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Japan's foreign policy in a time of global uncertainty

Japan is not enigmatic but iridescent.¹ It is not a dark and unfathomable entity but an opalescent one, offering differing perspectives as its colours shimmer and change. When Robert Scalapino and Junnosuke Masumi call the party system in Japan a 'one and a half party system,' the observer is puzzled at first but on the whole persuaded when told that in Japan the dominant party endures without being replaced by the opposition whose seats in parliament are only one-half the number occupied by the ruling party.² Ronald Dore's characterization of industrial relations in Japan as 'flexible rigidities' provokes a similar reaction. Although Japanese industrial relations were once known for the rigid adherence to the life employment system, they have proved quite flexible in the 1980s.³ My description of the contemporary Japanese political system as 'bureaucratically-led, mass-inclusionary pluralism' prompts much the same response. Although the Japanese bureaucracy is strong, takes initiatives in many ways, and is proud that it takes into account as many of the preferences of the masses as possible,

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1 Karel van Wolferen, *The Enigma of Japanese Power* (New York: Knopf 1989).

2 Robert A. Scalapino and Junnosuke Masumi, *Party Politics in Contemporary Japan* (Berkeley: University of California Press 1962).

3 Ronald Dore, *Flexible Rigidities* (London: Athlone 1989).

it is also a bureaucracy which is fragmented into ministries and agencies and functions in a political system which does not ensure that the various interests of these bodies will be melded into policy by the cabinet and prime minister.⁴ In a word, a seemingly contradictory phrase is often a most eloquent characterization of some aspect or other of Japanese society. It is in this way that Japan is iridescent. In one light it can appear to be fast-moving and flexible while in another it will seem slow-moving and rigid. Some recent developments in Japan's foreign affairs are illustrative.

For example, when the Japanese government was pressed by the Group of Seven (G-7) countries in 1979 to shoulder more of the burden attendant upon dealing with the Soviet intervention in Afghanistan, Japan's official development assistance to most South Asian countries was very limited. Japan was harangued over the next few years for not living up to the standard set by the other advanced countries for sharing the normal responsibilities of these nations with respect to the Third World. Even when the Japanese government expanded its assistance by approximately 5 per cent per annum, few were impressed. But by 1989 Japan had become the number one aid donor to all the South Asian countries. Needless to say, a number of factors can be identified as prompting this change. One is the Japanese desire to move in the same direction as other members of the Western alliance, to the extent that its constitutional and other constraints permit. Another is the maturing of many South Asian countries so that they now meet Japan's own criterion for assistance – the belief that aid should be a vehicle to help those Third World countries which help themselves ('jijo doryoku'), especially in the building of manufacturing industries and the social infrastructure they require.⁵ A third arises from the sub-

4 Inoguchi Takashi, *Gendai Nihon seiji keizai no kozo* [Contemporary Japanese Political Economy] (Tokyo: Toyo keizai shimposha 1983); Takashi Inoguchi, 'The nature and functioning of Japanese politics,' *Government and Opposition* 26(spring 1991), 185-98.

5 Robert M. Orr Jr, *The Emergence of Japan's Foreign Aid Power* (New York: Columbia University Press 1990); Shafiqul Islam, ed, *Yen for Development: Japanese Foreign Aid and the Politics of Burden-Sharing* (New York: Council on Foreign Relations Press 1991).

stantial and increasing economic clout of Japan which naturally seeks to expand the network of interdependence.⁶

Or, to take another example. When the Japanese government was criticized at almost every Western summit for following a policy of export-led economic growth during the first decade of the fourth quarter of the century, Japan's domestic demand looked small and feeble. This was true even in 1985 when the Maekawa Report set out a new policy under which the market was to be liberalized and domestic demand expanded.⁷ However by 1989 not only was Japan one of very few countries moving steadily in the direction of increased market liberalization, but it had doubled its imports in four years and transformed itself from an export-dependent to a domestic-demand-based economy.⁸ Today Japan has the lowest tariffs of any country so far as manufactured commodities are concerned and, along with the United States, is one of the few industrialized countries to exhibit a low ratio of trade dependence to gross domestic product.⁹

A third example. When it was suggested that the Japanese government conduct minesweeping operations in the Red Sea in 1984, the proposal did not fare well in Japan and was turned down.¹⁰ There was very little in the press because the Japanese government did not want to stir up public opinion on the issue. Then in 1987, when the Iran-Iraq War made it necessary for commercial powers like Japan to conduct minesweeping operations in the Gulf, the Japanese government took the proposal to the people for debate.¹¹ Public opinion was not particularly

6 Takashi Inoguchi, 'Japan's politics of interdependence,' *Government and Opposition* 25(autumn 1990), 419-37.

7 *Yomiuri shinbun*, 22 May 1991, and Susumu Awanohara, ed, *Japan's Growing External Assets: A Medium for Regional Growth?* (Hong Kong: Centre for Asian Pacific Studies, Linnan College, 1989).

8 *Nihon o chushin to shita kokusai tokei* [Comparative Economic and Financial Statistics, Japan and Other Major Countries] (Tokyo: Bank of Japan 1990).

9 *Ibid.*

10 This point was brought up during the discussion after a speech I gave at the Maritime SDF Officers' College, 14 May 1991.

11 Inoguchi Takashi, 'The legacy of a weathercock prime minister,' *Japan Quarterly* 34(October-December 1987), 363-70.

favourable to the idea of sending minesweepers to the Gulf, even though Prime Minister Yasuhiro Nakasone and the Foreign Ministry supported the proposal. The chief cabinet secretary, Masaharu Gotoda, was vehemently opposed, however, and Prime Minister Nakasone backed down. Then, in March 1991, when the Gulf War was over and some businesses with Middle East links were bringing strong pressure to bear on the government to provide ships for minesweeping operations in the Gulf, the government swiftly decided to participate in these operations immediately after the German government had decided to do so.¹² After Iraq invaded Kuwait in August 1990, the Japanese government had not been able to play much of a role in the activities of the American-led coalition. Indeed, its United Nations Peace Co-operation bill died ignominiously because of the strong resistance of the public and the disarray within the government in autumn 1990. Therefore the swift decision to dispatch the Self-Defence Forces (SDF) in April 1991 was a distinct surprise to many observers.¹³

One can argue that policy-making in Japan is either slow-moving or fast-moving, reactive or proactive, depending on which time-span you choose to examine and which kind of lens you use. In this sense Japan is iridescent. But it is not an enigma. An exploration of the issues involved and of the process of decision-making on any particular policy make it easy to comprehend the reasons for selecting that policy without resort to the culture-based explanations that many Japanologists are fond of putting forward. With this caveat in mind, let us look at the central thrust of Japan's foreign policy direction.

