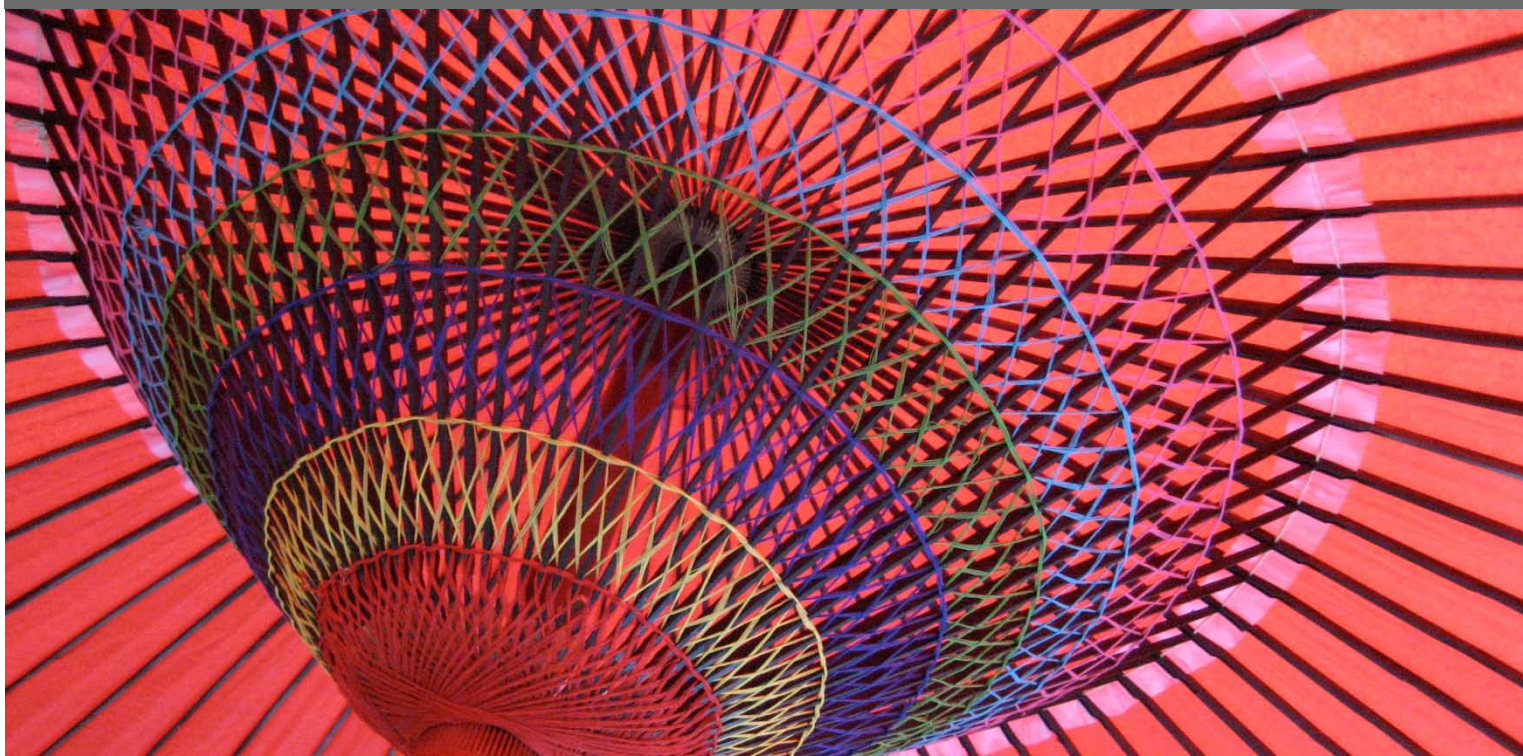


The Edwin O. Reischauer Center
for East Asian Studies



The United States and Japan in Global Context: 2009

Foreword by
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FOREWORD

What are the qualities needed for a diplomat?

I was often asked this question by students when I was teaching in college. My answers were:

- An alertness and curiosity for news events like a journalist.
- The analytical insight of an academic.
- The strategic thinking and communication ability of a politician.
- The negotiation skills of a court lawyer.
- The management talent of a five star hotel director.
- The approachability of a community organizer.

“Wow, what a demanding job!” they would say. Then they would ask if I thought I had all of these qualities, and I would hasten to respond “Of course not.”

However, it is true that many diplomats, including myself, are always aspiring to attain these skills and qualities. Or, we at least should be trying to do so. Here, I will limit myself to writing about some of the requirements for negotiation.

In any negotiation, the first thing you have to do is identify the participants’ positions:

- Who wants to maintain the status quo?
- Who seeks change and how badly?

In other words, who believes that their values and interests are reasonably reflected and who is unsatisfied with the present situation? Without grasping this accurately, you may be misled by propaganda. You may then miscalculate how much compensation or compromise you should make in order to strike a deal if at all needed.

The second important thing is to have “time” on your side. Like in any game, if you think that time is on your side, you can wait for the other side to throw their cards on the table. Sometimes, of course, you are pressed to make a deal, but to show eagerness for a deal is a different story. In the end, negotiation is very much a game of psychology.

The third challenge of a negotiator is that if you do come to an understanding, you have to record it in the form of mutually acceptable texts in order to avoid future misinterpretations.

It may be worthwhile to apply these criteria and evaluate some recent negotiations. I, at least, believe that the classic wisdom stated above still proves to be relevant.

As 2008 came to an end, we entered into a new era as the new American administration came into power. Like elsewhere, people in Japan are very optimistic about working with the new administration under such a young and dynamic leader. By choosing its leader from a minority group, the United States again proved itself to be a role model of democracy in which opportunities are available to all.

My conviction is that as long as the two sides keep to the following principles we can smoothly manage our bilateral relations:

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- *No surprises.*
In any alliance, there is no such thing as a good surprise.
 - *No over-politicization.*
Any issue to be dealt with professionally should be done so without excessive emotion and use of media.
 - *No taking the other for granted.*

After working together for so many years and building upon that partnership, we tend to get used to each other's contributions and sacrifices. We must always pay due respect and appreciate the efforts of others.

The scope of the Japan-U.S. alliance is expanding rapidly. It includes the areas of economy, energy, environment, health, food, counter-terrorism, and non-proliferation. We are cooperating closely in policy towards North Korea, Afghanistan, and Iran. I am convinced that the year 2009 will be the first page in the new chapter of our relations.

Ichiro Fujisaki
Japanese Ambassador to the United States

INTRODUCTION

For more than twenty years, the Reischauer Center has produced a “Yearbook on U.S.-Japan Relations,” chronicling the evolution of political, economic and cultural ties between the world’s largest industrialized democracies. The project represents the joint work of students in the PhD and Master’s Degree Programs at SAIS, many of whom are specializing in Japan Studies, with the collaboration of professionals at the Reischauer Center. The Yearbook is not and does not seek to be comprehensive. Rather, we try to focus on areas of the relationship where there have been major developments during the year and which have or are likely to have a significant impact on bilateral relations and on the broader regional and international environment. The focus of each year’s project is also influenced by the interests and backgrounds of the participating students because we seek to give each student as much latitude as possible in selecting and developing the individual chapters.

In 2008, there were few dramatic developments in U.S.-Japan relations, as both countries went through political transitions, and the focus of top leaders was largely directed elsewhere. At the same time, there have been concerns among experts in both countries that the U.S.-Japan relationship is somewhat adrift. Specifically, the program to realign U.S. forces in Okinawa has been slowed by local opposition; cooperation on the North Korean nuclear problem has been complicated by the abductee issue; and there has been considerable unease in Japan that the incoming Obama administration will give priority to China rather than Japan. Moreover, U.S. leaders have become concerned that a victory by the Democratic Party of Japan in the 2009 Lower House election could greatly complicate management of the U.S.-Japan alliance, given the DPJ’s opposition to Japan’s Indian Ocean refueling operation and the “revisionist” views on the alliance of the party’s leader, Ozawa Ichiro. More fundamentally, scholars in both countries have noted that the human connections between Japan and the United States have been steadily weakening, with fewer Japanese studying at American universities and fewer leadership exchange programs between the two countries.

The chapters in the 2008 Yearbook cover all of these issues, as well as examining the opportunities for U.S.-Japan cooperation in new areas, such as developing renewable energy and developing a common understanding on 20th century history.

The first chapter of the Yearbook is an overview by Momoko Sato of the impact of the political transitions underway in both countries on the management of the U.S.-Japan alliance. Ms. Sato argues that the birth of the Obama administration with its focus on “soft power” and the need for international cooperation to tackle global financial, environmental, and strategic challenges offers an opportunity to reinvigorate the U.S.-Japan partnership. At the same time, she notes that Obama’s commitment to dialogue “with friend or foe alike” may cause strains with the Government of Japan (GOJ) on policy toward North Korea. With respect to China, Sato points out that Japan remains uneasy about the possibility of “Japan passing” as Washington seeks to engage directly Beijing on key regional and global. However, she sees the Obama administration’s early actions of having Secretary of State Clinton make Tokyo who first overseas stop and

appointing experienced Japan experts such as Kurt Campbell to key positions as a strong indication that Japan will remain at the center of U.S. policy in East Asia.

On the Japanese side of the equation, Sato reviews the reasons behind the political paralysis and the prospects for political realignment. She argues that there is a good chance that the opposition DPJ will form the next government, and if this occurs, it will likely represent a challenge to the management of the U.S.-Japan alliance, at least in the short-term, given the diversity of views within the party on security issues and party leader Ozawa Ichiro's own commitment to rebalance U.S.-Japan relations.

At the end of her paper, Ms. Sato looks ahead to the year 2010, the sixtieth anniversary of the U.S.-Japan Security Treaty, as a key opportunity to reinvigorate the alliance. Central to this will be revitalizing the security component of the relationship to deal with the shifting regional environment, including examining regional security architectures. In addition, there are opportunities to expand the "soft power" dimensions of cooperation with respect to such areas as climate change, human security, global financial stability, and disease, where the two countries share fundamental interests and capabilities. More fundamentally, the author argues, Japan needs to move beyond its traditional reactive approach to foreign policy and do more to define the framework for the alliance. At the same time, the U.S. needs to continue to reassure in words and deeds that Japan is at the center of its approach to Asia and the world.

In the second chapter of the Yearbook, Timothy Preston examines the state of the U.S.-Japan Security Alliance. Mr. Preston argues that while the alliance remains fundamentally healthy, 2008 saw a loss of momentum in strengthening security cooperation as the Bush administration wound down and Japanese politics went into deadlock. With a new administration taking power in the U.S. and Japanese politics headed in an uncertain direction, the author looks at the forces that are likely to shape the future of the alliance.

Mr. Preston first reviews the evolution of the alliance, with a focus on the tremendous progress that has been made since the U.S.-Japan Security Declaration of 1996, including the GOJ's dispatch of Japan Self Force units to support the conflicts in Iraq and Afghanistan. He notes that in 2008 bilateral cooperation on missile defense moved forward, but Japan's Indian Ocean deployment was interrupted by the DPJ's vote in the Upper House to oppose the renewal of the enabling legislation. Although the Lower House later overrode the Upper House decision and the Indian Ocean operation was restored, the interruption symbolized the difficulty of coordinating security policy under a weak and divided government. In addition, the implementation of the program to relocate the Marine Air Station at Futenma in Okinawa has been slowed by local opposition.

Looking ahead, Mr. Preston notes that the early steps by the Obama administration to emphasize the importance of the U.S.-Japan alliance, including Secretary Clinton's early visit to Tokyo, and the continuity of U.S. policy represented by the retention of Secretary Gates bode well for alliance management on the U.S. side. However, uncertainty in Japanese politics, particularly the prospects of a DPJ-led government, raises the prospect of a period of delicate alliance management. More fundamentally, Japan still faces the issue of the constitutional interpretation that bans collective self-defense, which hampers alliance cooperation in such areas as ballistic missile defense. Mr. Preston concludes that for the alliance to remain healthy, the U.S.

needs to exhibit patience as Japan works through its internal debate on defense policy while Japan needs to do more spell out to its American interlocutors its future vision of the alliance.

Giulio Pugliese next discusses the U.S.-Japan-China “Strategic Triangle” in a region that is “ripe for rivalry” but also open for opportunities of increased cooperation. The author notes that there is already a high degree of interdependence among the three economies and a shared stake in regional stability. Nevertheless, there are historical issues and territorial disputes between Japan and China, the potential “zero sum game” of Taiwan’s future status, and underlying strategic tensions among the three powers. Mr. Pugliese reviews the economic integration among the three economies, demonstrated clearly by the rapid transmission of the 2008 financial crisis.

After a summary of the Post-War evolution of Sino-Japanese and Sino-U.S. relations, the author notes that the recent “warm spring” at the official level of Japan-China relations since the departure of Koizumi is not reflected at the public level. China’s “patriotic education” keeps alive the history issue, and the impact of the IT revolution has elevated nationalistic sentiment beyond state control. In Japan, Koizumi’s repeated visits to Yasukuni Shrine and Chinese protests set in motion a vicious circle of mutual recriminations, inflamed on the Japanese side by scandals over tainted food imports from the PRC. On the other hand, public attitudes in Japan and the U.S. toward each other remain consistently positive, despite the ups and downs in bilateral relations.

Mr. Pugliese concludes that the U.S.-Japan relationship needs to remain the central axis around which policies toward China should be coordinated while avoiding self-fulfilling balance of power games. He advocates the creation of a trilateral consultation process to facilitate China becoming a “responsible stake holder.” This “mini-lateral” could focus on managing the current financial crisis, confronting environmental issues, and energy challenges while at the same time building mutual trust.

The Yearbook next turns to the issue of North Korea, which produced considerable strains in the U.S.-Japan alliance in 2008. Jung in Kwon and Michael Yo examine the sources of these strains. The authors review developments in North Korea’s nuclear and missile programs, noting the early close cooperation between the U.S. and Japan bilaterally and in the Six Party Process, followed by the gap that developed between Washington and Tokyo when the U.S. shifted its approach after the DPRK’s nuclear test in October 2006 and decided to directly engage Pyongyang. These strains were intensified in 2008 when, in response to the North’s dismantlement of its nuclear facilities, the U.S. removed the DPRK from its list of State Sponsors of Terrorism, notwithstanding the North’s failure to resolve the issue of its abduction of Japanese citizens thirty years ago.

The authors conclude that it is important for the health of the alliance that the gap between the two countries on policy toward North Korea be narrowed. They note that the first steps taken by the Obama administration in this regard were promising. Secretary Clinton made Tokyo her first overseas stop after assuming her position, and shortly thereafter President Obama welcomed Prime Minister Aso to the White House as the first head of government to meet with the new president. Both Obama and Clinton proclaimed Washington’s alliance with Tokyo as a cornerstone of U.S. foreign policy, and both expressed support for Japan on the abduction issue. In addition, while in Tokyo, Secretary Clinton met with family members of the abductees. Nevertheless, the potential

for divergence between Tokyo and Washington remains, and both governments will need to be sensitive to the concerns of the other and avoid surprises if a further rift is to be avoided.

The Yearbook next turns to “The Weight of History in U.S.-Japan Relations.” Nicholas Christianson examines three interrelated historical issues around which Japanese and American perceptions diverge: The U.S. decision to use atomic bombs on Japan; the question of the nature and degree of responsibility for the origins of the war and the suffering it inflicted; and the validity of the Tokyo War Crimes Tribunal and its decisions and interpretation of history. He notes that in the years since the end of the War, these differences have been successfully managed by the two governments but not resolved. The author argues that one cannot expect the two countries to share fully a narrative of WWII, but he suggests that through a process of discussion and analysis these issues can be largely depoliticized over time. Mr. Christianson notes that thanks to intensive scholarship on both sides of the Pacific, there appears to be some narrowing of the gap between Japan and the U.S. on the rationale and need for the atomic bombings, at least at the academic level.

The author then examines the “Tamogami controversy” that made headlines in 2008 when then Air Self-Defense Force Chief Tamogami Toshio published an essay that argued among other things that Japan was tricked in war by Chiang Kai-shek and Franklin Roosevelt. Tamogami was relieved of his position, and his arguments were criticized by the mainstream press, but many conservatives voiced quiet support. The author judges that this incident is unlikely to lead to a full debate of war responsibility, but it has raised questions about the education and attitudes of the uniformed military in Japan.

In conclusion, Mr. Christianson looks at the 2010 anniversary of the 1960 U.S.-Japan Security Treaty as an opportunity for symbolic gestures on both sides to address the historical legacies of WWII. One idea put forward is for reciprocal visits to Hiroshima and Pearl Harbor by the American president and Japanese prime minister, respectively, which would be a follow-up to the 2008 visits by Speaker of the House Nancy Pelosi and Lower House President Kono Yohei to these sites. Among Japanese scholars and journalists interviewed by the author, views were divided on the impact of such gestures. The author concludes that whether or not such grand gestures materialize, the issue of historical identity in both countries will continue to evolve, shaped only in part by the actions and statements of political leaders. While there may be opportunities for joint efforts in this regard, the author recommends a “less is more” approach that avoids exacerbating differences.

There are three papers in this year’s Yearbook that deal with economic issues. The first, by Levi Tillemann-Dick, is entitled “Profiles of Dependence: Comparative U.S. and Japanese Policy on Renewable Energy.” The author notes that since the 1980s, Japan and U.S. have followed very different courses with respect to renewables. He charts the history of U.S. and Japanese policies in this regard, including the structural, political and social forces that have shaped national energy plans, noting that Japan’s bureaucratic-led approach has resulted in a remarkable degree of policy continuity, while U.S. policy has swung dramatically in response to shifting political and ideological winds.

The author then examines major developments in 2008 that are likely to have an impact on the renewable energy industry, notable the spike in oil prices followed by the

global recession and the election of Barak Obama. Most fundamentally, Mr. Tillemann-Dick argues, 2008 was a year that saw an overwhelming political and social consensus that climate change was real and required an urgent response, highlighted by rapid retreat of the polar ice caps. With renewed interest in renewable energy, Japan saw its leadership challenged by the Europeans, particularly in solar energy, and the prospects are for a much more robust U.S. program on solar photovoltaics and wind energy under Obama and Energy Secretary Steven Chu. There has also been action by 32 states to mandate that utilities utilize a certain percentage of renewable energy by a fixed date, which has stimulated dramatic growth in wind energy in particular. With carbon limiting legislation on the horizon, this trend should continue, although heavy reliance on fossil fuels for energy generation will continue for the foreseeable future.

Turning to opportunities for U.S.-Japan cooperation, the author suggests that there are many. As the U.S. moves to renewable energy, it will need to rely heavily on Japanese manufacturing capacity and environmental technologies, particularly with respect to solar cells and batteries, and this cooperation should be encouraged by policy makers on both sides of the Pacific. The U.S. also needs to catch up with Japan in fully embracing “green leadership” as part of its national identity. At the same time, the U.S. has much to offer in its capacity for innovation and proven ability to gear up rapidly for a new challenge when the political will is there. The author concludes that increased collaboration between the U.S. and Japan at many levels on developing renewable energy is essential to addressing successfully the global challenge of climate change and energy demand.

In the second chapter on economic issues, Benhan Limketkai looks at “The Evolving Economic Architecture in East Asia: A Paradigm Shift in U.S.-Japan-China Economic Relations.” The author notes that since the 1997 Asian Financial Crisis, regional economic architecture has shifted away from the Asia-Pacific Economic Cooperation (APEC) framework to the “Asia only” structure embodied in the ASEAN + 3, made up of the ten ASEAN members plus China, Japan, and the Republic of Korea. This emerging structure reflects the growing integration of the East Asian economies, with Asian intra-regional trade now more than 55% of the total trade of Asian countries, higher than NAFTA and not far behind the EU. East Asian governments have sought to facilitate this organic growth with regional and bilateral free trade agreements (FTAs) and economic partnership agreements (EPAs), including an ASEAN-China agreement. Japan was a late entry into the FTA game because of its preference for multi-lateral arrangements and its restrictions on agricultural imports, but Tokyo is now trying to play catch up.

Mr. Limketkai argues that growing interest in an “Asian identity,” as well as the perceived failures of U.S. leadership in response to the 1997 Asian Financial Crisis, has helped fuel Asian economic regionalism. At the same time competition for leadership among China, Japan, and ASEAN itself complicates the development of a coherent structural framework. In addition, the U.S. remains a major regional economic and strategic player and continues to push the broader APEC approach to regional cooperation. In 2006 the U.S. put on the table a proposal for a Free Trade Area of the Asia Pacific (FTAAP), but China and ASEAN have not been enthusiastic. Moreover, as a result of the current global financial crisis and economic recession, the author opines, the free market “Washington Consensus” has been largely discredited as a model for Asia,

which may further weaken U.S. influence in the region. In addition, the U.S. strategy of negotiating a series of FTAs/EPAs with Asian countries as building blocks to a broader arrangement has been stalled by the recession and growing Congressional opposition to free trade agreements, including the un-ratified agreement between the U.S. and South Korea (KORUS).

The author notes that Japan finds itself a bit in the middle in the process of building an East Asian architecture. On the one hand it wants a leadership role and supports the ASEAN +3 and is looking for variants, such as the ASEAN + 6 (adding the democracies of India, Australia, and New Zealand) that might strengthen its hand vis a vis China. On the other hand, the U.S. remains Japan's essential ally, and Japan is trying to ensure that evolving regional frameworks do not take on an anti-American coloring and for this reason continues to support APEC. Mr. Limketkai concludes that interplay between Japan, China and the U.S. will have a strong influence on what architecture emerges which in turn will reflect the relative economic weight and political leadership of the contenders. The only certainty is that there is a paradigm shift underway.

In a companion piece, Ryan Gage examines "Asian Financial Regionalism and U.S.-Japan Financial Relations." The author's thesis is that in the decade since the Asian financial crisis, the financial dialogue between Washington and Tokyo has been largely adrift as U.S. policy focused primarily on the integration and deregulation of capital markets while Japan's financial foreign policy was directed primarily at developing Asian mechanisms – including the Chiang Mai Initiative, the Asian Bond Market Initiative, and the Asian Bond Fund – without U.S. participation. However, the 2008 financial crisis demonstrated the need for strong and coordinated U.S. and Japanese leadership, and the two governments have been in the forefront of G-7 and G-20 members in terms of fiscal stimulus and monetary coordination.

Mr. Gage reviews in detail the history of the Asian financial crisis and the lessons learned, specifically the need to develop local currency bond markets to insulate to a degree Asian economies from exchange rate fluctuations and to reduce the moral hazard of banking relationship built on personal connections, not financial assessments. He analyzes the strengths and limitations of the Asian Bond Market and the Chiang Mai Initiatives. He then looks at the impact on the world financial system of the enormous surpluses many Asian countries have been running and the connection to the unsustainable "debt boom" in the U.S. He notes that Asian central bank managers have invested almost exclusively in the safest U.S. securities and thus have not borne the losses of many private investors, but he raises the question whether the current financial crisis will change the investment patterns of the major creditor countries.

Mr. Gage concludes that the 2008-9 crisis has seen a reversal of the financial regionalism of the last decade with the creation of swap lines between the Bank of Japan and the Federal Reserve and the broader coordination in the G-7 and G-20, often led by Tokyo and Washington, working closely with Beijing. The author suggests that building on the steps already taking, the U.S. and Japan should renew their policy coordination, including a dialogue on monetary policy and global imbalances issue, and take the lead in discussions on reforming the international financial system to prevent a recurrence of the 2008 near-collapse.

The final two chapters of the Yearbook deal with the shifting pattern of "U.S.-Japan Education Ties," and "Japan's Cultural Diplomacy toward the U.S." Linh Le,

writing on educational exchange, notes that the number of Japanese students studying in the U.S., both in absolute numbers and as a percentage of all foreign students studying here, has declined sharply in the first years of the 21st century, while the number of American's studying in Japan has increased gradually, but from a much lower base. The author analyzes the reasons behind these trends and offers some suggestions on how U.S.-Japan educational might be revitalized to build mutual understanding among a new generation of Americans and Japanese.

Mr. Le first looks at the decline of Japanese students headed for the U.S, noting a demographic decline in the number of Japanese young people, the increasing opportunities for obtaining an internationally oriented university education in Japan, and the Japanese employment system that hires during the third year of university and is thus a disincentive for students to go abroad. In addition, there are concerns about security in the U.S., the high cost of American education, and the still formidable language barrier. Moreover, Japanese students who do go abroad are increasingly going to China, Vietnam, or other Asian destinations.

With respect to American students, the author argues that the decision to study in Japan is weighted against other options that are lower in cost, offer a more welcoming environment for foreign students, and where the language barrier is not quite so high. There is also increased interest among American students in more “exotic” destinations, such as China, India, and South Korea. In particular, the rise of China has had a large impact on U.S.-Japan educational exchange because expanded American trade and investment there has increased the demand for Americans who speak Chinese and understand the country. In addition, the Chinese government is making a major effort to attract foreign students. The result is that China now ranks behind only the U.S., Britain, France, and Germany in attracting foreign students.

In conclusion, the author offers four suggestions to reinvigorate U.S.-Japan educational exchange including: a centralized system to link all interested universities in Japan and the U.S.; development of joint programs taught half in Japan and half in the U.S.; expanded USG funding for Japanese language teaching; and programs such as career expos to link American students with expertise in Japan with potential American and Japanese employers.

In the final chapter of the Yearbook, Li-Chih Cheng examines the changing nature of Japan's cultural diplomacy toward the U.S. The author notes that former Prime Minister Koizumi was the first Japanese leader to embrace the idea of making Japan's “pop culture,” including “anime” and “manga,” a central feature of Japan's cultural diplomacy as part of a broader effort to market Japan's “soft power” in the U.S. and worldwide.

Ms. Cheng reviews the history of Japan's cultural diplomacy toward the U.S., noting that before WW II the emphasis was on how Western Japan had become, not on promoting its traditional arts. This latter role was left to private Japan-America societies, led by the Japan Society of New York. In the post-War period, Japanese popular culture was transmitted to the U.S. by the thousands of Americans that served in Japan during the Occupation, making sushi and karaoke and later Pokemon, manga, and anime ubiquitous. It was not until the 1990s, however, that the Japanese government developed a specific cultural diplomacy strategy toward the U.S.

The author then examines the roles of the various Japanese, American, and bi-national players in the field, including the Japan-U.S. Friendship Commission (JUSFC), the U.S.-Japan Conference on Cultural and Educational Exchanges (CULCON), the Japan Information and Cultural Center (JICC), and the Japan-America Societies throughout the U.S. She discusses the role of the Japanese government through the Japan Foundation, the Center for Global Partnership, and the Japan Arts Council. She notes that in a 2005 article, Ogura Kazuo, President of the Japan Foundation, divided Japanese culture into four categories along a commercial, non-commercial axis, with government support going to the latter. In Japan's cultural diplomacy toward the U.S. the focus has been on intellectual exchanges to help develop and sustain American leadership interest in and knowledge of Japan. This includes the Japan Exchange and Teach Program (JET) that brings thousands of American college graduates to Japan for at least a year as English teachers or advisors to local governments, as well as the initiative by then Prime Minister Fukuda during a 2007 visit to Washington that includes direct support to American think tanks for Japan studies programs.

The above chapters demonstrate the breadth and depth of the cooperation between the U.S. and Japan that already exist, as well as some of the many challenges and opportunities that lie ahead.

I would like to acknowledge the contributions made to this project by the two student editors, Lauren Witlin and Nicholas Christianson. I also wish to thank the student authors who put a great deal of time and energy into their contributions while balancing a heavy academic schedule.

In addition I wish to acknowledge the strong support of Dr. Kent Calder, Director of the Reischauer Center, who is the leading force behind this project. Dr. Calder offered regular guidance and encouragement and played the key role in lining up the sponsorship that made the yearbook possible. We are very grateful to all of our sponsors, who are listed in the volume, for their generosity.

Finally, I want to thank Ambassador Ichiro Fujisaki who has kindly written the foreword to the 2008 Yearbook. We traditionally alternate between American and Japanese leaders to do us this honor, and we are delighted that Ambassador Fujisaki agreed to give us his perspective.

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THE IMPACT OF POLITICAL TRANSITION ON THE U.S.-JAPAN ALLIANCE

As the 1960 Treaty of Mutual Cooperation and Security approaches its 50th year, the reaffirmation and strengthening of this historic alliance is made all the more crucial in the global context of the daunting domestic and international challenges facing the United States and Japan. In the midst of these challenges, both countries to varying degrees are undergoing political transitions. Although there are valid concerns that the political transitions may have a negative impact on U.S.-Japan relations, the transitions also represent an opportunity for innovative policies and giving further substance to the concept of the global partnership. Realizing the potential of this alliance and developing concrete action that reflects such resolve will be the key to ending the current hand-wringing over the “drift” in the alliance.

Introduction: Political Transition

Barack Obama’s decisive victory in the November 2008 Presidential election brought with it not only a strong popular mandate, but also a Democratic majority in both the House and Senate. The new administration is fully preoccupied with the unprecedented financial crisis, but President Obama, at least initially, appears intent on fulfilling his campaign promise to bring fundamental change to both the style and substance of American domestic and foreign policies.

Japan, too, stands at a potentially historic crossroads. The abrupt resignation of Prime Minister Fukuda Yasuo in September 2008, just one year after the sudden resignation of his predecessor, Abe Shinzo, is seen as an indication of the declining fortunes of the Liberal Democratic Party (LDP) and the weakening of Japanese leadership at home and abroad. Fukuda’s successor, Aso Taro must contend not only with a slew of pressing domestic issues, but with a “twisted Diet” that has the opposition Democratic Party of Japan (DPJ) in control of the Upper House, and seeking to bring down the government at every turn. Aso’s popularity has sunk to record lows, and public opinion polls indicate the DPJ is likely to win the next Lower House election that must be held before the end of 2009. If the DPJ does gain control of the government, this would represent the final collapse of the LDP dominated “1955 System” and likely usher in an extended period of fragility and uncertainty in Japanese politics as political parties reorganize and realign themselves.

America in Transition: The Obama Agenda

Regaining American Leadership through “Smart Power”

Renewing alliances and placing greater emphasis on diplomacy and engagement was a major theme of Barack Obama’s campaign, while strongly criticizing the Bush administration’s disdain for international cooperation on such issues as climate change and its foreign policy defined by unilateralism and a “us” versus “them” mentality that

contributed significantly to the decline of America's global image. Francis Fukuyama asserts in *The Fall of America, Inc.*, that a tarnished and weakened U.S. will no longer enjoy the global hegemonic position it has occupied since the end of the Cold War. Yet the article also notes the possibility of rebranding America and restoring American influence. President Obama appears to have embraced this approach in addressing the enormous challenges that confront the 21st century—climate change, failed states, nuclear proliferation, terrorism, poverty and disease—which are challenges that the U.S. cannot singularly combat. Forging new partnerships as well as strengthening existing alliances with strong, capable partners has been the primary focuses of both the Obama campaign and presidential agenda for reinvigorating America's global leadership position.

As outlined by Secretary of State Hillary Clinton during her confirmation hearings, the new administration's foreign policy philosophy will seek to strike a balance. "With smart power, diplomacy will be the vanguard of our foreign policy," Clinton said, adding it "requires reaching out to both friends and adversaries, to bolster old alliances and forge new ones." Smart power, the ability to combine hard and soft power into a successful strategy, was recently added to the international relations discourse by Harvard's Joseph Nye and the bipartisan commission convened by the Center for Strategic and International Studies. In practice, smart power means a more equal relationship between the State and Defense Departments. Even Secretary of Defense Robert Gates, a Bush appointee who Obama has elected to keep on, has appealed for additional funding and resources for the State Department and American diplomacy.

Engagement & Diplomacy in East Asia

The bold proclamation made by Obama in his inaugural address that "to those who cling to power through corruption and deceit and the silencing of dissent, know that you are on the wrong side of history, but that we will extend a hand if you are willing to unclench your fist," is an extension of this emphasis on smart power and reinvigorating diplomacy. Obama's commitment to pursue direct diplomacy with both friend and foe will most likely translate to greater engagement with Iran and a continuation of the more accommodating North Korea policies of the second Bush administration under the leadership of Assistant Secretary of State for East Asian and Pacific Affairs, Christopher Hill. Further, greater efforts may be made by the incoming administration to establish and strengthen institutional frameworks for East Asian regional security and cooperation that go beyond ad hoc arrangements and bilateral treaties.

The Obama administration will certainly attach much importance to the relationship with China, not only as recognition for its strategic and economic significance, but also as a means to encourage China's emergence as a responsible power and stakeholder in the international system. While Hillary Clinton, in a January 2008 Foreign Affairs article characterized the Sino-U.S. relationship as the most important bilateral relationship in the world, the new Secretary of State emphasized during her confirmation hearing the importance of U.S. -Japan relations and indeed made Tokyo her first foreign stop after taking office. While Japan will certainly remain central to U.S. foreign policy in Asia and more broadly, the new administration is clearly very focused on results; therefore, much will depend on Tokyo's ability and willingness to offer meaningful support on key issues. While Japan is likely to be seen in the wider context of

Asia, a nuanced approach to Asia policy does not diminish the fundamental importance of the U.S.-Japan alliance, and it certainly would not usher in a one-dimensional Asia policy hinging on a zero-sum game of Japan versus China. Even those who put greater emphasis on China cannot deny the crucial role Japan can play in balancing China and abetting its responsible rise.

Moreover, the replacement of Hill with Kurt Campbell as Assistant Secretary of State places a seasoned diplomat responsible in part for redefining the U.S.-Japan alliance under former President Clinton in one of the more consequential positions for steering the Obama administration's Asia policy. Although the commitment to expanding diplomacy points towards a wider web of engagement and cooperation in Asia, the U.S.-Japan alliance will remain the cornerstone of stability and security in East Asia.

Afghanistan

Tackling pressing global issues in the midst of a historic financial and economic crisis means that strong, capable allies are at a premium. The need is even more urgent at a time when the U.S. finds itself bogged down in two costly wars. Obama's campaign pledge to shift the focus from Iraq to Afghanistan signals a call for greater burden sharing in fighting the war on terror—a pressure that has been mounting for months in the midst of reluctance by European allies to commit more troops. Japan, too, faces expectations to do more to support the struggle, within the constraints of Article IX of the Japanese constitution. Gerald Feierstein, a State Department expert on counterterrorism argues that “there had been an overemphasis on the military aspects of the war on terror,” and points to the vital non-military contributions necessary for state-building, stability and security in the region, an area where Japan is well positioned to do more.

Japan at a Crossroads: Political Realignment?

Japan at a “crossroads” is a prevalent theme that has defined Japan since the 1990s with the advent of the first Gulf War and the collapse of the bubble economy. In the 2003 book, *Reinventing the Alliance: U.S.-Japan Security Partnership in an Era of Change*, G. John Ikenberry and Inoguchi Takashi warn of the persistent confusion in politics and an increasingly inward looking public in the midst of a prolonged recession also noting the criticism and blame against politicians for their lack of vitality and leadership.

Five years later not much has changed. With three prime ministers in little more than a year, an Upper House under opposition control, and an electorally weakened LDP, governing in coalition, Japan finds it very difficult to take initiatives at home or abroad at a time when internal and external challenges are mounting. The same theme and observations made by Ikenberry and Inoguchi remain as relevant as ever. Is Japan finally on the brink of the long anticipated political realignment?

Predicting the next step in Japan's electoral politics requires one to look back on the incremental changes that Japan has been experiencing since the early 1990s. The 1993 reforms in the electoral system resulted in an endogenous institutional change with enormous implications for the subsequent development of Japan's domestic politics, notably the weakening of factions in the LDP. These shifts were also affected by various

internal trends originating in the gradual and underlying socio-economic change. As migration from rural areas into cities progressed, the number of urban middle-class voters increased, diminishing the traditional rural base of the dominant LDP. Furthermore, as Japan's economy shifted away from agricultural and manufacturing to service sectors, the conventional provision of political favors become less and less effective in mobilizing votes, enhancing the political salience of the urban middle-class "floating" voters, not loyal to any one party. As long as opposition parties failed to appeal to the growing number of independents, the LDP could maintain its plurality in the Diet. Ozawa Ichiro's mantra, "We have to change in order to remain the same," underpinned how the continuation of Japan's conservative political traditions hinged on leaders recognizing when change was inevitable and acting to co-opt the opposition in order to remain in power.

