

US-Japan Relations: Japan Should Re-balance Policy Priorities

By T.J. PEMPEL

Japan has traditionally followed an omnidirectional diplomacy. Even though its ties to the United States have been the country's most important foreign policy anchor, Japan has historically pursued additional regional and global goals in areas such as energy and food security, environmental improvement, finance, nuclear nonproliferation, a ban on land mines, economic development and the like. In such matters, Japan has often tilted in directions different from those of the United States with no great deterioration in the bilateral relationship.

Today, both the United States and Japan find themselves absorbed by problems other than their bilateral ties. For the United States, two costly wars — in the Middle East and South Asia — and a credit crisis take top priority. For Japan, economic revitalization and domestic politics dominate the current agenda. Nevertheless, most business and political leaders in the two countries would agree that the bilateral relationship remains quite strong. Over the last decade or so, there have been few of the previously toxic economic scuffles about cars, semiconductors, or telecommunications. Japan's extensive foreign reserve holdings and its high demand for US Treasury Notes help Americans maintain their high consumer lifestyles. The Japanese climate for incoming foreign direct investment has improved, a trend which is welcomed by American businesses.

Japan Enhances Its Military Posture

The relationship has gotten much closer militarily. It is here that the biggest bilateral changes have recently occurred as Japan has taken on greater burden sharing and even power sharing. Japan provided support for US operations in Afghanistan and Iraq, and has been actively cooperating with America's ballistic missile defense system and the Proliferation Security Initiative aimed at maritime interdiction of terrorists and weapons of mass destruction. Japan is also cooperating more closely with the United States in joint planning of security activities and intelligence sharing. It has elevated its former Defense Agency to full ministry status while simultaneously boosting its Coast Guard's strength to allow for enhanced patrol activities around Japan's waters, including the 2001 sinking of a North Korean spy ship. Both China and North Korea have been identified as potential security threats, leading to new strategies by the Self-Defense Forces. The Pentagon has been delighted by such activities as has President George W. Bush who showed his appreciation throughout his warm personal relationship with Junichiro Koizumi while the latter was prime minister.

Still, there are at least two big risks for Japan in moving to a closer embrace of the United States, particularly if the shift involves any substantial upgrading of Japan's military posture.

Two Big Risks

The first risk comes from downplaying Japan's greatest diplomatic strengths in an effort to bolster military cooperation with the United States. Japan's diplomatic successes grew out of nonmilitary approaches that took full advantage of Japan's greatest strengths as a country — its economic and organizational prowess; its success in environmental technologies; and its assistance to less developed parts of Asia. Clearly, Japan has every right to respond to genuine security threats, and China's military modernization and North Korea's ballistic missile and nuclear programs should not be ignored. However, as Japan has woven itself more directly into America's global strategy and bolstered its own military forces, its leaders need to keep in mind that an overemphasis on military prowess risks exacerbating fears among Japan's neighbors, many of whom remain acutely sensitive to any seemingly rightward or military drift in Japan's policy profile. Such military moves divert attention from Japan's true strengths and global appeal, both of which arise from the country's nonmilitary capabilities and activities.

The second risk is that by moving closer to the United States, Japan could move away from Asia. This was particularly problematic during Prime Minister Koizumi's administration, due in part to his visits to Yasukuni Shrine. Relations with Asia were worsened as well by a broader Japanese reluctance to come honestly to grips with the country's wartime legacy. Summit meetings with China and South Korea were suspended as a result. Resurgent Japanese nationalism clashes with similarly nationalistic upsurges in China and South Korea. To many, Japan's recent nationalist revitalization represents little more than a reinvigoration of a healthy patriotism. Across much of Asia, however, the undesirable message is that Japanese officials believe the country is rewriting history and is prepared to jeopardize previously close ties with Asia in the service of closer military links to the United States and rightwing appeasement at home.