THE GULF AND GORBACHEV

The post-Cold War world has been an unsettling one for Japan. With the deepening of détente since the mid-1980s, both the idea of a world of two opposing camps and the institutions based

¹² *Asahi shimbun*, 25 April 1991.

¹³ Takashi Inoguchi, 'Japan's response to the Gulf crisis: an analytic overview,' *Journal of Japanese Studies* 17(winter 1991), 257-73.

on that assumption have gradually been undermined. One of those institutions is the security treaty between Japan and the United States which has been the foundation of Japan's foreign policy since 1952.¹⁴ The possibility that the United States might move in the direction of weakening its security ties with Japan in the context of its rapprochement with the Soviet Union has been a concern of many Japanese leaders in recent years. That is why sentences like 'There is no word like *détente* in my dictionary' were reiterated by Japanese foreign ministers until early in 1990. At the same time, however, many Japanese leaders welcomed the fact that the post-Cold War world seemed likely to be less governed by military power and competition and thus more comfortable for those nations, like Japan, which take pride in their economic competitiveness.

In the event, this new world has turned out to be more complex than either of these images suggests. Unlike the gradual weakening of the military structure created under the North Atlantic Treaty Organization, the security structure embodied in the Japanese-American treaty remains intact, largely because there has been little change in the basic configuration of Soviet-American naval competition in the North Pacific. Moreover, the Gulf War reminded the world of the predominant role of the United States in handling military aggression in the Third World as well as of the continuing importance of military power in international politics in general. Furthermore, Japan has found economic management in the post-Cold War world to be more troublesome than expected as it faces increasing criticism from the United States and, more recently, France.

The Gulf War posed a severe dilemma for Japan. How could it shoulder international security responsibilities in ways that were broadly compatible with the dominant view of the Japanese

¹⁴ Takashi Inoguchi, 'Japan's images and options: not a challenger, but a supporter,' *Journal of Japanese Studies* 12(winter 1986), 95-119; 'Four Japanese scenarios for the future,' *International Affairs* 65(winter 1988-9), 15-28; Takashi Inoguchi and Daniel Okimoto, eds, *The Political Economy of Japan*. 11: *The Changing International Context* (Stanford CA: Stanford University Press 1988).

public that an expanded security role for Japan was undesirable. Pressed and prodded by the United States government to participate in the American-led coalition's military efforts in any way that was possible for Japan given its constitutional and political constraints, the Japanese government stumbled.¹⁵ The government itself was divided on the issue of Japan's participation in the coalition's military activities. One camp headed by Ichiro Ozawa, secretary general of the ruling Liberal-Democratic party (LDP), wanted to go ahead and let the SDF participate in the multinational force, at least at the level of the non-combatant actions allowed by the 'broadened' interpretation of the constitution and the Self-Defence Forces Law. This camp included LDP politicians who had been former directors general of the Defence Agency and members of the party's defence committee and was supported by a small but steadily increasing segment of the public who believed generally in a stronger defence policy and particularly in the crucial need to respond to the evident wishes of the United States government by participating in the anti-Iraq alliance. The other camp was headed by Prime Minister Toshiki Kaifu and supported by many officials in the economic ministries, by major business leaders (with some significant exceptions), and, most importantly, by more than two-thirds of the public. This group wanted Japan's support to be confined to non-military activities such as financial contributions to the United States and the member-countries of the Gulf Co-operation Council as well as to those countries severely hit by the Gulf War like Jordan and Turkey. They also supported such activities as helping refugees in and from Iraq, assisting in bringing Asian refugees back to their home countries from Jordan and Egypt, and helping with the environmental clean-up of the contaminated Gulf region. This conflict ended with the defeat of the former camp when the United Nations Peace Co-operation bill was killed in the Diet in the autumn of 1990. After that, Japan

15 Inoguchi, 'Japan's response to the Gulf crisis.'

pledged and has systematically implemented a variety of contributions to non-military activities related to the Gulf War.

Nonetheless, as noted above, when the German government decided to participate in minesweeping operations in the Gulf after the war, the Japanese government decided to follow suit. Since then the political mood in Japan has been steadily swinging towards support for a more active security role, with the gradual acceptance by the LDP and the two smaller opposition parties of the SDF's participation in the United Nations' peacekeeping operations. Even in the largest opposition party, the Japan Socialist party, the largest right-wing group has been moving in this direction. Although this basic dilemma about Japan's international security role remains unresolved, it would appear that Japan has started to move, in an incremental fashion, towards some changes in defining it. It is possible that this incrementalism could give way to more rapid change. Just as the German government with its pledge to revise its constitution seems to be working towards enabling its armed forces to participate in United Nations-sanctioned multinational forces, the Japanese government seems to be working towards enabling the SDF to participate in United Nations peacekeeping operations, a task which has tended in the past to be confined to small and/or neutralist-leaning Scandinavian countries, Canada, and Third World countries hungry for foreign reserves.¹⁶

If the Gulf War provoked a measure of rethinking about Japan's international security role, the visit of the Soviet president to Japan in April 1991 provided a reason for re-examining Japan's place in the détente process. Mikhail Gorbachev's visit had long been anticipated. Originally, it was to be the final step in the rapprochement which had been impeded for many years by the issue of the Northern Territories. But two major factors worked against the fulfilment of these expectations. First, the Soviet Union was in disarray, and Gorbachev was in no position