However, there are clear indications that this political crossroads may be different. Former Prime Minister Koizumi Junichiro's bold structural reforms and dynamic personality may have briefly buoyed LDP popularity, but his policies alienated the traditional base of rural voters. Meanwhile independents and affiliated voters alike have grown increasingly disillusioned as successive LDP leaders have become mired in scandals, gaffes, and virtual deadlock with the opposition. The Democratic Party of Japan's victory in the 2007 Upper House elections and the subsequent ability of the opposition to hold up legislation passed by the LDP-Komeito coalition in the Lower House led to further political confusion with the unprecedented "Twisted Diet." Most importantly, unlike other moments of political confusion, a viable second party has emerged in the DPJ, and the LDP seems to have reached its limit in reinventing itself.

Opinions on whether political realignment will occur appear to be split among Japanese policymakers and journalists. While some predict that in the short run there will be no change, others postulate that if the LDP loses its majority in the Lower House, this will certainly spawn fractionalization and splits in the party as some leave to join the ruling DPJ or form separate parties along ideological lines on economic or security issues. Policy stances regarding postal reform and structural reforms are noticeably coming to the fore once again as potential sources of deep division within the party. Amidst the debate, however, one consensus emerged: that it would take at least one to two years for the political confusion to settle. Moreover, postponing the general elections will ensure continued political malaise and hinder Japan's ability to act proactively.

The LDP's Last Stand?

Many in the LDP voted Aso Taro for LDP president based on the assumption that the Lower House would be quickly dissolved and an LDP victory assured in a general election, riding on the momentum of Aso's popularity and high approval ratings. Aso's initial lower than expected approval ratings combined with the onslaught of the global financial crisis significantly altered the original calculated strategy. With one scandal following another and his popularity steadily sinking, Aso continues to hold off dissolving the lower house for general elections.

While the Lower House must be dissolved by September 2009, calling elections earlier depends on several factors. The first is the passage of the second supplementary budget and related bills for fiscal year 2008. Second is the passage of the budget for the

2009 fiscal year. The third factor is the scheduled July G-8 summit in Italy. And fourth is the Tokyo Metropolitan election to be held in July 2009. A general election held in conjunction with the Tokyo Metropolitan election is highly undesirable for the New Komeito, which wants to avoid holding two difficult election campaigns at the same time. The timing of the passage of the two contentious bills, either with the approval of the Upper House, or more likely by a Lower House override based on the two-thirds LDP-Komeito coalition majority in that House, will also determine possible dates of a general election. Some LDP politicians have proposed waiting until September or even replacing Aso in another LDP presidential election before facing general elections.

In the meantime, Aso's approval rating continues to drop, and in early 2009 was at a record low of 18.1%. Over 70% of the public disapprove of the government's 2 trillion yen cash stimulus program included in the 2008 second supplementary bill and the percentage of those who prefer Aso as prime minister fell for the first time below that of those who prefer Ozawa Ichiro, leader of the DPJ. Signs of discontent within the party became most apparent with the very public defection of Watanabe Yoshimi, former Minister for Financial Policy and Regulatory Reform under the Abe and Fukuda cabinets. Former Prime Minister Koizumi has been one of several high profile party members vocal in their criticism of Aso. Even before such dismal approval ratings and breakdown of party morale, Kokubu Takashi of *Asahi Shimbun* spoke about a number of LDP members recounting stories of long-time constituent supporters coming to apologize for their intention to vote for a DPJ candidate in the next election. Given these ominous indicators, the LDP may be in for heavy losses in an already uphill battle. However, the arrest in February 2008 of Ozawa's political secretary for receiving illegal campaign contributions threatens the DPJ's popularity and could give the LDP some hope. Moreover, on issues regarding foreign policy and the economy, more people still view the LDP as more capable than the DPJ, though the DPJ are seen as more capable on social welfare issues. In the uncertainty of the growing recession, slowing exports, and rising unemployment, it is difficult to predict which party the public will entrust with Japan's well-being.

The Future of Japanese Politics

With the prospects still relatively high that the DPJ will take power after the Lower House elections, there are misgivings among officials in both Washington and Tokyo about the implications for the maintenance of a strong U.S.-Japan alliance. There are questions both regarding the ability of the loosely organized and badly divided DPJ to govern, particularly given the presence in the party of an important minority that does not share Japan's long standing commitment to the alliance. Others argue that although the transition and adjustment to power may take some time, many in the DPJ are former LDP members, former bureaucrats, or former cabinet ministers who are familiar with governing as the ruling party. In addition, the brief and tumultuous transition of power in 1993 provided important lessons for current Diet members and bureaucrats who experienced the transition. In acknowledgement of the possibility of a power shift, bureaucrats are forging relationships with DPJ members to establish lines of communication that have traditionally been reserved exclusively for ruling party members.

On the question of security, the DPJ strongly opposed any extension of the Maritime Self Defense Forces (MSDF) refueling mission in the Indian Ocean and is generally seen as holding a more cautious attitude towards the U.S.-Japan alliance. Ozawa Ichiro himself supports the alliance but with important qualifications. He has called for a “more equal” relationship between Washington and Tokyo, argued for renegotiating the Status of Forces Agreement that sets the terms for the U.S. military presence in Japan, voiced opposition to the current U.S.-Japan agreement to relocate Futenma Marine Air Station in Okinawa and move 8000 Marines to Guam largely at Japanese expense, and taken the position that the deployment of Japan’s Self Defense Forces (SDF) to areas outside East Asia, such as the Indian Ocean, can only take place under a UN Security Council Resolution.

More broadly, there are a wide variety of views in the DPJ on the U.S.-Japan alliance. There are a few, such as Seiji Maehara, who are experts on security relations and who hold views very similar to alliance supporters in the LDP. The ideological spectrum in the DPJ is wide, encompassing those like Nagashima Akihisa, member of the sub-committee on terrorism, who insists upon Japan playing a more active role in international security, as well as those with socialist leanings who heavily question the constitutionality of the Self Defense Force and its activities. “10 to 15% of the DPJ doubts the legitimacy of the U.S. alliance,” warned Ueda Isamu as he expressed his skepticism of a DPJ led government. However, arguments questioning the fundamental legitimacy of the U.S. alliance and the SDF were severely undermined by former Socialist Prime Minister Murayama Tomiichi’s acknowledgement of their constitutionality. Murayama’s acknowledgment underscores the pragmatic necessity of any ruling party to accept the U.S. security alliance and the responsibility to maintain it. “There is no way the DPJ can legitimate itself as a viable ruling party without upholding the U.S.–Japan security alliance,” stressed a freelance journalist who has long covered Japanese politics.

If neither the LDP nor the DPJ gains a majority in the Lower House, there are a wide variety of possibilities. One is for the two parties to form a grand coalition, something that has been promoted by some Japanese leaders and even discussed between the two parties. Any such coalition would be difficult to realize and probably very short-lived. It may be more likely that each party would actively court small third parties to gain a majority. The DPJ already works in coalition with the Japanese Communist Party (JCP), the Social Democratic Party (SDP) and the People’s New Party (PNP) in the Upper House. The DPJ plans to unveil a slated cabinet with key posts left unnamed before the general elections in order to attract potential defectors from the LDP and strengthen its support among other small parties. For the LDP, the coalition with New Komeito is crucial. Though the partnership marks its tenth year, prolonged weakening of the LDP may create an impetus for the New Komeito to eventually seek a more favorable or strategic coalition.

Until elections are held and results tallied, there is no way to tell how the parties will realign. If the majority is unclear, the realignment will not be immediate, and it may take years or at least one more Lower House electoral round and an Upper House election for a new political arrangement to take hold. This confusion and fluidity is likely to make management of U.S-Japan relations a challenge and risks lost opportunities for U.S. -

Japan cooperation on the many global challenges. On the other hand, this turmoil may be what is necessary to foster new leadership and revitalize stagnant Japanese politics.

2010: An Opportunity to Revitalize U.S.-Japan Relations

2010 will mark the 50th year of the historic U.S.-Japan alliance. Despite the likely preoccupation of both governments with the financial and economic crisis and the prospect that Japan will still be going through its political transition, 2010 is an opportunity for both governments to articulate specific policies and to launch concrete actions to reinvigorate this vital alliance.

Transformation: Reinvigorating Security Cooperation

Though the Bush and Koizumi years are known for the leaders' unprecedented closeness, Mike Mochizuki notes that little was done to expand upon the 1997 defense guidelines. While partnership in global endeavors is certainly important, what separates mere partnerships with any one country from that of an alliance relationship is the security component that comprises the fundamental basis of the alliance. Several alliance specialists stress the need for closer consultation mechanisms for defense cooperation as well as coordinated contingency plans for stability and security in the region, particularly the Korean peninsula. Japan's warming relations with China and South Korea, established relations with vital Southeast Asian countries such as Indonesia, and growing connections with India and the Middle East will be important platforms for the U.S. to develop closer coordination on regional and international security. Whether through the Six-Party Talks or the U.N. Security Council while Japan serves its two-year term as a non-permanent member, utilizing the full potential of Japan's strategic influence requires closer coordination on a bilateral as well as multilateral level.

Expanding Mutual Cooperation: Global Partnership

The Obama administration's foreign policy, as articulated by the President and Secretary Clinton, will focus less on the military dimension and more on addressing the global challenges of climate change, energy, development and poverty issues as well as working to restore world economic growth and financial stability. In all of these areas, Japan is an essential partner, and these challenges present an extraordinary opportunity for the U.S.-Japan alliance to broaden and strengthen. As a leader in innovative new energy technologies, Japan recently pledged to reduce carbon emissions by 50% by 2050. Further, the Ministry of Foreign Affairs' policy for Japan to promote peace around the world as a "peace-fostering nation" has led to Japan's extensive work in human security. In light of the global financial crisis, Japan has also contributed aid in a multilateral and regional capacity, most recently pledging a \$17 billion aid package to South Asia. In sum, Japan has distinct strengths and shares similar objectives and values that make it a natural partner for the U.S.

U.S. Secretary of State Hillary Clinton's Inaugural Visit

Clinton's first overseas visit as Secretary of State in February 2009 to Japan is a significant sign to Japan of the importance the Obama administration attaches to the U.S.-Japan alliance. A U.S. official's statement that, "Forging personal relationships is not our goal. The question is how the two countries can cooperate. There will be no problem," signals that the U.S. acknowledges the current political constraints facing Japan, yet remains determined to strengthen ties with Tokyo. Secretary Clinton's visit with DPJ leader Ozawa Ichiro also signals that the U.S. stands ready for the possibility of political change. The invitation to Prime Minister Aso to visit Washington the following week, making him the first foreign head of government to be received by President Obama, was a further signal that Japan is at the center of American foreign policy and helped quell anxiety in Tokyo concerning the new administration.

International Role for a Confident Japan: Moving Beyond *Gaiatsu*

The feeling among many Japan specialists and political experts both in Japan and the U.S. is one of frustration for Japan's inability to take on a more proactive and global role in shouldering the responsibilities equal to its status as a powerful actor in the international system. However, Japan is quietly playing an essential role in a number of multinational institutions, ranging from the IMF to World Bank, and Tokyo is bearing a large portion of the financial burden for development and humanitarian assistance around the world. Japan has also maneuvered around constitutional constraints to send the SDF on non-military and rear-support missions to Iraq and the Indian Ocean. Largely, these acts go unnoticed or only acknowledged grudgingly in the U.S, with calls that Japan must do more.

Many American and Japanese experts agree that Japan indeed can do more to contribute as a global actor, and that Japan's leaders have yet to articulate a clear vision for the nation. As one Japanese academic noted, "there is no deep discourse or debate surrounding Japan's security or national interest." Both political parties and the people alike must seize a new national image for a 21st century Japan. Echoing Obama's soaring rhetoric for America, Japan too must grasp a new sense of national purpose. A DPJ Diet member pointed to the need for "precise *gaiatsu*" (outside pressure) and confidently stated that Japan was ready to be equal partners with the U.S. However, "*gaiatsu*" applied precisely or not is seen by others as one the greatest handicaps to Japan's new internationalism. Japanese journalists who closely follow domestic politics lament that "*gaiatsu*" is used as a substitute for domestic leadership by those who have abnegated responsibility for educating and stimulating the citizenry about Japan's global responsibilities.

A New Focus: Change and Constraints as Opportunities

Barack Obama's win was celebrated and welcomed by the general Japanese public, but a palpable sense of anxiety hangs over some Japanese policy makers and the media elite. The notion that the Japanese government finds greater comfort in a Republican administration has been dismissed by some Japanese officials as a "myth."

The Impact of Political Transition on the U.S.-Japan Alliance

Indeed, despite the bitter trade disputes between Japan and the U.S. during the Clinton administration, significant strides were made in strengthening the security alliance. The U.S.-Japan Joint Declaration on Security, issued by President Clinton and Prime Minister Hashimoto in 1996 reaffirmed the alliance as the cornerstone for achieving common security objectives and set forth a post-Cold War rationale for the alliance. However, the trauma of “Japan passing” continues to touch on Japan’s particular sensitivity concerning the rise of China and its potential to overshadow Japan in importance. Secretary Hillary Clinton’s January 2008 essay in *Foreign Affairs* stating, “Our relationship with China will be the most important bilateral relationship in the world in this century,” added to this suspicion and anxiety surrounding a Democratic administration. It is an indication that the U.S. must do more to reassure Japan, not only for the sake of diplomacy, but because despite China’s emergence, Japan’s strengths are crucial for realizing the bold global agenda envisioned by the incoming administration. Just as Japan’s preoccupation with “Japan Passing” overlooked Clinton’s emphasis on strengthening alliances in the same *Foreign Affairs* piece just several paragraphs later, it is preventing Japan from looking broadly and confidently at the opportunities presented by an administration ready to reengage the world.

Japan can no longer remain hobbled by its traditionally reactive stance nor can it wait for the U.S. to define the frameworks of the alliance. Japan’s political confusion, the incoming new administration, and the daunting global challenges can be seen as constraints, but they are also opportunities for Japan to emerge more confident and able to shape its own purpose in the U.S. alliance. Simply muddling through or passively standing by will not only chip away the foundation of the alliance, but will also mean the gradual loss of Japan’s vitality.

Momoko Sato

THE U.S.-JAPAN SECURITY ALLIANCE: MOMENTUM LOST?

Introduction

2008 proved to be a tumultuous one for the U.S.-Japan security alliance, at least on the surface. Politically, Japan's close relationship with the Bush White House came to a close as Barack Obama was elected as the 44th President of the United States, putting Japan in the less familiar situation of having to deal with a Democratic administration. It was also a year which saw yet another surprise resignation of a Japanese prime minister, throwing the reigning Liberal Democratic Party (LDP) further into turmoil and concurrently strengthening the position of the opposition Democratic Party of Japan (DPJ) which had won the Upper House election July of 2007 and was in a position to hold up, if not block, legislation introduced by the LDP. Economically, the global financial crisis in the later part of the year hit Japan hard, just as it was beginning to creep out of its decade long economic slump.

It was also a year that saw the momentum achieved during the Koizumi Era toward a closer security alliance with the U.S. and greater defense flexibility bogged down by Japanese domestic infighting. Contributing to this was a weakened Japanese prime minister and a lame duck American presidency and political stalemate over the relocation of Marines from the Futenma base in Okinawa. The year ended with policymakers on both sides of the Pacific struggling to formulate ways to return to the healthy synergy of previous years.

Yet even with the relative chaos of the past year, in many ways the U.S.-Japan security alliance was in 2008 business as usual. Both sides continued to adhere to their respective security commitments, and Japan and America continued to regard each other as cornerstones in their respective East Asian regional security policies. Despite its shrinking military budget and some testing setbacks, Japan plowed ahead with developing missile defense systems in conjunction with America.

The Trajectory of the Security Alliance

The U.S.-Japan security alliance can be divided into roughly three periods: the Cold War, post-Cold War, and post-September 11th. Each period is marked by Japan assuming more responsibility, both within the framework of the alliance, and on its own. These shifts have been deliberate and incremental, and generally in reaction to external stimuli, including shifts in the regional and international situation and U.S. pressure. As a result the center of Japan defense strategy has moved from pacifism and near total dependency on the U.S. to what Michael Green has termed "reluctant realism". At the same time, many of the post war pillars of the alliance and Japan's defense policy remain in place, including Article IX of the Constitution, the presence of significant number of American forces in Japan, and reliance on U.S. extended deterrence for Japan strategic security. Indeed, over 60 years after the end of World War II, Japan is still without a "normalized" military.

The Cold War

The period in Japan following World War II was marked by the advent of the “Yoshida Doctrine”, named after Yoshida Shigeru, the Prime Minister of Japan from 1946 to 1947 and again from 1948 to 1954. Faced with a public worn out from years of brutal warfare and resentful toward the military, a Japan occupied by U.S. troops, and a world wary of any resurgence of Japanese military power, Yoshida sought to restore Japan and maintain its security by aligning Tokyo with Washington and focusing on economic recovery. Under this grand strategy, he hoped that by devoting all of Japan’s resources to rebuilding the economy and relying on the U.S. for Japan’s security, Japan’s national and military independence would later follow. Initially, the United States welcomed the role of protector in exchange for access to bases in Japan. This arrangement was formalized in the 1952 Mutual Security Treaty, which came into effect simultaneously with the San Francisco Peace Treaty that restored Japan’s sovereignty. Through this treaty, the U.S. was able to reassure Japan’s neighbors about the possible resurgence of Japanese militarism as well as maintain stability in East Asia. Japan, for its part, was granted liberal access to U.S. markets and technology – a small concession at the time for the U.S. given the relative insignificance of Japan in the world economy.

From the beginning of the alliance, the U.S. put pressure on Japan to contribute to its own defense. With the Berlin blockade of 1948, the fall of Nationalist China in 1949, and the outbreak of the Korean War in 1950, the focus of the Occupation shifted from “reform” to “recovery” so that Japan could contribute to the Free World’s struggle to contain communism. At the start of the Korean War when most American Occupation forces were shifted to Korea, the U.S. urged Japan to build up its own forces to maintain internal security. Yoshida, however, feared entanglement with the U.S. in its military conflicts, but did agree to create a “Police Reserve” force, which, along with the coast guard, became the core of the Self Defense Force (SDF) in 1952.

The SDF, under the terms of its Establishment Law, performed the functions of both a police force and a national guard rather than that of a true military body, and indeed possessed no provisions for military law or court marshals. The Japan Defense Agency (JDA) was created as well for the purpose of administering the SDF. Japan’s security policy was largely left in the hands of the Ministry of Foreign Affairs (MOFA) as the principle ministry in charge of managing the alliance and defending in the Diet the U.S.-Japan Security Treaty. Thus the Japan Defense Agency and the SDF were given a low profile that has only recently begun the change.

When the Treaty was revised in 1960, Japan was given greater control over the actions of U.S. forces in Japan, including the right of “prior consultation” with respect to the launching of direct combat operations from American bases in Japan. At the same time Japan was given an explicit security guarantee by the U.S., requiring U.S. forces to respond to armed attacks against Japan without a reciprocal obligation by Japan to respond to armed attacks on the United States. The SDF continued to focus exclusively on the immediate defense of Japan, and there was no legal basis and little domestic political support for expanding this mission.

By the late 1970s, prodded by both world events and the U.S., Japanese government officials as high up as the prime minister began to question the prudence of Japan’s security policies. In 1979, at the behest of Prime Minister Masayoshi Ohira, the

Study Group on Comprehensive Security began to reevaluate Japan's comprehensive security policy, publishing its final report in 1980. This report found that Japan was almost completely reliant on the U.S. for external security. It pointed out a lack of understanding by the Japanese public of defense issues, largely blaming the Japanese Diet, which had failed to hold meaningful security discussions. Yet while labeling Japan's relationship with the U.S. for external security as overdependence, the report did not go so far as to recommend that the SDF be made more autonomous or that reliance on the U.S. or external security be reduced. Thus Japanese policymakers only grudgingly began to hint at a more expansive security policy.

Tatsumi Yuki of the Stimson Center cites this attitude of policy makers as evidence of Japan's "minimalist approach to its defense capability building" during the Cold War. "Japan's national security policy during the Cold War," she continues, "had three pillars – zero spotlight of its military power, reliance on the United States for its security, and efforts to achieve its security through other means of national power (economic in particular)." In a world where the U.S. was pressuring Japan to shoulder more of its own defense burden, one may see how cautiously Japanese policymakers strayed from these pillars.

The minimalist approach to defense was complemented during the Cold War by many self-inflicted constraints. The remnants of many of these still remain today. They include a ban on arms exports to countries in the Communist Bloc, countries upon which the UN had placed an arms embargo, and, significantly, on "countries involved in or likely to be involved in international conflicts." This initially restricted arms sales and defense technology cooperation with the United States, although this policy was later amended to largely exempt the U.S.

Another important self-imposed limit was on acquiring and maintaining nuclear weapons. Japan passed the Nuclear Power Basic Law in 1955, which restricted its Japan's development of nuclear energy to peaceful purposes and ratified the Nuclear Non-Proliferation Treaty (NPT) in 1978. In 1968, Japan adopted its "Three Non-Nuclear Principles," which state that Japan will not produce, possess, or allow the introduction of nuclear weapons into Japan. Japan still adheres to these three pillars and continues to rely on the U.S. for nuclear deterrence as one of the cornerstones of its security policy.

Post-Cold War

In the post-Cold War period, the U.S.-Japan security alliance fundamentally shifted, spurred by the collapse of the Soviet Union, growing American frustration at bearing the burden of Japan's security while Japan's exports flooded American markets and kept its own markets closed to American products, and a shifting security environment in East Asia. The post-Cold War era also saw a broadening of security concerns for Japan, and several incremental shifts away from the largely passive security policy of the previous four decades. Perhaps the biggest prod for this was Japan's embarrassment over its much criticized "checkbox diplomacy" of the first Gulf War. After Iraq's invasion of Kuwait in 1990, the U.S. put great pressure on Japan to join the coalition to expel Iraq, but hampered by Article IX of its Constitution and a public unprepared to send Japanese in harm's way, Japan ended up contributing only money. In fact, Japan contributed \$14 billion to the war effort in lieu of sending forces, an amount

that essentially covered American expenses for the conflict, but Japan received very little appreciation. The Japanese government and public were shocked and humiliated when, following the Gulf War, Kuwait publicly thanked the countries that had helped it, but did not mention Japan.

In response, Japan sent minesweepers to the Gulf after hostilities were over “to assist in safe navigation. Although the minesweepers arrived late, and in the eyes of the other countries in the region accomplished very little, sending naval vessels to the Gulf represented a breakthrough. Soon after, the Diet passed the Peace Keeping Operation Law (PKO), which allowed the dispatch of SDF elements to assist the peacekeeping operations in Cambodia but under very strict conditions. It allowed SDF participation in peacekeeping operations only upon unanimous consent of all parties involved in the action, when hostilities had already ceased, and with complete impartiality. The law called for the withdrawal forces should these conditions change and placed significant restrictions on the SDF’s use of weapons for self-defense. These so-called “five principles” ensured that while Japan could expand its security options, it could not break with the fundamental constitutional ban on the non-use of force or become “collective self defense.”

In addition to its shock over the first Gulf War, Japan was shaken by several crises in the 1990s that were closer to home, including the North Korea nuclear crisis of 1993, the underground nuclear tests by China in 1995, the 1996 Chinese missile tests in the Taiwan Straits crisis, and missile tests by North Korea in 1998 and 1999. Because these crises defied Japan’s “two great power” security framework, it became clear to Japanese leadership that the Cold War security framework required changes. In 1994 the Higuchi Commission Report was released. This report recommended that Japan adopt a more active security policy as opposed to one that was purely passive, and one that took into account the dispersed and unpredictable nature of threats of the post-Cold War. The Higuchi report, however, still tended to be a somewhat vague outline of Japan’s security policies rather than a clear departure from previous policies.

The Higuchi report was followed up by several measures designed to form a closer alliance with the United States, which as its principle security provider, was still the cornerstone of Japan defense policy. These measures included the 1995 National Defense Program Outline (NDPO) that sought to expand cooperation with the U.S. to create “a more stable international environment”. Additionally, the U.S.-Japan alliance was strengthened and expanded by the 1996 U.S.-Japan Security Declaration, as well as by the 1997 revision of the U.S.-Japan Guidelines for Defense Cooperation. Under these agreements, Japan explicitly agreed to provide rear area support for U.S. forces in response to contingencies in “areas surrounding Japan.”

All in all, Japan in the post-Cold War pushed the boundaries of the Yoshida Doctrine, but did not break it. The shift to a more active security role was ultimately slowed down by intense debates centered on legal issues, especially the Japanese interpretation of Article IX, which has been interpreted as prohibiting “collective self-defense”. These debates tended to result in a reaffirmation of the limits of deploying Japanese forces. As a result, the changes which took place in Japan’s security policy can be considered a significant step forward, but there is a considerable way to go before Japan can consider itself a “normal country” in terms of its ability to use military forces

to participate fully in internationally sanctioned operations or join its ally in “collective defense” operations beyond Japanese territory.

9/11 and Beyond

The September 11th terrorist attacks on the United States mark the third, and final, phase of Japanese post-World War II security policy – one that for a time saw ever-closer security cooperation with the U.S. In post-9/11, Japan, along with the rest of the world realized that the scope of security threats had broadened to include transnational terrorism and the dissemination of weapons of mass destruction. Incidents such as the 2002 admission by North Korea that they had kidnapped several Japanese in the 1970s and 80s and the sighting of Chinese submarines in Japanese waters gave Japanese leadership serious pause over its current security policies.

Responding to these threats, the Council on Security and Defense Capabilities, better known in the U.S. as the Araki Commission, was created to reassess Japan’s security environment and to recommend changes to Japan’s security policy. It ultimately produced a 2004 report entitled “Japan’s Visions for Future Security and Defense Capability.” For the first time, the Araki Report set out a clear security policy, acknowledging that the security situation in Japan had changed drastically since the Cold War. In addition to recognizing the remaining threat from traditional state actors, it also identified emerging threats such as terrorism, piracy, and the proliferation of WMDs.

The Araki Report called on Japan to establish a two part policy in which Japan should strive: (1) “to prevent the emergence of new threats as early and far away from home as possible while maintaining the ability to repel various types of threats on our shores”, and (2) to create “a unified inter-agency decision-making and coordination mechanism” to streamline communication between the various domestic security apparatus. To address the emergence of threats both of domestic and foreign origin, the Araki Report recommended that Japan engage in a flexible security policy approach that combined domestic security policy, cooperation with the United States, and cooperation with the international community. The Araki Report, however, did not envision a change in the Japanese constitution. Because of this, the Araki Report fell far short of recommending the creation of a fully independent military, but sought instead to push the limits of Article IX. Therefore, it continued to stress a defensive security approach. Under the Araki Report, it would provide a flexible security based on: working with the U.S. to deploy theater missile defense systems in and around Japan (BMD) to supplement extended U.S. nuclear deterrent; engaging with the international community in areas as providing personnel and support for non-combat activities under UN-mandated peace keeping operations, and continuing to providing Official Development Assistance (ODA).

The 2004 National Defense Program Guideline (NDPG) adopted many of the recommendations of the Araki Report. The NPDG reaffirmed Japan's commitment to develop an exclusively defense-oriented security policy while promising to "utilize all appropriate means" to address both traditional and new security threats. The NPDG reaffirmed security cooperation between Japan and the U.S., including cooperation on BMD. The primary missions of the SDF were expanded to include "international peace cooperation activities". The NDPG also called for shifting resources away from the Cold

War objective of repelling a full-scale invasion toward a more flexible force to meet new threats. In this context, the NPDG for the first time mentioned Chinese naval modernization and expanded capabilities as an area to watch.

The 2004 NPDG also called for an expanded security dialogue with the U.S. In 2005, the U.S.-Japan Security Consultative Committee (SCC), made up of the U.S. Secretary of State and the Secretary of Defense and their Japanese counterparts, issued a statement setting forth common strategic objectives on the global and regional level. This was followed up in 2005 with an SCC agreement on the transformation of the alliance and the realignment of U.S. forces in Japan. The agreement set out specific roles and missions for U.S. and Japanese forces within the alliance, particularly in response to a regional crisis, and called for enhanced cooperation in such areas intelligence, planning, and missile defense. The SCC agreement also laid out a blueprint for restructuring U.S. forces in Japan, including deployment of American missile defense systems in and around Japan to work in coordination with similar Japanese systems, accelerating the move of the Marine Air Station in Okinawa, and relocating the U.S. carrier air wing from Atsugi to Iwakuni.

These SCC agreements represented a significant broadening and deepening of the alliances. They were in part a reflection of the strong interpersonal relationship between Prime Minister Koizumi Junichiro and President George W. Bush. Koizumi, who assumed leadership in April, 2001, responded quickly after the 9/11 terrorists attacks, pledge Japan's support to the U.S. and working quickly to pass legislation authorizing the dispatch of Maritime Self Defense Force (MSDF) to the Indian Ocean in support of U.S.-lead operations in Afghanistan. After the U.S. invasion of Iraq, Koizumi again stood by Bush, despite strong domestic opposition, and sent a contingent of the Ground Self Defense Force to Iraq to provide humanitarian support and a C-130 squadron of the Air Self Defense Force (ASDF) to Kuwait in support coalition troops in Iraq.

The progress made in strengthening the U.S.-Japan alliance during the Koizumi years seemed to promise the steady expansion of bilateral defense cooperation, and indeed progress continued to be made, including the 2008 deployment to Japan of the first U.S. nuclear powered aircraft carrier to be stationed there. In addition, cooperation on missile defense has been greatly enhanced with the deployment of the American X-band radar to Japan and the activation of PAC 3 missile batteries at certain U.S. bases in Japan, along with Standard Missile 3s on U.S. Aegis cruisers in the 7th Fleet. Nevertheless, since the departure of Koizumi in 2006, a degree of momentum has been lost.

When Abe Shinzo succeeded Koizumi, it appeared to many that he would continue to broaden the parameters of Japan defense activities, including addressing the constitutional limitations. Abe launched a commission under former Ambassador Shunji Yanai to consider the issue of reinterpreting Article IX of the constitution to allow Japan to engage in collective self defense, that is to assist allies engaged in the defense of Japan beyond Japan's territory, use force to protect coalition partners in Peace Keeping Operations, and respond to a missile attack on an ally. Abe also succeeded in having the National Referendum Law passed which set up a process for revising the Japanese constitution, and thus potentially providing an avenue to revise Article IX itself.

However, Abe left office after less than a year, in large part because of the opposition DPJ's victory in the 2007 Upper House election. His successor, Fukuda

Yasuo, proved to be far less interested in expanding Japan's security role. Fukuda “froze” the Yanai Commission and left the newly created office of National Security Advisor unfilled. The post had been created by Koizumi in an effort to place Japan’s security policy under a U.S. National Security Council-like structure but was not able to exert control over the national security institutions. Fukuda himself resigned after less than a year, hamstrung by the DPJ controlled Upper House.

The current prime minister of Japan, Aso Taro, beset by a series of scandals in his cabinet and consumed by the global financial crisis, has had little time or political capital to devote to security issues. With a Lower House election looming in 2009 and the DPJ challenging the Aso government on almost all alliance-related issues, little is likely to be accomplished until a new government takes office

The Year in Review

What Went Right

While 2008 had its shares of frustrations it was essentially a good year for the alliance. Most importantly, the fundamentals of the alliance remained in tact, with little to no backsliding away from the security policy formed under Koizumi. As noted above, progress on the BMD system continued, capped off with a successful test of Japan's missile system in Hawaii in January 2009. Furthermore, despite opposition by the DPJ, the Diet renewed Replenishment Support Special Measures Law, allowing Japan to continue its deployment of naval vessels to the Indian Ocean in support the U.S.-led Operation Enduring Freedom.

The inauguration of Obama appears to have reinvigorated the alliance, despite concerns by some in Japan that a Democratic administration would tilt toward China.. Hilary Clinton, the new Secretary of State, in her confirmation hearing, strongly reaffirmed U.S.-Japan security ties, describing the alliance as the cornerstone of U.S. policy toward East Asia. She also made Tokyo her first overseas destination on her tour of Asia, scheduling a stop in Japan before one in China. While in Tokyo, Clinton signed an agreement with Foreign Minister Nakasone that set the terms for GOJ funding for infrastructure projects in Guam to allow about 8,000 Marines in Okinawa to be transferred there, an essential element in the transfer of the Marine Air Station at Futenma to a site in northern Okinawa.

What Went Wrong

Japanese momentum in security issues continues to be slowed by political squabbles and a crisis of leadership in the LDP. Smelling the possibility of victory when elections are held in 2009, the DPJ has attempted to make a political issue of alliance issues. The DPJ under the leadership of Ozawa Ichiro, argued that Japan’s refueling operations in the Indian Ocean were unconstitutional. The party used its control of the Upper House to force Japan to suspend the deployments at the end of 2007. In turn, the Aso government resorted to the seldom-used power of the Lower House to override the Upper House's decision and allowed the return MSDF ships to the Indian Ocean.

Furthermore, Aso's weak political position and his preoccupation with economic issues have prevented the strengthening of Japan's institutional security structure. He has not tried to resurrect the post of National Security Advisor. This is significant because, as the Araki Report identified, better coordination between national security institutions is a high priority area for a more effective defense and foreign policy.

There is also the need for a permanent legal framework for dispatch of SDF forces for PKO missions and more broadly. New authorizing legislation is now required each time SDF elements are sent abroad to participate in international operations. Furthermore, the DPJ's challenge to the Indian Ocean deployments illustrates that the current legal framework is inadequate for the kinds of missions Japan is already engaged in. The GOJ has under consideration a permanent peace keeping law, but there is no agreement on what kind of international imprimatur should be required (e.g. UN Security Council Resolution), the rules of engagement, or the level of Diet control. Defense procurement is another contentious issue. The 2004 NDPO, as reflective of the Araki Report, states as a goal the streamlining defense procurement and R & D in light of the declining Japanese birthrate and increasing budget pressure. The Japanese government, however, continues to promote domestic production of most defense equipment, which results in very high unit costs. (One senior American diplomat estimates that Japan overspends on defense procurement by as much as 200%.) More broadly, the unofficial cap for defense spending is only 1% of Japan's GDP, but Japan, may have trouble maintaining that. Already under pressure from a financial downturn that has lasted since the 1990s, the pressure on the national budget has increased with the recent global financial collapse. Combined with growing demographic concerns and the costs assumed by the GOJ for missile defense and for relocation of U.S. Marines to Guam, it was not good a year for to put forward a new, expansive, defense vision.

The past year also saw the U.S.-Japan agreement on the realignment of U.S. bases in Okinawa (DPRI) bog down. The point of contention is the Marine Air Station at Futenma in central Okinawa. The base was formerly surrounded by agricultural land, but that has been replaced by an urban landscape. The residents of Ginowan City, which surrounds the base, complain about the potential danger from aircraft crashes as well about noise pollution. Additionally, the presence of the base stunts urban development, as buildings must conform to the requirements of the base.

After the 1995 rape of a 12-year-old girl by three U.S. Marines, followed by massive protests in Okinawa, the U.S. and Japan agreed to the return of Futenma, subject to agreement on a site for its relocation elsewhere in Okinawa. The 1996 SACO Final Report, which formalized this agreement, gave a ten-year timetable for the relocation. The DPRI agreement in 2005 specified the site of the replacement facility as Camp Schwab in northern Okinawa.

Implementation of the agreement has proved difficult because the government of Okinawa prefecture objects to the basic premise that the base should be relocated within the prefecture, which already hosts more than half of the U.S. military stationed in Japan. Even those elements in Okinawa who will accept a new base insist that the proposed runway be moved further off shore to reduce noise. The wild card in the agreement is that the opposition DPJ objects to the basic agreement, so if it assumes power in the next Lower House election, all bets are off.

The Coming Year

Potential Pitfalls

While not necessarily fraught with danger, 2009 could see its share of difficulties. As noted above, the Obama administration got off to a good start with Japan with Secretary Clinton's early visit to Japan and President Obama welcoming Prime Minister Aso as his first foreign head of government. Japan has also demonstrated its commitment to the alliance by hosting a major donor conference on Pakistan in April 2009 and joining the U.S. in providing major fiscal stimulus to their respective economies.

