the Taiwanese call could sound somewhat ominous to the Chinese Communist Party. In China, village-level democratization has been making progress, but there is huge diversity in such areas as income levels. Democratization appears to be deepening in those provinces characterized by middle levels of income, such as Liaoning, Shandong and Fujian. This is because public policy changes brought about by the democratic election of village leaders make a greater difference in such provinces, whereas in both poverty-striken provinces like Xinjiang-Uighur and Guizhou, and very rich provinces like Guandong and Zhejiang, the incentives for popular participation and democratic election are significantly lower.

It is highly likely that China's disintegration would destabilize the entire Asia–Pacific region, at which point the question would be what position Japan should take. The kind of relationship Japan and China – East Asia's two giants – would build is of paramount importance since, as Deng Xiaoping once said, if Japan and China quarrel, half the world will crumble. But for the moment, that China is destined to become a great power is evident.

Alerted by China's ascent as an economic power, the ASEAN countries have established the ASEAN Free Trade Area to increase their own competitiveness and strengthen free trade. South Korea and Singapore, which perceived the development of the Japan-centred East Asia Economic Caucus not to be as successful as had been originally intended, have already begun to take action towards joining the North America Free Trade Area. Moreover, betting on China's rise as an economic power, some ASEAN states also have started developing friendly relations with Beijing and some, like former President Fidel Ramos of the Philippines, have pointed out that ASEAN countries are concerned about both possibilities of a confrontation between Japan and China and their marriage-like close association. Before the end of the Cold War, such remarks had been made in relation to Japan and the United States but, as US bases in the Philippines were dismantled and the prospects of a stronger China become more certain, views such as this have emerged.

If the international security system evolves in such a way that China brings its neighbouring countries under its umbrella, a significant change will be required in Japan's foreign policy. The mere fact that the choice of a Chinese or a US umbrella has emerged would suggest that significant changes may be in the offing.

In the case of impoverished Russia, for example, which sells a great deal of arms (especially advanced weapons) to China, a change in the regional balance of power might cause Moscow to reconsider its arms sales to Beijing were it to take seriously China's emergence as a great power. Over the medium to long term, this could prove to be a minus for Russia.

Writers such as Alexander Solzhenitsyn have noted the race-based Russian fear that the Chinese might move into sparsely populated Siberia and the Russian Far East, while the Russian government has banned the use of Chinese contract labourers on its soil. With Moscow politically unstable, its China policy should be noted. In this regard, the recent *rapprochement* between Moscow and Beijing is noteworthy. The summit meeting between Premier Jiang Zemin and President Yeltsin at the Sino-Russian border in 1997 reflected their converging strategic interests in cooperating to counterbalance the United States.

In November 1998, both Presidents Jiang Zemin and Boris Yeltsin met in Moscow and issued a joint communiqué reiterating their strategic partnership. Some would argue that this partnership is as cheap as a drastically devalued Russian rouble. But the fact remains that China and Russia are seeking both expanded autonomy *vis-à-vis* the United States and multipolarity against Washington's overwhelming unipolarity. The Kosovo crisis and prospects that Japan may start building a Theater Missile Defense (TMD) system seem to be further uniting China and Russia.

US drift with respect to China and Japan

Were Washington's policy towards China to shift further away from its hard line – sparked by Beijing's suppression of human rights and democratization, its trade surplus with the Unites States, and its military build-up and arms imports – to a more conciliatory policy, induced by China's rise as a great power and its

attractive markets, it could be assumed that anti-Japanese sentiment could unfold in Washington.

In 1994, the United States back-pedalled on its human rights-centred China policy and reverted to a position according to which human rights were barely taken into consideration. The rationale was that, were Washington not to grant most-favoured-nation status to China, its exports to the United States would face enormous tariff barriers, causing Beijing to retaliate. Not only had Chinese capital been invested in US firms, but China was, for example, to purchase a great number of Boeing aircraft. The prevailing view, held primarily by US businesses, was that ignoring these factors and single-mindedly stressing human rights would be unwise. Needless to say, the US Department of Defense, which emphasizes security more than other considerations, also contributed to changing the human-rights-first position held by a group of State Department officials and President Clinton.

A thoroughly anti-Japanese shift on the part of Washington is still a viable option. Before Japan's bubble economy burst, anti-Japanese sentiment was growing rapidly in the United States. Although such sentiment appears to have subsided since, it is hard to believe that US distrust of Japan is ebbing. Rather, it would seem that, since the US economy has made a dramatic recovery while Japan's economy has continued to stagnate, feelings of suspicion towards Japan have merely faded. Fortunately, the US economic boom has continued for a number of years, and its vitality in technological innovation has been revived. However, distrust of Japan has not been completely eradicated in the United States, and could reappear should people once again become concerned about the competitiveness of their economy, and internal contradictions in US society engender political pressure on Japan.

Recent US criticism of Japan for its poor economic management suggests that the bilateral relationship could be under strain even in times of US economic prosperity. In Washington, frustration over the weakness of the Japanese economy has been steadily growing as Tokyo has proved unable to revitalize it. The Asian currency crisis has also highlighted Japan's inability to play an active role due to its poor economic performance. Although the Japanese government has provided sizeable supplementary

funds to help Asian countries stricken by the currency crisis, the widespread perception of an inactive Japan has stirred criticism in the United States. This has increased the pressure on Tokyo to carry out the necessary measures – tax cuts, financial reform and deregulation – to stimulate the economy, and to play a major role in the Asian financial crisis by buying more products from Asia. Such pressure from the United States is expected to increase as Washington alone continues to absorb Asian exports, causing its trade deficit to balloon.

The integrative direction of the US and Japanese economies remains unchanged, but it is unclear in which direction the United States will drift, and on what kind of foreign policy it will settle. Over the twentieth century, US policy towards the Far East has evolved in such a way as to balance China and Japan. From the mid-nineteenth century to the Russo-Japanese War of 1904–5, it was pro-Japan, anti-China; from the Russo-Japanese War to the end of the Second World War, it was anti-Japan, pro-China; after the Second World War, it was pro-Japan; after the communist revolution, it was anti-China; from the 1971 Sino-American reconciliation to the 1989 Tiananmen Square incident, it was pro-China; and until 1998, it was anti-China.

Since the successive shocks in the early 1970s associated with President Richard Nixon – his abrupt suspension of the dollar–gold conversion and surprise overture to China – the US–Japan relationship has not been black and white. As economic interdependence has deepened, it has not changed much. Thus, US policies towards both Japan and China since 1971 have been friendly, but have become ambivalent. Because both Japan and China have become great powers, the United States might want to have them compete, thus creating a situation where neither could become a regional hegemon.

In terms of Japan's options, it is clearly important to construct security arrangements involving the entire Asia–Pacific region, including the Association of South-East Asian Nations, rather than to focus on the triangular relationships among Japan, the United States and China. The establishment of the ASEAN Regional Forum, the inaugural meeting of which was held in Bangkok in July 1994, represents such an orientation. It is the most significant institutional development in the security sphere in post-Cold War Asia.

This new multilateral security forum has brought together the member countries of the Association of South-East Asian Nations, its dialogue partners – the United States, Japan, Canada, the European Union, South Korea, Australia and New Zealand – and Russia, China, Laos and Papua New Guinea. It is also noteworthy that Japan took the initiative in establishing such a multilateral security forum in Asia which the Association of South-East Asian Nations adopted in its post-ministerial conference in Manila in 1992 – and that the United States, despite its historical reliance on bilateral treaties for security in the region, was also an active and enthusiastic participant in the 1994 inaugural Bangkok meeting of the ASEAN Regional Forum.[5]

It must be pointed out, however, that the forum has been largely dormant in relation to such major issues in East Asia as the North Korean crisis of 1993–4, the Taiwan Strait crisis of 1995–6, and the Asian financial crisis of 1997–8.

Destabilization of the Korean Peninsula and Japan's response

Instability on the Korean Peninsula was directly triggered by the Soviet, and then Russian, economic difficulties as well as the hollowing out of the North Korean–Soviet Friendship and Alliance Treaty. The North Korean economy, which had long been in recession, rapidly deteriorated as energy supplies decreased sharply and imports required payment in US dollars. In addition, President Roh Tae Woo of South Korea unveiled a policy of so-called northern diplomacy, intended to exert pressure indirectly on North Korea by establishing friendship with China and Russia. Meanwhile, the policy that North Korea had explored – economic and diplomatic orientation towards limited *détente* – produced nothing more than a non-nuclear agreement and the promotion of exchanges between Pyongyang and Seoul. Thus, in the early 1990s, North Korea announced it would withdraw from the Nuclear Non-Proliferation Treaty.[6]

The logic behind North Korea's decision is not clear, but it is reminiscent of the 'speed warfare' in which it engaged during earlier times of adversity to Win via guerrilla warfare (see Chapter 10). In order to put an end to the dire state of affairs in which

it finds itself, Pyongyang seems to be attempting to break through the US–Japanese–South Korean siege by negotiating directly with Washington, while at the same time moving towards the development of nuclear deterrence capability and trying to restore diplomatic relations with the United States.

Needless to say, were North Korea to rush blindly into developing nuclear deterrence, it would not clear inspection by the International Atomic Energy Agency, as a result of which it could hardly expect to restore relations with Washington. At the same time, however, Pyongyang seems to believe that, unless it displays the ability to develop nuclear weapons, the United States will not negotiate seriously and merely treat it with derision.

North Korea first threatened to go ahead with nuclear weapons production in the early 1990s, declaring its intent to leave the Nuclear Non-Proliferation Treaty. Once the United States threatened to punish Pyongyang militarily, it backed down, but argued that, since this was the only way in which North Korea could produce much-needed energy, the United States and its allies (South Korea and Japan) should provide, for free, Pyongyang with alternative means of generating energy. Hence the 1994 US–North Korea agreement.

Then, in August 1998, North Korea launched a missile over Japan. Tokyo retaliated by banning aid to Pyongyang and suspending bilateral air and sea links, while the United States demanded that such missile launches be discontinued. Pyongyang countered by demanding compensation from the United States and its allies, arguing that it depends on the production of missiles to build up its foreign-currency reserves. This would appear to be the reason for North Korea's apparently confusing behaviour.

At the same time, lest such high-risk policies should destroy the North Korean regime, Pyongyang continues to maintain that it always insists on justice and is making legitimate demands. A case in point is Pyongyang's claim that it cannot accept the denuclearization of the Korean Peninsula unless US nuclear weapons in South Korea and Japan are dismantled. Further, to prevent exchanges with outside forces from destroying the communist regime, Pyongyang shields its people from information and thoroughly muzzles its press. Most citizens are forbidden from owning a radio.

Had North Korea's nuclear crisis led to economic sanctions sponsored primarily by the United States, South Korea and Japan, the destabilization of the Korean Peninsula would have been accelerated. For the North Korean economy would have deteriorated even further, and the insecurity of the regime would have become more apparent. Had the pressure been escalated to include military sanctions and large-scale bombardment of North Korea, it would have become even harder to preserve the regime's status quo over the medium to long term. Even over the short term, an acute crisis would have been certain to erupt, leading to the destabilization of the entire Korean Peninsula.

The massive outflow of refugees to South Korea, Japan and China would have a tremendous impact on neighbouring countries. If North Korea should invade South Korea, there would be a second Korean War. With the US–North Korean nuclear agreements of 1994, whereby such dangerous developments were averted, Washington secured Pyongyang's commitment to remain party to the Nuclear Non-Proliferation Treaty, freeze its nuclear programme and accept international inspection of its nuclear facilities. In return, Pyongyang averted further isolation, resumed high-level talks with the United States and obtained economic concessions from the United States Japan and other Western countries.

Needless to say, the United States used the North Korean nuclear crisis as an opportunity to reinforce, while it still had the power to do so, those areas in which it perceived its supremacy was likely to crumble in order to further strengthen its post-Cold War military primacy. Accordingly, not only North Korea, but also South Korea and Japan, were subjected to nuclear-related suspicion. Out of its overriding concern with global nuclear non-proliferation, the United States increased pressure on both countries to change their nuclear policies in a certain direction. To safeguard its long-term military primacy, Washington's immediate goal was to maintain the effectiveness of the Nuclear Non-Proliferation Treaty even after the expiration of the 25-year pact in 1995. Towards this end, the United States needed to target countries likely to develop nuclear arms and frustrate their efforts.

South Korea sought to develop a nuclear capability for a short time in the 1970s, under President Park Chung Hee, but the

plan was abandoned midstream. Then, in 1991, Washington prompted Seoul to abandon the reprocessing and enrichment of fissile materials for nuclear weapons. It is believed by many that, were North Korea to collapse, South Korea would take over its nuclear weapons and facilities, since Seoul is even more dependent on nuclear energy than Tokyo. Meanwhile, with South Koreans suspicious that Japan is trying to develop nuclear weapons, it is argued, primarily by opposition political parties in Seoul, that South Korea should not be without its own nuclear option.

Due to its own institutionalized pacifism, Japan is not developing nuclear arms. In fact, it is the most cooperative nation with regard to the US government's monitoring and International Atomic Energy Agency inspections. However, Japan has continued its efforts to increase its dependence on nuclear energy. In particular, it has continued to spend vast sums of money on developing high-speed nuclear breeder reactors that emit plutonium outside the reactor. Moreover, considerable progress has been made in missile technology – essential to developing nuclear weapons guidance systems – as clearly attested by the successful development in 1994 of H2 rockets, civilian rockets that can be converted for military use.

In addition, Japanese government officials have responded to questions in parliament by saying that nuclear weapons do not violate international law, which could be interpreted as meaning that Japan does not rule out the option of its developing nuclear arms. This stance is obviously intended to deter nuclear intimidation by North Korea and other powers while, under the US nuclear umbrella, showing Japan's strong commitment to the US–Japan Security Treaty.

The revision in spring 1994 of the long-term nuclear energy development plan somewhat blunted the effort to develop high-speed breeder reactors and presented a more flexible position on the matter. It remains to be seen, however, whether the revision will allay suspicions over Japan's potential nuclear development. Japan furnishes the United States and the International Atomic Energy Agency with complete information on its nuclear facilities, yet some have begun to argue that it should increase the degree of transparency *vis-à-vis* non-governmental organizations and the European Union (Britain and France, which contract out

plutonium reprocessing, require disclosures on work for third parties under a European Union agreement).

There is a strong belief that the development and use of advanced technology constitutes an effective deterrence to blackmailing and intimidation by foreign countries. This is clearly expressed in a report of the informal consultative group on military technology convened by the Japanese Self-Defence Agency's Director-General of the Bureau of Equipment. The report claims that, by staying on the cutting edge of technology, or by getting closer to it, Japan can deter foreign countries from treating it lightly. While the report does not deal with nuclear technologies, the terminology used would be applicable thereto. Further, in connection with the statement in parliament that nuclear weapons are not illegal under international law, the Japanese government heeded pacifist sentiments and diluted its language somewhat, issuing a reply that made a slight concession to pacifist public opinion.

In 1993, Prime Minister Miyazawa's Liberal Democratic Party government expressed reservations concerning the indefinite extension in 1995 of the Nuclear Non-Proliferation Treaty, making it contingent on the current nuclear powers' serious commitment to abolish nuclear weapons. It was in part an expression of strong pacifism at home, and an attempt to secure support for Japan's permanent membership on the United Nations Security Council. Tokyo may have felt it expedient to concur with the world's vast majority of non-nuclear powers, particularly Third World countries, regarding their strong demands that nuclear weapons be abolished. However, it was out of concern about the negative impact of arousing suspicion regarding Japan's nuclear development that the reformist government of Prime Minister Morihiro Hosokawa shifted to a policy of supporting the indefinite extension of the Nuclear Non-Proliferation Treaty.

It was in the midst of this vortex of swirling complex considerations that North Korea's nuclear crisis was unfolding. As a result, there was serious concern that the Korean Peninsula would be rapidly destabilized. Angst was bolstered by the non-existence of a security apparatus for the peninsula among the countries involved, while the existence of very limited economic exchanges did nothing to allay anxiety. In addition, given that the frequency

of war is higher among non-democratic regimes than among democratic states (as I mention in Chapters 2 and 10), concern was heightened by the non-democratic nature of the North Korean regime.

Nonetheless, what is clear about international security in the Korean Peninsula is that, aside from the two Koreas, the security interests of the four major neighbouring powers are not fundamentally contradictory, which would make it more difficult for a major military conflict to break out there. The United States, Russia, China and Japan all have no interest in seeing the eruption of a major military conflict that would turn the Korean Peninsula into a sea of flames. Yet, while no one state promotes regional destabilization, the fact that the entire region remains restless casts a pall over its economic development.

Although the alliance is conceived in security terms, it often goes beyond security and entails a number of ramifications for other areas. The US–Japanese alliance is a good case in point. In the next two chapters, I will discuss its ramifications for the Japanese economy and domestic politics.

7
Globalization and the Japanese Development Model

Japan's reluctance to make economic rules

Despite its recognition that the continued existence of a free-trade system benefits Japan more than any other country, Tokyo made no great effort to conclude the Uruguay Round negotiations of the General Agreement on Tariffs and Trade, which led to the establishment of the World Trade Organization. It held out on the liberalization of rice imports until the last, while observing US and European moves in the area of agriculture. In fact, agricultural protectionism is seen on a far larger scale, and in greater variety, in the United States and Europe than in Japan. For while Japan is certainly most protectionist in terms of rice liberalization, Japan's dependence ratio on the import of agricultural products is very high.

Despite the realization that Japan can secure food only through free trade, however, there was the perception in Tokyo that it would be politically unwise to impose painful liberalization on its less competitive rice farming as long as the United States and Europe did not reach agreement. Moreover, it has been said, according to a US participant in the Uruguay Round negotiations, that almost all items submitted by the Japanese government to the negotiations were dismissed. This means not only that Japanese initiatives were few, but also that their success rate was particularly low given the size of the country's economy. But no matter whether this rumour be true or false, there is no smoke without fire.

T. Inoguchi, *Global Change*
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In a series of processes involving the expansion of the membership and functions of the Asia–Pacific Economic Cooperation forum, Japan again gave the impression that it was not in complete support. It is said that Japan was somewhat displeased that the body had expanded its membership and enlarged its function more than Tokyo deemed necessary, and so did not send delegates to the forum's own and related working group meetings. Could Tokyo's apparent lack of activity be a reflection of the drift it is experiencing in the face of the end of geography? Before I discuss this, let me describe the methods used to make rules on trade and other economic activities.

There are various approaches to the formulation of trade rules. The classic method is that used by the GATT/WTO, based on multilateral agreements, especially comprehensive agreements primarily concerned with trade. According to this style of rule-making, there was an increasingly strong trend towards the universal formulation of rules and criteria, which temporarily made it difficult to conclude the Uruguay Round negotiations. In particular, low-growth developed countries increased their demands for market liberalization in developing countries, since high-growth developing countries tend to either be extremely protectionist, or hesitant about – or simply resist – the establishment of international rules as they strictly observe the delineation between domestic and international economic activity, claiming sovereignty over the rules and criteria pertaining to their domestic economies.

There is another rule-making method that defines regional scope, in which central focus is placed on market liberalization, which also covers domestic economic systems and economic management. Examples of this are the plans for the integration of the European Community that were targeted for 1993, and for the integration based on the Maastricht and Amsterdam treaties. The aim of these plans was to liberalize the movement not only of goods, but also of people, and ultimately to unify currencies: the removal, to a considerable degree, of existing national frameworks.

The integration of the United States, Canada and Mexico through the North America Free Trade Agreement does not attempt, as does that of the European Community, to integrate market move-

ments into the institutional framework. Instead, it is designed to increase the competitiveness of the entire region and its participants by promoting thorough market liberalization and thus facilitating the mutual transfer of capital, labour and technology. Initially, many zigzags are encountered, a fact to which the ratification process of the Maastricht Treaty and the North America Free Trade Agreement bear ample witness.

The perception is, at least among outsiders, that the Japanese government's efforts to build consensus on economic rule-making are not commensurate with the benefits it reaps from such rules. Needless to say, this provides fertile ground for the criticism of Tokyo's alleged meagre international contributions. In comparison with Australia and Canada – which continuously submit proposals without being called upon to do so by other countries – Japan hardly puts forward any proposals, which creates a sense of discord. The contrast becomes stark if one considers the following examples: Australia proposed the setting up of an Asia–Pacific Economic Cooperation forum; the Cairns Group, a group of primary products-producing countries to which Australia belongs, played an active role in the Uruguay Round; the Australian and Canadian governments planned an Asia–Pacific Security Cooperation forum; and Canada tabled a scheme for UN peacekeeping activities.

With regard to Australia's role in setting up the Asia–Pacific Economic Cooperation forum, and perhaps in a bid to deflect criticism, Tokyo has recently been taking the credit for having been the originator of the idea. It asked Australia to take the initiative, it says, in anticipation of a negative reaction from the United States. The statement is credible given both the circumstances at the time and the immediate rebuff by Washington of a mid-1997 Japanese proposal that an Asian Monetary Fund be set up to alleviate the Asian financial crisis.

Any hint that Japan may start to take the initiative in forming an exclusively Asian grouping has invariably been received negatively by the United States. Zbignew Brzezinski, a member of the political intelligentsia, has repeatedly written that Japan's future lies in a global rather than a regional direction, in a bid to discourage Japan from making any attempt at a regional undertaking.

It is of interest here to note that, when South Korea's Prime Minister Kim Jong Pil visited Japan in late 1998 and proposed an Asian Monetary Fund three times larger than that which Japan had earlier suggested, neither Japan nor the United States commented, either for or against. It can only be presumed that the United States had yet to sort out its position on the issue of creating a regional pool of short-term capital flow in the Asia–Pacific area at a time when it was feared that a global economic crisis could be triggered by the United States' economic slowdown, and ahead of the European Monetary Union that came into effect on 1 January 1999.

Nor has Tokyo sorted out its position. This is, perhaps, primarily because it is waiting to see if Washington's stance on the issue will evolve a little more in Japan's favour, as well as because the size of the Asian Monetary Fund as proposed by Seoul – a body on a par with the International Monetary Fund – is beyond Tokyo's ability to comprehend.

Dilemma over the Japanese economic structure

Japan's reluctance with regard to the formation of economic rules seems to primarily derive from the fact that it is faced with a major dilemma,[1] directly related to its economic structure. Simply put, due to Japan's economic dependence on imports of energy and food, which must be paid for in foreign currency, its exports of manufactured goods tend to preponderate, requiring Tokyo to ensure that it has sufficient access to global markets. In terms of large export markets, North America and the Asia–Pacific region are together number one, followed by Western Europe.

Moreover, since Japan imports from markets worldwide, it is difficult to focus on a particular area in which to promote market liberalization. In addition, it would be to Tokyo's disadvantage were those states adopting a regionally oriented solution to be under the impression that Japan condones such a regionalist trend, since it might lead to the misperception that Japan would acquiesce to moves to limit its access to other markets. In particular, as the United States and the Asia–Pacific region are almost equally important, Japan would have to be cautious about any moves to detach itself from either area. It is precisely because Tokyo does

not want to foster confrontation with the United States that it does not wish to get involved in any move to unite East Asian nations such as the East Asia Economic Caucus.

At the same time, as a secondary factor, Japan has a strong desire to play a meaningful role in, and exercise its influence on, the process of formulating rules on economic activity. In the Uruguay Round of the GATT negotiations, most of the proposals by the Japanese government did not survive as part of the final agreements. One of the reasons for this is that Japan does not belong to a particular group and is not in a position to apply pressure by taking advantage of numerical superiority. This underlines the importance of regional economic groupings – such as the East Asia Economic Caucus – as pressure groups. In fact, while there are many regional groupings like the North America Free Trade Agreement in North America, the European Union in Europe, the Cairns Group of primary products-producing countries and the ASEAN Free Trade Agreement, Japan does not belong to any regional group other than the General Agreement on Tariffs and Trade and, subsequently, the World Trade Organization.

Why does Japan harbour such a distrust of multilateral institutions? It seems largely because Japan learned a historical lesson from its interwar experience that the Washington Treaty, the London Disarmament Treaty and the Axis Alliance comprising Japan, Germany and Italy were unreliable. It was probably as a corollary to this, and as a lesson learned from the Second World War, that Japan developed the habit of placing utmost importance on its alliance with the United States and viewing with suspicion any multilateral agreement that may undermine its foundation. Accordingly, Japan lacks the ability to plan and propose a multi-layered structure such as a bilateral, interregional or global multilateral network.

In the meantime, now that Japan has succeeded in economic development and become a great economic power, it has a desire to make an international contribution to the world by sharing its secrets of success with developing countries. Hence, the so-called Japanese economic development model, also referred to as the Japanese capitalism model or Japanese management model.

The Japanese model is characterized by various pillars, including lifetime employment, corporate affiliation, cross-holding of

stocks, self-reliance, market orientation and indispensable government roles. But we usually examine it based on experiences during the mid-twentieth century.[2]

One problem is that, since the background environment for Japan's experience comprises wartime mobilization, the Occupation and free-rider national security, questions tend to be raised about the applicability of the Japanese model.[3] Another problem is that the Japanese model is difficult for non-Japanese to understand, because it is not based on an abstract principle but on concrete experiences, since the Japanese are not usually in the habit of formulating theories or general concepts on which to base their models. That is why, when the Japanese model is applied, emphasis is placed on field studies and observations, as well as on organizing exchange training programmes at firms and in government departments, rather than on such concepts as self-reliance, equality and benevolence – or liberty, human rights and democracy.

In other words, the Japanese model comprises case-by-case pragmatism, stressing field observations and human capital developmentalism, in which human resources development is regarded as the fundamental element of problem-solving. One of the major characteristics of Japanese management and public administration is personal field observation and pragmatic adaptation to market changes. The field observation principle is applied to overseas investment. Thus, prior to investment, representative offices are established abroad, so that microscopic business intelligence data can be collected and stored, and only then is the green light given and investment launched.

This principle can be seen, for example, in connection with apple imports. Before authorizing the import of apples, inspectors are dispatched to apple orchards abroad – New Zealand, South Korea and the United States – to find out whether the regions' apples meet the requirements of criteria with regard to pesticides and chemicals. At the same time, programmes are provided to nurture the personnel needed to carry out such work. The goals of human resources development are focused on loyalty, diligence, discipline and group harmony, attributes that employees are expected to acquire through such group activities as training, retreats, golf and karaoke. There is an almost uncon-

scious assumption that group activities allow the cultivation of human relations, which should be promoted as the basis for collective consensus-building and assignment execution.

The Japanese experience two extremes regarding negotiations on foreign direct investment (FDI). In the United States, for example, they learn it is normal to demand that an agreement be concluded presupposing all possible conflicts and stipulating provisions for resolving any such conflicts. In contrast, in China they find the text of agreements too simplified and are baffled by the Chinese *mama-huhu* attitude – which holds that it matters little whether what is coming into view on the distant horizon is a horse or a tiger – which makes light of contractual agreements. The Japanese attitude falls somewhere in between these two extremes: as long as a basic understanding is put down in the contract, the other details should be dealt with case by case. In fact, since golf and karaoke are part of the pattern of collective behaviour that facilitates practical management, some would argue that on-the-job training, karaoke and golf have made the greatest contribution to spreading the Japanese model.[4]

It is against a backdrop of growing national confidence that the Japanese feel they want to avoid letting the United States always take the lead in making rules on economic activity. If one looks, from this perspective, at the trend to integrate the US presence in the Asia–Pacific region with East Asia, it is understandable why Japan did not enthusiastically welcome any moves that might reinforce US primacy as symbolized by the Washington-led Asia–Pacific Economic Cooperation summit meeting in Seattle in November 1993. It was not simply that Tokyo had the sensitivity to respond to the reluctance of some ASEAN countries which feared US control, for Japan had begun to take pride in its economic development model. If US-led market liberalization were promoted not only in Japan, but also in other Pacific Basin states, it would become necessary for light-weight countries – in terms of size and economic power *vis-à-vis* Japan – such as Singapore and South Korea to adapt to US-style economic rules, as did Canada and Mexico when they lost leadership to the United States in formulating rules on economic activity. However, the Japanese model was not yet so mature that Tokyo was able to make this point and persuade foreign countries that its model should be adopted.

But, now that Japan's economic development has for some time been experiencing a slowdown and its past achievements stand out for all to see, it would appear that the Japanese model has reached maturity. With publications on the Japanese model increasing at an unusual pace, much is being written on such special features of Japanese-style capitalism as lifetime employment, corporate *keiretsu* and cross-holding of stocks – even though these pillars have been steadily declining since the early 1990s.

In November 1998, the APEC summit was held in Kuala Lumpur. President Clinton could not attend, having declared his first priority to be directing US policy on Iraq at a time when Baghdad was manoeuvring to end UN inspections of its weapons sites. Vice-President Al Gore attended in his place. After giving a speech in which he voiced support for Malaysian reformist dissidents, thereby criticizing and humiliating his host, Prime Minister Mahathir bin Mohamad, he left the venue without even touching his soup.

In this rather strained atmosphere, Japan chose to reject flatly the liberalization of fishing and forestry, a move supported by many Asian member countries, including China and Malaysia, which are also somewhat reluctant to endorse regionwide trade and market liberalization measures in this time of economic crisis. While the United States, Canada, Australia and New Zealand – all primary commodity-exporting countries – are opposed to this stand, Japan and many of APEC's Asian members are more committed to the forum's principle of voluntary liberalization. So, this time, the US accusation that Japan is not an enthusiastic proposer or maker of rules may have been borne out.