¹⁶ *Yomiuri shimbun*, 21 May 1991.

to move boldly against domestic opponents (on both the left and the right) who were eager to take advantage of any possible concession Gorbachev might make to a foreign country. In consequence, the Japanese offer of an economic aid package in return for the territories and closer relations, the plan put forward by Ichiro Ozawa during his visit to Moscow in March 1991, was not taken up.¹⁷ A second factor working against further Soviet-Japanese rapprochement was the apparent unhappiness of the United States government about the prospect of any dramatic improvement in Soviet-Japanese relations.¹⁸ At a time when American public opinion was becoming steadily more critical of Japan, the United States government saw no merit in the Japanese government pursuing friendlier relations with third countries of major rank like the Soviet Union whose objectives are not necessarily in tune with those of the United States. (This stance on the part of the United States may have arisen from its view that there should be no application of major arms control measures to the North Pacific where its own navy is supreme, save for those linked to arms control centred on Europe's land-based armaments.) In the light of the developments in the United States and the Soviet Union, the Japanese government appears to have decided that it was more beneficial to stick to its original position that the issue of the territories should be resolved first, to be followed by a 'gradual expansion of equilibrium,' irrespective of the heightened expectations of the Japanese public.

This hardline position had been most closely associated with the Ministry of Foreign Affairs and had been strongly supported by the generally anti-Soviet feelings of the Japanese public. It was based on a concern within both the Ministry of Foreign Affairs and the Defence Agency that a settlement on the Northern Territories will bring an end to the Cold War and might

¹⁷ *Mainichi shimbun*, 25 March 1991 (evening edition).

¹⁸ Peter Tarnov, as cited by Saeki Kiichi, vice-president of the Institute of Global Peace, Tokyo, in his 'Gorubachofu rainichi o sokatsu suru' [Summing up Gorbachev's visit to Japan], *Ajia jiho* (June 1991), 28-60.

possibly lead to the termination of the alliance with the United States. This apprehension arises not so much from reasons of bureaucratic politics (the loss of control over much foreign policy vis-à-vis the Soviet Union), but more importantly from a fear of the consequences of the loss of an alliance which provides a form of insurance as much against the actions of the United States as against those of the Soviet Union.¹⁹ Fears that the deepening of détente in Europe might lead to Japan's increasing isolation had eventually led to a modification of the hardline position, however. A scheme for a 'gradual expansion of equilibrium' was advanced; under this proposal territorial reversion remained the prerequisite to any final rapprochement, but economic, technological, cultural, and academic exchanges and measures to expand and enhance trade could be undertaken without compromising the principle of the indivisibility of politics and economics ('seikei fukabun'). This position did not seem to change very much even after the ruling party issued a pledge (for the first time in its history) during the election campaign for the House of Councillors in March 1990 that it would 'strive towards genuine rapprochement with the Soviet Union.'²⁰

The achievements of the Kaifu-Gorbachev summit meeting were not insignificant. Fifteen agreements dealing with more pragmatic issues have been signed and enacted. Given the major constraints placed on any dramatic Soviet-Japanese rapprochement and given the clear preference of the Japanese government to place utmost priority on its friendship with the United States, the outcome of the summit which offered no major breakthrough but the prospect of expanding and enhancing the very low-level transactions between the two countries does not seem

19 Robert Delfs and Anthony Rowley, 'No deal, no money,' *Far Eastern Economic Review*, 2 May 1991, 11-13. Courtney Purrington kindly shared with me some findings on the subject based on his interviews with bureaucrats and business leaders.

20 Takashi Inoguchi, 'Change and response in Japan's international politics and strategy,' in Stuart Harris and James Cotton, eds, *The End of the Cold War in Northeast Asia* (South Melbourne: Longman Cheshire/Boulder CO: Lynne Rienner 1991).

to have been ill received in Japan. Because incrementalism has long been the hallmark of Japanese diplomacy, it probably seemed inappropriate to expect more rapid shifts in Soviet-Japanese relations.²¹

If Japan's handling of its participation in the Gulf War and its relations with Gorbachev may be taken as pointers towards the course Japan is likely to pursue in the area of international security during the 1990s, what will be the major components of that policy?

First of all, the primary importance the Japanese government has long attached to the alliance with the United States is not likely to change. As long as the United States remains the key to Japanese security, as long as it determines the global détente process, as long as it exercises control over regional conflict management in the Third World, and as long as the Japanese government fears the United States to some extent, Japan has no feasible alternative to working closely with the United States. That is not to say that Japan will inevitably follow the course the United States sets for the world, but that the idea of Japan actively seeking an alternative to the alliance relationship with the United States is difficult for any responsible Japanese leader to contemplate. The strenuous efforts in the United States to reduce budget deficits especially in relation to defence costs for overseas forces and the steady deterioration in the attitude of the American public towards Japan mean that the alliance relationship is likely to experience some setbacks over the next decade, but these will more likely arise from United States initiatives than from Japanese ones. Needless to say, Japan has its own complaints about the United States in relation to economic conflicts and burden-sharing, and the steady increase in its economic clout and competitiveness vis-à-vis the United States and other nations has naturally increased its self-esteem

21 Takashi Inoguchi, 'The politics of decrementalism: the case of Soviet-Japanese salmon catch negotiations, 1957-1977,' *Behavioral Science* 23(November 1978), 457-69; Robert A. Scalapino, ed, *The Foreign Policy of Modern Japan* (Berkeley: University of California Press 1978).

and self-confidence. In consequence, it is possible that Japan may show a greater disposition to independence and firmness in its policies. But it is very unlikely that the alliance relationship with the United States would be allowed to suffer from such actions because almost all responsible Japanese leaders consider that alliance essential to Japan's international well-being.