Nevertheless, there remain uncertainties. The North Korean nuclear and missile programs are a shared concern of the U.S. and Japan, and there is close cooperation between the two governments in responding to this challenge, but each government has different national security priorities and domestic political pressures. More fundamentally, Japan remains extremely sensitive to any sign that the U.S. is putting more weight on its ties with Beijing than its connections with Tokyo, despite the fact that American and Japanese interests with respect to China are largely in sync.

A third "wild card" in the management of the U.S.-Japan alliance is the potential impact of a change of government in Tokyo. DPJ leader Ozawa Ichiro, while fundamentally supporting the U.S.-Japan alliance, has called for "a more equal relationship" between the two countries. In addition Ozawa and the DPJ have not only opposed the Indian Ocean refueling mission, but have come out against the U.S.-Japan agreement to relocate the Futenma Marine Corps Air Station to a new site in Okinawa. Ozawa has also called for renegotiating the Status of Forces Agreement (SOFA) to give Japan more control over the U.S. military in Japan. If the DPJ wins 2009 Lower House election and particularly if Ozawa becomes Prime Minister, the alliance could be in for a rocky ride, at least initially.

The Futenma base issue, unless it can be sorted out, will continue to be a distraction to the alliance. If the current realignment program is derailed, frustrations on both sides are likely to mount, threatening the basic fabric of the alliance.

Opportunities

The coming year will also bring with it opportunities. First, it is clear from the words and actions of both President Obama and Secretary Clinton that the Obama Administration will continue to place a very high value on the U.S.-Japan alliance, building on the progress made under the Bush Administration. The continuity of U.S. policy toward Japan is reinforced by Obama's decision to keep on Robert Gates as Secretary of Defense and the appointment of senior officials at both DOD and State with experience managing the alliance.

As noted by former DPJ politician Hideki Wakabayashi, 2010 will mark the 50th anniversary of the Treaty of Mutual Cooperation and Security between the U.S. and Japan. This can be an opportunity for both sides to redefine the security alliance and to recommit. It may also be an opportunity to expand the scope of the alliance to include such non-traditional security areas such as piracy, health, and the environment, as well as making greater use of Japanese "soft power" in the form of ODA and technical assistance

to key countries, such as Pakistan and Afghanistan. This would not only to Japan's strengths but could also increase support for the alliance amongst the still largely pacifist Japanese public. These non-traditional security challenges offer a real opportunity for cooperation between the world's two largest economies.

Conclusion: Back to the Future?

Since the end of World War II, Japan's security policy has been marked by reliance on the Yoshida doctrine, moving away from it only incrementally, and usually only in reaction to external stimuli. World events have provided some of this stimuli, and so too has U.S. prodding. Many in the Bush administration were hopeful that Japan, under Koizumi, had embarked on a course that would see Japan continue to expand its role under the U.S.-Japan alliance, not only at home and in East Asia, but globally. In fact, however, with the departure of Koizumi much momentum has been lost, and Japan has instead returned to the pre-Koizumi political stalemate. While Koizumi's successors have maintained the status quo, they have been unwilling or unable to push the envelope further.

For the alliance to maintain its vitality, the United States will have to accommodate Japan as it sorts out its domestic politics and searches for a new consensus on its future security role. At the same time, Japan will have to continue to demonstrate its commitment to working with the U.S. on key regional and global challenges, lest Washington turn its attentions elsewhere. Despite talk on both sides of the Pacific about building a regional multilateral security framework, the reality is that for the foreseeable future the U.S.-Japan alliance will remain the cornerstone of both country's foreign policy in East Asia, and the key to regional stability. It is essential that both Washington and Tokyo devote the attention necessary to manage effectively the alliance, including restoring momentum on base transformation issues and improving coordination on such key regional issues as the North Korean nuclear program, China's rise, and instability in South Asia.

Timothy Preston

THE U.S.-JAPAN-CHINA STRATEGIC TRIANGLE: “RIPE FOR COOPERATION?”

Introduction

Since the end of the Cold War several analysts have considered Asia as an area that is prone to instability given the structure of the regional system, which is characterized by growing multi-polarity and the lack of deep political and economic regional integration. Moreover, the mix of democracies and authoritarian regimes, the presence of unresolved territorial claims and historical issues, together with growing competition over energy, and rising nationalism have contributed to the view that the region, in Aaron Friedberg's words, is “ripe for rivalry.”

In this context, relations between Japan and China are at the pivot point. The two countries constitute approximately three-quarters of the region's economic activity, making their support crucial to the sustainability of any economic or political regional framework. Moreover, the two countries enjoy high levels of economic interdependence: China is Japan's primary trading partner, and Japan ranks as China's third trading partner and is also China's largest source of foreign direct investment (FDI), after Hong Kong. However, economic interdependence notwithstanding, Sino-Japanese political and strategic relations are paradigmatic of the problems outlined at the beginning. Their relations, often referred to in Japanese as “cold politics, warm economics” (*seirei keinetsu*), are similar in some respects to the interaction between Germany and England at the beginning of the 20th century during the world's first era of globalization. Even though the two countries were each other's major trading partners, the rise of Germany triggered a classic security dilemma and a consequent arms race. The change of the balance of power in early 20th century Europe was characterized by a confrontational slippery slope between the continental rising power and the maritime status quo power. This confrontation eventually evolved into war in 1914 and again in 1939.

There are, however, major differences between pre-WWI Anglo-German relations and contemporary Sino-Japanese relations. Not only is there no comparable zero-sum game such as competition for territorial expansion and colonial empires in Africa and Asia, but there also is the stabilizing presence of the United States as a third party. Indeed, a major restraint on the neighbors' “rivalry” has been active U.S. involvement in East Asia, both economically and politically, and through the maintenance of a substantial military presence. Thus, with regard to China the U.S. plays a vital role in convincing the PRC to become a “responsible stakeholder,” while hedging against uncertainties about China's long-term policies and actions by maintaining alliance relationships with key regional players, notably Japan and the ROK.

U.S. foreign policy in Asia has been traditionally based upon bilateral ties, with Japanese ranking first in several capacities. Indeed, notwithstanding the growing importance assigned to China, whose status has risen to “strategic partner”, the U.S.-Japan alliance has been and remains the linchpin at the center of Washington's approach to East Asia.

First, this paper addresses why stability between Japan and China is important, not only from a U.S. vantage point but also regionally and globally. Secondly, the paper

will focus on the interplay between the region's most important players since the end of the Cold War from the Japanese perspective and analyze developments in Sino-Japanese relations under the Fukuda and early Aso administrations. The paper then analyzes the continuation of a profound reciprocal public mistrust as a major barrier to positive China-Japan relations. Together with the economic, environmental, and energy challenges facing the U.S., Japan, and China, the strategic stakes argue for starting "mini-lateral" track-I talks among the three parties.

The Role of Tri-Lateral Relations in the Asian Region

The Asian region as a whole has a tremendous stake in a stable Japan-China-U.S. triangle. Not only is a cooperative relationship among the three powers needed in order to tackle serious challenges the region faces, but instability or hostility within this triangle will threaten a regional economic disruption, or worse stimulate new power struggles that threaten the region's security.

On the strategic level, one challenge facing the Asian region is nuclear proliferation. The concerted effort through the Six Party Talks to halt the North Korean nuclear program is a clear example of the need for triangular cooperation. Indeed, China's active participation was central to reaching a deal in 2007. The spread of Islamic extremism is another major issue. An arch of Islamic influence stretches across Asia from the Middle East, through Afghanistan and Pakistan and ending with the world's most populous Muslim country, Indonesia. While Islamic fundamentalism has not taken root in East Asia, the active cooperation of China and Japan to contain terrorist networks across the Asian continent is central to U.S. regional and global interests. Another major regional concern is the safety of transportation lanes, particularly in the Strait of Malacca. Piracy in these waters threatens regional energy supplies and trade lines; this threat can be abated through strategic naval operations by key powers like the U.S., Japan, and China. There are other non-conventional security threats in the region that need to be addressed, including: 1) the spread of infectious diseases, particularly those that may turn into pandemics, such as SARS and avian flu; and 2) climate change, which is all the more urgent given the expiration of the Kyoto Protocols in 2012. Close cooperation among the three major actors in East Asia is essential to meeting these and other transnational challenges.

China is also directly involved in the issue of Taiwan, one of Asia's most dangerous flashpoints. Operating under the context of China's "One China Policy" and the U.S. "Three no's" principles on Taiwan, U.S. and Japan maintain a level of strategic ambiguity in order to prevent conflict in cross-strait relations, while supporting deepening ties between Taiwan and mainland China. The issue of Taiwan's future status is still seen as a zero-sum game by some in both Taipei and Beijing, and thus Tokyo and Washington are likely to continue to pursue a nuanced policy of deterrence and cooperation for the foreseeable future. However, the likelihood of a near-term cross straits conflict has been greatly reduced, given Taiwanese President Ma Ying-Jeou's relatively friendly position toward mainland China and the rapid advance of cross straits economic and interpersonal ties.

Economic Integration and the 2008 Financial Crisis

There are also numerous benefits stemming from the integration of China in the world economy. A protectionist, anti-China approach may trigger a downturn in overall world economic welfare, including in developed importing countries and economic zones, such as the U.S., Japan, and the European Union. In fact, the fast-growing Chinese, Indian and Southeast Asian economies have contributed significantly to the growth of the world economy. China alone contributed approximately 30% and 35% to world growth in 2006 and 2007. Furthermore, Asia accounts for a substantial portion of the world's saving, largely invested in developed countries such as the EU and the U.S. Almost half of the U.S. bonds are owned by Asians, with the two biggest reserves found in Japan and China.

It is important to reiterate the degree of economic interdependence between the U.S., Japan and China. China is the U.S.'s second largest trading partner after Canada, while the U.S. is China's largest trade partner and Japan its second. Meanwhile, China is Japan's first trading partner and Japan is China's third largest trading partner. Imports from the U.S. are vital both to Japan and China, and more broadly to Asia. As an IMF study shows "a percentage point of U.S. growth deceleration would reduce Asian growth by $\frac{3}{4}$ percentage point in the 2000s, compared with 0.6 percent point based in the 1990s." In effect, the U.S. may be seen as an economic locomotive for the whole region, particularly for Japan and China given their consumption of U.S. imports.

The 2008 financial crisis, stemming from the bursting of U.S. subprime loan bubble, was initially believed not to seriously affect China and Japan, mainly because their banks or financial institutions did not invest heavily in subprime mortgages and first- and second-order derivatives. China has a tightly regulated capital market, and the state prohibits unfettered capital mobility, theoretically shielding the country from the financial bubble. In Japan, paradoxically, the post-bubble financial crisis helped Japanese banks. In the 1990s Japanese banks showed double-digit ratios of bad loans and were eventually forced to wipe bad loans of their books through credit crunches and diminished investments. In fact, in 2008 Japanese banks and investment institutions with high liquidity bought portions of U.S. failing investment banks and companies such as Lehman Brothers and AIG.

Nevertheless, the crisis has been felt across the region, due to the slowdown of the American locomotive and, more specifically, declining U.S. demand for imports. Contagion from the global financial crisis is reflected in gloomy predictions for Japanese and Chinese economic performance in 2009. Japan's exports, for instance, plunged to a record -40% in 2008 from the year before. According to Bank of Japan predictions as of January 2009, Japan's economy will contract for about two years with a likely resurgence in deflation. In China, government statistics reported that the economy grew by 9% in 2008, down from a revised 13% growth rate in 2007. China is also highly dependent on the export market, calculated around 40% of its economy, more than double Japan's 16%. The collateral effects of the financial crisis and the slowdown of the U.S. economy are causing the failure of numerous exporting companies. The International Labor Organization reports that 20 million jobs will be cut globally. 2009 economic forecasts predict that China will grow by less than 8%, which some analysts believe may be a potential trigger-point for economic and political instability. This potential economic and

strategic insecurity, coupled with rising demands in the U.S. for protectionism, may bog down China in the years to come. Consequently, the growing economic challenges affecting the three parties suggest that cooperation in the economic and financial realms is essential.

Post Cold War Sino-Japanese Relations and the U.S.-Japan Axis

In order to promote a concerted trilateral effort to stabilize Asia and sustain the welfare of the region's economies it is necessary to first understand the context of past political relations among China, Japan and the U.S. Japan enjoyed economic trade with China even before the establishment of diplomatic relations by Prime Minister Tanaka Kakuei in 1972 because Japan separated economic and political issues. At the same time, Prime Minister Yoshida Shigeru who set the direction for Japan's post-war foreign policy argued that trade between Japan and China would move China closer to Japan, away from the Soviet Union, therefore making an implicit connection between the economic and political realms. After normalization, Japan explicitly pursued a policy of developing economic interdependence through large-scale investment and ODA, not only for economic objectives but to draw the two countries closer together.

By the time of the 1989 Tiananmen incident, the two states were so connected that Japan felt uneasy with the sanctions imposed by the Western powers at the 1990 Houston Summit. Moreover, the historical visit of Emperor Akihito to China in October 1992 clearly indicated that relations between the two countries were improving with time. The Emperor apologized for the suffering Japan brought to the Chinese people, and he expressed the Japanese people's deep remorse. In 1995 Prime Minister Murayama apologized and expressed remorse for Japan's colonial rule and aggression, which caused "tremendous damage and suffering."

However, events in the early 1990s considerably changed the Japanese strategic attitudes toward Northeast Asia, including toward China. In 1993, North Korea's launch of a medium range missile in the Sea of Japan and its decision to withdraw from the Nuclear Non-Proliferation Treaty created a sense in Japan of new post Cold War "threatening environment." China added to this when in May and August of 1995 it conducted nuclear tests, prior to joining the Comprehensive Nuclear Test Ban Treaty (CTBT). These tests, coupled with China's long-range missile tests near Taiwan in March 1996 were additional factors fostering Japan's sense of insecurity. Japan responded to China's nuclear tests by threatening to halt yen loans, and later suspended its grant aid program. The North Korean nuclear program and the Chinese nuclear and missile tests were major factors in convincing Japan's leaders of the move beyond its post World War II strategy of focusing almost exclusively on economic development and trade, while keeping a low political profile in the international arena.

To reaffirm the credibility of the U.S.-Japan alliance in the face of a shifting regional security environment, Japan and the U.S. broadened the focus of security ties with the Joint Security Declaration in 1996 and the Revised Guidelines for Defense Cooperation in 1997. Although the motives behind the Security Declaration and the revised guidelines were mainly linked to North Korea's posture, the language adopted in the documents with respect to its geographic scope could be interpreted to include

Taiwan: “Situations in areas surrounding Japan that will have an important influence on Japan's peace and security. The concept, situations in areas surrounding Japan, is not geographic but situational.”

A cornerstone report on the reassessment of U.S. strategy in East Asia was the so-called “Nye Initiative,” published in February 1995 as the “United States Security Strategy for the East Asia Pacific Region.” The 1995 Nye report puts forward a post Cold War rationale for the American forward deployed presence in East Asia and the strengthening of the U.S.-Japan alliance, described as the a linchpin of U.S. security policy in the region. China viewed the U.S. attempt to reinforce its alliance with Japan through more substantial burden sharing as a potential threat to the region’s order. According to Thomas Christensen, Chinese analysts and leaders perceived the U.S. to be moving away from her role as a “bottle cap” on Japanese rearmament towards an “egg shell” role, under which the U.S. would provide military cover to Japan while supporting its ally’s gradual, but steady, rearmament.

The years 1995—1996 also represented a major change in the domestic political dynamics affecting Japanese policies and attitudes toward China and national security. The pacifist and generally pro-China Japan Socialist Party (JSP) surrendered its basic principles when it decided to form a coalition government with its longstanding opponent, the Liberal Democratic Party (LDP). In so doing, the JSP explicitly accepted the constitutionality of the Japan Self Defense Forces and voiced its support for the U.S.-Japan Security Treaty, abandoning its core policies and signalling an end to the Cold war split in Japan’s domestic politics. As a consequence, the JSP’s support rate crumbled in the general elections of 1996.

More importantly, within the LDP itself, young conservative politicians, such as future prime ministers Koizumi, Abe, and Aso, steadily eroded the power the former faction of Tanaka Kakuei, the LDP’s leading proponent of strong political ties with China. The rising conservatives not only focused on a new post-Cold War regional strategy, but also held a highly patriotic view of Japan. Indeed, they viewed the earlier attitude of Japanese leaders on their country's wrongdoings as representing a “masochistic” view of history and impeding Japan’s development into a “normal country.”

The arguments proposed by this new breed of politicians increasingly resonated with citizens’ feelings toward China, due to a reactive form of anti-China mistrust. Indeed, Japanese public attitudes towards China began to wane after Tiananmen, and this decline accelerated in the 1995—1996 period. The 1998 visit to Japan by Chinese President Jiang Zemin further weakened positive Japanese attitudes toward China. During his week-long visit, Jiang repeatedly lectured on the country’s past wrongdoings, including in front of the Japanese emperor. This produced a strong backlash across the political spectrum in Japan, deeply affecting bilateral relations. Ultimately, the joint declaration signed by the two parties was watered down, with Prime Minister Obuchi confirming the Murayama statement but omitting “heartfelt apologies” as a reaction to their guest’s “arrogant posture.” Jiang’s visit was the last by a Chinese head of state for a decade.

During the Koizumi administration, Sino-Japanese relations visibly worsened as two very sensitive issues resurfaced: the Yasukuni Shrine and the issue of the treatment of history in Japanese textbooks. In May 2001 the controversial revisionist textbook

written by the Japanese Society for History Textbook Reform (*Tsukurukai*) was published after receiving 137 revisions from the Ministry of Education. The textbook downplays the Nanjing Massacre and describes Japanese wartime foreign policy merely as liberation from Western rule, under the so-called Greater East Asia Co-Prosperty Sphere. The ratio of schools adopting the textbook increased from 0.04% in 2001 to 0.4% by 2005. The Chinese responded to the publication of the textbook with active protests and increased political pressure to remove the book from Japan's public school system.

Former Prime Minister Koizumi's yearly visits to the Yasukuni Shrine beginning in 2001, where Class A war criminals are enshrined, added fuel to the fire. Koizumi's defiant visits in the face of strong Chinese criticism were broadly supported by a Japanese public tired of bowing to Chinese criticism and pressure. Beijing, from its perspective, argued that the textbook revisions and Koizumi's Yasukuni visit demonstrated the insincerity of Japan's apologies and rhetorically questioned whether Japan should be a permanent member of the U.N. Security Council because of its unwillingness to recognize its historical errors.

The progressive cooling of Sino-Japanese political ties and the deepening of reciprocal mistrust resulting from specific military and security threats added to the issues of the "burdens of history." In 2005, a Chinese submarine entered Japanese territorial waters and three Chinese destroyers aimed their deck guns at Japanese patrol planes sent to monitor their activities around the Senkaku/Diaoyutai Islands. Both countries dispute the sovereignty over islands, a dispute accented by indications that natural gas lies under the continental shelf surrounding the archipelago.

In September 2006 Abe Shinzo became Japan's prime minister. He had risen to political prominence because of his hard line stance on North Korea, and he was associated with conservative views of history as a member of the "Association to Consider the Future Path for Japan and History Education." Moreover, he was responsible for the amendment of the Basic Law on Education to promote "patriotic education" at school. Notwithstanding his personal views, Abe understood the need to reach out to China to restore stable political relations, making his first diplomatic visit as prime minister to China in October 2006. Although before assuming office, Abe had taken the position that a Japanese prime minister should visit Yasukuni, after assuming office he left ambiguous whether he would pay homage at the shrine and in fact did not go to Yasukuni Shrine during his tenure. The successful visit of Premier Wen Jiabao to Japan later in 2007 eventually paved the way for the awaited visit by President Hu Jintao in May 2008, ten years after the visit by President Jiang Zemin.

During these strained Sino-Japanese relations, the U.S.-Japan alliance deepened with Prime Minister Koizumi's decision to support President's Bush "War on Terror," send a refuelling mission to the Indian Ocean and Self-Defence Forces to Iraq to work on humanitarian relief, and by adopting anti-terrorism countermeasures at home. In 2000, a bipartisan panel headed by Joseph Nye and Richard Armitage authored "The United States and Japan: Advancing Toward a Mature Partnership." The report identified the U.S.-Japan alliance as the linchpin of regional and global stability. Seven years later, a new Armitage-Nye report indicated the growing importance of the alliance within the regional context. The first section was dedicated to areas around Japan, with a great deal of attention given to China. "China will continue to be an engine of regional growth and global dynamism. China's growing comprehensive national power is already well

reflected in its assertive diplomacy aimed at shaping the strategic environment around its borders. One key question for the United States, Japan, and all of Asia is: how will China use its newfound capabilities and resources as it matures as an economic and military power?" The solution has been to engage the country while at the same time hedging against the possibility of confrontational postures.

The China-Japan 2008 Joint Statement & Recent Developments

By hosting President Hu during the 2008 state visit, the Fukuda administration took a major step toward improving Sino-Japanese relations. Hu's visit, his longest to a foreign country to date, indicated the willingness by both governments to overcome the issues resulting from the "cold politics, warm economics" pattern. The China-Japan Joint Statement, the fourth key document in the relationship after 1972, identifies cooperation as the only possible direction for bilateral relations, which is clear even in the title of one of the two joint statements: "Mutually Beneficial Relationship Based on Common Strategic Interests." Both governments promised to cooperate on specific global issues such as energy security, environmental protection, poverty, and contagious diseases. Attention was given particularly to climate change and the tackling of environmental pollution, since the Kyoto Protocol expires in 2012 and there is a need to build a new framework that includes China.

There are three major points in analyzing the latest Japan-China joint statement. First, the joint statement states that "the two sides recognized that the Japan-China relationship is one of the most important bilateral relationships for each of the two countries and that Japan and China now have great influence on and bear a solemn responsibility for peace, stability, and development of the Asia-Pacific region and the world." Both parties emphasized their obligation toward peace and stability, described as a solemn responsibility (*genshuku na sekinin*).

Second, it is worth stressing the two parties' resolve to "develop greater understanding and pursuit of basic and universal values that are commonly accepted by the international community." Following Japan's recent value-based diplomacy (as formulated, for instance, in the "Arch of Freedom and Prosperity" concept), it seems that China agreed to mention, for the first time in a China-Japan statement, a commitment to universal values.

Third, the current Chinese elite stance towards Japan has played down history-related issues and moved forward "[to] face history squarely, and advance toward the future, and endeavor with persistence to create a new era of a mutually beneficial relationship based on common strategic interests." Hu reassured Japan, in a speech given at Waseda University, that China views history not as a continuation of enmity but as an opportunity to look toward a stable future, thus demonstrating a substantially different approach from President Jiang's attitude during the 1998 visit.

There have been at least two other major developments in Sino-Japanese relations. Some analysts go as far as to believe that the Hu-Fukuda summit epitomized a "warm spring" of China-Japan relations. Indeed, the Sichuan earthquake a few days after President Hu's visit was an opportunity to demonstrate the countries' recovered relations. The Fukuda administration immediately offered aid and, more importantly, Japanese rescue and relief squads to Sichuan. Importantly, the Japanese rescue team was the first

group of foreign aid personnel to be granted access to the area. Moreover, they were depicted by the state-owned media in a positive, almost heroic light. However, the possible use of Japanese Self-Defense Forces military planes to send relief to China, reportedly requested initially by PRC officials, was called off because of growing protests from angry Chinese “netizens” against the Japanese military re-entering Chinese territory for the first time since 1945.

In June 2008, an agreement on the joint development of gas resources in some of the fields in the East China Sea was reached. This effort testifies to the value in moving away from zero-sum games. Indeed, as energy security is understood as a major point of tension in the two countries’ relations, the joint development would be a positive demonstration of a “win-win” game. The sovereignty issue remains unresolved, and the Chinese government, fearing the perception that it is making concessions to the Japanese side, played down the content of the agreement to its citizens. In fact, “technical disagreements” have thus far delayed implementation of the agreement. As the aforementioned events show us, an analysis of 2008 Sino-Japanese relations cannot be grounded merely on developments at the elite-level. Public feelings need to be taken into consideration as well, since their influence on the two countries’ foreign policy can have profound implications.

Public Perceptions: Still Distant Neighbors and Japan’s Close Ally

Notwithstanding the “rationality” behind improved China-Japan relations, public opinion feelings, which by nature are often more emotional than rational, tell a different story from the “warm spring” narrative. In particular, Chinese nationalism is a major variable affecting the country’s relations with Japan. Given the deepening of mistrust of China in Japan, especially as a reaction to China’s aggressive nationalistic outbursts, this issue has important policy implications for the future. China has experienced a resurgence of nationalism in the last two decades. The major factor behind China’s new nationalism is the progressive end of communist ideology and the gradual loss of legitimacy of the ruling Chinese Communist Party (CCP). Under the banner of the “Four Modernizations” inaugurated by Deng Xiaoping in 1978, China underwent a gradual process of opening and shift from a centrally planned economic model to a more market-oriented system, thus loosening the CCP control over the economy and society at large. In addition to that, the collapse of communism in the Soviet Union and Eastern Europe signified a clear loss of the appeal of this ideology. Therefore, the CCP lost a major source of its legitimacy. The Tiananmen protests were a clear example of the dynamics of post-Mao de-ideologization and dismay at CCP rule.

In order to respond to the loss of legitimacy, the government fostered nationalistic narratives. Discourses on China’s place among great powers, and on its multi-millennarian civilization became more and more diffuse. Patriotic education was mostly concerned with pre-1945 history, in order to educate “the generation that doesn’t know war,” those born after 1945 – now the majority of the Chinese people. Thus, the propaganda machine became increasingly directed at Japan and at its role as perpetrator of violent military aggression against China. By adopting what has been defined as a “victimization narrative,” the CCP implicitly stressed its role as the movement responsible for China’s independence and the restoration of national pride.

Thus, it was in the 1990s that issues such as the Nanjing Massacre were highlighted by China's elite. 1995 marked the 50th anniversary of the end of the war against Japan, the treatment of which can be seen as a clear example of the country's heavy patriotic education. Several campaigns condemning Japanese atrocities, through mass media reports, documentaries and fictional stories, were widely promoted. For instance, the small Nanjing Memorial Hall was enlarged and renovated in 1995. Notwithstanding Prime Minister Muryama's August 15, 1995, apology for Japan's past behavior in Asia and the other expressions of Japan's penitence, the negative portrayal of Japan's history with China remains a leadership tool to excite nationalism, keeping alive strong, at times violent, anti-Japanese feelings.

The spread of IT in the late 1990s into the 2000s changed the nature of nationalism and Chinese society in important ways. As reported in 2007, China had more than 150 million Internet users, making it the largest country for Internet usage (in absolute terms). The Internet is not only used for economic transactions, but mainly for acquiring, processing and exchanging information. Blogospheres, chat rooms and private sites are turning into the new public sphere, the place where people interact and discuss matters of social life and where public authorities and policies are under scrutiny. At times, the Internet has helped elevate nationalistic sentiment to a level that authorities have difficulty in controlling.

As Prime Minister Koizumi decided to respect his electoral promise of honoring the spirits of the war dead enshrined at Yasukuni, Chinese nationalism grew more aggressive in the 2000s. The Internet played a major role in stimulating anti-Japanese feelings. Through the Internet, people were able to collect 30 million signatures on a petition against Japan's bid for a UN Security Council permanent seat. More significantly, grassroots anti-Japanese movements were now able to organize massive public protests. The violent demonstrations that swept China in 2005 resulted in damage to Japanese diplomatic offices, and to Japanese department stores, shops, cars, and other property. The government could not manage what had now become a grassroots driven nationalism, and it was difficult to repress the demonstrations without being accused of "selling the country." Hence, by playing the nationalistic card in the 1990s, the CCP had "mounted a tiger and can't easily dismount" in the first decade of 2000.

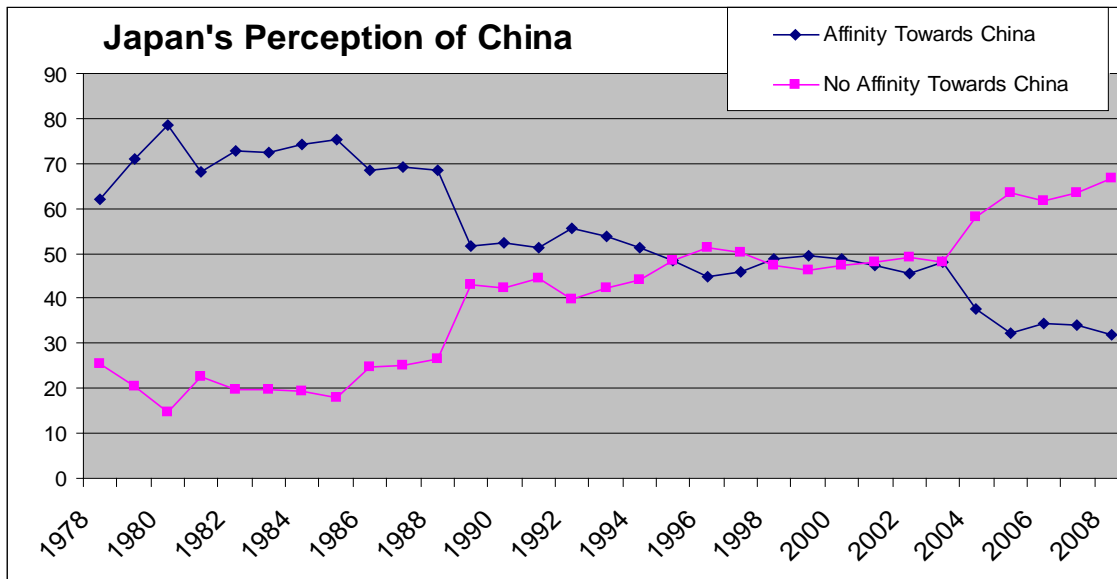
Recent Sino-Japanese developments show that there is a growing consensus among the current Chinese elite for adopting a softer posture towards Japan. Grassroots nationalism must not impede President Hu Jintao's "Harmonious World" foreign policy. The decision by the Propaganda Department of the CCP to portray Japan's rescue squads sent to Sichuan in a heroic light is a clear attempt to ameliorate strong anti-Japanese feelings. In addition, to convey to both Japan and the world an image of China's "Peaceful Rise," preparation for the 2008 Olympic Games were kept under close scrutiny and the government was able to head off possible protests. To the credit of Chinese elite, Japan's public image in China improved in 2007 and 2008, to the extent that 56% of Chinese citizens felt they could "trust" (8% can "greatly trust," 48% can "somewhat" trust) Japan, according to a July 2008 Yomiuri poll.

Grassroots nationalism is, however, still a relevant variable to take into account. It is a channel through which the currently marginal conservative and hawkish elite attempt to delegitimize the current government and gain support to further their power within the Chinese political structure. Internet protests against the Japanese proposal to deploy JSDF

aircraft to Sichuan show that nationalism and anti-Japanese mistrust is still a sensitive issue in China, despite Hu's efforts to contain it. It is in Japan's interest to make sure that the current consensus over China's foreign policy posture, based on a good neighborly policy, is preserved.

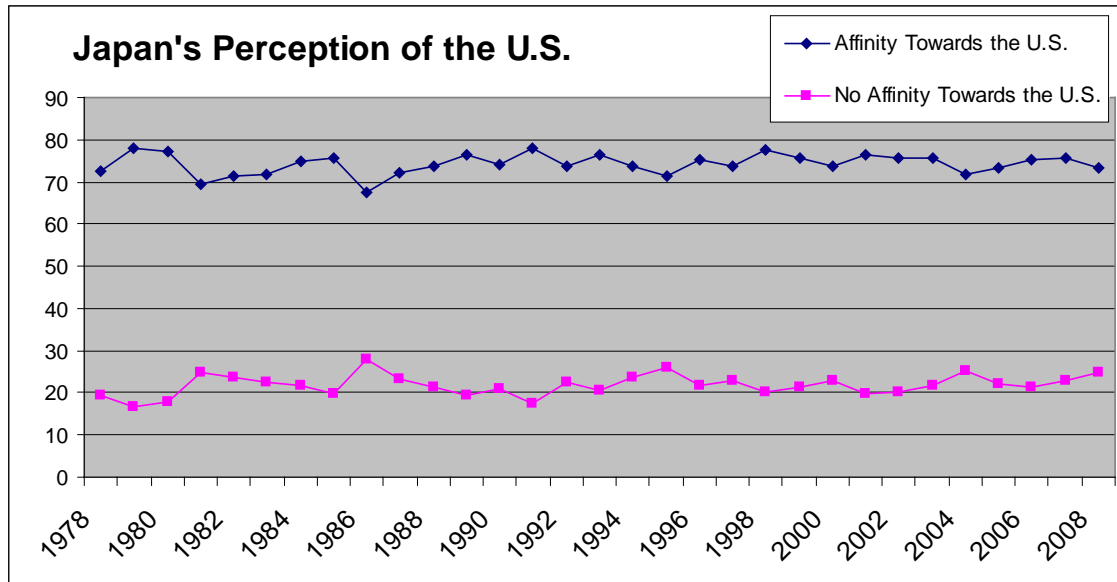
In order to fully recover Sino-Japanese relations, reciprocal trust needs to be recovered. Japan's feelings toward China are generally negative. Nevertheless, anti-China mistrust is mostly reactive and does not stem fundamentally from nationalistic attitudes. Contrary to generalizations made in media reports, extreme nationalism is hardly a problem in contemporary Japan. There remains a strong pacifist strain in Japan, and the conservative elite fostering of affirmative nationalistic narratives should be seen as a much more modest experiment in building national pride.

To analyze Japan's feelings toward China, it will suffice to refer to the yearly national poll made by the government of Japan. By focusing on the post-Cold War era there is evidence that since the 1989 Tiananmen Protests there has been a steady decrease of the number of citizens' harbouring positive feelings toward China. In 1995, as China resumed nuclear testing, the percentage of polled citizens answering positively declined for the first time to less than 50%. In 1997, people declaring they were not fond of China overtook the number of those who claimed affinity: respectively 51% and 45%.



Since the early 2000s the divide grew considerably, most notably in 2006. This downturn was largely a reaction to anti-Japanese violent protests, and booing incidents at sporting events in China throughout the early 2000s. It is indicative that no equivalent demonstration was ever staged during those years in Japan, denoting that nationalism is not a disruptive issue the country. Since the end of the Koizumi cabinet, in 2006, the rates have been somewhat stable. Given the huge downturn of those who felt affinity with China in recent years, and recurring scandals regarding tainted food and products from

China throughout 2008,¹ Japan's trust towards its neighbour did not recover last year. On the contrary, the number of those who "didn't feel affinity" towards China reached its zenith in 2008 at 66.6%.



The most visible difference in opinion polls is that as much as 73% of the polled sample felt positively toward the U.S. Such a high result is constant across the aforementioned period: from 1978 to the present day, where the percentage rarely went below the 70% threshold. Comparing China to the U.S. is telling: the U.S. has de facto been a reference point for Japan, and not only on a political and strategic level, as we stressed in the previous sections. The feelings of affinity towards the country show how highly trusted the U.S. is in the eyes of Japanese citizens. Indeed, the U.S. has been an important reference point on a cultural and social level as well. Finally, these opinion surveys, updated to December 2008, help reassess the often-exaggerated arguments on Japan's public anxiety over a China-first Asia policy by the new Democratic administration.

Conclusions and Policy Implications

The analyses of both Sino-Japanese relations in the post-Cold War era, and public opinion surveys on the perception of both China and the U.S., show that the bond between the U.S. and Japan is clearly strong. To this extent, the U.S.-Japan alliance remains central. Japan and the U.S. should coordinate policies towards China, while avoiding self-fulfilling balance of power games, which may resemble fin de siècle dynamics in Europe prior to World War I. Triangular diplomacy is very important in this way.

¹ The gyoza scandal was a big issue throughout the past year, reopening just as the Beijing Olympics started with new revelations about Fukuda "kowtowing" to China's demand to not let his citizens know about tainted gyoza within China.

