

## CHAPTER FIVE JAPANESE FOREIGN POLICY STRUCTURES

This chapter discusses Japan's internal and external foreign policy structures. The internal foreign policy structure of Japan is hierarchically categorised into three types. The United States, China, Russia and all small powers collectively in the Pacific Rim constitute the external foreign policy structure of Japan. An analysis of Japan's power status and interests in the Pacific region precedes examination of the aforesaid sources of influence on Japanese foreign policy, as Japanese capabilities and interests provide directions to its foreign policies in the Pacific Rim.

### 5.1 Japan's Power Status

Japan is a major power and not a world class power. At present, its geostrategic posture does not match its economic strength on a global scale. Japan's economic element of power overshadows its strategic and military dimensions of power. It has become an economic superpower since the 1980s when it became the world's second biggest economy. However, Chittiwatanapong in 1989 predicted that Japan's military expenditures would increase in the 1990s and become a military power by the year 2020.<sup>1</sup> Therefore, Japan would play a major power role in Asia until its military capability is upgraded and matches its economic strength.

The indicators of Japan's economic performance on a global scale are Gross National Product (GNP)/Gross Domestic Product (GDP), Volume of Total Trade (i.e. export/import ratio), Foreign Direct Investment (FDI) and Japan's membership of global financial institutions and organisations. However, Japan's strategic or military indicators range from manpower, military equipment, contribution to UN peacekeeping operations, defence expenditure and deployment of its military forces both on and around Japanese Islands and abroad, if required.

Japan has recorded a GNP of 4.7tr, 4.9tr, 5.0tr, 5.2tr and 5.1tr dollars for fiscal years 1992-1996 respectively. Japan's GDP for the years 1998-1999 was estimated at 4.2tr and 3.8tr dollars respectively.<sup>2</sup> Japan recorded a GDP per capita of \$37,524, \$41,033, \$36,572, \$33,409, \$30,164 for the years 1994-1998. However, *The World Competitiveness Yearbook 1999* suggests a decline in its GDP per capita. It ranks Japan as number 7 in 1998, down from number one in 1994 in the world.<sup>3</sup> Nevertheless, its GNP was the second largest in the world after the United States.

Japan's total trade for the years 1994-1996 was estimated at \$6.7tr, \$7.8tr and \$7.6tr dollars respectively. Of the total amount traded Japan's export/import ratios for fiscal years 1994, 1995, 1996 were 2.7tr, 4.4tr/3.4tr, and 4.1tr/3.5tr dollars respectively. This means Japan ranked as the second-largest trading nation in the world after the United States. Japan's export/import share of the total world trade for fiscal years 1995, 1996 and 1997 was 19.7% /14.0%, 17.6%/14.2%, and 16.3%/16% respectively.<sup>4</sup> However, Japan's FDI over fiscal years 1994 and 1995 were valued at \$41.1 billion. Japan's trade with the Asian economies irrespective of regime type has increased in recent years. In terms of volume of exports Japan is even far ahead of the United States. China tops the list of Japan's trading partners.

Moreover, internationally, Japan has become an indispensable member of almost all major international economic and financial institutions and organisations. Japan is the second largest contributor to the International Monetary Fund (IMF), the World Bank, and a dominant contributor to the Asian Development Bank (ADB) along with the United States. Japan is also a member of the Group of Seven Industrialised Nations (G-7). G-7 has become G-8 upon Russia joining the club of Industrialised Nations. Japan is also a member of the Group of Twenty-two (G-22) composed of developed and developing nations, Asia-Pacific Economic Forum (APEC) and dialogue partner of the Associations of Southeast Asian Nations (ASEAN). In all these institutions Japan exerts its role as the "rule formulator and no longer a rule recipient"<sup>5</sup>(see Appendix Eight).

Bilateralism and unilateral initiatives earmark another dimension of Japan's economic power. Bilaterally, Official Development Assistance (ODA) and various

kinds of loan providing schemes to developing nations indicate the extent of Tokyo's economic muscle. Occasionally, Japan unilaterally initiates foreign aid packages to ailing economies especially in the Asia-Pacific region. A recent example of such conditional aid packages is the US \$30 billion assistance to the crises-ridden Southeast Asian economies under the Miyazawa Plan. In 1989 Japan surpassed the US as a donor state in the world. Asia is the biggest recipient of Japan's ODA with a 60 percent share of Japan's total ODA, while China and Southeast Asia top the list of Japan's Asian ODA recipients.<sup>6</sup>

Japan is the third largest spender on military after the US and Russia. Japan's defence budget between 1993 and 1999 was estimated respectively as follows (in billion USD): 1993 (\$46.5), 1994 (\$50.0), 1995 (\$53.4), 1996 (\$46.4), 1997 (\$41.7), 1998 (\$37.6), and 1999 (\$39.9). However, the 1999 defence budget does not include \$100 million for the Special Action Committee on Okinawa (SACO) fund towards the cost of vacating US military bases.<sup>7</sup> Japan's arms import was estimated at \$1960 million in 1995, which made it rank 11<sup>th</sup> as arms importer in the world. However, Japan's share of arms export is hardly significant to merit discussion. Japan has been a recipient rather than exporter in the arms trade regime. Though Japan maintained its military expenditure at the ratio of one percent of its GNP, there was a steady increase in its military over the period 1992-1995. Though *The Military Balance 1999/2000* suggests a decline over the years 1996-1999<sup>8</sup>, Japan is still the biggest GNP spender on arms. It ranked as 35<sup>th</sup> arms exporter while it was 11<sup>th</sup> as arms importer.<sup>9</sup> *The Military Balance 1999/2000* estimate suggests that:

Around 22% of Japan's defence budget goes on procurement, approaching half the proportion spent by the US and countries with comparable defence industrial capabilities, such as the UK and France. In 1999, the JDA [Japanese Defence Agency] is



planning to spend some \$7.6bn on new equipment and \$1.1bn on Research and Development. Japan's major programme is the F-2 Close Air Support aircraft (a derivative of the F-16). The first operational squadron is due to be formed under the FY 1996-2000 Five Year Mid-Term Defence Programme (MTDP). Eight F-2 have been ordered in 1999 for some \$868m—an indication of the high unit cost.<sup>10</sup>

Japan's armed forces personnel are some 240,000 thousand men and women in all three wings of its Self-Defence Forces (SDF)—Land, Sea, and Air Force. Its armed forces in terms of numbers ranked 24<sup>th</sup> in the world in 1995.<sup>11</sup> SDF personnel are equipped with the most advanced and up-to-date weapons systems. Moreover, Japan is still modernising and improving its weaponry and skills of its personnel in maritime capabilities. Japan's maritime capabilities focus on anti-submarine warfare (ASW), mine warfare (MW), electronic warfare (EW), and so forth. In all these areas Japan's SDF has both defensive and offensive capabilities. The SDF can perform a dual capability function: it is equipped with capabilities to defend Japan's interests in and around Japan and to carry out distance offensive exercises.<sup>12</sup>

Japan's SDF are deployed both on Japanese Islands as well as abroad. Japan's overseas deployment is in the form of peacekeeping forces and mine sweepers under the United Nations peacekeeping mission. However, its peacekeeping activities are restrictive and subject to many constraints. Though SDFs are deployed in and around Japan, the scope of its activities has been broadened after the Hashimoto-Clinton summit in April 1996. The two leaders reviewed US-Japan security arrangements since the last review in 1978.