A second element of Japan's foreign policy, as long as it can be pursued without undermining this primary element, will be the attempt to enhance its relations with the rest of the world, if only to reduce the pressure on the overburdened Japanese-American relationship, for, as one observer has put it, Japan has 'far too many eggs' in the one basket called the United States.²² This development has been encouraged in part by the recent pressure that the United States government has placed on its allies to take on a larger share of global responsibilities. Because the Japanese government desires to shoulder some of these responsibilities for other reasons as well, it has moved steadily to expand its links with other countries. In particular, the Japanese government, and especially the Ministry of International Trade and Industry (MITI), want to reduce the economic influence of the United States on Japan. The Japanese are uneasy with the current state of affairs which combines – as they see it – a relative decline in American competitiveness with an intransigent and high-handed attitude in the area of United States economic diplomacy. This perception of the United States has encouraged the Japanese to reduce their overdependence on the United States in the areas of trade, direct investment, technology, and security. Trade has been diversified fairly effectively since the mid-1980s thanks to two developments: the first was the move towards the united Europe of 1992 which prompted Japanese business to move into Europe before the wall became impenetrable and the second has been the remarkable economic expansion in Pacific Asia, whose regional gross national product is expected

²² Murray Sayle, 'The powers that might be: Japan is no sure bet as the next global top dog,' *Far Eastern Economic Review*, 4 August 1988, 38-43.

to match those of North America and western Europe by 2010.²³ Direct investment in the United States, which rose dramatically during the Reagan presidency, also began to decrease in the late 1980s and early 1990s with the remarkable expansion of domestic demand achieved in Japan in the latter half of the 1980s and the movement of Japanese investors into western Europe and Pacific Asia. There has also been an attempt to diversify in the area of technology.

This diversification of trade, investment, and technology does not mean that the unprecedented interdependence of the Japanese and American economies, so firmly and irreversibly interwoven at both the macro and micro levels, has been in any way watered down. But if one expects the solution to every problem will be found in the alliance and the interdependence between the two countries, then management of the relationship is not going to be easy. Each party will tend to blame the other partner in an unending zero-sum conflict over every problem which arises.²⁴ Thus, a reduction of the overload on the Japanese-American relationship, where possible, is likely to have beneficial effects in the long term.

International security is the area in which Japan is least able to do something to pursue this objective. All it could do in the short term was to shoulder the costs of maintaining United States bases in Japan and contribute its SDF to minesweeping activities in the Gulf and to United Nations peacekeeping operations in the short term. But in other areas Japan has taken modest political initiatives designed to improve its standing in the international community: renewing relationships with such countries as the Soviet Union and North Korea, helping to soften economic sanctions against China at the G-7 meeting in Washington

²³ Japan, Economic Planning Agency, *Keizai hakusho* [White Paper on the Economy] (Tokyo: Government Printing Office 1990).

²⁴ Takashi Inoguchi, 'The ideas and structures of Japan-U.S. relations,' in his *Japan's International Relations* (London: Pinter/Boulder CO: Westview 1991); Inoguchi Takashi, 'Zen chikyu ampo kyoryoku kaigi o teishosuru' [A proposal for a Conference on Security and Cooperation on the Earth], *Chuo koron* (March 1991), 124-37.

early in 1991, and facilitating the pursuit of peace in Cambodia. Rapprochement with North Korea was desired by some parliamentarians led by Shin Kanemaru, a former LDP vice prime minister. Improved relations with the Soviet Union have been pursued by some parliamentarians such as Ichiro Ozawa. A lifting of the economic ban on China, which had been imposed in the wake of the Tiananmen massacre of 1989, during the G-7 meeting in 1991 was an initiative of Japan's finance minister, Ryutaro Hashimoto. The Tokyo conference on Cambodia in the summer of 1990 was engineered by the Japanese government although it did not succeed in persuading all the Cambodian parties to participate. Although some of the parliamentarians' activities were not welcomed either by the Foreign Ministry or by the United States government, they do seem to represent attempts (however premature or ill guided) to broaden Japan's role in the international community.

In short, there will be no fundamental change in the primary and primordial emphasis Japan places on the alliance with the United States. As Japanese economic interests spread out to every part of the world, and the United States remains the sole military superpower endowed with the ability and will to project power throughout the world, the Japanese view of international security tends increasingly to overlap with the Japanese conception of national security. Japan is nevertheless more and more self-confident about putting forward its own ideas on regional and global security interests.

GATT AND G-7

The Uruguay Round of talks under the General Agreement on Tariffs and Trade (GATT) did not reach an accord by the deadline of December 1990. They collapsed because of the major conflict of interest with regard to agricultural liberalization among the three major trading blocs, North America, western Europe, and Japan, as well as over no less major conflicts of interest among various other groups of member-countries. The stubborn refusal of the United States and the European Commu-

nity to compromise on the means for agricultural liberalization brought about this stalemate. While Japan, no less an agricultural protectionist, is basically ready to go ahead with the minimal scheme for liberalization of the rice market, it is not willing to take a unilateral initiative as long as the United States and the European Community show no signs of resolving their own conflict of interest. It is unfortunate that the Japanese government cannot take a leadership role in pursuit of liberalization of the global agricultural market because the benefit to Japan of retaining the world-wide free trade régime is far greater than any possible cost associated with any scheme for a minimal liberalization of the rice market. Yet, the Japanese government has not been able to persuade its strong domestic agricultural interests to allow such an initiative. The Ministry of Agriculture, Forestry and Fisheries, always mindful of the need to secure the food supply in the event of an emergency and supported by two-thirds of the general public, whether for environmental or autarkic reasons, does not want to see any increase in Japan's dependence on overseas food supplies, especially in light of the current astonishingly high level of those imports compared with those of most industrialized countries.²⁵

Meanwhile, the future of the international trade régime is increasingly uncertain. Because the régime is like a bicycle which falls over without periodic attempts to liberalize the market, régime uncertainties have certainly been encouraging domestic protectionist interests all over the world. The basic reason why the primary thrust of the United States government in trade negotiations has been towards the further opening of foreign markets is its need to demonstrate to protectionist interests at home that trade liberalization can be of more benefit to the United States than protectionism. Hence the very aggressive

²⁵ Yujiro Hayami, *Japanese Agriculture under Siege: The Political Economy of Agricultural Policies* (London: Macmillan 1988); Homma Masayoshi, 'Kinkyu nogyo hojosakugen' [Reduction of agricultural subsidies urgently needed], *Nihon keizai shimbun*, 20 May 1991; 'Here comes farmer Giles-san,' *Economist*, 8-14 June 1991, 24.

push by the American government – at the unilateral, bilateral, and multilateral levels – for additional market liberalization by foreign countries in tandem with an ever more intransigent protectionist stance at home.²⁶ The justification the United States puts forward for its multi-level approach to the attempt to maintain a free trade régime through GATT, a western hemisphere free trading area, and bilateral market liberalization negotiations is that without this all-out effort on all fronts, Congress and public opinion could not be persuaded and the United States government might be forced to move towards outright protectionism. The United States argues that the consequences of such a step would be much more severe for the rest of the world than for the United States.