As US–Japanese trade and economic trade disputes evolved, many observers noticed that economic issues have very important dimensions in terms of domestic politics and institutional characteristics. I will now turn to the subject of liberalization and democratization in the Japanese domestic–political context.

8
Democratization and Japanese Democracy

The pivotal role of the bureaucracy

Japanese society began to drift with the demise of the Japanese model, based primarily on its experiences in the half-century between 1925 and 1975. It may be said that the drift began as the first oil crisis in 1973 prompted a shift in the state and society from so-called catch-up economic development to a low-growth economy. It may also be said, however, that while the shift to low growth was consciously undertaken by corporate and economic circles, the 20-year delay on the part of political circles is rather noticeable.

The Japanese economy passed through a period of 25 years that saw oil crises, the revolutionary appreciation of the yen, waves of deregulation and market liberalization, and a protracted economic slump. The sinking of Japan, which was feared when the first oil crisis occurred, did not materialize. Instead, Japan emerged as a great economic power, improving its competitiveness through reductions in energy consumption, an increase in labour productivity and cost reductions. Throughout this period, structural readjustments were constantly implemented. The rise of the bubble economy and its subsequent bursting were a result of economic activities driven by the accelerating momentum. Given that major rationalization is being undertaken as a result of recessionary pressures, there are some elements which will later be recalled as something of a silver lining in the downturn.[1]

In contrast, in politics, where the one-party rule of the Liberal

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Democratic Party has been prolonged, there has been a tendency to delay adapting to the changing political environment. While leaving most of public policy to the bureaucracy, politicians have sought to win public confidence in their electoral districts. The contention is that policy-making in Japan's bureaucracy is carried out according to the belief that non-partisan, nationwide and neutral interests must be represented and realized. Although this philosophy was convincing from the Tokugawa era to the mid-twentieth century, it is no longer so. As the Japanese bureaucracy has strengthened its alliance with industry during the past half-century of peace, the contention that it represents broader national interests no longer rings true.

By allying itself with business, the bureaucracy has come to be seen as representing the interests of industries engaged in production. It has been particularly difficult for the Ministries of Construction, Transportation, and Posts and Telecommunications – all of which have jurisdiction over the nation's basic infrastructure – to avoid colluding with industry. Meanwhile, the Ministries of International Trade and Industry (which also oversee the areas of energy and technology), of Finance, and of Agriculture, Forestry and Fisheries (which have jurisdiction over basic industries), developed very close relationships with the relevant industries. In the areas of welfare, pensions, health care and education, where large-scale state involvement permeates every inch of the community – through the auspices of the Ministries of Health and Welfare, and of Education – it is also natural that relationships with local governments and industries should have become very close.[2]

When bureaucracies deal with the community, brandishing administrative authority under the inertia created by the Administrative Organization and Administrative Procedure Laws, many voters gradually become aware of their partisan taint. Thus homemakers have become more assertive regarding their own interests *vis-à-vis* producers. In this context, consumers have blamed the Ministry of Finance for the bursting of the bubble economy, while companies have been blamed for environmental pollution, and the government for acquiescing to such behaviour.

In the days of wartime mobilization and high growth during the mid-twentieth century, the state played a central role in

promoting economic development. Even though its role was authoritarian, it was hardly called into serious question. Therefore, Japan was sometimes called a capitalist developmentalist state, a developmental dictatorship or a development-oriented authoritarian regime.[3]

In times of low growth and internationalization, however, the state's role in promoting economic development has become secondary to that of supervision. The state's developmental role is to intervene in the economy in an attempt to promote development by, for example, promoting policies to protect and nurture industries, indigenizing technology and improving the quality of labour, as well as building and expanding the social infrastructure. The supervisory role involves ensuring the stable maintenance of social order and, at the same time, promoting investigation, inspection and research in order to ensure that the framework of social order can adapt in accordance with the requirements of social change.

Rather than distinguishing clearly between developmental and supervisory functions, Japanese government agencies traditionally have assumed both roles. For instance, officials at the Ministry of Finance not only have a sense of mission to nurture banks, securities houses and non-bank financial institutions in a sound manner, but also monitor routinely their activities on a day-to-day basis. The underlying logic is that, because they assume both roles, more information comes from the financial sector, thus rendering the ministry's supervision more thorough, with the result that the financial sector achieves sound development.

An indication of the ascendance of the supervisory role is found in the popularity and prestige of various government ministries. Throughout both the high-growth and the low-growth periods, the Ministry of International Trade and Industry, the Economic Planning Agency and the Ministry of Finance enjoyed popularity among higher-level public service examination applicants. In addition to these economic agencies, the Ministry of Home Affairs, the National Police Agency and the Ministry of Posts and Telecommunications – formerly the Interior Ministry and Domestic Affairs Agency – have become increasingly popular since the mid-1980s.

At the Ministry of Finance, which plays both developmental

and supervisory roles, the function of monitoring markets and industries has become prominent, while its role in economic development has decreased. Having expanded their own capabilities, private firms have become increasingly defiant towards bureaucratic intervention they deem unnecessary. Therefore, the state's supervisory role, especially that which is of an authoritarian nature, has come to be viewed much more critically than previously. In the wake of the collapse of the bubble economy, the Finance Ministry's regulatory power over financial markets and the relevance of its intervention in the financial sector have come to be regarded without sympathy. Likewise, critical attention has been directed towards the collusion among the Construction Ministry, construction-related groups of firms and local construction industries.

The role of politicians is, at the highest level, to exercise influence over the broad direction of public policy – world affairs and national governance – and, at the lowest level, to administer public expenditure – on public projects and agricultural improvement – in their constituencies. By comparison, the influence of politicians at the intermediate level is quite limited.

Slow changes in politics

Japan's professional politicians can be traced back to those grassroots representatives who resisted governmental abuses, beginning with the Liberty and People's Rights Movement of the last quarter of the nineteenth century. At that time, the government was seen as playing the role of the official, and the political party that of the people, as a result of which the perception was fostered that the people often included somewhat suspicious elements.

Since all political parties were considered to represent the opposition, by definition it followed that the opposition was partisan, in single-minded pursuit of particular special interests, irresponsible in words and deeds, and disrespectful towards authority. By contrast, the bureaucracy was seen as being neutral, promoting all-encompassing national interests, dispensing careful, hard-to-challenge words and deeds and, as an institution, independent in terms of its will *vis-à-vis* political power.

Subsequently, political parties were internalized in the ruling regime, political participation expanded in what was called Taisho democracy and, in a limited manner, democratic politics seemed to have been established. However, when the influence of political parties appeared to peak, they created an opportunity for their own self-denial in the midst of corruption, political strife and chaos. Thus, with international isolation and wartime mobilization, political parties – derided as partisan – led their own way to dissolution in a regime of national solidarity that could be called imperial democracy.

In the postwar era, too, politicians' roles were relatively limited – aside from a number of exceptions – during the first twenty years after the establishment of the Liberal Democratic Party. The dictatorial economic ministries steadfastly managed policy and controlled industries for the sake of economic development. The ruling Liberal Democratic Party itself had not yet grown into more than a support-network organization carrying out grass-roots activities, and had not developed mechanisms to effectively feed back policy input. There was also a clear division of work between the bureaucrats who were in Tokyo and politicians who were in their electoral districts. Of course, dozens of top politicians exercised significant influence over the making and revision of policies, but such a division of work was pervasive in the daily lives of most back-benchers.

During the twenty years after the fall of Prime Minister Kakuei Tanaka, with the growing parasitic influence of the abovementioned back-bencher politicians and the institutionalization of collusion among political circles, bureaucrats and businesses became important. The prominence of group-affiliated politicians is one manifestation of this trend.[4] During the high-growth era, Prime Minister Tanaka's mass democracy became permeated at the grass-roots level by large-scale public spending. Gradually institutionalized were the reversion of public spending to localities, as well as campaign financing being seen as a reward for siphoning off government procurement to industries. Within the ruling party, affiliated politicians are assigned roles corresponding to those of government agencies. In addition to serving actively as watchdogs over government ministries, they also developed the role

of hunting dogs that meshed together the new converging interests of ministries, industries and affiliated politicians from the lower rungs of society.

In this process, politicians succeeded in expanding, to a certain degree, their scope of influence over bureaucrats. In the legislative processes, as affiliated politicians matured, opportunities increased for them to exercise influence not only as back-benchers, but also as policy-makers. This is one stage in the maturation of Japanese-style grass-roots democracy. It is also one of the means whereby politicians have increased their influence in a political system led by bureaucrats. Moreover, this 20-year period represents a time during which the Japanese economy was adapting to a greatly changed environment. In politics, the Japanese electorate was increasingly inclined towards the Centre-Right, which was called the new middle class.[5] The special characteristic of this group is that, while its members are self-preserving conservatives, they are critical of a 'producer-first' society.

Although the economy transforms itself as it adapts to changing markets that it faces every day, changes in voter preference are slow and take time to be reflected in party politics. While putting homemakers first, many voters do not have an answer to the serious question of how tax revenues should be increased in response to the mind-boggling trends of rapid increases in government expenditure for health care, welfare and education. Similarly, they do not have an answer to the serious question of how to maintain competitiveness and promote technological innovation as the ratio of productive and working people to the total population declines.

Delays in change at the political party level have been even more striking. Protracted one-party rule has meant that, even when the opposition provided a stimulus and generated a new policy direction, the credit for this was given to the ruling party, not the opposition. Therefore, instances of voters voicing their opinions have not been sufficiently reflected in party politics. The rise and decline of reformist governments in Japan in the 1990s demonstrates that, despite the volatility of the country's politics, the wheels of change in the Japanese political system turn very slowly.

Amid the Recruit scandal, a major stock–saver scandal involv-

ing major political and business leaders and other instances of corruption in the late 1980s and early 1990s, demands for political reform focused on the prevention of political corruption. Moreover, reflecting on the poor handling of the Gulf crisis and US–Japan economic negotiations, the calls for reform also focused on political leadership. By revising the Political Finance Regulation Law, the Public Office Election Law and the Public Administration Procedural Law, attempts were made to remedy the situation without changing the system of long-time one-party rule. Nevertheless, this led to the division of the Liberal Democratic Party and, eventually, the dissolution of parliament amid the interaction between the ruling party and the opposition over proposals for revising the electoral system.

In 1992, the Japan New Party was born against a backdrop of public outrage regarding the corruption and alleged policy failures of the Liberal Democratic Party. In 1993, the Renewal Party was founded by Liberal Democratic Party dissenters, and in August 1993, these new parties were able to wrest power from the Liberal Democratic Party by forming a coalition government led by Prime Minister Morihiro Hosokawa, ending the 38-year rule of the Liberal Democrats. The Hosokawa government certainly promoted change in a political order that had been half-frozen for nearly twenty years, but the change was slow, albeit steady. The reformist coalition government swiftly passed certain political reform bills, which included, most importantly, a change in the House of Representatives election system from the multiple-seat district system (according to which two to five people are elected in each district) to the single-seat (where one person is elected per district) and proportional representation systems, as well as harsher provisions for the punishment of campaign rule violations and the acceptance of political donations.

These political reform bills were received favourably by the public but, after legislation was passed, the public outrage against the Liberal Democratic Party began to subside and the solidarity among the coalition partners started to weaken. In early 1994, Prime Minister Hosokawa resigned as his abrupt call for an increase in the consumption tax drew severe public criticism, while the Socialist Party (formerly known as the Japan Socialist Party and now renamed the Social Democratic Party of Japan) withdrew

from the coalition. The remaining forces survived a few more months under Prime Minister Tsutomu Hata, but the marriage of convenience between the Liberal Democratic Party and its long-time rival, the Social Democratic Party, together with the Sakigake New Party, ended the rule of the reformist coalition in June 1994.[6]

Thus, the earth-shaking alliance between the Socialists and the Liberal Democrats brought the Liberal Democratic Party back to power, although it opened the way for the decline of the former. Prime Minister Tomiichi Murayama, the chairman of the Social Democratic Party, scored two major policy successes. His party abandoned its long-time opposition to the US–Japan security treaty, which act greatly facilitated a subsequent review of US–Japan security cooperation guidelines. No less important is Prime Minister Murayama's statement of Japanese repentance regarding acts of war in the 1930s and 1940s. It was direct and forthright, leaving no room for doubt among even the most sceptical. The statement has subsequently become a very strong and standard statement of the Japanese government on that issue. Under the Murayama government, however, the economy went into steady decline. The cumulative budget deficit reached unprecedented heights. In addition, there was a succession of domestic and international crises, ranging from the North Korean nuclear crisis, the rising tension over the Taiwan Strait and the Great Hanshin Earthquake to the terrorist attacks of Aum Shinrikyo cult members on Tokyo subways. Weighed down by the continuing recession and buffeted by one crisis after another, Japan's political mood was quite pessimistic.

Furthermore, continuous revelations of bureaucratic scandals and corruption incited widespread public anger. In the loosened political mood of the coalition governments, reformist and otherwise, the bureaucratic scandals which had originated during the preceding two decades started to manifest themselves. Particularly in the mid-1990s, the Japanese bureaucratic system faced a number of extraordinary dilemmas and scathing public accusations.[7] The list of bureaucratic scandals included the unabashed corruption of Ministry of Finance bureaucrats, local and national bureaucratic business entertaining, the Monju nuclear reactor accident, scandals surrounding the government's bail-out of housing loan institutions, and the Health and Welfare Ministry's

oversight regarding the control of HIV-tainted blood. These scandals indicated to the public that, in order to change the body politic, they would have to look at the central bureaucracy. In Japan, the body politic has a powerful bureaucracy, which is largely responsible for the formation and implementation of public policy, so administrative reform became a particularly popular issue among Japanese voters in the subsequent general election in 1996.

Under the rule of the Murayama coalition government, the tide was swinging back to the one-party predominance of the Liberal Democrats. The anti-Liberal Democratic Party populist upsurge had disappeared. Murayama's Social Democratic Party substantially reduced its own political space by giving up its nationalistic, somewhat anti-US foreign policy platform. Upon his resignation in January 1996, the Liberal Democratic Party president, Ryutaro Hashimoto, became Prime Minister while retaining the coalition arrangement with the Social Democratic Party and the Sakigake New Party.

Once in office, Prime Minister Hashimoto skilfully handled such difficult issues as the US–Japan security treaty and the housing loan company failures, which helped substantially improve public support for the Liberal Democratic Party. Within six months, he demonstrated that he could get on well with the United States on security and economic issues, and that he could deliver with his strong command of policy affairs and firm control of the bureaucracy. Having seen the chance to enhance his power base once public opinion became favourable to his party, Prime Minister Hashimoto decided to call for a general election in October 1996.

This election was the first general election held under the new electoral system. Its results were primarily the victory of the Liberal Democratic Party and Prime Minister Hashimoto, and secondarily a defeat for the New Frontier Party, a hotchpotch reformist party led by Ichiro Ozawa. The election also marked the demise of the Social Democratic Party. Further, it put a virtual end to the reformist era of the 1990s. A vast number of voters seemed to be disillusioned with the reformist parties, many being dissatisfied by the performance of the coalition government and the disarray of reformist parties (as symbolized by their frequent realignment and the ever-changing party affiliation of

reformist politicians). Many voters are alienated by politics in general, as was evident from the low voter turnout – the lowest since the House of Representatives election in 1945. The irony is that the reformist parties were beaten by a Liberal Democratic Party which had waved the banner of reform in its election campaigning.[8]

Thus, the Liberal Democratic Party made a comeback after the reformist leaders absorbed much of the anti-Liberal Democratic Party sentiment and public accusations. In retrospect, the reformist coalition governments of 1993–4 rode to power on the tide of public outrage against political corruption. But once reform legislation had been completed, the Japanese public more or less retreated to normality. The tide was swinging back towards one-party predominance.

It was not the first time that the Liberal Democratic Party had been besieged by public criticism. During the period of economic boom between 1972 and 1975, the public displayed widespread anti-Liberal Democratic Party reformist zeal, which was triggered by both accusations levelled at Prime Minister Tanaka concerning his alleged involvement in the Lockheed scandal, and his highly inflationary economic policies.[9] In this early reformist era, the anti-Tanaka cabinet, headed by Takeo Miki, and the splinter party known as the New Liberal Club effectively absorbed much of the anti-corruption and anti-Liberal Democratic Party sentiment. But thereafter, the Liberal Democratic Party recovered public support to a level comparable to that of the pre-Tanaka governments of Prime Ministers Eisaku Sato (1964–72) and Hayato Ikeda (1960–4), and the New Liberal Club merged back into the Liberal Democratic Party in 1986.

The defeat of reformist parties in the 1996 election and the revival of Liberal Democratic Party dominance in Japanese politics can perhaps be partly explained by the fact that the central bureaucracy strongly prefers one-party predominance. The consultative process involving all the coalition partners is very complex; the process of achieving modification and gaining the acceptance of every coalition partner for each bill drafted by the bureaucracy is not only time-consuming but very difficult to achieve. In other words, the Liberal Democratic Party or any predominant party in power feels that if it can deal just with

the central bureaucracy in legislation, so much the better. Dealing with a non-coalition government requires much less time, energy and effort. Both the Liberal Democratic Party and the national bureaucracy felt this way throughout the brief period of coalition government. In the time-tested division of labour between politicians in the electoral districts and bureaucrats in Tokyo, politicians are expected to win the hearts and minds of the voters and the bureaucrats' role is to take care of public policy.

The reformist era of the 1990s also witnessed an unanticipated outcome. While politicians competed amongst themselves, the bureaucracy was again in the ascendancy, which should not have been the case with a reformist government. When the coalition government was in paralysis over divisive issues, the central bureaucracy asserted itself in formulating and implementing public policy. In 1996 and 1997, speculation had it that, under the leadership of Prime Minister Hashimoto, the Liberal Democratic Party might well advance, if only in small steps, the reformist agenda of more effectively taming the bureaucracy. This was because of the Prime Minister's cordial working relationship with the bureaucracy, policy expertise, and desire to establish the elected government's political supremacy over the bureaucracy.

However, Prime Minister Hashimoto's policy of small government appears to have backfired in the light of the economic crisis that was deepening since 1997. Bureaucratic and fiscal cutbacks all turned out to be ill-timed, given the nature of the crisis, and priority was not given to sorting out the bad loans and introducing an economic stimulus package. The House of Councillors election in June 1998 ended in a setback for the Liberal Democratic Party and allowed major opposition parties – including the Komei Party, the Communist Party and the one-month-old Democratic Party – to gain ground. During the latter part of 1998, parliament on several occasions passed legislation enabling the government to both make available vast sums of public funds, so that financial institutions could write off a large portion of their bad loans, and cobble together an economic stimulus package. Throughout this period, the Liberal Democratic Party seemingly swallowed whole the bills as they were drafted by the new Democratic Party. At this point, Prime Minister Keizo Obuchi, somewhat alarmed by the legislative vigour of the Democratic Party, and

sensing new priorities of tax reduction, national security and constitutional issues in the offing, started to switch coalition partners. From the broadly centre-left Democratic Party he swung to the centre-right Liberal and Komei parties.

Thus, it seems that the drift of Japanese society is set to continue parallel with that of Japanese politics.[10] The drift will primarily involve emphasis on consumers and, in second place, Japanese nationalism. The former concerns a major policy and ideological confrontation between pro-business and anti-business forces.[11] Over the 1980s and 1990s, pro-business policies increased in importance for two reasons: the reduced growth momentum of the Japanese economy, and the trend towards market globalization and liberalization. Especially during the 1990s, the split in the centre-right continuum between pro-market liberalization and anti-market liberalization became marked. The reformist groups, particularly the New Frontier Party, have stressed this issue, whereas the Liberal Democratic Party, along with the Social Democratic Party, has opted for balance.

As threats of communism are perceived to disappear both domestically and internationally, concern for the future is being fuelled by several factors. These include US demands for market liberalization and international contributions, China's rise as a great economic and military power, North Korea's possible production and use of nuclear weapons, the *fin-de-siècle* anxiety coloured by regional conflicts, and wars between civilizations all round the world.

It thus seems more than likely that Japanese nationalist sentiments will gradually grow stronger. Should they do so rapidly, they will have a significant impact on international security and world economic arrangements. In this context, it is a matter for concern that, during the half-year between the autumn of 1992 and the spring of 1993, Japanese people's sense of trust towards the United States dropped sharply from 65 per cent to 45 per cent, according to a national poll. This indicates that, even after the breakdown of the US–Japan Framework Talks of February 1994 when US pressure ceased to be exerted, the trend towards growing distrust remained.

Having examined the security, economic and domestic–political dimensions of Japan's foreign policy, I will attempt to put forward an agenda for Japan's foreign policy.

9
Agendas for Japanese Foreign Policy

The end of the Cold War and the future of the US–Japan Security Treaty

The foregoing pages suggest that, without taking domestic issues into account, one cannot explore the possibilities for Japanese foreign policy agendas. In this chapter, bearing this in mind, I will examine these agendas in response to the end of the Cold War, the end of geography and the end of history, from three viewpoints: the US–Japan security treaty; the General Agreement on Tariffs and Trade and its successor, the World Trade Organization; and the existence of, and functional changes within, the Liberal Democratic Party.

To place the matter in sharp relief, the end of the Cold War had the impact of a virtual body blow on international security arrangements. Over the short term, the US–Japan alliance will invariably be strengthened and deepened. But over the medium and long term, uncertain elements will manifest themselves. Thus there exist overriding factors that would allow us to be optimistic for the short term, but not the long term. While it may be averred that the US–Japan alliance will continue to be Japan's choice, there are uncertainties regarding whether it will continue to be that of the United States. For the future of this alliance is directly linked to the dilemma Washington is experiencing as a result of the end of the Cold War.

From a long-term perspective, the future of the US–Japan alliance remains in doubt. Why should it continue, once there

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has been a peaceful unification of the two Koreas and the Taiwan question has been amicably resolved by an increasingly democratic China? As structural realists have long argued, the asymmetries could make the alliance unsustainable. Even though both sides insist that they will maintain the security treaty, what would happen were the United States to seek zealously to increase its competitiveness and score short-term points by policy manipulation, while Japan, fixated on its reputation, continued to lose by tactless and clumsy responses?

President Clinton's economic policy has come to fruition, but it is not clear how long the current US economic boom will last. It is not likely that everything will go well for many, many years. When pressing concerns over regional security in East Asia disappear and the US economy slows down, Washington's military presence in the Asia–Pacific region will decrease considerably. There is a long lead time before the end of the Cold War is fully manifest. If the United States and Japan continue to provide such poor responses, in ten to twenty years the US–Japan security treaty may be virtually hollowed out, which would be tantamount to its having disappeared.[1]

As regional conflicts and wars among cultures have become an increasingly noticeable feature what agenda should be redefined for Japan? How should security arrangements other than the US–Japan security treaty be developed? In particular, when it is perceived that the United States shifts its position from exclusive conventional bilateralism to multilateralism, how should Japan unfold its multilateral diplomacy? Certainly, if Japan tries to resolve all its problems through the US–Japan security treaty, it will be overloaded and may become nothing more than a name, completely lacking substance. Instead, it seems that, in response to new challenges, Japan should devise a variety of options and take a new approach.

The transformation of GATT and the move towards new economic rules

The end of geography is scuttling conventional agreements on world economic management from the bottom of the market. The efficacy of the General Agreement on Tariffs and Trade re-

gime, which served to rectify unfair economic competition and promote free trade, has gradually weakened; the United States has begun to adopt a strategy that does not solely rely on it. In fact, before and after the GATT Uruguay Round agreement was finally confirmed at Marrakesh, Morocco, in April 1994, Washington showed signs of backtracking from part of the agreement. While stressing the importance of multilateral economic frameworks, it has increasingly resorted to a bilateral avenue for problem solutions when multilateral mechanisms have not produced the desired outcomes. If Japan continues to maintain the traditional GATT perspective and refuses to recognize the change in US strategy – Europe long ago began to free itself from the traditional GATT perspective – the Agreement and its successor, the World Trade Organization, may become virtually nominal bodies without substance.

The Uruguay Round was successfully concluded, but its contents will gradually thin out. Competition among Japan, the United States, European countries and other nations will intensify regarding how to apply the realities of the end of geography to the formulation of economic rules. How should we construct new agreements matching market forces? Another source of concern is that the response of Japan and the European Union to a Washington proposal for a new GATT round has been relatively cool. This change was also reflected at the G7 summit meeting in Naples in July 1994, when the US proposal to plan further market liberalization was temporarily shelved following intervention by French President François Mitterrand, who maintained that the Uruguay Round agreement should be first implemented. The timeframe for market liberalization also became a thorny political issue at the Asia–Pacific Economic Cooperation forum summit in Osaka in November 1995.

Even though priority is placed on the strengthening of the World Trade Organization, it is not clear how bilateral agreements emanating from US–Japan economic negotiations should be treated within that body's framework. Will US priorities be offset by emphasis on the Asia–Pacific region, with the result that priority is given to neither the World Trade Organization nor US–Japan negotiations? As a consequence, will Japan adapt to the whims of market forces, or will it only be after the economic

primacy of Japan and the Asia–Pacific region have been achieved that Japan becomes serious about world economic rule-making? Or will Japan adapt extemporaneously, according to the currents of its own nationalist sentiments?

Japan's regionalism resuscitated?

October and November 1998 saw a spate of diplomatic activity. Japan hosted visits by the Republic of Korea's President Kim Dae Jung, the US President and China's President Jiang Zemin, all of whom held talks with Prime Minister Keizo Obuchi. The Japanese Prime Minister, in turn, visited Russia for a meeting with President Boris Yeltsin, attended the Asia–Pacific Economic Cooperation summit in Kuala Lumpur and the Association for South-East Asian Nations summit in Hanoi.

The Japanese–South Korean joint communiqué and associated agreements are most substantial indeed, and will most likely be remembered as being more important than the Basic Treaty of 1965 in terms of their doing more than the treaty to advance the cause of *rapprochement* and improve bilateral rapport while, at the same time, stressing interdependence and linkage. The Japanese–Russian joint communiqué and associated agreements are also a vigorous declaration by both countries of their intention to forge close ties, settle Cold War-related issues, and tackle matters related to economic, energy, technological and financial cooperation.

The APEC meeting saw the schism deepen between the Asian and Pacific member states in the area of liberalization, particularly with regard to two aspects: primary products and the question of whether liberalization should be on a voluntary or regionwide basis. Needless to say, Japan supports its Asian neighbours on both counts. Nevertheless, the Japanese–US joint communiqué reaffirmed the basic principles of free trade and free markets, free speech and democratic politics, as well as their bilateral alliance. The US President succeeded in making a good impression on the Japanese public as he deftly and seemingly sincerely answered all questions and comments put to him in a televised telephone link-up.

The Japanese–Chinese joint communiqué is interesting in that

the concessions made on both sides were outside the framework of the joint communiqué and agreements, coming, as they did, after the communiqué had been reported in the press. Thus, the Japanese Prime Minister was able to apologize for Japan's actions in China, while President Jiang was able to add to his praise of Japan's postwar achievements in peace and prosperity strong criticism of Japan for its lack of repentance. Since 1972, when Japan began making great efforts to help China modernize, it was believed that an apology was no longer necessary since its actions surely spoke louder than words. China, however, has since that time believed that the more it can remind Japan of the need to apologize for past deeds, the greater the assistance it will receive. Despite the different approaches, the joint communiqué is a landmark agreement that has forged the strongest Sino-Japanese ties to date.

With the two months of diplomatic activity taken together, it would seem that Japan's foreign policy is forward-looking, just at a time when the United States is stressing unipolarity and Asia finds itself in the midst of an economic crisis. This may well be an indication of the future direction of Japan's foreign policy.

In the wake of the Asia–Pacific Economic Cooperation summit, there can be seen vague signs that the forum is being pulled in different directions by two interest groups. One path would bring the forum more in line with the World Trade Organization and make APEC virtually an arm of US unipolarity; the other path would reconfirm APEC's position as a body that can say no to the United States in matters of rule-making and implementation. The question now is whether Japan might not, in fact, be moving in a more regional direction.

The limits of liberal democracy and karaoke democracy

The end of history is certainly changing conventional forms of governance. The functions of liberal democracy and parliamentary politics that are basically harmonious with nineteenth-century premises in part expanded countervailing functions at the end of the twentieth century. The twentieth century was the century

of ideology and the century of madness but, precisely because of this, it has been possible for liberal democracy, which originated in the nineteenth century, to maintain its vitality. As a counter force against communism, Fascism and various forms of dictatorship, the premises of liberal democracy were not seriously called into question. As we begin the twenty-first century, however, several changes stand out with great clarity: the premises of a small and homogeneous ruling elite are disappearing; the masses are participating in politics; social organizations are being developed by bureaucracy; corporate activities are becoming predominant in society; sovereign states are being eroded through economic globalization; and the concept of popular sovereignty through direct representation has become an anachronism.