Japanese Fears

Japan's recent embrace of the United States rests largely on fears of American abandonment or "Japan passing." Japanese tend to take every shred of evidence about China's "rise" as an indication that their country is falling behind in some presumed zero-sum competition. I am constantly astonished, for example, by Japanese visitors to Berkeley who ask about the numbers of students studying the Japanese language; they are pleased to learn that Japanese is the third-most popular foreign language on campus. But joy turns to dismay when they learn that Chinese is now number one. Too easily these numbers are translated into a conviction that China is "passing" Japan, with little sensitivity to the fact that globally 10 times

TABLE 1
Pew survey of attitudes toward various countries

Rating given by...	Favorability ratings for				
	U.S. %	Germany %	France %	Japan %	China %
Canadians	59	77	78	75	58
British	55	55	71	69	65
French	43	89	74	76	58
Germans	41	64	78	64	46
Spanish	41	77	74	66	57
Dutch	45	88	69	68	56
Russians	52	79	83	75	60
Poles	62	64	66	60	36
Americans	83	60	46	63	43

Source : Pew Global Attitudes Project, 2005

more people grow up speaking Chinese than speaking Japanese.

In foreign policy terms, the worry is that as China becomes a more significant US trade partner, the United States will downgrade its longstanding relations with Japan in favor of rapidly growing China. China also seems to be winning the allegiance of previously pro-Japan countries across Southeast Asia. And fears spill over to North Korea. Many Japanese are convinced that as the United States has become increasingly dependent on Chinese cooperation and leadership in the six-party talks concerning the North's nuclear program Japan will sink into irrelevance.

Among other things, there is a growing concern that the United States will cut a deal on nuclear weapons that either leaves North Korea with a nuclear arsenal or allows some waffling by North Korea on the abduction issue and missile testing, all critical concerns in Japan's diplomacy. The United States has in recent months moved quickly and with only minimal regard for Japan's concerns over the abductees. North Korea would surely love to drive a wedge between Japan and the United States, but foreign policy experts in Japan must acknowledge the vastly greater security threat posed by nuclear weapons and proliferation than by a failure to account for kidnapping victims taken decades ago.

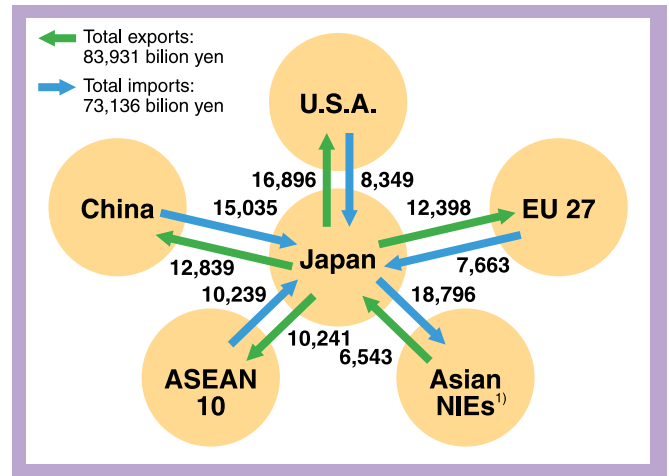
Japan has traditionally embraced the goal of eliminating nuclear weapons. Yet suddenly, some leaders in Japan are beginning to talk again about the nuclear option in response to North Korea. It would be far more in Japan's long-term interest to work at reducing the number of nuclear weapons throughout the world and promoting ongoing arms reduction initiatives.

There is a huge irony in Japanese concerns about China-US relations. If the relationship between the United States, China and Japan is a triangle, the three sides are by no means equilateral. Though Japan fears closer ties between the United States and China, the United States has no parallel fears about closer Japan-China ties. Indeed, most American policymakers would welcome a healthy three-way relationship and an ongoing series of triangular summit meetings could be highly productive for all three countries.

Japan's Global Appeal

Japanese leaders should realize that theirs is one of the world's most popular and respected countries, as can be seen in *Table 1*.