Those critical of the American government's trade policy argue that the United States should devote more energy to nurturing and enhancing the strong economic and technological foundations of United States power by intervening more directly to revitalize its own economy.²⁷ The resort of the United States government to negotiations with foreign governments on the premise that the deepening of economic interdependence through liberalization would ensure the maintenance of United States hegemony because the United States could continue to make the best use of institutionalized and non-institutionalized patterns of influence is criticized by its domestic opponents as disregarding the economic and technological basis of power underlying global hegemony. Thus, they propose that the United States should deploy those industrial and technology policies that Europe and Japan have been allegedly using so

²⁶ I.M. Destler, *American Trade Politics* (Washington: Brookings Institution 1986); I.M. Destler and John S. Odell, *Anti-Protection* (Washington: Institute for International Economics 1987); Jagdish Bhagwati, *Protectionism* (Cambridge MA: MIT Press 1988); Helen V. Milner, *Resisting Protectionism* (Princeton NJ: Princeton University Press 1988); Robert Pastor, *Congress and the Politics of U.S. Foreign Economic Policy* (Berkeley: University of California Press 1980).

²⁷ Stephen Cohen and John Zysman, *Manufacturing Matters* (New York: Basic Books 1987); Wayne Sandholtz et al, *The Highest Stakes: Technology, Economy and Security Policy* (New York: Oxford University Press, forthcoming); Robert Reich, *The Work of Nations* (New York: Knopf 1991).

effectively to develop a regionally self-sufficient economic and technological base like those Europe and Japan have been nurturing and expanding in Europe and Asia respectively.

Whether the United States government surrenders power and policy to these forces in the United States is one of the most critical factors in the framing of Japan's policy in this area. The United States House of Representatives has recently given surprisingly strong support to the administration for a continuation of the 'fast-track' approach on the GATT talks, the North American free trade bloc agreements, and other trade talks. Japanese fears may thus be somewhat allayed, especially when one finds the name of Richard Gephardt among those who voted for the continuation. Perhaps the members of that alleged bastion of protectionism, the United States Congress, may be only surface protectionists.²⁸ For the time being, therefore, Japan's policy is to support further liberalization of the market, whether in rice, construction, finance, or retailing, so that global economic interdependence can be strengthened. The Japanese government recognizes very clearly that Japan would be the first to suffer from a protectionist and regionalized world market.

The latest conference of G-7 finance ministers and central bankers seems to show once again that policy co-operation is not easily achieved despite all the rhetoric of the participants. When the issue was whether it was necessary to raise interest rates in Germany and Japan so that the United States, entering a recession, could effectively sustain a lower interest rate, neither Germany nor Japan followed the preference of the United States but instead gave priority to management of their domestic economies. The Bank of Japan's decision to lower the interest rate in the late spring of 1991 may have seemed to be a response to United States wishes, but it was in fact based primarily on domestic priorities.²⁹ The euphoria about policy co-ordination which

²⁸ *Economist*, 18-24 May 1991, 42.

²⁹ *Nihon o chushin to shita kokusai tokei*.

followed the Plaza agreement of 1985 may have dissipated by 1991.

Yet the contrast between the military triumph of the United States and the inability of the United States to secure compliance in economic monetary policy should not be exaggerated. One can argue, after all, that the G-7 meetings have been more of a ritual by which the United States government negotiates with other major governments over world economic management in order to induce them to assist the United States in the management of its domestic economy than the more pluralistic discussions that the image-makers have tended to suggest.³⁰ By 1991, however, such major actors as Germany and Japan have become less hesitant about giving the world the impression that they are not seeking to comply blindly with the wishes of the United States.

EUROPE 92, NAFTA, AND THE EAEG

If more regionalized economic centres acting more or less autonomously on the basis of domestic and regional priorities are indeed the wave of the future, then one must look at three current regional projects/proposals: Europe 1992, the North American Free Trade Area (NAFTA), and the East Asian Economic Grouping (EAEG). How does Japan assess these groups and how should it respond to them? Needless to say, Japan does not welcome the growth of regionalism in world economic affairs for the obvious reason that its own prosperity rests on broad and stable access to the world market.³¹ Yet for as long as regionalism seems to flourish, Japan must adapt to it.

The Europe 1992 project initially provoked a fear that Japan would be excluded from the European Community much more

³⁰ William A. Niskanen, 'G7 wa makuro keizai kyocho ni mueki' [G-7 is not useful for macro-economic co-operation], *Nihon keizai shimbun*, 27 May 1991.