In this context, communism virtually disappeared in Europe, which provided an opportunity for rethinking liberal democracy and parliamentary politics. Just like other scandals occurring in G7 countries such as Italy and France, the Liberal Democratic Party's scandals symbolize its weakening political base. Many of these regimes were nurtured during the Cold War and lived an easy life amid high economic growth. Further, they accumulated too much wealth which they could not dispose of in the excessive boom during the second half of the 1980s. The regimes are reminiscent of the Iranian government under the Shah, that amassed wealth through oil, hoarded weapons and destroyed itself. The Liberal Democratic Party in Japan and the Christian Democratic Party in Italy lost power in 1993, thus paying tribute to the end of history.[2]

While universal concepts such as human rights, liberty and democracy have gained currency, national, religious and civilizational concepts that could replace them are increasingly being explored. In particular, the argument propounded by Singapore's Lee Kuan Yew, that Western liberal democratic politics induces chaos and lowers competitiveness, has gained many hidden supporters. The permeation of international security and the unification of the world economy facilitate numerous structural changes due to the strategic integrity and economic integration they bring about, but they also cause a great deal of anxiety. And this anxiety reinforces the *raison d'être* of counter forces against liberal democracy and parliamentary politics, which may take the form of mild

authoritarianism based on ethnicity, religion and civilizations.[3]

In this context, the Liberal Democratic Party was driven out of power in 1993. It had strengthened its nationalistic orientation, while unable to escape the inertia of putting producers first, and so, pushed by voters inclined to a more conciliatory line towards the United States and to a consumer-oriented line, as well as by the preference of the US government, a change of direction took place amid the drift. The birth and demise of the reformist coalition government and the Liberal Democratic Party's dramatic revival are strongly related to Japan's current drift. Although the Liberal Democratic Party has regained power, it still does not have a majority in the National Diet. The October 1996 general election thus did not deliver a tight outcome and so, without a real anchor in Japan's political party system, Japanese politics remains in a state of flux.

Since 1993, Japanese politics has had the characteristics of what could be called karaoke democracy. First, karaoke democracy gives the impression that anyone can participate: anyone can become the prime minister, anyone can participate in the government, even those who are not interested in karaoke. Second, no matter who may seize power, the karaoke called the bureaucracy awaits them. According to the prime minister's estimated term of office, the bureaucracy will treat the individual with perfunctory courtesy, prepare a legislative schedule just like a chef's special menu, and pass bills without fail. It is just like karaoke: those who cannot remember the lyrics can follow them on the TV screen and even the poor singer succeeds, since music is played in the background, there is always an audience, and cheers and applause are never lacking – so much so that one can sometimes be deluded into feeling like a first-class vocalist. No matter who becomes prime minister, a decent performance can be achieved because bureaucrats are the choreographers.

Yet, this should not lead to the misunderstanding that only Japan practises karaoke democracy. In fact, it is a nearly universal phenomenon, and evidence that the significant limitations to nineteenth-century liberal democracy are gradually growing. Liberal democracy, with its image of politicians leading people through policy in accordance with socioeconomic changes and people's political preference, has manifested its own limitations,

even though many people are under the illusion that it functions as its image would have one believe. The image remains particularly strong in Western countries that experienced a transition from absolute monarchy to Enlightenment in the period between the sixteenth and eighteenth centuries, and to liberal democratic regimes in the nineteenth and twentieth centuries.

Be that as it may, the role of politics steadily declines in complex societies characterized as highly industrialized and advanced information societies. The image of politicians leading their societies can be less and less substantiated. In contrast to the global economy, local democratic politics must stick to the nineteenth-century model, the main characteristics of which include individual political participation, interest aggregation by political parties, the government's formation and implementation of public policy and the change of government through elections. However, as political participation increases, local interests tend to dominate; yet, as political parties become more powerful, the continuous implementation of effective policy becomes more difficult. Although these drawbacks become notable, it is difficult to envision an alternative political system to liberal democracy. This was the agony at the end of the twentieth century.

One Japanese-style response is to leave most functions of stable and continuous policy formation and implementation to the bureaucracy. This is the mechanism through which politicians are expected to work mainly on winning public confidence in their electorates. As a matter of fact, reformist governments enjoyed the highest ratio for the passage of bills in the postwar era. It is not that political instability leads to the absence of policies but, rather, that the fluidity of party politics and the instability of the government have led to vitalizing legislative activities. Moreover, approval ratings for the reformist governments since 1993 – the governments of Prime Ministers Hosokawa and Hata – are the highest in the postwar era.[4]

Having examined the drifts of the United States and Japan in Parts I and II, respectively, in Part III I will come back to the global picture from a slightly more theoretical angle and see, towards the end, how the United States- and Japan-focused four scenarios may be evolving.

Part III

A Global Perspective

10
International Security

Technological advances

As technologies advance and given their destructive power, speed, range and accuracy, military weapons are becoming something that transcends the concept of national security as defined by nineteenth-century sovereign states. Indeed, there were remarkable technological advances as we moved from the nineteenth century – in which guns, arrows and swords were the primary weapons – to the twentieth century, with its weaponry of nuclear ballistic missiles, jet fighters and nuclear submarines.

Looking at the history of military weapons, one can see the change that has occurred in the number of people an individual can wound and kill. Once, when people killed, the ratio was generally 1:1. But, with the introduction of cavalry and stirrups, the intensity of fighting and individual mobility increased, allowing the ratio to become 1:10.[1] Thus the Mongolian armies' incursions into Europe can largely be attributed to the power of their cavalries.

Furthermore, the invention of firearms gradually opened the way to mass destruction. In medieval Japan, for example, Nobunaga Oda's 1575 battle of Nagashino was epoch-making in that it was the largest battle the world had seen in which firearms were used in a multi-layered and systematic manner. Dozens of years were to pass before firearms were used in Europe in a manner and on a scale anywhere similar, and that was in Gustavus Adolphus's battle of Breitenfeld in 1631.[2] At that time, the ratio

T. Inoguchi, *Global Change*
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of killer to killed was 1:10 or 1:100, and Westerners' prosperity, through colonialism and imperialism, has largely been attributed to their skilful use of firearms.[3]

At the start of the twentieth century, tanks and bombers were invented, and were believed to be the ultimate weapons. As bombers emerged in the First World War, Giulio Douhe, an Italian military expert, predicted that there would be no more wars,[4] for the killer-to-killed ratio had now increased to 1:1000 or 1:10 000. The story is much the same for tanks. In the initial fighting of the Second World War, when Germany attacked Poland and invaded the extensive flat plains of the German–Polish border area with thousands of tanks and warplanes, the Polish army literally plunged into the tanks with cavalry divisions. Soldiers mounted on horses and armed with rifles were felled in waves, falling like slices of meat; Poland surrendered to Germany only two weeks later. The number of soldiers killed daily during that period is the highest to date for any one battle.[5]

The nuclear weapons that the United States used against Japan in the final stages of the Second World War dramatically raised the killer-to-killed ratio: it was now one to hundreds of thousands. Thereafter, progress in nuclear technology pushed the killing ratio to one to millions, while an even higher ratio has been made possible by long-range strategic nuclear weapons equipped with multiple warheads that are independently targeted.

In the meantime, however, another significant change has taken place in military technology. During the Cold War, extraordinary strides were made in the accuracy of military weapons. Due to the advancement of ballistic missile technologies, which were not available at the time of the bombings of Hiroshima and Nagasaki, there is no longer any need for bombers to drop bombs, while at the same time the accuracy of ballistic missiles has improved remarkably. Thus, for example, whereas half the missiles would in the past have hit within an eight-kilometre radius of the target, by the end of the Cold War half would have hit within a 100-metre radius.[6] This, in terms of older standards, represents almost 100 per cent accuracy. Moreover, the targets are primarily no longer officers, soldiers or citizens, but enemy military bases and warehouses.

It was during the Cold War that the United States and the

Soviet Union deployed weapons of mass destruction on a large scale. Initially, as the weapons were not very accurate, mutual suspicion drove the two powers to compete and deploy nuclear weapons almost recklessly. However, as technological advances have allowed the precision of nuclear weapons to be improved, so the need for surplus weaponry has disappeared – one of the major factors behind the reduction of arms by both the United States and Russia since the mid-1980s.

More remarkably, precision attacks have become a major goal of US military forces, as became evident in the Gulf War. A conscious attempt was made to minimize human casualties, and the aim was to accurately hit and destroy military targets. Compared with the Vietnam War, the number of casualties suffered by both attacker and defender was far smaller. While the Vietnamese suffered millions of deaths during the Vietnam War, a much lower figure of some 50 000 Americans were killed between 1965 and 1975.

Changes in the nature of military weapons are a major factor in making inevitable a shift in perspective from national to international security. With the destructive power of military weapons so greatly increased, their range dramatically improved and their precision enhanced, it is no longer necessarily relevant to think of security in terms of borders.

More importantly, the cost of military weapons, especially of the associated research and development, has become increasingly high, making it unavoidable that common security should be approached from a perspective of cooperation. For instance, research and development for anti-missile defence weapons systems require large financial outlays and an enormous amount of time. Thus, President Reagan's Strategic Defense Initiative (SDI), a system designed to ensure security from strategic nuclear weapons, is deadlocked for now. In addition to the fact that it is prohibitively expensive, it is hard to predict when technical innovation might occur. Moreover, the Soviet Union – once a threat – has disintegrated. With the enemy gone, plans for the Initiative have been jeopardized.

So now, instead, the idea of smaller-scale, theatre-based, anti-missile defence has emerged. The plan being steadily developed is to detect enemy missiles by satellite during launch preparations,

and then to fire land- or sea-based missiles, with speeds exceeding those of the enemy missiles, to destroy them. As a result of the collapse of the Soviet Union and the subsequent instability in Russia, however, the possibility of using strategic nuclear missiles has become somewhat remote. Nevertheless, research and development continues in the technologies focused on the growing possibility that, to maintain post-Cold War security, missiles might be used for conventional weapons, especially tactical nuclear and biological weapons.

Research and development of such technologies is costly, making joint development and joint use inevitable. The question then arises concerning the relationship between national and international security. It is expected that the degree of overlap will increase as factors such as the global integration of economic activities and the development of a sense of human community cause a shift in attention to international security. But it should not be forgotten that technological development remains the linchpin.

The realist perspective

The mechanism

International security may be considered from several perspectives, the most suitable being that which can best explain reality in such a way as will ensure peace and security. Of greatest importance in this regard is the realist perspective of power politics. It posits that states are the primary units of action, and that they make rational cost–benefit calculations with a view to expanding their power and relative gains *vis-à-vis* potential adversaries. Regarding the question of why states resort to war, the realist perspective suggests a state calculates that the benefits of war outweigh the costs. Such calculations are often incorrect but, because it is human nature to think that way, wars break out.[7] The realist perspective, associated with such names as Sun Tzu, Machiavelli and Clausewitz, is rooted in behavioural motivation, which is based on behavioural patterns that are either balancing or bandwagoning.[8]

Balance of power requires that all actors involved be on an equal footing and attain a state of mutual checks and coopera-

tion. Bandwagoning is that mechanism according to which the actors will place themselves under the umbrella of the most powerful of their number to seek its protection. In other words, the former pattern implies that a greater peace is achieved when there is a balance of power, while the latter holds that a greater peace arrives when hegemonic power is solid.

In international politics, the two views are brothers in the Realist perspective. The key concepts are balance and sitting pretty. Were states not to attain a balance of power or to sit pretty, the system of state sovereignty would become anarchic; they are driven by cost–benefit calculations. At the end of the twentieth century, the most notable proponent of balance-of-power theory is Henry Kissinger, and that of hegemonic stability theory is Robert Gilpin.[9]

Balance-of-power theory

The logic behind the balance-of-power theory has it that peace materializes if, rather than there being one strong power imposing its will selfishly on others, there are several similarly structured countries that share a we-are-in-the-same-boat spirit as members of a quasi-community and adjust their interests according to realistic cost–benefit calculations.

In this context, the era that Kissinger favoured most is that of the Concert of Five, after the Napoleonic Wars, in which Austria, Russia, Prussia, Britain and France banded together. Although France was defeated, it was not thoroughly punished but, instead, invited to participate.

It was assumed that outside the Five there was a different world, in which their rules were not applied, where there was external space. Within the confines of their accord, however, the great powers were granted considerable freedom of action as they advanced. It can be said to have been the clearing ground for colonialism and imperialism.

Morton Kaplan formulated a theory regarding the balance of power among states based on six rules:[10]

1 Maximize capabilities, but choose to negotiate rather than fight.
2 Fight, rather than lose an opportunity to maximize capabilities.
3 Cease fighting, rather than eliminate a state that is a basic actor in the system.

4 Oppose a coalition of states or one state that tends to gain a position superior to that of other members in the system.
5 Check an actor which observes the principle of supranational institutions.
6 If a state, a basic actor in the system, is defeated or checked, allow its readmission to the system as a partner playing a role in the balance-of-power system, or behave in such a way as to turn a non-basic actor into a basic actor. Treat all basic actors as partners able to cooperate.

Under President Nixon, Kissinger is said to have guided US diplomacy according to this theory, which he applied to bring to an end the Vietnam War, restore diplomatic relations with China, ease tension with the Soviet Union, and broker peace in the Middle East. Despite the difference between the early nineteenth-century Viennese political regime and the US hegemonic system in the third quarter of the twentieth century, Kissinger recognized the structural and tactical similarities between them.

Kissinger's diplomatic style is that of realist diplomacy. It is characterized by a high degree of secrecy, summit meetings, manipulative diplomacy, calculations of military balance and the prominence of national interests.

Hegemonic stability theory

Meanwhile, hegemonic stability theory argues that, when one dominant power persists, the international political situation is stable and peace prevails.[11] The argument goes that since a hegemonic power sets rules of international politics, builds infrastructure and bears the cost of managing the entire system, other states accede to its leadership.

Of course, hegemonic power is not eternal and power shifts, depending on which state develops new technology and produces competitive products. Moreover, hegemonic stability is most likely to crumble when a state counters a hegemonic power militarily: when the power of a challenging state rapidly approaches that of the hegemon, the challenger is most likely to take bold action. It is in such times of hegemonic transition that peace tends to collapse.

With reference to Morton Kaplan's rules, let us now formulate rules for hegemonic stability theory:

1 Maximize states' capabilities, but exercise self-restraint within a framework set by the hegemon.
2 Support a hegemon, rather than challenge it.
3 Directly or indirectly exercise hegemonic pressure unilaterally or jointly against an actor that challenges a hegemon.
4 A hegemon sets the rules for international organizations.
5 Regional hegemony is tolerated as long as it remains within the hub-and-spoke relationships based on global hegemonic power.
6 Actors adopting radically different rules will be ostracized as traitors and apostates.

Several situations in which the above points apply come to mind. The behaviour of G7 countries fits rule 1. The objectives of the North Atlantic Treaty Organization and the US–Japan Security Treaty were, from the US perspective, first to counter the Soviet Union, second to humble Germany and Japan, and third to prolong US hegemony. It is well-known that the common agenda for G7 economic summit meetings and Western countries' summit meetings are greatly influenced by the aim of the United States to secure cooperation on various issues it is facing.

The behaviour of both Japan and Germany fits rule 2. For these two countries, self-assertion was only possible within a defined framework. Thus, for example, Washington's initial negative reaction to the German-led European Monetary Union (later version) and to the possibly Japanese-led East Asian Economic Caucus and Asian Monetary Fund.

The United States' behaviour towards Germany and Japan fits rule 3. During the administration of Prime Minister Tanaka in the 1970s, Japan is said to have attempted to draw closer to the Soviet Union to escape from Washington's hegemony in energy supplies. If looked at with suspicion, the US response could be interpreted as fitting the behaviour described in rule 3. Another example is Washington's increasing attention to Japan's nuclear capability in connection with the North Korean nuclear crisis.

The rule-making for international organizations after the Second World War and the reformulation of rules for international organizations after the Cold War are an example of rule 4. This can be said of the United Nations, the World Bank, the General Agreement on Tariffs and Trade and its successor, the World Trade Organization, as well as of the Asia–Pacific Economic Cooperation

forum. The Asian Development Bank also fits in here. The US leadership of the time wished the South-East Asian market given to Japan, lest it become friendly with China in a bid to penetrate the Chinese market, and the establishment of the Asian Development Bank was designed to make this possible.

The United States' behaviour towards Russia and India is an example of rule 5. Accordingly, the US Navy has held joint military exercises with the Indian Navy since 1993, and has tolerated India's regional hegemony. The United States has also acquiesced to Russia's regional hegemony. Despite Moscow's increasing unilateral political and military intervention in former Soviet republics, Washington basically has not changed its cooperative policy towards Russia.

Meanwhile, Washington's behaviour *vis-à-vis* North Korea, Libya and Iraq fits rule 6. The Clinton administration has steadfastly pursued a tough policy to prevent these 'rogue' states from developing weapons of mass destruction and long-range ballistic missiles. As the 1996 crisis with Iraq over UN weapons inspections demonstrates, the United States has resolutely maintained its uncompromising stance to foil Baghdad's efforts to develop weapons of mass destruction, repeatedly stressing its willingness to resort to unilateral military action. In the area of economics, US behaviour towards Japan may be based on rule 6.[12]

From what perspective should we then look at the end of the Cold War? To answer this, we first need to define the nature of the Cold War. Let us assume that the United States was a hegemonic power and the Soviet Union was a pseudo-challenger. The latter not only lost in the arms race, but also was defeated in economic competition and in the ideological contest, and in the end self-destructed. It can be said that Moscow tried to challenge the United States but lost without really fighting. In this respect, the challenge was confined to the arms race, and the result became clear without a war. That is why John Gaddis refers to the Cold War as a long peace, and Mary Kaldor calls it the imagined war.[13] By making the Soviet Union a pseudo-challenger, the United States succeeded in mobilizing its people and allies.

Then, how can Japan and Germany be categorized? They can be seen as potential challengers and, by identifying them as such, the hegemonic state can bolster a sense of solidarity, increase

the efficiency of resource mobilization and prolong the life of its hegemony.

When considering by what mechanism the next hegemonic power will emerge, one should bear in mind the argument that a great power actively supporting a hegemonic state will quietly succeed almost unnoticed.[14] This process is evident in the hegemonic transition from the Netherlands to Britain in the seventeenth century and Britain to the United States in the twentieth century.

When Japanese economic power was increasingly perceived as a threat to the United States in the late 1980s, the notion that Japan was on the rise and America was on the decline was widespread. A prominent former Japanese diplomat, Hisahiko Okazaki, once maintained that as long as Japan firmly implemented the rules as a supporting state, hegemony might be transferred from the United States to Japan in the near future. Likewise, one former high-ranking Japanese bureaucrat is quoted as having said, 'The future agenda for Japan is how to reconcile with the United States when the latter is unable to resolve a problem, and thus becomes troubled or indignant.' Although of the beginning of the twenty-first century economic landscape makes such a notion quite irrelevant, this view reflects a considerable degree of awareness regarding the possibility of hegemonic transition.

Another argument with regard to hegemonic transition is that a challenger becomes the new hegemonic state by overwhelming the hegemonic power in a war or in other ways.[15] Accordingly, England defeated the invincible Spanish Armada and the Royal Navy conquered the Seven Seas.

Besides the Realist perspective, there are approaches that differ significantly and are represented by the institutionalist, interdependence and democratic perspectives. All three, although based on theories put forward by Immanuel Kant at the end of the eighteenth century, gained particular currency at the end of the twentieth century.[16]

The institutionalist perspective

This perspective argues that peace is achieved and consolidated through the international institutionalization of particular rules, procedures and practices. In fact, wartime action has come to be

regulated according to a certain humanitarian framework as a result of efforts to codify wartime international law.

As painfully demonstrated during the Thirty Years War (1618–48), war had become unbearable, bringing extreme brutality as religious hatred and contestation reached extremes. This realization was translated into wartime international law after the Thirty Years War, based on the underlying logic that peace can be achieved more easily by deepening mutual understanding, increasing trust and agreeing to obey certain rules. As a rudimentary step to this end, wartime international law required that, while soldiers who had been injured or had surrendered were to be considered prisoners, they were to be treated in a civilized way. It has taken hundreds of years to achieve such civilized treatment, and the fact that, such laws are not always observed to the letter is an indication of the current stage of human civilization.

Arguments flourished in the 1970s and 1980s, when there was much debate concerning the decline of hegemonic power. Discussion centred on the kind of strategy that should be applied were a hegemonic state no longer able to ensure stability, thus placing international politics in a state of anarchy and creating a situation in which the actors would have to build mutual trust from scratch. This strategy is, for example, the basic motif of Robert Keohane's *After Hegemony*. Needless to say, there is a tacit premise that the United States will remain first among equals.[17]

Likewise, the concern behind the Conference for Security and Cooperation in Europe helped build consensus about rules and institutions, such as the Helsinki process that started in the early 1970s with a view to relaxing the confrontation between the Eastern and Western blocs and removing the negative effects of contestation between a hegemonic state and a quasi-challenger. The entire process of clarifying the common goals for Eastern and Western Europe in the form of the Helsinki Charter, and the aim to achieve *détente* between them, was then called the Helsinki process. There also lurked in this process Europe's desire to escape a situation greatly constrained by non-Europeans (the United States and the Soviet Union). Similarly, it is possible to interpret the European Community, derived from the Treaty of Rome, and the European Union, derived from the treaties of Maastricht and Amsterdam, as representing similar hopes.

The Asia–Pacific region, which lacks a regional security framework amid the vortex of economic development and its subsequent economic turmoil, needs a regional security apparatus and a multilateral security arrangement. This is what Soviet President Mikhail Gorbachev proposed in the 1980s, and was the gist of former Australian Foreign Minister Gareth Evans's proposal in the 1990s. However, these proposals were made by the nations that inherited the tradition of Western countries. In the meantime, it can be said that most Asia–Pacific countries shun a hegemon's forceful imposition of rules and have undermined such imposed rules under the slogan of open and moderate regionalism for a considerably long time.

Since the United States, as a hegemon, has bilateral mechanisms through which to communicate its will, it has belittled multilateral proposals. Thus, although the Clinton administration has shifted to multilateralism, the move is based on the judgement that it is easier to make its hegemonic will understood once multilateral institutions have adopted its perspective. In this context, the United States, the chair country, proposed the expansion of the Asia–Pacific Economic Cooperation forum (to include Mexico, Chile, Papua New Guinea and other states) and the scope of its agenda (to include not only trade, investment and resources, but also security, human rights, the environment and other topics). Thus, since 1993, the United States appears to be gradually moving towards the role of rule-maker in multilateral institutions.

As we saw earlier, the Clinton administration set out to more actively employ multilateral frameworks, especially the United Nations and regional organizations, as a way of mitigating the hegemon's security burden. However, Washington's embrace of multilateralism triggered a backlash: the débâcle in Somalia in October 1993 caused a firestorm in Congress and the media over the loss of more than 30 US soldiers. The Clinton administration then abandoned its slogan of assertive multilateralism and drastically curtailed its participation in UN peacekeeping operations.

After the 1994 mid-term elections shifted control of the US Congress to the Republican Party, the US retreat from multilateralism gained momentum, particularly in the area of international security. Nevertheless, as the International Monetary Fund's recent

bail-outs of Thailand, Indonesia and South Korea demonstrate, the Clinton administration continues to utilize multilateral frameworks in the area of international economics.

Development of the Nuclear Non-Proliferation Treaty

In 1994, proposals derived from the institutionalist perspective unfolded significantly around the issue of North Korea's withdrawal from the Nuclear Non-Proliferation Treaty. The United States insisted that it could not make any concessions on the treaty, thus attempting to force the International Atomic Agency to undertake thorough inspections. For it is clear that, should even one country exit from the treaty without trouble, that accord would be rendered worthless. Even under the treaty, by 1994 it had become evident that India, Pakistan, Israel, Iraq and the Republic of South Africa either could, or were close to being able to, manufacture nuclear weapons. Allowing any treaty signatory outright withdrawal might lead to a loss of hegemonic prestige.

Yet, as discussions moved to the question of what is needed to persuade North Korea to adhere to the Nuclear Non-Proliferation Treaty, various arguments were put forward. Pyongyang maintained that the first step should be to guarantee the withdrawal of US troops and the removal of nuclear arsenals from South Korea. Seoul insisted on agreement being reached on the denuclearization of both countries in the Korean Peninsula. Seoul and Tokyo argued in favour of requiring agreement on a treaty guaranteeing the denuclearization of the Korean Peninsula by six countries including the United States, Japan, China and Russia. Beijing contended that reaching an agreement that nuclear powers do not use nuclear weapons first was a necessary step to assuage the uneasiness of non-nuclear powers. Meanwhile, the United States and Australia argued that agreement was needed on measures to eliminate the possibility of non-nuclear powers possessing nuclear weapons (for example, the suspension of Japan's production of plutonium at high-speed breeder reactors). These arguments were all aimed at gradually moving towards a higher degree of institutionalization while taking confidence-building measures.

The interdependence perspective

Complex interdependence and Japan's comprehensive security

The interdependence perspective argues that achieving peace is made easier if the webs of economic interdependence are expanded and made deeper. The argument is based on the idea that the logic of economics and the eloquence of markets – rather than institutions and rules – determine human behaviour. According to this view, through trade, investment, economic assistance, technology and energy, mutual interests become intermeshed, and the recognition of such interests restrains hostile behaviour and deters destabilizing activities.

For example, one of the popular ideas in nineteenth-century Britain was that peace dovetails with free trade. John Maynard Keynes, for instance, subscribed to this idea. From this perspective, John Mueller recently argued that war is gradually becoming an obsolete institution.[18] According to Edward Mansfield's rigorous empirical study, international trade and the incidence of war are, in fact, inversely related, although the former is not the single most important factor in this relationship. At the same time, it also indicates that specific characteristics of the international political system, such as alliances and the strength of hegemony, significantly contribute to the occurrence of war.[19]

In their theory of complex interdependence, Robert Keohane and Joseph Nye propound the incorporation of political factors into economic interdependence. Their argument does not presuppose only a unidirectional causal relationship regarding economics and peace. As Joanne Gowa's recent study demonstrates, peace through alliance promotes trade.[20] This perspective also leads to the idea that, by not passively interpreting but actively changing the realities in the market, one should be able to produce conditions for peace.

A similar idea is ingrained in Japan's concept of comprehensive security. It may be called a Japanese version of Keohane and Nye's complex interdependence. Moreover, it can be said that this concept is strongly coloured by Japanese-style, government-led, postwar, inward-looking pacifism as well as by economics.[21] Even though it is not generally realized in Japan, a market-oriented

strategy is evident in the idea of promoting closer trade relations through official development aid, inducing direct investment from trade and the close coordination of domestic economic management.

As regards Japanese official development assistance, grants are primarily offered to the least developed countries. Public health and sanitation, agriculture, education and refugees are the main areas to which aid is directed. But once a recipient country reaches a certain stage of economic development, the emphasis gradually shifts to building infrastructure and nurturing a manufacturing industry, and yen loans become the main vehicle to this end. Grants have increased significantly as criticism of Japan has grown and official development assistance to the least developed countries, such as those in Africa, have increased exponentially.

Meanwhile, however, yen loans continue to be the primary vehicle, and Japan remains expert in meting out official development assistance centred on social infrastructure and manufacturing industries. Social infrastructure includes not only constructing networks of roads and telecommunications facilities, securing energy supplies and building ports and harbours, but also supplying high-quality labour by nurturing corporate managers and bureaucratic leaders through education and training.

Manufacturing industries cover a wide spectrum, from consumer to capital goods. What has taken on importance recently is the manufacturing of parts. In addition to the continued increase in workers' wages in Japan, the yen's appreciation against the dollar in 1994 and 1995 caused most Japanese manufacturing industries to cut back their workforces substantially. In order to survive, they moved parts factories offshore, keeping only research and development facilities and their corporate headquarters in Japan. In other words, by regionalizing manufacturing operations, Japanese firms want to survive and retain their system characterized by such practices as lifetime employment, corporate *keiretsu* and government–business relationships. Direct investment played a central role in manufacturing industries' overseas expansion, while official development assistance helped prepare the way. It is a Japanese system writ large, regionally. Although the Asian financial crisis of 1997 led a substantial number of Japanese factories and banks to withdraw from the region, their basic form and characteristics remain the same.

The interdependence perspective in international conflicts

Thus, as markets begin to unify, the question arises as to the extent to which interstate conflict can destroy interdependent relationships. After all, international relations are not governed by economic interdependence alone.

The United States had put pressure on China by threatening to withdraw its most-favoured-nation status on the grounds of its human rights abuses. But the Beijing government took a defiant position towards the US government, daring it to do so and implying that such a move would be self-defeating. Neither easing its pressure nor getting into an all-out clash, Washington equivocated and, in the spring of 1994, virtually abandoned the linkage between the issue of China's human rights and its most-favoured-nation status, which it extended.

For the medium to long term, however, Washington has not entirely discarded its adherence to human rights issues. It still maintains a strong commitment to continue exerting pressure on the Chinese government, whenever apt, to raise its awareness of human rights issues, demand the relaxation of its human rights oppression and promote democracy. This suggests that the only question now is the kind of priority that is to be given China in various situations.

The Japanese government, for example, has informed Beijing of its wish to make development of China's interior regions and environmental protection the two pillars of its aid, but it appeared that the Chinese government might not have grasped the implications of this shift in emphasis at the time.[22] But, by 1998, it had become clear from the Sino-Japanese agreements concluded on the occasion of President Jiang Zemin's visit to Japan that Chinese policy was emphasizing these two pillars. Further, Japan is restricted in its granting of official development assistance by the request-based formula, according to which Tokyo only considers giving development aid once the potential recipient has lodged a request. This approach combines the principles of non-interference in a recipient's internal affairs and respect for its self-help efforts.