CHART 1
Japan's foreign trade by country/region (2007)



Note 1: Newly industrializing economies: South Korea, Taiwan, Hong Kong and Singapore
 Source: Ministry of Finance

Industrialized democracies almost universally admire Japan far more than China. Indeed, in this survey, Japan ranked more favorably in most countries than the United States. Japan has played, and can continue to play, a very welcome role in nonmilitary areas involving nontraditional security problems such as controlling pollution and global warming; it would be well to develop foreign policies that play to this Japanese strength. Japan must constantly remain sensitive to the fact that the combined military strength of Japan and the United States is often seen as a potential threat by the rest of East Asia and should calibrate its policies accordingly. Building on areas where Japan is already well admired would be wise strategy.

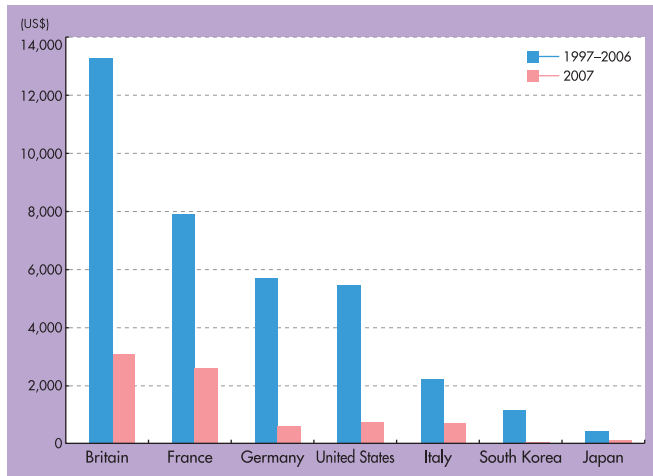
Japan & Asian Region

Japan's economic relations with Asia have been growing geometrically. As *Chart 1* shows, Japan's total trade with both China and the Asian NIEs are larger than trade with the United States. The United States remains an important market, but Japan's economic future requires close ties with Asia. China's economic ties with the region are growing as well. But there is little immediate reason for national competition. Certainly, most Asian countries want a future in which both Japan and China will be strong and peaceful. Thus, there is little support among Japan's neighbors for efforts to "contain" China even through such allegedly "neutral" bodies as Japan's recently proposed "arc of freedom and prosperity." Former Prime Minister Yasuo Fukuda wisely abandoned that conceit and returned to the path taken by both his father and his immediate predecessor, Shinzo Abe, in moving toward direct engagement with Japan's various neighbors, including China and South Korea. Close ties with the United States do not require bad relations with the rest of Asia.

Asian governments have recently made a number of moves to enhance the region's multilateral institutions through the ASEAN plus Three (APT) process, the Chiang Mai Initiative, the Asia Bond Fund, the East Asia Summit and other multilateral bodies. Meanwhile, pan-Pacific institutions such as the Asia-Pacific Economic Cooperation (APEC) forum and the ASEAN Regional Forum (ARF) have lost some of their original purposes and vitality, largely due to the Bush administration's disdain for multilateralism. Japan was active in generating APEC and ARF and it has been an active participant in most of the

CHART 2

Cumulative FDI per capita 1997 - 2006/ FDI per capita 2007



Source: Compiled from data in *The Economist, Pocket World in Figures, 2008* (London: Profile Books, 2008), p. 16, and *OECD, Trends & Developments in Foreign Direct Investment*

newer forums, but its willingness to take a leadership role in them has been tepid of late.

Japan has also found it difficult to play a more active role in enhancing regional trade except in its strongest economic area, namely manufacturing. Services and agriculture remain far more problematic. Compare the bilateral China-ASEAN Free Trade Agreement of 2001 and the Japan-ASEAN Free Trade Agreement or Economic Partnership Agreement which was realized last year. China entered into an agreement for an “early harvest” under which it opened its domestic market to some 500 agricultural products from the ASEAN area. The results were very beneficial to Cambodia, Vietnam and Laos. In contrast, Japan’s agreements with ASEAN have generated neither substantial liberalization of its domestic agriculture market nor any comparable appreciation from Southeast Asia.

