

Interview with Dr. Kent Calder, Vice Dean, School of Advanced International Studies, Johns Hopkins University

US-Japan Alliance Will Continue to Be Most Important Bilateral Relationship in New Era

By Japan SPOTLIGHT

The end of the Heisei Era has prompted much reflection and reminiscence not only among many Japanese people but also some non-Japanese who have been working in close relationships with the broader world over these past three decades.

Dr. Kent Calder, vice dean of the School of Advanced International Studies (SAIS) of Johns Hopkins University in Washington D.C., is a distinguished political scientist with a deep interest in US-Japan relations. His academic research has been not limited to Japan but has also covered East Asia as a whole, and his recently published book *Super Continent – The Logic Of Eurasian Integration* takes Asia's trends further beyond that continent into global politics. *Japan SPOTLIGHT* was privileged to interview him on May 17, 2019 in his office at Johns Hopkins University shortly after our JEF-SAIS Forum's discussions on global politics and economy in the face of the US-China tech cold war.

(Interviewed on May 17, 2019)

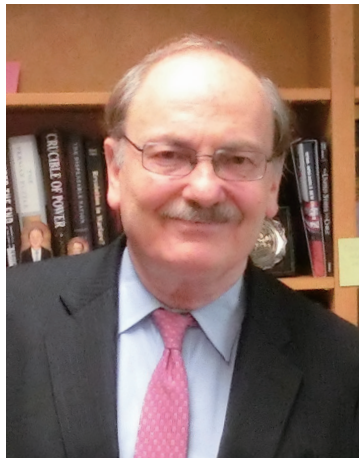
Naming of the Era, Unique in Japan

JS: Japan still retains the old custom of changing the name of the era when a new emperor is enthroned. Frankly speaking, what do you think about this custom?

Calder: I think it forces Japanese people collectively and friends throughout the world to think together about transformation and also, in some holistic way, about what a long period of time actually means. In this case, I think the period has an important holistic quality; the beginning of Heisei was the high point of the financial bubble, and the bubble was the culmination of an era of rapid unbalanced growth, based on high liquidity, high real estate prices and so on. I would characterize the Heisei Era as one of transition to a much more globalized Japan that plays a more experienced and significant role on the international stage. Economically, Japan does not look as though it cuts the global superpower image that it appeared to be holding in 1980-1990, but I think that is a transition to a more globalized Japan and a Japan more responsive to the outside world. I think that the emperor himself is sensitive to his people, sensitive to the world, and receptive to changes in the world. He is beloved by his people.

Peace in “Heisei”

JS: As you know, “Heisei” means “peace to be



Dr. Kent Calder

realized”. Do you think peace was preserved in Japan during this period?

Calder: About a week after the Berlin Wall went down I remember hearing Henry Kissinger give a talk in Hawaii about the sort of world that he saw emerging. He was deeply worried about a unified Germany and what it might mean for the world. He hoped Europe would be stable, but he saw some possibility that Germany could be a loose cannon in the center of Europe, without any mooring. That sort of a world did not materialize, and it is remarkable that even though the Soviet Union was a nuclear power, it collapsed and was transformed into a very different system without nuclear disaster or some other sort of terrible development. So I think that the post-Cold War transition was handled peacefully. Also, the stabilizing of that world through third world nations, marked by rapid urbanization – Japan played a major role in overseas development assistance that was among the largest in the world. This helped to stabilize the post-Cold War transition. We haven't had perfect peace, especially with terrorism and some rising tensions. However, one should also note the role that the emperor has played in promoting understanding between Japan and the world.

US-Japan Relations in Heisei

JS: We achieved a remarkable close friendship between the United States and Japan during this era. At the beginning of Heisei, trade friction was

intensifying between the two countries, but thanks to the efforts made on both sides this was mitigated little by little. I believe we achieved a very unique and unprecedented friendship between the two countries.

Calder: My great uncle was commander of battleship the *West Virginia* at Pearl Harbor and was thus personally involved in World War II. To me, it's a remarkable transition which the US and Japan have made that President Barack Obama was able to go to Hiroshima, and Prime Minister Shinzo Abe was able to visit Pearl Harbor, and also able to address the Joint Session of Congress. These developments were remarkable if one considers the history issue. At the beginning of Heisei, trade frictions were quite serious, but our inter-dependence has risen, and frictions have decreased on many lines. The history between Japan and the US is much less of a factor than it was when the Heisei Era began.