Needless to say, it is not rare that a Japanese firm sketches out the blueprint for an aid plan on behalf of a recipient country's firm or government, although it would appear that the recipient

government has made the request. By contrast, it is very rarely that a Japanese enterprise will unilaterally advance plans for a project, since a recipient's preferences and requests remain the basic elements underpinning development aid. Nevertheless, it must be realized that plans for peace-building through interdependent economic relations is a perspective according to which somewhat asymmetrical interdependent relationships are built, in that the economic interdependence is Japan-led and predicated on Tokyo's superior technology and international finance.

As regards North Korea, the interdependence perspective argues for encouraging civilized behaviour by integrating the country into the world economy. North Korea has kept to the logic of socialism in one country, or that of a guerrilla-brigade state. Yet with the growing difficulties amid the disappearance of the Soviet Union and China's transition to a market economy, Pyongyang is trying to both break through the US-led encirclement by speed warfare and acquire a limited but deterrent power of nuclear blackmail. Speed warfare, used by Korean communist guerrillas in the former Manchuria during their anti-Japanese campaigns, is designed to take the enemy by surprise and create a favourable dynamic by, as the slogan states, emerging elusively like God and disappearing like a demon.

Moreover, Pyongyang is intent on restoring diplomatic relations with the United States, and eliciting official development aid from Washington, Japan and South Korea for economic reconstruction, with a view to rejoining the world economy.[23] In Japan and South Korea, this interdependence perspective has become quite conspicuous. In South Korea, under President Kim Dae Jung, this perspective has become the official policy towards North Korea and is called the Sunshine Policy.

As the North Korean nuclear crisis deepened in 1994, it seems that the mainstream thinking of the US State Department – particularly after the release of a memo by Assistant Secretary of State for East Asia and the Pacific, Winston Lord – was that the commencement of government development aid should be conditional on North Korea's return to the Nuclear Non-Proliferation Treaty and multilateral nuclear agreements. That is, it embraced the interdependence perspective: North Korea's moderation would be secured not by sticks, but by carrots.

In the meantime, the US Defense Department and some groups in the South Korean Army insisted that North Korea must rejoin the International Atomic Energy Agency and allow full inspection of its facilities. They took the position, supported by Kissinger, that economic sanctions would not be ruled out to shake Pyongyang's efforts to develop nuclear weapons.

Reflecting the increased acceptance of the position held by the mainstream group at the US State Department, it was decided in June 1994 that the US–North Korean talks should reopen. Washington also seriously contemplated UN economic sanctions against North Korea, while former President Jimmy Carter paid a private visit to Pyongyang. In his final days, Kim Il Sung used the nuclear card to recast North Korea's survival and security in his game of brinkmanship. He agreed to freeze his nuclear programme in return for high-level talks with the United States. At about the same time, agreement was reached on convening a summit meeting between the two Koreas.

Due to the sudden death of Kim Il Sung on 8 July 1994, however, the two agreements were temporarily suspended. But in the midst of uncertainties surrounding Kim Jong Il's succession to his late father, North Korea signed two accords with the United States in Geneva in August and October 1994. According to the accords, Pyongyang agreed to freeze its nuclear programme, allow International Atomic Energy Agency monitoring and remain party to the Nuclear Non-Proliferation Treaty. In return, Washington promised to provide light-water nuclear reactors (that can be used only to supply energy), arrange for interim energy supplies, refrain from using nuclear weapons against North Korea, extend economic benefits, and allow for a bilateral exchange of diplomatic representatives and the setting up of diplomatic offices in their respective capitals.[24]

The accords led to the establishment of the Korean Peninsula Energy Development Organization (KEDO), and Seoul, Tokyo and Washington have been working closely within this framework. The Geneva accords also provided the basis for broadening discussions with Pyongyang to include the reduction of military tension, normalization of diplomatic relations, economic cooperation and a process for reconciliation between North and South Korea.[25]

In a further bid to persuade states to suspend their efforts to develop nuclear weapons, moreover, Washington supplied Israel and Pakistan with missiles and fighters, thereby reminding them that nuclear deterrence was unnecessary. But Washington also introduced missiles into South Korea: to prevent nuclear proliferation, it has used both the carrot and the stick.

The democratic perspective

The idea that democracy creates peace goes back to Immanuel Kant. In his words, wars will not occur when the political system becomes republican – a system not too different, in a broad sense, from what we now call the democratic system. This is so because governments become involved in wars only after they make clear their responsibility to their citizenry and because it is extremely difficult for a democracy to initiate a war with another democratic state that shares its values and norms. In short, according to this perspective, democracies rarely go to war against one another.[26]

According to research conducted by Bruce Russett and others, the possibility that democratic states will go to war against each other is indeed extremely low if we look at all the dyads of countries over the past two centuries, or consider the situation in the times of ancient Greece.[27]

A major dissenting argument states that a democratic system is adopted when a defeated nation is coerced into adopting democracy by a victorious nation following a war, or when a newly independent state adopts a democratic system under a hegemonic regime. Thus it is not appropriate to use such cases to support the argument that democracies do not fight one another.

In reality, however, countries defeated in major twentieth-century wars have changed their political systems and, in many cases, become democracies. Furthermore, Third World states that emerged after the Second World War have almost all adopted democratic political systems, with constitutions eloquently declaring freedom and democracy in the spirit of the times. Furthermore, during the early Cold-War era in the wake of the Second World War, the Western bloc followed US hegemony and all democracies were under its umbrella. So it would seem natural that, given the circumstances, wars did not occur between democracies during

that period. Nevertheless, the overwhelming proof produced by Russett and others through their empirical studies strongly indicates that democracies at no time go to war against one another. So indeed it appears that Kant was correct over two hundred years ago.

Advancing democracy: implications in the Asia–Pacific region

Since the more democratic the close to two hundred countries in the world become, the less probability there would appear to be of war breaking out among them, encouraging and promoting democratization has become the most important policy agenda for peace. And this is exactly what the democratic enlargement strategy of the Clinton administration is all about.

Many hold that, in China, peaceful evolution will allow foreign powers, gradually and almost unnoticed, to transform the communist dictatorship and help bring about a regime change. In this process, the weapons of foreign powers will be encouragement in the form of cultural and economic exchange. When economic exchange moves goods back and forth, they will begin to speak the language of capitalism and freedom. People will gradually realize that the capitalist and democratic systems, and the relaxation of economic regulations, carry over into the political arena. As cultural exchanges advance, encounters with different ideas will give rise to growing doubt concerning communist dictatorship and, eventually, there will arise a longing for democracy.

The view that the interface with different ideas – democracy, market economy and so on – will serve as an agent of peaceful evolution has existed since the time when communist regimes were established in the Soviet Union and Eastern Europe. However, its importance for China was first pointed out in the middle of the 1960s by the US political scientist Lucian Pye.

Political cynicism underlying the ideological defence of Mao Zedong's thoughts was spread during the ten years or so following the Cultural Revolution through the rule of the Gang of Four. As reform and the open-door policy progressed after 1978, it became evident that Marxism–Leninism and Mao Zedong's thoughts had failed to provide legitimacy. Along with the development of

a crude, immature capitalist market, money has become the single most important standard in China.[28]

Aside from the question of whether or not peaceful evolution has been occurring in China, economic exchanges (specifically, the introduction of direct foreign investment) and cultural exchanges (in particular through foreign satellite television broadcasts) have already wrought great social change in the country. As China entered the 1990s, foreign direct investment increased sharply and became the lubricant of its economic development.

In the Japanese economic development model, the introduction of foreign capital is limited, but the Chinese economic development model has boldly introduced large amounts of foreign capital. Moreover, overseas satellite television broadcasts are available nationwide, to an extent unimaginable in Japan. Although limited to a portion of the elite with the necessary equipment, access to CNN, the BBC, NHK and other news networks is available to people in Beijing. Programmes can be seen in their entirety – unedited – throughout the day. Such an open exchange of information has given rise to different thoughts as well as different ways of thinking.

Even in North Korea, which is overwhelmingly closed, and most cautious and guarded regarding economic and cultural exchange, it is still difficult to eliminate the possibility that peaceful evolution will take place. In tandem with the restoration of diplomatic relations between China and South Korea, many South Korean travellers are now visiting the Yanbian Korean Autonomous Region in China's north-east. Because there are so many visitors to the area, the ratio of taxis per capita in the Autonomous Region is said to be second only to that in Shenzhen, Guangdong Province. On arrival, South Koreans reportedly immediately hire a taxi and go sightseeing. Many of these travellers not only spend a lot of money in the local communities, but also spread, by word of mouth, their ideas on the world. Since the Yanbian Koreans are involved in economic exchanges with North Korea when they visit, information regarding the major changes in the world that are not much reported in North Korea are gradually being transmitted by China's ethnic Koreans to the North Korean people.

Looking at the political system of the Asia–Pacific region from this democratic perspective, it may be said that, until the mid-

1980s, an overwhelmingly large number of the region's countries had authoritarian systems.[29] However, South Korea, Taiwan, the Philippines and Thailand have steadily democratized. Even the political systems of Malaysia, Indonesia and Singapore have been visited by some change. In Indonesia, President Suharto stepped down in 1998, amidst the Asian economic crisis, after the International Monetary Fund had raised the price of oil. Although Vice-President Habibie took over the helm, demonstrations did not cease entirely. Further, in socialist China and Vietnam, we notice that political participation and political competition have been quietly increasing within the framework of these states' socialist political systems. North Korea remains the exception, although it was discovered that private ownership of agricultural land is not completely unknown.

In the last quarter of the twentieth century, the countries that engaged in war in the Asia–Pacific region are China, Vietnam and Cambodia. These socialist countries, at the time not being democratic states in the sense discussed above, are the only ones to have engaged in war. Cambodia, however, democratized afterwards, holding a free and secret election under the aegis of the United Nations Transition Authority in Cambodia, although Hun Sen's July 1997 ouster of First Prime Minister Prince Norodom Ranariddh temporarily overshadowed the future of democracy in the country. However, in December 1998, Hun Sen become Prime Minister on his own, and Prince Norodom Ranariddh become the Speaker of Parliament, as a result of which it looked as though Hun Sen's power had been consolidated and the legitimacy of his regime had received international acceptance. As far as the changes in China and Vietnam are concerned, there is no knowing how far they will advance, but it is certain that those countries' societies will not become more closed.

When democracy advanced from the Philippines to Taiwan, from Taiwan to South Korea, and from South Korea to Thailand, the role of the United States was extremely important. As explained in the previous chapters, the United States was also perhaps aware that democratization would help make economies market-oriented and open up countries' markets. US foreign policy always emphasizes political reform, because it is with such reform that the movement towards open markets begins.

In fact, with regard to Japan's political reform, which in some ways resembles China's handling of the human rights problem, it would seem that Washington is intent on using these reforms to open Japan's markets. While Japan is a liberal democracy, its market looks insufficiently open to the outside world. As discussed in earlier chapters, the United States has taken fairly strong action against Japan for its resistance to market liberalization, intermittently having served it with Super 301 ultimatums. It has also offered open support, in the heat of trade and economic talks, to opposition leaders claiming to stand on the side of the consumer, and thereby paved the way for the Liberal Democratic Party government, headed by Prime Minister Miyazawa, to suffer a no-confidence vote regarding the US–Japan trade and economic talks in 1993. As a result, the Liberal Democratic Party lost power.

Having seen how the change in the global security map brings about changes in domestic policies via economic disputes, I now turn to the economic dimensions of global change in the next chapter.

11
The World Economy

The world economy is the aggregation of the movement of goods and services worldwide together with their concomitant activities, most importantly the movements of technology, information and currencies. When we speak of the world economy, we emphasize the unity of the globe; when we speak of the international economy, it is accepted that national economies are strongly preserved as units within nation states, as a result of which the international economy concerns activities that take place among various national economies.

It is argued by some that the world economy has existed virtually since the beginning of human history, while others place its beginning in the sixteenth century, when capitalism began to develop in the Western world. Some are of the view that the world economy had been established before the rise of European hegemony in the Middle East from the twelfth to the fifteenth centuries and in Asia from the fifteenth to the eighteenth centuries. Yet others believe that what might properly be defined as a truly world economy only developed at the end of the twentieth century.

Behind the differences in these arguments is the matter of whether technological progress is considered a variable. For one must take into account the level of technology that promotes economic activity – particularly transport, communications and the degree of maturity of currency circulation, all of which were primitive in ancient days but are highly developed now – and bear in mind that the term 'world economy' was naturally limited

T. Inoguchi, *Global Change*
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to a geographically narrow region in ancient times, although it currently covers the entire globe.

Thus, in discussing the world economy, one must consider its global power and momentum together, rather than just the former aspect. Unity exists when it is judged that the term 'world economy' has greater explanatory power than the term 'international economy' in analysing various phenomena, even when the former term covers an area greatly constrained by the technological development of the period involved. Momentum refers to the endogenous power to develop from within, that is, whether a system is equipped with its own internal engine.

Marshall G. S. Hodgson, Andre Gunder Frank and Barry Gills developed the argument that a world economy has existed since the emergence of human society.[1] They argue that, from the viewpoint of levels of technological development and population distribution, the world economy – a system that possesses unity and momentum – has existed throughout human civilization, even though geographical constraints have been quite strong.

Leaving aside geographical limitations, which are obvious if the low level of technology is taken into consideration, it is argued that unity and momentum existed in Mesopotamia, along the Yellow River and in the Mongolian, Ottoman and Mogul empires, as a result of which these societies maintained highly advantageous relations with other areas of the world. It can be said that these empires were able to develop relations that economically exploited and politically suppressed other areas of the world.

At its zenith, the Ottoman Empire, for example, boasted what was then the world's highest level of science and technology, and served as the centre of world commerce. The empire's area of commerce covered virtually the entire globe, including India, China and Africa. A high level of scientific and technological development was one condition for world leadership, which also implied superiority in military technology.

Within the Eurocentric historical viewpoint, it has more often than not been overlooked that this area of the Middle East occupied a leading position in the world before the era of European hegemony, which began in the sixteenth century. This is, for example, the argument made by Janet Abu-Lughod.[2] According to Eric Jones, who compared the power of areas of civilizations

before European hegemony, it is not only difficult to rank Western Europe, the Turkish Ottoman Dynasty, the Indian Mogul Dynasty and the Chinese Qing Dynasty in terms of technology, the economy and governing organization, but Western European superiority can, to a considerable degree, be attributed to good luck.

In response to the above arguments, Immanuel Wallerstein insists that Europe engendered a decisively distinct phenomenon,[3] namely, it launched a monster called capitalism. Capitalism transcends technological superiority and the centrality of commerce, and generates and transforms various forces of whole societies. It is something like grammar. Implying similarity to Noam Chomsky, who advocated the theory of generative and transformative grammar, Wallerstein emphasizes capitalism's generative and transformative abilities.

Capitalism preserves the capabilities to sustain societies and widen the world, which Wallerstein made the decisive factor behind his argument for Western European superiority. In this sense, it follows that the capitalism born in sixteenth-century Europe made a world economy possible for the first time. This kind of world economy has, since the sixteenth century, gradually spread from Europe to various areas around the world. Needless to say, one facet of this process was the rise of so-called colonialism and imperialism.

In spite of such arguments, I strongly feel that a world economy was first established in the last quarter of the twentieth century.[4] It is during the twentieth century that the development and maturity of Europe-centred capitalism spread to the New World where a Euro-America-centred world was formed. In the second half of the twentieth century, moreover, not only did Asia and Africa become independent, but capitalism and its strong momentum were transplanted there.

It is no exaggeration to say that the twentieth century is the United States' century, the period of US-centred capitalism. This US capitalism has expanded the world economy globally, particularly during the last quarter of the century. Furthermore, it seems appropriate to say that this world economy, born under US leadership, will, while experiencing many changes, continue to be equipped with the same self-driving power that prompted Alfredo Valladao to say, 'The twenty-first century will be America's century.'

Seen from the military, economic and technological viewpoint, it seems unlikely that the United States will crumble overnight. Just as Pax Romana lasted three centuries after the decline of the Roman Empire was prematurely whispered, Pax Americana is likely to last longer than many now believe. In addition, the United States maintains what Joseph Nye terms soft power, exhibiting staying power in terms of ideological primacy, as well as cultural and institutional hegemony.[5]

Technology-driven competition and increasing costs

The development of the world economy is supported by technological progress, in particular the rapid advance in telecommunications technologies. Such advances have unified international financial transactions and made it possible for them to be instantaneously conducted anywhere on the globe. And in the area of international trade, the development of large transport planes has made possible the speedier movement of goods than was formerly possible by even the largest freighters, thereby creating a situation in which the volume of world trade has increased more rapidly than the world gross national product.

Most important, however, is the fact that, as pointed out in Chapter 1, constant change in the comparative advantage of goods has become a normal state of affairs due to the global integration of the world economy. Thus, whereas firms and regions with products that enjoyed a comparative advantage were, in the past, able to enjoy relatively stable positions, this is no longer the case at the beginning of the twenty-first century. With cut-throat competition in research and development, firms that have achieved technological innovation will gain a comparative advantage and dominate the world market, much as was the case in the days when civil wars were rife in Japan. Moreover, the more a field is on the cutting edge of technology, the greater the expense required for research and development. No longer is it unusual for one firm's many years of immense investment on research and development to become suddenly a huge waste as a result of a technological breakthrough by another firm.

Rubber sandals are illustrative of this phenomenon. After the first oil crisis, many Japanese rubber sandal manufacturers were

forced out of business by escalating manufacturing costs. Yet a small number of firms reduced their labour costs by complete mechanization and produced superior-quality rubber sandals, which enabled them to dominate the Asia–Pacific market. However, within a few years, firms in the region began to produce much the same quality rubber sandals using similar production methods, and were thus able to roll back Japanese products in a flash and dominate the Asia–Pacific market.

As research and development costs become higher, the situation will become increasingly difficult if this up-and-down cycle is repeated every few years. For example, Japan has continued to develop plutonium high-speed breeder reactors, in part because of the US government's recommendation that it should reduce its dependence on oil. However, the reactors have caused alarm among environmentalists about the possibility of accidents, and generated concern in Washington about possible nuclear weapons production.

Nevertheless, the Japanese government continues singlemindedly to pursue an energy policy to reduce its dependence on oil, seemingly unwilling to discontinue its research and development plan although it is something that other advanced countries have abandoned mid-stream. This is because a huge investment has been made in research and development for the reactors, and the basic experiment proved successful in 1994.

In spite of enormous investments in research and development, there are failures as well. The development of high-definition television in Japan is an example. There are both analogue (photographic conversion) and digital (numerical conversion) formats of this technology, and the Japan Broadcasting Corporation (NHK) initially selected the former, before suddenly deciding in favour of the latter.

Behind this turn-around is said to have been the fact that the digital format is superior in terms of compatibility with other systems. At the same time, some interpreted the about-face to indicate contention between the Japan Broadcasting Corporation and the Ministry of Posts and Telecommunications on the one hand and the Ministry of International Trade and Industry on the other. The former two bodies were of the view that, even though the analogue format had already been to some extent

successful in Japan, future possibilities would be greater were Japan to employ a format compatible with that of the United States, which had opted for the digital format. Meanwhile, the nationalistic Ministry of International Trade and Industry insisted to the end on the analogue format.

But there is yet another interpretation, which changes the focus of the about-face away from a desire merely to please Washington to the changing Japanese political landscape at the time. It attributes the Japan Broadcasting Corporation's flip-flop to an attempt by the pro-United States Ichiro Ozawa-led coalition government to exercise greater influence over the Ministry of Posts and Telecommunications. This interpretation is feasible given that, immediately following the collapse of the Liberal Democratic Party government in 1993, the pooling of corporate contributions supervised by the Japan Federation of Economic Organizations (Keidanren) was suspended. As a result, businesses responded in various ways, some abolishing corporate contributions, while others contributed only to the Liberal Democratic Party, the Democratic Socialist Party or the Renewal Party. However, Nippon Telephone and Telegraph, the formerly government-owned Japanese telecommunications giant, limited its contributions to the Liberal Democratic Party and the Renewal Party, then under the leadership of Ozawa, and continued to maintain a special relationship with the Ministry of Posts and Telecommunications.

Besides the above interpretations of the switch in policy regarding the high-definition television format, there is a totally different explanation for the initial extended persistence in support of the analogue format. This points to the resistance of vested interests, which favoured this format despite its more narrow universal applicability and lesser versatility.

Large-scale projects such as that involving high-definition television require huge investment, yet the world economy at the end of the twentieth century seemed almost constantly to be forcing firms to make difficult decisions. This is inevitable since the costs of technology continue to rise as competition becomes globalized and technologies become increasingly cutting-edge.

Development of national economies

One must look at the world economy not just from the perspective of global integration and market liberalization, but also from that of national economies, since the development of capitalism and the state are mutually complementary. Certainly in Europe, the development of capitalism took place in tandem with that of nation states.

A prerequisite for the development of capitalism is that there be a group of organizational units, in the form of nation states, each with matching levels of technology, just as existed in Europe from the sixteenth to the twentieth century.[6] The nation state is a country that possesses a military and territory, claims sovereignty and is characterized by an ethnically and linguistically half-engineered homogeneity. Such a world of nation states emerged to overcome Medieval Europe, which had preserved a universal spiritual order but had developed no more than a quite particularistic political order. Modern Europe was born out of contention and competition among nation states. Looked at from the viewpoint of the technology of the day, nation states were just a suitable organizational unit. Since the competition that existed among them required a certain depth of governance, they did not expand to encompass such large territories as had the ancient and medieval empires of the Eurasian continent.

The depth of governance was particularly linked to the degree of popular loyalty and the scale of a state's national revenue. Earlier, states had not needed to nurture such strong loyalty on the part of their populations as long as they had a mercenary army. Furthermore, as long as revenues from the kings' lands and assets and the monopoly of commerce were unimaginably large, there was no strongly felt need to vitalize people's productive activities in a systematic and permanent way in order to increase national revenue.

However, as capitalism matured and its momentum increased the degree to which economic activity was organized, the need arose for a political infrastructure that could meet capitalist demands. And that led to the advent of modern nation states. England and France had initiated this movement and, from the middle to the end of the nineteenth century, Germany, Italy,

the United States and Japan began to organize their states to realize just such an infrastructure.

Aside from safeguarding their territorial integrity and strengthening their military, modern nation states were encumbered with two major tasks: the enhancement of the national consciousness and the development of national economies. Raising national consciousness means deliberately welding a people into one unified entity and strengthening the spirit of unity and solidarity. For nation states to survive in Europe, which was a very competitive environment both militarily and economically, strong loyalty was most important.

In some countries, like Italy, however, there is no sense of national unity even at the beginning of the twenty-first century. Originally, the establishment of the Italian nation state involved a compromise between the demand for unity by the capitalists in Savoy, Piedmont, Lombardy and other areas (in the north), and the preservation of the privileges enjoyed by the feudal landholders in the Mezzogiorno (the area south of Rome). Adherence to these privileges was in the south maintained by a pre-modern system and the exaggeration of political representation in parliament. In particular, public policy companies established on a large scale during the Fascist period became entities through which large amounts of governmental funds were funnelled into the south.

Even after the Second World War, this relationship between the north and the south basically did not change. Its preservation was necessary for the Christian Democratic Party – which comprised conservative, middle-of-the-road forces that had conquered Fascism – to secure the broad support of the south. However, the long-ruling Christian Democratic Party government sometimes provided a cover for corruption and crime, drawing increasing criticism from the public. Moreover, Washington's changing perception in the post-Cold War world made it increasingly difficult for the Christian Democrats to continue their rule.

As a result, the Christian Democratic Party which presided over the continuation of the north–south relationship was significantly fragmented and shrank. In contrast, particularly in the north, separatist parties – such as the Northern League, that insisted on seceding from the south – quickly expanded their influence. At the same time, the image of the northern prejudice towards

the south – since the end of the nineteenth century expressed by the phrase 'Italy south of Rome is Africa' – was revived, giving rise to a line of thinking according to which it was expected that the north would discard the south and join Europe on its own.[7]

In the case of Japan, the most important accomplishment of the Meiji Restoration state was perhaps establishing and raising the national consciousness of Japan as a nation. In this regard, compulsory education, military conscription and radio broadcasts played a decisive role. In particular, compulsory education made it possible to standardize class content throughout the country, establish a thorough basic education (in reading and arithmetic) and implant patriotism.

The development of the national economy means the construction of a socioeconomic framework, increasing production and establishing industries to achieve those goals. Because of the small scale of its national budget, the Meiji Restoration state certainly seemed to keep playing the role of a night-watch state throughout most of the nineteenth century. However, it made steady strides in fostering political stability, establishing bureaucratic institutions and building social infrastructure.

Moreover, despite the fact that, until the beginning of the twentieth century, commercial treaties with Western powers continued to deprive Japan of the authority to set tariffs, which were of extraordinary importance in international economic transactions at that time, the country nevertheless pursued such economic undertakings as it was able. Besides earning foreign exchange through the export of silk, in which area it had a comparative advantage at the time, Japan laid the foundations for national industry by establishing state-run companies, while it improved business competitiveness by selling off less efficient state-run companies to the private sector. In addition, it extended numerous, albeit small, financial, budgetary and occasionally even political aid packages to enable firms to develop. Indeed, capitalism was nurtured and developed within the state.

There are significant differences in the ways capitalism develops in each state, which reflects the rapid global integration and market liberalization of the world economy at the beginning of the twenty-first century. This is because the world economy at the beginning of the twenty-first century no longer retains its nineteenth-century shape.

Efforts to set up rules

At the end of the twentieth century, national economies were greatly influenced by exchanges involving trade, direct investment and technology transfers. The resultant integration of these economies has steadily and profoundly transformed the world economy, with economic relations now having an impact not only on superficial commercial relations, but also at a deeper structural level. The relationship between the world economy and national economies has become a central factor.

Technological progress unifies the world economy globally, facilitates market liberalization and pushes the world in the direction of a borderless economy. But, as economic activity becomes more global and comes to affect structures at a more profound level, it becomes increasingly necessary to adjust the rules for economic activity.

Since the growth of capitalism took place in tandem with that of the modern nation state, each state inevitably has its own character. Thus it has become necessary for the so-called Japanese, US, French, German and other styles of capitalism constantly to formulate common rules for world capitalism. While such rules are largely being made through the market, the different types of capitalism do also mutually adjust. This resulted, during the last quarter of the twentieth century, in efforts continuously being made to establish economic rules in the face of constant friction.

The efforts at rule-making included the General Agreement on Tariffs and Trade, the World Trade Organization, bilateral agreements on a global level in such areas as investment, technology transfers, industrial protection and competition, as well as such regional arrangements as the European Union, North American Free Trade Agreement, G7 meetings (which are less codified) and *ad hoc* cooperative activities. Such arrangements are necessary because cross-border economic activities have increasingly come to clash with rules used within borders, requiring that rules be adjusted. And it is precisely these adjustments that are leading to the establishment of international economic rules.

Types of capitalism

The different types of economic system can perhaps best be understood from the perspective of Gilbert Rozman's Western, Eastern and Northern models.[8] His Western model is society-led, his Eastern model is state-led, and his Northern model is state-controlled. In the model led by society, the economy is primarily driven by firms; in that led by the state, the economy is greatly influenced by the state; and in that controlled by the state, the economy is directly managed by the state.

Japan's economic system is a mixture of the Western and the Eastern models. At the outset, China's economic system was a mixture of the Northern and Eastern models, but in the 1990s, the Northern model has become weaker and elements of the Eastern and Western models have become stronger. Meanwhile, it would be safe to say that the economic systems of the United States and Britain typify the society-led Western model; that the German economic system is a variation on the Western model and incorporates social democratic elements of the Eastern model; and that the French economic system is yet another variation on the Western model, incorporating bureaucratic elements of the Eastern model.

As communism has disappeared in Europe and been greatly transformed elsewhere, the significance of the Northern model may be ebbing. North Korea firmly maintains an Eastern type of Northern model, while Cuba, Vietnam and China, which are increasingly and selectively embracing the Western model, also appear to be shifting to the Eastern model. More and more, attention is being focused on the differences among the various capitalist economic systems, rather than the differences between capitalism and communism.

A look at West-centred capitalism will reveal differences between the Anglo-US and continental European types of capitalism.[9] By Anglo-US capitalism is meant the economic system in which firms compete almost exclusively in the market-place, and the movement of capital is easy. However, continental European capitalism places importance on competition between firms based on cooperation with the state, and emphasizes agreement between the state and society, particularly social democratic agreement

on employment and wages. Even now, the differences between these two types of capitalism reflect support for the traditional concept of Europe, namely, that it extends from Brest (in France's Brittany) to Brest-Litovsk (located on the Polish–Russian border of the interwar period).

The difference between continental Europe and Britain with regard to ways of integration in the European Union is also significantly related to the differing views of capitalism. Thus, placing Europe and Britain on opposite sides of the fence or parallel to each other would not cause a strong sense of discord, much as similarly placing Japan and Asia would cause no discord.

Since the beginning of the 1990s, there has been a great deal of discussion about East Asian-style capitalism, which is somewhat closer to the continental European than the Anglo-US model and stresses the role of the state. Yet this is not the social democratic role of the state found in Germany or Sweden but, rather, closer to state economic interventionism as seen in France. Still, in terms of the agility with which it utilizes the market, the East Asian model almost upstages Anglo-US capitalism.