³¹ *Keizai hakusho*; Ministry of International Trade and Industry, *Tsusho hakusho* [White paper on international trade] (Tokyo: Government Printing Office 1991).

completely than is now thought likely.³² As progress towards economic union has proven more difficult than initially expected, however, Japan's misgivings (perhaps originally exaggerated) have receded somewhat, and there is no more talk of Fortress Europe. For most Japanese the upheavals in Eastern Europe and the Soviet Union, including German reunification, have overshadowed the Europe 1992 project. The apparent stalemate in negotiations over two core ideas of the enhanced European community – an economic and monetary union and a standing army – seems to suggest the road to its achievement is not going to be smooth. All the diplomatic furore surrounding the implementation of monetary union – starting with the Delors plan, then the German objection to its emphasis on the economic maturity argument, and finally the British proposal delaying the timetable and thus watering it down considerably – has convinced many Japanese that the path to monetary union is fraught with difficulties. The likelihood of a European standing army growing out of the Western European Union seems even more remote. The Europeans are not ready to replace the North Atlantic Treaty Organization (NATO) with their own alliance in the immediate future, nor do they wish to suggest that a United States presence in Europe is no longer necessary. The American approval of the plan to establish a European rapid deployment force for out-of-area-operations (for example, in Yugoslavia) is a compromise which will not weaken the primary importance of NATO to European defence.³³ And, of course, the member-countries of the new Europe are also at odds over many other issues: the Soviet Union, a united Germany, the instability of eastern Europe, the emigrant-exporting Islamic world in North Africa, and the Middle East. Indeed, to some, they seem to lack any common vision of the future Europe. Despite all these difficulties, most Japanese believe that the Europe 1992 project will come to fruition in the long run, if perhaps more slowly

³² Takashi Inoguchi, 'Japanese response to Europe 92,' paper presented at the East-West Forum conference on Europe 92, Washington, October 1989.

³³ *Asahi shimbun*, 13 April 1991.

than was thought likely in 1985 or 1989. It will thus continue to present challenges to Japan which will have to respond to the actual impact of this regionalist thrust, be it over issues of money, defence, energy, or agriculture.

The North American Free Trade Area arises out of the free trade agreements the United States has been arranging with its neighbours to the north and south, Canada and Mexico. If one also takes into consideration the traditional links between the United States and its southern neighbours, these economic connections might well lead in time to the emergence of an economic region encompassing the whole of the western hemisphere. The major Japanese reaction to this development has been the attempt to establish themselves in Canada and Mexico before the consolidation of any potentially discriminatory barrier against outsiders.³⁴ Given the importance to Japan of North America in terms of the supply of primary commodities to Japan and the provision of a market for Japanese products, the stakes are high. This move into Canada and Mexico has been accelerated by some protectionist policies in the United States against Japanese direct investment in the United States. Moreover, in the context of the accumulated debts of Latin American countries, Japan has been steadily drawn into that region by the United States to fill the gap occasioned by the retreat of American financial interests.³⁵ The North American free trade agreements have not elicited as many apprehensive reactions from Japan as the Europe 1992 proposal, because they are perceived to be largely confined to trade and manufacturing whereas the latter scheme is all-encompassing. The United States government has insisted that the thrust of its agreements with Canada and Mexico is not protectionist but a move in the direction of free trade and thus compatible with the GATT. Nevertheless the regionalist thrust of

³⁴ Two bilateral committees called wise men's committees, one with Canada, the other with Mexico, were recently formed.

³⁵ Yanagihara Toru, ed, *Keizai kaihatsu shien to shitenno shikin kanryu* [Financial mediation as a support for economic development] (Tokyo: Institute of Developing Economies 1989); Islam, ed, *Yen for Development*.

the agreements does give a clear message to many Japanese. Thus when the United States government expressed its displeasure over the EAEG proposal and Prime Minister Kaifu's 'understanding' of that proposal during his visit to the countries of the Association of South-East Asian Nations (ASEAN) in the spring of 1991, some Japanese were somewhat perplexed by the American response but did not make a fuss about it.³⁶

The East Asian Economic Grouping proposal of Prime Minister Mahatir Mohamad of Malaysia is a bold yet ingenuous one. In light of the trend to regionalism in other parts of the world and the increasing pressure of the United States government on most Pacific Asian countries for market liberalization, Malaysia wants to establish a regional grouping that includes Japan but excludes the United States and all other non-Asian countries. Malaysia argues that such a grouping is a way to cope more effectively with both these problems. The major difficulty with the proposal lies in the exclusion of the United States. If American unhappiness extends to censuring Japan for its participation in the scheme, the proposal is not very likely to win support in Japan. If the purpose is largely to enhance the bargaining position of Malaysia and some other Pacific Asian countries with respect to the United States, an assessment of its prospects is more difficult to make. Pacific Asia cannot hope to continue to thrive without embedding itself ever more firmly into markets everywhere, but especially in North America and western Europe. Thus, estranging the United States and regionalizing Pacific Asia, however unwittingly, is not in the interests of most Pacific Asian countries. Looked at from a different angle, the proposal which was originally focussed on trade and manufacturing might take on a more lasting life if it were applied to a regionalist restructuring of the international financial system. The major difference between the global systems of trade and finance is that while the former is a network in which every component is directly connected to every other component,

³⁶ *Nihon keizai shimbun*, 8 and 27 May 1991.

the latter works most efficiently with a hub-and-spoke system whereby regional centres absorb most of the uncertainty in financial transactions and link sub-centres to the global financial system. If this notion were to be pursued, then the Malaysian proposal might be implemented – though in somewhat different form from the one its creator imagined.³⁷

STEERING A COURSE THROUGH DOMESTIC CLEAVAGES AND CONFLICTS

In steering the nation in a world in which uncertainties abound and in which both expectations about and apprehensions over a greater role for Japan intersect in a very complex manner, the Japanese government must also manoeuvre among the cleavages and conflicts within the domestic political system. There are four major ones which should be noted, however briefly: left versus right, private sector versus public sector, politicians versus bureaucrats, and bureaucratic politics.

Left versus right

The traditional left versus right ideological cleavages die hard. The leftist influence on public policy in Japan is much smaller now than it once was. The lower growth in the economy after 1974 forced the left to make greater compromises over social policy than would have been necessary if the previous higher growth rates had continued. The decline of the public sector, including the privatization or disappearance of quasi-governmental agencies and companies such as the Japan National Railway and Nippon Telegraph and Telephone in the 1980s, has reduced the left's organizational base. The end of the Cold War has reduced the cleavage over defence issues.

³⁷ Takuma Takahashi, 'Alternative futures of the global financial market,' paper prepared for presentation at the XVth World Congress of the International Political Science Association, 21-25 July 1991, Buenos Aires; 'Higashi Ajia keizai ken ni kyusekkin suru Okurasho-Nichigin rengo' [A coalition of the Ministry of Finance and the Bank of Japan move toward the formation of an East Asian economic region], *Infordia* (June 1991), 16-18.

