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HAS JAPAN LOST ITS RELEVANCE?

Is Japan Relevant?

by

Prof LEE Poh Ping

Principal Fellow

Institute of Malaysian and International Studies (IKMAS)

National University of Malaysia

Malaysia

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Is Japan Relevant?

The 1980s and early 1990s were heady days for those conceiving scenarios for the Japanese role in the world. Mightily impressed by the Japanese economic machine and awed by the great boost to Japanese financial clout brought about by the Plaza Accord of 1985, these saw a world where Japan would play a very important, if not a dominant, role. And they posited three scenarios. These consisted of a kind of Pax Nipponica, a world dominated by the United States and Japan, and a world controlled by a triad of powers involving Japan, the United States and Western Europe.

One scholar who alerted the world to the fact that Japan's day in the sun might have arrived was Ezra Vogel. In 1979 he published a book *Japan as Number One* (Vogel, 1979) where he argued that because of the great achievements of Japan since the war it might now be the turn of the West to learn from Japan as Japan had looked towards the West in the past. He identified various characteristics of the Japanese experience the West could emulate, such as the adoption of an industrial policy and an elite bureaucracy. He also suggested that the West should look at how Japan aggregated its interests and how it developed a communitarian vision. That book made a tremendous impact, not least in Japan. In a subsequent article in 1986 in *Foreign Affairs* on Pax Nipponica, (Vogel, 1986) Vogel spelt out the reasons as to why Japan would lead in the world economy. These reasons consisted of Japanese prowess in the application of the new industrial revolution in the manufacturing sector, the concentration on services, and the devotion of much resources to research and development. He raised the possibility of a Pax Nipponica, one whose pattern would be a limited and uneven one and led by a country of modest military strength.

There were however those who believed that Japan could not go it alone. Its economy, though very impressive, was too interdependent with the American economy. (Brzezinski used the term *Amerippon* to describe this interdependence.)(Inoguchi. 1988-1989) They were also mindful of the constitutional and other constraints on Japan playing any explicit political/military role befitting that of a true hegemon. These suggested instead that Japan could use its economic might to help the United States shoulder its responsibilities, particularly in the Asia-Pacific region. The US and Japan could in the words of one scholar, Fred Bergstein, constitute a “bigemony” of both powers.(Inoguchi.1988-1989).

Third, there were those who saw the world as ruled not by one or two but by three powers. These believed that Western Europe should not be left out. The famous Japanese writer, Kenichi Ohmae,(Ohmae 1985) had written a book on the role of the triad of Japan, Western Europe and the United States in the world. Though primarily concerned with how corporations in order to become competitive in the global arena have to be “insiders” in one of the triad countries, his book puts Japan alongside with the other two powers as economies of the most consequence globally. And we have the Trilateral Commission. Originally conceived by luminaries in the United States and Western Europe to draw out an economically mighty Japan to play a greater role in the world, the Trilateral Commission is concerned with how the trilateral powers could intellectually and politically organize the world.(Hummel.1998)

None of these three scenarios have, or are likely to, come to pass. The three scenarios were based on the belief that Japan was (or was becoming) the dominant economic power in the world or if not, was at least the dominant economic power in Asia. The bursting of

the Japanese economic bubble in the early 1900s and the subsequent decade of Japanese economic stagnation that followed showed to the world that the Japanese economic machine was not what it was cracked up to be. The technological lead Japan was presumed to have over the West was not as great as first believed, and at any rate, the West had been catching up with what Japanese technological advance there was. Moreover in the economy of the 21st century such as those involving the so-called knowledge economy, the United States is far ahead. And then there is the rise of China. In the 1980s and the early 1990s, China, though making impressive economic strides, was perceived as a country too busy trying to adjust to the international economy after a long period of autarky to be a competitor to Japan. But by the early 21st century, China's economy had expanded enormously and was having such a tremendous impact on Asia if not the globe that Japan's dominant economic position in Asia was being challenged. This can be seen, for example, by the fact that the Chinese GNP is now larger than the Japanese GNP measured in terms of purchasing power parity and by China stealing a march over Japan in Asia with the Chinese free trade agreement with ASEAN.

