

Japan as Contributor and Leader

By Akira Yamamoto

The world certainly is in a topsy-turvy state. In only one year we saw the end of the Gulf War, the fall of the Soviet Union and the concomitant final farewell to the Cold War, and the controversial visit of U.S. President George Bush to Japan, which sparked a new round of wailing over Japan-U.S. relations.

Neither the victors nor the vanquished are absolutely clear what the Gulf War was all about—the purposes of the war, in Clausewitz terms. The defeat of Iraq, however, does at least signify a reaffirmation of the fact that the international community will not tolerate the unilateral invasion and gobbling up of one country by another. Also, it is greatly to be hoped that with the collapse of the Soviet Union and the end of the Cold War, the world at last has been liberated from the threat of a global ideological and military conflict and the danger of a nuclear catastrophe.

The most optimistic scenario has it that the world is now united under the banners of democracy and market economics and, in a multitude of spheres embracing disarmament, economics, society and politics, countries are becoming increasingly global in outlook. They are all set to achieve peace and prosperity through the market mechanism and a just international community.

No peace dividend

Indeed, in both East and West disarmament is making progress and, as seen by the integration of the European Community, moves are afoot toward transnational political and monetary unions. Conflicts are taking the form of regional infighting and civilian strife. In the medium- and long-term, it seems true to say that there will be fewer military conflicts of a large scale and that a drastic disarmament now appears possible. We are apt to give three big cheers for democracy and market economics and to hail the freedom-loving countries of the world.

Unfortunately, the situation is not as simple as it seems. The freedom-loving countries, which emerged the victors in the long-running Cold War and should now be taking the lead in the world, have suffered some serious blows themselves.

Shaken by the collapse of the Eastern bloc and pressed to respond to the ambitious scheme of EC integration, the prolonged economic recession at home and domestic political turmoil, the countries of the West (the United States included) have shown signs of becoming increasingly inward-looking. The victors of the Cold War have not yet drawn up a framework of international security that takes account of the new situation, including the power vacuum in Eastern Europe and relations with the communist countries of Asia. There may no longer be any danger of a global confrontation, but from the viewpoint of realists (or neorealists, I should say) who stress the balance of power, the world has become a more confused place, with no peace dividend at all.

The same is true for economics, with the international financial system of the free countries becoming a kind of “casino capitalism” and so-called policy coordination producing nothing but stopgap measures. Moreover, the trade system, which runs on the principles of freedom, multilateralism and nondiscrimination, is being rocked by the pressures of regionalism and protectionism. The countries of Western Europe and the United States appear to be becoming increasingly unilateral and inward-looking as they struggle to respond to their own situations.

Meanwhile, Japan, which looked to be a rank above the rest, now faces some backpedaling as the aftereffects of the bubble economy linger on: Land prices have stopped spiraling but are staying put at high levels, the stock market is stagnant, and companies are less eager than before to invest. Moreover, the Japanese are in a state of puzzlement as they are urged to suppress the overly strong ex-

port drive of their companies and to find a harmony between the domestic and international economies.

The Japanese have believed that, in accordance with the market mechanism, what was good for their companies was also good for Japan and for the world as a whole. Now, all of a sudden, they are told that this is a very selfish approach and that they must seek a balance with others. Not surprisingly, they are having trouble finding alternative prescripts substituting the principles of the market and competition. Before Japan has had a chance to tackle such domestic problems as asset inflation, the growing gap in asset ownership, long working hours and the meager living environment, its seemingly invincible financial strength appears to be ebbing.

Two fundamental frameworks

With the victors of the Cold War facing such a myriad of problems, the coming age remains clouded in a haze. The signs are that we are moving in the direction of disarmament, true humanism and the construction of a global welfare society. But to overcome the neorealists, who talk about the need to maintain present strengths, and to move the flow of history definitively toward disarmament, peace and prosperity, we will need strong leaders with a passion for idealism and a keen prescience.

With the world's second-largest economy and a Constitution that rejects war and places its faith in the international community, Japan, from this point of view at least, is a unique modern state that has a major role to play in the post-Cold War world.

The international society is an anarchic conglomeration of sovereign states that are always out to establish their own self-identities—a kind of contract society, if you like. At the same time, the international society is a loose organic body held together by the exchange across national

boundaries of people, goods, money and information.

