

Downshifting

By Shoichi Akazawa

Although it is impossible to tell what the ultimate outcome of the crisis in the Gulf will be, it is clear that this crisis has already had a major impact on the individual national economies and on the international economy as a whole. The first countries to feel the brunt of this crisis were the frontline countries in the Gulf region, all of which saw their economies radically disrupted by the invasion and subsequent economic sanctions.

Next to hurt were the non-oil-producing developing countries, which saw the costs of their oil imports soar even as remittances from nationals working in Iraq and Kuwait dried up. The world economy had made major progress in the 1980s, especially in the second half of the decade, with growth both in terms of economic growth and in the expansion of world trade. Yet the benefits of this progress have not been equally shared. Instead, the gap between the Northern haves and the Southern have-nots has widened. Iraq's invasion and annexation of Kuwait has exacerbated this imbalance.

The third factor to consider is the impact on the U.S. economy. Even as the United States was enjoying nearly its sixth straight year of sustained growth in the 1980s, a number of fundamental indicators were deteriorating. The non-financial sector's total debt outstanding as a percentage of GNP, for example, had been constant at 137% for over a quarter of a century, yet it rose over the course of the decade to 180% by fiscal 1989.

Many observers were already suggesting that it was time for a downturn when the Gulf crisis erupted to upset the United States' economic applecart. Today, most economists contend that the United States is already in a recession. The United States is having to walk a narrow path between holding down inflation and stimulating economic recovery, and economic policy is made all the more treacherous by the need to respond to Iraqi aggression. Fiscal 1991 is bound

to be a very difficult year for U.S. economic policymakers.

Prolonged crisis in the Gulf could also have a serious impact on the Japanese economy. Even aside from the higher oil prices that would result, economic crisis in the United States is bound to have grave ramifications for Japan. In addition, the last few years of self-aggrandization with higher stock and land prices are finally coming home to roost, and the bursting of this bubble could well be traumatic for more than speculators. Stock prices have already fallen 40% from their December 1989 peak, sending most financial institutions scrambling to shore up their shaky foundations by charging higher interest and being more selective about their lending.

The Japanese economy has enjoyed 5% per annum real growth over the last four years. It was, so to speak, cruising full-speed down the highway. Now it will have to decelerate, pay the toll, and get into the traffic gridlock affecting so many other economies. The engine is still in good shape, but it will be impossible to maintain expressway speeds in ordinary traffic.

COMING UP

With a growing consensus among advanced countries on the need for urgent action to protect the environment, the spotlight increasingly falls on Japan's contribution.

The March/April issue of the *Journal* will focus on Japan's efforts to help resolve environmental problems. Norio Tanaka, general manager of the Global Environmental Affairs Department at the Global Industrial and Social Progress Research Institute in Tokyo, will present a broad perspective on how Japan is dealing with this issue, while Professor Yoichi Kaya of Tokyo University and other specialists discuss the fight against the environmental crisis in their respective fields.

Japan's Global Presence

I was pleased to see in your September/October 1990 issue a growing realization of the need for Japan to take on a greater role in global affairs. This issue was clearly evident in your Cover Story "Picture of the 1990s," and was concisely articulated in your Viewpoints article "Global Presence Demands Global Policies."

Japan's economic success has brought with it the responsibilities of a major economic power. Japan's attempts to be granted special treatment due to its "uniqueness" are no longer appropriate. Major world challenges including the Iraqi invasion of Kuwait, the reindustrialization of Eastern Europe, the economic development of the Third World, and the increasing threat posed by global environmental problems will require a new kind of Japanese leadership.

The increasing interdependence of the world's economies and the growing recognition of our common fate calls for countries to go beyond self-centered national leadership. A new type of shared leadership in which cooperation coincides with competition must replace old-style zero sum approaches. A stronger role for Japan that incorporates a sense of global partnership is an opportunity to show leadership and a prerequisite for successful international economic collaboration.

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The *Journal* welcomes letters of opinion or comment from its readers. Letters, including the writer's name and address, should be sent to: the Editor, Japan Economic Foundation, 11th Floor, Fukoku Seimei Bldg., 2-2 Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo, 100 Japan. Letters may be edited for reasons of space and clarity.

Cooperation Bill Blown Out of the Water

On August 2, Iraqi military forces invaded Kuwait. Aghast, the United Nations Security Council passed a number of resolutions calling for, among other things, economic sanctions to prompt Iraq's withdrawal.