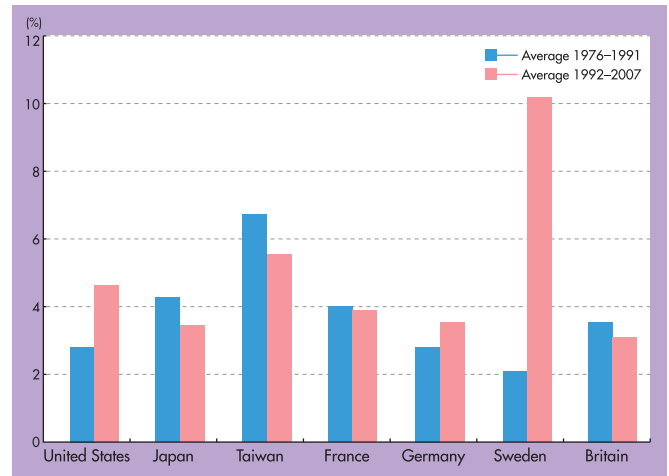
Similarly, South Korea has signed a bilateral free-trade agreement with the United States that will pry open many previously closed doors in South Korea and improve Seoul-Washington relations. The politically sensitive pact has languished in the legislatures of both countries. But to date, Japan has not even begun to negotiate any similar agreement with the United States, due largely to politically based protectionist sentiments in key sectors such as agriculture and many services.

Returning to Productivity — Challenge for Japan

The Japanese climate for incoming foreign direct investment has unquestionably improved in recent years. Foreign investment coming into Japan was exceptionally high in 2007, increasing from \$6.5 billion to \$22.5 billion. The jump was the result of significant investments in the financial sector and the capitalization of foreign subsidiaries in Japan engaged in real estate investment. At the same time, Japan still lags well behind all other major industrialized democracies in both the annual and the total incoming FDI on a per capita basis. As *Chart 2* shows, Japan’s per capita incoming investment is less than one-10th that of Germany, France or the United States, one-30th that of Britain, and only a fifth that of Italy, the otherwise least FDI-inviting member of the group. Even South Korea has a greater total FDI stock than Japan and on a per capita basis. South Korea is three times more welcoming than Japan. Clearly, if Japan is to use its economic prowess to enhance its diplomatic

CHART 3

Output/hour in manufacturing —annual rates of change (1976–2007)



Source: Compiled from data in *OECD Factbook 2008*

stature, greater economic openness offers a minimally tapped target of opportunity.

Equally importantly, Japan has been slow to increase its productivity at home. True, various Japanese corporations have substantially restructured themselves, but overall Japan’s post-bubble productivity still languishes dramatically behind that of other countries as well as behind Japan’s own productivity in the pre-bubble years. (See *Chart 3*)

Re-balancing Japan’s Priorities

America’s interests as a global power will inevitably be far more complicated, vast and occasionally more arrogantly stated than Japan would like. The United States has never been particularly good at listening to, or taking advice from, its allies, but this should not be taken to suggest that the United States is on the verge of abandoning Japan. It would be a mistake to assume that America’s recent militarism and unipolarity pose threats for Japan. Japan remains the central anchor in American policy toward East Asia and is likely to be so for many years to come.

As someone who considers himself a friend of Japan, I would urge that Japanese leaders recognize that the country’s many nonmilitary assets can be used to advance its interests. Japan played a very positive role in the Kyoto Protocol; it has superlative technology for dealing with environmental issues; it is by far the strongest economy in the region; it can play a valuable and welcome role in nontraditional security matters from pandemics to global crime; and it has research and development capabilities that can be bargained to enhance its posture across Asia. There are few reasons for Japan to worry about American abandonment or to move toward an excessive enhancement of its military prowess. I urge Japan not to embrace too quickly US notions of how a hyper-power should behave. Japan is not a hyper-power, nor should it try to be a little brother to one. **JS**

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