Two fundamental frameworks are indispensable if this international society is to function properly: a framework of international politics, diplomacy and security based on multilateral agreements, and a framework of international economic order designed to improve international infrastructures and set the rules of the game of economics, which originally consists of anarchic activities.

Since these two frameworks will be international public assets, which previously allowed for free rides in both domains, they obviously will have great difficulty getting off the ground without some forceful pushing from countries that have a leading and influential position in the international community and at times are prepared to sacrifice their short-term national interests for the sake of the greater international gain.

Whether through superpower hegemony or a consensus-type leadership based on the complex web of interdependent relations among a plurality of states, the leading country or countries naturally will have to accept a great deal of risk and contribute a large number of personnel to the cause. This is especially so at a transitional time like the present, when decision-making depends very much on the personal factor.

Whatever the case, for countries that hopefully will play a leading role and that, for whatever reason, have an influential position in the international community, the creation, maintenance and development of frameworks of security—the ultimate international public asset—and international economic order will require the contribution of a lot of people, goods, money and information.

It is only natural that in recent years there have been increasing calls for Japan to play a greater role in the international community and to assert its leadership, not only by forking out huge amounts of money but also by sharing the risks and contributing personnel. In contrast, some people warn that Japan's economic power is too strong and leading to an extension of its political influence. While other Asian countries harbor concerns

about Japan's not being able to lay properly to rest its militaristic past, the United States and European countries have a kind of psychological resistance to Japanese power.

Some people are curious about Japan's rapid economic ascendancy, but others find Japan an incomprehensible and strange land. Americans and Europeans unconsciously try to justify their side and to fit Japan into the international community established by the West. I heard this type of remark when I visited Europe in March of this year. Quite often the mere mention of Japan's leadership role evoked expressions of surprise and even contempt.

The importance of soft power

As Joseph Nye, Jr., a professor at Harvard University, has pointed out, leadership in the international community is supported by the hard powers of economic strength and military might, but it also depends to a large extent on so-called soft power—the ability to supply themes and create conditions, to bring others around to one's point of view, and to draw in partners. Especially in the present international situation, a leadership role displaying these kinds of soft power requires the contribution of personnel, which in turn demands the cultivation of appropriate human resources.

Taking into consideration such factors as the anxieties of other countries concerning renewed Japanese militarism, the limitations stipulated by the Constitution, its economic might, its success in building a fairly egalitarian and affluent society, its technological prowess and its managerial know-how, one of the things that Japan can aim for is the construction of a global welfare society based on disarmament, the free, multilateral and nondiscriminatory exchange of people, goods, money and information, and a true humanism that takes into account the environment and society's weaker members.

There are countless international issues on which Japan can make a contribution, including international security, the maintenance and development of the

international economic system through such organizations as the IMF and GATT, the environment, the developing countries, the transfer of basic science and industrial technology, education, and assistance to the former socialist countries, which also warrants Japan's aid.

As Professor Lester Thurow of the Massachusetts Institute of Technology advises, it is important for Japan to hammer out an international strategy for the distribution of available resources among these issues and to quickly play a leading role in at least one of them so that it can counter claims that it is different from others, faceless, and, to quote Dutch journalist Karel van Wolferen, "enigmatic."

Of course, care will have to be taken concerning Japan's participation in international security. Before preparing its forms of contribution, Japan must gain international understanding and acceptance by stating clearly its policy of basically not taking part in any military responses to crises. And as a premise for this, it must apologize for the atrocities committed by its military against other nations up to 1945.

Japan's three nonnuclear principles (not possessing, manufacturing, or permitting the entry into Japan of nuclear weapons) and its policy of prohibiting the export of weapons could play an unimaginably important role in the prevention of conflicts from now on. Moreover, as Professor John Dower of MIT recommends, the concepts of creating an Asian version of the Conference on Security and Cooperation in Europe and promoting Asia as a nonnuclear region should be taken up a little more seriously.

With the rise of Japan's economic strength in the international community, a lot of attention has been focused on Japan's economic success story. At the same time, a lot of scholars have issued warnings about this and about Japan's huge trade surplus; recently some people have even called for Japan's virtual exclusion from the international community. I believe that the debate on the Japanese economy will contribute somewhat to easing the doubts and anxieties of the international community about Japan's international identity and leadership.