Japan's current military establishment has its roots in the post-World War II international environment. Originally, the US by positioning its bases and troops in

Japan remained its security guarantor. Subsequently, the National Reserve was created followed by the National Safety Force under the jurisdiction of the National Safety Agency. The Korean War triggered the creation of National Reserve and National Safety Forces. The National Safety Agency was entrusted with the task of drawing up a blue print for the creation of what came to be known as the Self-Defence Forces (SDF), by promulgating two laws: the Defence Agency Establishment Law, and the Self-Defence Forces Law.<sup>13</sup>

The original jurisdiction of the Self-Defence Forces was limited. Japan's contribution to its own security was more in terms of burden-sharing by paying the logistical cost of American Forces in Japan. According to the original security guidelines the SDF could only confine its activities up to 1000 miles over the waters around the Japanese Islands while the area beyond that would remain under the jurisdiction of the American Forces in the region. However, after the Hashimoto-Clinton summit that reviewed the Security Guidelines for the first time since its last review in 1978, SDF's scope has been significantly broadened. According to the newly revised security guidelines, SDF and US forces need to cooperate in areas such as intelligence gathering, minesweeping, inspection of suspicious vessels during economic sanctions, etc. Moreover, the new guidelines also provide that SDF can cover a wider geographical area in the Pacific region. It need not restrict its military activities to the Far East as it used to do in the 1950s and 1960s. Under the present scheme its jurisdiction is wide enough to include the South China Sea and the surrounding vicinities. The revised US-Japan security cooperation implies that the SDF has the task of improving both its military hardware and military software to meet the challenges posed in the 21<sup>st</sup> century.

Reinhard Drifte sums up Japan's military capabilities as follows: Japan aggressively expands its military establishment both in terms of hardware and software as well as manpower. However, what raises questions regarding competitiveness of Japan's military strength is that Japan's military lacks combat experience. The manpower numbers, he says, may not be directly translated into fighting power because of lack of considerable experience. In addition, the weapon systems and military technology Japan possesses are not properly tested. This is perhaps due to constitutional constraints as well as constraints imposed on Japan to test its weapon systems by the domestic public and its Asian neighbours who still remember pre-World War II Japan's attempt to create a co-prosperity sphere in Asia.<sup>14</sup>

Despite the aggressive modernisation of the SDF, the 1951 US-Japan security treaty will constitute a major pillar of Japan's security. Nearly 45,000 American armed forces—land sea and air—are currently deployed in Japan. Although it can be argued that the purpose of the American presence in Japan among other things is to contain the reassertion of Japan as another samurai or strategic superpower, a new phase in Japan's political existence has been unveiled. In the future the US can be expected to commit itself to strategic withdrawal from Japan while Tokyo increases its military expenditure to commensurate with its economic status. Moreover, Japan's steadily increasing military expenditure would enable it to develop a more independent capability to substitute the US in defending Japanese interests (see Appendix Nine).

Finally, any discussion of Japan's power status is incomplete without mentioning its attitude towards development of nuclear arsenals. At present it seems that Japan will remain committed to the three non-nuclear principles (the official policy that Japan will not possess, produce, or permit entry of nuclear weapons) and a more or less idealistic pursuit of a nuclear free world.<sup>15</sup> However, some scholars doubt the above assumption would remain as Japan's official policy. They argue that given the circumstances, Japan may opt to undertake development of nuclear weapons. Japan is accumulating defence-related technologies, including nuclear ones, as part of its long term national strategic interests i.e. a militarization programme in which nuclear weapons constitute the core.<sup>16</sup>

Although Japan has become very active in promoting nuclear arms control...this will not stop questions about the possibility of a 'strategic nuclear breakout' in case external circumstances (that is, the end of the US nuclear deterrent or nuclear weapons on the Korean peninsula) change dramatically. But there is also a very strong prestige factor involved which could weigh heavily on Japan's decision to go nuclear in case of a complex borderline situation involving domestic as well as external difficulties. There is considerable dissatisfaction among more nationalistically inclined people that Japan deserves to have nuclear weapons as the ultimate accolade of its new power status, notably in view of middle powers like France and Britain. There is a feeling that these two countries would not have been able to preserve their present international status and prestige while their economic power has declined had it not been for their nuclear power status. This feeling is particularly strongly linked to Britain's and France's permanent seat on the UN Security Council while Japan is kept outside. In addition, there is a feeling that Japan cannot take on international responsibilities with real success without nuclear weapons. The Japanese Ambassador to the European Communities, Kobayashi Tomohiko, said in 1993 that "...everybody knows that nuclear weapons are a powerful 'political' weapon in international politics as in the real world. Without nuclear weapons today, any Japanese international political initiatives or involvements will lack *real political clout* [underlined in the original text]. What should be done about this? It is a big question, and a delicate one, which I am not entitled to discuss officially. On the other hand, most nationalists may take sufficient consolation from the fact that Japan *could* acquire them because of its technological ability".<sup>17</sup>

## 5.2 Japanese Interests in the Asia-Pacific Region

Japan aims to attain international recognition and prestige. It also wants to play a greater role in international affairs. Its political elites are aware of the necessity and desirability of Japan's international role and responsibility. Tokyo views itself as an essential actor in the emerging world order of the 21<sup>st</sup> century and Japan would act as "rule formulator" or "agenda setter" and not spectacular spectator and imitator of rules formulated by others. The list of phrases as such in post-Cold War literature on Japan's international relations is endless. The above assumptions collectively imply that Japanese interests are being redefined. A changed post-Cold War international environment compels Japanese political elites to look for new options and alternatives. Thus the post-Cold War interests of Japan are global and regional in scope as well as economic and strategic in nature. The two sets of Japanese interests are complex and closely inter-connected, hence a brief analysis of Japan's post-Cold War interests are in order.

In the ministries that handle Japan's external relations, middle-ranking officials, both from young and old generations, want an assertive, active and ambitious Japan—a Japan that has a share in world leadership and a leading role in Asia. According to Japanese foreign policy elites a "trilateral collective management coalition comprised of the United States, Europe led by Germany, and Asia led by Japan" constitute the backbone of international leadership in the post-Cold War world. "Together, they can forge a working relationship in which Europe and Japan will basically shore up America's decreased ability to be the world's policeman and banker.... Trilateralism is, therefore, a response to the decline of two superpowers and resurgence of the two middle powers, Japan and West Germany".<sup>18</sup>

Japan's contribution to the trilateral leadership is based on the principle of division of labour on a global and regional basis. Globally Japan would heavily depend on the United States for security, but it would assume a greater financial burden to maintain American troops in Asia as well as some non-military involvement in peacekeeping operations under UN peacekeeping missions. In addition, Japan would increase its involvement in international organisations and financial institutions. Japan would also accelerate its economic diplomacy and provide for transfer of technology, investment opportunities, economic loans and financial aid. Regionally, Japan does not want to play a leading role in Europe and the Americas. However, Japan wants them to only assume a support role in Asia and not a leading posture.<sup>19</sup> Thus the primary goal of Japanese foreign policy in the post-Cold War era is to establish a leadership role in Asia while functioning as an ally in Europe and America.

Therefore, it is logical to conclude that Japan envisions a new order for Asia. Japan's vision of Asia is comprehensive and composed of two legs. Japan wants to create a new economic and security order in Asia. The creation of an economic Pax Niponnica or a loose Asian economic bloc is Japan's vision of a New Economic Order in Asia.<sup>20</sup> The main characteristics of this economic order are: First, Japan could act as rule formulator or agenda setter. Hatakayama Noboru, former Vice Minister of the Ministry of International Trade and Industry, believes that the days are gone when Japan would follow rules formulated by others.<sup>21</sup> Japan's economic order emphasises adherence to a regime based on rules of the World Trade Organisation (WTO), the successor to the Cold War GATT regime. Restricted liberalisation

enshrined in WTO'S principles and rules is necessary. The removal of non-tariff barriers (also known as structural impediments) will reduce competitiveness of Japanese products. Therefore, Japan wants all trade transactions and activities in Asia to be shaped along the WTO guideline—clearly a thorny issue in Japan-US relations.<sup>22</sup> Thus, the comprehensive liberalisation, it is recalled, as advocated by the United States, is not favourable to Japanese businesses and Tokyo would resist it.