Notwithstanding Secretary of State Clinton's categorization during her presidential campaign of the U.S.-China relation as the most important bilateral relation in the world, President Obama's decision to receive Japan first to the White House demonstrates the Administration's high regard for its ally. Moreover, Japan was the first country visited by Secretary of State Clinton during her Asia tour, while China was fourth. The creation of a trilateral consultation process seems the best way to facilitate China's becoming a "responsible stakeholder" in the regional and global systems. It is in the interest of the U.S. to have stable Japan-China-U.S. relations as they could well foster positive spillover effects, particularly in the economic and environmental arena. There are several win-win-win games the countries could benefit from.

An eventual U.S.-Japan-China mini-lateral setting should focus on confronting the challenges posed by the 2008 financial crisis and its aftermath. The attempt to support healthy economic development is justified not only from the clear economic stakes, but also as a means to indirectly tackle the threat of Chinese aggressive nationalism, which may resurface as a result of economic slowdown and consequent social unrest.

Environmental crises, energy cooperation, and climate change are other major areas where cooperation is feasible and needed. President Obama has made clear that climate change is among his top priorities, and a trilateral framework among the three countries may work for the benefit of all actors. There is a natural marriage among Japan's technological edge in energy efficiency and environmental-friendly technologies, U.S. strength in basic science (e.g. research on carbon capture and storage), and China's need to tackle environmental degradation, climate change as well as to increase energy efficiency.

Nevertheless, given the PRC's imperative for rapid growth, the Chinese government and its businessmen are likely to resist drastic restructuring of the economy for the sake of the environment. The CCP will be concerned with getting projects underway and on building infrastructure to contain surging unemployment rates. Coal is likely to remain the main source of energy in China, providing 60% of the country's power needs.

Reciprocal public mistrust remains a major obstacle to stable Japan-China relations. China's nationalism constitutes a major variable affecting Chinese ties with Japan. Japan is extremely sensitive, and its attitude towards its neighbor is highly reactive to China's display of anti-Japanese feelings. Moreover, as a consequence of the slowing down of the Chinese economy and major layoffs, social unrest may resurge in China, along with aggressive nationalism. Some Chinese leaders may be tempted to use nationalism to redirect popular anger away from them, thus feeding a vicious circle of reciprocal mistrust.

Perhaps a precedent for "mini-lateralism" among the U.S., Japan and China is the December 2008 PRC-Japan-ROK Trilateral Summit in Kyushu. Given the deep economic interests at stake, working closely in the areas of finance and the economy is in the three countries' interest, particularly in the context of the current global financial crisis. More generally, preventing major internal instability in the Middle Kingdom is in the interest of Japan, and of the world altogether. Major diplomatic efforts in this direction would "kill two birds with one stone" (*isseki nichō*), as reciprocal support in finance and the economy is needed to indirectly impede the resurgence of aggressive grassroots nationalism in China. Once the trilateral framework is institutionalized, there

are many possible confidence and security building measures that may be undertaken, with a trilateral security dialogue as an important objective. Finally, a focus on the economy may also help avoiding one of the major pitfalls behind the first era of globalization: protectionism and “beggar thy neighbor” policies.

Giulio Pugliese

NORTH KOREAN CHALLENGES TO THE U.S.-JAPAN ALLIANCE

Background

According to Funabashi Yoichi, the editor-in-chief of *Asahi Shimbun*, the U.S.-Japan alliance has been raised to ‘unprecedented levels’ following the 9/11 attacks and the subsequent wars in Afghanistan and Iraq. The Japanese government has shown steadfast support for the U.S.-led War on Terror and has broadened its theater of operations on the international stage, from deploying ground forces in Iraq for humanitarian operations to dispatching naval vessels to the Indian Ocean to provide critical water and refueling services for U.S. forces in Afghanistan. Japan also stands as the second-largest donor in Iraqi reconstruction efforts. The U.S., for its part, has taken steps to consolidate its military bases in Okinawa, an issue long requested by the Japanese government. The plan includes moving 7,000-10,000 U.S. Marines from dangerously congested facilities in Okinawa to less populated areas in Guam.

Because of this transition to a ‘global’ alliance between the U.S. and Japan, it is ironic that the ‘regional’ issue of the North Korean (Democratic People’s Republic of North Korea) nuclear crisis could overshadow this progress and become a stumbling block for U.S.-Japan relations. While the U.S. and Japan both realize that the DPRK’s nuclear program is a clear destabilizing factor to international and regional security, the discrepancies in policy priorities and perceptions with respect to the North have created serious tensions between Washington and Tokyo. The sticking point of this dissent lies not in the goal itself – the denuclearization of the DPRK – but rather differences over the relative weight to be given to the “secondary issue” of the North Korean abduction of Japanese citizens.

This paper examines this issue and the consequences for U.S.-Japan relations. The paper will review the background of the abduction issue, including the U.S. decision in 2008 to remove the DPRK from the list of State Sponsors of Terrorism (SST). Finally, the paper will suggest steps both governments might take to ease tensions and rebuild confidence.

The Abduction Issue

In September 2002, then Prime Minister Koizumi Junichiro became the first Japanese head of government to visit North Korea. Koizumi hoped to start the path to normalization of relations between the two states, one of the last remaining issues from WW II. One of the key issues standing in the way of normalization has been the kidnapping of Japanese citizens by North Korean agents thirty years ago. When Koizumi raised this issue with Kim Jong-Il, he openly acknowledged the abduction of several Japanese nationals during the 1970-80’s. This ‘confession diplomacy’, rather than clearing the air as the DPRK probably expected, was greeted in Japan with public outrage, dealing a serious blow to the near-term prospects of normalization of diplomatic relations.

Kim did agree to allow surviving abductees to “visit” Japan and to return the remains of two abductees including those of Yokota Megumi, who has become the poster child of the abduction issue. However, when DNA testing revealed that neither of the remains matched the identity of the victims, further weakening trust between the two countries and inflaming public sentiments

Another startling revelation by the DPRK followed in October 2002 when it reportedly admitted to a U.S. delegation led James Kelly, Assistant Secretary for East Asian and Pacific Affairs that it was building a uranium enrichment facility, in addition to its existing plutonium production and separation capabilities that were then subject to International Atomic Energy Agency (IAEA) safeguards. In response to North Korea’s admission, the U.S., in November 2002, suspended its heavy fuel oil (HFO) shipments it had agreed to in the 1994 Agreed Framework (AF). In turn, the DPRK expelled IAEA inspectors and reactivated the plutonium-reprocessing facilities at its main nuclear site in Yongbyon.

Diplomatic efforts to defuse the crisis were renewed in April 2003 with trilateral talks between the U.S., DPRK, and China. These talks later expanded to include the ROK Japan and Russia, along with the DPRK, forming what is now known as the Six-Party Talks. Besides demanding that North Korea end its nuclear program, dismantle its nuclear facilities, and declare all of its nuclear programs, Japan added its own requirement that the DPRK resolve the abduction issue as its baseline policy for the talks.

The Six Parties agreed on a statement in September 2005 that set forth a general framework for a settlement, but the talks soon broke down over the Banco Delta Asia issue (see below). North Korea detonated a nuclear device in October 2006. After the U.S. shifted its stance and undertook direct talks with the DPRK, the Six Party Talks resumed in February 2007 and produced the “Initial Actions for the Implementation of the Joint Statement” (also known as the “2/13 Agreement”). The agreement established five Working Groups (WG) with one focusing on the normalization of Japan-DPRK relations. The Working Group on dismantling the North Korean nuclear program made progress, but three rounds of Japan-North Korea talks produced few concrete results other than an agreement on further dialogues and promises by the North to further investigate the abductions. Furthermore, the language of the 2/13 Agreement stipulates that the progress, or lack thereof, in one WG will not affect the progress of the other WGs; in other words, Japan cannot use the lack of progress on the abduction issue to hold back progress on the denuclearization issue, and this has been a source of tension with the U.S.

The Japanese government’s uncompromising stance on the abduction issue is influenced by two main factors. First is strong public sentiment. Tokyo would face harsh criticism if it provided the North economic aid as an incentive for progress on the DPRK’s denuclearization without first demonstrating progress on the abduction issue. Aso Taro, the new Japanese Prime Minister, made it clear on October 14, 2008 that there would be no economic assistance to the DPRK unless progress is made on this issue.

The second and more compelling of the two factors is the initial hard line stance by the Bush Administration. Kaseda Yoshinori asserts that, “Japan’s response to the second nuclear crisis has been strongly affected by U.S. policy toward the DPRK under the Bush administration.” He points out that Japan’s economic and military dependence on the U.S. offers a strong incentive for Japan to follow U.S. foreign policy, most notably

on Iraq and Afghanistan. Accordingly, the same can be said of the DPRK. The Bush Administration came into office with the position that the DPRK was a rogue state and any prior agreements with the Kim Jong-Il regime represented a submission to nuclear blackmail and brinkmanship. President Bush, in his State of the Union Address in February 2002, named the DPRK as a member of the 'Axis of Evil', and later Vice President Dick Cheney stated, "We don't negotiate with evil. We defeat it." This hard line position converged with Japan's firm stance dictated by the abduction issue. Senior Bush administration officials consistently voiced support for Japan on the abductee issue, and President Bush, in April 2006, met with the families of the kidnapped victims at the White House and expressed his support and outrage.

In keeping with its tough stance toward North Korea, Japan was the only member of the Six Parties to align with the U.S. on the Banco Delta Asia (BDA) issue. In September 2005, the U.S. Department of Treasury designated the Macau-based BDA as a "financial institution of money laundering concern" because it held North Korean funds accumulated from various illicit activities. Consequently, the Macau monetary authority froze the 52 DPRK-related accounts held in BDA. The DPRK, in response to these 'sanctions,' suspended its participation in the Six-Party Talks, resumed reprocessing plutonium and ultimately conducted an underground nuclear test in October 2006.

This conformity of U.S.-Japan interests and the unyielding U.S. approach towards the DPRK began to change with the U.S. mid-term elections in 2006. In the wake of the DPRK's test firing of ballistic missiles on July 4 and the nuclear test in October, combined with the bleak situation in Iraq, the Republicans lost control of both houses of Congress in November 2006. Subsequently, Secretary of Defense Donald Rumsfeld and UN Ambassador John Bolton, who had led the hawkish stance towards the DPRK, resigned from their posts, and the Bush Administration took a more flexible approach to North Korea.

The first step in this new approach was Assistant Secretary of State Christopher Hill's travel to Berlin in January 2007 to meet his counterpart Kim Gye-gwan in a bilateral setting, something the U.S. had strongly resisted previously. Secretary Hill conducted these meetings, without close coordination with the Japanese, and agreed to unfreeze the DPRK's BDA accounts in order to bring Pyongyang back to the negotiating table. The Japanese greeted this fundamental policy shift with shock and a feeling of betrayal.

Japanese officials also became concerned that under its new flexible approach the U.S. was clearly separating the nuclear and abduction issues. Whereas the Japanese still gave the highest priority to the latter, the U.S. clearly placed much more weight on the former, relegating the abduction issue to a basket of 'humanitarian' issues to be resolved further down the line. While Japanese officials are well aware of the threat that the North Korea nuclear and missiles capabilities pose to Japan and the region, they were frustrated by the perceived lack of consultation and coordination between Washington and Tokyo on diplomatic overtures to the DPRK. They feared that if the abduction issue was put on the back burner until significant progress has been made in the DPRK's denuclearization process or even taken off the agenda entirely within the Six-Party framework, Japan would lose leverage with the DPRK and find itself isolated.

Conversely, Japan's preoccupation with the abduction issue forced the U.S. to find new partners to assist in providing the remaining 200,000 tons of HFO. As per the

“Second-Phase Actions for the Implementation of the September 2005 Joint Statement,” which was reached by the six parties on October 3, 2007, the five parties are to provide one million tons of HFO or its equivalent to the DPRK in return for the disablement of its nuclear facilities. Each Six-Party member had agreed to provide 200,000 tons with the exception of Japan, which has opposed any economic assistance to the DPRK without progress on the abduction issue. To make up for Japan’s shortfall, the U.S. asked Australia, New Zealand, and the EU to fill the gap.

The De-listing of North Korea from the ‘State Sponsors of Terrorism’

In 1987, North Korean agents were identified as bombing KAL flight 858 in mid-flight, killing 115 passengers on board in 1987. Consequently North Korea was added to the U.S. list of ‘State Sponsors of Terrorism’ in 1988. While the SST law states that the U.S. government may de-list a country if it has not committed a terrorist act in the last six months and has renounced terrorism, North Korea remained on this list for more than 20 years. However, in the February 2007 Six Party agreement, the U.S. committed to removing the DPRK from the list when it had dismantled its nuclear facilities and provided a “full and complete” declaration of its nuclear program. At the same time, the U.S. would lift economic sanctions imposed under the ‘Trading With the Enemy Act’ for nearly 60 years.

While Japanese officials understood this linkage, they find it hard to accept. Although North Korea has not engaged in any terrorist acts since the KAL bombing in 1987, it continues to harbor Japanese Red Army members who hijacked a Japanese airliner in the 1970s and has failed to provide full information about the abductees. Moreover, at the G-8 Summit in July 2008, President Bush voiced his continuing support for Japan on the abductee issue.

However, the U.S. had its own logic. In return for North Korea’s dismantlement of its nuclear facilities and providing a declaration of its nuclear programs, a very important step, the U.S. had little to offer in terms of reciprocal steps except for the removal of Pyongyang from the State Sponsors of Terrorism and Trading with the Enemy Acts. Moreover these steps would have very little practical impact on U.S.-North Korean economic relations because U.N. sanctions would stay in place. After the DPRK had dismantled its nuclear facilities and submitted its declaration, President Bush, on June 26, 2008, announced that the U.S. would remove the DPRK from its designation as an SST, setting in motion a 45-day Congressional notification period before the action became effective. During the 45-day notification period, there was strong Congressional criticism that the declaration lacked written commitments from the DPRK on steps to verify its submission and urged that a verification protocol be put in place before the removal of the DPRK from the list. President Bush and Secretary of State Rice agreed to these congressional conditions, much to the displeasure of the DPRK.

The 2/13 Agreement, according to the DPRK, does not stipulate any ‘prior’ agreement to verification measures before the de-listing from the SST. In vehement protest, the DPRK issued warnings that it would evict International Atomic Energy Agency (IAEA) inspectors, remove seals and monitoring equipment, and begin the

process of reversing disablement. The hard earned accomplishments of the negotiation process seemed to be disappearing as both sides held firm their positions.

However, in October 2008, Hill and the U.S. delegation traveled to Pyongyang to negotiate the terms of a verification protocol. An agreement was hammered out with both sides agreeing to the following verification measures:

- Experts from all six parties may participate in verification activities, including experts from non-nuclear states;
- The IAEA will have an important consultative and support role in verification;
- Experts will have access to all declared facilities and, based on mutual consent, to undeclared sites;
- Permission to use scientific procedures, including sampling and forensic activities; and
- All measures contained in the Verification Protocol will apply to the plutonium-based program and any uranium enrichment and proliferation activities. In addition, the Monitoring Mechanism already agreed to by the Six Parties to monitor compliance with Six-Party documents applies to proliferation and uranium enrichment activities.

With the DPRK having met the requirements for verification, Secretary Rice on October 11, removed the DPRK from the list of SST. The Japanese reaction was highly critical of the U.S. decision. Despite Prime Minister Aso's personal assurance that "the abduction issue will not be affected by the de-listing of the DPRK," the *Sankei Shimbun* noted that Aso and his cabinet could face harsh criticism for not voicing a stronger opposition and for eventually "kowtowing" to the U.S. Nakagawa Shoichi, the Japanese Minister of Finance at the time, expressed 'regret' for the U.S. decision and questioned the depth of U.S.-Japan consultations on the matter. *Yomiuri Shimbun* reported that Aso was 'notified' by President Bush only 30 minutes prior to the announcement. The families of the kidnapped victims accused the U.S. of 'betrayal.' and expressed fear that Japan's leverage to resolve the issue had virtually evaporated. Politicians of the opposing Democratic Party called the de-listing an "embarrassment" for Japanese diplomacy.

The U.S. has tried to allay Japanese concerns by emphasizing that rescinding North Korea's SST designation will not result in North Korea's prompt integration into the international financial system, particularly since concerns on North Korea's illicit conduct and non-transparent financial practices have not been put to rest. The U.S. added that the removal of the DPRK does not alter the force or relevance of UN Security Council Resolution 1718. Some U.S. observers also criticized the propriety of the U.S. decision to de-list North Korea. David Straub, former Director of Japanese Affairs in the State Department assessed the removal as a 'stop-gap' measure when the likelihood of further progress on the nuclear issue was minimal in the final days of a lame duck administration.

The Health of Kim Jong-II

Another North Korean challenge with implications for the U.S.-Japan alliance is the health of the 'Dear Leader' of North Korea, Kim Jong-II. His health has long been an

issue keenly watched by neighboring countries. Recent speculation on his well-being has been magnified due to his long ‘hiatus’ from public appearances. Kim Jong-Il failed to make an appearance at the 60th anniversary ceremony of the foundation of the DPRK on September 9, 2008, an event he and his deceased father Kim Il-Sung had previously attended. Not soon after, South Korea’s National Intelligence Service, in its report to the Congressional Committee on Intelligence, said that Kim had suffered a stroke a month earlier. It is reported that they acquired the services of physician and teacher Dr. Francois-Xavier Roux to operate on Kim. It is speculated that Kim is on the road to recovery and capable of running the DPRK. State-run North Korean media recently released ‘photos’ rather than ‘clips’ of Kim Jong-Il making an inspection and attending a soccer match, and he made a brief public appearance in the spring of 2009.

Whatever the case, Kim Jong-Il’s health has important strategic implications in Northeast Asia. For the DPRK, it appears that Kim Jong-Il has no clear successor waiting in the wings. Conventional wisdom would reason that his eldest son, Kim Jong-Nam, would be handed the reins of running the country, but he is widely believed to have fallen out of favor with his father due to his arrest in Tokyo while attempting to enter Japan with a fake passport. The focus naturally shifts, then, to the elder Kim’s other two sons, Jong-Chol and Jong-Un. *Mainichi Shimbun* reported on February 17, 2009 that Jong-Un had been chosen successor by the Political Division of the Korean People’s Army and that this decision was being conveyed down through the chain of command. Rudiger Frank, vice director at the East Asian Institute at the University of Vienna, argues that the succession of power in North Korea would not follow bloodlines but take the form of a ‘collective leadership’.

The apparent succession dynamics in North Korea add a new level of unpredictability to Pyongyang’s behavior and to the negotiations on its nuclear and missile programs. It could lead to even more reckless North Korean actions, such as new missile launches, renewed nuclear testing, or the transfer of nuclear material or technology to state or non-state actors (i.e. terrorist groups), which may represent the greatest threat to U.S. national security.

A succession struggle could even lead to a ‘collapse’ of the DPRK, although most analysts seem to think this possibility is remote. In the event of chaos in North Korea, The U.S and ROK are reported to have Concept Plan (CONPLAN) 5029 in place to deal with the collapse of North Korea, which details the course of action for U.S.-ROK combined forces in such a contingency. However, such a scenario would raise many complex issues that could impact not only the ROK and the U.S. but also China and Japan, and close coordination would be essential to ensure a soft landing.

A contingency in North Korea would involve the U.S.-Japan alliance, where Japan would provide rear area support to U.S. forces stationed in Japan responding to the crisis, as set out in the 1997 Revised Guidelines for Defense Cooperation. More fundamentally, the U.S., the ROK and Japan share a common interest in the stability of the Korean peninsula and Northeast Asia, creating a “quasi” alliance among the three countries. Of course, the Japan-ROK leg has not been formalized and is much less developed in terms of day-to-day cooperation, given the lingering historical tensions between the two countries. In a North Korean crisis, therefore, the U.S. would likely find it very challenging to manage and coordinate among Tokyo and Seoul, not to mention with Beijing.

Conclusion

The denuclearization negotiations with North Korea have traversed a long and rocky road, and the final results are very unclear as the process bounces between agreements and crisis. While the U.S. and Japan share a fundamental interest in turning off the North Korean nuclear program, the swerves in U.S. policy and Japan's preoccupation with the abduction issue have caused serious strains in the U.S.-Japan Alliance. The Bush Administration's disdain for North Korea and initial opposition to negotiating with the DPRK, while converging with Japan's fury regarding the abduction of its citizens, resulted in a breakdown of negotiations that culminated in the DPRK testing a nuclear weapon and creating a much more difficult situation to manage.

Although the U.S. decision in late 2006 to negotiate directly with North Korea resulted in the freeze, and then the dismantlement of key elements of the North Korean nuclear program, the Japanese saw the new U.S. engagement strategy as not only neglecting the abduction issue but carried out without full consultations with the GOJ and representing a betrayal of trust.

Another potential stumbling block could surface as the North Korean nuclear ordeal reaches its final stages. Despite Six-Party agreement on the denuclearization of North Korea as the ultimate goal, the end-state of denuclearization has yet to be clarified. The U.S. has been and remains most concerned about the proliferation of nuclear weapons and technology to a third country or a non-state actor. This has led some in Japanese circles to speculate that the U.S. could conceivably be willing to accept a residual North Korean nuclear capability in exchange for a commitment not to proliferate. Japan would find any such arrangement very alarming, given its close geographical proximity to North Korea and the missile capabilities the DPRK displayed in 1998, 2006 and again in 2009. While this is not a major issue yet, it has the possibility to throw U.S.-Japan relations into disarray if and when the negotiations reach the finish line.

It is important to note that during the U.S. presidential campaign, candidate Obama stated that the de-listing of the DPRK was an "appropriate response" and a "modest step forward," raising concerns in Tokyo that the new administration would be "soft" on North Korea. Since the inauguration, Secretary of State Clinton's early visit to Tokyo and President Obama's decision to receive Prime Minister Aso as his first foreign visitor have repaired some of the damage, as has the close coordination between the U.S. and Japan before and after the DPRK's April 2009 missile test.

During her February visit to Tokyo, Secretary Clinton proclaimed that Washington's alliance with Tokyo remains the cornerstone of U.S. foreign policy in Asia. She also held a private meeting with the family members of the abductees in which she said the U.S. will consider ways to pressure North Korea to resolve the abduction issue, making it a U.S. priority. However, when pressed by the families to reinstate North Korea on the SST list, U.S. officials said Clinton, though sympathetic, made no commitments.

The denuclearization process is at a critical juncture after the North Korean missile tests and the earlier breakdown of the Six Party talks over the DPRK's refusal to sign a verification protocol. This makes close U.S.-Japan coordination even more essential. Although the new administration has gotten off to a good start with Tokyo, tensions could mount again over the terms of the inevitable bargaining down the road to

get the DPRK back to the negotiating table. The responsibility for improved coordination rests on both sides. The U.S. must uphold its commitment to keep the abduction issue on the agenda of Six Party talks and to raise it in its bilateral discussions with the DPRK. Japan needs recalibrate its policy to place the highest priority on the denuclearization of North Korea, even in the face of domestic political pressure on the abduction issue. If U.S.-Japan trust can be restored at this critical point, then managing the more complex end game issues, referred to above, should be manageable.

*Jung in Kwon
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THE WEIGHT OF HISTORY IN U.S.-JAPAN RELATIONS

Japanese leaders have had difficulty in recent years managing tensions with the PRC and ROK over their alleged lack of contrition for WWII-era behavior. There was much discussion in America about Japan's historical baggage and the implications for the alliance. At the same time, differences remain between U.S. and Japanese elites over issues of war responsibility, and Americans have historical baggage as well. Will such history issues arise in U.S.-Japan relations?

The probability that differences over history will create friction in the alliance is low but worth considering given the likely consequences. Both sides successfully handled sensitive historical issues during the Cold War and will probably continue to do so because of the value placed on the alliance. As a prominent Japanese academic said, "Such issues have not been marvelously managed, but they have been successfully managed." The scholar Jennifer Lind has pointed out that, "Japan and the United States built a warm relationship and solid security alliance in spite of the fact that neither government has apologized for its wartime atrocities," suggesting that countries can reconcile without fully atoning.

The U.S.-Japan relationship is not a natural alliance rooted in cultural and ideological affinities. As Japanese people knowledgeable on bilateral relations explained, this is the defining difference between U.S.-Japan relations and U.S. relations with commonwealth countries. The U.S.-Japan alliance is a logical one; it is buttressed by shared values and principles but there are also deep-seated differences. Indeed, the sociologist Seymour Martin Lipset called America and Japan "the two outliers, the two developed nations which are most different from each other." Mutual respect and understanding of differences is essential to preserving the special, strategic quality of such a relationship.

There are broadly three interrelated historical issues around which Japanese and American perceptions diverge: 1) the U.S. decision to use atomic weapons on Japan; 2) the broad question of Japan's responsibility for the war and the suffering it inflicted; 3) the validity of the Tokyo War Crimes Tribunal and the role those trials played in shaping discussion and interpretation of history. This paper will argue that there is potential for a partial convergence in America on the first of these issues made possible by the middle ground created in recent American scholarship on the end of the war. In Japan, there has been less convergence on the latter issues but it is worth exploring in detail how views have evolved in Japan on the 60th anniversary of the Tokyo tribunal.

Separate from WWII history, the U.S. occupation of Japan and the continuing U.S. military presence loom as potential sources of historical animus. In interviews, Americans were more likely than Japanese to see historical legacies complicating base politics. While it is only natural that some will feel resentment towards the U.S. military, the complicated "two-level game" of base politics separates it from the three broad historical questions that will be the focus of this paper. This is particularly true regarding Okinawa, which has a special history with Tokyo as well as the U.S. military.

What could lead historical interpretation to become a political issue in bilateral

relations? Elites in both countries see their countries as in transition where basic principles of foreign policy must be redefined to adjust to structural changes in international affairs. There are more concrete factors that could propel historical issues to the fore as well, such as the evolving of the SDF's status in society or more competition developing in Japan's political system.

Foreign policy figures on both sides of the alliance have advised tried and true methods for handling historical issues, and there is much to recommend in tactical alliance management. This paper will also explore the merits of using the 50th anniversary of the 1960 U.S.-Japan Security Treaty to make a symbolic gesture showing the bilateral commitment to historical reconciliation and transcending differences.

The gap in historical interpretation between Americans and Japanese is partly rooted in culture, and one cannot expect the countries to entirely share a narrative of WWII. A more reasonable goal would be to identify and facilitate the natural process whereby such issues become depoliticized over time in each society. It is often through opportunistic political manipulation that such issues are kept alive, and, to the extent that joint historical committees can remove controversial subjects from the political arena, they can also help neutralize the contemporary political salience of old resentments.

The Atomic Bombing: Partial Convergence

The Truman administration's decision to use atomic weapons on Japan has been one of the most discussed WW II historical issues in America. It remained so contentious fifty years after the events that a Smithsonian exhibition of the Enola Gay bomber in 1995 had to avoid discussion altogether of the consequences of the Hiroshima explosion and display the plane with little accompanying text or historical context. In the last decade, however, a number of new histories have been written that, taken together, might form the foundation for what J. Samuel Walker calls the “middle ground” between traditional and revisionist camps.

Writing in 1965, Gar Alperovitz famously doubted the public justification given for the atomic bombings by the Truman administration – hastening the end of the war to save the American and Japanese lives that would be lost in a land invasion. Alperovitz argued instead that the decision to use atomic weapons was based on power calculations in the growing rivalry between U.S. and Soviet officials. Japanese civilians were in effect sacrificed in the pursuit of ulterior political, and in his view, questionable motives.

The revisionists made their case by rebutting the traditional arguments for the necessity of using atomic weapons. The idea that the bombings saved lives by obviating an invasion of Kyushu, it was argued, was only a myth; U.S. officials knew the end of the war could be negotiated by relaxing their insistence on unconditional surrender. Instead, the revisionists said, American leaders ignored Japanese overtures because they wanted to demonstrate to the Soviets that they had harnessed the destructive force of atomic weapons.

In this sense, the subtext of the debate over the atomic bombings was the larger dispute over Cold War era policy towards the Soviet Union, and the controversy over the endgame of WWII in the Pacific became a proxy war in a broader argument about the moral quality of U.S. power and the motives driving the global military buildup. On a general level, the revisionist claim was that some combination of narrow-mindedness,

hubris, and greed led U.S. officials to abandon diplomatic solutions and thereby increase the probability of a catastrophic military conflict.

Richard Frank's 1999 book, *Downfall*, did much to change the conversation about Hiroshima, at least among academics and foreign policy specialists. Relying heavily on intercepted Japanese military and diplomatic cables, it reads as an updated defense of the original justification for the bombing, arguing that Truman and others were in fact seeking to hasten the end of the war. Administration officials did conclude that the Japanese war cabinet was not going to surrender on acceptable terms; furthermore, these were logical conclusions drawn from intelligence analysis that has proved largely accurate. In turn, Frank implicitly critiques the central emphasis of traditional historians on the invasion of Kyushu, accepting the lower projections of the expected casualties introduced in revisionist scholarship.

Tsuyoshi Hasegawa has updated the revisionist thesis by demonstrating how the Soviet dimension of the endgame was central to the decisions of all the main actors. He accepts that Truman and key subordinates genuinely sought to hasten the end of the war, but argues that this reflected not conventional war aims but a “race” to force surrender before the Soviet Union could enter and assert territorial and other claims. Hasegawa carries on the revisionist search for ulterior motives, speculating that Truman and a subordinate crafted the July Potsdam Declaration as a trap to provoke a Japanese rejection and justify the atomic bombings.

Hasegawa's conclusions challenge scholars on both sides of the debate. As one historian wrote, “in a conclusion that may trouble some revisionists, [he] argues that Soviet entry (though more important than the A-bomb) had to be combined with the first A-bomb to produce Japan's surrender in mid-August. In a judgment that will trouble many anti-revisionists, he usually asserts that Soviet entry was more important than the atomic bomb in producing the surrender.” Hasegawa explicitly rejects the thesis that Japan was near surrender before Hiroshima and only waited for a guarantee regarding the Imperial institution. Yet he also posits that Soviet entry might have been combined with conventional tactics to force surrender before an invasion in November.

Significant differences remain between these works, but their combined effect has elevated academic discussion beyond the polarized positions that developed during the Cold War. Debate continues on the division within the Truman administration over whether to relax its policy of unconditional surrender. At the same time, both Frank and Hasegawa put ultimate responsibility for the delay in ending the war on Japanese leaders for their prevarications and unwillingness to face reality. The emerging middle ground in scholarship will probably help depoliticize the atomic bombing issue in America, but it comes with a more critical appraisal of Emperor Hirohito and other Japanese leaders for delaying the decision to surrender.

Tokyo War Crimes Tribunal and War Guilt

In contrast to the U.S. discussion of atomic bombings, changes in Japanese views of responsibility for WWII have become more polarized in recent years. Today it is increasingly common to read criticism of moralistic narratives of the war that instead focus on the power politics behind outcomes in international affairs. The year 2008 marked the 60th anniversary of the judgments handed down by the International Military

Tribunal for the Far East, also known as the Tokyo Trial, the Tokyo War Crimes Tribunal, or as the Tokyo Tribunal. The flood of special series on the subjects in newspapers as well as a small book publishing boom in the last two years provides an ideal opportunity to assess how Japanese views of the trials have evolved.

As a Japanese journalist explained, Americans and Japanese largely shared a view of war responsibility in the immediate aftermath of the war. Most Japanese, she said, put the onus for the war on a “criminal military clique” and on politicians for dragging the rest of the country into a losing, illegitimate war. This narrative was widely accepted and was largely consistent with the description of events given by the prosecution in the Tokyo trials.

After WWII, America singled out Japanese wartime leaders, much as they did German leaders, for special condemnation among the war parties. In particular, trials pursued the leaders for crimes against humanity and for imposing an authoritarian system of government that coerced the participation of citizens and stifled dissent. This narrative, at least as far as it described domestic authoritarianism, dovetailed with the Japanese public's feeling of having been victimized by its own government.

Views in America have not changed significantly on the issue of war guilt since the immediate postwar era, but major journalistic initiatives to reexamine the issue of war guilt have demonstrated the extent of elite dissatisfaction with the legacy of the trials in Japan. From 2005-6, the *Yomiuri Shimbun*, Japan's top-circulation daily, reviewed the issue of war responsibility in a year-long series in order to separate the truly responsible leaders from those who were lumped together with them as war criminals during the Tokyo trials. *Yomiuri* Chairman Watanabe Tsuneo explained his own concern with the whitewashing of history as well as the hatred he continues to feel for Japan's former military leaders based on his own wartime experience. The series thus balanced criticism of the trials with an honest attempt at assessing wartime Japanese aggression.

The character of the Tokyo trials and the issues of war guilt, treated as separate subjects in America, have become intertwined in Japanese debates. Indeed, the critics of the immediate postwar view that was shared in Japan and America have dubbed it the “Tokyo Tribunal view of history,” in part to delegitimize it as something imposed by foreigners. In some cases, the trials have been criticized in a bitter form of anti-Americanism still rooted in the resentments of losing a war. The conflating of the Tokyo trials with the issues the trials prosecuted has complicated discussion of both subjects.

The *Yomiuri* series took the standard of judgment set by the Tokyo War Crimes Tribunal as a point of departure for reapportioning the war responsibility among individual leaders. One result of this focus on individual war responsibility has been a general neglect of the broader moral questions raised by the wartime policies. For example, the series tends to evaluate the individual errors of judgment that doomed Japan's invasion of China rather than considering the rectitude of seeking to dominate the Chinese mainland in the first place.

On the sixtieth anniversary of the trials, some writers have attempted to separate the issue of the trials from larger moral questions, though not necessarily in a way that closes the gap with American perceptions. Kagoshima University professor Higurashi Yoshinobu has been among the most prolific writers on the subject of the Tokyo trials. He wrote or co-authored two books on the subject in 2008, and has participated in several roundtable discussions published in general interest monthly magazines.

Higurashi has urged readers not to focus on the justice of the Tokyo trials but to appreciate their political context. “There was no way that after a war of such great scale that Japan could have entered a 'postwar' without some dividing line. America set up the trials, even with all the hatred generated by Pearl Harbor, as a mechanism to draw a political dividing line for Japan to enter a postwar era...In a sober assessment, I think there were considerable merits to accepting the Tokyo war crimes trials.”

Higurashi can also be dismissive of the specific decisions handed down in the trials, chiding Japanese authors who take its moral judgments seriously. Higurashi and other scholars have criticized the “conspiracy thesis” that pinned war responsibility on militarists as over-simplified and too reflective of the political necessities of the immediate postwar era. In his view, the trials were only concerned with international politics and were never about justice. The ultimate proof, he says, is MacArthur's insistence on sheltering Emperor Hirohito, the most obvious center of responsibility, thereby requiring an elaborate conspiracy to explain the course of Japanese decision-making.

Higurashi is typical of recent commentaries in separating the issue of war responsibility from criticism of the shortcomings of the tribunal system. The trend has been to argue that Japanese must set aside the controversial legacy of the trials and consider for themselves who was to blame and what lessons can be learned. Separating the issues has not closed the gap between American and Japanese views – many Americans would feel Higurashi and other Japanese authors attribute too much to impersonal forces and extenuating circumstances. Still, the anti-Americanism tied to the place of the Tokyo tribunal in shaping debates has been neutralized to a certain extent.

A subset of the literature on the Tokyo trials keeps the apologist flame burning – the hagiographies of Justice Radhabinod Pal. On the far conservative end of the political spectrum, Justice Pal has been lionized as the lone dissenting voice at the trials. Former Prime Minister Abe Shinzo notably visited a descendant of Pal on an official trip to India in 2007. The sensationalist comic book artist, Kobayashi Yoshinori, devoted a volume to him in 2008, predictably casting him as a critic of Western imperialism who recognized Japan's noble war aim of liberating Asians.

Even the literature on Justice Pal has seen some moderation in tone. A controversial book recently asserted that Pal objected to the trials on narrow legal grounds and shared a harsh view of Japanese guilt for the outbreak of war and for wartime atrocities. The book has been criticized by conservatives, touching off a debate in the magazine *Shokun!*, but has also received numerous positive reviews.

An article in *Nihon Keizai Shimbun* concluded that a younger cohort of scholars in their 30s and 40s take an approach to the tribunal that has a more “international perspective” and “moves beyond” the ideological categories of past scholarship. The reporter found that “deepening” research was providing the material for a “middle-ground” interpretation, suggesting a partial convergence of views and the depoliticization of the debate within Japan. Still, the resistance in Japan to moralistic views of history underscores the remaining gap between American and Japanese views of both the trials and the issue of war responsibility.