Although it is not a member of the Security Council, Japan is a significant international presence, and thus it was that the Kaifu administration started looking at how Japan could contribute to this cordon around Iraq. Money was an obvious first thought, but there were pressures for a visible presence in personnel terms as well.

The United Nations Peace Cooperation Bill was drafted to provide the legal underpinnings for such a presence. Yet on November 9, after less than a month of Diet debate, it was abandoned by the administration. Not only had the House of Representatives not passed it, they had not even held it over for deliberation in the next session.

This ignominious end cast considerable doubts on Prime Minister Toshiki Kaifu's ability to lead his party. At the same time, it engendered an almost tangible sense of futility among both the Foreign Ministry officials who had been responsible for shepherding the bill through the legislative process and the Defense Agency people who had been hoping to piggyback the Gulf crisis to gain a new role overseas. More than that, the result is seen by many as symptomatic of Japan's inability to react with new policy initiatives in the post-Cold War world where the United States and the Soviet Union are no longer the all-powerful superpowers they once were.

Yet despite the apparent barrenness of this exercise, it is clear in hindsight that the process of public and political debate has sowed the seeds for a gradually emerging consensus on Japanese policy for the future. There is a growing realization that Japan can no longer stand outside the fray, wanting only to be left in peace and proclaiming an isolationist pa-

cifism. More and more people are coming to agree with Kaifu that Japan should contribute not just its money and its materials but also its manpower to the cause of ensuring world peace and stability.

Given the sloppy way it was drafted, the overriding pressures within the ruling Liberal Democratic Party (LDP) to include an overseas role for the defense establishment, the clumsy way the opposition parties were lobbied, and the inept answers that were given to questions in the Diet, the bill was doomed to be stillborn from the start.

First was the bill's drafting. Immediately after Iraq invaded Kuwait, Kaifu was faced with the question of what Japan would contribute (money and materials) to help the U.S.-dominated multinational force trying to face down Hussein. After several telephone conversations with President George Bush, Kaifu announced plans to provide \$2 billion in support for the multinational force and another \$2 billion in economic assistance for the frontline countries feeling the brunt of the sanctions. At the same time, he announced that he was thinking of proposing what he termed a United Nations Peace Cooperation Bill.

The basic concept behind this bill had been brewing at the Foreign Ministry for some time, but there were no specifics available and it was still a nebulous, theoretical construct. In fact, one Foreign Ministry official has let slip that they did not expect this to come up so soon and were completely unprepared when it did.

It is widely accepted that Kaifu was thinking that this would be something like the Japan Overseas Cooperation Volunteers—an organization that he had helped establish modeled on the U.S. Peace Corps. It was supposed to be a group of civilian volunteers who would provide medical, transport and other support for the civilian populations in war-torn areas. As Kaifu said, sending the Self-Defense Forces (SDF) was not part of the original agenda.

However, Kaifu did not control the agenda, for a number of reasons. First was that civilian volunteers were not forthcoming and the multinational force needed more than civilian cooperation.

Second was the pressure on him from the LDP leadership arguing that the SDF could be deployed overseas, even under the present Constitution, if this were done in the name of cooperating with United Nations forces. As a result, the decision was made to include the SDF.

That was not, however, the end of the problems. Wanting to do everything possible to play down the military involvement, the Foreign Ministry proposed a role-change under which SDF personnel would take a leave of absence from the SDF and then be seconded to the Cooperation Corps. This idea was quickly shot down by the big guns at the LDP.

Instead, it was proposed that the SDF people have a dual-capacity, retaining their status with the SDF but also taking on a new status with the Cooperation Corps. When this drew howls of outrage from the Asian countries who still remember the Japanese military's previous outing and was perceived as opening a can of legal worms, the administration backedpedaled to announce that the Ground SDF would take part in the multinational force but that the air and maritime branches would only have a logistics support role.

When Kaifu announced this divide-and-run policy, the LDP hawks went on the offensive again to call for reinstating full participation for all of the forces. Thus it was that the dual-capacity concept was reinstated in its original form and the bill was finally drafted right before the Diet was convened.

It was an unnerving display of indecisiveness, and it alienated not only the Socialist and Communist parties, which had opposed any SDF role from the word go, but also the Komeito party, which had initially been favorably inclined to the idea of sending personnel to the Gulf region. As a result, it was clear that the bill would not clear the House of Councilors, since the LDP was a minority there and needs Komeito backing to pass anything. The bill was stillborn.