Second, closely related to the first characteristic is Japan's bid to promote amended capitalism. Under the notion of amended capitalism, the majority of Japanese foreign policy elites support the view of big government as opposed to small government. The government must intervene to avert market failure. The appropriate role to be played by government must be properly defined—a view that is shared by other Asian leaders who subscribe to the notion of governmental intervention to save the economy.<sup>23</sup>

Third, the new economic order envisioned by Japan will lead to the formation of an Asian Economic Bloc. In such a bloc, under Japanese tutelage, Asia would be insulated from Europe and the Americas and dependent on Japan. Regional nations would adopt Japan's model. However, Reinhard Drifte argues that Japan aims at the creation of open and not closed regionalism. Japan does not want to create a European Union-like economic bloc, as closed regionalism does not serve Japanese interests. Japan can use Japan-led Asian open regionalism as a useful bargaining chip against temptations of closed regionalism sanctioned by Europe or the United States, which may block penetration of Japanese industries in those regions. As a result Japan could dominate Asia while retaining access to the US and European markets.<sup>24</sup>

Fourth, Japan can “own” Asia if it can create dependency of regional economies on Japan and interdependency among regional economies. It is through dependence of regional economies that regional integration on Japanese terms is possible. Economic diplomacy is a *modus vivendi* for creating dependency. Economic diplomacy is a broad strategy that includes Japan’s attempts to diversify its sources of raw materials as the main source of energy, control over foreign markets for Japanese exports, foreign direct investment, economic loans, technology transfer and economic aid.<sup>25</sup> It is Japan that decides the conditions and the kinds of economic assistance or technology to be transferred to the nations in the region. Economic diplomacy would help in the creation of consensus building among the nations in the region in the Japanese-led economic order.

Economic diplomacy also serves another interest, though secondary but essential. It is also aimed at creating peaceful and stable conditions favourable to Japanese interests. In this context economic diplomacy seems to function on the basic assumption that national stability forms the basis for regional stability. National stability depends on economic development and growth, which brings about the political and social stability necessary for regime formation. Thus assistance to foster successful economic reforms in unstable countries or countries considered as potential sources of conflict is essential. This underlies Tokyo’s strong feelings on aid to China and Eastern Europe, North Korea and other countries hit by the 1997 currency crises. It is designed to foster domestic stability which serves as a pre-requisite for regional as well as global stability.<sup>26</sup>



For maintenance of peace and stability, the US-Japan security arrangement is crucial. However, the economic problems between the two nations seem to dilute security relations. It is not clear how far Japan may accommodate US demands on non-tariff barriers. If the problem persists, US policy makers may just decide to back off and withdraw American troops from Japan if not from the region.<sup>27</sup> Japan aims to create a multilateral security regime in the Pacific region in which the United States is also a member. However, Russia and China are to be excluded from membership of regional security regimes advocated by Japan.<sup>28</sup> Tsuneo Akaha maintains that Japan wants to create a multilateral security regime in cooperation with the small powers in the region and would prefer to exclude major powers in the region from its membership. At bottom, this view implies Japan's intention to assume military leadership in the region. The need for the creation of a regional security framework is recognised at the top level in Tokyo. Creation of a multilateral security framework on the one hand will alleviate the fears of Japanese military resurgence among its Asian neighbours. On the other hand, there exist potential sources of conflict in the region—Russia, a rising China, and the Korean Peninsula—that are viewed in Tokyo with concern. Policy-makers allude to the view that the security environment will become more uncertain and unpredictable if the US and Japan fail to resolve the thorny issue of US trade deficit with Japan, as this may ultimately lead to the withdrawal of US forces from Japanese Islands if not from the region.<sup>29</sup>

The idea of creation of a multilateral security framework existed among the foreign policy circles in Tokyo since 1980s. However, the Japanese did not want to upset their only security ally who is vital to Japan's global interests. The United States under the Bush administration (1988-1992) opposed Japan's idea of a multilateral

security arrangement. But, to the surprise of many Japanese, US policy-makers at the end of the Bush administration changed their position and supported the notion of a “multilateral dialogue” and not multilateral security regime. Within this framework Japan’s foreign minister Nakayama proposed in July 1991 that security issues should be on the agenda of the Association of Southeast Asian Nations (ASEAN) Post-Ministerial Conference (PMC). He even recommended setting up a preparatory meeting of senior officials. At that point China and Russia were not included. The Japanese proposal led to the creation of the ASEAN Regional Forum (ARF).<sup>30</sup>

According to Wolf Mendl, “a multilateral security system would have to be modest in the beginning, starting with a process of consultation and coordination and setting up of very limited objectives”.<sup>31</sup> This may gradually evolve into some kind of institutionalised and more formal structure. Though the United States may not agree to something more than a multilateral security dialogue, Japan will continue to develop consensus among countries in the region on the establishment of a security regime.

In June 1992 Prime Minister Miyazawa established his own advisory committee [Committee on Asia and Pacific and Japan in the 21<sup>st</sup> Century] and he mentioned when launching it that Asia had now, like Europe, to look for a multilateral security framework, which had to include the United States.... [In] December the Committee came to the conclusion that for the time being Japan’s participation in a regional security dialogue should be effected through the ASEAN PMC, but this forum could evolve into a more formal structure resembling the CSCE [Conference on Security and Cooperation in Europe].<sup>32</sup>

In addition, Prime Minister Hosokawa also established an Advisory Council on Defence of Japan. The Council in its 1994 report, known as the Higuchi Report, outlined promotion of security cooperation on a multilateral basis. Evidently, Japan

must give serious attention in addition to enhancement of the US-Japan security treaty, and build up a highly reliable and efficient defence capability based on strengthened information capability and prompt crisis management capability.<sup>33</sup>

A multilateral security regime indicates a concrete step towards remilitarization of Japan and its ambition to assume strategic leadership in the region besides its economic preponderance. In this way the post-war notion of comprehensive security in Japan is being broadened to include the military element in the post-Cold War era besides the emphasis on economic diplomacy. The lessons of the Gulf War (1990-1991) made Japanese elites even more aware of the fact that economic contribution alone is not sufficient to underscore Japan's commitment to global security (see [Appendix Seven](#)).

### 5.3 Internal Structure of Japanese Foreign Policy

The internal structure of Japanese foreign policy is classified into three major categories: the Inner Circle, the Circle Behind the Scene, and the Outer Circle. This taxonomy of internal structures of Japanese foreign policy is based on the degree of influence each structure exerts on foreign policy formulation in Tokyo. The actors belonging to the Inner Circle and the Circle Behind the Scene embody the centre of Japanese foreign policy formulations. Hence their influence on foreign policy formulation is both direct and potential. When Japan's relations with other nations, for instance China, deteriorate and reach a critical stage, some individuals and groups are activated to conduct diplomacy and business relations on an informal basis. This informal or extra-governmental nature of activities establishes the distinction between the Inner Circle and the Circle Behind the Scene. At the periphery of Japanese

political life are some other institutions whose influence is issue-oriented and not as potential as the other two circles. The Outer Circle embodies these peripheral institutions. To the Inner Circle belong the tripartite coalition of (1) politicians i.e. Liberal Democratic Party (LDP) and Diet (Japanese Parliament), (2) bureaucracy, and (3) the business circle. Some academics, because of the potential influence it has on foreign policy formulation, refer to it as the “golden circle”. To the Circle Behind the Scene belong individuals from the LDP, business circle, and opposition political parties or some interest groups who do not hold political posts but are highly influential due to the intimate connection or otherwise to the political leadership. To the Outer Circle belong a variety of structures that range from opposition political parties, various interest groups with vested interests in foreign policy to media and public opinion (see [Appendix Four](#)).

### 5.3.1 The Inner Circle: Politicians, Bureaucracy and Business Circle

#### (a) Politicians

Politicians refer to political elites who come to power and occupy high level political positions through the power of the vote. Japan’s form of government is constitutional monarchy. The majority party controls the parliament and executive. The dominant party that has ruled Japan since 1955 is the Liberal Democratic Party (LDP). Therefore, LDP’s objectives and vision of its leaders served as the guiding principles of foreign policy in Japan since then. Moreover, it was the LDP that fielded candidates to run for the Diet, whose presidents were coopted as Japan’s Prime Ministers, appointed cabinet ministers, and directors and heads of numerous important foreign policy bureaucracies. The LDP’s long-term rule and dominance in Japan paused in 1993 when the opposition coalition, New Frontier Party (NFP), came to

power. The LDP finally formed a coalition with Socialist Democratic Party of Japan (SDP) and regained hold on power in 1996.

