

# **THE VITALITY OF JAPAN**

**SOURCES OF NATIONAL  
STRENGTH AND WEAKNESS**

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# 10 Missions, Mechanisms and Modalities of Fledgling Cooperative Regimes in the Pacific

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## Introduction

Cooperation often emerges when actors endeavour to mitigate or eliminate difficulties by acting together.<sup>1</sup> However, the way in which they act differs tremendously even when they intend to act together to resolve conflicts of interest. In the West European context, for instance, Flora Lewis contrasts the Anglo-Saxon tradition of establishing precedents with the Napoleonic codification.<sup>2</sup> Plunging out of the European Exchange-Rate Mechanism immediately after some tremor took place when many French and Danes showed hesitancy in ratifying the Maastricht Treaty were the British; those joining the move toward an eventual European Monetary Union included the French. The Group of Seven may be close to Anglo-Saxon practice while the Maastricht Treaty may be closer to the Napoleonic.

In the Asian-Pacific context, Ezra Vogel contrasts three ways of settling disputes in foreign direct investment.<sup>3</sup> The Americans usually rely heavily on lawyers, who resort to the exhaustive use of language to settle disputes as if the number of words and saturation of possibilities were conducive to a better settlement. The Chinese, diametrically opposite to the Americans, are normally excessively vague and often very pithy in wording when they form contracts and agreements. The spirit is *mama-huhu*, i.e. whether it is a horse or a tiger that is emerging on the faraway horizon does not matter. Baffled at these two extremes are the Japanese, making foreign direct investment in both the US and China. For the Japanese are comfortable when they have some written explanation registering basic understanding but have left the details of disputes to be settled by case-by-case pragmatic handling mixed with karaoke and golf.

In the US-Japan context, the Americans claim to be result-oriented, with various targets indicated to prod the Japanese into disentangling structural impediments. If the Japanese do not deliver, they pay the price of their failure to do so. As a Hong Kong businessman put it, the Americans are MacDonaldised in the sense that they yearn for results (hamburger) and

that three minutes are their maximum limit for patience. The Japanese claim to be market-oriented, content with leaving most to market forces while, somewhat self-contradictorily, working assiduously to influence market forces. More recently, they have gone further to claim to be the guardian of free trade in the Pacific.

All caricatures and jokes aside, this chapter attempts to look at economic and security cooperation in Asia-Pacific afresh and is, I hope, free from a legalistically institutionalist perspective. Before examining economic and security cooperation, I shall first examine what I think are three major features of global change that have taken place over the last decade or so. Then I shall focus on three issues of cooperation, each associated with the three major features of global change. Lastly, I shall conclude that economic and security cooperation has been forged in a very primitive form, at least from an institutionalist perspective, in the Asian-Pacific region and that such format of cooperation has been more or less suited to the structural configuration of the Asia-Pacific.

### **Three Major Features of Global Change**

In my view the following three major features should be noted.<sup>4</sup> I call them the end of the Cold War, the end of geography and the end of history and relate respectively to international security, the world economy and domestic societies. They are borrowed from George Bush, Richard O'Brien and Francis Fukuyama. But I attach to these phrases meanings different from those intended by their original authors. For George Bush the end of the Cold War was the victory of the US over Communism; for Richard O'Brien the end of geography heralded the victory of international financial market forces, and for Francis Fukuyama the end of history saw the victory of liberal democracy.

In my view the major features of global change should be captured more dialectically. By that I mean that, rather than depicting and examining the primary force working in one direction, forces working in mutually opposite directions should be examined in order to see the eventual outcomes of their competition. Excessive attention to a one-way dynamic of forces may mislead us to believe that the world is moving in one direction or another and that the eventual outcome is more or less predetermined. But in my view the world is in a pretty bewildering flux and attention should be paid to a number of forces that may try to overwhelm or undermine one another. It is impossible to suppress all other forces even when the primary and leading forces may have won because

victory has itself been achieved by the existence of opposing forces. Even if the previously opposing force may have petered out, newly opposing forces usually start to manifest themselves, making life more complicated. Without trying to fathom these dialectics, it would be so easy to be misled by the simplistic and unidirectional perspectives.