Article 1 of the bill said the Cooperation Corps would be deployed "to provide prompt and appropriate cooperation for United Nations peacekeeping activities and other activities conducted consistent

with resolutions of the United Nations” and Article 3 broadened this by saying that the corps could even be deployed in the absence of an explicit United Nations resolution “to ensure the integrity of United Nations resolutions.”

This latter clause was needed because the bill was drawn up with the Gulf crisis specifically in mind and because there was then no explicit United Nations resolution authorizing the use of force. Yet while it would have given the administration the authority to provide the kind of presence that the United States wanted in the Gulf, it was viewed as a serious breach of the Constitution’s ban on the use of military force and was a major sticking point in the Diet.

The administration tried to allay these concerns by emphasizing in Article 2 that the corps’ operations “shall not entail the threat or use of force” and by claiming, in a transparent effort to stake out as wide a range of logistics support options as possible, that the Constitution only bans activities inexorably and intimately related to the use of force.

Thus it was that Article 3 enumerated the corps’ operations as including supervising cease-fires, supervising elections, transport assistance and telecommunications but added the sleeper of “other activities . . . as stipulated by government ordinance,” meaning that this list could be broadened at any time.

Weapons were another point of contention. Although off-duty SDF personnel are not allowed to carry weapons for self-defense in Japan, the bill stipulated that the Cooperation Corps would be authorized to carry small arms overseas “to protect life and limb”—this despite Kaifu’s steadfast contention that they would not be sent to areas of danger and were not to engage in the use of force.

At the same time, this contention that they would not be sent to areas of danger drew fire from the other side as overseas-deployment advocates asked what use the corps would be if it was committed to staying out of harm’s way. As the debate wore on, it became painfully obvious to many people that nobody had any clear idea exactly what the corps was supposed to do and that this bill was a Rube Gold-

berg invention to pave the way for SDF overseas deployment.

Starting its deliberations on October 24, the House of Representatives Special Committee on United Nations Peace Cooperation did not so much debate the bill as go over and over the intent of Article 9 of the Constitution, the issue of participation in a United Nations force and other theoretical legal issues.

As one Foreign Ministry official complained, “We really blew that one by getting bogged down in intensive scrutiny of whether or not the SDF could participate in a U.N. force when there was not even a hint of a U.N. force to participate in.” Yet the administration had only itself to blame for this quagmire.

Very early on in the debate, the administration indicated that it wanted to broaden its traditional interpretation of Article 9, thus provoking a firestorm of protest from people to whom overseas deployment of the SDF is still anathema. By equating personnel cooperation for U.N. peacekeeping activities with SDF overseas deployment, the administration drove the right-leaning Democratic Socialists away and forced them to come out in opposition to the bill. At the same time, the move alienated younger LDP Diet-members who were afraid that this would be used against them in the next election.

Seeking to limit the damage to Kaifu and LDP General Secretary Ichiro Ozawa, the party and the administration signaled surrender right before the close of the Diet session, accepted a Komeito proposal, and signed the tripartite “Agreement on the United Nations Peace Cooperation.” In this, the three parties (the LDP, Komeito and the Democratic Socialist Party) went on record as being agreed that Japanese cooperation with U.N. operations should not be limited to money and materials but should also include personnel, and affirmed that some structure should be created separate from the SDF for cooperating with U.N. peacekeeping activities.

The Socialist Party has also unveiled its own proposals for a Cooperation Corps completely independent of SDF influence, and it would seem that the major parties are thus agreed on the premises of



Some 3,000 demonstrators gathered at Tokyo's Hibiya Park in protest against the U.N. Peace Cooperation Bill—one of the hottest issues in Japan in connection with the Gulf crisis.

cooperating to fulfill Japan’s international responsibilities.

There is thus a good chance that a new bill will be drawn up in line with the tripartite agreement, and Chief Cabinet Secretary Misoji Sakamoto asserted at a press conference that, “There are lots of areas where the corps could cooperate—not only in the Gulf but also in Cambodia, the Western Sahara, Afghanistan and elsewhere.” The administration is thus gearing up to pass a new bill from a somewhat longer policy perspective.

Yet the issue of SDF participation lies in wait, ready to torpedo the agreement and put the process back to square one. Unless Japan’s parties are able to transcend their narrow political interests and to take a hard look at what Japan can and cannot do to contribute to the emerging new world order, the debate will contribute to neither international peace nor Japan’s international presence. This is the real heart of the unfolding debate. ■