Here are a few of my personal views:

(a) In the discussion about Japan-U.S. trade friction and the "closedness" of the Japanese market, too much attention has been focused on the issue of trade balances. When one considers that total two-way trade between Japan and the United States amounts to more than \$500 billion and that a huge exchange of services, money and people goes on between the two countries all the time and without any hitch at all, one has to doubt the basic validity of the theories of Japanese cultural and social uniqueness.

(b) As explained in the *New York Times* at the time of President Bush's visit to Japan in early 1992, the U.S. trade balance gap has been caused, macroeconomically speaking, by excessive consumption in the United States—that is, consumption exceeding domestic production. If the United States did not suffer an import surplus in its trade with Japan, it would only chalk up a deficit with another country instead. This macroeconomic argument should be incorporated into Japan's trade debate with the EC, too.

(c) Japan certainly accounts for a large proportion of the total U.S. trade deficit, and its share is not shrinking. But it is necessary to analyze this point from a microeconomic perspective—that is, the manner in which the economies of the two countries and their industrial organizations work.

A multitude of factors at work

It seems to me that almost unconsciously Japan has developed styles of production, sales and management, business know-how, and a general way of doing things that are most suited to the coming age, while maintaining the general frameworks of mass production, mass consumption and mass society that exist at present. Take the *keiretsu* links, for instance. More and more people are now coming round to the view that the semipermanent nature of these relations between companies and their subcontracting suppliers of parts can be explained to a large part by the economics of business costs, information-gathering and organization.

Not only the *keiretsu* relationships but also the general long-term contract ties that are a feature of the Japanese industrial setup allow companies to respond well to both small changes and the general shift in society toward the information revolution and postmodernism that can be seen in the world today. If Japan has a comparative advantage in its trade with other countries, the economically rational structure of this comparative advantage, which relies heavily on the careful selectivity of the consumer, can be said to be as solid as a rock.

Although the capitalist countries share with one another the principle of market economics, they have their own national characteristics, such as the relations between the private sector and the government and the way of doing business in the market, that have been formed from their social, historical and cultural conditions.

It is important to bear these factors in mind when comparing and analyzing national capitalist economies. Sensational stories about the nature of another country's markets only lead to false arguments, wrong trade policies, derision and the worsening of relations.

One example occurred when the heads of the "Big Three" U.S. automakers, accompanying Bush on his visit to Japan, accused the Japanese auto industry, with its *keiretsu* groupings, of being closed and urged Japanese automakers to purchase more U.S. parts. The confrontation served to reveal not so much the difficulty of entering the Japanese market because of the *keiretsu* ties as the weakness of the U.S. automakers, which have lost their entrepreneurial spirit and their desire to set up shop in Japan just as Japanese companies have kept their word and voluntarily limited exports to North America.

The U.S. government's efforts to bully Japanese automakers into buying U.S. parts were pathetic indeed. What is more, the United States seems to have forgotten the basic principle of market economics, that the consumer—in this case, the Japanese automaker—always comes first, and has turned to threatening language. It is only natural that this dependence on sheer strength has brought forth cries of

scorn. In this sense, Prime Minister Kiichi Miyazawa's tossed reply—his call for considerateness—was a curveball that just managed to squeeze into the strike zone of the overall balanced relationship of interdependence between Japan and the United States.

Future Japan-U.S. relations

It is safe to say that the Japan-U.S. relationship overall, and this includes the area of security, in which Japan is totally dependent on the United States, is becoming one of symmetrical interdependence. From now on the two countries will have to adopt strategies in all fields, be they political, economic, social or cultural, with the knowledge that their actions will affect the other.

Although they might sometimes produce the desired results, one-sided strategies, like the bullying tactics, will only make it difficult for both sides to share information and behave rationally. Generally speaking, such strategies will only serve to add tension to the relationship; they certainly will not lead to better ties. The two countries must strive hard to exchange information and understand each other's social situation and other factors. Indeed, I would even say that the people of the two countries must develop the kind of mature relationship that allows them at times to get caught up in the anti-Japanese or anti-American sensationalism that is part of the interdependence game.

At the same time, in building a balanced relationship of interdependence and continuing their rational cooperation with each other, the Japanese and U.S. governments must both gradually increase the weight of their policies toward each other in their decision-making processes if they are to build stronger bonds. Only through an accumulation of these efforts will the two countries be able to construct the kind of mature relationship that will allow them, when necessity calls, to play a leading role in global affairs. ■

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