The characteristics of East Asian capitalism are loyalty to market forces, emphasis on the role of the state, the importance of social networks and latecomers' nationalistic drive. By loyalty to market forces is meant limiting state intervention to what is friendly and agreeable to market forces, and what is temporary in nature. Moreover, basically espousing small government, East Asian capitalism avoids institutionalizing large-scale national expenditure on a permanent basis, with the exception of the construction of social infrastructure. In terms of the relationship between society and the state, it is important that criss-crossing networks exist between the state and society as well as among social sectors in capitalism as practised in Japan, South Korea and Taiwan and among overseas Chinese. Inevitably, latecomer capitalism has an overwhelmingly nationalistic element.

Even within the same type of capitalism, there are significant differences. After all, the history and traditions of British and US capitalism are quite different. The models found in Canada and Australia, which developed after the states gained independence in the twentieth century, are quite different from the US model. In the Australian model, the role of the state in economic develop-

ment is far more extensive. The German and French models also differ significantly, although both developed in the same Rhine river region, while the Mediterranean model of Italy and Spain is very different from German capitalism north of the Alps.

Likewise, Japan's capitalism is quite different from that of South Korea and Taiwan. Even taking into account the differences in population, Japan has numerous large, medium and small enterprises, South Korea has only a few medium and small ones, while large ones are quite rare in Taiwan. The difference is even more stark when one compares Japan's model with that of China, which champions a socialist market economy.

It is important to focus on the different models of capitalism to gauge the effects of not only the disappearance of communism, but more importantly globalization. One can thus gauge which model will benefit most from the end of geography, now that tyranny of distance has vanished and economic activity travels around the globe instantaneously. It is a question of which model will be most competitive in the future, a matter that is closely related to what kind of capitalism will be dominant in the establishment of rules for the world economy that is characterized by global integration and deepening market liberalization. Which model of capitalism is the most competitive is also linked to the issue of which model will be the most dominant and perhaps play a hegemonic role in the future.

Merits and demerits

Let us compare, contrast and examine Anglo-US, continental European, Japanese and Chinese capitalism on the basis of two criteria: competitiveness and ability to lead in terms of rule-making.

The strength of Anglo-US capitalism is the centrality of the market. Because it has a high degree of reliance on market competition, all things being equal, its competitiveness will automatically increase. With capital not constrained by national boundaries, the Anglo-US model is driving global integration and market liberalization, and its rule-making ability is high. Furthermore, the strong individualism of the model tends to produce leaders with creativity – a quality most required in times of great change.

At the same time, however, these two characteristics of the

Anglo-US model may also be its disadvantages. Leaving the direction the model takes up to market forces entails the underutilization of domestic social groups discarded by the market. Those groups are economically deprived and thus greatly handicap the creation of demand in the domestic market. Such social groups easily become a hotbed of crime and a seat of the politically disaffected, which seems to be one of the disadvantages of the Anglo-US system in which the capitalist market mechanism is prominent.

Just as social market economy was once a West German slogan, the strength of continental European capitalism lies in the consideration given to the weakest social elements through cooperation between the state and enterprises. This kind of social democratic capitalism has the advantage of eliciting vitality from many people, but due to its great dependence on public expenditure, it is apt to make light of market principles and, therefore, may gradually lose competitiveness. Meanwhile, since the continental European model stresses the role of the state and corporate networks when large medium- and long-term projects are launched, their direction is likely to be correct and, as long as public expenditure is used appropriately, the model tends to exert its strength.

There are three principal advantages of Japanese-style capitalism. First, there is its emphasis on the role of states that are friendly and agreeable to the market.[10] In other words, the scale of a state's fiscal expenditure *vis-à-vis* the economy is kept small and state intervention counter to market forces is limited to temporary measures of the shortest possible term.

Second, besides its market-friendly, market-following, short-term measures, the government plays a decisive role in developing domestic social infrastructure, to ensure social stability and boost domestic demand. The development of domestic social infrastructure, especially telecommunications, transport, energy and education, represents a large part of the Japanese government's development assistance.

Ensuring domestic social stability is the basic philosophy underlying the protection of socially weak elements, underdeveloped areas and non-competitive sectors (especially agriculture and small and medium-sized firms). Although such protection serves to lower Japan's efficiency and productivity, it is considered indispensable because it helps narrow the income gap and maintain people's

solidarity and loyalty, as well as because social and political stability is stressed in Japan. Moreover, in order to expand domestic demand, emphasis is placed on increasing the economic growth rate, mitigating income gaps and promoting industrialization.

Third, the drive towards national self-reliance increases competitiveness. However, it must be admitted that the emphasis on the state's role lowers efficiency and productivity, and that the drive towards national self-reliance is accompanied by the danger of belittling market forces and direction. Also, because a nationalistic mentality encourages attempts to achieve full-blown industrialization and arouses a certain opposition to foreign capital and technology, it does not facilitate foreign penetration into the Japanese market and, thus, tends to generate economic friction externally.

The advantage of Chinese capitalism is, first, its full-fledged individualism and strong networking.[11] Individualism promotes capitalist logic with regard to profit and market share, sometimes to the extreme, while networking provides a safety valve. This aspect developed in response to the delay in market development, which is a disadvantage of the Chinese model.

Second, the proponents of East Asian capitalism are relatively liberal regarding the introduction of foreign capital and technology. They welcome direct foreign investment as it provides great impetus for economic growth. The demerits of the Chinese model are its ineffective utilization of state expenditure and the state's inferior and inept economic management.

In addition, the existence of a number of oppressive forces – specifically the large public security police force and military forces – allows communist dictatorship and capitalism to coexist. While individualism and networking are strong, state power is not sufficiently widespread. Therefore, although the state takes particularly strong measures to guard against peaceful evolution, there is the belief that permitting the coexistence of both the development of capitalism and communist dictatorship by separating politics from economics is the only way to ensure China's unity, stability and continued existence, and to bring it prosperity. Thus, the question remains: how far can the demerits of state-controlled economic management be mitigated?

As Chinese capitalism has reached a stage at which its endogenous

development opportunities have reached full bloom, it has experienced somewhat rash high growth. With its gross national product growing by leaps and bounds, it is expected that China will join the World Trade Organization and gradually participate in the formulation of rules for the world economy.

Determinants of rule-making ability

The power of capitalist models to make rules can, to some extent, be estimated from such economic indicators as gross national product, international trade, foreign direct investment and international capital transfers. If its gross national product is not large, a country cannot throw its weight about in the process of formulating rules for the world economy. Thus, participation in international trade, large foreign direct investment and playing a major role in international finance are important preconditions.

Japan accounts for 15 per cent of the world's gross national product, between 7 and 8 per cent of its trade, and some 15 to 16 per cent of its accumulated foreign direct investment. Its trade surplus in 1996 reached 8783 billion yen, its gross national product is the second largest after that of the United States, and its huge trade surplus makes it powerful in foreign finance. Despite Japan's huge trade surplus, however, the yen accounts for only a small share of global foreign reserves and only 20 per cent of Asian countries' foreign reserves. Japan's trade volume is smaller than that of the European Union and the United States and, in terms of overseas direct investment, the accumulated volume of Japan's foreign direct investment is surprisingly small due to its relatively short history. But, thanks to the massive industrial relocation that occurred as a result of the collapse of the bubble economy and the appreciation of the yen in the mid-1990s, foreign direct investment has been increasing steadily.

In addition to these economic indicators, rule-making ability is also determined by comparative cumulative weight in terms of the future. Based on such indicators, it is possible to predict how far the capitalist models of Japan and China will develop. However, the power of the Japanese model is still so limited that it is felt substantially only in a growing number of sectors. Japanese officials have vigorously urged other Asian nations to

adopt the Japanese approach to capitalism; although Asia as a whole never adopted a single economic model, South Korea has relied on a system very similar to that of Japan, while Taiwan, Singapore, Indonesia and Malaysia have borrowed in part from the Japanese development model.

The recent Asian economic crisis, however, has prompted many Asian countries to move in the direction of free-market logic. Mired in a long stagnation, Japan is struggling to dismantle regulations and bureaucratic control on its economy. Although the wheel may turn again in the future, the power of Japanese-style capitalism seems to be waning. As the US economic boom continues, while the Japanese economy remains anaemic, the market-driven Anglo-US system continues to set the trend for economies around the world.

Meanwhile, the power of Chinese capitalism remains to be seen. As compared with the United States, Europe and Japan, China's economy is still relatively small – less than US$600 billion dollars in gross domestic product – and heavily controlled by the government. While foreign investment in China has grown remarkably, the influence of Chinese-style capitalism has not been discerned outside the country.

Furthermore, what is important is the degree of universalistic theoretical rigour accorded in the rules of the various types of capitalism. One of Georg Hegel's famous sayings is that Minerva flies away when evening comes. In other words, the ideology of those countries that determine history is theoretically mature and gains currency among the general population when the state is declining, rather than flourishing.

In fact, the ideology of nineteenth-century British capitalism seems to have come to light not at the beginning of Queen Victoria's reign, but at the beginning of the twentieth century. Rather than the enforcement of the Corn Laws, which is tantamount to a declaration of free trade, the theoretical apogee of the British model is found in the imperialism and white supremacy that underpin British capitalism.

The ideology of twentieth-century US capitalism seems to have been elucidated not in the 1940s, when the United States became victorious and hegemonic after the Second World War, but in the 1970s and 1980s, a period of trouble in the wake of the

Vietnam War and the oil crises. In particular, the ideology of US capitalism was manifest in the economic policy of the Reagan administration and focused on large-scale overseas capital transfers, tax reductions for the wealthy sectors of the population, the falling wages of the poor sectors of society and a dramatic increase in unemployment.

According to Hegel, theorization takes place only when its agent starts to decline. The US model has yet to enter a decisive period of decline. But its theorization has reached a stage where certain comprehensiveness and rigour have been already acquired well before its full-blown mature stage after the Second World War, it was clear as was vindicated by, for example, Woodrow Wilson's Fourteen Points.

In contrast, the Japanese model suggests that, even after it has started to blossom, prospects for Japan becoming a world leader are not good. According to Hegel, it is inevitable that the rigorous theorization of Japanese capitalism has not been sufficiently developed, but now there is already some evidence that Japan is heading towards a decline. Moreover, the ideology behind the Japanese model is being revealed through the debates over the country's economic development. Japan's economic slump and the recent Asian financial crisis have shed light on Japan's economic development model, raising serious questions about government planning, bureaucratic intervention and long-term relationships.

Applying Japan's capitalist model

As already noted, the Japanese model emphasizes pragmatic market orientation and the role of the state in building social infrastructure and managing the economy, as well as nationalism and efforts aimed at attaining independence and self-reliance. This theory of the Japanese model has become increasingly clear as it has featured in three debates: one in the World Bank, concerning the role of the state, one concerning Japan's development aid to Russia, and another on Japan's Official Development Assistance Charter.

The World Bank debate was brought to a tentative conclusion with the completion of a Bank report, *The East Asian Miracle (1993)*.

In essence, this shows that the World Bank's lending policy and the thinking of Japan's Ministry of Finance lay at the root of the problem. For while the Bank's approach was based on conventional US capitalism, particularly the philosophy underlying the economic policy of the Reagan era, that of the Japanese Ministry was based on the Japanese economic development model.[12] However, the Japanese Finance Ministry was unable either to develop a sufficiently rigorous theory about the Japanese model or to persuade the mainstream staff of the World Bank.

Thus it was that the majority of World Bank members digested and absorbed only the main portions of the Japanese model, and came away having revised almost none of the conventional so-called neo-classical theoretical paradigm. Although the ministry stressed pragmatic market orientation, especially the holistic understanding of situations through local field operations, its position was not satisfactorily theorized and so ended up as no more than an empty litany.

Furthermore, it was concluded that to stress the importance of social infrastructure and manufacturing industries is quite natural at the appropriate stage of economic development, thus revealing that ministry officials have been unable to explain such aspects as the emphasis on the scale of an economy, the nature of intervention and national self-reliance.

The debate about aid to Russia concerned the conceptual approach regarding the transition to a market economy as promoted through the World Bank. The International Monetary Fund, European Reconstruction and Development Bank, Japanese Ministry of Finance and Japanese Economic Planning Agency were sceptical about the policy, as propounded by Jeffrey Sachs, which held that the rapid dismantling of regulations, price corrections and the transition to capitalism should be carried out at a stroke, as a form of shock therapy. Emboldened by its success in rebuilding the Japanese economy (which made a fresh start after the Second World War by reforming the wartime economy), the Economic Planning Agency expressed doubts about the Russian economy and submitted its own policy proposals.[13]

Suffused with a moderately progressive ideology and suspicions concerning excessive dependence on foreign funding, the agency's proposal prescribed measures including the stabilization of

economic chaos (inflation, unemployment and so on); the development of social infrastructure such as communications, transport and energy; and phased assistance in nurturing manufacturing industries in order to earn foreign currency.

Amid Moscow's chaotic politics, its transition to capitalism caused confusion and difficulties, shock therapy had no immediate effect, and there was no evidence that the Japanese model had had any influence. Even when the radical Russian reform groups suffered a setback, nation-building groups (the nationalistic, conservative and centrist schools of thought) gained a foothold and it seemed that state-led economic management was becoming mainstream, it was difficult to detect any increase in the influence of the Japanese transition model.

Since central Asian countries utilize the Asian Development Bank's assistance and loans, and because those countries' leaders presumably have an Asian way of thinking, it seems that Japan's Ministry of Finance has been trying to apply more systematically the Japanese development model to this bank.

The debate about official development assistance centres on the question of political conditionality.[14] As the United States gradually decreased the amount of leeway it was willing to allow when considering applications for official development assistance, Washington increasingly attempted to coordinate assistance programmes with Japan.

The basic framework was that the United States would determine the fundamentals of aid policy and, given its large number of development professionals, it would also supply the personnel to implement the aid package, while the Japanese would take charge of the financial aspects of development aid. Since this would not be possible without policy coordination, Washington required that its political conditionality be adopted by Tokyo. This meant that the United States articulated its concept of economic development and brought to the front what it believed was its forte (legal and institutional guarantees for human rights and democracy). It also meant that, were such conditions not met, official development assistance would have to be suspended or limited.

In 1991, Prime Minister Toshiki Kaifu suggested that, concerning human rights, the Japanese government should adopt a set of

criteria for official development assistance. In 1992, the Official Development Assistance Charter was promulgated, identifying human rights, democracy, the prevention of extensive militarization, the ban on massive arms deals and environmental protection as criteria on which would be based approval for official development aid. However, there remains a great degree of political and economic flexibility with regard to the charter's implementation for two main reasons. First, the Japanese government employs a request-based formula for aid. Second, Tokyo did not specify hard and fast rules to ensure that the conditions of the charter could be adequately implemented.

Three factors should be borne in mind with regard to the above. First, the Japanese bureaucracy always prefers to make more room for discretion in terms of its authority by retaining a certain degree of ambiguity, generality and situation-specific pragmatism. Second, Japanese ideology emphasizes *ad hoc* adaptation to situations and pragmatic policy management: local market forces should be obeyed. Third, while general principles are embraced, methods appropriate to local conditions are used in practice. Thus, while cooperating with the United States in principle, *ad hoc* judgements and policy continue to be implemented. This has become the pattern of behaviour in Japan, the national security and important economic matters of which have come to be largely controlled by the hegemonic United States.

It will still be some time before it becomes evident to what extent the way of thinking characteristic of the Japanese model is accepted and succeeds in the world arena. That is because Japanese capitalism is continuing to evolve at the beginning of the twenty-first century. Lifetime employment is coming to an end, close alliances among firms are gradually loosening, and the extreme form of share cross-holding is gradually giving way to the self-capitalization ratios stipulated by the Bank of International Settlements. Reflecting these changes at the corporate level, the general characteristics of Japanese society are quietly changing.

As the meaning of the nation state changes in tandem with the end of geography, the government's role in setting up social infrastructure and managing the economy is undergoing considerable change, as is the emphasis on national self-reliance efforts.

Although the development of social infrastructure continues to be emphasized, the thrust of that effort – once called construction state Japan – has been weakening. Likewise, the state's role in economic management is shrinking and state intervention is gradually becoming ineffective.

Due to the globalization of the economy, speculation in massive foreign exchange transactions and rigid national expenditure, the effectiveness of government macroeconomic policy seems to have declined. The Japanese government's somewhat futile repeated attempts to shore up the stock market in 1997 and 1998 attest to this. Furthermore, within the government's industrial and technological policies, the creativity and efforts of firms are playing an increasingly important role. Because competitiveness in the labour-intensive sector is steadily declining, self-reliance industrialization, as typified by full-range industrialization, has become hardly sustainable. Instead, there has been a steady increase in capital flight due to direct overseas investment and the consumption of imported goods.

As the world's second-largest economy, Japan has US$800 billion in foreign assets, US$220 billion in foreign reserves and no external debt: it has its own resources to revive and renew its economy. Once it emerges from its lengthy stagnation and reforms its economy, the characteristics of Japanese capitalism will perhaps have changed. The power of the Japanese model will then need to be reassessed.

Finally, with regard to the question of the applicability of the Japanese model to other countries, difficulties exist since, even if they emphasize the role of the state, a great proportion of the approximately 200 countries in the world do not have the same fundamental norms and institutions. Moreover, the lack of patriotic solidarity – nationalism – at the grass-roots level would make the adoption of Japanese capitalism difficult in many countries.

The market and the Asian economic crisis

It would be appropriate here to address the matter of how different types of capitalism are affected by the current process of economic globalization and which model might benefit most from the end of geography. As financial capital moves freely across

national boundaries, Anglo-US capitalism is the force driving global integration and market liberalization. The logic of a free market facilitates the movement of goods, capital and services worldwide. In the age of globalization, the virtues of the Anglo-US model – market orientation, transparency, openness and prudent regulation – have become increasingly accepted as the universal language for trans-boundary economic activities. The rise of the market has, thus, affected all types of capitalism.

The rise of the market, however, has posed a serious challenge to continental European capitalism. Although Europe began to grow fast significantly in 1997, unemployment rates remain over 10 per cent, more than twice as high as in the United States. In late 1997, Europe was short of about 18 million jobs. In June 2000, the unemployment rate of Europe (the Euro-11) was 9.5 per cent. In most of Europe, laws and union contracts enshrine many job guarantees, but pressure from global competition is forcing firms to grow and become more profitable with fewer workers. European corporations have also been consumed by a wave of mergers and tough-minded restructuring so, in order to be competitive in the global market-place, many firms have adopted a meaner and leaner strategy. As more marginal firms are sold off or closed down, more workers are laid off and, even though it is almost impossible to simply fire workers in most European countries, firms are reducing their payrolls through attrition and early retirement.

As a result, the burden is falling disproportionately on people who cannot find work, especially young school-leavers or college graduates and older workers who have been forced into early retirement. The insecurity has also shown up increasingly across the Continent as the number of part-time workers rises steadily. In 1997, part-timers accounted for 16.5 per cent of the European Union's workforce. And only full-time employees can enjoy the full benefits assured by the continental European capitalist model. Thus, those who have jobs are protected at the expense of those who do not.

Still, most European governments provide a safety net for part-time workers and the unemployed. But as joblessness remains the most serious economic problem in Europe, there exists strong political pressure against radically cutting back government

spending on social welfare. Unlike the United States, Europe has low labour mobility and relatively little wage flexibility. The bleak job picture is central to the victory of the French Socialists in June 1997, while Chancellor Helmut Kohl's failure to effectively deal with Germany's unemployment problems killed his reelection in September 1998.[15]

In addition, the Asian financial crisis of 1997 has pushed many Asian economies towards the free-market system. The South-East Asian currency collapse occurred as financial investors worldwide became worried about persistent large current-account deficits, high ratios of foreign debt to local gross domestic product, and declining trade competitiveness in Thailand, Indonesia, Malaysia and the Philippines. Large current-account deficits inevitably reduced the value of these countries' local currencies and, since they were attempting to maintain fixed exchange rates relative to the dollar, capital flight from these countries ensued. As a result, they were forced to devalue their currencies and abandon their fixed-exchange-rate policies.

Although the situation in South Korea was different from that in these South-East Asian countries, the Korean won came under attack as South Korean businesses and financial institutions had incurred short-term foreign debts far exceeding the country's foreign exchange assets.[16]

Thailand and Indonesia called in the International Monetary Fund for assistance earlier than South Korea. The Fund was originally founded to maintain a system of fixed exchange rates and provide the funds necessary to stabilize local currencies in exchange for austerity measures – high taxes, low government spending and tight monetary policy. But the Fund's role gradually expanded during the Latin American debt crisis in the 1980s and, more recently, during the transition of the economies of Russia and East European countries to a market economy structure. The Fund has come to monitor structural adjustment processes in numerous countries, including those in Latin America and Africa, and to provide a wide range of advice about privatization, banking systems and tax structures.

In Thailand, Indonesia and South Korea, the International Monetary Fund has further expanded its role, focusing on governance and financial-sector weaknesses. It has taken the lead in

providing credit and, in exchange, has imposed extensive conditions that require governments to reform their financial institutions and substantially alter their economic structures and even political behaviour.

In exchange for a US$57 billion package, for example, the Fund demanded that South Korea undertake a fundamental overhaul of its economy and sweeping austerity measures – a contractionary macroeconomic policy of high taxes, lower spending and high interest rates. These conditions include the radical alteration of the central features of South Korean capitalism: a ban on foreign acquisition of South Korean businesses; import restrictions; closed financial markets; government control over banks' lending policies; tight inter-company alliances known as *chaebol*; and lifetime employment.

In Indonesia, the Fund insisted that the government dismantle the special privileges enjoyed by then President Suharto's family and his political allies. In South Korea and South-East Asia there has been resistance to what is perceived to be the International Monetary Fund's heavy-handed, radical remedies. Nor are the Fund's measures free from criticism and controversy in Washington and elsewhere. However, the Asian currency crisis and the Fund's subsequent bail-outs have moved these Asian economies and others towards a more open, market-oriented, *laissez-faire* version of capitalism.

As Thailand, Indonesia and South Korea have began to implement the Fund's austerity measures and radical structural reforms, the old-style Asian economic model – which combined the dynamism of the market with centralized government planning – has been increasingly regarded as a problem rather than a solution. Thus, close cooperation between government and industry, once touted as the key to long-term planning and investment, is viewed as a policy vulnerable to exploitation by friends and relatives of political leaders. Government control over economies, long-term relationships among affiliated enterprises and the system of lifetime employment – all once considered the foundations upon which would develop order, stability and strength in Asia – are increasingly seen as liabilities that reduce efficiency, productivity and competitiveness. Informal lending practices are also being denounced for their lack of transparency, which alienates foreign

investors worried about hidden risks. Even policies designed to promote savings and exports are drawing criticism for slowing down the development of domestic markets.[17]

As the region's economies emerge from the financial crisis, a shift from Japanese-style capitalism to neo-classical free-market capitalism has become apparent. In South Korea, the Finance Ministry no longer tells the banks to whom they should lend. Moreover, as the International Monetary Fund's austerity measures pushed up interest rates on won loans to 30 per cent, many South Korean companies have been forced to lay off workers, bringing to an end the lifetime employment and seniority systems.

Long-term business relationships – the underpinning of South Korean-style capitalism – are also dying as South Korean business groups are allowing affiliates to collapse. *Chaebol*, the South Korean conglomerates (the top 30 *chaebol* account for two-thirds of the country's economic output), have jointly moved to adopt Western accounting standards and reduce their debt-to-equity ratios. Faced with the immediate prospects of bankruptcy, South Korean companies are also making less effort to build market share and more effort to make money by cutting costs and eliminating middlemen. Overall, the South Korean economy has begun to look more like the US economy.[18]

The Asian financial crisis has accelerated a similar trend in Japan. While Japan's prolonged economic slump has revealed the weaknesses of the Japanese economic system, the economic crisis in Asia has shed light on flaws in the Japanese model of capitalism.

Japan now faces increasing international and domestic pressure to stimulate its long-stagnant economy, diminish regulation and play a more active role in the world economy, particularly with regard to Asia's economic turmoil. Although political opposition remains formidable, the country's government and business have both struggled to restructure the overregulated, inefficient economy. So, after years of manipulating its financial markets, the government launched its Big Bang deregulation on 1 April 1998, lifting foreign-currency restrictions.

In an attempt to transform Tokyo into a financial centre that could match New York or London, the government ordered Japanese banks to disclose more accurate and useful financial information. To take advantage of globalization, many Japanese companies

have reconsidered old-style, long-term business relationships and are, instead, focusing on prices, profitability and creditworthiness. As it has gradually lost its power to manipulate the economy, the government has allowed major banks and security houses to fail.

Nevertheless, the Japanese people are still ambivalent about prospects of a more market-driven system. Wary of the brutality of market mechanisms, particularly lay-offs and the widening income gap, they are hesitant regarding rapid change. They fear that a market-oriented system will destroy the nation's social fabric and community ethos, increasing crime and other social ills while ending the civility of life.

Despite the economic inefficiencies, Japanese people do not seem dissatisfied with their current situation. Although their economy has been in a slump for nine years, most Japanese feel that they are doing reasonably well. Even though prices are high and there are many regulations, their income is still high and unemployment remains under control, a state that Hugh Patrick calls high-income equilibrium. Rather than endure painful economic restructuring, many Japanese would prefer to maintain the status quo.

However, the current trend towards free-market economies and mounting international pressure on Japan in that direction does not permit stagnation to continue. The question remains how the Japanese will reconcile their traditional socioeconomic structure with global forces. This is a question confronting all national economies as they become increasingly integrated into the world economy. The former Secretary-General of the World Trade Organization, Renato Ruggeiro, argues that the task during the Cold War was to manage a divided world; the task in an era of globalization is to manage an integrated world.

12
Domestic Governance

Sovereign states, which developed in modern Europe and experienced great triumphs in the nineteenth and twentieth centuries, have absolute power to determine their own affairs while wielding overwhelming power over the residents of their territory. In the feudal era of medieval Europe, religious authority, namely Christian authority, was primarily the absolute power that united Europe, secular authority was diffused throughout the feudal aristocracy, and state authority was extremely weak.

It is against this background that modern European states championed, sought and realized state sovereignty. This led to the establishment of absolutist states and, on the basis of their growing authority to govern, modern West European absolutist sovereign states were born. In fact, in the nineteenth century, with their power at its zenith, West European sovereign states tried to behave literally as sovereign, and it was only the competition among them that provided restraint. It was, ironically, these states' pursuit of colonialism and imperialism, and the subsequent spread of their civilization around the world, which prompted the relativization of their status: they could no longer have their own way. While at the end of the nineteenth century there were only about 50 sovereign states, at the time of writing they number nearly 200. As technology has advanced, however, sovereign states have inevitably become relatively weaker.

As discussed earlier, technological advances compel us to consider national security from the perspective of international security. By the same token, technological advances make national

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economies viable only from the perspective of the world economy. Similarly, technological advances require that domestic governance be considered in terms of the relative nature of state sovereignty.

Relativization of national sovereignty

Communication technologies have helped make sovereignty relative with regard to the governance of domestic society. With the ability to transmit radio and television broadcasts to distant countries by short wave and satellite, we can compare how news is covered around the world and compare our own country's situation with that of other countries. Not only are the unsavoury matters about ruling regimes reported, but television coverage of events allows one to obtain some idea of underlying situations from people's expressions, clothing and surroundings. It is interesting to find satellite television widespread in communist societies such as China and Vietnam, and one can only ponder how such penetration by foreign television and radio might affect national governance.

South Korea has tried to suppress Japanese culture since its independence in order to wipe out the influence of Japanese colonialism. Not only Japanese-language pop songs, but also Japanese television broadcasts are not officially permitted. But in Japan there are also many restrictions on satellite television broadcasts from overseas. While this might be because of technicalities related to satellite broadcasting, the need for special antenna dishes to pick up the television broadcasts or administrative problems regarding use of air waves, it should not be overlooked that the spirit of the Japanese Broadcasting Law is one of 'guidance' by the central government.[1] To call it the exercise of sovereignty may be an exaggeration, but it is a device meant to cushion Japanese society against foreign influence.

China and Vietnam seem to be pursuing a policy of maintaining the political structure of communist rule while encouraging the direct investment of foreign capital to promote economic development. These two countries have boldly introduced foreign television – an agent of what the Chinese term peaceful evolution – in stark contrast to democratic countries such as Japan

and South Korea, which are rather cautious regarding foreign television programming.

With respect to the introduction of foreign capital, China is more proactive than either Japan or South Korea. The Japanese economic development model attempts to achieve full industrialization through local capital, while curbing the advance of foreign capital.[2] Meanwhile China, which once did not allow in foreign capital under the slogan of self-reliance, has energetically encouraged a torrent of foreign capital investment since 1990. Most Japanese manufacturers who, as of 1998, have somehow managed to survive as corporate entities by transferring one-third to one-half of their production capacity overseas are considering China as an option for their direct investments abroad. Thanks to the influx of foreign capital, China's economic development has gained impetus.

Foreign direct investment has a much stronger impact on domestic society than foreign trade. Direct investment entails transfers of capital, technologies, management methods and ideas, transplanting a different way of thinking into society. Moreover, employment opportunities and goods produced by direct investment gradually change domestic society. Direct investment is undeniably one of the most potent agents of social change.