The major feature of international security is the contradiction between short-term US military supremacy and longer-term inability to sustain military supremacy with a weakening technological, economic and financial basis. Similarly the major feature of the world economy is the contradiction between the deeper economic integrative forces pushing global liberalisation further and the sub-global forces of autonomy and protection. The major feature of domestic societies is the contradiction between forces of economic deregulation and political democratisation on the one hand and their destabilising consequences on the other.

### *International Security*

The disappearance of the Soviet Union first as a military threat and then as an entity has propelled the US to enjoy absolute military supremacy in both strategic nuclear and conventional forces. Underlying the Soviet decision to discontinue the arms race with the US in the mid- and late 1980s was US technological progress. In particular, improvement in precision in the submarine-launched missile delivery system has given an advantage to the US. To keep competing with the US in the arms race meant a great sacrifice to the Soviet Union since it had been suffering from the decline of competitiveness in many economic sectors. The increasingly negative perception of its own capabilities, technological, economic and financial, to sustain its military supremacy in the longer term has made it far less willing to commit itself to war abroad. This tendency was recently commented on by Peter Tarnoff, now number two in the US State Department but formerly head of the Council on Foreign Relations which publishes the *Foreign Affairs* magazine, prompting some to call him the antithesis of George Kennan, who heralded the beginning of the Cold War with his 'X' article in the *Foreign Affairs* magazine.

In the Asia Pacific area as well, this tendency is evident. Though much slower and less drastic, the US military presence in the area is bound to go through a downsizing (or rightsizing) in the near future. The US seems to be determined to restructure regional security arrangements by introducing multilateral schemes, using whatever levers it currently retains over the region. This is a departure of some significance since it has long relied on

bilateralism as a means of exercising influence over countries in the region, as is demonstrated by the absence of all-regional multilateral security arrangements and the predominance of bilateral schemes. Yet the long absence of institutional multilateralism as well as the historical diversity of the region seems to point to the prospect of a slow development of such multilateral security arrangements.

### *World Economy*

Steady progress in information technology is globalising economic activities, disregarding national borders. Global market liberalisation has been promoted everywhere and global economic integration has been moving ahead year by year. At the same time a burgeoning opposing force has been equally ubiquitous. It may take the form of protectionism, erecting barriers and impediments to thwart competition from abroad. It may take the form of regionalism, liberalising the market on a regional scale while discriminating against extra-regional actors. Also it may take the form of subsidiarity, enabling the national government to abide by the principles of market liberalisation and economic integration and the sub-national government to skirt compliance with those principles. Since market liberalisation invites the intermittent alteration of comparative advantage and the concomitant need to make structural adjustments, the counteracting forces are bound to flourish. The crux of the matter is therefore to advance the former force while containing the latter if the common goal is to maintain free trade and facilitate deeper integration.

In Asia-Pacific, this contradiction is manifest in a number of forms. Most of Pacific Asian economies enjoy fairly high economic growth rates, enjoying market access to the US and accommodating Japan's foreign direct investment and importing capital goods from Japan. This structure tends to foster a perennial trade surplus *vis-à-vis* the US while producing a deficit *vis-à-vis* Japan. Japan itself is more extreme than most Pacific Asian economies since it does not import a large volume of capital and manufactured goods while enjoying market access to the US. The result is the perennial trade surplus - and a very large one at that - *vis-à-vis* the US. This provokes the US government's attempt to further liberalise the market. What is often seen as relentless pressure from the US government on the Japanese government towards further market liberalisation and more recently towards assured market access of US products is feared broadly in Pacific Asia, as US pressure might spread and permeate the rest of Pacific Asia as well as Japan, thus damaging the broad prosperity of the

region. In the words of Tommy Koh, the question is 'whether the more muscular attitude toward Japan will also be the US approach to the rest of the region'.<sup>5</sup> Thus looked at very broadly, the liberalising and protectionist forces intertwine in a complex fashion in Pacific Asia. First, most of the Pacific Asian economies, like most of non-Anglo-American economies, are regarded by the US as relatively well regulated. Yet global liberalising forces are working steadily in Pacific Asia, its economy is one of the most rapidly developing and thus changing the fastest. In other words, Pacific Asia is fast liberalising. Naturally, to cope with fast liberalisation, various forces come up towards retaining what are considered to be the secrets of economic success, including the complex system of lifetime employment, inter-firm and bank-firm *keiretsu* relationship, and the inter-firm stock-sharing system and more broadly the complex business-bureaucratic-political triangle, which has been widely regarded as broadly protectionist and regulationist.<sup>6</sup> Second, US pressure means further market liberalisation of Pacific Asia and assured access of US products and services and further protection of US products from Pacific Asian intrusion. US pressure is not only economic in nature but also probably more importantly political as it pertains to its desire to keep its primacy and leadership role firmly grounded on fair and acceptable competitiveness.<sup>7</sup>