Base Issues in Local and National Politics

One would expect American military bases on Japan to be a potential source of historical tension with Japan. The military presence is the most obvious tangible legacy of Japan's defeat and occupation. It is also a symbol of Japan's dependence on the United States for security – a thorn in the pride of many conservatives associated with historical revisionism. Perhaps counter-intuitively, however, most Japanese elites did not see bases as a historical symbol with salience in the public memory.

Some American interviewees saw bases politics as exemplary of the way historical sentiment rooted in WWII can affect bilateral coordination. One Tokyo Embassy source told me that not only Japan but also the United States carries “historical baggage” from WWII. Whenever an incident occurs at a U.S. base in Japan, he pointed out, “we are suddenly the occupiers again and our soldiers are held to an unreasonable standard.” By contrast, Japanese interlocutors tended to see bases as a potent symbol only at the margins of the political spectrum. According to one person, the extreme right and left share a perception of bases as evidence that Japan has been subjugated under the “U.S. empire.” In a 2005 book, then Foreign Minister and current LDP faction leader Machimura Nobutaka asserted that Japan's postwar contradictions were rooted in occupation-era policies, suggesting that Japan could not move forward until that legacy had been overcome.

The political history of base politics in Japan suggests that the symbolic and emotional resonance regarding the foreign military presence is more a feature of local than national politics, particularly as regards Okinawa. In his comparative study, Professor Kent Calder argues that this “two-level” game between local and national politics is a key feature of base politics across nations and cultures. One scholar told me, however, that this attitude on the mainland is part Tokyo's unresolved history with Okinawa, and the national-local distinction should not be adopted uncritically.

One prominent Japanese figure told me that the U.S. administration of Okinawa from the end of WWII through reversion to Japanese rule should be considered “a kind of national shame” for Americans. He related anecdotes of the harsh treatment given to dissenters and those who complained. A former American soldier who served in Okinawa prior to reversion once told me it was like the “wild west,” where a minority of hardened soldiers acted as if there were no laws and indeed went unpunished. Okinawa's story is certainly a narrative of shame for mainland Japan. As long as historical issues remain unresolved between Tokyo and Naha, it will be hard to address this unique Okinawa legacy in the context of national reconciliation between the United States and Japan.

The Significance of Tamogami

The controversy in 2008 over a historical essay written by then Air Self-Defense Force Chief of Staff Tamogami Toshio propelled the issue of historical revisionism into the headlines. He was quickly demoted and forced to retire but his various defenders kept the issue alive in mass media. The reaction of elites provides one indication of the currency of Tamogami's views and the place of historical memory in shaping U.S.-Japan relations.

Among the controversial assertions in his essay, Tamogami argued that Japan was

tricked into war by Chiang Kai-shek and into attacking Pearl Harbor by President Roosevelt, who he believed sought the war to bring the United States out of economic depression. The Roosevelt conspiracy theory has a long pedigree and, until recently, was featured at the war museum attached to the Yasukuni Shrine to Japan's war dead. Okazaki Hisahiko, a conservative "realist," as one Japanese figure described him, publicly called for the text to be removed from the exhibit. He called the argument an "immature form of anti-Americanism" that was also "one-sided, cheap, and lacking in intellectual integrity."

Prominent Japanese figures with an interest in security issues uniformly took issue with Tamogami's contradicting government positions as a member of the uniformed command. To the extent that there is a mainstream view among Japanese conservatives, it is that he flouted the conventions of civilian control over the military and thereby undermined the slow process of settling the status of the military in the policy process and society. Former Defense Minister Ishiba Shigeru wrote an extended defense of "active civilian control" in Japan's most widely read general interest monthly, urging that Tamogami not be treated as a martyr.

The Tamogami essay appears most significant in what it indicates about the tensions that are likely to arise in the process of reforming and guiding the evolution of Japan's Self-Defense Forces into a more conventional military. Public distrust towards Japan's military has left the status of those forces ambiguous and unresolved. One interpretation would cast Tamogami's activism as a pathetic but understandable attempt to build morale among SDF officers and give them the sense of purpose and belonging that society has denied them. As former Ground SDF Lieutenant General Shikata Toshiyuki wrote in center-left *Asahi Shimbun*, "What underlies the problem is the Constitution. The present Constitution does not define the SDF. Such a situation has lasted too long and created pent-up feelings...It is easy to denounce him for publishing such an essay... This, however, will not dispel whatever is pent up in the SDF."

The controversy has also created opportunities for leaders within the defense establishment. The current National Defense Academy President, Iokibe Makoto, is a noted historian who has long advised Japanese prime ministers on alliance management and diplomacy. The controversy over the essay had special implications for military education since Tamogami previously pushed his revisionist views as president of the SDF Joint Staff College. The Tamogami essay in effect gave Iokibe a platform to publicize his effort to forge a positive tradition out of the legacy of Maki Tomoo, the founding president of the defense academy. As Iokibe explained in an NHK special news program, Maki devised a liberal arts curriculum for military education in the immediate postwar era in order to give cadets a "broad perspective" and instill them with "pride in obedience" to the legal and political process. The latter compound can mean either "obedience" or "subservience," which when paired with the notion of pride gives the phrase a tantalizing air of contradiction in Japanese.

Tamogami's essay shows something about where history issues might arise, but his thinking is unlikely to direct the national debate over war responsibility. On the whole, the mainstream reaction against Tamogami's essay has overshadowed his own influence. The main reason Japanese elites gave for this was the poor quality of his writing and argumentation. One prominent figure explained China's muted reaction by saying "his essay was so poor that it did not even merit a [Chinese] response." Some defenders of Tamogami, such as Hanaoka Nobuaki, a senior editor for the conservative

Sankei Shimbun, assert that he did the country a service by addressing the neglected question of whether WWII was truly a “war of Japanese invasion.” The most respected of mainstream public figures such as Okamoto Yukio or Morimoto Satoshi, however, have refuted Tamogami's assertions as old canards in the same conservative outlets.

Opportunities: Anniversary of Security Alliance

Looking ahead at the prospects for dealing with the historical legacies of WWII in the bilateral relationship, the 50th anniversary of the U.S.-Japan Security Treaty in 2010 provides an opportunity for a dramatic symbolic gesture. Most Japanese agreed that something should be done on the anniversary to advance ties, though there was considerable disagreement on the extent to which historical symbols should be employed.

The most intriguing proposal circulating in Washington has been for the U.S. President to visit the site of the Hiroshima bombing in recognition of the Japanese people's suffering. In return, Japanese leaders would make reciprocal visits to the site of Pearl Harbor. A “source related to the U.S. Embassy in Tokyo” reportedly told the *Mainichi Shimbun* that Embassy officers considered a presidential visit to Hiroshima in 2005, the sixtieth anniversary of the end of WWII. The article said the Bush administration declined because it might appear that the United States was siding with Tokyo in the regional disputes brewing then over Japan's wartime history with its neighbors.

If it is true that there is a partial convergence of U.S. views on the atomic bombing of Japan at the close of WWII, that would seem to reduce the political costs of a visit by a U.S. president. The 1995 effort to address nuclear issues in the Enola Gay exhibit arguably failed because of the polarization of views on the bombings. Of course, the museum's handling of the exhibit might also have contributed to that polarization.

Some Japanese politicians and prominent figures who were close to the policy process had a strong positive reaction – “superb” said one particularly well-known figure. Japanese interlocutors in favor of the idea generally valued it as gesture of friendship and approved of the choice of symbols for its power to attract the public's attention. One young policymaker thought that a visit by President Barack Obama in particular would make a strong impression on the Japanese public. Another said the leaders must do something to overcome the Tamogami's in their society.

An equal number of the Japanese I interviewed failed to see the rationale for such a gesture and appeared uncomfortable with the idea. A journalist said that there was no desire in the public for such a visit and that focusing on historical issues would strike the wrong chord. Another figure close to the bilateral relationship told me that there had been enough symbolism and vision statements – what the alliance needed now was for the parties to show a concrete policy direction regarding alliance roles and responsibilities. Even the most skeptical figure said he did not think that there was potential for a negative or reverse effect, only the prospect of wasting an opportunity to do something more productive.

Aside from the symbolic merit of the proposal, some individuals in the U.S. government have pointed out the practical difficulty of coordinating such reciprocal visits. Japanese interviewees noted that Nancy Pelosi had already visited Hiroshima, and the gesture had been reciprocated by a visit to Pearl Harbor by Kono Yohei, Speaker of

Japan's Lower House.

Given the mixed reaction to the proposal and the energy it would take to coordinate, the U.S. president might be served well enough to use his unique powers of language to demonstrate that the countries have overcome their past. He could certainly do so in reference to the recent visits by Speakers Pelosi and Kono, in such a way as to leave the prospect of a future visit open. A reference to history would be helpful, but the Japanese I have spoken to were concerned about policy issues: how the U.S. nuclear posture review will enhance America's ability to defend its allies or how a U.S.-India encomium can be incorporated into an updated policy to prevent nuclear proliferation.

Conclusion

In 2008, the change of leadership to Prime Minister Aso Taro, a figure known for controversial statements about the past, brought back the specter of historical disputes in Japan's relations with its neighbors. Yet Aso, like his two immediate predecessors, avoiding inflaming the symbolic issues that troubled diplomacy under Prime Minister Koizumi Junichiro and quickly moved to reinforce Japan's regional ties.

The general sentiment among foreign observers has been to urge Japan to deal squarely with its past. Japan is indeed dealing with its past, though not in the sense that outside observers mean. Japanese are not reconsidering their past for our benefit, but for their own. Two books published by eminent scholars over the last year argue that Japan will soon emerge from over a decade of internal debate with a renewed sense of purpose and a broad consensus on a direction for national strategy. This pattern of national mobilization and great change, punctuated by periods of internal debate and halting reform, they argue, characterizes modern Japanese history.

Building a new consensus on national policies will entail redefining Japanese nationalism and national identity, a process that would normally be considered the development of a healthy form of patriotism. Japanese are revisiting their history, as so many societies do, to find the sources for a new tradition that both meets contemporary needs and accords with enduring values. Japanese are not of one mind on the issue, and history issues are part of the ideological debate within the elite over national strategy.

We cannot predict what form a renewed Japanese identity will take, but we can be reasonably certain that the three historical subjects outlined here will be part of the discussion. We can also be reasonably certain that serious differences will remain between Americans and Japanese over historical interpretation. Japanese political leaders have been capable of bringing dramatic transformations in the past, but they often did so from a conservative and revivalist frame of mind unfamiliar to U.S. policymakers, who learn that change comes from forward-looking visionaries. Reinterpreting the past will probably be an important facet of any conservative reawakening.

Looking at trends in Japan tells only one side the story. If Japan is emerging from a period of transition, the United States is probably entering one. Experts disagree considerably on the potential for American decline in an absolute sense, but most agree that it has already lost power in relative terms. The more important question for inquiries into the impact of domestic debates on foreign affairs is whether and how the understanding and expectations that Americans have of their own influence will adjust as the reality changes. A shift to a "post-hegemonic" order internationally or in the region,

for example, would probably lead to an identity crisis in America.

From a U.S. perspective, Japan played an important role in the two historical conflicts – World War II and the Cold War – that did so much to convince Americans of the efficacy, moral necessity, and legitimacy of their leadership in world affairs. If Japan's history issue produces tensions in U.S.-Japan relations, it may be that Japan's changing understanding of that period contradicts a version of history that is central to American identity. Over the next decade, it might be that Americans and not Japanese cannot get past enabling national myths. One can envision a scenario, where waning power makes American leaders more sensitive to perceived differences in values with allies, and simultaneously leads foreign representatives to assert their own worldview more directly.

What can American policymakers do to avoid such an outcome? It is virtually impossible for U.S. policy to intentionally shape broad social and cultural trends abroad. Americans must understand the terms of debate and the main issues in order to calibrate their response when tensions arise over the symbols of the past. The evolution of Japanese views on issues of war responsibility combined with the convergence of views on atomic issues among American academics has arguably created an opportunity to address bilateral history without roiling political relations.

Even assuming such an opportunity exists, above all else policymakers should avoid making tensions worse. That goal would be served by a less-is-more approach at the official level and a supportive approach to cultural and academic exchanges where differences can be explored in depth. While some reference at a summit to history, and possibly to nuclear issues, could contribute to the maturing of U.S.-Japan ties, the gesture should also be a credible expression of long-term U.S. policy.

Finally, the United States is always served by promoting an open, attractive vision of international affairs that transcends the self-serving narratives of American triumphalism. The resurgence of culturally based movements to divide the world into regional blocs will challenge the traditional American emphasis on universal values and international law. America's cultural and historical differences with its allies must not interfere with the cooperation required to sustain an open and civilized international order.

Nicholas Christianson

PROFILES OF DEPENDENCE: COMPARATIVE U.S. AND JAPANESE POLICY ON RENEWABLE ENERGY

Introduction

In May 1956, *Time* magazine carried a warning that man's carbon emissions "may have a violent effect on the earth's climate" within fifty years. Nine years later, President Johnson issued a stern warning to Congress that man had "altered the composition of the atmosphere on a global scale" through "a steady increase in carbon dioxide from the burning of fossil fuels." And by 1977, a journal called "Climactic Change" had been founded to explore the implications of anthropogenic climate change on the global environment. By 1980 the scientific consensus regarding global warming and the impact of fossil fuel emissions on global climate was relatively clear: numerous expert government committees had established that global temperatures were rising systematically, and much faster than natural cycles would dictate.

The epicenter of these scientific breakthroughs was in America. At the time, the U.S. was the undisputed global leader in terms of the groundbreaking meta-science underlying a new understanding of the natural world and man's effects on its complex systems. New techniques were being developed to integrate climatology, geology, physics, oceanography, economics, and sociology as never before to understand these phenomena. In tandem with the embryonic consensus on global warming, America suffered two consecutive energy shocks in the 1970s. As a result, the Carter administration focused in on assuaging the country's dependence on imported fossil fuels and curbing man's deleterious effects on the environment. A fusillade of policy and technology responses was led by the government, but embraced by many sections of the business community as well. Although the nuclear revolution was stalled by the accident at Three Mile Island, the wind and solar photovoltaic (PV) industries emerged from America's laboratories into the electric supply of the nation. They were, of course, encouraged by robust government support. Geothermal electricity was also ascendant, and by 1980, America was the world leader in generation of geothermal electric power – in fact just the state of California generated more geothermal electricity than any country excluding the U.S.

Since this time, however, Japan and the United States have followed two drastically different courses. Japan has become a leader in efficiency and clean energy manufacturing – particularly solar photovoltaics and hybrid vehicles. While the United States' furious actions to expand renewable energy sources during the 1970s gave way to active opposition to renewables programs under Ronald Reagan. These programs doddered during the 1990s only to again come under attack from the second Bush administration. Accordingly, after a brief moment in the early 1980s, America continued to increase its rate of carbon emissions more rapidly than any other major developed country, and its energy imports swelled.

This paper will chart a brief historical narrative of U.S. and Japanese renewable energy policy, highlight some of the political and social forces that have shaped national

energy plans, and examine major developments in 2008 that promise to impact the renewable energy industry. The major events that shaped the renewable energy market in 2008 include the July spike in oil prices, the recession that gripped the world economy, the election of Barack Obama as president of the United States and renewed Japanese incentives for solar PV modules. The cases of Japan and the United States show that the renewable energy industry has been heavily reliant on government support to ensure its expansion, progress and survival (though it should be noted that fossil fuels have historically been subsidized also). This was especially true as energy costs plummeted in the 1980s, and will remain true in the low-cost environment of 2009. America appears poised to spend massively on renewables in the next ten years – propelling it far ahead of Japan in terms of renewable energy, if not de-carbonization of its economy. The major question is whether this is the beginning of a long-term and politically sustainable trend, or just another swing of the partisan pendulum.

Background and Technologies

America and Japan both had similar goals following the second oil shock – though very different starting points. Both countries sought to reduce energy imports and minimize vulnerability to a capricious OPEC and also develop renewables as a major source of electricity to reduce CO₂ discharge and other harmful environmental impacts associated with burning fossil fuels. Today, the U.S. remains a powerful node of technological research and development, but an underperforming market for many renewable energy products – particularly PV. This is especially evident when America's potential is compared with that of Japan or Europe. As Ronald Reagan dismantled the clean energy infrastructure built up by Jimmy Carter, Japan continued to pursue policies that were incremental but far-sighted – in both the private sector and government. Each of these policy decisions was a potent force in forming the shape of the industry today. In 2009, the U.S. is poised for another major expansion in renewables generation heavily encouraged by government subsidies, while Japan is set to maintain its steady course of incrementalism in expanding the sector domestically.

Japan's Renewable History

After the first oil crisis in 1973, the Ministry of International Trade and Industry (MITI) established the “Sunshine Project” – a program to aggressively fund and coordinate government research for non-fossil fuels, especially renewable electricity. Through a series of forums with industry, academics, and government research institutions, MITI focused on a number of technologies. Bureaucrats particularly liked the prospect of displacing some of Japan's fossil fuel imports through rooftop PV systems. The goals and budget of the Sunshine Project expanded rapidly during the 1970s, and the program was supplemented after a few years by a demand-side energy conservation drive called the “Moonlight Project.” Japan's approach in this field was a classic case study of government cooperation with private industry in pursuit of a larger goal. Oceanic currents, wind and geothermal heat were all considered as sources of new energy, but the Japanese government eventually isolated a single technology, amorphous solar photovoltaic silicon cells, to receive the majority of its focus and funding. After the

second oil shock, MITI established the New Energy and Industrial Technology Development Organization (NEDO), which was dedicated to coordinating intensive research and development of domestic energy technologies through its own facilities and also through coordinating the efforts of major national technology leaders such as Sony, Sharp, and Sanyo. Through partnerships and subsidies, NEDO and MITI incentivized industry to carry out what would have otherwise been onerous and risky research projects on increasing the efficiency and decreasing the cost of solar cell production. For a time, the Japanese government even offered to pay half of the retooling costs for new manufacturing machinery if a company was able to reach a certain cost barrier per kilowatt in the manufacturing of solar cells – though no one ever did.

But why did NEDO not pursue other technologies that seemed more practical than the wildly expensive solar PV cells – for instance, wind and geothermal? For one, Japan did not have the space or wind resources to build massive wind farms, and windmills were seen as a blight on the natural landscape. But there were also bureaucratic obstacles. Japan's abundant geothermal resources were located mainly in or near national parks, and the Ministry of the Environment guarded them jealously against geothermal development. The "Onsen Lobby" – owners of hot springs resorts – also feared that geothermal plants would harm their natural resource and stridently opposed development of geothermal generating units. Therefore, Japan's main focus remained on the amorphous silicon solar cell over the 1980s.

This nascent technology was nowhere near ready to start displacing large quantities of imported oil from Japan's energy supply. So, on the other side of the ledger was Japan's intense push toward nuclearization of the electricity supply and end user efficiency. Although Japan's unhappy historical relationship with nuclear energy resulted in strong domestic opposition to the development of nuclear generation facilities, nuclear was one of the only means by which a compact, resource poor and isolated nation could produce substantial quantities of electricity with domestic resources – except for relying, at least initially, on imported fissile material – on a relatively short time horizon. And, in fact, this was the main goal. According to one high-ranking METI official, Japan's solar PV program was not wholly based on practical considerations. It was also "a political necessity in order to pursue nuclear development."

So the development of nuclear power and solar PV was a carefully coordinated industrial and political process. It was part of a broad strategy to wean Japan of off dependence from foreign energy imports.

By the 1990s, concerns about energy security had been layered on top of another pressing issue – global climate change. In 1992 when Sanyo installed the world's first on-grid photovoltaic generating system for residential use, Japan had come a long way toward achieving its goals of domestication and diversification of its national energy supply, though not because of solar PV. Japan had completed 38 nuclear reactors and others were waiting to be built. The same year, utilities began purchasing incremental solar power at the same price consumers paid for retail electricity. This was the beginning of what was, at the time, the world's most aggressive subsidy policy for solar photovoltaics.

The low interest rates instituted after the collapse of Japan's economic bubble were one important piece that allowed Japan's PV sector to thrive, for they allowed people to cheaply borrow money for financing PV units. Japanese subsidies for, in

particular, rooftop solar PV were the best in the world. But in order to achieve the full benefits of these programs, a number of different incentives had to be combined – making the system cumbersome and complicated to navigate.

One after the other, successive Japanese high-tech firms overtook each other as the top producer of solar cells in the world. In the late 1990s, Japanese policy fell behind aggressive efforts in Germany to subsidize solar electricity, and in 2005 incentives were abandoned at the behest of budget planners. They believed incentives had already served their purpose. Some argued that with the island's high electricity rates rooftop PV systems were already, or would soon be, economical even without Japan's government incentive programs.

The U.S. Path

U.S. policy has progressed in fits and starts. In November of 1973 Richard Nixon introduced "Project Independence" – what a 1974 *Time Magazine* article termed a "hopelessly idealistic" program intended to wean America off foreign oil imports. However, America's foreign oil dependence continued to accelerate rapidly throughout the decade. Jimmy Carter was far more troubled by the geopolitical implications of U.S. energy dependence than his predecessors. The Carter administration made a concerted effort to develop a wide array of technologies to displace foreign fossil fuels, or replace them entirely. Carter declared that the fight against OPEC was to be considered the "moral equivalent of war" – though Carter's detractors derided his proclamation as the "MEOW speech" (from the acronym for Moral Equivalent Of War).

Carter organized the Department of Energy to oversee a rapid transition away from fossil fuels – especially imported fossil fuels – and centralize decision-making authority on energy policy in the federal government. Carter also rolled out a raft of incentives for the construction of non-fossil fuels electrical generation facilities under the Public Utilities Regulatory Policies Act (PURPA), boosted basic research and development spending on energy to levels that would not return until 2009, and founded the Solar Energy Research Institute (SERI) in Colorado. PURPA was an attempt to pay renewable electric generators rates that took into account the importance of eliminating the need for new energy infrastructure and fossil fuels. These rates were extremely generous – too generous, many thought. They were also linked to installed capacity, rather than electricity provided to consumers. This meant that vast expanses of wind turbines and other hastily built facilities – some not even connected to the grid – were being subsidized by the U.S. government. Carter's plan was organized on a short time horizon with predictable results: policy flaws emerged as lightning rods for criticism. Some began to mock the new generating facilities, calling them "PURPA machines." They were built in a rush to take advantage of the program, so many were poorly designed and constructed, inefficient, and fell apart within a relatively short time frame.

By his rhetoric and actions, it is clear that Carter was initially far more concerned with promoting energy independence than de-carbonizing the economy. However, by the end of his term, climate was also a major item on his energy agenda, and he did not think that one of the aforementioned goals necessarily precluded the other.

The 1980 election dealt a crushing blow to the policy framework constructed under Carter. Rather than seeking to reform and rejuvenate Carter's policies, Ronald

Reagan's administration sought to gut them. Government supports for renewables were slashed. This included the budget for SERI. The Reagan administration used its muscle to block the results of renewables studies commissioned by the Carter administration. And then there was the changing of the guard. They fired Carter appointees committed to the transition away from fossil fuels and replaced them with insiders and lobbyists from the oil and gas industry.

It was not only government institutions that suffered under Reagan's assault. An entire generation of clean tech entrepreneurs was burned by the Reagan policies. These businesspeople expected the expansion of their industry to be supported by government procurement and demonstration programs. Instead, just as oil prices fell through the floor, government also withdrew its sponsorship. This left these trailblazers with a permanent distrust of the renewables sector and reluctance to return in the 1990s.

Some small incentives were reinstated under George Bush Sr., who was generally more pragmatic and less ideologically driven than his predecessor. SERI was also re-commissioned as the National Renewable Energy Laboratory (NREL). In June of 1992, he signed the United Nations Framework Convention on Climate Change (UNFCCC). However, most of Bush Sr.'s efforts – including the UNFCCC – were piecemeal and relatively ineffectual. And although there was a strong push for an increased focus on renewables and carbon legislation during the Clinton years, the administration's singular achievement in that respect – the Kyoto Protocol – went down in bipartisan flames over the Senate's furor that developing nations, particularly China, India, and Brazil, had not been meaningfully constrained in their carbon emissions.

George Bush Jr.'s administration came to power on the promise of promoting renewables and solutions to global warming. But in the end, he fought a very different battle – an uphill struggle against U.S. public opinion. Reneging on his promises to take seriously the problem of global warming and greenhouse gases, the Bush administration consistently attempted to downplay the issue of climate change. Sometimes its efforts resulted in scandal. When the vice-president's office pressured executive branches to remove references to the probable impacts and cost of climactic change from scientific reports, officials resigned and, when Republicans lost control of the House and Senate in 2006, hearings were held on these abuses.

Since the turn of the century, it has been the states that have often taken the initiative. By 2008, 32 states – mostly liberal ones – had instituted renewable portfolio standards (RPS), with 27 of these standards being mandatory. An RPS mandates that a certain percentage of electricity produced within a state, or consumed by a state, must be from renewable resources by a certain deadline. These RPS laws forced a practical reappraisal of energy policy and massive expansion of the industry. They led to an explosion of renewables capacity – particularly wind capacity. In 2008, 40% of new capacity added to electrical generation in the United States was from wind.

Additionally, a string of events starting in 2005 reminded Americans of their preference for a sound environmental policy. These events included: Hurricane Katrina and other perceived climactic events, the introduction of Al Gore's documentary *An Inconvenient Truth*, and a jolt upward in commodity prices the likes of which had not been seen since the 1970s. At the peak of this commodity bubble in July of 2008, a barrel of crude oil traded for \$147.50 a barrel – an all-time inflation adjusted high.

Structural and Political Divergences

In the long term, geopolitics and domestic pressure on climate change are forcing both Japan and the U.S. to more aggressive action on expansion of renewable generation capacity. In fact, a political sea change, superior sunlight resources, wide windy plains, and fewer bureaucratic constraints in geothermal development will allow America to surpass Japan's efforts toward renewables development in the next decade. However, over the past 30 years two sets of factors have underlain Japan's success in renewables development and conservation in energy policy when compared with the United States. Ironically, those same factors may cause Japan to lag behind the pack as industrialized nations pursue increasingly aggressive climate policies. The first, and simpler, set is structural. The second, and more complicated, set is ideological and political. That second set of reasons includes a host of historical, cultural and other factors that cannot be fully explored within the confines of this paper, though some of them will be mentioned.

The Tyrannies of Democracy

Differences in the structure of governance, economic planning and policy formation result in distinct policy biases between the U.S. and Japan. One of the most significant structural differences is the bureaucratic structure of the two political systems. American government bureaucracies are not given a great deal of latitude to craft and formulate policy. They are driven by the political exigencies of the executive branch and the laws passed through Congress. In contrast, Japan's elite bureaucracies are comparatively autonomous and more insulated from political pressure. There is a deeply engrained technocratic ethos within these ministries which can result in a more unified approach to policy than might be expected in America's politicized context. Individual politicians do not have the resources to craft policy alone, so the bureaucracy plays the dominant role in this context.

In short, the process of policy formation in Japan is more heavily controlled by bureaucrats than politicians. Although the broad context of policy may be set by a particular political leader, implementation, coordination and collaboration with industry are orchestrated by the bureaucracy.

As a result of this, and the fact that bureaucrats are, by and large, not political appointees there is a remarkable degree of continuity to Japanese policy between governments. This is reinforced by the almost unbroken dominance of a single party in Japanese politics, the Liberal Democratic Party. However, because of the entrenched nature of the bureaucracy, continued LDP rule seems to be of secondary importance. Even if the Democratic Party of Japan were to form a government, as many expect it to do in the next 12 months, it is difficult to imagine any drastic change in the country's energy policy. The DPJ would, most probably, lack the motive to effect such a change. It seems unlikely or impossible that the DPJ would alter Japan's long-term goals of efficiency and steady migration away from fossil fuel dependence. Accordingly, Japan is likely to retain its strong focus on solar PV, nuclear, energy conservation, and other low-carbon technologies such as fuel cells and batteries. Although batteries are not a "renewable energy" source, they facilitate the capture and storage of intermittent energy

resources – such as wind and sunlight – and also, in the context of personal transportation, the substitution of electricity for oil.

Not only political parties, but also society at large manifests a high degree of consensus on the strategic goals of reducing carbon emissions and increasing efficiency through new technology. Despite some opposition within the business community, many Japanese businesses have been at the prominent forefront on climactic and environmental issues.

Policy structures in the U.S. are quite different. In the United States, policy formation and implementation have two separate tracks. The legislative branch is responsible for writing and promulgating new laws and ordinances for the country. In energy policy they may pass specific laws that target climate change, carbon emissions and support of specific renewables technologies – a number of such laws have passed since the 1970s.

However, on the legislative side changes tend to be incremental. This is in part because the composition of Congress changes slowly and there are a variety of tactics available to interested legislators beholden to specific industries and constituencies who would seek to stall drastic policy shifts – including the filibuster in the U.S. Senate. As a result, transformative legislation of any sort passes on average only once or twice every four or five years.

The powers and volatility of the executive branch, responsible for implementing the laws of the United States and managing government bureaucracies, are very different. The U.S. Presidency controls a vast array of levers. He can employ many of these controls with a relatively high degree of interpretive latitude. Bureaucracies under presidential control may act as aggressively or timidly as leadership permits them on regulatory issues within loose, and often transgressed, boundaries of legality and constitutionality.

The Department of Energy, formed by Jimmy Carter in 1977, is a case in point. The department was originally developed to implement a number of energy security and environmental programs. Under the first Secretary of Energy, Arthur Schlesinger, much of the department's resources were focused on developing nuclear power, coal resources, promoting efficiency and expanding renewables technology. Each of these was a major component of Carter's energy plan. Carter saw coal as the most accessible and abundant energy resource by which America could break the grip of Middle Eastern oil on its economy. However, Carter had served as a nuclear submarine officer in Admiral Hyman Rickover's "nuclear navy" and was a proponent of nuclear power as well. During the latter part of his presidency, with the second oil crisis, Carter began to pursue the rapid expansion of low-CO₂ emissions renewables and efficiency – during which time he started SERI, a 1000-man strong research institute committed to bringing clean energy sources into the realm of affordability within a relatively short time frame.

Although Ronald Reagan initially promised to eliminate the Department of Energy, he instead used his presidential authority to drastically reshuffle its staffing and priorities. The entire goal of the department was shifted towards research and development of nuclear weapons and promotion of domestic drilling and exploration for oil and natural gas. The goal of the department has been conflicted and heavily dependent on executive priorities ever since.

Ideological and Political

But these structural factors are primarily important because of the ideological and political factors that have affected the evolution of energy policy. This is an area that is substantially more difficult to dissect. Some of the driving forces within the climate debate and thus renewables policy touch areas of core national identity – including geography, language, religion and historical biases. Others play on inbred suspicions of science, government and academia. Because of space constraints I will speak only generally about political discourse on energy policy as a proxy for all of these deeper issues.

Japanese society values efficiency – or more precisely lack of waste – not only in government and business, but also in everyday life. When Dick Cheney derisively commented during a speech to the Associated Press in 2001 that “conservation may be a sign of personal virtue, but it is not a sufficient basis for a sound, comprehensive energy policy,” he did so with no intention of irony whatsoever. However, ironically, during the course of research for this paper, numerous Japanese officials from various government agencies, think tanks, and industry organizations emphasized the importance of the fact that efficiency *is* perceived as a personal virtue within Japanese society and seen as the basis for crafting a sound Japanese energy policy. The concept of “*mottainai*” surfaces continually. *Mottainai* means, “too precious to waste” and implies that wanton use of resources is a great pity. For example, since its inception, the Japanese auto industry was geared towards producing small, fuel efficient vehicles that were better suited for Japan’s relatively tight quarters and costly petroleum imports. The U.S. auto industry was very much geared towards heavier, fuel guzzling, and expensive vehicles. Perhaps it is because of this underlying value and the island sense of scarcity in Japan that consensus has characterized debate on renewables and efficiency.

In the United States, the timbre of the debate has been drastically different. Since the time of Jimmy Carter, and indeed Nixon, there have been two battling opinions among elites. The first, which I call “global limits,” has sought to promote the idea that fossil fuels are a finite resource that produce environmentally harmful emissions, lead to foreign dependence and should be economized. One implied policy goal of this group is to drastically reduce consumption of fossil fuels to extend their viability as an energy source and avoid potential environmental consequences such as anthropogenic global warming.

The second opinion is really an amalgamation of views. One is a market-fundamentalist approach to the consumption of fossil fuels. It holds that “oil is found in the minds of men.” In other words, that market forces will provide an ample supply of energy regardless of the underlying geological and political factors. Proponents of this market fundamentalism oppose almost any government attempt to regulate or reduce consumption of fossil fuels – though they are (oddly) often in favor of subsidies for exploration and other industry activities. Market fundamentalists believe that an intricate balance of supply, demand, and pricing mechanisms will allow for dependable energy supply into the indefinite future. They hold that humans will be able to deal with issues of pollution and climate change best and most efficiently through pure, unregulated, market mechanisms.

The next group that partially overlaps with the market fundamentalists is what Tom Friedman calls the “climate deniers.” These are individuals who systematically deny the existence of anthropogenic climate change. Naomi Oreskes from University of California San Diego has catalogued how many of the same scientists that led the effort to obscure and deny the link between tobacco use and lung cancer – including Dr. Frederick Seitz, a former president of the National Academy of Sciences – were also at the forefront of sowing doubt in the media regarding the phenomenon of human-induced global warming. Many leaders from the fossil fuel sector have espoused these viewpoints, but today the ranks of “climate deniers” are dwindling fast. In one sign of the times, at CERA WEEK 2009 – the most prominent executive conference in the energy industry – the CEO of British Petroleum expounded on the necessity of instituting an “absolute emissions cap” in order to achieve “environmental certainty.” In doing so, he explicitly repudiated the proposal for a carbon tax that would allow for more flexibility in the absolute quantity of global carbon emissions.

Finally, in America, there exists another camp that advances a less academic version of a similar argument. The belief of this group is founded on a suspicion of science, government, and the media – which they believe exhibits a fundamental liberal bias. This group is generally made up of conservative religionists who believe that natural resources are plentiful and the earth is able to absorb the negative impacts of humanity with great resilience through natural regulatory mechanisms instilled in it by God.

For 25 years, these groups have succeeded in diluting the potency of environmental policy and overshadowing a mainstream consensus that climate issues should be dealt with. As a result there has been little meaningful progress on government-regulation of greenhouse gasses or substantive reduction in fossil-fuel dependency. This lack of consensus has been the major force, after economics, inhibiting an aggressive expansion of renewable power in the U.S.

The State of Affairs

2008 was a landmark year in global energy for a number of reasons. It was the first year in which an overwhelming social and political consensus on issues of climate change gelled. This was the result of new and dire data documenting the occurrence of predicted phenomena associated with global warming. These include the massive release of methane gas from thawing permafrost in sub-polar regions, large scale melting of arctic sea ice, and other predicted effects of climate change that were transpiring more rapidly than predicted by the International Panel on Climate Change and other bodies. At least as potent was the wild ascent of prices for all energy commodities into July. Oil prices climbed to a record high of \$147.50 a barrel before careening precipitously downward. This resulted in a major transfer of wealth between oil importing states (such as Japan and the U.S.) and oil producers (such as Saudi Arabia, the U.A.E. and Canada). Against this backdrop, the price-stable and environmentally benign prospect of solar and wind power looked particularly appealing. Ironically, this situation was accompanied by a protracted deflation of a bubble in solar PV stocks in the market. Nonetheless, despite the stock slump, an accelerating shift toward renewables seemed inevitable by December 2008.

In Japan, policy makers sought to defend the country's strong manufacturing position in solar PV against new-comers like Germany, Spain, and China whose home industries had been spurred by powerful incentives called "Feed-in Tariffs" (FITs). The somewhat arcane policy instrument promises early adopters of renewable electricity a high and fixed price for their electricity over 20 years. The threat of FITs to the dominance of Japan's industry sparked a lively debate in the Diet about instituting similar policies. In December 2008, however, the government decided, for the time being, to reinstate a per-kilowatt subsidy that would cover about 10% of the cost of a typical rooftop solar PV unit. The new incentive law will be instituted in 2009.