The LDP's control of Japanese foreign policy, although declining in recent years, needs elaboration. The LDP came into existence in 1955 when Japan's Liberal Party and Japan's Democratic Party merged into one. Since then it dominated the decision-making process. A policy that was not debated and approved by the party's central decision making mechanism would have had slim chances of success. Once approved by the party, a policy is then either introduced in the form of a bill in the Diet or adopted by the relevant ministry as an official policy of Japan in its external relations.<sup>34</sup>

LDP's central decision-making process and formal organisation is comprised of the President, Vice-President, and Secretary General and four major institutions: the Party Conference, the Executive Council, the Assembly of Party members of the National Diet, and Policy Affairs Research Council (PARC). Under the PARC, there are seventeen divisions corresponding to the major ministries and cabinet agencies of the central government and approximately eighty research committees and commissions on a wide range of issues.<sup>35</sup> PARC is the Party's policy deliberation organ. All economic, diplomatic, defence, and other vital issues are discussed and elaborated in the PARC policy divisions such as the foreign policy division, and then put forward for consideration by the National Diet members assembly of the party. This explains both the role of the Diet and foreign policy bureaucracy in foreign policy deliberation. At times when the LDP felt it necessary and required by Japan's

interest, it has proposed the establishment of independent committees on an ad hoc or permanent basis to deal with the issue.<sup>36</sup>

According to Yukio Nakamura, a staff member of the LDP's Foreign Affairs Division, it is common practice for high-ranking Ministry of Foreign Affairs (MOFA) bureaucrats, normally at the level of bureau chiefs, to come to LDP headquarters once or twice a week to report on the ministry's foreign policy deliberation process. In highly sensitive cases, this kind of party-government consultation is more frequent, sometimes as often as several times a day through face-to-face discussions or telephone conversations.... Many important foreign policy decisions are made primarily by political leaders, namely the LDP's top leaders and its PARC. MOFA bureaucrats make decisions mainly on routine and non-controversial issues.<sup>37</sup>

The same is true about the rest of the foreign policy bureaux. It should be noted that within the LDP there exist numerous lobby groups (categorised along the regions, countries, and issue) that heavily influence the top leadership's attitude on foreign policy issues.<sup>38</sup>

Given the role of the assembly of party members of the National Diet, the Japanese National Diet therefore has been rather passive on foreign policy issues. Constitutionally, the Diet has power in certain foreign policy areas. Foreign policy initiated at cabinet level should be reported to the Diet, as the cabinet is constitutionally accountable to the Diet. The treaties should be sent to the Diet for approval. Foreign policy issues are not debated extensively.<sup>39</sup> Legitimation is the prime constitutional function of the Diet. Since the war, the bureaucracy and the LDP have normally dominated the legislative process, and in this narrow sense can be said to have ruled while the Diet reigned.<sup>40</sup>

In the final analysis, the areas that foreign policy issues have been given serious attention relate to the strategic role Japan may play, constitutional amendments to allow Japan to assume a larger international role, the issue of rearmament of Japan, and US-Japan security relations. Perhaps the reason for the Diet's assertion in these areas could be due to the prevalent xenophobia across the entire Japanese society—contrary to the wishes of the Diet (see Appendix Four).

(b) Bureaucracy

Foreign policy bureaucracy in Japan comprises “senior career bureaucrats” who initiate and implement specific foreign policy. The emphasis in this definition seems to be on foreign policy issue and not the personality per se. Therefore, if the emphasis is on issue, then the definition of foreign policy bureaucracy could be broadened to mean all governmental institutions that are engaged in Japan's external relations as well as initiate and implement specific foreign policy. The institutions as such are divided into two broad categories: (1) Executive (Emperor, Prime Minister, and the Cabinet), and (2) lower rank bureaucracy (the career civil servants in bureaux and divisions of the relevant ministries and agencies concerned with foreign policy formulation and implementation). These civil servants are hierarchically organised and include officials below the ministers or heads of agencies and vice ministers.

(c) Executive

In constitutional monarchies, the head of state is mostly a nominal and symbolic figure. This assumption is also true about Japan. The emperor is the symbolic head of state. Constitutionally, the emperor has restricted powers as Japan's constitution limits the emperor's powers to symbolic representation of sovereignty.

The sovereignty of Japan is personified in the person of the emperor. The administrative agency, the Imperial Household Agency concerned with imperial functions and activities, is presided over by the Prime Minister. Therefore, constitutionally, the Prime Minister collectively presides over the Imperial Household Agency, the cabinet (numerous ministries and ministerial level agencies), and numerous external organs or councils closely linked to the cabinet.<sup>41</sup>

The Prime Minister is the pivot of Japan's foreign policy. Some academics allude to the idea of some kind of imperial premiership in Japan. They claim that all crucial foreign policies that are perceived as watersheds in post-war Japanese history have been made at the initiative of the Prime Ministers.<sup>42</sup> Before discussing the other institutions directly involved in foreign policy formulation, the notion of imperial premiership needs explanation. The idea of imperial premiership is an overstatement of the actual performance of the post-war Japanese Prime Ministers. Japan's post-war history reveals numerous instances where only prime ministers with strong personality and leadership were able to assert themselves through the powerful bureaucratic institutions with a vested interest in a given foreign policy issue that they presided over. However, the powers of imperial prime ministers were restricted by party factionalism, public opinion, the nature of the issues that may require the prime minister to convince his colleagues, and so on. The prime ministers have often been ignored when they appeared incapable of asserting strong leadership. Prime Ministers mostly receive support only from foreign policy institutions with vested interests, while institutions whose interests are threatened would resist all attempts to reduce their role and influence.<sup>43</sup>



Five main ministries are directly involved in the process of foreign policy decision-making in Japan: (1) the Ministry of Foreign Affairs (MFA), (2) Ministry of Finance (MOF), (3) Ministry of International Trade and Industry (MITI), (4) Ministry of Agriculture and Forestry and Fisheries (MAFF), and (5) Economic Planning Agency (EPA).<sup>44</sup> To the above five could be added a sixth institution: the Defence Agency. Recently the Defence Agency's involvement has increased in security issues, which was traditionally the task of the MFA. Other institutions such as Management and Coordination Agency (MCA), Overseas Economic Cooperation Fund (OECF), Japan's International Cooperation Agency (JICA), Export-Import Bank of Japan (EIBJ), etc. are also involved variously in foreign policy formulation and implementation. Nevertheless, these agencies are subordinate either to the above-mentioned ministries or agencies or they are independently established by the LDP.<sup>45</sup>

In addition to the ministerial institutions and cabinet agencies, there are a number of external organs that have a catalytic role in the foreign policy arena. Two of them, the Ministerial Council (MC) and National Defence Council (NDC) enjoy prominence. MC and NDC's members comprise the ministers and directors of cabinet level agencies. The Prime Minister presides over both institutions. Members of MC are the Prime Minister, Ministers of Foreign Affairs, Finance, Agriculture and Forest and Fisheries, International Trade and Industry, Transportation, and the Director-General of the Economic Planning Agency. However, NDC consists of the Prime Minister, Deputy Prime Minister, Ministers of Foreign Affairs, Finance, International Trade and Industry, and Directors-General of the Defence Agency and Economic Planning Agency.<sup>46</sup> The ministers and directors of cabinet agencies heavily depend on the lower rank bureaucracies or civil servants just below the ministers. However, the

lower rank bureaucrats are not political appointees. They are career bureaucrats. The role of career bureaucrats is discussed later in this section. But it is noteworthy here that MC and NDC in Japan are somehow analogous to the US National Security Council (NSC) that advises the president on American foreign and security policies.

Finally, in addition to ministers and heads of cabinet level agencies and MC and NDC, a bunch of advisors to the prime minister, appointed by the major ministries, also play a significant role in shaping the prime minister's views on foreign policy issues. According to Jon Waronoff:

[T]he leading ministries appoint special representatives to serve as his [prime minister] advisors. It is they who prepare his speeches, supply answers to possible interpolations, and actually go through a dry run of cabinet meetings. Before the ministers gather, there is a conclave of ministry spokesmen who settle most outstanding questions so that little more remains for the politicians to do than give their approval.<sup>47</sup>

(d) Lower Rank Bureaucracy

This lower rank bureaucracy is very powerful in Japan. Jon Waronoff used the term “shadow government” to describe Japanese bureaucracy. According to him bureaucrats in Japan assume the roles played by political elites and business circles—a characteristic that is somewhat peculiar to Western liberal democracies. Lower rank bureaucracy refers to numerous bureaux, councils, and divisions of respective ministries and agencies involved in shaping Japan's foreign policy. In fact, it is the heads and directors of these bureaux, councils, and divisions who shape foreign policy and decide on the possible course of action. The minister or director-general of the relevant ministries and cabinet agencies then takes this to the higher foreign policy circles (i.e. MC and NDC). Indeed, ministers and director-generals are the crucial link between the executive and the lower rank bureaucracy. However, due to the changing

nature of the Japanese scandal-ridden political system,<sup>48</sup> these political appointees are replaced when a new government replaces the old one.