Faced with such developments and with the continuing difficulty the Japanese have with rejuvenating their economy since the bursting of the bubble, many have swung to the other extreme, arguing that Japan is now facing irrelevance. This is seen in an extreme form by those who talk of the world moving from 'Japan bashing' to 'Japan passing'. That is to say, Japan is now not even significant enough for people to bash!

I will argue here that neither the Japan boosters nor the Japan pessimists have it right. Japan is still relevant and in fact has a very important role to play. I shall not directly suggest what this role is. What I shall do is to consider the strengths and weaknesses of

three roles for Japan that have recently been put forward and then suggest a more realistic role for Japan is one that takes into account the strengths of these roles. These are Japan as a counterweight against China, Japan as a middle power and Japan as a peripheral state.

Japan as a Counterweight against China

Japan as a counterweight to China has been considered by many, not least by the organizers here when they suggest I discuss this question. The great political scientist, Hans Morgenthau, (Morgenthau 1948) had suggested three ways a balance between two powers had worked in history. These were the pattern of direct opposition (the two powers each creating an alliance system opposed to one another), the pattern of competition (both powers agreeing not to seek for support from neutral countries), and the holder of the balance (power balance of both affected by a third power - Great Britain was the holder of the balance in the European continent in the 19th century though there were more than two European powers then). It is not the purpose here to engage in a theoretical disquisition of how such patterns worked. Suffice it to say that Morgenthau's patterns require the counterweight to have something of an equivalence in power to the other, and also the will to be such a balancer. Does Japan have the power and the will to balance China? Here I shall argue that of the two most important aspects of power, those that pertain to the military and economic, Japan has yet to match Chinese military strength while in the economic arena Japan can give the Chinese a run for the money.

Japan has probably the most sophisticated military machine in Asia. Its military budget is also not inconsiderable, about 40 billion USD per year, only slightly less than the official figures for the Chinese military budget. Thus, it can act as a formidable balance

against China , particularly if in alliance with another power like the United States. But whether it has such an intention remains uncertain. While many in Japan, particularly the younger generation, no longer want to hold on to the mentality of a defeated nation, Japan is still unable to develop a consensus on becoming a 'normal' nation such as will involve the revision of the Japanese constitution to allow for the deployment of Japanese forces overseas for collective security and other purposes that any normal nation can undertake. It would seem that Japan was heading this way under the Abe administration. But the Abe administration was recently replaced by the present Fukuda administration that is less enamoured with wanting Japan to be a 'normal' nation. The Fukuda administration is more interested or rather more overwhelmed with domestic problems and with the need to get along with its Asian neighbours than to have much time figuring how to become a 'normal' nation. This suggests that while Japan is keen to move away from obsession with war guilt, it is still unable to develop a consensus on becoming a 'normal' nation. What is likely to happen is that Japan will take incremental steps to a more active military role(upgrading the defence agency to a ministry, participating in the missile defence system with the US, and so on). But it may take some cataclysmic event for Japan to develop a consensus to be a 'normal' nation. If that happens, it is very likely Japan would move very fast to do so.

However in the economic arena, the Japanese capacity is still quite impressive even when compared to China. Despite China's fast growing economy, Japan has the larger economy if measured in US dollars terms than in purchasing power terms. In this regard, Japan is in fact the second largest economy in the world. And in per capita terms, Japan is

more than ten times larger than China! The Japanese economic strengths can be seen in the areas of financial assistance and direct investment