In the past decade, Japan, which had been a leader on renewable energy, lost its solar mantle to the Europeans; in particular, the Germans. But Japan's policy on renewables has been much more stolid than that of the U.S. with respect to swings in global commodity prices. As a result, today 400,000 homes are supplied with solar PV in Japan and the country is now a leader in PV industrial technology. But Japan's steady policies do not show signs of acceleration aside from the renewed subsidy.

In the United States, this same confluence of events brought little immediate policy innovation, but did result in the election of Barack Obama and solid Democratic majorities in both the House and the Senate and the renewal of the renewables production tax credit in December as part of the \$700 billion banking system bailout. President Obama has promised that converting the energy system away from fossil fuels will be his number one priority after reviving the flagging American economy. Early in his transition he followed a time-honored tradition of signaling the sincerity of his promises by packing the energy department with political appointees that will support this course. For Secretary of Energy, Obama selected the Nobel Prize Laureate Steven Chu, who has devoted his career in recent years to improving solar PV. Also, as mentioned earlier, state standards are having a very tangible effect on the expansion of generation resources in the U.S., and 40% of new generation capacity was made up of wind in 2008.

Conclusions

Japan has not been a major leader in renewables technologies outside of the photovoltaics sector. However, Japan's consistent commitment to R&D in PV over the 1980s in many ways saved the industry, and some of the strongest players in the PV sector continue to be Japanese companies like Sanyo, Sharp, and Kyocera.

While the United States policy has lagged on a federal level in the past eight years, on a state level important progress has been made. Thirty-two states have instituted renewable portfolio standards that require utilities to have a certain percentage of renewable generation within a certain timeframe. This has dramatically expanded adoption of renewables capacity in the U.S. – particularly wind. Still, the U.S. has been nothing like a global leader in these industries in the past three decades. Despite its massive size and superior resources, the U.S. only recently overtook Germany in wind development and still lags behind it in solar PV.

In the past two to three years, the increasing oil prices and a solidification of public opinion have made stark the need for a more comprehensive solution to the climate issue. Comprehensive national carbon legislation may well be forthcoming within the next year. Anticipating this, there has been a gold rush of investment into the energy

sector, with particularly explosive growth in clean technologies – or “cleantech” as the sector is now called. Within Silicon Valley and the laboratories of U.S. colleges and federal research centers a frenzy of innovation has occurred. This process will be accelerated by policies of the Obama administration so long as it is not overwhelmed by the current economic collapse.

All indications are that American companies will bounce back and regain some of their promise in terms of innovation in the renewables sector. However, in many areas – particularly solar cells and batteries – America’s transition away from carbon fuels will require it to lean heavily on Japanese manufacturing capacity for environmental technologies and technological leadership. Cooperation in such synergistic industries should be encouraged by policymakers on both sides of the Pacific.

In many ways, the United States can learn the most from Japan’s political discourse on climate issues even more than its technological lead. In the vice-presidential debate, the Republican candidate, Sarah Palin, could not offer a straight answer as to whether she believed that humans were causing global climate change. Her perspective is representative of a sizable minority of the U.S. public – though for now the weight of opinion lies with the reformers. Japan has moved far beyond this debate. It has embraced “green leadership” as part of its national identity and economic revival strategy. In this sense, Japan’s leadership in efficiency and has brought economic gain, respect, and probably soothed its relationship with the Democratic Party in the United States

A multi-national effort will be necessary to address the climate challenge. It is likely that the United States, with its still-excellent capacity for innovation will play a major part in this. Japan’s superior production, optimization, manufacturing and processes may in many ways serve to compliment the strengths manifest through American innovation. However, one thing is certain, increased collaboration, partnerships, and technology sharing between the U.S. and Japan will allow for the most expeditious and economical solution to the problems of energy dependency and climate change through more rapid expansion of the renewables sector.

Levi Tillemann-Dick

THE EVOLVING ECONOMIC ARCHITECTURE IN EAST ASIA: A PARADIGM SHIFT IN U.S.-JAPAN-CHINA ECONOMIC RELATIONS

Introduction

Economic integration is deepening in Asia in terms of both trade and finance. But more than ten years after the Asian Financial Crisis, Asian countries still struggle to find the regional arrangement that could help prevent another collapse of the regional economy. Prior to the crisis, the Association of Southeast Asian Nations (ASEAN) celebrated its 30th anniversary to much fanfare. In addition the creation of the Asia Pacific Economic Cooperation (APEC) provided optimism that these two institutions would have in providing solutions to the region's diverse problems. The Asian Financial Crisis, however, highlighted the two organizations' ineffectiveness at stemming the recession and financial collapse that plagued many countries in East Asia. Indeed, their inability to act decisively and respond effectively undermined their prestige and regional confidence in these institutions. And though ASEAN (in particular) and APEC remain important players, the region is now looking for a new regional economic architecture.

Thus, despite the traditional rhetoric of deepening trans-Pacific economic integration through APEC, many Asian countries, in particular Japan, look to be more closely aligning themselves with other forms of economic regionalism, ASEAN +3, for one. In contrast to its traditional emphasis on global financial and economic institutions, Japan, has negotiated a series of bilateral Free Trade Agreements with other Asian nations. More importantly, the growing influence of China has altered the dynamics of economic and financial regionalism in East Asia; indeed, the U.S. and Japan now have to contend with an emergent China for influence and an economic leadership role in the fastest growing region of the world. The interplay between the three powers will have strong implications for Asian economic regionalism.

More than a decade after the Asian Financial Crisis, Asian countries have proposed a multitude of new regional economic. Because of the inherent difficulties of developing a framework for a region as diverse (politically, economically and culturally) as Asia, there is no clear consensus on what arrangement is best suited for the countries concerned. The economic framework that the countries in Asia ultimately choose to adopt, however, has significant implications for U.S. economic interests in the region, as well as for the relative roles that Japan and China will play in the region. This paper provides an analysis of this evolving architecture, and the calculations made by each of the three major powers and their changing relationship.

Evolving Economic Regionalism in East Asia

Increased Intra-Regional Trade

The East Asian economies (most notably China, Japan and the Asian tigers) have experienced rapid economic growth over the last four decades, helped largely by the

market-driven expansion of international trade and foreign direct investment (FDI) in the region. This increase in intra-regional trade is clearly demonstrated by numbers provided in an Asian Development Bank Institute study: intra-regional trade as a share of Asia's total trade (including Japan) has risen from 37% in 1980 to 55% in 2006. In fact, this share of Asian intra-regional trade exceeds that of the North American Free Trade Area (NAFTA), which peaked at 49% in 2001, though this figure is still lower than intra-regional trade amongst the fifteen members of the European Union that peaked at 66% in 1990. According to the same report, Asia's newly industrialized economies (NIEs) account for the large majority of investment in Thailand and Vietnam, 29% of total FDI inflows to ASEAN and 54% of FDI inflows to China.

East Asian governments have sought to facilitate this intra-regional trade through increased economic cooperation, such as bilateral and multilateral free trade agreements (arguably a precursor to regional economic integration). And though East Asia has been relatively slow to jump onto the FTA bandwagon compared to the Americas and Europe, it has sought to play catch-up with a record increase in FTA activity since the 1990s. Specifically, ASEAN has utilized its intra-regional framework to foster closer economic ties among its member states and with other nations in the region and the world. In 1992, ASEAN, for example, established an ASEAN FTA (AFTA) among member nations that lowered, but did not eliminate intra-regional tariffs, covering all manufactured and agricultural products. In November 2002, ASEAN similarly signed with China a Framework Agreement on Comprehensive Economic Co-operation that called for an ASEAN-China Free Trade Area (ACFTA) by 2010 with the six more industrialized nations in ASEAN, and by 2015 with the other four. Currently, China has already implemented an FTA on goods trade with ASEAN and is now in negotiations for an agreement on services trade. This will be the largest free trade zone in the world when it comes into effect. ASEAN has also signed a Closer Economic Partnership Agreement with Australia and New Zealand; in 2005, negotiations began between these nations on FTAs.

As the largest economy in the region, Japan has also played an increasingly active role in the proliferation of FTAs in East Asia. This increased FTA activity represents Tokyo's late entrance into the game compared with other regional economies and was a significant departure from Japan's traditional position of pursuing multilateral agreements. Japan has penned a series of trade agreements with ASEAN countries, though controversial goods such as rice and beef continue to remain protected. In 2003, Japan signed an Economic Partnership Agreement (EPA) with Singapore. It then signed an EPA with Mexico in 2004 to counterbalance the effects of NAFTA, followed by EPAs with Thailand in 2005; the Philippines, Malaysia and Indonesia in 2006; and Chile and Brunei in 2007. Japan similarly entered into a framework agreement with ASEAN in 2007 that is to eventually lead to a formal FTA. Negotiation of a Japan-South Korea FTA, however, has been slowed as political disputes, both current and historical, and disagreements over the handling of agricultural products have stalled talks. Currently, Japan is also in the process of negotiations with China, India, countries in the Arab Gulf, Australia, Vietnam, and Switzerland. More telling, however, is that there is no clear path to a U.S.-Japan FTA given that the two countries are traditional allies. Much like the KORUS FTA between the U.S. and South Korea, which has been negotiated but not ratified, agricultural issues, particularly rice, stand in the way of a U.S.-Japan FTA. With

the new U.S. Congress more skeptical of FTAs, particularly when the American economy is in recession, the KORUS FTA is unlikely to move forward anytime soon, further weakening the ability of the U.S. to pursue other bilateral and regional FTAs in Asia and elsewhere.

Increased Asian Identity

There is a growing sentiment in Asia in recent years that an exclusive, Asia-only economic regionalism could serve as a legitimate counterweight to the European Union and NAFTA. Major regional powers such as China and ASEAN have strengthened their calls for such an arrangement, especially after what is seen as American regulatory lapses and financial mismanagement that are seen as largely responsible for the current crisis.

For many countries, the current financial collapse evokes memories of the Asian Financial Crisis, which served as a turning point in the way in which Asia thought about economic regionalism and touched off the region's soul-searching for a uniquely Asian identity. Indeed, the failed U.S. response to the crisis forever altered perceptions in Asia of America's economic role in the region. Traditionally, the U.S. had acted as the bridge between Asian nations and served as the foreign guarantor; during the crisis, however, Asian countries watched as the U.S. refused to organize a bailout of their financial systems, as it had in its rescue of the Mexican financial system in 1994. In addition, the U.S. strongly opposed a pan-Asian stabilization fund proposed by Japan, which was interpreted by some in Asia as a sign that the U.S. was primarily concerned with maintaining economic hegemony rather than truly supporting Asian integration.

China, however, in a symbolic gesture, refused to devalue its currency during the crisis and was widely commended for its role in helping stabilize the region. More importantly, this move was promoted by China as its coming to the defense of Asian nations and standing up for Asian interests. For China, this contrasted well with the perceived bungled American response. China has subsequently become an enthusiastic proponent of Asian integration. Even Japan, which once prioritized its trade links to the U.S., has now become an active supporter of intra-regional trade and Asian integration.

Evolving Economic Architecture in East Asia

This increased intra-regional trade and a strengthened sense of Asian identity have helped fuel Asian economic regionalism projects. The rise of China and the unique interplay between the three regional powers, however, necessarily complicate the evolving economic architecture in East Asia, and it is not yet clear what form will ultimately be accepted by the countries in East Asia. There exist many proposals for Asian regional economic frameworks, including APEC, ASEAN +3, ASEAN +6, Shanghai Cooperation Organization or a proposed Northeast Asia Regional Forum. Indeed, participation by member countries in such an alphabet soup of regional arrangements begs the question of the inherent utility of each individual framework. Japan is no exception to the extent that its participation in a multitude of organizations has meant that the feasibility and success of each is made more problematical. That said, however, the two organizations that have demonstrated the most momentum are the ASEAN +3, supported by China, and the more inclusive APEC, supported by the U.S.

Japan has given wavering support for both frameworks; this, perhaps, is demonstrative of its tenuous position balancing its relations with China and the U.S.

ASEAN +3

ASEAN +3 was formed in 1997 after Japan's initial attempts to establish a regular summit process between itself and ASEAN member countries with an agenda that included financial issues, economics and security. ASEAN member countries, however, were concerned that such an arrangement would incite the enmity of other regional powers and broadened the framework to include China and South Korea. China appears to favor this arrangement, as it does not include other regional powers such as the U.S. and India.

Currently, the ASEAN +3 group is organized with the primary economic purposes of holding annual summits, trade facilitation and establishing institutional structures for financial and monetary cooperation. Specifically, the ASEAN +3 framework is envisioned to include an East Asian Summit, bilateral FTAs and eventually an East Asian free trade zone, greater financial cooperation (including bilateral currency swap arrangements and a potential Asian bond market), a network of East Asian think tanks and pursuing a more closely coordinated regional exchange rate regime.

As noted above, much of the visions for ASEAN +3 have been driven by the devastating aftermath of the Asian Financial Crisis and a desire to prevent a recurrence. To this end, the ASEAN +3 has implemented a surveillance mechanism, begun high-level discussions on the idea of a common currency basket, and worked to establish cooperative financial arrangements among member countries. Of particular note is the Chiang Mai Initiative (CMI) established by the ASEAN +3 finance ministers that sets up a network of bilateral currency swap arrangements through which short-term liquidity can be provided to member countries at risk of experiencing currency crises. The motivations that arose after the Asian Financial Crisis have been reinforced this year as ASEAN leaders are determined to strengthen their regional integration and policy cooperation; their hope to ensure the free flow of goods, investment and capital to restore financial stability in the region. This has breathed new life into ASEAN +3. Indeed, ASEAN welcomed the cooperation amongst ASEAN +3 finance ministers at their latest roundtable on February 22, 2009.

Of course, the viability of the ASEAN +3 is tempered by the fact that China, Japan and the U.S. are all vying for a leadership position. China sees ASEAN +3 as a new and useful regional framework in which it can take a leadership role without competition from the U.S. or Europe and without interference from a rising India and Australia. China's attempts during the current global financial crisis to internationalize (or at least regionalize) its currency is demonstrative of this idea. In 2009, the Bank of China was designated by the State Council as an agent for financing trade between China and ASEAN countries, but payable only in Chinese RMB. This, however, has two implications: China is extending credit through the CMI to ASEAN countries for the financing of Chinese exports; but more importantly, China is arguably promoting its regional influence through the establishment of the RMB as a pseudo-reserve currency for trade. China has thus been a major proponent of the ASEAN +3 framework. With less

emphasis, China has also proposed a Northeast Asian FTA that would only include the three countries of China, Japan and South Korea.

Currently, almost all of the more industrialized countries of ASEAN already have bilateral agreements with China, Japan and South Korea. The underlying foundation for ASEAN +3 therefore, already exists. The major obstacles to the ASEAN +3 framework, however, are the negotiations between Japan and South Korea, as well as the successful conclusion of the China-Japan and China-South Korea agreements. The establishment of ASEAN +3 would consolidate the industrialized world into three economic blocs of relatively equal standing: North America, Europe and East Asia.

In 2006, Japan went one step further and proposed a 16-nation East Asian Free Trade Area (ASEAN +6) that was to be coordinated by an Asian equivalent of the Organization for Economic Cooperation and Development (OECD). This framework would include the members of the East Asia Summit, which comprise of the ASEAN +3, India, Australia and New Zealand. ASEAN +6 is largely a Japanese effort to dilute China's influence by including three regional democracies as a way to balance "value" differences with an authoritarian China. The concept was welcomed by India; ASEAN, China and South Korea, however, remained committed to an FTA under the ASEAN +3 regional framework. No time frame has been proposed for discussions on a wider regional FTA. Indeed, an East Asian economic community of ASEAN +6 does not seem likely to move forward in the foreseeable future; the most probable path for a regional framework is the ASEAN +3, one that is heavily supported by China.

Naturally, the U.S. has been cautious about any Asian regional framework that excludes it from the membership. In early 1990s when then Malaysian Prime Minister Mahathir proposed an East Asian Economic Caucus (EAEC), made up of ASEAN, Japan, and China, the U.S. reacted very strongly, causing Japan to back away. When the idea reemerged at the 1997 Asian Financial Crisis in the form of the ASEAN + 3, the U.S. response was more moderate, perhaps reflecting the fact that the U.S., Canada, and NAFTA had formed NAFTA and Washington therefore was not in a strong position to object to an Asian regional framework. U.S. Ambassador to Japan Thomas Schieffer has expressed concern over efforts to exclude the U.S. from the region given that the country has tremendous interests in Asia. Currently, the U.S. policy is to emphasize the importance of APEC as an inclusive organization, to pursue bilateral free trade agreements with individual Asian countries to ensure continued U.S. access to the region, and strengthen global institutions such as the WTO and through close coordination and cooperation with allied member nations, including Japan and South Korea.

APEC

Alternatively, the U.S. has promoted the creation of a trans-Pacific FTA under the APEC framework; the reason for this, of course, being that the U.S. and its interests would necessarily be included in regional discussions. Currently, APEC operates with the purpose of facilitating economic growth, cooperation, trade and investment through open dialogue and non-binding commitments; the formalization of a trans-Pacific FTA would be a step further in the commitments of APEC member countries. In 2006, at the Leader's Meeting of the Asia-Pacific Economic Cooperation, APEC members agreed to study the possibility of a Free Trade Area of the Asia Pacific (FTAAP) that would

include the 21 APEC economies of ASEAN-6, Vietnam, China, Chinese Taipei, Hong Kong, Japan, South Korea, the U.S., Canada, Mexico, Peru, Chile, Australia, New Zealand, Papua New Guinea and Russia.

The feasibility of such a framework would heavily depend on progress among Japan, China, and Japan in removing trade barriers, through a China-Japan FTA within an ASEAN +3 or ASEAN +6 or a U.S.-China-Japan FTA under the FTAAP. Given the at-present insurmountable political and economic obstacles to a U.S.-China or U.S.-Japan FTA, however, it seems unlikely that the FTAAP could truly come to fruition. The U.S. therefore has proposed an FTAAP framework under which a few willing nations on both sides of the Pacific form a nucleus FTA that could be extended to include other APEC members in the future (a la expansion of the European Union). In 2007, the U.S. entered into trade talks with Singapore, Brunei, New Zealand and Chile; those four countries, excluding the U.S. eventually signed a joint Trans-Pacific Strategic Economic Partnership Agreement that eliminated 90% of tariffs between the member countries. This initial agreement is viewed by some observers as having the potential to expand further into an eventual FTAAP.

Given that the two largest and most important regional economies, China and Japan, would be excluded from such a framework, however, makes it unlikely that such an arrangement would be successful, or even useful. Moreover, the U.S.' strong support for and implicit leadership role in APEC, and their ill-fated response to the Asian Financial Crisis, have left an indelible impression on Asian countries, one that has significantly reduced the political capital that both have in influencing the evolving economic architecture in East Asia. The question remains whether a trans-Pacific regional economic framework under the leadership of APEC even remains a possibility. It is clear that a U.S.-led arrangement is not in China's interest, and Japan is increasingly receptive to its alternative, ASEAN +3.

U.S. Perspective

The increasing influence of China in Asia is apparent, China is displacing Japan and the U.S. as the primary trading partner and source of economic assistance among Southeast Asian nations and surpassed the U.S. in 2007 to become Japan's largest trading partner. While some in the U.S. may be concerned that China's increased clout and regional leadership comes at the expense of U.S. influence, the U.S. remains fully integrated in the economy of East Asia and is still the world leader in terms of product design, technology and marketing, and virtually all Asian nations consider the U.S. as a vital partner. That said, Asian nations may well be playing the "China" card to their political advantage and seek to broaden their leverage by pitting China against the U.S.

Because the U.S. continues to have an enormous economic as well as strategic stake in the region, many American leaders argue that U.S. interests should be fully represented in any regional forum. There is concern that without an official U.S. presence, China will inevitably assume the leadership role and advance interests at odds with those of the United States. Of course, this concern may not take fully into account the interests of other Asian countries in a continued robust U.S. presence in East Asia as a counterweight to China's rise and as a hedge against Chinese-led Asian integration that

could lead to asymmetric trading relationships and a diversion of foreign investment from the rest of Asia into China.

Traditionally, the U.S. has worked to ensure its economic interests in East Asia through the WTO, APEC and bilateral trade agreements. There is a concern among U.S. trade officials that the flurry of Asian bilateral and regional trade agreements could be at the expense of progress on multilateral negotiations under the WTO or APEC, and therefore be detrimental to U.S. interests. The U.S. has maintained its preference for a regional arrangement that reaches across the Pacific, rather than an exclusive Asian framework (though State Department officials have suggested that the U.S. does not need to be present in all Asian discussions as long as it maintains strong engagement in the region). The U.S. strategy, however, may be shortsighted. Given the continued failure to conclude the Doha round of WTO negotiations Asian bilateral and regional trade agreements may represent the most promising route to further trade liberalization, from which the U.S. will certainly benefit as the largest economic player in the region. Indeed, despite the trade and investment diversion from the U.S. to regional economies that an ASEAN FTA and intra-regional bilateral FTAs may cause, to the extent that the U.S. continues to establish its own bilateral FTAs and to the extent that such agreements represent the liberalization of trade and investment flows, the U.S. should stand to benefit from increase Asian economic integration.

Instead, the U.S. may lose influence in the region if it continues to ignore the natural process of Asian regional integration. The apparent discrediting of the U.S. free market “Washington Consensus” because of the current financial crisis is likely to further weaken American influence in the region. Any attempts by the U.S. to forestall Asian integration would stimulate Asian anti-Americanism and enhance the appeal of a China-led regional framework. The danger is that regional countries will look less to the U.S. for regional economic leadership and more to China and, to a lesser extent, Japan.

Given the difficulties of negotiating an APEC-wide free trade agreement and facing the prospect of being kept out of narrower regional economic frameworks, the U.S. has in recent years also pursued a policy of negotiating its own bilateral FTAs with individual Asian countries, including Thailand, Malaysia and the still ungratified KORUS with South Korea. There is also a proposal for a U.S.-ASEAN FTA. The U.S. strategy of bilateral FTAs with individual Asian nations as well as a regional FTA with ASEAN seems to be an attempt to ensure its continued full access to the growing Asian market without taking on the political costs of trying to block attempts by Asian countries to create an exclusive Asian regional FTA. The potential U.S.-ASEAN FTA, for example, is viewed by many as a useful counterweight to a China-ASEAN FTA. The strong agriculture and textile lobbies in both the U.S. and most Asian economies, however, have been an obstacle to quick progress, despite early success with Singapore. The FTA process has been made more difficult by the economic crisis and the election of a Democratic Congress that is more skeptical of the benefits to the U.S. economy of free trade agreements.

In these circumstances, the most effective American strategy would appear to be to encourage the natural process of Asian integration, even if it is not inclusive, while taking steps to ensure that it remains a major economic player in the region. According to studies produced by the National Bureau of Economic Research, an exclusive East Asia free trade arrangement would only have minimal effects on U.S. economic growth.

Whether or not the U.S. pursues greater economic integration with East Asia, Asian countries will still continue to deepen intra-regional cooperation. The U.S. risks being left out if it does not proactively ensure its involvement in the region. This could be achieved through a public diplomacy effort, much like China has done in the past several years, which would make clear that the U.S. is not trying to obstruct the East Asian economic institution-building process but simply wants to be a part of it. That, of course, could likely mean accepting a secondary role.

East Asian Perspective

Unlike ASEAN, Japan was not receptive to the creation of FTAs early on, in large part due to its highly protective agricultural sector and a tendency to put priority on multilateral trade negotiations under the WTO framework. In 1999, however, Japan signaled a policy change by calling for a free trade agreement in Northeast Asia; this set off an increase in FTA activity for Japan over the next several years. This shift appears to be in response to a combination of slow progress in WTO negotiations, the advance of regional frameworks in Europe and North America, and China's economic overtures toward ASEAN. It may also have reflected the realization that conclusion of a free trade agreement with its major ally, the U.S., was not feasible without fully opening Japan's agricultural market and thus politically out of the question.

Many observers believe Japan's efforts at securing FTAs with its regional neighbors, including its current negotiations with China, India and Australia is an attempt on Tokyo's part to gain more clout in a possible East Asian community. Indeed, Japan has actively backed the creation of an all-encompassing East Asian FTA that would include ASEAN, China, Japan, South Korea, Australia, New Zealand and India. This support for a broader regional FTA under ASEAN +6 is perhaps also reflective of Tokyo's realization of its declining position in the region vis-à-vis China. Under a more all-encompassing framework, China's influence would be balanced and Japan potentially given a more equal voice. That said, Japan has still continues to lend support to the smaller ASEAN +3 framework that includes itself alongside South Korea and China.

Nonetheless, despite Japan's economic maneuvering to enhance its position in the region (especially vis-à-vis China's economic rise) under an ASEAN +6 or ASEAN +3 framework, Japan still relies considerably on strong political and economic relations with the U.S. and shares many key interests with its ally. Japan has tried to ensure that Asian integration under the different regional frameworks does not devolve into an anti-American institution. It is perhaps for these reasons that Japan gives continued official support to a trans-Pacific regional economic architecture, such as APEC.

China, with its increased clout, is similarly vying to establish itself as the leading regional power, and unlike the U.S., is much less concerned with the establishment of so called "gold standards" or best practices. Not surprisingly, China has preferred regional arrangements, such as the ASEAN +3, that allows it to take the leadership role and sideline the U.S. while relegating Japan to a secondary role. Chinese officials have used the current global crisis to its advantage to position the country as a counterbalancing "voice" to failed U.S. leadership. Indeed, China has readily taken the opportunity to urge closer Asian coordination efforts as well as promote China's role as a stabilizing force.

Japan, however, has not surrendered its economic leadership role. Japan's image of itself as the lead goose, with the other countries of East Asia as flying behind it in a close pattern has been severely challenged by China's growth and active economic diplomacy. Indeed, the center of gravity has shifted to China in terms of trade and investment activity; Japan nonetheless still hopes to maintain a financial and economic leadership position in the region without becoming subservient to China's interests. How it may achieve that though, given its declining influence in the region and the world, remains to be seen. Certainly, of course, Japan still remains the world's second largest economy and the largest in Asia, and its influence should not be discounted, particularly as a major source of innovation and in the financial sector. The role it has taken with the CMI and Asian Bond Market Initiative is an example. One thing is clear, however: gone are the days of Japan's regional dominance. To maintain its influence in the region, Japan will need to learn to work alongside China and the U.S. to create mutually beneficial economic partnerships.

Conclusion

The interplay between the three regional powers—U.S., Japan and China—will be a major determinant of the direction of Asian economic regionalism. The preferred U.S. approach, a trans-Pacific arrangement through APEC, has lost much of its steam in recent years. China, on the other hand, remains a strong proponent of ASEAN +3 that excludes the U.S. and would increase Beijing's influence in the region. A rapidly expanding economy, the increase in Asia-centric trade and the relative decline of Japan has emboldened China in recent years to pursue a leadership role, and it has pursued skillful diplomacy in the region. Indeed, China has used the current financial crisis to demonstrate its capacity as a leader. But traditional suspicions of China's size, ambitions, and authoritarian nature still worry its neighbors. Japan, a traditional regional power and economic ally of the U.S., struggles to determine its position in this shifting geopolitical landscape. This confusion is reflected in Japan's hesitant support of several regional economic architectures (i.e. APEC, ASEAN +3 and ASEAN +6).

The trend towards regional economic integration in East Asia is irreversible, but it is uncertain which economic architecture will ultimately prevail. One thing is certain, however—increased intra-regional cooperation, an evolving “Asian” identity and the rise of China have created a paradigm shift in U.S.-Japan/China economic relations.

Benhan Limketkai

ASIAN FINANCIAL REGIONALISM AND U.S.-JAPAN FINANCIAL RELATIONS

Introduction

Over the past decade, financial relations between Japan and the United States experienced significant policy drift, with Japan primarily focusing on relations with other Asian states, and the U.S. preoccupied with a number of other foreign policy priorities. While some progress has been made on trade issues, the external financial policies of both countries have had little coordination outside of the G-7 and, more recently, the G-20 framework. Under the Bush administration, U.S. policy was focused mostly on the integration and deregulation of capital markets, while the Japanese government's financial foreign policy has been directed almost exclusively towards Asia. Strikingly, most of Japan's major financial policy activities during this period—the Chiang Mai Initiative, the Asian Bond Market Initiative, and the creation of the Asian Bond Fund—were accomplished with little input from the United States, as Japan sought a stronger partnership with its Asian neighbors.

However, the need for a strong financial partnership between the United States and Japan is real. As the financial crisis currently facing all major industrialized nations of the world brings challenges unprecedented in the post-war era, it is critical that both countries understand that a successful resolution to the crisis will be critical to both Japanese and American economic security. Moreover, how Japan and the United States approach this crisis could determine the Japanese-U.S. financial relationship for decades to come, and given the two countries' critical importance to the world of finance, the relationship will also have a major influence on the future structure of the international financial system. It is the intent of this chapter to look more closely at Japan's recent policy initiatives in the field of international finance, explain how these initiatives indicate drift from the United States, and then discuss ways in which the Japanese and American response to the current financial crisis could lead to either greater partnership or further drift in U.S.-Japanese financial relations.

Background

It is difficult to discuss the recent history of finance in Asia without starting with the 1997 Asian Financial Crisis. Beginning with financial overextension and bad debt problems in the Thai economy, the Thai government broke its currency peg with the U.S. dollar, resulting in a massive depreciation in the real exchange value of the baht. This plunged the Thai government into a default crisis, as it was suddenly unable to meet its international debt commitments, as its debt was overwhelmingly denominated in foreign currency (primarily the dollar). The crisis spread throughout East Asia as international investors and ratings agencies began to shy away from investments in the region, causing South Korea, Indonesia, and Malaysia to suddenly experience similar debt default crises of their own.

The Asian Financial Crisis of 1997-98 was a watershed event for the economies of

East Asia, with many of the major regional economic initiatives of the last decade having been undertaken with the goal of ensuring that such a crisis will never be repeated. Moreover, the lessons Asian politicians learned from the crisis—that Asian economies need to be more resilient to shock, that their currencies need to be supported by strong foreign exchange reserves, and most of all, that they should not seek to rely on ostensibly Western-oriented international organizations like the IMF—have had a perceptible impact on how governments in the region approach international economic policy. Absent this historical context, it is difficult to understand fully the reasons behind Japanese efforts towards regional financial cooperation.

Lessons of the Asian Financial Crisis

While the precise causes of the Asian Financial Crisis are complex and hotly debated to this day by economists, two factors are commonly cited to have made the crisis worse than was otherwise necessary: 1) the lack of local-currency debt capital markets and 2) structural overreliance on international financial institutions in times of distress.

It may be difficult at first to understand why a lack of financial development could lead to a major financial crisis, but in the event, the lack of domestic financial development led countries in the region to become overexposed to foreign financing, leaving them vulnerable to sudden changes in international capital flows, investor preferences, or exchange rates. The reasons for this are numerous. First, the inability of firms in developing Asia to issue long-term debt in local-currency encouraged them to turn to domestic banks for financing, resulting in a situation where firms were usually only able to obtain short-term financing, causing them to become dependent on market liquidity conditions. Second, this bank-centered financial system—similar to what has been called a “banker’s kingdom” by Kent Calder and others—contributed to a widespread crisis of non-performing loans and moral hazard, as many banks had chosen to fund projects for political or familial reasons, rather than financial ones. Third, because local-currency debt capital markets were extremely underdeveloped in much of the region, most of these banks—as well as some governments—were unable to borrow in local currencies, causing them to “double mismatch” their non-performing local-currency loan assets with foreign-currency denominated debt issues, leaving their solvency at the mercy of fluctuations in exchange rates.

As such, one of the main lessons learned from the experience was that the development of bond markets would be to the region’s advantage in avoiding a repeat of the crisis. The existence of bond markets would provide financial institutions and governments with the ability to avoid the “double mismatch” problem, while the existence of independent ratings agencies would discourage weak lending practices, resulting in the dual benefits of reducing moral hazard and increasing investor confidence in the system. For borrowers, the existence of bond markets would allow them both to match their debt with income flows and to obtain financing on the basis of project viability, not political influence or personal relationships with bankers. It is in this context that efforts towards the development of local debt capital markets have been undertaken.

Bond Market Initiatives

Following on the crisis, Japan and other countries throughout the region slowly began to agree that the development of bond markets throughout Asia could be catalyzed through regional cooperation. Given the large number of multilateral organizations existing in the region, it was unclear at first which institutions would take the lead in organizing such initiatives. However, two organizations have since shown themselves to be in the vanguard of bond market development, both with the critical funding and participation of the Japanese government: ASEAN+3 and EMEAP. ASEAN+3 is the ten Association of Southeast Asian Nations plus China, Japan, and Korea, while EMEAP (Executives' Meeting of East Asia and Pacific Central Banks Group) is a representative organization comprised of high-level members from eleven central banks and monetary authorities in the East Asia and Pacific, including Japan. One particularly notable aspect of both these organizations is that they are led entirely by Asian countries, and that the United States is neither a participant nor observer in either. As Japanese participation has been deep and critical to both organizations, participation in these organizations can be viewed as drift away from the United States, as Japan has not sought to coordinate its involvement in these initiatives with Washington.

The main financial initiative of ASEAN+3 is the Asian Bond Market Initiative (ABMI), which was first announced at the annual meeting of ASEAN+3 finance ministers on 7 August 2003 in Manila. The ABMI has two stated goals: first, to expand the breadth of Asian bond markets (in terms of the total size of the market as well as the number of issuers); and second, to enhance the resiliency of the markets (in terms of the soundness of the underlying market infrastructure). The ABMI now consists of four (originally six) working groups which seek to study and implement: new securitized debt instruments, credit guarantee and investment mechanisms, foreign exchange transaction and settlement issues, and the development of local and regional rating agencies.

This process has had a number of successes since its inception. Perhaps most salient has been the issuance—in cooperation with the Japanese government—of local-currency bonds by multilateral agencies such as the ADB, IMF, and IFC. These issues have supported the development of local currency bond markets in many different ways, as they have encouraged the involvement of international ratings agencies in local markets, have provided additional depth to markets which contributes to a more stable yield curve, and encourage increased market volume, attracting more investors.

The ABMI has also been critical to the establishment of regional standards for bond issuance, with many countries adopting accounting, settlement, and issuance standards recommended by the ABMI working groups, contributing to the international convertibility of bond investments in the region. The ABMI has also been credited with helping to create a better credit culture in East Asia, especially with regard to the establishment and increased credibility of local ratings agencies. Most recently, the ABMI has been successful in increasing the level of cooperation between public and private sector institutions, which will be essential to the eventual broadening of corporate debt markets.

Finally, but perhaps most abstractly, the ABMI is given credit for its contributions (both direct and broadly indirect) to the continued growth of Asian bond markets, with most countries in the region experiencing bond market growth at rates faster than GDP

growth. However, the ABMI also has many of the same problems as other multilateral organizations in East Asia: an overemphasis on dialogue and study as opposed to tangible action; unclear future purposes and funding; and unclear internal control mechanisms to ensure that all working groups are producing quality work. There are also questions about whether the ABMI continues to be necessary, with a number of local governments doing work similar to the ABMI, the existence of a large amount of literature on ‘best practices,’ and the questionable added value of more research on well-developed topics.