The bureaux that comprise the lower rank bureaucracy include: (1) MITI's Coordinating Committee for Export Control (CCEC), and Security Export Control Division (SECD), (2) Ministerial Committee on Overseas Economic Cooperation—a ministerial level institution that Coordinates economic activities of government and business circles with the outside world, (3) Advisory Council on Overseas Economic Cooperation (ACOEC)—an advisory body on foreign aid, and (4) numerous regional and functional bureaux in the MFA, MOF, MAFF, and other relevant agencies. Each bureau in these ministries is further divided into divisions. For instance, the MFA has five regional bureaux and five functional bureaux. Its regional bureaux are: Asian Affairs, North American Affairs, Latin American and Caribbean Affairs, European and Oceanic Affairs, and Middle Eastern and African Affairs. Its functional bureaux include Economic Affairs, Economic Cooperation Affairs, Treaties, United Nations, and Public International and Cultural Affairs. They are divided into divisions such as Division of Policy Planning, Export-Import Bank, Overseas Economic Cooperation Fund Division, and so on.<sup>49</sup>

The Foreign policy process in Japan reflects more a division of labour among the foreign policy institutions. The division of labour as such particularly seems to be more between MFA, MOF, and MITI despite their shared objective. They collectively aim at protecting strategic industries and businesses through bailouts, financing and regulating the behaviours of financial institutions in order to protect or make them competitive.<sup>50</sup> Reinhard Drifte argues that the MFA is ranked somewhat lower than

MOF and MITI in terms of influence. This could well be true on economic issues. In any event, diplomacy and security policies such as US-Japan security relations as well as Official Development Assistance (ODA) are exclusively under the jurisdiction of MFA. The reason why MFA is ranked after MOF and MITI is that MFA staff are mostly on secondment from other ministries. They may advocate policies in tandem with the interests of their mother ministry.<sup>51</sup>

In line with Drifte's argument, Sueo Sudo in *The Fukuda Doctrine and ASEAN* suggests that the jurisdictional demarcation between foreign policy bureaucracies is traditionally obscure in Japan because of the multiplicity of ministerial participation due to the vested interest each has in foreign policy issues. The main reason why other ministries surpass the MFA is that Japan's external relations focus on economic foreign policies more than other nations. MFA is responsible for political policies and doctrines towards different regions. MITI and MOF formulate guidelines to regulate and protect economic behaviours of most export-oriented industries. This protectionist policy of MITI and MOF is also adopted by MFA. However, MFA focuses on protection of emerging small-size industries.<sup>52</sup>

The deadlock over the Structural Impediments Initiative (SII) in Japan-US relations, the normalisation of Sino-Japanese relations despite China's Communist Party being in power, and non-normalisation of Russian-Japanese relations despite liberalisation and democratisation of the Russian economy and politics, are few examples of the imperial influence of bureaucracy and bureaucratic division of labour in Japan's external relations. The foreign policy institutions tend to behave independently of one another. The interests of one institution at times conflict with the

interests of the others. The result is deadlock. But where conflicting interests have given way to consensus, foreign policy has produced positive outcomes such as Sino-Japanese normalisation in the early 1970s. Whatever the role of bureaucracy in formulation of foreign policy, David Williams argues that it is the bureaucracy and not political elites that deserve credit for Japan's economic miracle, as the politicians are always involved in pork-barrel money politics and scandals.<sup>53</sup>

(e) Business Circle (Zaikai)

Ardath W. Burks describes Japanese democracy as “bourgeois democracy”, one that is dominated by “private government”. Though Charles Merriam coined the term “private government” to describe the multitude of institutions collectively called pressure groups, what Burks has in mind is the domination of Japanese international relations by the business circle. He concludes that Japan resembles a bourgeois democracy, as the political elites are both ministers and holders of high political portfolios as well as owners of big businesses in Japan.<sup>54</sup> Since it is difficult to differentiate between the political elites and the executives of big business circles, Burks maintains that the pressure groups and business circle in this sense become identical and part and parcel of the decision-making apparatus as business influence is strong and paramount.<sup>55</sup>

The Business Circle in Japan comprises the sum total of executives of business firms and industrial complex. Sadako Ogata in “Business Community and Japan's Foreign Policy” notes that the business circle represents three categories of businesses: Zaikai (the executives of major economic organisations), Gyokai (the industrial groups), and Kigyo (the individual corporations). Zaikai represents the

interest of big businesses or conglomerates namely: Keidanren (Federation of Economic Organisations), Nissho (Japan Chamber of Commerce and Industry), Keizai Doyukai (Japan Committee for Economic Development), and Nikkerieren (Federation of Employers Organisations).<sup>56</sup> It is interesting to note that in the realm of foreign policy in Japan reference is made to Zaikai and not to Gyokai and Kigyo. The reason is that the other two groups play a more active role in domestic politics than they do in the realm of foreign policy. Therefore, when reference is made to business circle, Zaikai is the focus of discussion. However, among the four constituent components of Zaikai, Keidanren is the most powerful. Its president is called the Prime Minister of Zaikai for it directly participates in economic planning.<sup>57</sup>

The business organisations within Zaikai have their own executive organs. Each executive organ is divided into numerous committees in which policies are formulated and decisions are made. At the committee level, policies that government should initiate are proposed. Whether to act independent of government is also discussed at the committee level.<sup>58</sup> The decisions of the executives of business circle are channelled into the bureaucratic circles through the respective liaison committees with relevant ministries and agencies. However, the voice of the business circle is heard within the LDP through informal groups within the party as well as through networking with the LDP politicians. In this way they “own” both bureaucracy and politicians.<sup>59</sup> In addition, the managers in the corporate circles serve as personal advisers to prime ministers regarding business trends as well as patterns of behaviour within the business circles.<sup>60</sup>

In addition to its influence within the Japanese political system through formal institutions, the business circle is also involved in direct foreign diplomacy best known as foreign economic policy. The business circle establishes bilateral and multilateral relations with other countries on economic cooperation. They send delegations on semi-official missions abroad and commit Japan in mutual business agreements. The agreements as such are then recognised by the Government of Japan. The business circle needs not to get permission from the government. Moreover, the foreign governments may bypass the government of Japan and directly contact the business community.<sup>61</sup>

Finally, the business circle advocates the policy of amended or managed capitalism—a policy supported by the bureaucracy and politicians—as it needs the government to protect its businesses through an array of measures such as quotas, tariffs, low tax on import of raw materials, high tax on import of finished goods, etc. Therefore, the business circle advocates a big, not a small governmental role.<sup>62</sup> However, the business circle, though independent, becomes more assertive when political leadership is slow in taking action, and bureaucracy is hesitant or slow to formulate clear policy guidelines. But the big problem of the business circle is that every organisation has its own agenda and spokesman. This makes the reconciliation of conflicting interests extremely difficult, which in turn could paralyse the whole decision-making process.

### 5.3.2 Circle Behind the Scene

Phrases such as “hidden from outsiders”, “informal”, “extra governmental”, “extra institutional”, “invisible”, and “behind the scene” policy-makers are used to

define the actors within the circle behind the scene. The influence of this circle is extremely strong and powerful on Japan's external relations. To this circle belong actors from the inner circle and occasionally, as required by the doctrine of necessity, actors from the outer circle. The actors belonging to the circle behind the scene carry out their activities on an informal basis. The actors within this circle became active when Japan's relations with China deteriorated in the aftermath of the Tiananmen Square massacre. Quansheng Zhao in *Japanese Policy-Making: Politics Behind Politics* extensively examines the role played by the Circle Behind the Scene in the conduct of Sino-Japanese diplomacy.<sup>63</sup>

The actors in the Circle Behind the Scene include scholars and business groups within LDP and opposition who have ideological connections or political interests with the state with whom Japan wants to maintain good relations. In addition, individuals who are very influential and have intimate relations with the politicians such as Prime Minister, foreign minister, and politicians from LDP and opposition also belong to this circle. However, all these individuals and groups do not hold official political posts in Japanese political system. Yet there are also non-governmental organisations that have remained very active in Russo-Japan normalisation of relations.

