

## **THE FUTURE OF JAPANESE DIPLOMACY: CHALLENGES AND PROSPECTS<sup>1</sup>**

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### **Abstract**

It was not long ago that the US looked upon Japan as a viable challenger to its primacy. Alarmist interpretations of Japan's ascendancy proved inaccurate, especially after the Japanese economic juggernaut suffered setbacks in the 1990s. The "lost decade" was a period of self-reflection and reform. Concomitantly, Japanese diplomacy was realigned to meet the demands and challenges of the new millennium. This article examines some of the major challenges facing Japan in its efforts to maintain and enhance its international profile. It outlines Japan's preference for pluralistic leadership, while arguing that Tokyo's management of its bilateral ties with an ascendant China would play a decisive role in determining Japan's position in Asia. Additionally, it analyses (a) Japan's strategic response to North Korea's saber-rattling, (b) responses to Korean reunification and (c) the issue of Japanese activism. It concludes with a review of issues bearing upon Japan's future.

### **Abstrak**

Perkembangan pesat ekonomi Jepun semenjak tahun 1960an telah mengakibatkan reaksi negatif dari Amerika Syarikat yang beranggapan Jepun mampu menggugat hegemoninya. Namun demikian, kebimbangan Washington mulai reda apabila Jepun menghadapi kemelesetan ekonomi pada tahun 1990an. Lantaran itu, Jepun telah melaksanakan pelbagai pembaharuan bagi memulihkan zaman kegemilangannya. Artikel ini bertujuan untuk mengupas cabaran dan dugaan yang diharungi oleh Jepun bagi mempertahankan dan memantapkan kedudukannya dalam arena antarabangsa. China merupakan antara faktor yang penting dan berupaya mempengaruhi masa depan dan kedudukan Jepun di Asia. Konsep kepimpinan pluralis yang didokong oleh Jepun juga akan dibicarakan. Selain daripada itu, reaksi Jepun ke atas usaha percambahan nuklear Korea Utara, isu penyatuan Korea dan peningkatan profil antarabangsa Jepun juga diberi perhatian. Akhir sekali, artikel ini menganalisis beberapa isu dan perkembangan domestik yang memberi impak kepada masa depan Jepun.

### **INTRODUCTION**

At first glance Japan is the envy of many. As the world's second largest economy – and flushed with the largest foreign reserves<sup>2</sup> – it is an affluent society with a high standard of living. Crime rates in Japan are among the lowest among developed countries.<sup>3</sup> Many of its corporations such as Toyota, Honda and Sony are leaders in their fields and are actively

pushing the frontiers of innovation. However, as the Japanese were to discover in the early 1990s, prosperity and growth could not be taken for granted. The bursting of the *bubble economy* led Japan down a slippery slope which saw the country losing its competitiveness and tarnishing its heretofore much-admired economic model. The *lost decade* – a term used in reference to the 1990s – aptly sums up Japan’s ineffective attempts to revive its sluggish economy. This is not the only issue that successive governments after the Miyazawa administration (1991-1993) had to grapple with. Declining education standards vis-à-vis other developed countries is a source of concern. So too is the declining birth rates. On the international front, North Korea’s persistent saber-rattling has paved the way for Japan to expand its security cooperation with the US. The growing interest to enhance regional integration and cooperation among Southeast Asian nations is also forcing Japan to re-examine its ties with the region.

After years of fits and starts, the Japanese economy seems to have regained its footing. The Koizumi administration (2001-2006) presided over the longest period of growth in the last decade and succeeded in arresting deflationary pressures. While this is certainly a cause for celebration, the road to recovery is still a long way off. Much work needs to be done. This is certainly the case with respect to Japan’s relations with Asia and the world in general. Japan had been seen as hesitant to assume leadership of the region, as evident in its refusal to support the Malaysian East Asian Economic Group (EAEG) proposal and its failure to get the Asian Monetary Fund (AMF) idea off the ground. Coupled with the strains of domestic reform and its aversion to heighten its international profile, what future awaits Japan? This article argues that judgement of Japanese regional leadership is best understood in the context of Japan’s unique brand of *pluralistic* leadership. The article also outlines three major challenges for Japanese diplomacy, viz., (a) the Chinese factor, (b) the Korean nexus and (c) activism. It concludes with a brief discussion of the variables that bears upon Japan’s immediate future.

### **THE JAPANESE QUESTION: POWER AND PURPOSE IN THE TWENTY-FIRST CENTURY**

A Japanese scholar noted that “Japan is a power without purpose ... it is a nation obsessed with its uniqueness, [and] fundamentally incapable of responsible international leadership” (Tamamoto in Itoh 1998, 184). The absence of a sense of purpose was a concern to some but

a relief to many. Proponents of the former deride Japan for free-riding and shunning its international responsibilities. For others who had been at the short end of Japanese power, Japan's fumbling attempts to flex its muscles is somewhat reassuring. Sixteen years ago, Calder (1988) described Japan as a "reactive state". It seems that little has changed to convince the director of Japanese Studies at the Johns Hopkins University otherwise, as he continues to underscore the "reactive" underpinnings of Japanese foreign policy (Calder 2003). In a slightly different vein, Inoguchi and Jain (2000, xv) argued that Japanese foreign policy is analogous to the popular Japanese past time of *karaoke*. They stated that "Japan's choice of foreign policy directions is [...] circumscribed in a 'set menu' of alternatives provided by the United States". Tanaka (2002, 12) suggested that for Japan to overcome its policy inertia, "a central pivot is needed, a place where long-term strategies are formulated and Japan's vision of itself in the world is daily considered and refined". Tamamoto's quote at the beginning of this paragraph summed up Japan's predicament. Japan is a nation in search of itself and is uncertain as to how to exercise power.