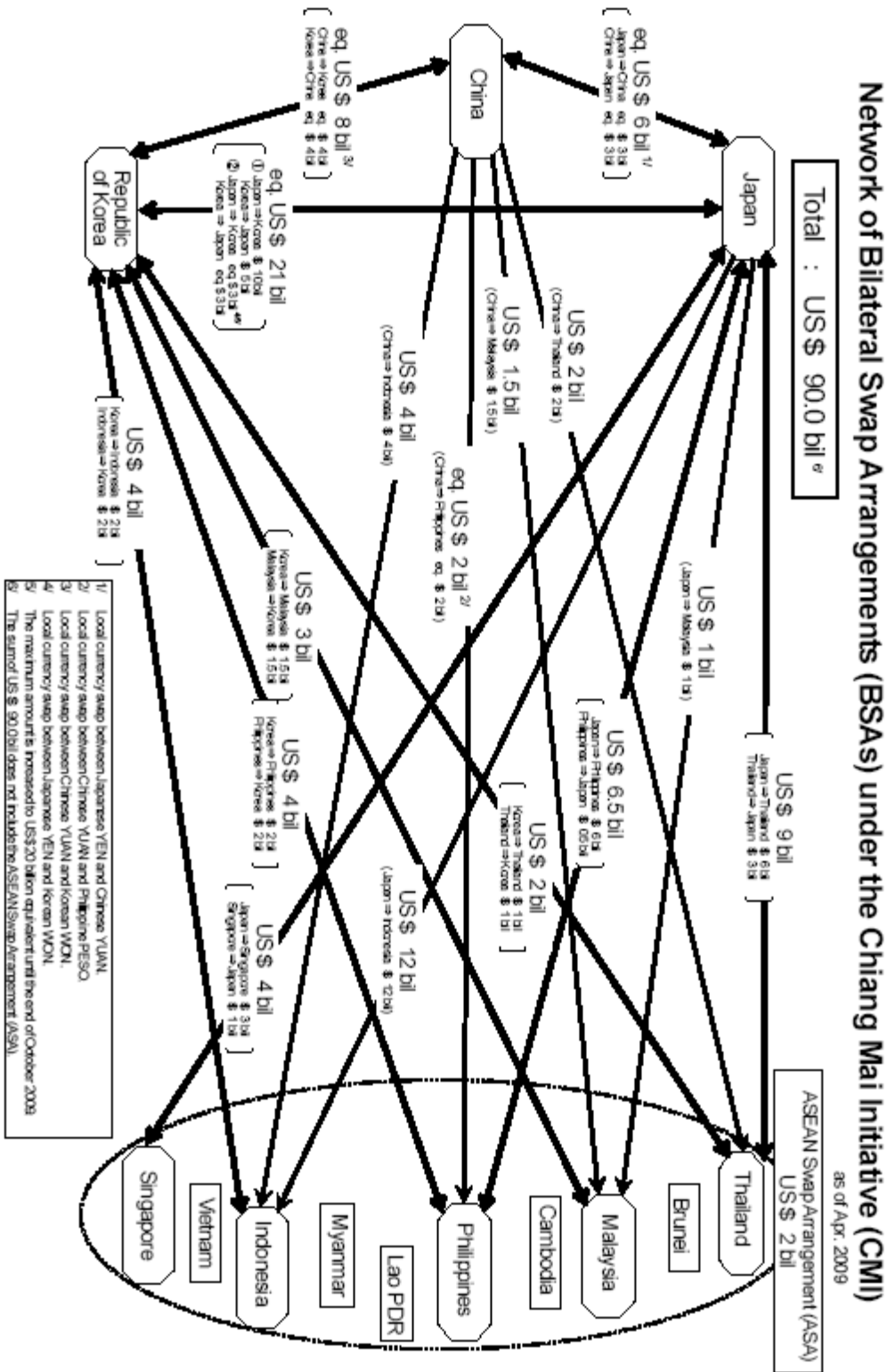
In the context of the Japanese-U.S. relationship, what is most striking about the development of the ABMI has been the complete absence of the United States. While it is clear that if economies in emerging East Asia seek to grow as they have over the past decade, the development of deep, broad, and resilient bond markets will be critical, what is unclear is why the United States has not been involved in the process. For even despite the recent crisis, the United States has by far the broadest and deepest bond markets in the world, some of the world’s leading experts on capital market development, and despite recent failures, some of the world’s most sophisticated investment banks and broker dealers. Moreover, considering that bond markets in most Western countries generally have outstanding issues amounting between 150-200% of GDP, the fact that most Asian bond markets only account for around about 50%—with the vast majority being in government issuances—indicates that the region would benefit from American expertise, much less American capital.

Currency Initiatives

A second primary lesson of the Asian Financial Crisis was that Asian countries ought not to rely only on the international financial system—as defined by the IMF and led by the United States—for assistance in times of distress. The IMF was seen by many as acting too slowly to prevent the collapse of currencies in the region, and the conditionality and austerity measures that the IMF demanded in return for its loans were seen by many Asian governments as being excessively onerous, with some in the region—perhaps unfairly—blaming the IMF entirely for the crisis. Many politicians and economists in the region (rightly or wrongly) therefore decided that the correct policy responses were to accumulate high levels of defensive foreign exchange reserves, and to create a regional financial infrastructure (rivaling the IMF) to draw on in case of a crisis. Such responses, it has been thought, will leave the region far more resilient in the future, helping to prevent a repeat crisis. As such, responses to the crisis over the past decade have largely been accomplished outside the aegis of the IMF.

Over the past decade, the most notable currency arrangement in Asia has been the Chiang Mai Initiative, a collection of coordinated bilateral swap agreements intended to buttress the currencies of the ASEAN+3 nations. Under this arrangement, if a country were to experience a balance of payments crisis brought on by a lack of liquidity caused by capital flight or a balance of payments crisis, it could draw on swap lines with central banks throughout the region instead of turning to the IMF for assistance. Japan plays a central role in the initiative, as it has dedicated \$50b to these swap lines—by far the most of any other participant (see chart below). Moreover, as Professor William Grimes has noted, Japan is the *sine qua non* of the CMI, as it is the only participant with a

combination of the funds, capital markets expertise, and access to international markets and policymakers necessary for the initiative's success.



While the Chiang Mai Initiative does maintain some links with the IMF—mainly, that in the event of a crisis, a country would need IMF approval to draw on more than 20% of any swap line—in general the spirit behind the agreement is the intent to insulate the Asian region from turbulence in international financial markets and capital flows. Moreover, it is entirely Asian in focus, as no outside governments have any say in the CMI's structure, scale, or use. Thanks to the relative stability in the region, the CMI has not been used to date, and so far has not been needed in the current economic crisis. However, its existence is one example of how Japan has worked together with its Asian neighbors to set up a regional financial system outside the aegis of the international financial system dominated by the United States.

The Explosion of Reserves

One major reason why Asian governments have not needed swap lines is because they have ample foreign exchange reserves to rely on for liquidity, contributing to market confidence. Following on years of large global trade imbalances and high commodity prices, many Asian governments (including Japan) have been accumulating reserves at an unprecedented rate. In February 2008, Japan's official foreign exchange reserves surpassed the USD \$1 trillion mark for the first time, and have remained at roughly that level since. Other governments in the region have also been accumulating massive amounts of reserves. The most notable is China, which as of April 2009 held \$1.95 trillion of foreign assets, while other countries total reserves (ex-Japan and China) amounting to a total of about \$1.4 trillion.

Governments hold foreign reserves primarily to serve as a buffer against changes in private-sector capital flows and fluctuations in the capital markets. This is especially important and relevant for emerging markets that have experienced balance of payments crises in the past—such as in Korea and Thailand—though because Japan has highly developed and resilient capital markets, it has never and is unlikely to have this type of problem in the near future. Moreover, holdings of reserves allow a country to stabilize its currency to prevent exchange rate fluctuations, which can be useful if a government wishes to maintain specific price levels for tradable goods. This is especially relevant in the Japanese case, as a sharp increase in its reserves came as the result of a series of exchange rate interventions in 2003-04, when the Bank of Japan purchased over 39 trillion yen (roughly \$330 billion dollars) in the open market in order to keep the yen from appreciating vis-à-vis the dollar. This model has been replicated throughout the Asian region, with countries such as China intervening directly in currency markets to depreciate their currencies, supporting export industries.

However, this practice has led to global imbalances at extraordinarily high levels that are clearly unsustainable. As Japan and other countries accumulated reserves, they invested these funds in countries having current account deficits, with the U.S. being the greatest recipient of funding by far. Since 2000, the U.S. has absorbed roughly \$5.3 trillion in net capital inflows from abroad, which it has used to fund various economic activities, from government expenditure to a housing boom. In exchange for this foreign investment, the U.S. has issued foreign investors financial securities of all stripes—from securitized products like CLOs (Collateralized Loan Obligations) and CDOs (Collateralized Debt Obligations), to GSE (Government Sponsored Enterprise, e.g.

Fannie Mae) Agency debt and mortgage-backed securities, to U.S. Treasury debt backed by the full faith and credit of the U.S. government. Unfortunately many now believe that these massive capital inflows have fueled an unsustainable debt boom—in mortgages, credit cards, and other forms of consumer debt in the U.S.—which will eventually lead to massive losses for foreign creditors. One saving grace of this system has been that foreign central bank managers have been largely prudent in their investments, mostly buying only the safest of U.S. securities. As a result, most of the losses from the current market crisis have been borne by foreign private investors, not by foreign central banks. However, as the U.S. government begins to move towards absorbing private-sector losses, the safety of Treasury and GSE Agency debt comes under threat.

At its core, this is an international financial problem. The financial sector in the U.S. has accumulated massive losses, many of which remain unrealized on the balance sheets of financial institutions. A large percentage of these losses have and will accrue to equity and debt investors abroad. The question therefore is: how will the countries with significant reserve balances—including Japan—respond to the current crisis? How will this response change the structure of the international financial system? And how will these policies continue on or divert from current policy approaches?

Policy Response to the Crisis of 2008-2009

The response to the credit crisis of 2008-2009 has seen a reversal of the policy drift and regionalism of the past decade, seen in two main policy initiatives: international swap lines between central banks, and increased political coordination through the G20. In an effort to enhance market liquidity, beginning in fall 2008, the U.S. Federal Reserve began extending currency swap lines to a number of central banks, including those of Japan (\$60b), Korea (\$30b), and Singapore (\$30b). In April 2009, reciprocal swap lines were extended back to the Federal Reserve; included among them was a ¥10 trillion line from the Bank of Japan. In the face of an uncertain financial climate, these swap lines have the dual benefit of increasing global investor confidence by reducing the risk of a liquidity event brought on by a balance of payments crisis, and of increasing policy coordination and information sharing between central banks around the world. Unlike previous crises where the IMF was the sole arbiter of whether a country's central bank was deserving of liquidity, the new facilities allow for fund provisioning above and beyond what the IMF is willing to provide.

The second—and arguably most important—development in 2009 was the agreement reached at the April 2009 G20 summit in London. Whereas in past meetings, the G20 has been a venue for much discussion but little action, the April meeting represented a dramatic break in the international financial architecture, one that indicates that governments are seeking international financial coordination on a scale not seen before. The first accomplishment of the G20 meeting was the agreement to triple the size of the IMF to \$750b, with a critical amount being committed by the Japanese government (\$100b). In combination with a pledged contribution of around \$50b from the Chinese government, this represents a dramatic break, with both Japan and China turning their focus back towards the existing international financial infrastructure. Second, the G20 nations also agreed to provide \$250b in trade financing worldwide, hoping to end the collapse in trade that began as exporters and importers suddenly found themselves unable

to obtain letters of credit from banks, due to the uncertain economic climate. This agreement will mainly benefit Asia, as it will prevent a sudden collapse in their export volumes due to a lack of liquidity. The third main accomplishment of the G20—one that has not been as readily noticed by commentators—is that with the Mexican and Polish acceptance of IMF credit lines, the once-heavy stigma of accepting IMF funds has been removed, similar to when banks in the United States suddenly found themselves proud to borrow at the Federal Reserve's discount window. The effects of this change in outlook have yet to be borne out, but they may have significant implications for the international financial system.

A New Way Forward?

Building on the new swap lines, commitment to the IMF, and coordination of international monetary policy, these new changes present an opportunity for Japan and the United States to renew their policy coordination, and to end the drift that has existed between them since the Asian Financial Crisis. Moreover, there are more opportunities for coordination going forward. First, the Japan and U.S. could work together to convince other countries in the Asian region—especially those that have had troubled relationships with the IMF in the past—to not eschew IMF assistance if they find themselves in need of liquidity. Second, the U.S. and Japan could use the currency swap agreements as a foundation for an ongoing dialogue about monetary policy, and the global imbalances problem that has arisen over the past decade because of them. For if we are to avoid a sudden, problematic resolution of the global imbalances problem, a resolution to the crisis will need to be found through discussion at high governmental levels. Third, the U.S. and Japan can use their strong relationship and the newfound global impetus towards cooperation to begin discussing what the international financial system should look like after the crisis, including what sorts of new regulations and institutions are needed, what types of currency and trade arrangements would be most beneficial to global growth, and which aspects of the current system have led to unsustainable imbalances. Though the past decade has been one exemplified by policy drift, the future must be one of coordination.

Ryan Gage

U.S.-JAPAN EDUCATION TIES IN 2008: AN ANALYSIS

Introduction

In his 1913 message to the Carnegie Endowment for International Peace, Dr. Hamilton Wright Mabie, the first visiting American lecturer to Japan, stresses the greatest importance of education exchange in a world of racial and religious differences is to improve understanding and appreciation of those who are different from us. He strongly advocates education exchange with Japan to the work of the Carnegie Endowment while praising the country:

“Of all modern countries it is most receptive of ideas and methods other than its own. It has a genius, not for imitation but for assimilation. It has patiently and enthusiastically followed for half a century the noble maxim of its great Emperor and has sought knowledge wherever it can be found throughout the world.”

– Hamilton Wright Mabie, 1914

Education Exchange with Japan – A report to the Trustees of the Endowment on Observations Made in Japan in 1912-1913.

Following his recommendations, in the past century, bilateral exchange in the field of education has been in the ascent, thanks especially to the mounting financial support of both governments and a wealth of private donors. After World War II, education exchange has been one of the key components that helped rekindle the relationship between the United States and Japan, allowing the two former enemies to become the closest of allies in a remarkably short period of time. At the peak of the bilateral education exchange, in the late 1990s, Japanese students accounted for 10% of foreign students in the United States, while the number of U.S. students studying in Japan continues to increase between 7–10 % annually.

Year	# of Students from Japan	% of Total Foreign Students in U.S.	# of U.S. Study Abroad Students Going to Japan
2006/07	35,282	6.1%	n.a.
2005/06	38,712	6.9%	4,411 (up 7.6%)
2004/05	42,215	7.5%	4,101
2003/04	40,835	7.1%	3,707
2002/03	45,960	7.8%	3,457
2001/02	46,810	8.0%	3,168
2000/01	46,497	8.4%	2,618
1999/00	46,872	9.1%	2,679
1998/99	46,406	9.5%	2,485
1997/98	47,073	9.8%	2,285
1996/97	46,292	10.1%	2,018

1995/96	45,531	10.0%	2,010
1994/95	45,276	10.0%	2,212
1993/94	43,770	9.7%	2,229

Source: Institute of International Education (2007). "Country Profile: Japan." *Open Door Report 2007*. Washington, D.C.: IIE.

However, in these first few years of the 21st century, bilateral education exchange is facing an unexpected decline. After the peaks in 2001-2002, the number of Japanese students to the United States has been gradually decreasing in both absolute terms and as a percentage share of foreign students in the U.S. On the other hand, the growing number of American students studying in Japan is of a much smaller extent compared to the U.S. students abroad. What are the causes and consequences of these trends in education exchange? Especially, what are the implications to the bilateral relationship between the United States and Japan? This paper will seek to explain these trends in detail and offer helpful recommendation to policy makers. Following this introductory section, I briefly elucidate the importance of education exchange in maintaining and improving bilateral relationships. Section II then lists the domestic factors that had led to the current trends in education exchanges. Section III looks at the changing global context to answer the question where students would go if they do not study abroad in the United States or Japan. Section IV offers further synthesis of information to extract some recommendations.

It is important to note, however, that the method of data interpretation used in this paper is not perfect. There is also a serious lack of empirical research on this topic. Therefore, the author will mainly use interpretation of data with supporting arguments from scholarly articles and confirmation from interviews with education experts in the United States and Japan. Due to the nature of the work and the sensitivity of the topic, many contributors have asked to keep their opinions off the record. But that fact should not detract from their important insights on the subject matter. The final work, as presented here, can thus be described as a summary of current interpretations of the trends in bilateral education exchange by researchers and experts in the field, which lends credibility to the analyses and recommendations offered.

It is also important to note that education exchange is part of larger-scale cultural diplomacy that is heavily emphasized in any bilateral relations. The topic of cultural diplomacy is studied in another article published in the same yearbook.

Why Exchange? Why Education Exchange?

Education exchange is often seen as a part of the cultural or public diplomacy, a term coined in the 1960s to describe different aspects of international diplomacy not undertaken by governments. Over the years, the term has taken on a definition that focuses more on the multicultural interaction to promote mutual understandings, as opposed to the previous stigma, which has been associated with propaganda. The importance of education exchange is to improve the exposure to different cultures, improving the understanding achieved by each other and supporting the development of mutual bilateral or multilateral relationships.

One of the major tasks of education exchanges is to combat ignorance as a dangerous counterforce to world peace that can “skew people’s views of the beauty of diversity and difference,” and that often leads to a “polarization of good vs. evil when classifying specific cultures or ethnic groups,” according to Evelyn Hamilton, an American scholar on education. By allowing people from different cultures to interact with each other, education exchange allows each person to gain a better understanding of other cultures, to appreciate the differences, and to view his or her own culture in a more objective perspective. In this regard, education exchange can erase prejudices and misunderstandings, therefore tackling ignorance to bring about better bilateral relationships.

In this post-9/11 era of anti-terrorist efforts, despite visa problems that have created new hurdles, there is a general recognition among American experts of the importance of educational exchange as a defense mechanism against extremism and intolerance. Given the vitality of education exchange in building and maintaining bilateral relationships, it is necessary to inquire how to improve or sustain these exchanges. The declining trends in the number of exchange students between the United States and Japan in recent years can be a proxy to assess the bilateral education ties. Why has the trend been declining? The next section will look into domestic factors in each country to explain this trend.

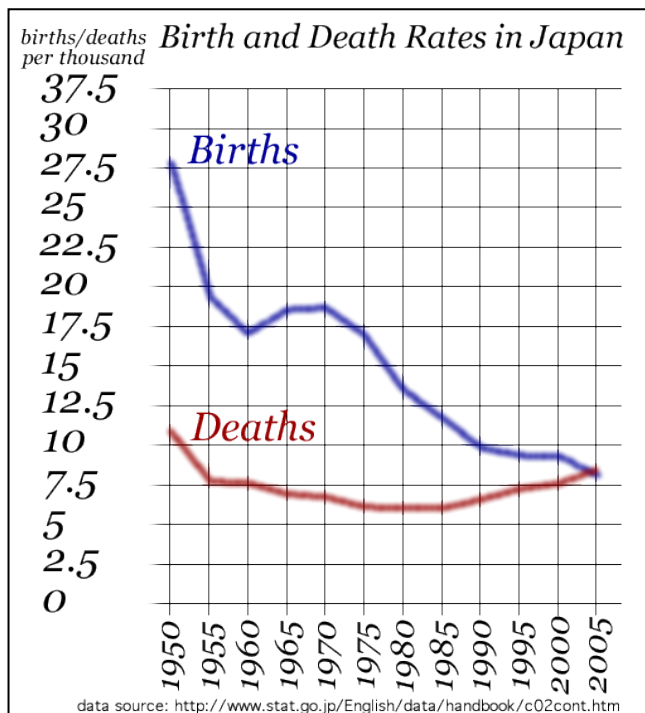
Domestic Influences on U.S.-Japan Education Exchanges

For Japanese Students

There are many factors that are often cited as the reason for the decline in the number of Japanese students studying abroad in general, such as the decline in the

demography of 18-year-olds, the adequate substitutions to foreign education in Japan and, until recently, the revitalized Japanese economy. Particularly, in the case of Japanese students in the United States, there are also worries surrounding costs, security, as well as language barriers.

First, there has been an overall decline in the number of 18-year-olds. This number peaked at 2.05 million in 1992 and has gradually declined to 1.51 million in 2000 and is projected to continue lowering to 1.21 million in 2010. However, there are some noticeable flaws with this rationale. If the declining trends started in early 2000s, then tracing back to the mid-



1980s should show the declining birth rates. However, as we can see on the diagram, the birth rates in Japan have been declining since 1970, which means that if the birth rates are the reason for the declining number of Japanese students studying abroad, the trend should have demonstrated itself in the late 1980s or early 1990s. This is not to say that the birthrate does not have any impact on the number of exchange students from Japan. However, from this rationale, it is hard to see a clear causality from these basic numbers. In addition, despite the fact that the number of 18-year-olds has declined, the number of Japanese students studying abroad in other countries did not decline as well.

Second, it is argued that there has been an expansion of educational opportunities for Japanese students in Japan. Between 1985 and 2000, the rate of expansion in total number of universities in Japan is often between 10–15 %, with the greatest expansion among local universities. Private universities also boomed in the 1990s, and if we consider the few years they need to gain credibility and reputation among the university attendees, these numbers can effectively explain why Japanese students may have more opportunities to get an education at home than travelling abroad.

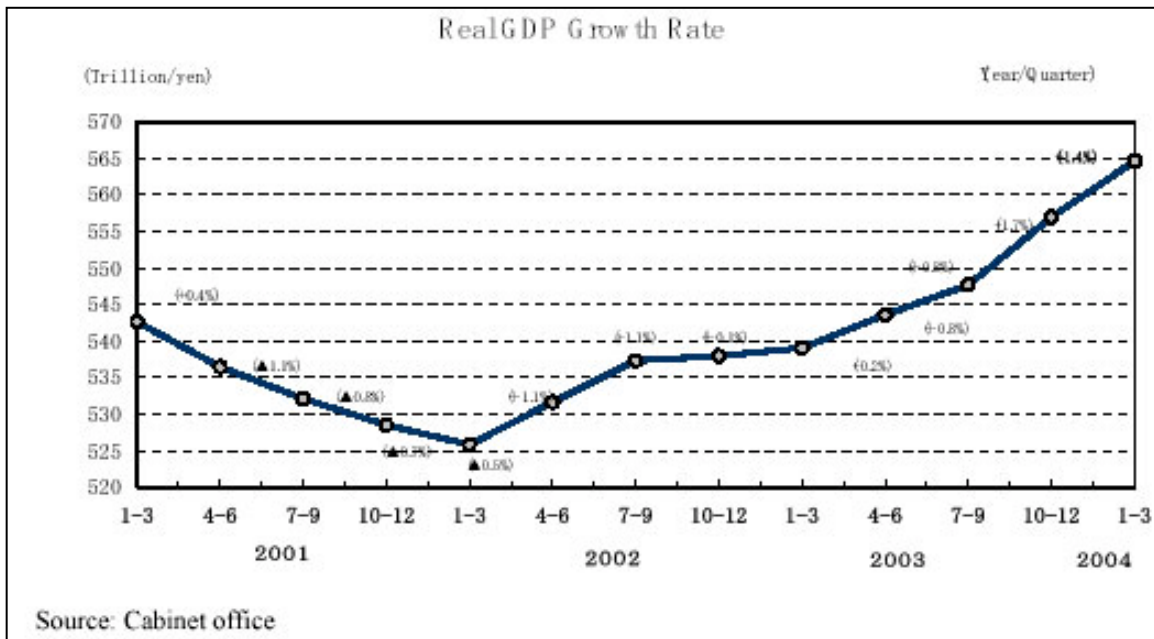
UNIVERSITY AND JUNIOR COLLEGE					
Universities					
	Total	National	Local	Private	Percentage of private
1955	228	72	34	122	(%) 53.5
60	245	72	33	140	57.1
65	317	73	35	209	65.9
70	382	75	33	274	71.7
75	420	81	34	305	72.6
80	446	93	34	319	71.5
85	460	95	34	331	72.0
90	507	96	39	372	73.4
95	565	98	52	415	73.5
2000	649	99	72	478	73.7
01	669	99	74	496	74.1
02	686	99	75	512	74.6
03	702	100	76	526	74.9
04	709	87	80	542	76.4
05	726	87	86	553	76.2

Source: Ministry of Education, Culture, Sports, Science, and Technology

Of course one may argue that the quality of education can differ greatly between newly opened universities in Japan and long-time accredited universities in the United States. For those who value the American brand, there are American institutions such as Temple University who opened a branch in Japan twenty years ago to offer an American-standard education to Japanese without having to travel abroad. Nowadays, Temple's campus in Tokyo is home to over 3,000 students in various fields of study, about 60% of which are Japanese nationals. Of course some argue that the credibility of these institutions is at risk because many American universities that opened campuses in during the 1980s bubble failed to survive. In fact, the only surviving American university with a fully established campus is Temple, but even its accreditation as an educational institution in Japan remains uncertain. Until now, Temple has only been able to issue

certificates to its students instead of actual diplomas. However, for those who actually go for the American brand, the certificate from an American university may be able to substitute for a much more expensive education abroad.

For others who emphasize the importance of having an education in the English language to enhance their employability in the workforce, several highly regarded institutions have opened new educational branches in English, such as Sophia University Faculty of Liberal Arts, Waseda University School of International Liberal Studies, and International Christian University College of Liberal Arts. These institutions model themselves after the traditional American liberal arts education, in which students study several subjects outside of their own concentration(s), in the hope of creating a well-rounded education. This is indeed quite appropriate in the Japanese context, because most employers prefer to provide on-the-job trainings to their newly hired employees, as opposed to requiring them to have specific knowledge when they enter the company. In this regard, having a well-rounded education proves to employers that these students can juggle different subject matters and are indeed flexible enough for their future jobs, whatever they maybe. Thus, these forms of education appear to cater to the specific needs of young Japanese and their future employers.



Finally, the economic recovery from 2001 to 2008 created an incentive for Japanese students to stay and look for job opportunities in Japan. After the economic crisis in the late 1990s and early 2000s, Japan’s GDP bounced back and grew for seven years. This recovery coincided with the wave of retirement among the baby-boomers, particularly in 2007, which presented more job opportunities for recent graduates.

In addition, the hiring cycle of Japanese jobs (*shushoku katsudo*) starts from the third year in universities. This process involves critical networking events, seminars, entrance exams, attendance of which is possible only if the students stay in Japan. The direct consequence of this process is that soon-to-be graduates who want to find employment in Japan would prefer to study domestically instead of missing out by

studying abroad. Institutions such as International Christian University have always found it very hard to encourage students to study abroad in their junior year, which is the time that most students choose to study abroad. Those that end up going abroad usually opt for a shorter program, such as one-semester or summer program.

In addition to these main reasons, there are also arguments that fewer Japanese students choose to study abroad in the United States because of the high costs and concerns about security in several U.S. cities, as well as language barriers. Although the cost of living in Japan and the United States is quite comparable, the cost of education in the U.S., especially at well-known, private institutions, is significantly higher than at comparable universities in Japan. For this reason, exchange programs usually require Japanese students to pay extra fees on top of their home-school tuition, which can mount up to \$30,000 as in the case of Waseda-Columbia exchange program. For most students, this amount is a major barrier to going to the United States.

Other students might be deterred by the security worries. Recent events in the United States, such as the 2007 Virginia Tech shootings, have raised serious concerns among Japanese students. These incidents evoke sad memories. For Waseda students, for example, events like these remind them of an incident ten years ago when a Waseda student studying in the U.S. was robbed at gunpoint. In addition, post-9/11 security measures, including delays in the issuance of student visas, have discouraged some future travel.

Last but not least, the language barriers are still substantial for many students, despite universal efforts to elevate general language proficiency. The English language is a challenge for many Japanese students to master to a level adequate for academic work. Many universities now impose substantial requirement of English proficiency on its students, even before matriculation. Sophia University asks incoming students to score at least 550 points on the old Test of English as Foreign Language (TOEFL) or equivalent on the new ones. However, these requirements are not universally applied to all students outside major universities. Many universities only start language training upon entrance, and often impose a language program simultaneously with the academic program. With this system, students' command of the English language remains inadequate, leading to a heightened preference to stay at home.

It seems quite clear that during the past few years, Japanese students have been pushed and pulled by many factors regarding their academic choices. While the demography is getting smaller and smaller, the economic recovery presented more opportunities for better employment that customarily requires substantial preparation which must be completed domestically. Weighing the opportunity to study abroad with benefits of a domestic education, some Japanese students settle for high-quality domestic alternatives out of worries about costs, security, and language barriers in the U.S. The result has been a gradual decrease in the number of Japanese students studying in the United States over the past few years. This trend will likely continue in the next few years. Ironically, although the economic recovery over the last decade may have kept more students at home, the recent economic slow down may have the same affect as families become more financially insecure and scholarship funds dry up, increasing the inclination of Japanese students to study domestically.

For American Students

For American students, the decision to study in Japan is weighed against the option of studying in other countries in general and other Asian countries in particular. Even though the American public exposure to “anime,” “manga,” and other aspects of Japanese culture still leads to a certain level of fascination that makes Japan a dream destination for many U.S. students, many others have to put the academic opportunity in perspective.

First, the language barrier may not be easy to overcome for most U.S. students. Studying in Japan often demands a level of proficiency of the Japanese language, which is not one of the easiest languages to master. Indeed, when facing the choice of language, an overwhelming number of American students choose popular languages such as Spanish (53%), French (14.4%), and German (7.1%), according to a survey by the Modern Language Association. Only 3.7% choose to study Japanese. Among those who choose Japanese, there is a consensus that it is much harder to study compared to other languages. So when it comes to the choice of studying abroad, not being able to speak the language can be a major barrier to studying in Japan.

Second, many foreign students find it difficult to penetrate the ethnocentricity of the Japanese education system: Japanese universities continue to feel unwelcoming to many outsiders. Despite some exceptions such as Waseda University, which for the first time offered the Dean position to a non-Japanese – Dr. Paul Snowden from the United Kingdom – many universities remain “strikingly homogeneous and isolated from the globalizing trend in higher education,” according to David McNeill, writing in the “Chronicle of Higher Education.” *Gaijin*, or foreigners, have constantly felt that they are not part of the system. *Gaijin* professors are rarely offered tenure or long-term contracts. If American students come to compare potential experiences in Japan with those in more welcoming environments in Asia and in Europe, it is more likely that they would choose the other options. This has certainly been reflected by the smaller percentage of American students studying abroad in Japan.

Finally, the economic factor is significant. Aside from the few who receive funding for studying abroad, most American students pay for their trips out of their own pocket. In that situation, they must be concerned with the high cost of living in Japan, especially in comparison with other countries in the region. So for students who live on a budget, Japan might not be an affordable option, especially when they can get a study abroad experience for much less in other Asian countries such as China and Vietnam. This is particularly true since studying abroad is no longer the monopoly of students from wealthy families and elite universities so the cost factor is increasingly important.

Global Context of Study Abroad: Newfound Interests in Exotic Destinations

In recent years, the number of U.S. students studying abroad grew substantially, but more to certain destinations than others. In 2007, the increase of these students hit record high of 8.5%. However, instead of traditional destinations, more and more students are oriented toward more “exotic” countries such as China (up by 38%), India (up 20%), Israel (up 22.5%), Peru (up 31%), South Korea (up 32%), Belgium (up

28.5%), Dominican Republic (up 27%), Hong Kong (up 22%), Tanzania (up 19%), Turkey (up 53%), Vietnam (up 13%) and Jordan (up 81%). In Japan, there is a new growing interest in the society as a whole and among students in particular in other Asian countries. Recently, more Japanese students choose to explore Vietnam, South Korea, and China.

Country/Region of Origin	Amount Invested 2006 (\$ billion)
Hong Kong	\$20.23
British Virgin Islands	\$11.25
Japan	\$4.60
South Korea	\$3.89
United States	\$2.87
Taiwan	\$2.14
Singapore	\$2.26
Cayman Islands	\$2.1
Germany	\$1.98
Western Samoa	\$1.54

The rise of China in the world’s economy has had a distinct influence on the bilateral education exchanges between the United States and Japan. Recent economic development in China has led to a growing interest in doing business in China for both U.S. and Japanese entrepreneurs: both countries continue to be in the top five foreign investors in China. This business interest drives

demand for Chinese speakers and graduates who possess knowledge of China. In addition to the increasing importance of China in international affairs, the Chinese government has pro-actively pushed to enhance the appeal of a Chinese education, which has led to a significant increase in the number of foreign students in general, and from the U.S. and Japan in particular, who study in China. In fact, China has moved up to fifth place as importer of foreign students, behind the U.S., Britain, France, and Germany.

Will China be a great competitor that will surpass the United States in attracting students from foreign countries such as Japan? It is very unlikely, especially given the established quality of American higher education. There are likely to continue to be many Japanese students who are fascinated by the American experiences, value the opportunity of studying at high-quality institutions where well-known professors lecture, or simply are interested in the American brand-name education. However, there will be an increasing number who will be equally intrigued by China and other exotic destinations, particularly as these newly developed economies gain more and more power. In the tug-of-war between the United States and other countries for Japanese students, the U.S. will soon find itself losing “shares” in this market. In this changing global context, as more students are attracted to new destinations with more career-rewarding opportunities and a less costly experience, both governments should step up their game to promote bilateral education exchanges to reinforce relations between these long-standing allies.

Current Development – Global Financial Crisis

In addition to all domestic and external factors that have been analyzed above, it is important to take into consideration the impact of the current financial crisis that the whole world is facing. With the failures of the financial system in the U.S. spilling over

to the broader world economy, investment in all areas is suffering, including education. Many companies have declared a hiring-freeze period, leaving graduating students from both countries in a period of uncertainty about their future employment. Could this imply an increase in education exchanges because of (1) a suddenly increasing demand for alternative activities at the time of a tumbling job market, and (2) a desire by students for special “international experiences” that would distinguish their resumes from their job searching peers? This is probably unlikely, since many of those who are unemployed are of the general middle class who does not have the funding to study abroad. This is particularly true in the period when the economic future remains very uncertain and when banks are extremely hesitant to lend money.

Another sad implication of this crisis is that many of the private foundations and companies, both American and Japanese, who have traditionally provided financial support for student exchange missions, are going through a period of financial difficulty and are cutting back on their philanthropic activities in general, including these types of activities. In this context, it will increasingly be up to governments to support educational exchanges.

Recommendations

Ten years ago, the U.S. needed to encourage more students to study abroad, and Japan needed to attract more students. The number of Japanese students in the U.S. at that time started to grow, but at a very slow rate. To address this issue, a study undertaken by three Japanese and American academics suggested four steps: (1) improving images and information about each country; (2) reforming the educational infrastructure in Japan; (3) addressing the language training shortcoming in both countries; and (4) improving the diversity of collegiate programs in both countries. While not entirely relevant to our discussion, these ideas may still have value. What we need is a holistic approach that targets a larger audience and makes study abroad more accessible. This paper proposes a number of recommendations to both governments that may help the situation:

1. *Both governments should initiate a systemized U.S.-Japan exchange program that reaches out to a larger population of students.* There has been a plethora of exchange programs, but they are generally decentralized at the university level, but we need a program that specifically targets U.S.-Japan exchanges. Such a program would link all universities in Japan with those in the U.S. to facilitate the process of searching for appropriate exchange institutions, of transferring credits, and of tracking down available financial aid. As a one-stop-shop search, both governments and interested donors can channel aid to this program.
2. *The governments should encourage universities to design programs that are equally split between educational institutions in Japan and the United States.* Such an institutionalized program would not only reinforce exchange activities but would also create a strong group of alumni with interest in and knowledge of both countries that can serve in improving the bilateral relationship in the future.
3. *The U.S. government, in particular, should place an emphasis on Japanese language training programs for U.S. students.* Recently there are rumors that this funding from the U.S. government will be reduced. Such action would send a wrong message and discourage interested American students from learning

Japanese, a skill that remains inadequate among American students who study or work in Japan. Funding should be increased for interested students, together with assistance for language immersion programs.

4. *The two governments should offer more employment opportunities for bilingual Japanese-English speakers, particularly through career expos for Japanese students in the U.S. to connect them with potential employers.* If worries about missing out on career networking are the reason that prevents interested students from studying abroad, the governments and business organizations should proactively organize networking events for students with bilingual skills and study abroad experiences. For example, joint career expos or networking events, which can be hosted in major U.S. cities to link Japanese students in the U.S. with companies (both American and Japanese) who are interested in hiring these specific groups of students.

All of these recommendations ask different actors in the society who are interested in promoting U.S.-Japan educational exchange to collaborate closely in order to further encourage the students from both countries to spend time in the other country, as well as to facilitate their journey and experiences abroad. It is a big decision to embark on such a journey, and if the students are lent a hand, they would be much more willing to take part.