Zhao summarised the functions of the actors in the circle behind the scene into three major kinds. He called the first category *Tsukiai* or creation of conducive social environment and networking, the second category *Kuromaku* or establishing personal connection between the top policy makers in Japan and the country with whom Japan



seeks normalization of relations, and the third category *Nemawashi* or behind the scene consensus-building.<sup>64</sup> According to Zhao:

*Tsukiai* provides [the] necessary and appropriate social environment for both formal and informal activities. More important, in cultivating a cordial relationship, it creates a sense of *giri* (obligation), thereby enabling political access.... This strategy has given Japanese greater access to China's Political Leadership. The importance of *Kuromaku* lies in maintaining open channels through informal political actors and institutions. *Kuromaku* are used to convey *honno* or true intentions to related parties, as... seen [in the] secret trip of the Forum of Liberal Society to Beijing two months after the Tiananmen incident. Such missions could not be accomplished through official channels, given the uncertain political situation in China at that time. *Nemawashi*, as a working style, is often used to facilitate mutual understanding among the parties involved. It is a form of informal consultation that aims at avoiding open confrontation and thus makes it easier to reach compromise. In post-Tiananmen period, for example, Tokyo conducted extensive behind-the-scene personal contacts with both Beijing and Washington. These activities have facilitated better understanding of Japan's position in international relations. In sum, the three dimensions of informal mechanisms are intertwined in the actual decision-making and bargaining process. The activities and functions of informal mechanisms are particularly noteworthy in a delicate situation or in an international crisis such as Tiananmen incident.<sup>65</sup>

However, it must be noted that informal actors are only active in normalising relations with nations that are directly linked to Japanese national interests.

### 5.3.3 The Outer Circle: Opposition, Pressure Groups, Media and Public Opinion

The outer circle in terms of influence over Japanese foreign policy formulation is placed somewhere farther from the innermost locus of foreign policy structures. To the outer circle belong structures grouped under opposition political parties, pressure groups and the media and public opinion. Japan's dominant party system ended in a trade-off for a multiparty system in summer 1993, when the LDP lost for the first time since 1955 its parliamentary majority in Japan's Diet. LDP's defeat brought a coalition of opposition parties to power, giving birth to the New Frontier Party

(NFP)—a coalition of almost nine major and minor, political parties. Soon the opposition coalition government was replaced by an LDP-led coalition in 1996. LDP formed a coalition with Social Democratic Party of Japan (SDP). In addition to the SDP, Japan has four major opposition parties in addition to a dozen small political parties. Other major opposition parties include Japan's Socialist Party (JSP), Japan's Communist Party (JCP) and Clean Movement Party (CMP).<sup>66</sup>

The opposition's foreign policy input has been limited. Opposition Dietmen clashed with the ruling coalition over contentious issues of foreign policy. Issues that provide ingredients for election campaigns in Japan include the US-Japan security treaty and conclusion of non-aggression treaties with the United States, China, and Russia. In addition, the opposition continues to strongly condemn Japan's remilitarization, expansion of Self-Defence Forces and enactment of the 1994 peacekeeping law. They support a non-proliferation regime and want Japan to become a unique experiment and an idealistic state that engages in diplomacy without force.<sup>67</sup> However, the opposition has gained little in these spheres of foreign policy issues. The opposition has also sent delegations abroad to negotiate normalization of relations: examples are Sino-Japan and Japan-North Korea normalization of relations. In both cases the opposition Diet members were included as members of the government's mission to discuss and pave the way for friendly relations between Japan and China, and Japan and North Korea.

Like opposition political parties, the foreign policy input of pressure groups is minimal and mostly restricted to the interests of groups they represent. Specialists on Japanese studies believe that Japan's foreign policy is also influenced by the interplay

of several kinds of pressure groups. Four major types of pressure groups are relevant to this discussion. Japan's foreign policy is influenced by business circles, political-cultural groups, agro-oriented groups, and pacific and anti-nuclear groups.<sup>68</sup> The business circle is a pressure group as the various business associations that collectively form the business circle represent a group of individuals and lobby for their interests in the government (i.e. ruling party and bureaucracy). However, because the business circle is so powerful that it has become identical with the political elites it is not regarded as a lobby as elsewhere. Rather it is regarded as part of the power structure or Inner Circle.

The political-cultural groups actively lobby, for instance, for Russia-Japan normalization. Japan's Cultural Association, National Council for Restoration of Diplomatic Relations, All-Japan Former Internees Association, and Council on Security Affairs are institutions that influence bureaucratic institutions involved with foreign policy in Japan.<sup>69</sup> The Central Union of Agricultural Cooperatives and National Federation of Agriculture Cooperation are examples of agricultural-oriented groups. They are the main instruments behind MAFF's attempt to protect the domestic markets in the agricultural sector from liberalisation and penetration by foreigners. They are also responsible for failure of the US-Japan Round of GATT over the issue of rice and farm subsidies.<sup>70</sup> Japan's Congress Against Atomic and Hydrogenic Bombs is against all kinds of use of nuclear energy, peaceful or otherwise. They lobby against the US-Japan security treaty as well as deployment of nuclear arsenals on Japanese islands by the United States.<sup>71</sup>

The Japanese public do occasionally exert pressures on the government with respect to specific issues. The areas where public policy has been directly limited by public opinion “encompasses thorny issues of rearmament (and art. 9 of the new Constitution), American bases on Japanese soil...and mutual security arrangements.... [S]uffice it to say that no government has been able to afford the luxury of ignoring opinion on these sensitive issues. The fact that outright rearmament has not occurred is largely a result of hostile public opinion”.<sup>72</sup> The post-war history of Japan is full of evidence where public opinion has slowed down the policy process. However, despite the fact that the public do exert pressure on the government, the Japanese political elites can manage to persistently pursue a political agenda that is in tandem with Japan’s national interests.

The press in Japan is the main instrument that shapes Japanese public opinion.

Everywhere, in the world, the mass media are extremely important in shaping public opinion. But they rarely assume as vital a role as in Japan. That is because the society is so compartmentalized by numerous relatively self-enclosed inward-looking groups with little knowledge of what is going on outside and even less willingness to let outsiders know what is going on inside. The only way the general public finds out what is happening in political, bureaucratic or business circles...is through the media. And the only way the leadership can have an idea of what the public may be thinking [about various issues including foreign policy] is by following the media.<sup>73</sup>

Therefore, every popular media attaches its representative to the Prime Minister, each powerful ministry and potential and powerful faction leader in the party as well as in the Diet. In addition, the press in Japan is free and covers foreign policy in a remarkably unusual manner, with greater accuracy, and extensive analysis. They critically examine governmental policies and tell the government what it should be doing. The press would incite strong negative public reaction if it did not report the

truth. The press in its reports is impartial and not afraid to uncover the “evil” designs of the government. The press has always remained critical in areas of remilitarization and rearmament of Japan. This may explain why the Japanese public strongly opposes nuclearization of Japan and its rearmament.<sup>74</sup> The public remains critical of constitutional amendments while the elites persistently but intelligently manage to achieve what they want, however slow the pace of change might be in Japan.

#### 5.4 External Structure of Japanese Foreign Policy

In pursuit of its national interests in the Pacific Rim, Japan’s foreign policy is also influenced considerably by powers that similarly want to pursue their own interests in the region. There exist four sources of influence that Japanese foreign policy elites must deal with in the region. Japan must deal with the United States, the only superpower, strategically and economically emerging China, strategically powerful Russia and the small/national powers. The discussion below addresses this issue (see Appendix Four).