Even though China has in recent times demonstrated an impressive ability to dish out aid (20 billion USD promised to Africa,) Japan has a longer history of aid giving and has given more in total than what China has given. (China itself was a recipient of Japanese aid). It also has a more sophisticated aid giving machinery than China. Two examples of Japanese largesse can be adduced. One, it is the largest giver of aid to Southeast Asia. And two, over the Asian Financial crisis some years ago Japan was able to offer an impressive USD 30 billion(the Miyazawa Plan) to afflicted countries to help these countries stabilize their currencies. What China could offer was not comparable. And with its combination of grant, concessional loans and technical assistance, Japan's manner of giving is more developed than that of China. One might argue that China, with the largest foreign reserves in the world (about USD 1.5 trillion) and increasing rapidly will soon be able to match or even overtake Japan in aid giving. That is possible but unlikely in the near future. Japan is not far behind China in foreign reserves(about USD 1 trillion) but more important China is a developing country and Japan is not. This leads to the question as to whether China can sustain the giving of too much aid as it might need its reserves for its own developmental needs. Japan, being a developed country, will not need to divert too much of its foreign reserves for internal developmental purposes. And despite the fact that Japan has declined in the ranking of the countries that give the greatest amount of development assistance, it still will matter very much as an aid giver.

Second, there is the matter of direct investment. China, at least as far as Asia is concerned, is still unable to match Japan in the amount of direct investment. And on a bilateral level, Japan invests more in China than the other way round. But it is in the sophistication of Japanese direct investment, particularly in the manufacturing sector, in Asia that Chinese investment will not be able to match for some time. What Chinese manufacturing investment there is for example in Southeast Asia is not very sophisticated while much of Japanese manufacturing investment involves the establishment of an Asian wide production network. This involves not only linkages across nations but the introduction of a certain corporate culture (quality control circles, just in time practices and so on.)(Pempel.2004) Participation in such a production system by the host country leads to technological upgrading and to industrialization.

Thus it can be seen that in terms of being a counterweight against China, Japan is not a full power with equivalence to China in the way the term is understood. It can so far only act independently in the economic arena but not in the military arena for lack of a domestic Japanese consensus. And in the long run, Japan , given its ageing population, a population so much smaller than China (and getting smaller) and its lack of many other assets that contribute to power enhancement such as a large land mass and natural resources ,will be even a lesser power than now when compared to China. For now and even more so in the future, Japan alone will be unable independently to balance China

Considering the present moment, Japan cannot or will not independently lead any alliance against China should a race for allies by both powers become necessary. Nor can it guarantee the neutrality of smaller countries which might not want to avoid bandwagoning with China. If at all it were to act as a meaningful counterweight against

China, it will have to depend on its alliance with the United States, and from there attempt to form some kind of alliance of democratic countries like Australia, India and South Korea. The Abe administration attempted this approach. But this has apparently been abandoned by the Fukuda administration. The Fukuda administration instead of attempting to be an indirect counterweight against China has, wisely I think, sought to come to terms with a rising China.

Japan as a Middle Power

There are those who have a more modest view of Japanese role in the world who eschew talk of Japan as a great power or as a counterweight against China. These argue for a realistic view of Japanese capacity and suggest that it will be more appropriate for Japan to consider itself a middle power. One such proponent is the Keio University professor, Yoshihide Soeya. (Soeya.2008) Soeya argues that Japan should forget about being a big power as Japan geopolitically has not amounted to much in the world since the Second World War. He points for example to the developments in the Korean peninsula since the war where Japan, in an area of vital importance to it, has done virtually nothing geopolitically significant. Instead, Soeya contends that the real shapers in international relations in the area in which Japan operates are the United States and China. As a consequence, Japan should focus on, and take a central role in, developing networks with other powers like South Korea, Australia and ASEAN that like Japan are operating in the “middle area between the United States and China” (Soeya.2008.40), an area that falls in between the strategic interaction between these two powers.

Soeya wants Japan to build on the success it has achieved on this score in the past, singling out as an example the good relationship Japan has developed with ASEAN since

the Fukuda Doctrine of 1977. Japan however should go further. It should try to weave these networks into establishing a community of middle powers with shared values. The aim would be ultimately to develop this community into an East Asian community. Because of the presumed shared values that Japan has with these middle powers, this community should initially not include China, but maybe later on.