Conclusion

In Mabie's words, "we are living in a perilous time... of instability, intolerance, and uncertainty. ... Dependency on weapons and war [to protect ourselves] only produces the opposite effect." In fact, it is international education exchange that is one of the most powerful weapons in our arsenal to protect ourselves. It can help sustain mutual understanding among allies, building relationships, and eroding enmities. Even for such close allies as the United States and Japan, it is still important to maintain bilateral relationship through education exchanges, particularly as America's relative economic and political influence declines. Educational exchange provides one of the best ways to sustain and improve this special bilateral relationship, and it needs the active support of the governments and private sector leadership of the two countries.

Linh Le

ENTERING THE ERA OF CORE CULTURAL EXCHANGE THE QUALITATIVE CHANGE IN JAPAN'S CULTURAL DIPLOMACY TOWARD THE U.S.

Introduction

A major stride for Japan's cultural diplomacy was the creation of the Council on the Promotion of Cultural Diplomacy under support from Former Prime Minister Koizumi Junichiro in September 2004. The featured recommendations from the Council included a focus on pop culture as a starting point for understanding Japan, the concept of bringing talented young people from other countries to Japan, and introducing Japan's spirit of harmony and coexistence to the rest of the world. This represents a break from past initiatives for the Japanese government in many respects.

In April 2006, Japanese Foreign Minister Aso Taro suggested the Japanese government should use anime (animation films) and manga (comic books) as main promotion items of Japan's diplomatic activities. In his speech titled "A New Look at Cultural Diplomacy" at the University of Digital Content in Tokyo's Akihabara district, Aso proposed setting up a "Nobel Prize" for foreign "manga" cartoon artists and awarding talented Japanese the title of "Anime Ambassador." "... Pop culture, including anime, music, and fashion among others, and the Ministry of Foreign Affairs is really going all out to 'market' this..." Aso told an audience at the University. The International Manga Award, established in May 2007, received 146 entries from 26 countries and regions all over the world. For the second International Manga Award, there were 368 entries from 46 countries and regions, an approximately 2.5 times increase from the First International Manga Award. Additionally, Japan's government held an inauguration ceremony of the appointment of Doraemon as Japan's cultural ambassador in March 2008. A blue, robot cat created by manga artist Fujiko F. Fujio, Doraemon's duties include presenting Japan's culture in a positive manner in events and functions hosted by overseas embassies.

Since 2004, culture has appeared center stage for Japan's foreign policy. Japan has thus begun to enter into an era of cultural diplomacy, a prime example of soft power. A consensus has emerged that Japanese diplomacy was missing a government effort to utilize Japan's increasing "soft power" to influence audiences throughout the world, going beyond Japan's traditional public diplomacy focus on security and economic issues. This paper examines the policy of Japanese cultural diplomacy toward the United States in 2008. The paper also serves as an attempt to understand Japan's cultural diplomacy stance as the first Asian country to recognize the importance of this new agenda. Following a brief history of Japan's cultural exchange practices in the U.S., the paper introduces U.S.-based Japan-related organizations in this field. Next, there is a discussion of specific challenges facing the Japanese government in the era of cultural diplomacy. Finally, the paper reviews the intellectual exchanges that have emerged as the priority of Japan's cultural diplomacy toward the U.S. in the early 1990s and that have been reinforced since the end of 2007.

Brief History of Bilateral Cultural Relations

The spread of Japanese popular culture to the United States began with American children who became interested in anime and manga, followed by J-pop culture creators who delivered their works abroad on their own, and finally the Japanese government stepped in to try to help. The Japanese government's movement was behind the curve. Until recently, the government only supported the promotion abroad of more traditional art, but it now emphasizes more fashionable culture to respond to growing interest in "cool Japan" and its up-to-date art forms.

Following Japan's opening up to the West with the arrival of American naval vessels in 1853, the Japanese engaged in various forms of cultural diplomacy. During the Meiji period, the Japanese government was concerned about Japan's global standing and its potential to influence the international community. By 1931, before the Manchuria Incident, the Japanese government was aware of the necessity of promoting Japanese culture internationally. The Kokusai Bunka Shinkokai (KBS, International Culture Promotion Society) was established in 1934, a time when Japan had withdrawn from the League of Nations, with a mission to maintain Japan's connections with the outside world through cultural activities. However, the government was primarily concerned with catching up to the industrial and technological achievements of the West. Therefore, the government was very active in large-scale exhibitions in Paris, Chicago, New York, and other cities in order to show off how "Western" Japan had become rather than showcasing Japanese traditional culture. In this period, it was the non-governmental organizations in the U.S., such as Japan-America Societies, that took the job of deepening the cultural relations between the two countries by introducing traditional Japanese culture to American people.

In the post World War II era, the Japanese concentrated their energies and resources on rebuilding the post war economy. Cultural diplomacy revived, but it was focused on promoting traditional arts such as kabuki and wood block prints. In more recent years, American children discovered anime and manga on their own without help from the Japanese government, and thus Japan became an exporter of popular culture, relatively unconscious of the new current. Although Japan continued to experience Westernization in the post war period, there was awareness among scholars that the society was encountering a crisis of spiritual vacuum resulting from Japanese people not paying enough attention to their own culture. Soon, elites called on the government to rebuild the correct attitude toward Japan's traditions.

Ohira Masayoshi was the first Prime Minister to develop the slogan of "Bunka Rikkoku" (a state built on culture). In his inauguration speech in January 1979, he laid out his administrative policy to transform Japan from an economically centered nation to a culturally centered nation; therefore, Japan would use its cultural power to rebuild itself into a peaceful, democratic country. In May 1989, Prime Minister Takeshita Noboru established Kokusai Bunka Koryu Kondankai (Council for International Cultural Exchange) to strengthen the cultural exchange framework. Yet, at this time period, Japan was still in the infant stage of developing cultural diplomacy, and so it did not have distinguished policies for different regions of the world. A clear cultural diplomacy strategy for the United States would not be formed before the 1990s. Other major landmarks that are not mentioned in this section will be presented in turn in the

introduction of the main actors of Japan-related cultural exchange organizations in the U.S.

The Actors

Several actors' roles and their activities need to be considered in order to understand the current picture of Japan's cultural exchange effort conducted in the United States. Since the end of WWII, the U.S. government has established the Japan United States Friendship Commission (JUSFC) and, in cooperation with the GOJ, the U.S.-Japan Conference on Cultural and Educational Interchange (CULCON). Japan created the Japan Information & Culture Center (JICC) as the Japanese government organ in the cultural and public affairs section of the Embassy of Japan based in Washington, DC, to influence U.S. decision makers and the people around them. As a quasi-governmental institute, the Japan Foundation undertakes the international dissemination of Japanese culture. As for non-governmental organizations, independent Japan-America Societies have had the major task of introducing Japanese culture throughout the U.S. for over 100 years. There are other cultural exchange organizations in the U.S., including Japanese-American groups such as Japanese American Cultural & Community Center (JACCC) in Los Angeles, Music from Japan, or United States-Japan Bridging Foundation, that are not discussed in this paper.

Japan is very active in Los Angeles and New York; one is a base for major Japanese firms and the other contains a large Japanese-American community. Most Japan-related organizations focus on producing events in these two cities, and there has been an imbalance between the two cities in terms of resources and information. The Japan Society in New York and Los Angeles have received the most endowment from companies, while some other Societies in smaller U.S. cities are now facing financial difficulties. The Japan Foundation also chose New York and Los Angeles for its only offices in the United States. Yet, the establishment of the JICC under the Embassy of Japan in Washington DC shows that an understanding of soft power is rising among Japanese leaders, including using the appeal of Japanese modern culture to open doors to the American "political class."

The U.S.-Japan Conference on Cultural and Educational Interchange (CULCON) & the Japan-U.S. Friendship Commission (JUSFC)

Originating from meetings held between President John F. Kennedy and Prime Minister Ikeda Hayato in 1961, CULCON was established as a bilateral advisory panel to the U.S. and Japanese governments. The impetus was an article entitled "The Broken Dialogue," by Harvard Professor Edwin Reischauer, which appeared in *Foreign Affairs* in 1960. Reischauer discussed the breakdown of communications between the U.S. and Japan as a result of the controversy over the 1960 Security Treaty. President Kennedy appointed Reischauer Ambassador to Japan in 1961, and he made it one of his missions to rebuild and broaden cultural contacts. CULCON was one of the vehicles to do just that. Through CULCON, leaders in business, education, and the arts from both nations worked with government officials to contribute to the exchange of students and artists, and the study of the United States in Japan and Japan in the United States. The

idea was to expand the educational and cultural linkages at all levels as the two countries' security relationship matured and their economies became increasingly intertwined.

JUSFC is an independent federal agency that provides grants to non-profit entities in the area of Japanese Studies in the U.S. and American Studies in Japan. JUSFC came out of the 1972 reversion of Okinawa to Japan. As part of the reversion agreement, the Japanese government paid tens of millions of dollars to the U.S. for the infrastructure improvements that were made during the 27 years of American occupation. The money was used to set up a trust fund for the JUSFC, which is still in use today. Along with supporting programs of public affairs training and education, JUSFC also works closely with the National Endowment for the Arts and the Agency for Cultural Affairs in Japan to sponsor the U.S.-Japan Creative Artists Exchange Fellowship Program to foster mutual understanding between the two countries.

The Japan Information & Culture Center (JICC)

Located in Lafayette Center in downtown Washington, DC, the JICC provides Japan-related information, cultural, and educational programs to the American public in the DC metro area, Maryland, and Virginia. During former Ambassador of Japan Kato Ryoza's term in the United States, the JICC was ordered to reach out to Japanese-Americans in the area, to help them rebuild their Japanese identity and encourage them to reach out to non-Japanese people. The JICC's target audience has been broadened to include programs that align with the non-specialist American's interests and to provide useful materials for this group. The current president of the JICC Ito Misako, who became president in the spring of 2007, introduced these two basic strategies.

The JICC's Japanese/English research library contains approximately 4000 volumes, as well as the most widely read Japanese daily newspapers and periodicals. Its facilities also include a 152-seat auditorium, where the J-Film Series is held once a month, and a 1,500 square-foot exhibition gallery, which displays about four exhibitions annually. Other services include releasing the *Japan Now* newsletter for the Embassy of Japan, providing educational programs for pre-high school students in the Greater Washington DC Metropolitan Area, and offering Japan-related resources for teachers in the area.

The Japan Foundation

The Japan Foundation, Japan's principle agency for international cultural relations, was established under the auspices of the Ministry of Foreign Affairs in 1972. In succession to its predecessor's mission (the KBS), the Japan Foundation not only serves to maintain external relations but also to promote deep understanding between Japan and other nations through cultural exchange. Although granted the status of an independent administrative institution in October 2003, 80% of the Japan Foundation's budget comes from government subsidies. Moreover, the Japanese government drafts the Foundation's five-year mid-term plans, as well as its yearly programming. The Japan Foundation has to comply with the government's policy and give annual reports to the government. Through its headquarters in Tokyo and twenty overseas offices in nineteen countries, the Japan Foundation takes the initiative in promoting external cultural

relations at the government level, and thus it is defined as a semi-governmental non-profit organization.

Broadly speaking, the Japan Foundation's three main activities are: 1) arts and cultural exchange, 2) Japanese-language education overseas, and 3) Japanese studies and intellectual exchange. In the U.S., the New York branch directs the Japanese studies and intellectual exchange program nationwide, and Arts & Cultural exchange programs in the thirty-seven states on the East Coast. The Los Angeles office superintends the Japanese Language Education program nationwide, and administers the Arts & Cultural program in the thirteen states west of the Rocky Mountains. A unique aspect of the office in New York is the Center for Global Partnership (CGP) (*Nichibei senta*, or Japan-U.S. Center), which was setup within the Japan Foundation in April 1991. With offices in both Tokyo and New York, the CGP offers grant programs to support collaborative projects and create new networks to nurture future leaders in the U.S. and Japan, so as to improve bilateral relations. The CGP is essentially an instrument of the Japan Foundation in the U.S., and is heavily involved in the special strategies developed for the U.S.

The Tokyo and New York offices are sometimes directly involved in organizing projects; however, the Japan Foundation's principle activity is to provide financial support for programs that include some element of introducing Japanese culture to the U.S. or promote cultural exchange between the two countries. Since there are many experts on Japanese culture in the U.S., the Japan Foundation's strategy is to encourage these experts to develop programs through the organization by offering them direct funding, rather than producing independent programs. This is a vastly different strategy compared to, for example, the overseas offices in South East Asia, where there are fewer local experts on Japan in the field, and the GOJ must undertake its own programs.

Japan- America Societies

Among various private international exchange bodies between Japan and the U.S., the Japan-America Societies not only possess the longest history but also have existed as the only private exchange institutes during the immediate period after World War II. The Societies are widely dispersed throughout the country, and efficiently foster the cultural ties between Japan and their specific part of the U.S. There are more than forty-five Japan-America Societies in over thirty-seven states that operate as cultural exchange organs. The first Society, the Japan Society of Boston, was founded in 1904 by a group of academic leaders, American businessmen, and Japanese art collectors, who were fascinated by Japanese culture and recognized the importance of understanding Japan. Similarly, a group of business leaders responding to the visit of General Baron Tamemoto Kuroki, founded the Japan Society in New York in 1907, with later support from John D. Rockefeller IV, who was very active in U.S.-Japan relations after World War II. The Japan-America Society of Washington DC began in 1957, created by State Department officers who served in Japan during the Occupation period.

Most of the Societies are members of National Association of Japan-America Societies (NAJAS). Acting as an over-arching umbrella, NAJAS helps facilitate cooperation among these independent Societies. NAJAS also provides insurance packages for its member Societies and helps Societies to develop their programs and build their capacities and networks. This has facilitated collaboration between Societies.

For example, the Japan-America Youth Baseball Camp, started in 2003, is one of the major projects to have received seed money from NAJAS and is now an annual program organized between Societies in San Diego and Boston, with selected Japanese boys from Kyoto, Chiba and Yokohama.

Despite the efforts of NAJAS and other supporters, many of the Societies are now confronted with financial challenges due to the economic slowdown in both countries, cutbacks in corporate funding for NGOs, and a general decline in interest among Americans toward Japan. Additionally, Japan's tax laws do little to encourage business contributions to nonprofit organizations of any sort. The Japanese government has traditionally not provided funding for the Japan-America societies, although Japanese government entities do at times enter into joint programs with individual societies. Recently, the Japan Foundation offered a three-year grant to individual societies for capacity building. However, an official from Japan's Ministry of Foreign Affairs described the relationship between the Government of Japan and these Societies, in general, as "no relationship".

The Role of the Japanese Government

The Japanese government's involvement in cultural exchange has increased over the past ten years. Before, there was a tendency in both the government and the private sector to bypass the third-sector vehicles that have been in charge of cultural exchange for a long time, such as the Japan Foundation and the Japan Arts Council, according to Kyoto University's professor Shiraishi Takashi. Since culture can easily get tied up with ideology, it is important that in a democratic country international cultural exchange projects are not directed by the government, but rather by the quasi-governmental and private nonprofit organizations. Nevertheless, many Japanese scholars and governmental officials in the international exchange industry believe that cultural exportation is closely related to Japan's national interests, and a rising chorus of major newspaper analysts and Diet lawmakers support that notion. There is a firm conviction that it is necessary for the Japanese government to redefine its role in the cultural export industry and to further enhance its activities.

An article written in 2005 by Ogura Kazuo, the current president of the Japan Foundation, suggests the appropriate role for the Japanese government in order to introduce Japanese cultural products internationally. President Ogura classifies Japanese culture into four categories along a commercial-noncommercial axis. The first area consists of commercially competitive products like anime, manga, fashion, architecture, and design. The government's role here would be to remove any kinds of barriers, such as restrictions on the screening of anime or on the sale of manga, and also to protect copyrighted works. Japan should also take a leading role in holding international exhibitions in this area. The second category of cultural products is the one that has potential for commercialization. Specific examples are Japanese cuisine, films, modern art performances, and traditional sports. President Ogura accentuated that these should be the targets of active assistance from the government. The third category contains areas like puppet theater, traditional Noh drama, tea ceremony, and flower arrangement. These are cultural goods that may have difficulties developing into commercial products in the short term. This category requires the Japanese government to help foreign audiences to

understand the spirit contained within these forms, instead of just presenting them on the international stage. Lastly, Ogura indicated the government's emphasis on intellectual exchange, the core of cultural exchange that offers no possibility of commercialization, is a highly important category as it builds human connections and shares the Japanese ideas and spirit with other countries.

Since the end of 2007, the Japanese government has focused its efforts, on the core of cultural exchange with the States. With regard to the first category, the Japanese government's role in helping anime and manga industry to spread abroad has apparently increased since 2006, yet a correlated policy toward the U.S. is still not clear. As for the second and the third categories, the Japanese government has been promoting every kind of Japanese art and culture – both traditional and contemporary – so as to present different faces of Japan to foreign audiences. Although there is a tendency to put more effort on modern Japanese arts and culture, the government again has not developed a specific strategy for the U.S. However, according to interviews with the Japan Foundation, and with numerous experts on Japanese culture in the U.S., the role of the Japanese government is to support these experts with direct funding instead of producing independent programs.

The New Trend

Japanese leaders have voiced concern about the dilution or the weakening of the bonds between Japan and the U.S. in certain areas. Therefore the strategy is to reach out to the general public in Southern and Midwestern America and, more importantly, to strengthen the ties between political and economic leaders in the two countries. In the Japanese government's opinion, arts and culture are no longer enough to help U.S. citizens understand Japan. Instead, international communication between the two countries' people must become an important part of a new type of exchange. Along with the cultural relations overlapping with public diplomacy, Japan's cultural diplomacy toward the United States has evolved from a cultural and arts exchange to an intellectual exchange. In other words, growing concern of the weakening of bilateral relations has resulted in a fusion of public and cultural diplomacy, and thus a qualitative change in Japan's cultural diplomacy toward the United States.

Targets of Japan's public diplomacy are traditionally divided into two major groups: the general public and opinion leaders. A pioneering inter-exchange device for the general public, the Japan Exchange and Teaching Program (JET), was started in 1987 with the purpose to promote grassroots internationalization at the person-to-person level. Through the JET Program participants go to Japan and fill one of the following positions to interact with the local community: Assistant Language Teacher (ALT), Coordinator for International Relations (CIR), or Sports Exchange Advisor (SEA). From its original 848 participants from four countries in 1987 to 4,682 participants from thirty-eight countries in 2008, over 51,000 people from fifty-five different countries have participated in the program since its inception. Young Americans have comprised more than half of the JET participants over twenty-two years.

The government responded to a need to target opinion after former Foreign Minister Abe Shintaro's visit to the U.S. in 1990 as a government envoy for the 30th anniversary of the revision of the U.S.-Japan Security Treaty. The CGP was the outcome

of Minister Abe's efforts in 1991. To share global responsibility and to enhance dialogue and interchange between Japanese and U.S. leaders, the Abe Fellowship Program was formed in the same year and is one of the central components of the Japan Foundation Center for Global Partnership. The Abe Fellowship Program is designed to foster the development of a new generation of researchers interested in policy-relevant topics and to encourage research on topics of pressing global concern.

The trend of emphasis on intellectual exchange was reinforced during former Prime Minister Fukuda's term of office. In the Joint Statements of November 2007, Prime Minister Fukuda announced an initiative to strengthen intellectual exchanges between Japan and the U.S., further cementing the foundation for the bilateral relations. The former Prime Minister's plan included three main measures: intellectual exchange by supporting relationships with American think tanks and universities; increasing grass roots exchanges like the JET Program and ties with Japanese-Americans; and promoting Japanese language education in secondary and higher education. Also recommended by the June 2008 Report of CULCON XXIII, a key element to fortify bilateral relations is the promotion of intellectual exchange through increasing opportunities for policy dialogue and developing networks of public intellectuals between the two countries. For this purpose Japan has committed 150 million yen over the next three years to support U.S. think tanks. Additionally, the Council on Foreign Relations' new Japan Studies program will be partly funded by the CGP under this initiative.

As part of this initiative, the CGP expanded its partnership with influential U.S. think tanks, as well as research institutes, and non-profit organizations. In light of the announcement by Fukuda, the CGP Grant Program Guidelines of 2007 were revised to emphasize the areas of traditional and non-traditional approaches to security and diplomacy, global and regional economic issues, and role of civil society conducted by partnership of Japanese and U.S. organizations. The CGP also operates people's exchange program with a heavy focus on the exchange between young political leaders from the United States and Japan, as well as to strengthen the ties between Japanese-American leaders and their counterparts in Japan. The transformation of the CGP reveals a growth of social, economic and political concern in the international communication arena. This communication of a country's thinking, research, and national debate has become a new facet of Japan's cultural diplomacy in the United States.

In fact, interviews with the Public Diplomacy Department, Ministry of Foreign Affairs of Japan, confirmed that the most recent strategy of Japan's cultural diplomacy for the United States weighs heavily on Japanese studies and intellectual exchange, as the interest in Japan has declined more in American think tanks compared to those of other countries. In Europe, the Arts and Culture program is the main focus since the two sides' cultural relations have been historically cultivated. Overseas Japanese-Language Education, however, has developed most rapidly in Southeast Asia. In the case of the U.S., the Japanese government believes grassroots and cultural contact is relatively mature, and thus the highlight here is on the area of intellectual exchange, especially political and economical exchanges.

Conclusion

After becoming the first developed country in Asia, Japan is also the first Asian country to recognize the significance of cultural diplomacy as a tool for promoting a policy and international relations. It is now understood that art and culture programs can be significantly influential in reaching people. Cultural exchange between Japan and the U.S. has changed over the last ten years. Previously, people in public and private organizations had to make a conscious effort to introduce “Japanese” art or “Japanese” movies to American people. Now, however, Japanese culture is a part of most Americans’ life. For example, U.S. citizens will buy Toyota cars thinking not that they are Japanese cars but only that they are good cars. The form of the two countries’ exchange activity is less between governments. Both countries now exchange ideas on a deeper cultural level, in a healthier and more normal relationship with less artificial effort. In other words, the cultural relationship has become more natural.

As the two countries’ cultural relations have become more natural, some unexpected side effects have arisen. For private exchange organizations such as Japan-America Societies, fund-raising capacity has decreased compared to the 1980s, when the U.S. population perceived Japan’s economic rise to superpower status as a potential threat. A three-tier structure of Japan America Societies emerged as the perceived threat subsided. With its abundant endowment, the Japan Society in New York City is the only first tier Society and it has become North America’s single largest producer of high-quality content about Japan for English-speaking audiences. The second tier group contains Societies in Boston, Los Angeles, San Francisco, and Washington, DC. Forty other Societies are considered the third tier. They have been poorly funded and have had to cutback personnel to merely one to two, according to a knowledgeable American observer.

In recent years, the GOJ has sought merge its traditional public diplomacy with the broader export of its culture. The gradual convergence between the two concepts is the best portrayal of Japan’s current cultural diplomacy to the United States, as the Japanese government slowly abandoned a hands-off approach to export its culture heritage. As Japan goes through another political transition with a general election in 2009, it will be interesting to see whether new leadership in Japan will continue this emphasis, including Fukuda’s intellectual exchange initiative, or whether cultural diplomacy will once again slip into the background.

Li-Chih Cheng

CONCLUSION

As the 2008—2009 edition of the Yearbook goes to press in late May, the contours of U.S.-Japan relations for the coming year remain unclear. As noted in the chapters above, the Obama administration has gotten off to a strong start in reaffirming the importance of ties with Japan through the early visits of Secretary Clinton to Tokyo and Prime Minister Aso to Washington. More substantially, the two governments have been cooperating closely on the global financial and economic crisis and on regional issues such as assisting Pakistan.

At the same time, potential rough spots are emerging. North Korea's long range missile test in April and its subsequent explosion of a second nuclear device has thrown into further doubt the future of the Six Party Talks and the prospects of a de-nuclear Korean peninsula, raising the possibility of differences between Tokyo and Washington on the timing and terms of reengagement with Pyongyang. It also appears likely that the coming Lower House election will not fundamentally clarify Japanese politics, producing either a LDP led coalition that lacks a two-thirds majority necessary to override the DPJ controlled Upper House, or a weak and internally divided DPJ led government.

In either case, the GOJ, despite the strength and continuity of its bureaucracy, may find it difficult to chart a clear course on controversial domestic and foreign policy issues, including those important to management of the U.S.-Japan alliance, such as implementation of the base realignment program and Japan's support for the coalition in Afghanistan. More broadly, the global challenges of climate change, secure energy, restructuring the financial system, and restoring economic growth offer tremendous opportunities for U.S.-Japan collaboration. If domestic political paralysis keeps Japan from becoming an active partner in these and other areas, the U.S. may feel compelled to look elsewhere for support, potentially weakening the fabric of the alliance.

The U.S. for its part needs to be sensitive to the democratic evolution that is taking place in Japan and not overload the circuits. Moreover, the day is over when "*gaiatsu*," overt outside pressure to force Japan to make hard decisions, can serve as a useful tool of American policy toward Japan. Rather, such pressure risks creating a nationalistic backlash that only complicates cooperation. Both governments would do well to adhere to Ambassador Fujisaki's admonition in his foreword of "no surprises" with respect to the alliance; "no over-politicization" of issues; and no "taking the other for granted."

In sum, the alliance is going through a delicate transition as it seeks a new, more balanced equilibrium, and this may take some years to sort out. There is every reason to believe that the outcome of this transition will continued close cooperation between the U.S. and Japan, given the many fundamental shared interests and values, but to avoid pitfall both governments will need to take a "hands on" approach to the alliance.

A HISTORIC YEAR FOR THE REISCHAUER CENTER

This year was the Year of Research at the Reischauer Center. For the twenty-fifth year we have produced the U.S.-Japan Yearbook, this year under the supervision of Professor Rust Deming, former Deputy Assistant Secretary of State for East Asian and Pacific Affairs, and two student editors, Lauren Witlin and Nick Christianson. This year eleven students contributed chapters, assisted by Visiting Fellow Eiichiro Ito, Special Assistant to the Director, who played a key role in putting the Yearbook together.



Though the Yearbook is always a highlight for the Reischauer Center, the past year was full of many other outstanding accomplishments and events. Professor Kent Calder, director of the Center, completed his major work on trans-Pacific affairs, *Pacific Alliance: Reviving U.S.-Japan Relations*, which was published in English by the Yale University Press. This book was also published in Japanese as *Nichibei Domei no shizuka naru Kiki (The Quiet Crisis of the Japan-U.S. Alliance)*, by Wedge Publishing in Tokyo. Professor Calder also published the Japanese edition of his previous book, *Embattled Garrisons* under the title *Beigun Saihen no Seijigaku (The Politics of U.S. Military Transformation)*, from Nihon Keizai Shimbun Sha.

This year the Reischauer Center's events actually began in the middle of the summer at the East-West Center in Honolulu where Dr. Calder spoke on cultural diplomacy on July 21, 2008. This prefigured major Reischauer Center events later in the year in the Middle East. Soon thereafter, on August 5, the Center held a major reception at the Roppongi Hills Club in Tokyo to celebrate the publication of the Japanese edition of Kent Calder's *Embattled Garrisons*; 132 guests attended the event. U.S. Ambassador to Japan



A Historic Year for the Reischauer Center

Thomas Schieffer and a number of distinguished Japanese guests joined to commemorate the occasion. Dr. Calder thereafter delivered a series of lectures across Japan and internationally concerning the book, including seminars in Naha, Okinawa; Seoul, Korea; Bologna, Italy; as well as at the International Institute for Strategic Studies in London, Harvard University, Cambridge University, and on two occasions at the Pentagon.



At the beginning of the school year, the Reischauer Center had the privilege of welcoming a new cohort of Visiting Fellows, arguably among the finest researchers from Japan in Washington, D.C. Complementing Eiichiro Ito of Tokyo Electric Power, who continued his studies with the Center, were Mitsuhiro Maeda, previously Director of the Financial Cooperation Division of Japan's Ministry of Economics, Trade, and Industry (METI), Katsuhiro Oshima of Mitsubishi Research Institute, and Seiwa Tanaka of Nagoya University, previously of the Bank of Japan. Yukie Yoshikawa joined as a Senior Research Fellow of the Center, and Mariko de Freytas, from Princeton University, and Viktoriya Kim, who will later join the World Bank, completed the research team.



Researchers at the Center participated in regular academic seminars, including Professor Deming's seminar on "U.S.-Japan Relations in Global Context", which prepared researchers for writing the annual Yearbook. They also enriched Professor Calder's seminars on "Asia in Washington"; "Asian Energy Security"; and "Japan in International Finance". Reischauer Center researchers, SAIS students, and members of the Washington policy community also participated in the eighteen extra-curricular seminars on a wide range of global political economy topics that were held during the academic year.

Several Reischauer Center researchers also participated in a bi-weekly Trans-Pacific Internet Dialogue, conducted jointly with the Tokyo Foundation and coordinated by Reischauer Center Senior Research Fellow Yukie Yoshikawa. The dialogue brought together younger researchers, mainly in their 20s and 30s, on both sides of the Pacific for broad-ranging discussions on both security and economic issues. Most sessions typically involved a senior guest resource person, who provided introductory comments, followed by vigorous discussion. Among the participants over the year were Dr. Yoshihide Soeya, Dr. Narushige Michishita, Mr. Tsuneo "Nabe" Watanabe, Maria Toyoda, and Dr. Ken Jimbo.



One major global event that demonstrated the Reischauer Center's capacity for cultural diplomacy with a practical twist was Director Kent Calder's October 2008 visit to Abu Dhabi. While there he participated in the inaugural Japanese tea ceremony at the G-8 Arab Foreign Ministers' Summit at the Emirates Palace, hosted by Japanese Foreign Minister Nakasone, and a special tea event hosted by UAE Crown Prince Mohammed. Dr. Genshitsu Sen, former Grand Master of Urasenke and Special Advisor to the Reischauer Center, presented the tea. The Center was involved in the initial conceptualization of the Abu Dhabi events, in which the U.S. Ambassador also participated. These events have contributed measurably to the deepening of trans-regional relations between leaders in the Persian Gulf and major energy consuming nations such as the United States and Japan.



Another important international event for the Center in the Fall Term was a joint conference co-sponsored in Tokyo by the Reischauer Center and the Keizai Koho Center of Japan's Federation of Business Organizations (*Keidanren*) concerning "The Obama Administration and Prospects for U.S.-Japan Relations". The conference was held on November 28, 2008 at the Palace Hotel in Tokyo. Apart from Professors Kent Calder and Rust Deming, who had served as a member of the Obama campaign Japan Advisory Group, the conference also featured Professor Yoshihisa Soeya of Keio University, and was attended by members of the Reischauer Center Yearbook student research group, who were in Tokyo at the time.



On December 1, shortly after the Keidanren-related conference, the Reischauer Center celebrated the publication of the Japanese-language version of *Pacific Defense*. Known as *Nichibei Domei no shizuka naru Kiki (The Quiet Crisis of U.S.-Japan Relations)*, the book was published by Wedge Publishing, on an express publishing schedule. The reception was attended by 145 distinguished guests, including Shoichiro Toyoda, former chairman of Keidanren; Tsunehisa Katsumata, chairman of Tokyo Electric Power; Yoshiyuki Kasai, chairman of JR Tokai; and Minoru Makihara, former chairman of Mitsubishi Corporation. The event was held at the Roppongi Hills Club in central Tokyo, and featured a celebratory cake in the form of the published book.



The United States and Japan in Global Context: 2009

During the Spring Term, the Center focused once again on serious research, with eleven major seminars, mostly concentrated in March and April. Visiting Fellows Mitsuhiro Maeda and Katsuhiro Oshima, among others, presented their research. The newest edition of the bilingual U.S.-Japan Yearbook, with a foreword by former U.S. Ambassador to Japan and U.S. Vice President Walter Mondale, was also unveiled on April 8, at a special seminar led by Professors Deming and Calder.



A special highlight of the Spring Term was a Reischauer Memorial Lecture delivered by Japanese Ambassador to the U.S. Ichiro Fujisaki, on March 5. Speaking on “Challenges, Changes, Chances”, he surveyed with subtlety and insight the broad range of opportunities for global cooperation the circumstances of early 2009 afforded to Japan and the Obama Administration. Following his address, the Ambassador attended a special reception in the Herter Room at SAIS for further discussions with students and faculty.



Another major event this past year in Washington was a celebration for the English-language publication of *Pacific Alliance* on April 16. Professor Calder delivered a summarizing commentary regarding the book, already in its second printing in Japan, to a diverse group of faculty, students, and Washington researchers. Celebratory telegrams from Shoichiro Toyoda, Tsunehisa Katsumata, Yoshiyuki Kasai, and others were also read.

The Reischauer Center's year did not end with the close of school in late April. In late May, Director Calder participated in the Shangri La Asian Security Dialogue in Singapore, and then went on to six additional conferences in Tokyo, including the OSCE-Japan conference. Professor Deming also was a featured speaker at the U.S.-Japan Cultural Affairs (Culcon) conference in Tokyo, on June 10-11. The Center also dispatched student researchers as interns to the U.S. Embassy Tokyo (Vivian Wong), and the Japan Energy Research Center (Michael Boyd). Indeed, research and public advocacy for the U.S.-Japan relationship continued year-round at the Reischauer Center during 2008—2009.

*Kent E. Calder, Director
Reischauer Center for East Asian Studies
Washington, D.C.
July 2009*

REISCHAUER CENTER 2008-2009 EVENTS

- September 4, 2008** *Is Japan Missing Out on the 21st Century?*
Robert Dujarric, Director, Institute of Contemporary Japanese Studies, Temple University Japan
- September 10, 2008** *Turkmenistan: Between China and Russia?*
Konstantin Preobrazhensky
- September 16, 2008** *Japan, China, U.S. Relations –Challenges and Opportunities*
Takatoshi Kato, Deputy Managing Director, International Monetary Fund
- September 26, 2008** *The Flow of Energy in Central Asia & the Caucasus: Geopolitical Consideration on the Energy Situation around the Caspian Sea and the Black Sea*
Hirokazu Saito, General Manager, Mitsubishi Corporation Astana Liaison Office
- October 2, 2008** *The New Aso Administration and U.S. -Japan Relations*
Kent Calder and Rust Deming
- October 30, 2008** *The International Aid Finance Regime: A Victim's View*
Mitsuhiro Maeda, Visiting Scholar, Edwin O. Reischauer Center
- November 5, 2008** *The New U.S. Administration and U.S. -Japan Relations*
Kent Calder and Rust Deming
- February 5, 2009** *The Global Financial Crisis and East Asia: Testing the Regional Financial Architecture*
Dr. William Grimes, Director, Center for the Study of Asia, Associate Professor of International Relations, Boston University
- February 11, 2009** *Pan-Asianism in Modern Japan: The Case of Naito Konan (1866-1934) and The Eastern Cultural League*
Demin Tao, Professor and Director, Institute for Cultural Interaction Studies, Kansai University
- March 5, 2009** *Challenges, Changes, Chances*
Ambassador Ichiro Fujisaki

- March 24, 2009** *Japan's Parliamentary Confrontation on National Security Policy*
Tomohito Shinoda, Professor, International University of Japan
- March 31, 2009** *International Peacekeeping and Human Security: Lessons from Africa for Asian Forces*
Simon Reich, Director of the Division of Global Affairs, Rutgers University
- April 2, 2009** *Japan and the Global Financial Crisis*
Richard Katz, Editor-in-Chief, *The Oriental Economist Report*
- April 7, 2009** *The United States and Japan in Global Context: SAIS Annual Review*
(Copies of the SAIS U.S.-Japan Yearbooks were distributed)
Kent Calder, Rust Deming, Eiichiro Ito, and Lauren Witlin
- April 9, 2009** *Post-ODA Developmental Finance Schemes: A New Type of Public Private Partnership*
Mitsuhiro Maeda, Visiting Scholar, Reischauer Center
- April 14, 2009** *Mainstream Thinking in Japanese Foreign Policy – Implication for Japan-China Relations*
Quansheng Zhao, American University
- April 16, 2009** *Pacific Alliance*
Kent Calder, Director, Reischauer Center
Publication party and Seminar commemorating the publication in both English (Yale University Press) and Japanese (Wedge Publishing).
- April 30, 2009** *Japan, America, and the Global Financial Crisis*
Katsuhiro Oshima, Visiting Scholar, Reischauer Center

CONTRIBUTORS



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