##### 5.4.1 The United States in Japanese Foreign Policy

Among the powers, big and small, with a vested interest in Pacific affairs, the US exercises the greatest influence on Japan’s foreign policy formulation. Specialists and foreign policy elites in Tokyo believe that the American presence and engagement in Asia Pacific will pre-occupy policy-makers in Tokyo at least for the next decade. However, the American influence on Japanese policy directions in Asia is viewed in Tokyo both as a necessity as well as a source of concern.

At the heart of US-Japan relations lies the post-war security alliance between the two nations. Japanese interests in Asia require an Asia that is peaceful and stable. Itaru Umezu maintains that regional stability can be threatened by potential sources of tension and conflict.<sup>75</sup> Major sources of tension, as perceived by Tokyo are China's strategic and industrial resurgence, Russia, and North Korea.<sup>76</sup> Therefore, Japan believes that Asia needs a "balancer" for preservation of peace in the region. Hence the United States can only play this role as it has nuclear arsenals and theatre missile defence (TMD) systems that could provide deterrence to all sorts of unwarranted incidents in the region.<sup>77</sup> This means that Japan still considers its military alliance with the United States both necessary and vital. If the United States decides to withdraw its forces, as one scholar put it, Japan's military would not be worth much without the American complement.<sup>78</sup>

Moreover, according to Soeya, the significance of redefinition of the Japan-US security arrangement could be viewed in a broader regional context. According to him Japan is a welcome actor in the security arena in the Asia-Pacific region because of its war-time legacy as well as Tokyo's reluctance to "mount the stage of Asian security on its own [as] the result would be a radical reworking of the Asian order. No country, Japan included, wants that".<sup>79</sup> And yet Japan must address the potential sources of conflict as perceived by its leaders. Obviously Japan needs the US security umbrella to maintain the balance of power in the Asia-Pacific region and deal with the problems as such. Japanese political leaders know that they can maintain such a balance of power situation in the region with US cooperation only.

Today's "China problem" is fundamentally an issue of great nation power politics affecting the structure of the international system. China is increasingly seeing regional and international political issues in the context of classical power politics. America

remains the only nation that can stabilize this major power political game.... Japan by itself cannot deal with China and has taken no steps to do so. At the level of big states, however, China is vitally important to Japan's long-term security policies. *In this light, Japan's alliance with America is a valuable regional stabilizing mechanism at this critical juncture when China is approaching the status of a super power. At the structural level, this is what has reaffirmed the alliance's implicit value to Japan.*<sup>80</sup>

Reinhard Drifte, sums up Tokyo's view of the role of the US-Japan security alliance as follows: (1) the American presence provides security deterrence that is still considered necessary in the wake of nuclear threats—this obviates the necessity of Japan going nuclear, (2) the American presence protects vital sea lanes that connect Japan to Southeast Asia, (3) it gives credibility to Japan's claim that it will not revert to a pre-World War II military posture, and (4) the security alliance would moderate disputes in other areas of Japanese-American relations.<sup>81</sup> As of late Tokyo has proposed the conversion of this bilateral security arrangement to a regional security framework dominated by the United States and Japan. This policy line is being proposed by those who want to eliminate the possibility of misunderstanding that some right-wing and left-wing Japanese may come to conclude that the American presence in Japan is aimed at containing Japan. They are obviously opposed to financing an alliance whose avowed purpose is to contain Japan. The multilateral security arrangement in the region as such would accommodate both Japan's security concerns as well as avert the break-up of the alliance that could result from internal pressures.<sup>82</sup> Perhaps the main purpose of the Clinton-Hashimoto Summit in April 1996 that reviewed the Security Guidelines was to emphasise division of labour and promotion of greater transparency between the two nations to remove mutual fears and concerns.<sup>83</sup> But it remains unclear whether the United States would agree to

something more than multilateral dialogue such as that of the ASEAN Regional Forum (ARF).

Scholars on US-Japan security relations have expressed the view that the future of the US-Japan Security Alliance is uncertain. At the bottom of this uncertainty lies Japanese economic behaviour towards American interests in Asia. Japan is not prepared to accept the American idea of a Pacific Community that promotes market capitalism. Japan wants the United States to understand Tokyo's economic policy, characterised by some academics as neo-mercantilist. By sticking to GATT principles, Japan thinks that it could justify the economic measures and regulations that guide its behaviour in its relations with the US and the world. The United States regards such practices by Japan as economic nationalism. Washington seems determined to remove all kinds of economic nationalism in the region.<sup>84</sup> And if Tokyo fails to change its attitude, Washington may retaliate by imposing some kind of sanctions against Japan. To prevent such retaliation, Tokyo seeks clarification on two issues. First, Tokyo wants to create American dependence on Japan specifically in areas of advanced technology required for defence purposes. In fact, the Japanese have already secured American dependency on Japan in electronics and semiconductor industries vital for defence purposes. In these areas requests by American companies have been either refused or the delivery of such equipment was not on schedule, resulting in loss of competitiveness for the defence industry in the United States.<sup>85</sup> Second, Japanese believe that they are huge financiers of American budget deficits by means of bonds and ownership of property. If Washington wanted to retaliate by withdrawing its forces that could threaten Japan's security, Tokyo could



retaliate by withdrawing its money from America, hence destroying the American economy.<sup>86</sup>

Japan neither wants to buy American rice nor to supply the Americans with advanced technology, and if the US is unwilling to protect Japanese interests in Asia, it could prompt negative reaction from Tokyo. However, academics and policy-makers alike suggest that Japan needs to redress the American trade deficit and must help the United States recover from economic problems, just as the US helped revive the Japanese economy in the post-World War II era. If the Plaza Accord, which warranted devaluation of the dollar in 1985, failed, Japan should undertake Structural Impediment Initiative (SII) as proposed by Mackawa Report, which noted that the Japanese economy experiences trade surplus and needs to undergo structural change, but on Japan's terms.<sup>87</sup> It is noteworthy that, despite ongoing economic disputes between Washington and Tokyo, Soeya maintains an optimistic view about the future of the US-Japan security alliance. According to him, the alliance would "work precisely because it is an unequal relationship".<sup>88</sup>

Professor Seizaburo Sato observed that it is shortsighted and irresponsible to talk and act as though the US-Japan security treaty was obsolete. He says that there still exist nuclear and conventional forces as well as critical points in relations among regional powers. Thus he joins the majority of scholars who want the US-Japan security relations to continue to work at whatever cost.<sup>89</sup>

#### 5.4.2 China in Japanese Foreign Policy

The former Japanese Prime Minister Morihiro Hosokawa in his keynote address delivered on 12 March 1996 on “Rebuilding US-Japan Security Structure” unveiled Japan’s fear of an industrially and strategically strong China. He said that the fear Japan has about China is genuine because of Chinese “hidden desires”. Though he did not elaborate on what are China’s “hidden desires”, he expressed Japanese concern over the emergence of China not as a superpower but in some way as an imperial power.<sup>90</sup> A question that can be raised is why does Japan contribute to the strength of a country, which ultimately is capable of challenging Japan’s dominance at least in the Asia Pacific region? The reasons below are often cited for Japan’s engagement of China. Japan believes that it can reduce dangers posed by China to its interests by pursuing a policy of engagement and not isolation.

At the outset stands the dependency syndrome. Japan wants an economically dependent China. Japan is aware of China’s aggressive economic reforms and modernisation. Tokyo also believes that Chinese leaders are serious about modernising their nation. As China is technologically inferior, Beijing needs Japan’s technological know-how and capital in the form of investment and loans or assistance. Moreover, stability is necessary if openness and reforms are to succeed in China. Thus China’s engagement in cooperative enterprise as such will ultimately lead to reform of the whole Chinese system including changes in its social and political processes.<sup>91</sup> However, reform of the Chinese system as the primary intention behind Japan’s endeavours to keep China engaged does not explain the real intention of Japanese policy towards China. Drifte believes that Japan’s assistance is politically motivated. Japan needs China’s assistance in the resolution of key conflicts that

threaten Japanese interests in the region. China's influence in Indo-China and the Korean Peninsula is obvious.<sup>92</sup> Moreover, China lays claim to over most parts of the South China Sea and some other islands which are vital to Japan's economic security. The sea-lanes claimed by Beijing should not be disturbed as about 75 percent of Tokyo's oil imports and intra-Asian trade traverses the sea-lanes in the South China Sea.<sup>93</sup>

Additionally, the Japanese view China as a huge lucrative market that is culturally and geographically close. The United States and other Western economies are also attempting to penetrate the Chinese market. The interests of the industrial complex and commercial enterprises in Japan require that Japan should not lag behind in competition and the race for markets.<sup>94</sup> There is also the urgent need to alleviate the fears raised by China's proposals to create a "Chinese economic sphere" comprising China, Hong Kong, Taiwan, Singapore, and Macao.<sup>95</sup> The emergence of a Chinese Economic Circle undoubtedly will pose a serious challenge to Japan's economic power not only in the Asia-Pacific region but on a global scale as well. Thus if Tokyo is able to create China's dependency on the Japanese economy, Japan may not only own China's lucrative market, it will also dominate the economic regime created by China. It would be Tokyo and not Beijing that would rule the Chinese Economic Circle as China would heavily depend on Japan for capital and technology.