### *Domestic Societies*

A vast number of developing countries started to deregulate their economies in a steady fashion in the 1980s. Excessive regulation has made the economy steadily obsolete in many cases when economic activities have been steadily globalising. Hence the conspicuous tide towards deregulation. In tandem with economic deregulation came the demand for political liberalisation and democratisation.<sup>8</sup> Bureaucratic regulation normally entails social and political clients and dismantling such bureaucratic regulation facilitates the realignment of social and political groups in the society. At the same time the tide of economic deregulation and political democratisation often becomes the major factor in social destabilisation. When the economy undergoes deregulation and structural adjustments, and when the political system faces increasingly strident popular demand for more participation and transparency, it is not surprising to see that many societies in transition and in the developing world are being destabilised to an alarming extent, especially when these

changes are not accompanied by a certain combination of positive economic growth rate and positive evolution of political détente.

In the Asia-Pacific region as well, this contradiction is manifest. One noteworthy feature in the Asia-Pacific region has been the relatively high economic growth-rate registered and the relatively cautious political loosening implemented only step by step. Hence compared to many other regions this contradiction is not overtly and dramatically manifest in Asia-Pacific. Saying this does not mean that the contradiction does not exist. Rather, because of fast economic change, it has been latent in a potentially explosive form. Awareness of all this prevents many leaders in the region from attempting to liberalise and democratise politics quickly. Such examples include China and Indonesia, having dared suppress protesters in Tiananmen square and East Timor respectively and felt the tangible demand for political participation growing in tandem with the economic development the government itself has been assiduously pursuing.

### **Three Major Issues Awaiting Regional Cooperation**

Having completed, if very briefly, my three-way description of global change and the change in the Asia-Pacific region in particular, I am now in a position to tackle some major issues which await regional cooperation. One issue is picked up in each of the areas featured above. They are nuclear proliferation, foreign direct investment and human rights. They are all regarded among the most pressing and most disturbing issues in the region and hence widely thought to require some regional cooperation.

#### *Nuclear Proliferation*

Nuclear proliferation has long been an issue in the world. But it has become one of the most pressing issues in the region in the 1990s for two major reasons. One is North Korea's threat of withdrawing from the Non-Proliferation Treaty and the other is the lax management of nuclear facilities in the former Soviet Union. North Korea and South Korea concluded an agreement in 1991 to remain militarily non-nuclear to facilitate a peaceful reunification of both Koreas.<sup>9</sup> Yet North Korea apparently wants to acquire nuclear weapons, as it considers itself 'besieged' by countries not sufficiently friendly and because its economy has been stagnating steadily. Although the reasoning of North Korean

leaders is not entirely clear to outsiders, it looks as if those leaders have been thinking that nuclear weapons or the threat of producing them can be used as a bargaining chip to make a breakthrough in terms of somehow bringing the US to come to terms with North Korea and encouraging Japan to help North Korea reconstruct its economy. And to general astonishment, North Korea has been able to talk to the US directly and bilaterally. Furthermore, it has backed down from the withdrawal announcement on the Non-Proliferation Treaty and yet been able to continue refusing the International Atomic Energy Agency's inspection of the alleged nuclear production sites known as Yongbyon. And more as a by-product of its blackmail diplomacy, North Korea has been able to observe some vacillations in South Korea and in Japan as to what course they might choose once North Korea acquires nuclear weapons.<sup>10</sup>

Since North Korea has not been incorporated in any multilateral international institutional framework except for the Non-Proliferation Treaty, it is neither possible for the world community to utilise such institutions nor for any other countries to create *de novo* some multilateral framework to lead North Korea back into the fold of the Non-Proliferation Treaty. Given the perceived imminent danger of North Korea resorting to nuclear arms production, the US came to talk directly to North Korea, which it had been assiduously avoiding for so long. Talk of constructing a multilateral institutional framework involving the two Koreas, the US, China, Russia and Japan has been almost en route but whether it might be constructed in the near future is a moot question.<sup>11</sup>