JS: Some people have pointed out that this relationship became similar to that of the US and the United Kingdom. Would you concur?

Calder: I think in terms of the historical role of the UK that is probably right. The US and Japan are the strongest maritime powers in the world now, and so this is similar to the maritime relationship between Japan and the UK of a century ago. Today there is a closeness between Britain and Japan, both having royalty and being island nations, but Britain is not the global power it once was, so there is a little difference between the Anglo-Japanese relationship of a century ago and now. However, I do think there is a lot of similarity in Japan's relationships with the US and Britain today, and certainly this triangle of the US, Japan and Britain is an important one in the world, especially in areas like finance.

Japanese Economy in Heisei

JS: During Heisei, while we have achieved a certain amount of success in foreign policy, in terms of domestic economy Japan failed to achieve structural economic reform. As you mentioned, Japan has started to respond to international demand, and to some extent has tried to achieve some status in the international community. However, typically in the light of GDP growth rates, Japan has continued to have very low economic growth. In particular, you can find that Japan's growth potential has been lowered despite the efforts of Abenomics to enhance growth potential.

Calder: First of all, we shouldn't deny that there are some areas where Japan has been quite successful; for example, new materials, aircraft components, cutlery – Japan produces some of the best lightweight materials of all kinds in the world. Maybe 60% or 70% of the Boeing 777 fuselage is made in Japan. Of course, Japanese manufacturers such as Toyota have vied with Volkswagen as the largest car manufacturer in the world for years. We shouldn't deny such considerable successes. However, to the extent that the economy has

not reformed structurally, I think that what looked like their weaknesses were Japan's strengths; the ability to reduce risk through *gyokai dantai* industry associations or diffusing risk through *keiretsu* organization and so on. I call these "circles of compensation". Those collective groupings in the high-growth area allowed Japan to make very aggressive capital investment such as in steel mills, petrochemicals, ship building – really large projects like the *shinkansen*, which the US was never really able to do. Reducing the risk for individual companies also reduces unfortunately the incentive for innovation. Companies have incentives to preserve what they have rather than to risk more. This group structure of Japan which aided it during the high-growth period makes life a little difficult in an era when there is a greater premium on risk. If there were stronger incentives for IPOs it might violate Japanese notions of equality, however. Group organization makes it hard to move rapidly in a period when globalization is moving so fast, and Japan has been more inclined to supply the domestic market with very sophisticated yet country-specific devices like I-Mode. I have always thought that METI was a very risk-oriented organization, but in some other areas like telecommunications and the structure of corporations the government has not supported risk, so Japan became oriented towards internal improvement rather than globalization. Also, political intervention in some sectors has made structural reform difficult. Although there have recently been some encouraging changes in agriculture.

JS: While "group-oriented" actions are a strength in one way, they might be inconsistent with information technology.

Calder: It's a matter of the particular era of economic development. A strategy for information technology really needs to be somewhat different; it needs to involve more risk orientation. I think industrial policy has been moving that way, but the world has been moving even faster.

JS: How about the aging population?

Calder: It is only natural that as people become older, they take less risk. They have less incentive to take risk and that makes structural change more difficult. That is one reason Japan needs strong ties with a risk-taking country like the US. As Abe's visit to Silicon Valley symbolized, technological cooperation is very important between Japan and the US – particularly structural cooperation in a place like Silicon Valley that involves innovation-oriented risk taking. Also, more incentives for incubators, IPOs, for the development of new technologies are needed. Some of those things Japan has done very well – better than the US could ever do – but *kaizen* needs to be combined with international cooperation with risk ventures overseas. Take companies active outside Japan like Softbank and Rakuten. That kind of transnational activity is useful. In the establishment of risk-oriented ventures like NASDAQ in Japan, METI played an important role.

JS: The Japanese management system has also undergone some transformation.

Calder: This is very significant. Softbank, Kuroneko, UNIQLO, and a lot of companies in the distribution sector come to mind. In particular, Rakuten is a good example of management which has been very innovative and relatively successful, although a lot of its success has been outside Japan.

What Will the Reiwa Era Look Like?

JS: Looking ahead at the Reiwa Era, Abe mentioned that a new period should be one where each individual can flourish and shine. This fits in with the age of information technology, because individualism will progress further in Japan through this. Perhaps this will define the new era.