The permeability of governance

Such a situation may be possible because in Japan and South Korea, the permeation of governance – the degree to which state power permeates the grass-roots – is deeper than in China and Vietnam. This permeation can be measured in terms of taxation and the rule of law: how efficiently a government collects taxes and the extent to which it ensures observance of the law.

While the ratio of central-government-levied tax to gross national product is smaller in Japan and South Korea than in either Sweden or Germany, it is larger than that in China and Vietnam. The permeation of governance is, thus, deeper in Japan and South Korea than in either China or Vietnam. In terms of crime prevention and law enforcement, the degree of permeation of governance in Japan, where state authority is strongly supported at the grass-roots level, seems higher than that in China

where, despite the massive mobilization of public security police, the permeation of state power remains insufficient due to lacklustre grass-roots support for the government.

But perhaps more important, the degree to which a state can keep out foreign television and foreign capital decreased in the late twentieth century. This fact seems to have created a difficult agenda for states without experience in capitalist democracy. Yet even capitalist democratic states, in which democratic politics is practised within national boundaries, cannot completely eliminate the forces of globalization which technological advances and considerations of international security and world economics have made inevitably pervasive.

It is, consequently, impossible to shield completely even very closed societies, such as that of North Korea, from foreign influence. Even given that Pyongyang is aware that North Korea is one of the world's poorest and most politically repressive countries, while the ruling regime may not wish to witness the shock waves that would result were the reality revealed to the population through comparison with foreign countries, advanced telecommunications technologies and the ease of foreign travel no longer allow closed-door state management.

Transformation of states in European integration

Let us return to the previous discussion, in which we defined state sovereignty as a state's exclusive jurisdiction, and compare the state sovereignty of nineteenth- and late twentieth-century Europe.

For state sovereignty in nineteenth-century Europe, stability, order and national security were important. Maintaining stability and order meant foiling potential forces that would challenge state power within domestic society, and preventing foreign powers from taking advantage of instability and interfering in a state's internal affairs. National security meant avoiding either being forced to cede territory or losing independence as a result of waging a war with foreign powers. In other words, it was necessary to increase national security by going to war with foreign countries and forcing them to surrender their territory. Such regimes were night-watch states, which had a minimal agenda

internally, but were belligerent and exerted maximum power externally.

In late twentieth-century Europe, since the treaties of Rome, Maastricht and Amsterdam, the meaning of the state has been significantly changed. First, as far as the member states of the European Union are concerned, barriers normally associated with foreign trade are extremely few. Products can move freely across borders as can people, with the exception of refugees and immigrants. Not only are visas no longer required, but the presence of national boundaries and nationality are becoming increasingly less perceptible. Owing to the restrictions on refugees and immigrants imposed over the past few years, it may appear otherwise to some but, as far as European Union members are concerned, enormous changes have taken place since the end of the Second World War, especially during the third and fourth quarters of the twentieth century, and the numbers involved in migration are in the millions.

Furthermore, financial transactions can be conducted freely across borders and, in the medium- to long-term, are expected to unfold transnationally. With the establishment of the European Currency Unit, certain guidelines for foreign currency fluctuations were laid out and national economic management was required to curb inflation.

At the beginning of the 1990s, the latter goal was frustrated by the recessions in Europe and subsequent widespread unemployment. Moreover, abiding by a single monetary policy proved quite difficult. When Germany raised interest rates to ward off inflationary pressures in the wake of unification in 1990, its neighbours had to follow suit or see their currencies devalued by the markets. This resulted in a recession and double-digit unemployment in France, Britain and, eventually, Italy, for which reason the latter two states had to bail out of the system in 1992.

But monetary union continues to be a medium- to long-term goal. In May 1998, 11 European Union states formally agreed to introduce a common currency, the euro, on 1 January 1999, on the basis of the Maastricht and Amsterdam treaties. Those nations that have joined the euro have agreed to keep their budget deficits to 3 per cent of their gross national product and to replace national currencies with the euro in 2002. Although Britain,

Denmark and Sweden decided they are not yet ready to join – and Greece does not meet the criteria – they are expected to join in time.

What is more important, from the perspective of economic integration, is the progress that has been made in standardizing the rules for economic activity and collaboration in technological development. But the standardization of economic rules is not limited to foreign trade, for European rules have been established to cover domestic economic activity in general. The Maastricht and Amsterdam treaties represent the compilation of all these rules.

Numerous domestic laws had to be revised before the Treaty of Maastricht could be ratified. A great deal of opposition to such revisions had to be overcome in the parliaments and, when that was not possible, domestic laws had to be amended in the form of government decrees, as was done in Italy.

Despite the slow process of currency integration, the European Union is the world's biggest trading power, with a single trading policy for all its members, a single agricultural policy and a single market of 340 million people in its 15 member nations. At the start of the twenty-first century, however, this kind of deep integration is limited to Europe.

Thus far, I have briefly discussed Asian communist states and the European Union. Now, let us examine more systematically how state sovereignty has been relativized.

Relativization of state sovereignty in international security

The notion to approve war declines

In the nineteenth century, when the concept of state sovereignty was at its apex, it was synonymous with war-making sovereignty. It is classical thinking that, in the interests of safeguarding sovereignty, wars must be waged, since formerly war was a normal and most important state activity. The failure to respond to national humiliation or to take up a challenge was conduct unbecoming to a sovereign state.

It was, in fact, on nineteenth-century grounds for war that, on the eve of the Meiji Restoration in Japan, Britain and other

great powers ferociously bombarded the domains of the Satsuma and Choshu clans, under the pretext that they had been shelled, and thereby unwittingly promoted a political revolution in both domains. It was somewhat like the reflex action of a samurai warrior unsheathing his sword, for sovereignty meant honour and, by extension, required a war to restore that honour.

Although the number of wars certainly increased in the latter part of the twentieth century, the perspective that waging war is normal and natural has been somewhat weakened, and the notion of approving war is already weak. While it can be said that the idea of approving just wars has recently been rekindled, the mood is very different from the general approbation of war seen in the nineteenth century. Just wars include humanitarian intervention and intervention by transnational organizations or hegemonic states. However, the overriding tone is that war is sanctioned only in special cases.

The intervention in Somalia was humanitarian yet, at the same time, it was an intervention by United Nations peace-enforcement forces and a hegemonic state. Among other interventions by hegemonic states are Russia's intervention in Moldavia and Vietnam's intervention in Cambodia. The United Nations Transitional Authority in Cambodia is an intervention by a transnational organization. In the summer of 1994, the UN Security Council authorized a US-led military intervention in Haiti and French intervention in Rwanda. Both are instances of intervention carried out by hegemonic or major states but sanctioned by the United Nations. There is no widely accepted notion as to how far just wars can be approved, but the conceiving of just wars within a certain framework is significantly different from the notions of state sovereignty and war in nineteenth-century Europe.[3]

Sovereign states, quasi-sovereign states and half-sovereign states

The role of the state is broad, not limited to external national security and the maintenance of internal order. As the twenty-first century dawns, it appears that among the nearly 200 sovereign states, surprisingly few make it a top priority to build war-fighting capability. It seems that so-called quasi-states represent the majority of those that do.[4]

The quasi-states, with only a modicum of governing and national security capability, just barely resemble sovereign states, and their influence extends only to their capital, airports and banking areas. They are headed by political leaders who preserve their position on the strength of their connections with former colonial states and large amounts of foreign capital.

A great number of African countries are such quasi-states. With only limited ability to collect taxes, they rely heavily on grants and loans from foreign countries and international organizations.

Even in a country as large as China, the area firmly under the control of the central government is relatively limited, comprising the region from Beijing to Shanghai, while the coastal zone to the south is said to comprise something akin to a collection of semi-independent kingdoms, each under the sway of the local provincial government, although the centralization of power made enormous progress in the 1990s.

Given the fast pace of economic expansion, and post-Deng political developments, some would argue that the way has already been paved for the possible quasi-independence of local entities. In order to understand the logic behind this line of thinking, one should remember that, after the Tiananmen Square incident, foreign loans – more than half of which were extended by Japan – were discontinued as a result of economic sanctions, and that this caused the revenue of the central government to fall. Moreover Japanese loans, about 200 billion yen per year from the mid-1980s through 2000, accounted for 1.5–2.0 per cent of the Chinese central government's revenue – a seemingly insignificant amount only to those used to the ways of modern societies, in which national expenditure is mostly linked to routine fixed items that are not changed according to whim. In 1991, however, the G7 countries suspended their economic sanctions and shifted their position to prevent unnecessary destabilization in China.

Since the loyalty of the military and police is not necessarily unwavering in quasi-states, the ruling forces attempt to ensure internal and external security through foreign assistance. For example, King Sihanouk of Cambodia relies on bodyguards supplied by North Korea, not Cambodia, Vietnam or Thailand. Likewise, Saudi Arabia's royal security force is mostly composed of foreign

Muslim officers and soldiers, including many from Pakistan, in order to reduce the risk of assassinations and coups that could result from the contentious and competitive relationships among the royal princes.

The more closely I examine the meaning of the term 'sovereign state', the more I am persuaded that almost all existing states are in fact quasi-states. According to Kenneth Waltz, the United States and the Soviet Union were the only sovereign states in the early 1980s since, in an age of technological advancement, only they had the capability to deploy strategic nuclear weapons on a global scale.[5]

Since Japan's national security relies largely on the US–Japan security treaty, Japan is sometimes considered a semi-sovereign state, for it is one of the countries that depends most on the auspices of Washington's security hegemony. Despite its economic prowess, Japan finds itself in this kind of situation not just because it was defeated in the Second World War and occupied, but because it remains in the interests of the United States to extend its security umbrella to Japan, which is an economically and geographically important big power.

Even since the end of the Cold War, the United States has tried to preserve its security hegemony over the European Union and Japan through the North Atlantic Treaty Organization and the US–Japan security treaty, respectively, although at different levels: while it maintains a direct bilateral arrangement with Japan, its arrangement with the European Union is indirect and multilateral. Since the greater a power becomes, the more important its hegemonic umbrella is believed to be, Japan and the European Union have welcomed Washington's efforts to maintain international security in the interests of all advanced industrialized countries which, as the world economy becomes increasingly united, are steadily becoming more unified.

Ironically, were we to stick to the nineteenth-century concept of state sovereignty, it would be hard to find in the area of security in both quasi-states and advanced industrialized countries. Instead, medium-sized regional hegemonic countries that are of regional importance, though not of great significance in terms of world economics – such as India and Russia – might be closer to the nineteenth-century ideal of a sovereign state.

Relativization of state sovereignty in economic activities

Monetary, fiscal and economic rule-making sovereignty

War has been a priority for sovereign states in modern Europe and has been supported by national revenues.[6] But in the days when the landed aristocracy owned most of a nation's territory, it was not easy to increase national revenues. The revenue derived from the king's land was of paramount importance for the national coffers, which were swelled by the proceeds deriving from a state's monopoly on foreign trade, customs revenue, salt sales, gold and silver transactions, the promotion of indigenous industries, the preferential treatment of domestically built ships, and territory acquired through war. In particular, customs revenues were a major source of revenue in the nineteenth century. In young federal countries like the United States at the beginning of the nineteenth century, national revenues almost entirely comprised trade-related customs duties. And it is precisely because of this difficulty in securing national revenues that few activities entailed state penetration in the running of society.

As the nineteenth century progressed, however, national sovereignty came to have a bearing on economic activity in terms of monetary, fiscal and economic rule-making sovereignty.

Monetary sovereignty involves not only a state's ability to proclaim that only the currency formally sanctioned by it should be circulated in the economy, but also its ability to enforce compliance. While the currency in Britain is now the pound sterling, and in France the franc, before the establishment of modern sovereign nation states it was common for the currency to differ according to locality, and for a basket of currencies to be legal tender. Thus, for example, although Italy achieved national unification in 1861, it was not until the 1920s that a central bank was established and a unified national currency adopted. In the regions of Savoy and Piedmont, the strength of a currency was determined on the basis of its exchange rate against the French currency.[7]

As the sources of national revenues shifted from land to industry, revenues increased. States were thereby provided with financial resources according to which policy agendas were adopted

and expenditure decided. It is such fiscal sovereignty that allows a war-prone country to spurn a foreign state's request that it reduce its defence budget.

Economic rule-making sovereignty, meanwhile, allows a state to lay out or sanction rules for economic activities such as bank management, the issuing of securities, the definition of intellectual property rights and the setting of corporate tax rates. It precludes foreign interference.

The transformation of national sovereignty in the economy

In the early days of the modern sovereign nation state, it was not rare for states to copy the commercial laws and international transaction laws of others, but by the early twentieth century, the differences among these states had been solidified. By the end of the twentieth century, the process had progressed one step further to a world economy as a result of the technological advances and multilateral rule-making required by expanded economic activity.

In tandem with these changes, monetary sovereignty is undergoing transformation. A case in point concerns the member countries of the European Union, which has set out to unify their currencies. This is only possible if there are no major foreign exchange rate fluctuations, to which end EU members have pledged not to allow fluctuation beyond a certain range. Such financial discipline requires economic management on the part of the states involved, each of which must conform with the Union's guidance for macroeconomic management. A mechanism has been explored according to which a single European currency can be created based on a value representing the aggregate average of member states' currencies. As most European Union members agreed to adopt a common currency in May 1998, the European Central Bank was endowed with a certain transnational function. The euro was launched on 1 January 1999, ten centuries after the first European monetary union was forged by the Holy Roman Empire, only to collapse a few years later.

There is another direction in which monetary sovereignty can be transformed that, unlike the above, does not involve the future-oriented, stage-by-stage planned transfer of monetary sovereignty. In such circumstances, an influential foreign currency becomes

so overwhelmingly dominant that other currencies can only function with reference to it, forcing some economies to revert to temporarily, and settle for, barter.

Thus, under the rule of the Khmer Rouge (1975–9), the Cambodian currency was abolished and, in the ensuing chaos, barter was used instead. Then, when money was again used, there was a time during which the Thai baht continued to be predominant in the western half of the country, and the Vietnamese dong in the eastern half. In other words, the currencies most closely linked to *de facto* forces capable of providing internal security predominate.

In Eastern Europe and Russia, when inflation became so serious in the process of the transition to a market economy that the value of the local currencies declined dramatically, foreign currencies such as the US dollar became powerful due to their international acceptance. In Peru, which was making the transition from a regulated to an open-door economy, the situation was similar. Inflation was so bad that people jokingly said prices in restaurants changed in the interval between placing an order and receiving the bill.

Inflation was also horrendous in Japan immediately after the Second World War. But in 1949, it was at last brought under control, some ten months after the implementation of the Dodge line, based on recommendations made by Joseph Dodge. When he learned that a newspaper article had reported the theft of money – rather than property – Dodge realized that money had at last begun to regain its value.[8]

Such events indicate that the US dollar tends to fill the vacuum created by the weakness of a national currency as long as there is global, unified economic activity and the US dollar continues to dominate international finance.

In the meantime, there has been a move to transcend financial sovereignty through fluctuations in foreign exchange rates. Thus, for instance, if the yen–US dollar exchange rate becomes exceedingly high, Japan's exports to the United States will slow down and prevent an increase in the US trade deficit with Japan. To this end and to set in motion a series of policy changes, Tokyo has resorted to policy-oriented market intervention designed to increase the yen–dollar exchange rate by selling dollars

and buying yen. Lest undesirable consequences result from a protracted decline in exports, however, Tokyo is at the same time being pressured to adopt a series of market liberalization policies, increase spending on public works projects and introduce large-scale tax cuts.

With respect to fiscal sovereignty, a great change is taking place. The European Union's road to monetary union requires a certain degree of control over exchange rates and inflation, which has imposed great constraint on national fiscal policy. Since the second oil shock, Europe has been suffering chronic high unemployment. With a view to overcoming this, there have been calls for a major increase in public spending, but in a recession, expanded budgetary expenditure is not necessarily effective. Moreover, fiscal policy was frozen in the 1980s due to constraints designed to facilitate currency integration. Thus it can be said that domestic macroeconomic policy was, to a degree, incapacitated in order to stabilize the international monetary order. Conversely, reflecting the massive inflation and deflation of the 1970s, domestic monetary policy almost became frozen, leaving the burden of economic expansion entirely to domestic fiscal policy.

US–Japan economic negotiations have involved Washington's repetition of three demands it has long been making of Japan, namely, that markets be liberalized, domestic demand be expanded and large-scale tax cuts be undertaken. The United States maintains that compliance would slash the US trade deficit with Japan, vitalize the US economy, help Japan assume responsibility in the world economy and also benefit the Japanese people. Yet it seems less than sensitive to Tokyo's fiscal sovereignty.

The US government seems to be side-stepping the fact that it is the structure of the US economy, characterized by excessive consumption and meagre savings, that has inevitably led to trade and fiscal deficits. Moreover, it is ignoring the reality that enormous income gaps in the US economy, together with substantial falls in real income and real wages, have made it difficult to expand demand at home. Instead, it continues to strongly urge other countries to expand their domestic demand and cut taxes.

Another important consideration is the penchant of global US firms to seek access to overseas markets when they feel they have exhausted their opportunities at home. So, although the US

economy recovered and experienced an unrivalled economic boom in the mid-1990s, with the result that budget deficits gradually disappeared and unemployment rates dropped steadily, it was US firms' undaunted expansion overseas that pressured the Clinton administration to continue promoting market liberalization in foreign countries, putting paid to the notion of fiscal sovereignty.

The same is true of economic rule-making sovereignty. Since global economic integration requires the standardization of rules for economic activities, economically predominant parties will inevitably exercise greater influence in setting the rules. So it is that the European Union, which represents more than half the world's trade volume, has influence in the Uruguay Round negotiations of the General Agreement on Tariffs and Trade. In the same vein, because the United States is predominant both economically and in the area of international security, it has begun to take steps gradually to set economic rules not only in bilateral negotiations such as the US–Japan economic consultations, but also in regional forums such as the Asia–Pacific Economic Cooperation forum, beginning with this body's November 1993 annual meeting in Seattle.

Global corporations, particularly those based in the United States, are leading forces in formulating rules for not only trade and investment, but also technological research and development, intellectual property rights, employment practices and government procurement. Until recently, most multinational corporations were involved in manufacturing, but currently the cutting-edge actors in economic rule-making are multinational firms in the service, construction, transport, military-related and advanced high-tech industries.

Most cutting-edge corporations in the service industries – banks and securities houses as well as consulting and trading firms – are US enterprises. Their penchant for rule-making has allowed them to exercise far-reaching influence, since in many countries these industries have merely targeted domestic demand and have been content with domestic economic rules as might pertain to policy on technological development and research, collusive bidding in the construction industry and subsidies for weaker retailers.

Relativization of state sovereignty in domestic governance

In the nineteenth century, the domestic policy function of European sovereign nations was limited to the role of night-watch state, involving the maintenance of law and order, without which states were considered meaningless: their international policy function was that of a war-making state.

At the beginning of the twenty-first century, however, it would appear that, even in these roles, it is often hard to see state sovereignty being exercised. Thus, for example, when the Italian government tried to ratify the Maastricht Treaty, it learned that to have parliament carry out the required hundreds of legal revisions would take an excessive amount of time. This is because the Italian political system has endowed the legislative branch with greater sway than the executive branch, making it quite normal for even minor legal amendments to require tremendous parliamentary manoeuvres.

The party and factional politics found in the legislative branch have penetrated the executive, as a result of which major firms related to government ministries, as also television channels, have party affiliations linking them to the Christian Democratic, Socialist or former Communist parties. It has long been believed that, of all the country's bureaucratic institutions and public enterprises, the Italian Central Bank has remained relatively non-partisan.

The Italian parliament has long been a forum for competition among political parties, so it is perhaps inevitable that there should be a great deal of resistance to revisions that would transfer much of the state's sovereignty to the European Commission.

Be that as it may, since the Maastricht Treaty requires that there should be unimpeded movement of goods, people and money, domestic laws must be amended and so the Italian government came up with the idea of bypassing parliament by implementing administrative decrees. But in order to cut through the various intertwined vested interests, the Maastricht Treaty and pressure from the transnational European Commission were needed.

Relativization extends to policing

Directly related to the governance of domestic society is the police. With the Mafia's secret manoeuvres and open challenge to the police, Italy's party politics were once thrown into chaos. Because the Italian police is largely ineffective at certain levels, the Italian government would perhaps be happy to transfer the functions of the force to the European Commission. This is partly possible since the Maastricht Treaty grants the police of any member state where a crime is committed the authority to pursue suspects and make arrests anywhere within the European Union – the French police would thus have the authority to pursue a suspect who fled to Italy, where they would be entitled to make an arrest.

In the absence of such a treaty outside the European Union, however, it appears to have become Washington's hegemonic practice to arrest suspects in US-linked drug crimes in Panama, Colombia and Mexico – with which Washington has signed extradition treaties – from where they are extradited to the United States to be tried.

Such is not the case for other countries, however. Were a drug-related crime to occur in Japan, for example, and the suspect be reported to have fled to Thailand, the suspect could not be pursued to, or arrested in, Thailand by the Japanese police.[9] Instead they would, under the auspices of Interpol, be obliged to cooperate with the Thai police, providing information on the suspect and the crime, and could only assist the Thai police in making an arrest. Even were a suspect a member of the Japanese Mafia, one can readily imagine the outcome were the Japanese police to enter Thailand, China or the United States in pursuit and make an arrest.

By the same token, we can understand how a transnational organization such as the European Commission, or a hegemonic country with a transnational mentality such as the United States, has come gradually to encroach on a sovereign state's role of maintaining order, which was considered an exclusive domain in the nineteenth century.

Relativizing pressures on governance

In the twentieth century, the relativization of state sovereignty in such areas as mentioned above became possible due to the

European Union treaty and the self-centred approach of hegemonic countries such as the United States. But there is also a definite trend towards the relativization of state sovereignty in the area of governance.

It is no longer unusual for foreign countries, transnational organizations and non-governmental organizations to make strong demands with regard to human rights and democracy. For example, the demands made of the Chinese and Indonesian governments by Washington, the International Monetary Fund, the World Bank, Human Rights Watch and Amnesty International have relativized nineteenth-century state sovereignty.[10] Washington and those organizations continue to lodge strong protests with the Chinese government for having slaughtered protesters during the Tiananmen Square incident and with the Indonesian government for having killed protesters in East Timor.

While the non-governmental organizations champion respect for human rights and the promotion of democracy, and insist that governments be forward-looking on these issues, what is important in terms of the relativization of state sovereignty is that the US government, the International Monetary Fund and the World Bank are demanding that Beijing and Jakarta make progress in human rights practices as a precondition for their continuing to both be granted most-favoured-nation status (by Washington) and receive loans (from the International Monetary Fund and the World Bank). Such a quid pro quo approach requires a major change in the concept of state sovereignty with regard to the governance of domestic society.

Singapore's Court, in accordance with its domestic law, ordered the caning of a US youth who had committed a crime. When the Singapore government tried to carry out the punishment in 1994 and President Clinton appealed for clemency to Singapore's Prime Minister, the latter replied that Singapore's domestic law could not be altered to suit the interests of other nations. Ultimately, the number of lashes to which the youth was subjected was reduced, but the punishment was carried out.

Similarly, when an Indonesian citizen received a criminal sentence, the Singapore government stressed that it had carried out the sentence strictly according to domestic law, despite the Indonesian government's appeal for clemency and the Indonesian

Army's threat to invade Singapore were the appeal not heeded.

The responses of the governments of both Singapore and China to pressure from Washington regarding human rights are clear attempts to preserve state sovereignty over domestic governance. Nevertheless, the trend does appear to point to the relativization of state sovereignty.

In 1992, the Japanese government issued the Official Development Assistance Charter, which clarifies the political conditions – such as respect for human rights, the promotion of democracy, restraint on military expenditure and arms purchases, and environmental protection – it attaches to development assistance, and made clear its position that development aid would be reconsidered in cases where these conditions were obviously disregarded. Japan is thus clearly cognisant of the trend that is fuelling the relativization of domestic sovereignty.

The question that is often asked, however, is whether Tokyo's commitment to the principle of the charter is in fact reflected in the implementation of its assistance. This is because the Japanese government has not stipulated specific procedures that would be carried out to indicate its commitment to suspending assistance not considered appropriate in terms of the charter. This is not an omission but, rather, reflects Tokyo's preference for quiet, persistent persuasion. Moreover, it suggests that Tokyo considers state sovereignty to be more important than does Washington, and that, while it prefers the kind of diplomacy in which traditional state sovereignty is respected, its approach is to try to persuade a recipient government to admit its mistake, during which time it will patiently wait and observe the potential recipient's internal policy.

Clearly, even in the domain of governance, in which area state sovereignty was in the past manifested most clearly, the relativization of state sovereignty is steadily progressing.[11]

As we have seen in preceding chapters, global change has been visible, tangible and colossal. In the next chapter, I will attempt to portray the global picture, focusing on technological progress in a number of areas, into the third millennium.

13
Into the Third Millennium

The leitmotif of this book is the premise that global transformation springs from the fount of technological progress, which changes the structure of international security, the world economy and domestic governance. Moreover, because technological advances take place largely in continuous, incremental steps, when observed from a global perspective they are not sudden, dramatic or revolutionary. That said, when any given country attains a certain level that causes there to be a technological gap between it and other countries, there will result a marked change in the global transformation structure.

Progress in military technology provides a good example of this phenomenon. The use of the horse for military purposes enabled Eurasian nomads such as the Mongols to dominate that continent. They needed only stirrups, a bridle and reins.[1] Stirrups gave the rider physical security while allowing the unhindered use of weapons (swords, bows and arrows, and guns); the bridle and reins made it possible for riders to cover long distances more quickly than before. What may by today's standards appear to be but a minor technological advance was, at the time, a major and fundamental factor in an ongoing process of global transformation. Similarly, it would appear that a kindred technological advance was a factor in the Norman conquest of England. These victors gained the upper hand because their enemies had adopted neither the horse as a weapon nor the use of stirrups, bridles or reins.

Undoubtedly, one of the causes of the self-destruction of the Soviet Union is the fact that *glasnost* and political reforms revealed

T. Inoguchi, *Global Change*
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the extent to which the popular desire for consumer goods and a pleasant life had been sacrificed for the sake of a controlled economy that fed off the nuclear arms race, particularly competition to develop cutting-edge weapons. Once introduced, however, economic reforms enabled the transition to be made to a market economy.[2]

As mentioned earlier, the competition involved in technological developments calls for enormous expenditure in terms of money and time, while the probability of success is not high. Thus it could be said that the collapse of the Soviet Union was an expression of the will to suspend such competition, even if temporarily. For with further technological innovations, there will certainly come new weaponry to surpass existing strategic nuclear weapons, and a new arms race will begin involving a new line-up of protagonists.

Even the world economy has been shaped by technology. In ancient Europe, agriculture flourished on the shores of the Mediterranean Sea and involved light ploughing, the sowing of seed and waiting for crops to grow. But in the interior regions further north, it was the invention of tools – which permitted farmers to plant seeds so deep in the soil that they would not die from cold – that made agriculture possible.[3] This, in turn and over an extended period of time, accelerated the spread of European people from the Mediterranean coastal areas of Greece, Italy and Sicily to northern France, the banks of the Rhine and, later, eastward to what is today Germany and Poland. Technological advances had a decisive impact.

At the end of the nineteenth and the beginning of the twentieth century, the organizational form known as the stock company was born in Germany.[4] The system allowed many stockholders to pool their assets in a company which, in turn, paid them dividends in proportion to its profits. The system utilized a market mechanism which ensured that when demand for a company's shares increased, their value did likewise; and, conversely, when demand for the shares declined, so did their value.

This technological innovation freed large companies from the constraints of small scale that was a characteristic of privately owned enterprises and allowed them to grow by leaps and bounds. It was the invention of such stock companies that made poss-

ible the twentieth-century development of the heavy, chemical, construction, transport, energy and communications industries which, in turn, became the basis of national economies and thus laid the foundations for today's world economy.

Technological innovations in electronic and satellite communications gave an epochal meaning to the world economy at the end of the twentieth century. Financial transactions, made possible by these innovations, have helped achieve the global integration of the world economy, while foreign exchange has become a big business. Thus the cheap-dollar strategy that was accelerated by the 1985 Plaza Agreement rapidly increased international financial transactions and, within a year, the volume of these transactions had exceeded that of international trade.[5] This was the result of technology that made possible instant transactions.

While the most significant results of technological advances have been seen in the area of financial integration, it should not be forgotten that the transport industry has also made it possible to conduct foreign trade at an astonishing speed and in huge volumes. Thus, the seaports in Chiba, Yokohama, Tokyo and Kobe, as well as the New Tokyo International Airport at Narita, have become the entry and exit points for large amounts of trade to and from Japan.

Technological innovation has also been decisive in the area of domestic governance. In early modern England, Sir William Petty, the author of *Political Arithmetic*, estimated the number of households according to the number of ovens in use, thus establishing an empirical basis for ascertaining the population and determining taxability, which is a first step towards governance.[6] Census-taking was thus a form of technical innovation.

In the confusion immediately following the independence of India, a number of dissatisfied people locked themselves up in some temples in Delhi. The newly independent government of India could not count these disaffected refugees on site, nor could it refuse to provide them with the necessary supplies of food and water. So, in order to ascertain just how many refugees there were, the government first obtained statistics from the period of British rule giving the minimal amount of grain, salt and beans required to sustain an individual, and then divided it into the average

amount of these items requested by the refugees. Because these calculations were so accurate, the prestige of Indian statisticians remained high long after.[7] I recall that the names of Indian statisticians, such as Rao and Maharanobis, frequently appeared in the statistics textbooks that I used.