The problem of laxity in nuclear facilities and nuclear wastes by the former Soviet republics, including Russia, the Ukraine and Kazakhstan, has been a real one needing immediate attention. Unlike North Korea, however, former Soviet republics have been seeking help in the management of nuclear facilities and nuclear wastes. Since there is an extensive array of agreements on nuclear management between the former Soviet Union and the US and since they constitute a multilateral institutional framework to extend assistance to the former Soviet republics, the construction of such a cooperative framework seems feasible and the process has involved not only the US but also the EU and Japan. The two major differences are the existing multilateral framework, no longer entirely relevant, and the lack of trust among the countries involved. Japan has been alarmed by what seems to their experts as the extremely poor management of nuclear facilities and wastes in the former Soviet republics. The Ukraine's toying with strategic nuclear weapons and aircraft carriers in addition with the memory of Chernobyl, Kazakhstan's nuclear facilities and environmental hazards created by testing of nuclear



bombs, Russia's need to wind down nuclear facilities, its 'relaxed' manner of handling nuclear facilities and its 'broad-minded' approach to the disposal of nuclear wastes by throwing them into the Sea of Japan and the Arctic Ocean - because it lacks the financial resources to properly maintain such facilities and to dispose of such wastes - call for mutual cooperation without delay.

The former Soviet Union was a participant in agreements on nuclear weapons and energy along with, among others, the US, the International Atomic Agency and the European Bank for Reconstruction and Development. This basis seems to have been very conducive to the fairly constructive manner in which the world community started to tackle the issues. Especially the trust the US seems to place in Russia appears to be essential to get negotiations moving. Needless to say, the possibly imminent and present danger of a nuclear mishap encourages major countries to move in the direction of multilateral cooperation. The US, as the leading superpower, has good reason to keep Russia and other nuclear republics within easy reach while Europe and Japan have every reason to be apprehensive of nuclear developments in adjacent nuclear republics. Japan, which has not been able to develop a fully fledged and friendly relationship with Russia, started to move towards multilateral cooperation concerning the imminent danger of nuclear facilities and wastes and its need to get along with the Group of Seven. This is an interesting case in which the spirit of bilateral relationships has not been able to override that of multilateral schemes.<sup>12</sup> It can be argued that Japan's strong ideas on economic development, like its emphasis on social infrastructure, manufacturing and intervention, could well transform the course of multilateral assistance to Russia and other former Soviet republics, especially in Central Asia, where Japan's financial contribution will be combined with political strength in the future.<sup>13</sup>

### *Foreign Direct Investment*

Foreign direct investment increases as the globalisation of economic activities advances. Even if the end of geography has been permeating every part of the world economy, there is still ample room for national diversity. Hence the increasing disputes in tandem with the increase in foreign direct investment. Yet there has never been any international institution that codifies a general agreement on foreign direct investment. There is no counterpart in foreign direct investment to the GATT in foreign trade. The major reason seems to be the extent of national diversity

and the almost intractable complexity when account is taken of the number of pairs of investor and recipient countries and their respective distance in terms of major criteria of diversity. Therefore most are left to bilateral and sometimes regional muddling-through.<sup>14</sup> Two bilateral relationships will be examined here: between Japan and the US, and Japan and China.

The US has been adopting a number of economic strategies simultaneously in pursuing its goal of economic renewal and competitiveness. One is naturally the GATT-focused recodification of economic rules, including some new agendas pertaining to their harmonisation, such as intellectual property rights. The second is the bilateral approach, such as the Japan-US Structural Impediments Initiatives talks, through which the US is attempting to eliminate or reduce Japan's impediments to imports and thereby achieve its twin goals of reducing its own trade deficits and enhancing its own competitiveness, with the ultimate objective of standardising and harmonising economic rules and practices. The US conducts its negotiations in the fashion which is widely interpreted in Pacific Asia as the US pounding and punishing not a surplus-rich but a jellyfish-like Japan without being able to produce any immediate tangible results.<sup>15</sup> Thirdly, the US has its regionalist approach. On its own territory it pursues the North American Free Trade Agreement policy, trying to accelerate market liberalisation in Mexico and Canada as well as in the US. The focus is to facilitate deeper integration, which would presumably enhance the competitiveness of the US and the Americas as a whole. In the US an increasing number of opinion-leaders seem to be of the persuasion that the GATT-type integration is too shallow to meet the challenges of global integration and liberalisation of economic activities and that, given the somewhat uncertain prospects for the GATT Uruguay Round, the US should get together with other countries to reach bilateral agreement concerning the codification of universal rules of economic conduct.<sup>16</sup> Here, on the part of other Pacific-Asian countries, the apprehension of and negative reaction to what seems to be the basic tone of the US, perceived to be similar to the US approach to Japan's further market liberalisation, namely, aggressive pounding and punishing, give rise to their negative reaction to President Bill Clinton's announcement in June 1993 on the enhanced Asian-Pacific Economic Cooperation Conference Scheme, whereby the current APEC scheme of foreign-minister-level meetings would be elevated to the prime-minister president level and whereby political and security issues would be included as formal agendas.