Nevertheless, a few issues remain that could revive this division, depending on circumstances; the most likely are defence, education, and taxes.³⁸

Defence continues to arouse controversy as we have seen during the Gulf crisis of 1990-1.³⁹ The government introduced the United Nations Peace Co-operation bill in order to enable the Self-Defence Forces to participate in military and non-military operations in the war against Iraq. But the outcry among the public was so strong – more than two-thirds were opposed to it – that the government abandoned the bill during the National Diet session of 1990. Not only the opposition parties but also a sizeable portion of the governing party opposed sending the SDF overseas, citing the constitution and public opinion. The defeat of the government in this particular legislative game is not solely attributable to the strength of the leftists. Rather, the rightist position on defence was not as strongly supported as some in the governing circle hoped. Neither Prime Minister Kaifu nor the Ministry of Foreign Affairs seemed particularly willing to push the bill through against such obstacles. Yet after the war ended in March 1991 and the government and the public reassessed the impact of its actions during the war, a shift in the government's policy and public opinion became visible. In March 1991, immediately after the German government decided to send minesweepers to the Gulf, the Japanese government decided to send SDF ships. Two-thirds of the public now support the government's decision, and the prospects for passage of a slightly revised bill have become brighter. The key to the change in the government and among the public seems to lie in the seriousness with which they have taken the negative impact that the original decision has had on American attitudes towards Japan and on American-Japanese relations. The two

38 Takashi Inoguchi, *Public Politics and Elections: An Empirical Analysis of Voters-Parties Relationship under One Party Dominance*, Papers in Japanese Studies 2 (Singapore: Department of Japanese Studies, National University of Singapore, February 1989).

39 Inoguchi, 'Japan's response to the Gulf crisis.'

smaller opposition parties, the Democratic Socialist party and the Clean Government party, have shifted their positions and are ready to approve overseas operations for the SDF with some provisos with respect to non-combat activities and the need for a United Nations umbrella. Factions within the Socialist party have also modified their positions steadily in the same direction. The core of the leftist opposition will remain, however, opposing what it regards as a militarist revival in Japan.

Private sector versus public sector

A reversal in the balance of financial power between the private sector and the public sector took place during the 1980s in Japan, as the former accumulated unmistakable financial clout while the latter suffered deficits and a chronic shortage of funds. Accordingly, the private sector has become much more assertive. Given the ways of Japanese politics, namely, that they are very responsive to changes in demographic, technological, economic, social, and international forces, the private sector's voice has come to have more influence on public policy.⁴⁰ A good example of this influence is the market liberalization of the 1980s, which occurred largely in the context of bilateral negotiations between the United States and Japan. The Structural Impediments Initiative talks between the two governments, especially those in the spring of 1990, provided evidence of this change in a very twisted manner.⁴¹ Each government put forward its requests, with the general aim of further market liberalization and trade deficit (or surplus) reduction. What is interesting is that the list of requests from the United States government to the Japanese government makes use of all kinds of proposals and opinions which have been raised and articulated within Japanese society.

40 Inoguchi, *Gendai Nihon seiji keizai no kozu* and 'The political economy of conservative resurgence under recession: public policies and political support in Japan, 1977-1983,' in T.J. Pempel, ed, *Uncommon Democracies: The One-Party Dominant Regimes* (Ithaca NY: Cornell University Press 1990), 189-225.

41 Ohmae Kenichi, *Sekai no mikata, kangaekata* [How One Should Look at and Think about the World] (Tokyo: Kodansha 1991).

In essence the United States government has become the articulator of the demands of the Japanese private sector.

The Japanese government has two weaknesses in the execution of policy including any further market liberalization. One is the peculiar nature of the Japanese prime ministership in the eighteen years since Kakuei Tanaka lost power in 1974.⁴² After the merger of the two conservative parties in 1955, all the prime ministers except one (Tanzan Ishibashi) had come from the largest faction of the governing party, whereas since 1974 only one prime minister has come from the largest faction (Noboru Takeshita). In consequence, most prime ministers for the last eighteen years have not enjoyed a strong power base within the governing party (with the notable exception of Yasuhiro Nakasone, 1982-7), which has been more or less continuously controlled by the largest faction, namely, the Takeshita (or former Tanaka) group. This faction, which is also in charge of collecting money for the party, has tended to be somewhat more vulnerable to corruption and was involved in the Lockheed and the Recruit scandals. The other weakness of the government grows out of the position of the prime minister; it is much more difficult for a weak prime minister to achieve a compromise among the competing interests in the party. Especially when bureaucratic rivalries are involved, achieving a consensus at the highest level is often difficult – at the very least it is time-consuming. Hence the value in the market liberalization talks of foreign pressures which reflect the interests of the Japanese private sector. Hence Kenichi Ohmae's remark that in the Structural Impediments Initiative talks, the United States government has taken on the role of a Japanese opposition party, pressing the Japanese government to undertake further market liberalization especially for urban consumers.⁴³

42 Takashi Inoguchi, 'The emergence of a predominant faction in the Liberal Democratic party,' paper prepared for presentation at the conference on 'Beyond the Cold War in the Pacific,' Institute of Global Conflict and Cooperation, University of California, San Diego, 7-9 June 1990.