Mochizuki and O'Hanlon (1998, 133-134) proposed that Japan pursue a "largely liberal agenda that serves the goals of democracy, human rights, economic development and regional inclusiveness". This is an unlikely path. Notwithstanding Japan's role in promoting economic development and Asian regionalism (*viz.*, ARF and APEC), its track record had been anything but liberal. Tokyo has been hesitant to apply its economic influence to support democratization. It was the first G-7 nation to resume aid to China following the Tiananmen Square incident, and trades actively with Myanmar. On the economic front, Japan remains fixated on its mercantilist agenda. Thus, while it preaches the ideals of free trade, it continues to apply protectionist measures to aid its inefficient agriculture sector. Furthermore, Japan resisted pressure to open its domestic market to absorb more imports from the region in the wake of the 1997 economic crisis. Clearly, Tokyo has a long way to go if it is to be a champion of liberalism.

On closer examination, the issue of what Japan represents is moot. Japan has no aspirations of *singular* leadership and as such, there is no necessity for Japan to stake out its position. The Japanese vision of international leadership is pluralistic in nature. "Tokyo is satisfied with a place at the high table and does not aspire to be *the* leader" (Inoguchi 2001). The President of the National Defense Academy Nishihara Masashi concurred. He noted that Japan does not aspire to become a superpower and is satisfied being a member of the ruling

club (Nishihara 2001). Japan's reactive and principle-less diplomacy is often subjected to ridicule and scorn. This, however, is a strategic move on the part of Tokyo. Accepting its place as a second-tier great power allowed Japan to economize its political capital, while accruing the benefit of free-riding. The Japanese are a pragmatic lot and have no illusions of changing the world. They would pay lip-service to the promotion of democracy and free trade but are unlikely to expend time and effort to bring about the realization of these ideals. In the face of Japan's "unprincipled" behavior, the economic animal moniker takes on added significance. Similarly, the stigma of "power without purpose" is more pronounced.

What then is the purpose of Japanese power? A high priority for the Japanese government is stability and the maintenance of the status quo. From Japan's vantage point, power is a "form of insurance against future surprises ..." (O'Neil 1996, 236). Its unique disposition as a satisfied power and supporter<sup>4</sup> of the international system allows Japan to remain behind the scenes of power. Will Japan remain at the sidelines? Betts (1993, 56) is unconvinced. He wrote that "[o]nce Tokyo starts spending blood as well as treasure to support international order, it will justifiably become interested in much more control over that order". This is consistent with the rationale behind the Koizumi grand strategic goal doctrine of achieving structural power. The term "control", however, needs to be qualified, and seen in the context of having the capacity to prevent or veto changes detrimental to Japanese interest. In no way does it denote the urge or ambition to lead or to propose major policy change. Japan is, after all, a status quo power.

This does not mean, however, that Japan will remain passive. On the contrary, the diversification of its economy and its insatiable thirst for energy and raw materials are but two reasons for Japan to devote more resources to the maintenance of the international order. How would Japan use its power and influence? What are the prospects for Japanese leadership? The short answer to the first question is – prudently.

With the re-emergence of two regional powers – China and India – Japan has to behave in a reassuring manner in order not to elicit counter-balancing reactions, especially from China. Japan's position in the international system continues to be defined by its economic prowess, and checkbook diplomacy remains the preferred policy of choice for Japanese statesmen. It must be noted, however, that Japanese power is spreading beyond its economic shell. Reforms carried out in the Heisei period (1989-present), especially in the

education sector, may see the rise of a new generation of leaders that are articulate, confident and well-versed in world affairs.

The most important change in the foundation of Japanese power is the addition of the SDF into the mix. Political and societal restraints have relaxed to a point where the SDF has participated in various capacities in UN and non-UN sanctioned operations. While the SDF is far from “normalized,” the SDF’s participation in *Operation Enduring Freedom* and *Operation Iraqi Freedom* is proof that Japan is no longer a uni-dimensional power. These signal, however tenuous, the acceptance and utility of the SDF as a tool of foreign policy.

Japan is most comfortable exercising power discretely and in a non-coercive manner. It is a staunch supporter of the status quo. This means that Tokyo would remain within the U.S. political orbit. Whether out of a sense of frustration or confidence, Japan will continue to stake out its position within the boundaries of the status quo. Although Japanese initiatives will focus primarily on “low politics” issues such as environmental protection, development issues and poverty, Japan has demonstrated its willingness to engage in “high politics,” especially when its core national objectives are threatened. Nevertheless, the preference for pluralism would be the leitmotif of Japanese leadership. Concomitantly, Japan has reconciled the fact that it is no longer the “lead goose” in Asia. Reflecting on the erosion of Japanese regional leadership, former Ambassador to China, Noda (2001) responded that there is “nothing to worry about [and that Japan] should not be too ambitious or unrealistic.” Japanese grand strategy has shown a high degree of consistency in respect of the nation’s pragmatic approach to the international balance of power and changing environment. Tokyo’s recognition and acceptance of the risks associated with double hedging, *viz.*, the Azadegan oil deal,<sup>5</sup> is a sign that Japanese diplomacy is finally coming into its own. Japan’s position as a great power is unchallenged in the near and medium term, especially if it succeeds at transforming its relational form of power to structural power. As Tokyo chips away at the barriers that has prevented Japan from playing a larger international role, it finds itself in uncharted waters.