Among the technological advances in the twentieth century, radio broadcasting has been of decisive importance for domestic governance. Without radio, modern Japan would not have succeeded in raising the national consciousness and patriotism to such a high level. Compulsory education and military education through conscription were important, but there was nothing quite like radio to spread standard Japanese to all corners of the country and to implant the modern national ideology centred on the Emperor.[8] This was decisive for domestic governance in modern Japan.

In the Tokugawa era, the early modern period of Japanese history, the central government was rather loose and decentralized, and there was no absolutist despotism, in stark contrast to the situation in such European countries as Britain and France. So it was only natural that the Meiji Restoration agenda should include the setting up of a centralized government and a military service, based on conscription and compulsory education, as well as the promotion of industrialization. It was only after the Meiji Restoration that the myths of the eternal nature of the Imperial Family, the unique nature of Japan as an island nation and the thoroughly homogeneous nature of Japanese society were vigorously promoted. And it was only after the Meiji period that the Japanese national consciousness became a strong force. Many people have noticed that several of what are touted as being Japan's special characteristics were, in fact, created and exaggerated in the process of state-led modernization beginning with the Meiji Restoration. The previous Japanese characteristics – particularly before the beginning of the early modern period, during the Muromachi and Civil War eras – seem to have been independent minds and individualism, rather than compliance and group orientation. The original Japanese national character will certainly have been quite different from that of the post-Meiji period, particularly twentieth-century Japan.

In Indonesia, which gained independence in the middle of this century, radio has played a decisive role. Using standard Indonesian

as the medium, radio broadcasts have helped unite a country comprising thousands of islands, tribes and languages.[9]

But now, at the beginning of the twenty-first century, what is changing state sovereignty in governance significantly is satellite television. It is not possible even for a dictatorial, political leader to hide completely from the people either facts or the virtual reality that is transmitted via satellite television broadcasts. The popular consciousness is gradually being awakened and transformed by this medium, which has the potential even to overthrow ruling groups.

But there is another aspect of technological progress that should be borne in mind, namely, population and climate change. For it was, in part, to ease the pressures generated by changes in these factors that technologies have been advanced. One cannot, for example, ignore the El Niño phenomenon – according to which changes have occurred in the direction of the warm ocean current off the Peruvian coast, leading to a decline in the sardine catch – reportedly caused by black spots in the sun that are said also to be the origin of cold summers that, in turn, result in grain and meat shortages, the net result of which is worldwide economic recession.

In the sixteenth century, a worldwide cold spell brought about the outbreak of a huge epidemic and major decreases in population. The need to overcome the hardships wrought by this situation was fertile ground for the introduction of technological advances, one of which was the institutional innovation called capitalism.

It cannot be denied that the spread of colonialism during the nineteenth and twentieth centuries contributed to a worldwide population explosion, since part and parcel of colonial adventurism were improvements in preventive health care technology and higher levels of agricultural technology which increased food supplies by leaps and bounds. In turn, population pressures influenced politics, which resulted in two world wars – in essence, fierce struggles for markets and colonies – in the first half of the twentieth century.[10]

Yet, as important as these considerations may be, it is hardly appropriate here to delve into how technological progress is linked to matters of demography, climatology or geology. Let us, instead, maintain our focus on how technological progress has

influenced change in national security, the world economy and domestic governance, and suggest ways in which these areas might drive global change in the twenty-first century.

Strategic nuclear weapons, electronic communication and the mass media

In order to develop an outlook for the twenty-first century, it is necessary to understand how technological progress will unfold. In terms of international security, the key question is how long strategic nuclear weapons will remain overwhelming. If the regime of strategic nuclear weapons continues to exist and advances in military technology shift from emphasis on killing large numbers of people to precision destruction of military installations, the fate of human beings will surely be that of dinosaurs, which became extinct due to their inability to adapt to major environmental changes. However, the nuclear tests by India and Pakistan in the spring of 1998 indicate that, over the short to medium term, the importance of nuclear weapons will remain undiminished and the problems associated with nuclear proliferation will persist.

The focus of military technology has, over the twentieth century, shifted first from killing an enemy state's population to killing its combatants, then to the overall destruction of its military installations and, further, to their precision destruction. Parallel with this transition, advances have taken place in strategic nuclear weapons technology: progress has been made to minimize the human casualties during the precision bombing of targets. As the sense of human community grows, there will be a further shift from mass killings to precision destruction.

In so far as technological advances present themselves in the form of information, they cannot be easily erased from human memory – just as once humans knew fire, they could not be forced to discard its use. However, should strategic nuclear weapons become unacceptable to the human community, it would not be beyond the wit of human beings, who have already made relatively effective a ban on biological and chemical weapons, to turn strategic nuclear weapons into dinosaurs.

Be that as it may, it seems likely that, with strategic nuclear weaponry, the United States (and perhaps Russia) will remain a superpower for some time into the twenty-first century. In particular, the military primacy of the United States will persist, despite the growing concern regarding its technological and economic basis over the medium and long term. Furthermore, the prospects for the United States during this timeframe are made brighter by its unfettered capitalism in the last quarter of the twentieth century, and its revival leveraged by what Joseph Nye has termed soft power, that is, power derived from political, institutional and cultural hegemony.[11]

Thus it seems likely that, during at least the first quarter of the twenty-first century, Pax Americana will continue, though in revised form. In fact, according to France's Alfredo Valladao, the twenty-first century will be the American century.[12] It is my belief, however, that the first half of the twenty-first century will see the world quietly shift towards a Pax Consortis, even while US hegemony continues.

In terms of the world economy, technological progress will be decisive in such areas as electronic communications, which is extremely important in foreign exchange and direct investment transactions. Without electronic communications, foreign exchange would not have become such a large business: instantaneous transactions without the need for paper money and the exploitation of time differences have made the business of foreign exchange attractive.

Similarly, without electronic communications technology, the current scale of direct investment would not have been achieved, since it would be impossible to transfer not only capital but also technology and manpower (factory managers and executives) abroad. When looking at investment climates, emphasis is placed on the state of the basic social infrastructure, namely, the telecommunications system, which is indispensable for factory management. Location becomes irrelevant given the availability of electronic communications, since data and instructions can be transmitted via computer, while satellite-linked television makes it possible to both monitor overseas factories built through foreign investment and hold directors' meetings anywhere via videophone.

The United States appears to be benefiting particularly greatly

from the advances in electronic communications. This is because, in a social climate that accepts unfettered capitalism, a very small number of economic elites – science and technology as well as political elites – can carry out what Joseph Schumpeter calls creative destruction, which involves technological innovation, lay-offs, low wages, and overseas direct investment that discards low-productivity sectors and brings about high productivity.[13]

With regard to technological progress in the field of domestic governance, the mass media is decisive. For as the role of politics steadily declines, the mass media will be played up: the more insignificant the substance of an event, the greater will be the need to invent.

As the role of politics has declined,[14] several trends have become apparent. First, the decline in the role of parliamentary party politics. No longer do political parties function adequately either as aggregators or representatives of the rapidly proliferating societal interests. Thus, while there is, for example, no political party that advocates consumer interests, there is no shortage of parties and politicians representing industrial interests.

Second, the ratio of government-sector interests to those of the private sector is also declining worldwide. Waves of market liberalization and deregulation are universal, with the authority to grant approval and permission becoming increasingly limited in government sectors, while the ratio of government revenue to gross national product declines. Government is no longer centre stage: the expansion of the role of government seen during the third and fourth quarters of the twentieth century – primarily characterized by mobilization for war and high growth – has ended.

Third, goods and services provided by governments, such as health care, education and social welfare, are not of high quality and are excessively expensive.

With substance atrophying, politics has been significantly upstaged by the media. Since political leaders, as also democratic politics, depend on the support of public opinion, political leaders want to manipulate public opinion in order to increase the legitimacy of their rule. This is indeed fertile ground for the excesses of simplification and exaggeration, intentional truth-twisting and the marginalization of critical commentary. Nevertheless, programme ratings prompt production companies

to produce programmes that succeed only in making people appear foolish.

As we enter the twenty-first century, it seems that the task of governance is thinning in two important ways. First, due to the globalization and liberalization of economic activity, a growing number of enterprises are thriving on a global scale and democratic governments are becoming increasingly disconnected from the domain of global enterprises.

Second, participation in democratic politics has become diluted, while the bureaucracy continues to take charge of such routine domestic matters as building infrastructure and caring for the unproductive sections of the population in areas including education and social welfare. Given these trends, the task of governance will devolve, the mass media will flourish, and what Robert Reich calls symbolic analysis will become predominant in the mass media.

Selective resistance, selective succession

In order to understand the prospects for the twenty-first century, I have tried to assess, on the basis of technological advances, the current trends in global change as they relate to three areas, namely, international security, the world economy and domestic governance. Progress in technology inevitably manifests itself in gradual change, and it does not seem likely that revolutionary changes will occur in these areas in the new millennium. Rather, global change will be woven into the fabric of political economy, historical and cultural tradition, and what might best be described as the spirit of the times.

Be that as it may, one should be able to construct a relatively accurate picture of what lies ahead by looking at the implications of three factors: strategic weapons as they affect international security, electronic communications and its impact on the world economy, and the expanding role of the mass media and its effect on domestic governance.

Given the prospects that the USA and Russia will continue to predominate in terms of strategic nuclear weaponry and that Russia will remain unstable, it seems likely that US hegemony will continue, though at a considerably diminished level. At the same time, out of a desire to check the proliferation of nuclear ballistic

missiles, the United States will make every effort to block technology transfers and limit the production of nuclear fuel.

Further, while being attentive to compensatory measures, Washington is likely to impose sanctions or to take other punitive action against rebellious countries as it believes appropriate, as it did at the time of the Indian and Pakistani nuclear experiments in 1998. The US stance is likely to lead to a gradually greater use of international organizations, although Washington can be expected to do its utmost to maintain its recourse to unilateral action whenever it should deem it necessary.

For this strategy to collapse, time will be necessary and maybe also the development of a missile defence system. For this strategy to even just falter, it may be necessary for US capitalism to weaken. Then, by uniting the Asia–Pacific Economic Cooperation forum and the North American Free Trade Agreement, it may be possible to resurrect the unity of the Eurasian and American continents of some hundreds of millions of years ago. The country or region which first completes a missile defence system on a global scale will be able to maintain a design for an overwhelming victory against the rest of the world – until the next nation to complete such a system emerges.

Were electronic communications to play a greater role in the world economy, currency circulation and finance would become even more global than they are at the beginning of the twenty-first century. The day is nigh when the advanced financial countries assume greater importance than the advanced industrial countries: the world economy will become a currency and financial elite. This elite, which will perhaps represent only about 0.001 per cent of the world's population, will play the most important role in defining the interests of the advanced financial countries (the United States, Japan, Germany) and the global interests that transcend them.

Policy-making will soon rest on daily consultations using electronic media – a method that will replace G7-like regular consultations. At the same time, national financial authorities will regularly communicate with each other, which should greatly lessen the need for sudden market intervention.

In the area of public finance, the support and nurturing of the weaker members of societies – in the form of welfare, health

care, education, pensions and other forms of assistance – will become closely linked with aspects of local politics, such as elections. International financial expenditure, in the form, for example, of foreign aid loans and grants, will be closely linked with the management of global enterprises by means of overseas direct investment. As local politics becomes increasingly involved in seemingly routine policy agendas, political participation and decentralization will become the watchword.

At the same time, in order to promote cooperation and competition among those enterprises that oversee the world economy, supranational and non-governmental organizations will be formed. These will ease market access, in terms of trade and investment, and promote the sharing of both the costs and benefits of technological research and development that will advance globalization.

However, in order to coordinate local politics and the global economy, global elite groups (about 0.01 per cent of the world's population) will have to be formed in various fields. Such phrases as 'Think globally, act locally' or, to the contrary, 'Think locally, act globally', will become the byword of the global economic elite to an even greater extent than for environmentalists. Furthermore, local politicians will learn to set the parameters of global interests.

In the new millennium, the mass media will have a slightly more positive role in domestic governance than it had in the twentieth century. The governing elite will use the mass media for two main purposes: to monitor social conditions, by expanding the existing system for monitoring traffic conditions; and to link up citizens via interactive networks to build political organizations.

Parallel with local democratic politics, there exists the politics of the 0.01 per cent global elite, the agenda for which will be to construct a loose system of global monitoring and governance. Local situations will be monitored, in order to formulate global preferences and to contain society's evils in local areas while, in the interests of global governance, new supranational organizations will be built and existing ones strengthened, and task forces will be set up to resolve pressing problems. Electronic communications technology is playing a decisive role in all of these activities, as is the mass media. Increasingly, domestic governance will become involved in the management of global radio and television broadcasting, and the global print media.

Since many Europeans who embraced Christianity entered the second millennium with great fear and some expectations, it is interesting to look at the feelings with which people of various faiths worldwide are welcoming the third millennium. Generally, people do not appear to be anticipating either an unimaginable hell or that technological advances will bring paradise. Perhaps this is natural for those who have lived through the extraordinary experiences of the twentieth century.

It can perhaps be described as the century of madness: a time when great ideas both were acted upon as extreme forms of social engineering and clashed causing bloodshed. It was also the century of war, the number of people whose deaths were war-related far exceeding the death tolls of all previous wars combined. As the century of the state, the 50 or so independent states that existed at the beginning of the century increased to number nearly 200. The state acquired a degree of legitimacy with which it can commit perhaps greater crimes than individuals – but without the risk of being labelled a criminal. Moreover, the twentieth century was the century in which the almost forgotten voice of nationalism was once again being heeded. And it was no less the century of democracy, a time during which the number of democratic countries grew to nearly 100, and mankind's wisdom as well as his foolishness were clearly revealed.

Finally, this was the century of technological advances, which allowed people to experience the change from an era in which most people rarely listened to the radio to that in which there is mass exposure to satellite television broadcasts. But, while thanks to the widespread diffusion of electrical appliances – such as the dishwasher, washing machine, refrigerator, vacuum cleaner and equipment to supply hot running water – there were positive advances whereby household chores have been considerably reduced, war underwent changes that were not so fortuitous, having progressed from the status of a contest involving pistols to one involving the use of strategic nuclear weapons.

In the twenty-first century, it would seem that people will selectively both resist and inherit the experiences of the twentieth century. There might be fewer dreams and hopes but, at the same time, there should be no need for despair and disillusion.

Conclusion

The end of the Cold War meant the victory of the United States, declared President George Bush in the heyday of the immediate post-Cold War period. At about the same time, two books came out, further elaborating the nature of the post-Cold War world. Richard O'Brien claimed that the end of geography meant the end of the tyranny of distance with regard to the rapidly expanding financial integration. The end of history meant the end of capitalist democracy, declared Francis Fukuyama, with regard to the ideological confrontation between capitalism and communism, and between democracy and dictatorship. The three-dimensional picture of the world in the immediate post-Cold War period was one of unipolarity, globalization and democratization.

All this is fine as an indication of the direction in which the world was moving. But what is important are the internal contradictions and underlying competition of social forces. Without revealing them, the picture would be most unsatisfactory. In a 1989 article (see Appendix), for instance, looking at the next 25 years I presented four scenarios for the future – Pax Americana II, bigemony, Pax Nipponica and Pax Consortis – in terms of what I regard are the three key variables distinguishing them: scientific and technological dynamism, the birth of forces outdating nuclear weapons and the legacy of history. As the most likely scenario, I picked Pax Americana II; the choice has turned out to be correct. As the least likely scenario, I picked Pax Nipponica, which also proved to be an accurate choice. As the most desirable scenario, from a long-term perspective of 25 to 50 years, I picked

T. Inoguchi, *Global Change*
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Pax Consortis: this seems to be emerging as a strong portent underneath the seemingly unassailable preponderance of the United States and its internal contradictions.

The developments since 1985 (the Plaza Accord), 1989 (the fall of the Berlin Wall) and 1991 (the collapse of the Soviet Union) have proved the basic accuracy of my predictions on the basis of the three parameters. The vortex-like dynamism of scientific and technological vigour has been associated mostly with ambitious, creative young immigrants to the United States. Forces outdating nuclear weapons have yet to arrive, but public opinion, especially in the United States, against the conventional use of military force in the resolution of interstate disputes, has been quite powerful. And it will be a long time before the legacy of history disappears, for memories still haunt those whose homelands were occupied in the Second World War and who recall the harsh treatment meted out, primarily by the Germans and the Japanese. The voices protesting the amnesia of history remain strong, especially in the international mass media, although the intense criticism of the South Korean government has somewhat subsided since 1998, and that of the Chinese government since 1999.

When I started to write the original Japanese-language edition of this essay in 1992, I thought this picture too flat, static and deterministic. I realized that what was needed was a mirror that is more dialectic, for we need to take into account a huge dose of uncertainty and a not uncommon human inability to recognize long-term prospects. I thus resolved to write a book in that spirit. A few years after it came out in 1994, as I began to prepare the English-language revised edition, it became abundantly clear that the characterization of the world unipolarity, globalization and democratization, have all started to exhibit internal contradictions.

Since the collapse of the Bretton Woods arrangements, the United States has been using US dollars without being underwritten by gold or constrained by fiscal self-discipline. Financial unipolarization has accelerated since the mid-1980s because of the US protectionist policy of pushing up other major currencies, and because of innovations in information technology which have made currency trading a most lucrative, if somewhat risky, business. The relentless search for more profits has created the tendency towards huge, short-term capital flows. When reputations are tar-

nished, capital flows out overnight, leading to massive bankruptcies amongst those firms and financial institutions that have over-borrowed. When local currencies are pegged to the US dollar and when it is the major reserve currency, bankruptcy is the only alternative businesses face when dollars desert local economies. This is what has happened in Thailand, South Korea, Indonesia and other Asian economies, including China and Japan in 1997 and 1998.

The East Asian financial crisis has revealed one of the constraints of unipolarity. East Asia, especially Japan, saves a lot and these savings and pension fund money go around the world, usually for use by New York-based asset managers. The United States has a low savings rate: as of early 1999, it was in negative territory. New York-based world money – accumulated from around the globe, especially East Asia – seeks large, quick profits. The money moves at speed and in large amounts from one economy to another and, in its wake, devastation will sometimes occur, as has been the case in East Asia, Brazil and Russia. The problem posed by the East Asian financial crisis is that, should East Asia collapse in a recession, money would no longer accumulate in New York. And, without the massive capital inflows from East Asia, the US economy would not function well. Since without East Asian stability and prosperity, unipolarity could not easily survive, US leaders stress that, unless Japan recovers quickly and solidly from the recession, the United States will decline, as will the rest of the world.

The new regional currency, the euro, might threaten unipolarity. Once the euro is established as the sole currency within the European Monetary Union, the size of euro-denominated economic activity will be on a par with that denominated in dollars. Should the euro start to attract more money, the opposition of the United States to a strong euro is expected to become formidable. In terms of the world currency structure, it is unlikely that the currency duality would be long-term. There is speculation, according to Kenichi Ohmae, that the two world currencies will merge after some time. Another scenario is that the euro might start to flounder in a few years, as did the first euro currency attempted by the Holy Roman Empire about 1000 years ago. It was decreed, at the time, that the 'euro' be used throughout the

Empire and that only the coins minted at Aachen, the capital, be used. However, as a result of internal feuds regarding which cities had the right to mint coins, the first 'euro' soon vanished.

Turning back to Asia, the proposal for an Asian Monetary Fund made by the Japanese government, shortly after the collapse of the Thai baht and the beginning of the East Asian financial crisis in 1997, met an immediate and firm rebuttal from Washington. The Treasury, in particular, did not understand the severity of the crisis until it hit South Korea in 1998. But more important is the fact that the US government does not want its power reduced by allowing the birth of other facilities, such as an Asian Monetary Fund, that might compete with the International Monetary Fund over which it has considerable control. The fact remains that the International Monetary Fund was born when global financial integration was not a reality and the volume of currency trade was negligible compared with that of goods and services. Given the routine massive capital flows, the greater the Fund's facilities, the better will the global economy function.

But power implications are involved, further complicating the matter. The Japanese government cobbled together a new scheme under Finance Minister Kiichi Miyazawa to assist crisis-hit Asian countries using a number of instruments available at both the Asian Development Bank and Japanese financial institutions. The Japanese government would like to see some of the wealthier Asian countries conclude similar agreements involving the Asian Development Bank, thus forging a *de facto* international facility to help crisis-hit countries cope even though they are outside the Fund. But again, the preferences of the United States in relation to market needs seem to be critical in determining the nature and shape of an Asian Monetary Fund, if it is to be envisaged and established.

Military unipolarity and predominance, if pursued directly and coercively, do not necessarily ensure the best outcome for the United States, since any imposition of preference from without inevitably backfires. Multilateral mechanisms must be created if preferences are to permeate steadily and be accepted, and that requires ingenuity, effort, time and, perhaps, a modicum of luck. It is not necessarily easy for the United States to identify international organizations or coalitions through which it can act.

From its viewpoint, the United Nations was functionally effective only in 1991. UN Secretary-General Boutros Boutros-Ghali dreamt of converting the United Nations into an active, supranational organization with powers of global governance as peacekeeping operations surged in the early 1990s, the budget of the UN High Commissioner's Fund grew in the wake of the tremendous increase in donations from non-governmental sources and developmental activities expanded 'with a human face'. But this did not fit in with the post-Cold War US dream of a New World Order. The envisaged supranationalization of the United Nations collided with the image of the organization as an instrument of the United States as entertained by such people as Secretary of State Madeleine Albright.

In 1999, its fiftieth anniversary, the North Atlantic Treaty Organization was mobilized to bomb the Yugoslavian Federation. The Organization adopted its old strategy of transferring its defensive posture, focused on the Soviet Union and on nuclear confrontation, to the more all-purpose military arms of the Americans and Europeans. The new doctrine, as first drafted by the United States, covered all areas including North Korea and the Taiwan Strait – far beyond the European preference of confining to Europe the area covered by NATO.

But the task of persuading the Yugoslavian Federation to accept US preferences has turned out to be far more difficult. To this end it needed the mediation of third countries and international organizations. Neither the Russian nor German initiatives were accepted by the United States. In fact, its unipolarity has been so pervasive that, within NATO, European voices – especially constraining forces – have been very difficult to hear, while voices outside NATO have also not been heard. The NATO status of Russia, for example, requires that it be consulted by NATO on major decisions. Deflecting the dissent from Russia, Germany or other countries, the United States forged a compromise peace agreement within the Group of Eight (of which Russia is a full member), which was presented to Yugoslavia in May 1999. Thus, from a US perspective, Washington has successfully used international organizations to forge coalitions, on an *ad hoc* basis, but pragmatically.

The United States government has been constrained by the

post-Vietnam syndrome: public opinion and Congress will withhold support for the President if death and casualty figures soar. Thus it took the death of only 18 US military personnel for the US government to withdraw immediately from Somalia. And it was to prevent combat-related deaths that the US government decided to attack Serb forces only from the air and not deploy land forces in Kosovo. It is argued by some that major wars have become obsolete for the 30-odd years since the Vietnam War. During this time, the United States has, arguably, been conducting not major wars, but peacekeeping operations. The great disparity between the United States and other powers has enabled Washington to adopt gunboat diplomacy. But, as with gunboat diplomacy, these US-style peacekeeping operations have not necessarily led to the best outcome.

As we have seen, what may be called US fundamentalism – the call for freedom, human rights and democracy for all, ignoring territorial frontiers – can sway pragmatism. And that, ironically, can serve as a constraining force, to wit NATO's decision to denounce the persecution of Kosovar Albanians and bomb Yugoslavia. What may be regarded as the blatant violation of state sovereignty by NATO, and what some criticize as a facile resort to military force to resolve conflicts, have led many to have reservations about the NATO action. However terrible and horrifying the Yugoslavian government's actions may be in terms of persecuting Kosovar Albanians, is it acceptable for NATO to act against sovereign states? Countries in which ethnic cleavages are major sources of strain have reacted particularly negatively, realizing that similar action could be taken against them. Many pacifist voices the world over are not happy with the use of force.

The American equation of global governance makes use of all the forces that can be brought to bear for democratization. The 1998 fall of Indonesia's President Suharto is a good example. When the Asian financial crisis hit Indonesia, the International Monetary Fund took upon itself the task of carrying out rescue and reform operations, one result of which was an increase in petrol prices to enhance revenues. The government swallowed the IMF's medicine and, on the heels of the price hikes, there ensued demonstrations and riots. With Jakarta in near chaos, as reported abroad, US vessels headed for Jakarta from Okinawa but,

before they had reached the South China Sea, Secretary of State Madeleine Albright sent a message to President Suharto. It was suggested that he resign, rather than be overthrown, to preserve his heretofore excellent record. Vice President Habibie succeeded him and a democratic election was held in May 1999, with an international team of observers to ensure that democratic principles were observed. But, when pro-Indonesia militias became disruptive following the announcement of the results, the United States warned the Indonesian government of its determination to ensure that the results were honoured.

Meanwhile, the IMF-led reform of the Indonesian economy continues, deregulating and liberalizing the market and market-related practices. With the exchange rate of the rupiah pushed right down *vis-à-vis* the dollar, US firms and banks have been busy purchasing and acquiring Indonesian firms and banks. The outcome of President Suharto's fall has been threefold: Indonesia is more friendly in terms of its security posture; its market has been liberalized and is more open to US products; and the regime is more liberal and democratic. On a broader, regional basis, the fear of 'Asia in Japan's embrace' has subsided, as Japan's economy has lost vigour and its predominance in manufacturing and official development assistance in ASEAN and north-east Asia has subsided.

In lieu of a conclusion, I return to the three metaphors – the Westphalian, Philadelphian and Anti-utopian models – to peer into the future. The Westphalian framework, namely, that evolving around the notion of state sovereignty, is hard to replace, although it has been receding from the centre stage of global economic activity. It has even been strengthening its cultural and symbolic role in re-cementing society under the siege of globalization. The Philadelphian framework, based on the notion of popular sovereignty, has been greatly in ascendance since the fourth quarter of the twentieth century. The call for human rights and democracy has been voiced throughout the globe in tandem with the development and penetration of the global market and US unipolarity. The Anti-utopian framework – evolving around the notion of the loss of sovereignty – has been making a largely unexpected comeback. Globalization has rendered many Third World countries structurally irrelevant, instead of being structurally

exploitable, and the end of the Cold War has stripped them of strategic significance; no longer are they pawns of the United States or the Soviet Union as they were during the Cold War. Many have become failed or failing states; lacking autonomy and with anarchy rife, they tend to invite intervention from abroad and the remedies they receive are humanitarian assistance, international rescue operations and United Nations peacekeeping operations. Some countries have taken on the character of colonizing states, minus territorial ambition and aggrandizement.

If globalization continues to prosper and penetrate every corner of the world, the Philadelphian framework will continue to expand its sphere of influence, for it depends partly on the continuing development of technology and the global infrastructure. The negative consequences of globalization continue to strengthen the influence of the Anti-utopian framework. The Westphalian framework continues to be resilient to the extent to which the Philadelphian framework cannot become predominant and durable. In sum, global politics will continue to be characterized by these three frameworks working in tandem. Their relative influence will wax and wane, depending on their dialectic development in tandem with the demographic, technological and environmental evolution of human activities and their consequences.

In this essay I have not gone deeply into the theoretical discussion of the conceptual schemes adopted by a number of largely American and British authors, as it would have required too lengthy a discussion. The essay represents, therefore, the views of a Japanese academic based in Tokyo, who daily watches and reflects on international affairs, and at times strongly disagrees with the standard, flat, self-congratulatory picture portrayed, mostly in the United States, of the post-Cold War era.

Appendix: Four Japanese Scenarios for the Future*

Japan is in an era of transition. Beyond a façade of confidence in their country's future, many Japanese feel adrift in the world of the late twentieth century.[1] The Japanese energy that is currently directed overseas is no longer based, as it was in the 1960s, on a nationally orchestrated strategy. Governments are no longer sure how to guide society, or with what goals. And Japanese society itself displays its loss of faith in the belief-system so dominant in the 1960s. Today the almost blind belief of that period in the loyalty to big business firms has lost its appeal. It is not an exaggeration to say that in the 1980s Japan has been improvising its responses to the unfamiliar challenges from within and without on an *ad hoc* basis, tenaciously adhering to time-honoured ways of doing things.

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 the demands, requests and suggestions coming from overseas that Japan, now a global economic power, should take on more global responsibility.[2] As one observer aptly put it,

> Japan, in fact, does not seem to be pursuing any reasoned search for a secure place in an uncertain world, much less a plan to dominate it, but rather an energetic, opportunistic drift reminiscent of the early 1930s, with freebooting individuals and companies out giving their country a bad name while native people back home believe, like the king of Spain, that hoarding gold will make them rich. Japan has had far too many eggs – defense [*sic*], trade and technology – in one US basket, considering how uncertain the US seems to be about what to do next . . .[3]

One of the salient themes which has emerged in the directionless Japanese society of the 1980s is an emphasis on traditional values: values

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such as perseverance, frugality, diligence, effort, family, community, sacrifice, humility, the spirit of harmony, and deference for the elderly. This fact is instructive. The problem is that these traditional values cannot be the basis for Japanese principles in guiding Japanese global policy. Prime Minister Noboru Takeshita's favorite saying, 'When you do something sweat by yourself and give credit to others', may be the epitome of humility, generosity and altruism, but it cannot be the sole organizing principle of Japanese diplomacy. The same can be said about economic efficiency and profitability. They cannot dominate other considerations when the dollar's volatility could shake down the world economy or when the United States makes it imperative for its allies to implement tighter measures on technological transfer to communist countries.