43 Ohmae, *Sekai no mikata, kangaekata*.

Politicians versus bureaucrats

One consequence of the increasing strength of the private sector and especially of the power of corporations is the steady ascendance of politicians vis-à-vis bureaucrats. This shift in influence is manifested in various forms, of which one is the rivalry between parliamentarians and diplomats over the conduct of foreign policy.⁴⁴

Japan's relations with the Soviet Union have been improving slowly since the Japanese ruling party issued its 1990 election pledge to make 'genuine efforts towards rapprochement with the Soviet Union.' Yet the Ministry of Foreign Affairs has been reluctant to move in this direction. It has maintained the long-time position that a resolution of the territorial dispute should come first, to be followed by efforts at genuine rapprochement. The disparity between the views of politicians and bureaucrats on how to seek Soviet-Japanese rapprochement was laid bare in the spring of 1991. When the secretary general of the LDP visited Moscow to prepare for Gorbachev's visit to Tokyo, he brought with him a package of economic aid, amounting to US\$26 billion, which had apparently been hastily drawn up by some MITI officials in their 'private capacity.' Ozawa probably wanted to make a deal, offering economic aid in exchange for the Northern Territories, but Gorbachev's advisers seem to have told him that the package did not appear to have the full support of the Japanese bureaucracy because some projects under way with major trading corporations were not included in the package.⁴⁵ In fact, projects negotiated by the Japanese-Soviet Economic Committee were not supposed to be included because this package was an initiative of the Ministry of International Trade and Industry involving private-sector money.⁴⁶

When Gorbachev came to Tokyo, no compromise was made by either side. Gorbachev was in no position to give concessions

44 Donald Hellmann, *Japanese Foreign Policy and Domestic Politics: The Peace Agreement with the Soviet Union* (Berkeley: University of California Press 1969).

45 *Mainichi shinbun*, 25 March 1991.

46 My findings are based on Courtney Purrington's interviews with officials.

to Japan when his domestic power base was eroding. Kaifu did not find it prudent to relax the hard line on the territories and on the collective security issue in general. The prime minister and the Ministry of Foreign Affairs were content with the fifteen accords that were concluded. They did not want any major policy shift to emerge from the meeting for by then it was clear that the United States government was somewhat apprehensive about the possibility of a sudden improvement in Soviet-Japanese relations at a time when American-Japanese relations were in severe trouble. While the discussions were going on, the governing party did make some representations to the Ministry of Foreign Affairs that without Soviet concessions on the territories, no joint communiqué should be issued, but to no avail. These differences between politicians and diplomats seem to stem largely from politicians' impatience and unhappiness about the policy direction of the Ministry of Foreign Affairs which they allege is too rigid, too tactless, and too pro-American. The increased assertiveness of politicians vis-à-vis bureaucrats has led to a number of similar contretemps. For example, when Shin Kanemaru, a former vice prime minister, met Kim Il Sung, secretary general of the Korean Workers' party, he pledged 'compensation' for Japan's neglect of North Korea during the post-colonial period, namely, after 1945. The Ministry of Foreign Affairs did start negotiations towards a rapprochement with North Korea, but its approach and its agenda are totally different.⁴⁷

Bureaucratic politics

The Japanese political system is noted for its perennial ministerial in-fighting, with the highest political leader tending to adopt a consensual mode of decision-making rather than overcoming bureaucratic rivalries through decisive leadership. When the prime minister comes from a weak faction in the party,

⁴⁷ Okonogi Masao, *Nihon to Kitachosen* [Japan and North Korea] (Tokyo: PHP Institute 1991).

bureaucratic rivalries are especially evident. At the present time, with Japan's position in the international system clearly in a transitional stage, the consequent uncertainty has tended to spur bureaucratic conflict. The EAEG proposal, for example, seemed to trigger a good deal of bureaucratic shadow boxing. Because this issue is an extremely sensitive one, not much is known about the differences of view. But scattered evidence would appear to indicate that the Ministries of Finance, Foreign Affairs, and International Trade and Industry found something attractive in the idea.⁴⁸ They are apparently interested in establishing a Japanese yen economic area. The increasingly strong position of the yen in the region and the demand for a hub-and-spoke regime in international finance make the proposal both appealing and feasible. Furthermore, setting up a yen zone would mean that the strains on the current account surplus and its steady decrease (from a 1986 peak to one-fifth of that amount in 1990) might be somewhat eased if a large chunk of official development assistance went to countries in a potential yen zone such as China, Indonesia, and Vietnam. However it would be difficult to set up such a yen bloc at the present time for three reasons. First of all, Pacific Asia (and particularly the members of ASEAN) do not lack financial resources and hence there is no strong demand for yen-denominated short-term bonds (samurai bonds). Second, the structure of trade of most countries of Pacific Asia forces them to deal in dollars not yen because both their massive imports of energy and their massive exports of manufactured goods to the United States market are denominated in dollars. Finally, the economic structure of most Pacific Asian countries leads most rich investors from those countries to invest in countries other than their own because of the potential for political instability. Although the yen dominates the financial loans market in Pacific Asia, a yen bloc lies well in the future. Once Prime Minister Kaifu's expression of 'understanding' for

⁴⁸ Compare the positions of the three ministries on the meanings of Pacific Asia to Japan: *Look Japan* (May 1991), 4-7.

⁴⁹ Takahashi, 'Alternative futures of the global financial market.'

the EAEG when he met with Prime Minister Mahatir triggered a suspicion in the United States government, however, the Japanese government has backed away from this position. As soon as the United States government expressed its displeasure, it seems that the argument that a pro-United States line is primary has come to the fore again in the Ministries of Foreign Affairs, Finance, and International Trade and Industry.

CONCLUSION

The iridescent character of Japan can be condensed into two major streams. First, Japan adapts to changing circumstances remarkably steadily at home and abroad. Although Japan occasionally seems to behave in a slow and timid manner, it is able to move quickly and flexibly when its vital interests are thought to be in jeopardy. The speed and steadiness of the changes in Japan should not be underestimated. Second, Japan is stubborn at home and abroad. Although Japan often appears to be reasonable and understanding, it tends to stick to its own beliefs and mode of conduct when operating in an environment of uncertainty. Stubbornness and steadfastness in Japanese thinking should not be underestimated either. Given the dynamic quality of economic change in Japan, these seemingly contradictory characteristics manifest themselves much more dramatically in Japanese policy-making than in the decision-making of some other actors in the international system. At a time when the world is undergoing structural changes that many Japanese believe may jeopardize their nation's interests and when there is much uncertainty about the future throughout the world, both these characteristics are much in evidence when Japanese policy is examined. This article has sought to provide a glimpse at the multifaceted nature of Japanese foreign policy as it unfolds in the 1990s.