### **CHALLENGES FOR JAPANESE DIPLOMACY**

The changing East Asian strategic landscape – mainly caused by the end of the Cold War and the China’s re-emergence as an economic, political and military powerhouse – and Japan’s economic malaise in the past one and a half decade had an immeasurable impact on Japanese

diplomacy and behavior in global affairs. Striving out from the comfort zone of the Cold War structure, Japan is thrust into an environment fraught with uncertainties and dangers. The sections that follow examine some of the major factors that would most likely have an important bearing on future Japanese strategic calculations. The first section explores the impact of China's "re-emergence," and argues that Beijing's meteoric rise needs to be handled delicately by Tokyo. The following section addresses the political and strategic dynamics in the Korean peninsula. The third section posits that Japan's passive diplomatic posture is undermining its regional influence by forcing Tokyo to play "catch-up diplomacy."

### **THE CHINESE FACTOR**

The global economic landscape is shifting, and the pendulum seems to be swinging back to Asia. The Asian Development Bank (ABD) documented the region's economic fortunes and concluded that (cited in Nye 1997, 66-67):

[i]n 1820, at the beginning of the industrial age, Asia accounted for an estimated 58% of world gross domestic product (GDP); by 1949, its share had fallen to 19%, even though the region is home to 60% of the world's population. Rapid economic growth [during the second half of the twentieth century] has meant a recovery to 37% of world income. Looking ahead, fast growth could push this share up much further. Based on plausible assumptions, Asia could be back to around 57 percent of the world's GDP by 2025

China is a major reason for the optimistic outlook. The transition from central planning to a market economy, in addition to the influx of foreign direct investment (FDI), transformed China from the "sick man of Asia" to the economic dynamo of the region. Multinationals are flocking to China in droves to take advantage of low production costs, while casting an eye on the burgeoning middle-class market. As the Chinese economic star continues to shine, Japan may soon find itself in the unfamiliar position of playing second fiddle in Asia. China is poised to reclaim its economic, political and military primacy in the region. How Tokyo manages its relations with Beijing would have a major impact on Japan's future.

The oft-asked question is whether China is a friend or foe. The Chinese threat to the Japanese economy in the immediate and medium term is unfounded. The two countries have different trade structures and compete in different market segments.<sup>6</sup> In fact, China's

modernization drive requires large investments in machinery and high-end industrial products that have to be sourced externally, and Japan has been a prime beneficiary of China's growth.

The Chinese market was Japan's largest export destination after the U.S., and in FY2004 accounted for 13.1 percent of Japan's total exports (Japan Almanac 2006, 134). Not surprisingly, Koizumi had repeatedly stressed that "China's growth is not a threat to, but an opportunity for, Japan."<sup>7</sup> His predecessor – Hashimoto Ryutaro – declared in 1997 that "[a]s the Chinese economy develops, there will be greater stability in China, resulting in further stability in Asia and the world" (Johnstone 1998, 1072). With the exception of fringe ultra-right wing nationalists, Japan has accepted the reality of the re-emergence of Chinese power. Japanese respondents surveyed in this study offered a realistic or fatalistic perspective on China's economic growth. They agreed that there was nothing Japan could do to prevent China from prospering. Instead, Japanese elites turned what could be a bleak prognosis into a positive challenge. For example, the president of the Institute for International Monetary Affairs, Gyohten Toyoo, wrote that Japan should "compete and cooperate in a *productive fashion* [emphasis added]."<sup>8</sup>

Accordingly, Tokyo chose to adopt a proactive approach in addressing its relative power decline vis-à-vis China. Its economic diplomacy structured around official development assistance (ODA), investment and trade runs counter to the age-old dictates of *seikei bunri* (separation of business and politics). Japan's economic cooperation with China provides synergistic business and political benefits. The upsurge of Chinese orders was a major factor in Japan's economic revival in the past few years. Tokyo is also poised to reap political benefits for its active role in improving the Chinese economy. Flourishing bilateral trade has created a network of socio-economic ties. Both countries are increasingly interdependent: Japan imports more goods from China than any other country (FY2004); China ran a healthy ¥2,204 billion trade surplus with Japan (Japan Almanac 2006, 129 & 134). In addition, China has become an important chain in Japan's global manufacturing network and the fastest growing market for Japanese goods. For Sony, China is the most important market after Japan and the U.S. According to the neoliberal literature, *viz.*, interdependency, these dense trade links translate into healthier political ties, which augur well for stability. Rozman's (2002, 115) analysis that "Chinese views of Japan often appear bifurcated between positive impressions in localities that are most active as both research

centers and economic partners and negative images in the center of the country” [with limited economic interaction with Japan] supports this contention.