In Japan-US relations, foreign direct investment issues have been framed in the broader bilateral trade and economic talks in which the

nature of the Japanese markets, whether it is trade or direct investment, is often alleged to be the primary cause of the US trade deficit. Quite apart from whether the alleged impenetrability of the markets is the major cause of the US trade deficit, the fact remains that the Japanese are not very comfortable in inviting foreign direct investment to an 'excessive' degree, whether it is in the financial market, the construction market or in the more ordinary machine-manufacturing market. One of the features of the Japanese economic developmental model is precisely the lower penetration of foreign capital in contrast to Latin American or African experiences in which the dependency model of economic development flourished.<sup>17</sup> This feature was enhanced especially during the second and third quarters of this century and it is only for the past decade or two that this feature has been watered down slowly and steadily by the globalisation of economic activities. It is not just a coincidence that the previously more radical dependency theory has been giving way to a more market-oriented 'development from within' strategy in much of Latin America and that the one-time radical Chinese strategy of 'self-reliance' has given way to the 'socialism-by-name-only' rudimentary capitalism.<sup>18</sup> All these have been caused basically by the globalisation of economic activities. But the Japanese are perhaps the most tenacious in clinging to their model of economic development, business strategy and political governance, if only because of their belief in their success being derived from their adherence to the model.

In contrast to the Japanese attitude to foreign direct investment is Chinese economic experience over the past 15 years. An amazing amount of foreign capital has gone to China for direct investment, largely from Hong Kong, Taiwan, ASEAN countries and the US. But most investors are ethnic Chinese. It can be argued that 70 per cent of foreign direct investment is from ethnic Chinese and that it should be called Chinese direct investment. And an astonishing amount of foreign loans make up central government revenue in China, which is arguably one of the world's lowest at controlling its GNP size. The most important loan extenders are the Japanese. After the Tiananmen massacre the Group of Seven countries, including Japan, resorted to economic sanctions against China for its brutal suppression of demonstrators. In 1989 the percentage of Japanese loans over the Chinese central government revenue was so large that Prime Minister Li Peng was said to have reminded a Japanese business delegation in the autumn of 1989 that the Japanese killed many Chinese in the 1930s and 1940s and to have told them that they should not kill more Chinese from starvation, this time by economic sanctions. At any rate

Chinese economic developmental strategy is quite accommodative of foreign capital.

Then how do the Japanese and the Chinese handle disputes deriving from direct investment? The answer is bilaterally.<sup>19</sup> Both governments concluded an agreement on this in order to encourage Japanese business firms to do so in China. The most important of the agreed incentives is to give Japanese business firms similar treatment to that accorded to Chinese business firms. However, two major problems have discouraged Japanese business firms from massively investing in China. First, the investment climate has not been good until recently. The state of Chinese transportation, communications, labour, management, energy, materials and parts and risk insurances are not particularly reassuring to normally very risk-averse Japanese firms. Second, more recently, although the economic climate has improved somewhat, the political and social climate may be deteriorating given increasing crime and the uncertain political succession; the central government is unable to gently steer the course of the already excessively heated economy. Since the bilateral agreement does not seem to go very far beyond the scope of conventional agreement on foreign direct investment, much remains to be resolved by business firms involved. As foreign direct investment in China has so far come largely from ethnic Chinese capitalists outside China and as most of these investors have not been involved in those sectors which require high commitments on the part of investors, i.e. those sectors which use a large amount of capital and very high-tech facilities and manufacture very high-value products, it may not matter much whether disputes are settled in an *ad hoc* manner. But once American and Japanese investors start to invest in those large capital and high-tech sectors on a much larger scale than they have been, their foreign direct investment is more likely to lead the Chinese economic system to change in a more drastic fashion by forcing the Chinese government to change laws meeting those demands from foreign investors. In other words, to meet the impact of steadily proceeding 'deeper integration' of the world economy, the Chinese separation of economics and politics (namely, the socialist market economy and the Chinese Communist Party dictatorship) might not be sustained and peaceful evolution might be precipitated.<sup>20</sup>