Apart from these traditional values and economic criteria, which are too vague to allow one to fathom how the Japanese would like to see the world evolve, what are Japan's conceptions of its global position and its global roles? In other words, how is the country shaping its scenarios of the future worlds in which Japan will occupy a not unimportant position? This article addresses these and related questions, especially in relation to burden-sharing and power-sharing with the United States in the management of the world economy and international relations.

I will present below four Japanese scenarios of the world system in 25–50 years' time, making a clear distinction between the economic and the political and security arrangements envisaged in each scenario. In each scenario, Japan's role and the degree of burden-sharing/power-sharing with the United States will also be indicated. Next, the feasibility of the four scenarios will be discussed in terms of three major conditions, assessing the relative feasibility and desirability of each scenario. The United States and Japan will be the primary focus, though other major actors, no less important to Japan than the United States, will be touched on as much as possible. Lastly, I will reflect on my findings in the light of the dominant aspirations and apprehensions of the Japanese.

But before these four scenarios are introduced, more straightforward, if somewhat prosaic, opinion poll results will be presented. To know what opinion polls reveal is important since the scenarios of the future that follow are inevitably those conjured up largely by educated elites and do not necessarily represent the prevailing moods and sentiments of ordinary Japanese people.

Japan's external role: opinion poll results

A recent opinion poll provides useful data on how the Japanese people see Japan's external role.

The Public Relations Department of the Prime Minister's Office commissions annual polls on Japanese diplomacy. The most recent one, conducted in October 1987,[4] contains one question relevant to our in-

terest. 'What kind of roles do you think Japan should play in the community of nations? Choose up to two from the list below.' The list had five items:

1 Japan should make contributions in the area of international political affairs such as the improvement of East–West relations and the mediation of regional conflicts.
2 Japan should consolidate its defence capability as a member of the Western camp.
3 Japan should contribute to the healthy development of the world economy.
4 Japan should cooperate in the economic development of developing countries.
5 Japan should make contributions in scientific, technological and cultural exchanges.

Not surprisingly, the respondents overwhelmingly preferred roles outside the security and political realms. Item (3) registered 50.4 per cent, item (4) 34.0 per cent, and item (5) 31.0 per cent, the three together adding up to 115.4 out of a total of 162.0 per cent. By contrast item (1) recorded 24.2 per cent, while item (2) registered only 7.8 per cent. It is very clear from these figures that the Japanese are disinclined to accept a major political or security role in the world.

Another recent poll conducted by an academic team permits us to compare the priorities attached by respondents to the domestic and international roles the government should play.[5] It allowed for multiple choices from among a list of priorities:

1 preventing crime and securing people's safety (law and order);
2 promoting technological innovation and raising productivity and production efficiency of the economy as a whole (economic power);
3 increasing defence capability and consolidating national security;
4 building roads, schools and hospitals and making life comfortable (standard of living);
5 enhancing patriotism and strengthening the solidarity of the nation (national solidarity);
6 promoting adjustment with foreign countries in economic fields and improving the world economy as a whole (global economic welfare);
7 increasing taxes for those who can afford it and taking care of the poor and needy (social welfare); and
8 managing the economy to prevent inflation and unemployment (domestic economic management).

Instead of asking, 'To which task do you want to see the government attach its first priority?', the poll stated: 'There are many kinds of government policies nowadays. What do you think about the emphasis which government puts on each of them? Choose one of the following answers:

1 much more emphasis;
2 a little more emphasis;
3 keep as it is;
4 a little less emphasis;

5 no emphasis;
6 don't know;
7 no answer.'

To make comparison simple, we will look only at responses for (1) – much more emphasis – and the following order of priorities emerges:

1 domestic economic management (55.7 per cent);
2 law and order (55.7 per cent);
3 social welfare (45.2 per cent);
4 standard of living (44.5 per cent);
5 economic power (29.7 per cent);
6 global economic welfare (27.8 per cent);
7 national solidarity (18.8 per cent);
8 national security (11.3 per cent).

In order to make comparison across different polls possible, I must make an admittedly crude assumption. If global economic welfare is said to correspond roughly to Japan's contribution in the economic field, and national security is said to correspond roughly to Japan's contribution in the security field, then two things are immediately clear: first, the overwhelming primacy of domestic priorities, and secondly, the overwhelming weight given to economic contributions compared to security contributions to Japan's desired role in the world. All this is not surprising. However, it is very important to keep in mind that, given the preoccupation with internal affairs and the avoidance of a commitment to security matters, public acceptance of the kind of world role for Japan that is envisaged by the Japanese government and expected by foreign countries can come only slowly.

It is true that overall public acceptance of Japan's greater role in the world, whether it is of an economic nature or otherwise, has been steadily increasing for the last few years, especially during the tenure of the Nakasone Cabinet (1982–7). But this has been largely a grudging acceptance, coming only after the government has made a series of carefully calculated incremental moves without arousing too much opposition.[6] We can recall the recent breakthrough in 1987 when the defence budget exceeded the one per cent limit on defence expenditure over GNP,[7] and also various measures enabling enhanced security cooperation with the United States, including the Japanese decision to allow participation in the US Strategic Defense Initiative (SDI) programme. But what is seen by the Japanese government as the barrier of public acceptance is still very much in evidence when it comes to Japan's security role in the world. When the United States and many other NATO countries were sending naval boats to the Persian Gulf in 1987 under the US flag, the suggestion to send the Maritime Safety Agency's boats, put forward by the Prime Minister and the Foreign Ministry, was defeated in Cabinet discussion because of opposition from the Ministry of Transport (which has the Maritime Safety Agency under its jurisdiction). The Cabinet Secretary played a crucial role in siding with the Minister of Transport and with public opinion.[8] It is only against such a background that we can

accurately assess Japan's conceptions of global roles, to which I now turn.

The four scenarios

The following four scenarios of the world in the next 25–50 years are seen by the Japanese as 'visions of the future'.[9] Although in some respects they overlap, they represent differing views on the future of global development, the distribution of economic and military power, and institutions for peace and development. It should also be mentioned that these scenarios have not been sketched out by the Japanese alone; both Japanese and non-Japanese have articulated their preferences, given a future in which Japan will play an enhanced role.

1. Pax Americana, phase II

This image of the future was first articulated by the Americans. It is the image of an America retaining its leading position in the world and making full use of its advantage in having created the institution of post-Second World War order and security. This scenario depicts an America experienced in forging the 'balanced' or globalist view of the Western alliance and deftly prodding and cajoling its allies into enlightened joint action. The outline of this scenario was first made during the latter half of the 1970's, when the post-Vietnam trauma was still strong and when Soviet global influence was somewhat exaggeratedly felt in the United States. In the parlance of American political scientists, the key word was 'regimes' – rules and practices in international interest adjustment – whereby the United States would retain its enlightened hegemony and control the direction of world development. Such phrases as 'after hegemony' and 'cooperation under anarchy' – both used as book titles – epitomize the primary thrust of policy and academic interest in articulating this model of the future.[10]

This image has been intermittently put forward in different forms. Confident in the retention of America's cultural hegemony in the Gramscian sense, Bruce Russett, a Yale political scientist, criticized the declaration of America's decline and imminent demise by likening it to prematurely reporting the death of Mark Twain. More directly and bluntly, Susan Strange of the London School of Economics has asserted that US hegemony has not yet gone; the lament on 'after hegemony' is the favorite habit of American self-indulgence, she says. More recently Paul Kennedy of Yale has described the revival of American composure and confidence, combined with the sombre recognition of the inevitability of national decline in the longer term.[11]

In Japan, this image of America's future has been a consistent favorite. Naohiro Amaya, a former vice-minister in the Ministry of International Trade and Industry, was fond of talking about 'Ko-Bei' ('later United

States'), as if the United States prior to Vietnam was called 'Zen-Bei' ('earlier United States'). This is an analogy with the later Han dynasty of ancient China, which was restored after 17 years of disappearance and survived for another two centuries. Similarly, Yasusuke Murakami, a well-known economist, has argued that the hegemonic cycle that has been observed for the last few centuries has ceased to repeat itself largely because the world economy has been transformed from something based on individual national economies to a much more integrated structure. His scenario delineates an America which is an enlightened and experienced *primus inter pares* in an increasingly multipolar world.[12]

This image has been a favorite one, not least because it encourages the basic retention of Japan's traditional concentration on an economic role with no drastic increase in its security role, which is largely delegated to the United States. Although Japan's profile in the world has changed a great deal in the 1980's, the Japanese preference for limiting the country's commitment to military matters, many of which are generally deemed to have dubious utility, has not been altered.

Japan's roles in Pax Americana phase II are not significantly different from its present ones. Essentially, these are primarily of an economic nature, with the bulk of global security shouldered by the United States. Even if Japan–US security cooperation is accelerated, this basic division of labour is unlikely to change. Even if Japan were to enhance its out-of-area security cooperation by sending warships to the Persian Gulf to shoulder the costs of oil imports, it would be bolstering the US-dominated world rather than becoming a main security-provider in the region. Even if Japan were to increase its security-related assistance to some Third World countries like Pakistan, Turkey, Papua New Guinea, and Honduras, the security leadership of the United States would remain strong. Needless to say, there are those who argue that Japan will start in due course to exert influence by accumulating credit in the United States and other countries. But in this scenario Japanese self-assertiveness will be restrained by various domestic and international factors.

Japan's regional roles in this scenario will be heavily economic. More concretely, Japan will become the vital core of the Pacific growth crescent, encompassing three areas: (1) northern Mexico, the Pacific United States and Canada, (2) Japan, and (3) the Pacific – the Asian newly industrializing countries, coastal China, the Association of South-East Asian (ASEAN) countries and Oceania.[13] The incorporation of the second and the third economic groups into the extended US economic zone will be a vital factor in a US revival. In short, Japan's role in this scenario will be to link the US economy with the Asian Pacific economies in a more balanced manner than today. In this scenario, the current US efforts to liberalize the Pacific Asian markets, revalue local currently-dollar exchange rates and promote burden-sharing in development aid and finance and international security will be given further momentum. At the same time, Pacific Asian nationalistic anti-Americanism will be considerably restrained. Perhaps it is important to note that Pax Americana phase II will need a

no less vigorous Western Europe. An enlarged and enhanced European Community (EC) will remain a pillar of this scenario. But if it degenerates into regional protectionism of the sort that can be glimpsed in the tougher EC anti-dumping policy on printing machines, through arrogance derived from an expected enlarged size and power, then it will elicit a negative reaction from the United States and Japan.

2. 'Bigemony'

This second scenario for the future has been propagated by economists and businessmen, fascinated by the rapid development and integration of what Robert Gilpin, a Princeton political scientist, calls the '*nichibei* [Japan–US] economy'. That is to say, the economies of Japan and the United States have become one integrated economy of a sort. C. Fred Bergsten, an economist who worked as a senior bureaucrat under the Carter administration and is now director of the Institute for International Economics, coined the word 'bigemony', which denotes the primordial importance of the United States and Japan in managing the world economy. Zbigniew Brzezinski, National Security Adviser to President Jimmy Carter, coined the expression 'Amerippon' to describe the close integration of the American and Japanese manufacturing, financial and commercial sectors and indeed the two economies as a whole. This image of the future has been enhanced by the steady rise of the yen's value compared to the US dollar, and the concomitant rise in Japanese GNP, now registering 20 per cent of world GNP.[14]

In Japan this image has been put forward most forcefully by former Prime Minister Yasuhiro Nakasone. In one of his meetings with President Reagan, he suggested that the two countries should forge a single community of the same destiny, although what he envisaged focused on security rather than on economic aspects of the bilateral relationship.[15] It must be noted that Japanese images of the future have tended to focus on Japan–US relations, to the dismay of Europeans and Asians, let alone other Third World countries. This tendency itself shows the strength of this second scenario.

Japan's roles in the 'bigemony' scenario may appear to some to be very similar to those envisaged in Pax Americana phase II. However, economic power becomes military power almost inevitably, and Japan does not constitute the historic exception to this rule.[16] But the form in which Japan's economic power will be translated into military power needs close attention. Under 'bigemony' the technical/economic/strategic cooperation–integration between the United States and Japan will become formidable, and of the largest scale in history. It is therefore not difficult to foresee, for instance, advanced fighter aircraft being developed jointly and manufactured primarily for Japanese use, with Japanese finance, though with American know-how, and also sold to third countries under the label, 'made in the United States'. The large-scale strategic integration between these two countries as developed in the Pacific in the 1980s

will come to be seen as a good testimony of the bigemonic roles Japan can play in security areas.

Japan's regional role in 'bigemony' is an acceleration of the features presented in Pax Americana phase II. A gigantic Pacific economic community will be forged, with Japan's role reminiscent of the role played by the corridor stretching from northern Italy through north-eastern France, the Rhineland and the Low Countries to southern Britain in modern European economic development. Under this scenario, the potentially heated contest between the United States and Japan over the structural framework of Pacific Asia's economic relationship with the United States will be largely dissipated. Currently, Pacific Asia faces increasingly clear alternatives as to its economic framework: either a US-led free-trade regime established through a bilateral agreement with the United States, or a regional community with *de facto* Japanese initiatives, which would try to retain a free-trade zone even if North America and Western Europe fell into the temptation of protectionism and regionalism of a malign kind.[17] Furthermore, the strategic integration of many countries in the region may make it hard to accommodate the Soviet Union within an invigorated bigemonic structure, thus relegating it to a far less important status than it currently occupies, unless some other countervailing moves are continuously taken. In this scenario Western Europe, though large in size and high in income level, will be increasingly localized within Europe and its immediate vicinity. This picture reminds one of Immanuel Wallerstein's scenario of the future predicting the formation of two *de facto* blocs, one comprising the United States, Japan and China, and the other both Western and Eastern Europe.[18]

3. Pax Consortis

Japan's third scenario portrays a world of many consortia in which the major actors proceed by busily forging coalitions to make policy adjustments and agreements among themselves – a world in which no single actor can dominate the rest. This scenario resembles Pax Americana II in its crude skeleton with its 'regimes' and 'cooperation under anarchy'. However, the major difference is that the thrust of the third scenario rests on the pluralistic nature of policy adjustment among the major actors, whereas that of the first conveys the desirability or necessity (or even the hoped-for inevitability) of 'administrative guidance' or 'moral leadership' by the state that is *primus inter pares* – the United States. This third image is favoured by many Japanese, not least because Japan is averse to shouldering large security burdens. It is also favoured because Japan is not completely happy about America ordering everyone around, especially when the USA only grudgingly admits its own relative decline.

Kuniko Inoguchi, a Sophia University political scientist, articulates this scenario most eloquently and forcefully in the context of the American debate on post-hegemonic stability of the international system.[19] The image has also been put forward by former Vice Minister Shinji Fukukawa

of the Ministry of International Trade and Industry (MITI), which favours minimizing the role of military power. Recently MITI and the Ministry of Foreign Affairs have been engaged in a degree of competition, with the Ministry of Foreign Affairs, conscious of the increasing intrusion by other ministries into foreign affairs, trying to use national security and the Western alliance as a stick to discipline other ministers who might otherwise move in an 'irresponsible' direction (as in the Toshiba machine case, when it came to light in 1987 that the Toshiba company had sold equipment to the Soviet Union which the United States claimed was in breach of the COCOM (Coordinating Committee for Export Control) agreement on technology transfer). The image of Pax Consortis accords on the whole with the pacifist sentiments of most Japanese.

Japan's role in the Pax Consortis scenario is twofold. First, with the superpowers' strategic nuclear arsenals increasingly neutralized either by the *de facto* US–Soviet détente process or by technological breakthroughs, Japan's primary role is that of quiet economic diplomacy in forging coalitions and shaping policy adjustments among peers, no one of which is predominant. Secondly, Japan's role is that of helping to create a world free from military solutions. That would include, if possible, the diffusion of anti-nuclear defensive systems to all countries and the extension of massive economic aid tied to ceasefire or peace agreements between belligerent parties. Japan's primary regional role in this scenario would be that of coordinator or promoter of the interests of the Asian Pacific countries which have not been fully represented either in the UN system or in the economic institutions of the industrialized countries, such as the OECD. Japan's secondary regional role is that of moderator, especially in security areas.[20] This might include acting as an intermediary and attempting to achieve reconciliation between North and South Korea, or the provision of neutral peacekeeping forces in Cambodia and/or Afghanistan in order to facilitate reconstruction through massive aid flows from multilateral institutions such as the Asian Development Bank. Western Europe will loom larger in this scenario than in the other three. In line with its role in such forums as the Western seven-power summits, Western Europe will continue to play an even larger role, having been traditionally quite adept in those situations where multiple actors adjust conflicting interests. The increasing economic ties between Western Europe and Pacific Asia will also encourage thinking along the lines of this scenario.[21]

4. Pax Nipponica

A fourth image of the future, 'Pax Nipponica', was first put forward by Ezra Vogel, a Harvard sociologist, who in 1979 published a book entitled *Japan as Number One*. It is a world in which Japanese economic power reigns supreme. This scenario has been propagated by those Americans who are concerned about the visible contrast between the United States' relative loss of technological and manufacturing competitiveness

and Japan's concomitant gain. Most recently, Ronald Morse of the US Library of Congress has published an article entitled 'Japan's Drive to Pre-eminence'.[22] This view has also been gaining power in Japan, reflecting both the noticeable rise in the value of the Japanese yen compared to the US dollar and other currencies and Japan's leading position as a creditor country. The steady rise of Japanese nationalism, in tandem with what the Japanese call the internationalization of Japan, is contributing to the strength of this scenario, because the intrusion of external economic and social forces into Japanese society stimulates nationalistic reactions against internationalization.

Japan's role in this scenario is best compared to that of Britain during the nineteenth century, when it played the role of balancer among the continental powers, its global commercial interests presumably helping it to fulfil this role. As for Pax Consortis in its fullest version, a prerequisite for the advent of Pax Nipponica is either the removal of the superpowers' strategic nuclear arsenals or the development of an anti-nuclear defence system. Without the neutralization of nuclear weapons, Japan's leading role in the security area would be minimized, and Pax Nipponica in its fullest form would not be realized. In this scenario, Japan's regional role will coincide with its global role, as its pre-eminent position will enable it to play the leading role in the Asian Pacific region as well.

These scenarios offer substantially different visions of Japan's future. I will now consider what conditions must prevail if they are to be realized.

Requirements for the four scenarios

To what extent are these scenarios feasible? Under what conditions will the scenarios come into being? In attempting to answer these questions, I will first identify three factors which seem to distinguish these scenarios from each other, and secondly, speculate on the feasibility of each scenario in the next 50 years.

There appear to be three major factors which are crucial in distinguishing these scenarios from each other – (1) the effective neutralization of strategic nuclear arsenals, (2) scientific and technological dynamism, and (3) the debt of history.

1. Neutralizing the nuclear arsenals

It is the arsenals of strategic nuclear forces that have allowed the United States and the Soviet Union to retain their superpower status and global influence. Whether these weapons will become obsolete – in other words, whether they cease to be a crucial factor determining global development – remains to be seen. Whether the United States or the Soviet Union or any other country will be able to arm itself with a defensive weapon system which makes it immune to nuclear attack is another

question which needs to be answered, and the American SDI and its Soviet counterpart are directly related to this factor. The Conventional Defense Initiative (CDI) which the United States has recently proposed that Japan be jointly involved in may be included as a miniature version of a less ambitious yet more solid kind of effort. Ronald Reagan's fascination with the SDI and Japan's quiet effort to build the CDI may simply reflect what might be called a 'Maginot complex' surfacing again years after its failure.[23]

If such a revolutionary weapons system is realized, strategic nuclear arsenals will be neutralized. Unless this happens, the fourth scenario, Pax Nipponica, will have difficulty in emerging because while superpower status is based on ownership of strategic nuclear weapons, both the United States and the Soviet Union will remain superpowers despite all their economic difficulties. In a similar vein, the third scenario, Pax Consortis, will not materialize into a system comprising both economic and security regimes without a similar neutralization of strategic nuclear forces. With the disarmament process between the United States and the Soviet Union slowly making progress, strategic nuclear forces may not make much difference in determining global developments. There are those who, arguing in favour of Pax Consortis, maintain that nuclear weapons and even military power in general have already ceased to be a major factor in international politics and that economic interdependence has deepened sufficiently to make war an obsolete instrument for resolving conflicts of interests, at least among OECD countries and in direct East–West relations. Even granting that military power has become less important, I would argue that what is sometimes called the 'Europeanization of superpowers', in Christoph Bertram's phrase, will progress so slowly as to make it hard to envisage the fully fledged scenarios of Pax Consortis or Pax Nipponica inside the twentieth century. Needless to say, those who argue for Pax Consortis talk about it in a somewhat nebulous future most of the time.

2. Scientific and technological dynamism

Factor two concerns the innovative and inventive capacity of nations – how vigorous they are in making scientific and technological progress and in translating it to economic development. Needless to say, forecasting technological development is not easy. However, even a cursory examination of the social propensity to innovate seems to tell us that the Americans have been the most innovative nation, with the Japanese following on steadily behind. Such conditions as open competition, abundant opportunities, a strong spirit of individualism and freedom and high social mobility, which are observed in the United States, compare very favourably to conditions in Japan.

There is another argument, however, which completely opposes this: that is to say, that Japanese technological innovation has been making steady progress. The following evidence is adduced for the argument:

1 The number of licences obtained by Japanese companies and individuals in the United States has come very close to that of the United States itself. In 1987 the top three companies were all Japanese firms – Canon, Hitachi and Toshiba (in that order).[24]
2 More articles by Japan-based authors have appeared in Chemical Abstracts than by authors from any other country for several years.
3 The United States in the first 30 years of this century produced as few as five Nobel prizewinners, which is about on a level with Japan's seven winners for the 40-year period since 1945.[25]

Yet as far as general innovativeness is concerned, the United States seems likely to enjoy its dominant position at least until the end of the twentieth century. If this argument is sufficiently strong, then the first scenario gains force.

3. The legacy of history

Factor three is related to the memory of the peoples of the nations occupied in the Second World War of their treatment, primarily at the hands of the Germans and the Japanese. As the former Secretary-General of the Chinese Communist Party, Hu Yaobang, once said to Toyoko Yamazaki, a Japanese novelist, the memory of people who have suffered from war disappears only 80 years after the event. His evidence for this is the Boxer intervention in China in 1900, which has virtually been forgotten, whereas he argues that the memory of the second Sino-Japanese war of 1937–45 will not disappear from the memory of the Chinese for another 40 years. With the question of their wartime atrocities still a politically controversial issue, shown by international reaction to Japanese official visits to the Yasukuni shrine in Tokyo (which contained the remains of Japanese war criminals) and President Reagan's 1985 conciliatory visit to the Bitburg cemetery (which contained the graves of Waffen-SS men), Japan or West Germany cannot play a leading global role without facing many barriers.[26] Pax Nipponica is inherently difficult because of this factor.

The four scenarios reconsidered

Let me now examine the four scenarios in the light of these three factors.

Pax Americana II

Whether Pax Americana II is realized or not will critically depend on factor two – scientific/technical dynamism. The argument for this scenario tends to be based on the free spirit, open competition and dynamic character of American society, which it is thought will help the United States to reinvigorate its innovative and inventive capacity.

In my view this scenario has a fairly high feasibility if the present predicament is managed well. For that purpose two policies are essential: first, close Japan–US macroeconomic policy cooperation, and, secondly, the full-scale interlinking of the US economy with the Asian Pacific economies under US leadership. Whether the United States can achieve this without igniting Asian nationalism against it remains to be seen.

'Bigemony'

The feasibility of 'bigemony' depends critically on factor three – the debt of history. In other words, whether Japanese pacifist feeling can be overcome and whether the East Asian neighbours can be at ease with Japanese leadership in regional and global security matters, even a leadership based on cooperation with the Americans, remains to be seen. To be feasible, therefore, this scenario requires very close friendship between the United States and Japan as a precondition for overcoming the debt of history problem. The argument against this scenario is that the steady progress of Japan–US economic integration and defence cooperation has been accompanied by recurrent and at times almost explosive friction between the two countries, which argues ill for the future.

In my view, the 'bigemony' scenario can only progress slowly and steadily, in a moderate manner, as technological progress and economic dynamism push Japan and the United States closer together.

Pax Consortis

The feasibility of Pax Consortis depends critically on factor one – nuclear neutralization. This is conceivable in the distant future, but certainly not in the foreseeable future. For the two superpowers to relinquish superpower and revert to less important roles will take time, even assuming that their decline has already begun. One may recall Edward Gibbon's remark that it took another 300 years for the Roman empire to disappear after its inevitable decline and demise were declared by Tacitus. It is utterly beyond speculation whether, and how, an unknown perfect anti-nuclear defensive weapon system might be developed and deployed. The weaker form of Pax Consortis, one could argue, is more feasible. One may cite the inability of the superpowers to have much influence on the course of events in Nicaragua and Afghanistan, for example; the increasing importance of monetary and economic policy coordination and consultation among the major powers; increasing international collaboration in research and development; and the very frequent formation of consortia in manufacturing and financial activities. Needless to say, conventional forces will become more important when nuclear weapons are neutralized. Thus arms control – a kind of consortium – in conventional forces will become an important focus under Pax Consortis.

Pax Nipponica

The feasibility of Pax Nipponica depends critically on factors one and two – neutralization of nuclear weapons and scientific and technological dynamism. If both factors are realized together, the historical factor may become less important. But the difficulty of neutralizing nuclear weapons has already been mentioned. It must also be emphasized that the obstacles to Japan taking security leadership will not be easy to surmount. First, it will not be easy to persuade the overwhelmingly pacifist Japanese public. Secondly, it is not easy to see Japan shouldering the burden of the level of overseas armed forces the United States currently possesses for a prolonged period of time. It could easily lead Japan to suffer the kind of inefficiency that the Soviet Union has been so painfully experiencing. Thus estimates of Japan's likely scientific and technological dynamism will also affect the likelihood of Pax Nipponica.

In my view, Japan's innovative and inventive capacity for the next 10–20 years should not be underestimated. But beyond that period the expected fall in demographic dynamism and associated social malaises that are bound to arise, such as the overburdening of the small productive working population for extensive social welfare expenditure and for Japan's increased contributions for international public goods, seem to augur ill for this scenario.

To sum up. It seems to me that scenario one and two – Pax Americana II and bigemony – are more likely than scenarios three and four in the intermediate term of 25 years, while in the longer term of 50 years a mixture of Pax Americana II and Pax Consortis seems more feasible. Of the two scenarios feasible in the medium term, Pax Americana II is the more desirable because it entails fewer risks to the United States as well as to the rest of the world. The effort necessary to sustain the US hegemonic position in its fullest form, whether alone or jointly with Japan or other allies, may cause more stresses than benefits. In the longer term, a soft landing on a Pax Consortis seems desirable.

Conclusion

These four scenarios are, admittedly, incomplete. Yet their delineation is useful in order to know better what kind of futures the Japanese have in mind in their assiduous yet uncertain search for their place in the world. Some readers may be struck by the fact that these scenarios reflect peculiarly Japanese aspirations and apprehensions. The weight of the past not only lingers on, but fundamentally constrains the Japanese conception of the world. Any drastic restructuring of Japan's foreign relations away from the ties with the United States seems virtually impossible to the majority of Japanese. It is instructive to learn that in Japan only 7.2 per cent of the population are neutralists, who want to abrogate the country's security treaty with the United States, while in West Germany as many as 44 per cent are neutralists.[27]

The same thing can be said of the three major factors. First, the debt of history to the Pacific Asian neighbours has been deeply felt as a major constraining factor in our scenarios. It is as if an anti-Japanese alliance in Pacific Asia was always ready to be forged, despite the near half-century since the war, just because Japan once crossed a certain threshold of misconduct. Secondly, the neutralization of nuclear weapons has been the dream of most Japanese since 1945, when two nuclear bombs were dropped on two Japanese cities. Thirdly, the innovative and inventive capacity of nations is one of those things many Japanese have long felt lacking within themselves. Perhaps reflecting that, they waver between unnaturally timid and exceedingly bold estimates of their own scientific and technological capacity.

Some may argue that my overall scenario – a soft-landing scenario proceeding from Pax Americana II to the Pax Consortis – is more than mildly optimistic. This may be true. It is arguable that this optimism is somewhat unfounded when the United States, the architect of the post-war order, is beset by severe problems. The point is that a large majority of responsible Japanese leaders have found it virtually impossible to think beyond a world where the United States is of primary importance to Japan and where the Japan–US friendship is a major pillar of global stability. My delineation of four scenarios, including the Pax Nipponica and bigemony, should not be understood as a disclosure of non-existent plans for Japan to become a world supremo, or co-supremo. Rather, it should be interpreted as a manifestation of the kind of independent impulse long suppressed, yet only recently allowed to appear on a very small scale in tandem with Japan's rise as a global economic power. The Japanese are perplexed as they continue to rise in influence. Under what combination of the four scenarios Japan will stand up on the world stage remains a matter for our common interest.

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