In the euphoria of the “Chinese gold rush,” it is easy to lose sight of the undercurrent dangers. A Ministry of Economics, Trade and Industry (METI) official recently cautioned Japanese corporate leaders and industrial policymakers against complacency. Kuroda (2002, 22) writes: “They cannot afford to close their eyes to the fact that the Asian industrial landscape is being transformed by the thousands of companies on the move in coastal China and by the goods and services they are churning out.” In the same article, Kuroda (2002, 17) warned that China’s Haier Group had captured 30 percent of the U.S. market for small refrigerators and almost 70 percent of the Vietnamese motorcycle market. Although Japanese corporations have largely exited the low-end market, thereby giving competitors, including China the opportunity to dominate that market segment, how long is it before firms like Haier move up the market chain? Japanese firms then need to ask if they are helping to nurture future competitors by providing the wherewithal for China to short-circuit the learning curve. Is Japan creating a “Chinese Frankenstein?” Japanese corporate leaders and policymakers are aware of the ramifications of their actions. However, being Frankenstein’s mid-wife may not be all that bad as it brings tangible political and economic benefits. The only recourse available to Japan is to guard against surrendering its technological edge and to stay ahead of its competitors. Japan’s future rests squarely on its success in reinvigorating its innovation system and to be at the frontier of scientific and technological advancement.

Economics is where the interests of both countries converge, which coincidentally is also the strongest aspect of Sino-Japanese relations. Political ties are, unfortunately, less stellar. Notwithstanding the fact that China has begun to liberalize its economy, it is constantly under the microscope for its human rights violations and intolerance for political dissent. Ties were also strained when Japan suspended grants to China in response to the latter’s nuclear test in July 1995. Full ODA privileges were only reinstated after China announced a moratorium on nuclear tests in August 1996. Furthermore, China’s increasing prosperity provided funds for the People’s Liberation Army to modernize and expand its force projection capabilities, giving rise to concern about Beijing’s strategic ambitions. In short, China’s political system and worldview do not necessarily coincide with Japan. Nevertheless, Japanese policy makers are sanguine that these differences can be overcome. Sasae Kenichiro (2001), a senior METI official, explained:



Chinese active entry and ascendancy in the Asia-Pacific economic scene needs to be ‘embraced’ in a way to stimulate competitive reform of the region, [and] not to be guarded in a confrontational manner, as long as China adheres to international norms and rules

The general opinion among Japanese policymakers is that as long as China remains on the path of stable economic growth and inches toward democratization, Beijing would not be a threat to Japan. What is important to Japan is for China to evolve into a status quo power that would not polarize the international system *ala* the Cold War. In other words, Japan is loath to be in a situation of having to choose between China and the U.S.

Fashioning China into a status quo power begins with giving it a stake in the international order and involving China in the decision-making process. Incorporating China into the G-7 framework is certainly a positive move in this direction. For Japan, this means discarding its “lead goose” mentality and sharing leadership responsibilities with China. Koizumi sums up Japan’s approach to the Chinese economic challenge: “We need to encourage and support China’s [economic development] efforts, so that it becomes a constructive member of the community” (Koizumi 2002).

As Japan traverses the Heisei period and beyond, it needs to keep a watchful eye on China’s strategic sensitivities. China has long maintained its fear of Japanese military revival and remains skeptical of U.S.-Japan military cooperation. “As one leading Chinese expert on Japan recently argued, the U.S. presence in Japan can be seen either as a bottle cap, keeping the Japanese military genie in the bottle, or as an egg shell, fostering the growth of Japanese military power under U.S. protection until it one day hatches onto the regional scene” (Liu in Christensen 1999, 62). Beijing is also concerned that the joint U.S.-Japan missile defense cooperation would be extended to Taiwan. The challenge for Japanese strategists and diplomats is to enhance its military capability – including missile defense – without rousing Beijing into a belief that it is being encircled. In short, Japan needs to underscore the defensive nature of its force structure and capabilities, and to convince Beijing that efforts to improve the SDF are not directed at China.

The barriers and challenges pertaining to the three dimensions discussed above – economic, political and military – are not insurmountable. There is sufficient common ground between the two parties to bridge their differences. The WWII legacy remains the one aspect of Sino-Japanese relations that Tokyo has difficulty facing. It has found it difficult to offer an

*official* apology to the Chinese people for Japan's conduct in the eight-year war, although it did extend one to South Korea. Koizumi's frequent visits to the Yasukuni Shrine and Japan's failure to come to terms with its past by misrepresenting its war conduct in textbooks serve to perpetuate anti-Japanese sentiments in China. According to Rozman (2002, 125), "anticipating luring China into regional integration and even becoming a bridge between the insensitive United States and a besieged China, the Japanese gave little thought to what would be needed to win the trust of the Chinese people." The failure to address the war legacy ranks among Japan's gravest strategic and diplomatic blunders. If left unresolved the ghost of WWII may return to haunt Japan and imperil Japanese interests. Chinese anti-Japanese sentiments could transmute into the boycott of Japanese products and jeopardize Japanese economic interests. Furthermore, a groundswell of anti-Japanese feelings could well undermine Beijing's political cooperation with Tokyo. The hostile reception received by the Japanese soccer team in the 2004 Asia Cup finals in Beijing is evidence of China's deep-seated anti-Japanese feelings.<sup>9</sup> If Japan hopes to establish a sincere and open friendship with China, it has to direct its diplomacy to the Chinese people. To achieve this, Japan needs to demonstrate in words and deeds its remorse for its actions in the 1937-45 war.