Seen in this way, it is clear that foreign direct investment is a force of change to be reckoned with in any society, that the resolution of disputes needs to be nationally and locally sustained, and that any universal package of rules pertaining to foreign direct investment is not easy to put forward if it is to be feasible.

*Human Rights*

The collapse of European Communism has boosted the morale of world liberals, especially in the US. To them it registered the victory of liberal democracy and its further spread is destined to be their mission. It is the imagined community of liberals that has led them to voice the cause of human rights and democratic values.<sup>21</sup> Rather disturbing to them is the situation of human rights in Pacific Asia, where, although the region has come to enjoy wealth, much remains to be done in terms of the spirit of human rights and liberal democracy. Furthermore, sometimes quite independently but sometimes in *de facto* concert with each other, both individual liberals and democrats and the government in the US are seen as acting to dictate their wishes and whims to Pacific Asia. It is widely believed in Pacific Asia that just as Zbigniew Brzezinski wanted to use the human rights issue *vis-à-vis* the Soviet Union, the number-one threat at the time, some like-minded opinion formers and policymakers want to use the issue to undermine and tame Pacific Asia's formidable challenge, the number-one threat today, whether it is led by Japan or China or more collectively conceived. A notable example is the US government's use of linkage between human rights and the continuation of the most-favoured-nation clause *vis-à-vis* China. Every year in the recent past has seen the US Congress raise the issue when the President hesitantly gives a qualified go-ahead to the continuation of the most-favoured-nation clause. The linkage is seen by the Chinese government as US interference in internal affairs and thus flatly rejected while it leaked the video-tape-recorded scene on TV in which Wei Jinsheng, a fifth modernisation fighter who has been jailed for years, was shopping in town seemingly in a relaxed fashion with his guard.<sup>22</sup> Another is the US government's suggestion that the Japanese government be more sensitive to the unacceptability of those governments known for their violation of human rights, suppression of democratic movements, large-scale purchase and sale of major weaponry, and rapid military build-ups as recipients of Japan's official development assistance. Partly in response to such criticism from the US government and non-governmental organisations, the Japanese government, following a cabinet decision in June 1992, issued the *Guideline for Official Development Assistance*, in which it explicitly mentioned the above four criteria warranting careful re-examination of Japan's official developmental assistance decision. But so far there has been no major cutback or termination of Japan's official development assistance, whether it is to China, Indonesia, Myanmar, Pakistan, Iran, Bangladesh or Peru.<sup>23</sup>

A number of major differences have been pointed out between Pacific Asians and Americans.<sup>24</sup> In the first place the former argue that US policy is an interference in internal affairs and an attempt to impose America's will on foreign governments and that local governments and peoples should decide how to attain human rights according to their local conditions while the latter claim they are a fundamental requirement for every individual and that the efforts to achieve them cannot be left to the state. Secondly, Pacific Asians point out that historical specificity tends to support the strategy of putting economic development first and then realising political liberalisation and democratisation step by step while Americans say political liberalisation and democratisation facilitate economic development as well. Thirdly, Pacific Asians, unlike Westerners, especially Americans, place more value on collectivist virtue rather than individual rights while Americans contend that the fully developed realisation of individual human rights must precede any consideration of collective benefits and virtues. It is evident that on both sides there are immense differences between the two schools of thought.