Soeya's argument on the face of it appears quite a realistic suggestion for a Japan seeking a role in the Asia-Pacific region. By focusing on building mostly non-military networks, Japan can avoid the contentious debate in Japan over the process of becoming a 'normal' nation.. And by and large the other middle powers have so far accepted that such networking is a legitimate role for Japan to play after the war.

Yet Japan as a middle power may not totally accord with reality and perception. In the economic arena, Japan is way ahead in GNP terms of the other middle powers, and in technological development streets ahead of an entity like ASEAN. It cannot be but that in economic terms Japan is definitely a big power in the way the other three middle powers are not.

Nor will others necessarily view Japan as a medium power. China on its part might not. It might view the network creation as an attempt on the part of Japan to dominate Asia. And this suspicious view will not be allayed if Japan were to, as Soeya suggested, exclude China in an East Asian community even if only in the initial stages

The putative middle powers on their part might not consider themselves in the same league as Japan even if they welcome Japanese economic relations and other non-military initiatives. If one takes the case of ASEAN, there will always be underlying the

relationship with Japan, a perception that Japan is a big power which could dominate the entity. It is not certain that ASEAN will look favourably either on the suggestion that Japan should form a community of the middle powers that excludes China.

Japan as a Peripheral State

An even more modest conception of the Japanese role than that proposed by the middle power theorists is found in those that believe that Japan is destined to be a peripheral state to that of China. This argument is put forward by Nishimura Yoshimasa, a Waseda University professor who was formerly an official in the Japanese Ministry of Finance.(Nishimura..2008) He bases his argument on the prediction of a rising China and on the historical tendency of Japan to bandwagon with the hegemon in the area Japan operated in. As to the former, Nishimura argues thus. Japan has shown that it is the first Asian nation to do what the Western nations did which is the achievement of modernity. But in recent times, the Chinese and Indians have shown that they can also do what the Japanese had done. Given the tremendous population of China as compared to Japan, China will not before too long far surpass Japan and become the dominant power in Asia. He quotes a forecast by the Japan Center for Economic Research to the effect that by 2020 the Chinese economy will have moved ahead of the US economy and be about four times larger than the Japanese economy. He believes that some Japanese will be shocked by this but such a development, he says, would be no more than China claiming the dominant position it held in the world economy two centuries ago. For that historical fact he cites a study by an Angus Maddison which pointed out that in 1820 China and India were the number one and number two economies in the world respectively.

If the recent history of Japan is any guide, Nishimura continues, Japan will not resist but go along with this rise of China. He cites the observation of the Harvard scholar, Sam Huntington that Japan in the past century had always bandwaggoned with the dominant power. Japan did so with Britain in the early 20th century, with Germany during the Second World War, and with the United States after the Second World War.

This peripheral state prediction seems plausible if one takes a long historical view. Nishimura himself states that Japan was never once a pivotal state in the two thousand years before the Meiji period. But before one discusses this plausibility it has to be pointed out that Nishimura does not define precisely what a peripheral state is. At one stage he also points out that Russia, Britain, France and Germany are peripheral states, presumably to the United States! What he actually means by a peripheral state is being number two to the dominant power. And what remains for Japan, Nishimura hopes, is for it to become an excellent peripheral state.

Even if it is plausible that Japan will become a peripheral state (however it is defined), or number two to a China in some future date, there is the question as to whether Japan will accept this destiny. It has been pointed out by some scholars that the last hundred years of Sino-Japanese relations was one where Japan had occupied the dominant position. Such makes it psychologically difficult for Japan to accept a position inferior to China. Japan might take action to resist this trend towards inferiority. Moreover, even if the prediction of China emerging as a very big economy comes to pass, it will not necessarily be a throwback to the ancient period when China was the center of the East Asian order with Japan occupying the periphery. Modern power realities are such that China will not operate as the only power in that area. It will have to contend with rising powers like

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Lee Poh Ping, Institute of Malaysian and International Affairs, National University of
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