Japan's handling of China is the single most important factor in its future. The official Tokyo line designates China as a friend, and as with all friendships, it needs to be sustained and nurtured. It would be a mistake if Tokyo continues to compartmentalize its relations with China, by focusing on economic ties and being oblivious to the larger picture. Japan missed the opportunity for the past sixty years to exorcise its WWII demons, and continues to fuel China's deep-seated animosity toward Japanese wartime conduct. How the Chinese people behave toward Japan in the next two decades when Chinese power is in full bloom is anyone's guess, but it is a gamble that Japan can ill-afford to take. China is biding its time, while focusing its energies on economic development, and is currently content with playing a secondary role in world affairs. The interim period between now and a fully developed China (*circa* 2030) is a delicate one for Japan. Tokyo could do well to use this window of opportunity to establish a *modus vivendi* with China. The future of Japan in Asia, and by extension the world, is contingent on how it adapts to an East Asian region that might be under Chinese hegemony or a region with rival hegemony – Japan and China.

## THE KOREAN NEXUS

Korea was seen in Japanese history as the “dagger” pointing at Japan. Indeed, until the American “island hopping” strategy in WWII, threats to Japan had come *through* the Korean peninsula from China. Koryo – as Korea was then known – was the jump-off point for Kublai Khan’s army in 1274 and 1281. While the Mongol hordes are long gone and are unlikely to trouble Japan further, the point of history identifying Korea as a conduit and not a *source* of insecurity bears remembering. The twenty-first century brings new points of contention and concern to Japan. Two of the most salient issues are North Korea’s military ambitions and Korean reunification.

North Korea has been Japan’s main strategic concern in the last decade. Pyongyang’s reckless test-firing of the *Taepodong-1* missile over Japanese airspace in August 1998 sent shock waves within the Japanese military and political fraternity. Japan retaliated by imposing sanctions on North Korea, including the pulling out of the Korean Energy Development Organization (KEDO) (rejoined in 1999), and had since kept a close vigil on the country. In August 1999, Japan signed a memorandum with the U.S. to deepen joint collaboration on Theatre Missile Defense (TMD) technological research (Hook *et al.* 2001, 142), and launched its first reconnaissance satellite two years later. North Korea’s nuclear weapons program was also a source of consternation in Tokyo and neighboring capitals. Nevertheless, the threat of a North Korean invasion is virtually absent.

What worries Tokyo is its susceptibility to political blackmail from Pyongyang as its major cities are within reach of the *Taepodong-1* and *Nodong* missiles. Kim Jong Il had demonstrated his adeptness in brinkmanship by threatening to develop nuclear weapons unless North Korea receives aid. Although Kim is erratic, he is unlikely to risk attacking Japan. On the contrary, he seems content with his saber rattling strategy to win economic concessions. The more plausible North Korean threat is humanitarian. North Korea is arguably a failed state. Famine is widespread and its citizens are dependent on aid to survive. If the regime collapses or food shortages become acute, a mass exodus of refugees into South Korea, China and eventually Japan could occur. Thus, as unpopular as the Pyongyang regime is in Japan – especially in wake of the abduction issue<sup>10</sup> – it is in Japan’s national interest to prevent such a crisis. In other words, Japan has to take an active role in North Korea’s future.

Reunification is an emotional issue in the Korean peninsula, especially for South Koreans. Analysts have suggested that a unified Korea is a threat to Japan, and thus Tokyo

should endeavor to prevent North and South Korea from reuniting. According to this school of thought, the Japanese policy of comprehensive security, equidistance, economic assistance and humanitarian aid are “part of an overall predatory grand strategy that seeks to aid the North to keep the peninsula divided” (Cha 2003, 16). This is a wrong assessment, as pointed out by Cha (2003, 21). Cha argued that Japanese strategic thinking is best explained by defensive realism,<sup>11</sup> which applied to the Japanese scenario consists of the following tenets:

- (a) Japan does *not* oppose unification of the peninsula
- (b) Japan proactively seeks alignment with this entity as a hedge (balance) against China.
- (c) Japan seeks to engage Korea in order to preempt Korean revanchist inclinations.
- (d) Japan seeks to reconstruct the “ideational” base of the relationship (i.e., history).

Japan does not oppose reunification because it is powerless to prevent it once the process is set in motion by either of the Koreas. Furthermore, a positive approach enhances Japan’s influence and increases Tokyo’s diplomatic capital to consolidate bilateral ties with a united Korea. In strategic terms, “Japan is fully aware that the most proximate threat to a united Korea may emanate from China ...” (Cha 2003, 24). Hence, closing ranks with a united Korea serves two goals: (a) neutralizing the “dagger pointed at Japan” dilemma, and (b) offering Japan a “natural” ally to balance against China, if Tokyo decides in favor of a balancing strategy vis-à-vis China. In sum, a reunified Korea offers diplomatic and strategic opportunities for Japan that would enhance its geopolitical standing.