On the American side the liberals and democrats tend to diverge somewhat. The former place utmost emphasis on individual human rights whereas the latter stress minimum requirements for democracy such as civil and political freedom, including free and secret elections. On the Pacific Asian side, the non-governmental dissenters-individualists are more like American liberals and/or democrats while most governments and the majority of people place emphasis on national diversity, economic development and collectivist virtue and sometimes argue that the Americans have not been good teachers, citing, for example, the cases of Rodney King in Los Angeles and David Koresh in Waco, Texas, as well as (to an incredibly high number of Japanese, including more than one million donors to the Yoshihiro Fund) the Yoshihiro Hattori case in Baton Rouge, in which a Japanese high-school student was shot dead in a Halloween visit. Some, like Senior Minister Lee Kuan Yew, even argue that once Pacific Asians adopt an American kind of government, chaos would ensue and competitiveness drop. Or some others point out that the astonishingly rapid surge in Japanese mistrust in Americans within less than a year as registered in spring 1993, from 45 per cent to 65 per cent, is due largely to two events that took place at that time, the apparently 'tough and rude' manner of President Bill Clinton's meeting with Prime Minister Kiichi Miyazawa and the allegedly 'unabashedly racist' Baton Rouge judges and the people who clapped their hands when the verdict 'innocent' was announced in the court on the Hattori case.

How can there be reconciliation on this issue? A light at the end of the tunnel can be seen in the resolution of the Bangkok Conference on Human Rights along with the resolution of the Vienna conference on the same subject, both held in spring 1993. The former advances a strong counter-argument and demonstrates a sharp antipathy to the human rights arguments while the latter's resolution manages to reach a compromise between the two opposite arguments. In other words, the mainstream Pacific Asians and human-rights-conscious Americans are more likely to go their own way while in the formal global institutional settings a compromise may be reached on paper. But not more than that. Ideas on a conference on security and cooperation in Asia have not been received very enthusiastically in Pacific Asia, in part because of the difficulty of reconciling differences on the human rights issue along with the more fundamental difficulty of accommodating the US in a predominant position in such a regional organisation.<sup>25</sup>

## **Conclusion**

I have first portrayed the basic nature of global change, especially as manifest in Pacific Asia, and then examined the three salient issues of nuclear non-proliferation, foreign direct investment and human rights to observe how conflicts of interest are handled. In all three issue areas, a number of common factors are easily identified. First of all the immense diversity of views of possible participants from the various regimes, a diversity which strongly argues for a loose, open, pragmatic and minimalist format of meeting challenges. You cannot get majority support in many cases, let alone consensus. Secondly, the predominance of the US in terms of its ability to shape whatever might emerge as an institutionalised regime. This factor also strongly argues for the loose, open, pragmatic and minimalist format of negotiating agendas on the basis of overall trust. Once firmly established, institutions function long after their supporting structure weakens. Thirdly, the strong consciousness of state sovereignty in Pacific Asia on the part of governing elites tends to argue for a loose, open, pragmatic and minimalist format for the creation of a regional regime. The general reluctance to make concessions on issues perceived to be highly related to state sovereignty is hardly conducive to community-building of a deeper nature, such as a security community. Fourthly, the prospects for Pacific Asia's clout and for intra-regional fluidity into the 21st century have become increasingly clear. This factor also strongly argues for the loose, open, pragmatic and minimalist format

for the future development of Pacific Asia. When reality is perceived as transitory, time and effort is not normally invested in the construction of a regime of any kind other than that of a fairly flexible nature. Fifthly, the widely shared perception that time is on the side of Pacific Asia's rapidly increasing economic competitiveness and economic clout strongly encourages governing elites to take the view of letting market forces shape the future rather than striving for a political solution. Given these five factors encouraging the open, loose and flexible nature of administration in many policy areas, it is perfectly understandable that Pacific Asia has so far been able to construct only fledgling cooperative regimes, which will possibly remain so for some time to come. Only when these five factors start to change in some concerted fashion might less open, less loose and less laissez-faire regime construction efforts be observed in Pacific Asia. How soon that prospect becomes reality is a moot question.

## Notes

1. See, *inter alia*, Robert Keohane, *After Hegemony*, Princeton, Princeton University Press, 1984; Kenneth Oye (ed.), *Cooperation in Anarchy*, Princeton, Princeton University Press, 1986.
2. Flora Lewis, 'The G-7<sup>2</sup>/1 Directorate', *Foreign Policy*, No. 85, pp. 25-40.
3. Ezra Vogel in my conversation with him on 29 March 1993. Further elaboration in the chapter is my own.
4. Takashi Inoguchi, 'Dialectics of World Order: A View from Pacific Asia', in *Whose World Order? Uneven Globalisation and the End of the Cold War*, edited by Georg Sorensen and Hans-Henrik Holm, Boulder, Westview Press, 1995. The titles of Richard O'Brien and Francis Fukuyama are *Global Financial Integration: The End of Geography*, London, Pinter, 1992, and *The End of History and the Last Man*, New York, Basic Books, 1991, respectively.
5. *Newsweek*, 12 July 1993, p. 13.
6. Ronald Dore in Fukada Yusuke and Ronald Dore. *Nihon gata shihonshugi nakushite nanno Nihon ka* (What Kind of Japan Would It Be if There Were No Japanese-Style Capitalism?), Tokyo, Kobunsha, 1993.
7. Samuel Huntington, 'Why International Primacy Matters'. *International Security*, Vol. 17, No. 4, Spring 1993, pp. 68-83; Laura d'Andrea Tyson, *Who's Bashing Whom?*, Washington, DC, Institute for International Economics, 1993.
8. Samuel Huntington, *The Third Wave*, Oklahoma, University of Oklahoma Press, 1992.