Calder: As we have discussed, IT and technology does flatten hierarchies and empowers individuals; for example, self-publishing or blogs where you can express yourself was something we couldn't do 10 years ago, but now through new technology and especially the Internet we can easily express ourselves and publicize ideas to the whole world. Abe also stressed the importance of people expressing themselves; the idea of "Womenomics" is positive in encouraging people to express themselves. In a global IT era we are increasingly connected, and it is mutually enriching for people to be creative and to realize their own dreams. I think that this is implicit in the characters used for Reiwa.

JS: Japan is in a somewhat difficult position in the international community, given that the US is starting to withdraw from Asia while China is emerging as a strong power which is sometimes too aggressive in its foreign policy. What is plan B for Japan if the US withdraws from Asia?

Calder: The natural complementarities and common interests between the US and Japan are quite strong. Firstly, technology – we are moving into an area of more information and technology where individuals can realize their own dreams. This has been the ideal of the US since it was founded and is exactly what the Reiwa idea is. I do believe in stable relations with China, but I don't think that respect for intellectual property is the idea that China is presenting to the world now. Creative technology is thus one area of US-Japan symbiosis. Another area is food; the US is conversely a major food producer. China has 10 times the population of Japan and four times that of the US, but inevitably it will be a food and energy importer. The US is conversely a potential stable supplier. In terms of technology, food, and resources in the long run, the US and Japan are natural allies, and the relationship with China is somewhat more complex for both of them.

That said, US-Japan cooperation won't happen automatically. What is plan B? I hope that we don't need one, and I think that in the long run we should be able to avoid a plan B. This is more than anything a matter of the US understanding this natural symbiosis with Japan and the natural complementarity of our two economies. China also is going to age in the coming years, and may not be able to sustain an aggressive foreign policy. I think Pacific relations will thus involve some degree of hedging. I don't believe in a zero sum among Japan,

US and China; I think healthcare is a good way to hedge. China is going to age in a decade, and Japan has a lot of experience in pharmaceuticals, biotechnology, environment, and healthcare and these are win-win for all three countries. From Japan's point of view, the plan B is to hedge in relation to China by stressing areas for cooperation like healthcare which are not conflictual. Japan should extend a hand to China and should encourage China in a peaceful direction, and areas such as healthcare, pharmaceuticals and biotechnology are thus a good way to do it.

JS: Some young Japanese political scientists tell us that we will need to try to be friends with China, while keeping good relations with the US.

Calder: Certainly. Japan needs to be sensitive to both sides, but careful not to be too deferential, and to encourage the US to be, though South Korea is much smaller than Japan. But some people that I have known in the South Korean government say that when the US pulls back and appears not to be engaged, the Chinese put more pressure on them; I wouldn't be surprised if the same happens to Japan. If the US relationship becomes more complicated, China will put more pressure on Japan than it would otherwise. I think that this trilateral relationship of Japan, China and South Korea could be stabilizing through summit conferences. However, Japan should realize that the US and Japan will both be stronger in relation to China if Tokyo and Washington have a strong relationship. We can concede on healthcare to China but not on security or important technological issues. China does not have the kind of intellectual property protection that the US has, and neither of us has an alliance with China for security. Being too deferential to China on technology could easily encourage China to capitalize on the situation, particularly by putting more pressure on Japan.

JS: The digital world is increasingly described in terms of volatility, uncertainty, complexity and ambiguity. Would you concur?

Calder: I would agree with this view, but we should also understand that the global market is operating with greater force and complexity and subtlety than we have ever seen before. The market is remarkable in the way it encourages innovation, and also provides a lot of hedging. There are new mechanisms to reduce risk and to control volatility that are market-oriented. Apart from government, private firms and individuals also hedge risk. It is a disturbing and volatile world that we live in, but it does have some mechanisms for controlling risk. But in the end, I would say that it is important to have countries that have some vision and some willingness to take risk and some sense of what their interests are. A lot of crucial issues are emerging in this Reiwa Era as they did for Japan and the US and the world at the beginning of Heisei, when the Cold War was ending. Heisei was an era of stability and peace, and now the emphasis needs to be on creativity and innovation. **JS**

Written with the cooperation of Joel Challenger, who is a translator, interpreter, researcher and writer specializing in Japanese disaster preparedness.