Korea occupies a special position in Japanese strategic planning, not least because of Kim Jong Il’s saber rattling and flirtations with nuclear weapons. In fact, Pyongyang’s “rogue-behavior” has prompted the normally placid and conservative Japanese to reexamine their military doctrine. For the first time in living memory, a Japan Defense Agency chief openly advocated a pre-emptive attack on another country without any domestic political fallout. Tokyo has also fallen back on its pledge not to militarize space by launching its first reconnaissance satellite. Concern over Pyongyang’s *Nodong* ballistic missile is pushing the boundaries of Japan’s ban on collective defense as Tokyo intends to share data derived from its FPS-XX radar with the U.S. when the system comes on-line in the next few years. In the meantime, Washington’s on-going efforts to withdraw some 12,000 troops from South Korea as part of its global force restructuring exercise has rekindled fears of U.S. abandoning the

region, while upping the ante for Japan to keep U.S. troops anchored in Japan. All these show the influence the Korean peninsula has on Japan. While the current vexing problem is focused on containing Pyongyang's proliferation and how successful the Six-Party Talks is at curbing Pyongyang's nuclear ambitions, the Korean reunification issue is even more diverse and complex.<sup>12</sup> However, as far as Cha's analysis goes, Japan is poised to benefit from North-South rapprochement, and Japan's immediate and long-term goal should be to support such overtures.

### ACTIVISM

It is conventional wisdom that Japan is a "reactive state." This term, coined by Calder (1988), refers to Japan's reluctance to propose new ideas or initiatives, and Tokyo's preference of reacting to external stimuli. Such has been Japan's propensity to act only when prodded that *gaiatsu* (foreign pressure) is now a familiar term to students and Japan watchers. In the Heisei period, however, Japan had made some notable initiatives to break away from the reactive state mindset. Among these initiatives were the Nakayama proposal (ARF), Asian Monetary Fund (AMF) and the International Conference on Reconstruction Assistance to Afghanistan. Nevertheless, Japanese diplomacy continues to suffer from a lack of confidence and low drive for activism. As a result of Tokyo's "laid back" approach, it has often found itself on the defensive and playing "catch-up diplomacy." This was certainly the case concerning the ASEAN-China Free Trade Area (ACFTA) proposal and ascension to the Treaty of Amity and Cooperation (TAC).

The Chinese proposal for establishing a free trade area linking China and ASEAN was a major diplomatic coup. More than anything it undercuts Japanese leadership and influence in the one policy area that Japan has an overwhelming advantage. Who would have expected such an initiative to come from Beijing and not Tokyo. Japan was caught napping at the helm and was immediately put in the spotlight. To counter China's proposal, Japan agreed to "develop a framework that would provide a basis for concrete plans and elements towards realizing an ASEAN-Japan Comprehensive Economic Partnership" (Dore 2002). That Tokyo could only offer "a framework for the basis for a plan for a partnership and not [anything tangible] to realize the partnership" was telling. It exposed Japan's lack of attention and foresight to the region that accounts for more than 40 percent of its trade. In contrast, China and ASEAN signed the Framework on Economic Cooperation with a firm agenda to establish the ACFTA by 2010. As added bonus, China implemented the Early Harvest Program to

commence liberalization of agricultural products ahead of 2010. These calculated moves – Dore (2002) called them “benevolent elder brother” posturing – were part of China’s grand design to expand its regional economic and leadership roles.

Tokyo also found itself in an awkward position after China and Russia acceded to TAC. Japan avoided committing to the treaty because of its apparent incompatibility with the U.S.-Japan alliance, but these concerns were summarily cast aside after Beijing signed the treaty. Tokyo’s backpedaling and signature on the treaty in December 2003 is yet another example of playing “catch-up diplomacy.” The FTA and TAC examples may well be isolated cases and not indicative of Japan’s strategic and diplomatic acumen. It is certainly not Tokyo’s intention to surrender economic and indeed political leadership to China. This may well, however, become a reality unless Tokyo devotes more resources and attention to Asia. Meaningful engagement of Asia means more than checkbook diplomacy and involves Japanese leadership to build an Asian community. In this sense, Japan needs to enhance its regional role to avoid being isolated. Although Dore (2002) noted that, “[I]t has been a long time since the danger of becoming *Ajia no koji* – an orphan in Asia – has had much resonance in Japanese politics.” China’s active courtship of ASEAN is a timely reminder to Japan not to take the region for granted.

### **LOOKING AHEAD**

Prospecting into the future is always a hazardous endeavor given the many imponderables at play. Nevertheless, what we could foresee for Japan is a future that would put the Japanese much admired resourcefulness and tenacity to the test. Among the issues and hurdles that Japan would have to grapple with in the Heisei period and beyond are (a) the costs of a high profile international posture, (b) education, demographic shift and social harmony, (c) economic regionalism, (d) multilateralism, and (e) nuclear proliferation. We briefly examine each in turn.

The decapitation of a South Korean national by al-Qaeda operatives sent a chilling message to Japanese firms hoping to establish a foothold in Iraq and the Middle East. Has Japan’s purportedly humanitarian mission in Iraq turned into a liability by putting Japanese nationals at risk, or perhaps invoking the ire of Arab countries that supply the bulk of Japan’s energy needs? Can Japan reconcile its “duty” as a trusted U.S. ally while maintaining its Middle Eastern ties?