9. Takashi Inoguchi, 'Developments in the Korean Peninsula and Japan's Korea Policy', *Korean Journal of Defense Analysis*, Vol. 5, No. 1, Summer 1993, pp. 27-39.
10. *Yomiuri Shimbun*, 17 July 1993.
11. See Takashi Inoguchi and Grant Stillman (eds), *Northeast Asian Regional Security and the Role of International Institutions*, Tokyo, United Nations University Press, forthcoming.
12. *Asahi Shimbun*, some time in spring 1993. Also see James Clay Moltz, 'Divergent Learning and the Failed Politics of Soviet Economic Reform', *World Politics*, Vol. 45, No. 2, January 1993, pp. 301-25.
13. Takashi Inoguchi, 'Nihon-teki hatten moderu no shin tenkai ka?' (Are We Seeing the New Development of the Japanese Economic Development Model?), *Ekonomisuto*, 24 August 1993, pp. 95-8.
14. Debora L. Spar, 'Foreign Direct Investment in Eastern Europe', in Robert O. Keohane, Joseph S. Nye and Stanley Hoffmann (eds), *After the Cold War*, Cambridge, Harvard University Press, 1993, pp. 286-309.
15. When Winston Churchill, then Chancellor of the Exchequer, was observing the British bombing of anti-foreign riots in the Yangtze valley cities in 1927, he noted wryly: 'Our navy bombarding Chinese riots would not bring any long-term benefits to us. Punishing China is like beating a jellyfish.'
16. Peter Cowhey and Jonathan Aronson, *The Management of the World Economy*, New York, Council on Foreign Relations, 1993.
17. See, *inter alia*, *Koza Nihon keizaishi* (Series Japanese Economic History), multi-volumes, Tokyo, Iwanami shoten, 1991-92.
18. For instance, Oswald Sunkel (ed.), *Development from Within: Toward a Neostructuralist Approach for Latin America*, Boulder, Colorado, Lynne Rienner, 1993.
19. Ogura Kazuo, 'How the "Inscrutable" Negotiate with the "Inscrutable": Chinese Negotiating Tactics vis-à-vis the Japanese', *The China Quarterly*, No.79, September 1979, pp. 529-52.
20. Susan Shirk, 'The Chinese attitude and policy toward deeper integration of the world economy', presented at a conference on the integration of the world economy, The Brookings Institution, Washington, DC, 17-18 March 1993.
21. Benedict O. Anderson. *Imagined Communities*, London, NLB, 1983. Edes Hanson, President of Amnesty International Japan, notes in the *AIJ Newsletter* that the imagined community does exist and it functions when members send letters of protest/petition to leaders of governments to grant amnesty to those unjustifiably jailed.
22. On 29 March - 1 April, I had the opportunity to give three lectures in Chinese at Peking University on the subject of Japanese politics. During my stay in Beijing I saw the news in Beijing at the time US President Bill Clinton was considering the continuation of the extension to China of the most-favoured nation clause.

23. See Takashi Inoguchi, 'Comments on Robert Orr's paper on Japan's ODA', paper at a conference on Japan-US cooperation in Official Development Assistance, Tokyo, 12-13 October 1992.
24. See Takashi Inoguchi, 'Children of Traditions', *Far Eastern Economic Review*, 25 July 1991, p. 15.
25. See Takashi Inoguchi, 'Zen chikyu ampo kyoryoku kaigi o teisho suru' (A Proposal for a Conference on Security and Cooperation on the Earth), *Chuo koron*, March 1991, pp. 124-37.