Education, demographic shift and social harmony are some of the issues that will take center stage on the domestic agenda. Education holds the key to Japan's future. Whether Japan is able to compete and maintain its economic edge is contingent on the ability of the education system to equip the workforce with the right mix of knowledge and skills to function effectively in a globalized environment. Another issue is Japan's "population deficit." The nation's birthrate had halved from 18.8 per 1,000 persons in 1970 to 8.8 in 2004 (Japan Almanac 2006, 87). Additionally, in the next thirty years, one in three Japanese will be 65 years old and above. The twin threats of a dwindling workforce and a ballooning elderly population exact a heavy burden on the productive ages to support the young and the old. Japan's demographic shift will have immediate and long-term consequences on its future. The third pressing issue on the domestic agenda – social harmony – is more elusive. The image of Japan as a safe and peaceful society has been tarnished by the rise in crime, which registered a 70 percent increase from 1990 to 2003 (Japan Almanac 2006, 212). The fatal slashing of Mitarai Satomi by her 12-year old school mate on June 1, 2004 and the brutal abduction and murder of a 4-year old boy by another 12-year old student the year before are signs of Japan's moral crisis. The recent indictment of graduates of the elite Waseda University for gang-rape showed the erosion of morals and civility occurring at all levels of society. Pressure is thus mounting for Japan to arrest the moral decline and to strengthen the nation's social foundations. It is evidently clear that the favorable conditions that paved the way for the "Japanese miracle" in the late Shōwa era (1926-1989) have eroded.

On the economic front, Japan has to piece together a coherent strategy for regional cooperation. Although the global trend in the past decades had pointed to the rise of regional trade blocs – EU and NAFTA – Japan did not feel the necessity to consolidate its trade relations in East Asia. Accordingly, Japan fell in line with U.S. policy when Washington scoffed at the Malaysian EAEG (later renamed EAEC) proposal. Tokyo's policy, however, took a dramatic reversal in the wake of Beijing's bombshell to establish the ACFTA. Almost as a knee-jerk reaction, Tokyo proposed to study a similar arrangement with ASEAN. In the meantime, Japan has taken the bilateral route, having signed a Free Trade Agreement with Singapore and the Philippines, and begun negotiations with Malaysia, Thailand and Indonesia. A regional trade regime – with China as the prime mover – is in the offing, and Japan has to decide if it wants to be a part of this framework. Participation would certainly

mean sacrificing the politically powerful farming interest, in return for a chance at regional economic co-leadership with China. Malaysian Prime Minister Abdullah Badawi's recent musings of an East Asian Community suggests regionalism is an idea that continues to resonate in the region. One of Southeast Asia's leading political analysts, Jusuf Wanandi, identified regional community-building as one of the two main strategic trends that will influence future peace and stability in the region (New Straits Times 2004), but it is unclear if Tokyo is willing or ready to commit to this cause. Unless Japan is willing to contemplate isolation in its own backyard, it has to step up its efforts to foster regional integration even if this entails political costs from the agriculture sectors so supportive of the ruling Liberal Democratic Party (LDP).

Multilateralism – for reasons of expediency or choice – would gradually eclipse bilateralism as the preferred *modus operandi* to pursue Japan's national interest. Bilateralism, especially the U.S.-Japan security alliance, continues to play an important role in Japanese diplomacy, but its limitations are all too evident. Some of the pressing issues on Tokyo's agenda such as piracy, terrorism, energy security and environmentalism require the cooperation and participation of multiple parties. The Qingdao Initiative aptly demonstrates the efficiency of this approach. The initiative signed by twenty-two Asian countries pledges to undertake cooperative measures to promote the energy security of its members. Also in the works is a regional strategic oil reserve to cushion possible supply disruptions. The Qingdao Initiative is significant as it checks Sino-Japanese competition for oil, and prevents the tussle from jeopardizing bilateral ties. Multilateralism is a more efficient form of international cooperation, that among others, enables Japan to actively engage and work alongside China. Japan's growing multilateral tendencies are, however, less prevalent in the security realm, where the umbilical cord – the U.S.-Japan Security Treaty – remains firmly in place.

The most contentious issue that Japan has to confront is nuclear proliferation. Despite Japan's purportedly anti-nuclear stance, the government has consistently maintained that nuclear weapons are – theoretically and constitutionally – permissible for defensive purposes. Besides official confidential studies, notably one commissioned by Nakasone when he was JDA chief, the nuclear debate in Japan is virtually non-existent. Former JDA parliamentary vice-minister Shingo Nishimura noted that the Japanese “like to think that there are no nuclear weapons in their room, but outside their window there are atomic weapons, military



forces and a number of countries that have no intention of abolishing nuclear weapons” (The Japan Times 1999). In a similar vein, Lim (2000) of Nanzan University argued that:

Japan cannot escape nuclear weapons. It will either continue to rely on the U.S.’ extended deterrence, which provides nuclear protection in ways that do not harm Japan’s neighbors. Or it will lose confidence in the U.S. alliance and will acquire nuclear weapons and long-range maritime capability of its own, [...]. Either way, nuclear weapons will remain salient to Japan’s security

Japan’s nuclear allergy is not immune to changes in the strategic landscape. Recently, one of Japan’s most respected strategic thinkers suggested that Japan might consider developing nuclear weapons if the U.S. and North Korea were to conclude a non-aggression pact (Nishihara 2003). Such a pact, although unlikely, has been raised by North Korea as a *quid pro quo* to abandon its nuclear weapons program. Lim is correct in her analysis that nuclear weapons are a part of Japan’s strategic posture, one way or the other. The poser is would Japan acquire an *independent* nuclear capability?

## CONCLUSION

Japan is at a unique juncture in history. The Japanese, in their usual self-deprecating way, were resigned to accepting the conditions in which they operate as a given. There is wisdom in this fatalistic worldview considering that the bifurcated situation during the Cold War allowed Japan little maneuvering room and few options. This changed as the “end of history” liberated Japan from ideological and political constraints, allowing Tokyo a greater degree of freedom to pursue its national interests. Although Japan has the wherewithal to influence and condition the external environment, it opted for a cooperative approach by introducing the idea of “acting together, advancing together.” This vision, laden with undertones of inclusiveness and partnership, is a masterstroke as it addresses Japan’s current and future strategic interests. Its immediate goal to legitimize Japanese regional leadership and establishing cooperative linkages among regional members is a prelude to keeping China from establishing regional hegemony in the distant future. In sum, the Koizumi doctrine is a grand strategy for the present and has a firm eye on the future. However, as evident by the diverse issues raised in this concluding section, the years ahead will be fraught with challenges and opportunities.

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<sup>2</sup> Japan holds the second largest foreign exchange reserves in the world, totaling US\$878 billion (2006). Wikipedia. (Online) [http://en.wikipedia.org/wiki/Foreign\\_exchange\\_reserves](http://en.wikipedia.org/wiki/Foreign_exchange_reserves) (October 2, 2006).

<sup>3</sup> The rate of incidence – defined as the number of recognized crimes for every 100,000 people – for Japan is 1,925 (2000). In comparison, the rate of incidence for the same year for selected countries are as follows: the US (4,124), France (6,421), Germany (7,625) and the U.K. (9,767). (Japan Almanac 2004, 19).

<sup>4</sup> David Lake posits four typologies of states: leader, supporter, spoiler and free rider. For more details, see D. Lake, International Economic Structure and American Foreign Economic Policy, 1887-1934, *World Politics*, July 1983, 35(4): 517-543.

<sup>5</sup> Japan is cooperating with Iran to develop the Azadegan oil fields to enhance its energy security, in spite of Washington's stated objections. At the same time, Tokyo moved quickly to soothe Washington's dissatisfaction by committing troops to Iraq. These actions expanded Japan's access to Iranian oil, while cementing Japan's role as a trusted American ally.

<sup>6</sup> They are, however, exceptions, ship building being one of them.

<sup>7</sup> *The People's Daily*, September 6, 2003. (Online) [http://www.english.peopledaily.com.cn/200309/06/print20030906\\_123822.html](http://www.english.peopledaily.com.cn/200309/06/print20030906_123822.html) (20 November 2003).

<sup>8</sup> T. Gyohten, China vs. Japan: Part 2 – Future Prospects and Policies, *Glocom Platforms* (Online) [http://www.glocom.org/opinions/essays/200302\\_gyohten\\_china2/index.html](http://www.glocom.org/opinions/essays/200302_gyohten_china2/index.html) (23 September 2003).

<sup>9</sup> The championship match played at the Beijing Worker's Stadium between China and Japan was won by the Japanese team with a scoreline of 3-1. The match was marred by violence and unsportsman-like behavior. Japanese fans were kept within the confines of the stadium for two hours after the match before the Chinese authorities were able to marshal sufficient resources to ensure their safety. Disaffected Chinese fans summarily burned Japanese flags and a diplomat's car was damaged in the post-game melee.

<sup>10</sup> North Korea kidnapped more than a dozen Japanese citizens in the 1970s and 1980s with the intention of turning them into spies. Rumors of the abductions were rife, but it was not until Koizumi's summit meeting with Kim in September 2002 that Pyongyang finally admitted its culpability. Public perception of North Korea has hardened since the summit. Demands for a full account of the kidnapping and the repatriation of victims and their families have become important goals on the political agenda. Relations between the two countries had been tense in the last decade. The abduction issue is one among several points of contention. In December 2001, the Japanese Coast Guard sank a ship suspected to be of North Korean origin in the East China Sea believed to be involved in espionage activities. Japanese authorities have also stepped up checks on the *Mangyongbong-92*, which makes regular port visits to Niigata as part of Japan's comprehensive initiative to check Pyongyang's illegal activities in the country. Other measures include legislation to control and monitor remittances to North Korea.

<sup>11</sup> The "defensive" variant of realism contends that states do not maximize power for aggrandizement, but strive for power to guarantee their survival by ensuring stability and upholding the balance of power.

<sup>12</sup> For example, Nishihara Masashi called Pyongyang's proposal to the U.S. for a non-aggression pact the "North Korea's Trojan Horse." He was worried that the pact would lead to U.S. withdrawal from South Korea and increase pressure on Tokyo to develop nuclear weapons. Implicit in the Greek analogy was the pact would unravel the security structure and upset the strategic balance that forms the foundation of Japanese political and military strategy. See, M. Nishihara, North Korean's Trojan Horse, *The Washington Post*, 14 August 2003. (Online). <http://www.washingtonpost.com/wp-dyn/articles/A55858-2003Aug13.html> (3 March 2003).