Japan may not be able to ignore the rise of China as a strategic power. Perhaps the "dependency syndrome" may be of little help to accommodate Japan's security concerns. As Japan does not want to see an economically strong and independent China, it does not want to see a strategically strong China as well. This concern is

evident in Japan's anxieties over US and other western arms sales to China. Therefore, Japan prefers to engage China in some kind of bilateral as well as multilateral security arrangements in the region. In such a security framework Japan would be able through dialogue to increase the level of military transparency and reduce military build-up in the region.<sup>96</sup> It is not known whether China would approve of this strategy. While Japan obviously does not want an economically and a strategically strong China, it will continue to pursue a policy of engagement with China. Whether Japan's policies of engagement and appeasement towards China would bear fruit remains doubtful at this stage. Japanese leaders would invariably have to ponder over paradoxes such as this at least for the next decade.

#### 5.4.3 Russia in Japanese Foreign Policy

The post-war history of Russia-Japan relations has been overshadowed by territorial disputes. While this concern over territorial disputes in Japanese foreign policy towards Russia seems to have been shelved, at least temporarily, in the post-Cold War era other constraints that hinder progress in economic relations with Russia have emerged. These impediments (to be discussed later) tend more to emanate from within Russia rather than from Japan. Tokyo claims that annexation of its Northern Territories, also known as the Southern Kurile Islands, by Russia during World War II is illegal. Attempts to normalise relations, however, have thus far failed. Territorial issues have overshadowed the 1956 Hatoyama-Khrushchev, the 1973 Tanaka-Brezhnev, the 1991 Gorbachev-Kaifu, and even the 1997 Hashimoto-Yeltsin joint declarations.<sup>97</sup> Japan always linked normalisation of relations to settlement of the territorial dispute.

Any kind of relations, economic or otherwise, with Russia was considered contingent on resolution of the territorial dispute. According to many academics such as Akaha, the main reason for linking normalisation to the territorial problem is the lack of business opportunity and profits in the Russian Far East. These scholars maintain that had there existed economic benefits, like in China, the Japanese would not have been so persistent in linking economic relations to politics. However, in the post-Cold War era, Japan has adopted a “soft approach” towards Russia over the territorial dispute. Japan tends to trade-off “entrance” theory for “exit” theory, which implies that it has set aside the settlement of the territorial issue at least for the next decade. At least two reasons are cited to explain this disposition.

First, post-Soviet Russia’s constitutional process requires any trade-off of territory between Russia and Japan to be submitted to the Russian parliament followed by holding of a national referendum. This obviously will take some more years. In addition, neither Yeltsin, Putin nor anyone else wants to risk his political career in the wake of political and economic vulnerability.<sup>98</sup> Though Russian foreign ministry officials are ready for some sort of compromise, the return of the Kuriles could raise public criticism against the Russian leadership. If conservatives replaced liberals in Moscow, the possibility of return to a Cold War-like situation in the region could not be ruled out.<sup>99</sup>

Second, there is a growing interest by Western nations to invest in Russia especially in the Far Eastern province of Siberia. The long-term interests of the Japanese industrial complex dictate that they do not want to lag behind in investment in Russia. Therefore, in 1997 the Japanese showed their willingness to establish

economic relations without prior settlement of the territorial dispute. But the major hindrance this time was caused not by the territorial dispute but by political and legal uncertainties in Russia. Russia cannot provide guarantees to pay back loans and other regulatory assurances to Japanese investment in the Far East.<sup>100</sup> Tokyo's Ministry of Foreign Affairs seems to be preoccupied in designing a strategy by which these constraints can be overcome.

Settlement of territorial disputes or establishing economic relations does not mean that Japan would no longer have security concerns about Russia. In 1997 at the G-8 Summit in Denver, United States, President Yeltsin gave assurances to Japanese Premier Hashimoto that Russian missiles were not targeted on Japan, and Russia had no objection to revision of the US-Japan security treaty. A number of other assurances were also given, such as Russia's support to Japan's bid for a permanent seat in the UN Security Council.<sup>101</sup> Despite all these assurances, foreign policy-makers in Tokyo are concerned about the following four issues in Russo-Japanese relations: (1) the reliability of command and control over the arsenals Russia inherited from the Soviet Union, (2) the problem of arms proliferation to which Russia is a major contributor in the region in general and transfer of defence technology to China in particular, (3) the territorial disputes, and (4) Yeltsin's Asia strategy.<sup>102</sup>

In addition, Japan views the Russian proposal to create a security framework in the region with ambivalence. Because the security framework perceived by Japan is different from the one proposed by Russia, Japanese believe the Russian version is targeted towards weakening the US-Japan Security Alliance. In any event, Japan

would like to see more military transparency between Russia and Japan both through bilateral arrangements and multilateral forums such as ARF.

It is in the best interests of regional stability and peace that both Russia and Japan comply with the November 1997 informal agreements reached at the Yeltsin-Hashimoto Summit in Krasnoyarsk. In what was almost certainly the warmest personal meeting between Russian and Japanese leaders this century, the two agreed to work towards a peace treaty by the year 2000 and to enhance economic contacts. Prime Minister Hashimoto reportedly told the Japanese businessmen that the dispute could not be resolved on a zero-sum basis.<sup>103</sup>

#### 5.4.4 Small Powers in Japanese Foreign Policy

Small powers in the Asia-Pacific region constitute the fourth and final element of the external structures of Japanese foreign policy. Prasert Chittiwatanapong argues that for Japan the Cold War has not ended in its relations with Russia, China, and some other small nations such as North and South Korea in the Asia Pacific region. Moreover, Japan's vital interests in the region require the support of Southeast Asian Nations.<sup>104</sup> Japan's quest for "Asianism", to use Mindl Wolf's terminology, constitutes the core of its interests in Asia.<sup>105</sup> The Chittiwatanapong-Wolf analysis implies the influence of small or national powers on Japanese foreign policy directions in Asia. National powers that influence most Japanese foreign policies are of two kinds: (1) nations that pose a challenge to Japanese national interests and power in the region, such as the two Koreas; and (2) nations whose support is vital to Japanese interests and power, such as the countries of Southeast Asia. In relation to both categories, Japan's policies are geared to achieve a three-fold objective:

economic dependency on Japan, spheres of influence, and creation of consensus among regional nations to rally behind Japan's foreign policy options in the region.<sup>106</sup>

In Northeast Asia, Japan would like to preserve the status quo in the Korean Peninsula. Tokyo would like to see the Korean Peninsula remain peaceful and yet divided between North and South Korea. According to policy makers in Tokyo, a strong and united Korea would become a competitor and strategic rival. South Korea's economic inroads into Chinese and Russian markets in addition to those of other Asian nations are viewed with concern in Tokyo while North Korea's nuclear arsenals could trigger instability in the region. Thus the best option for Japan is the establishment of *de jure* two-Koreas and Tokyo's amicable relations with both.<sup>107</sup> Japan links its security closely to the security of South Korea and views stability of South Korea as indispensable to the stability of Japan. Therefore, Tokyo emphasises close economic and political relations with South Korea in a bid to make the two economies inter-dependent. While officially Japan supports South Korea politically and economically, there exists nowadays a growing tendency to engage North Korea as well via economic relations such as trade, aid, etc. In fact, in September 1990 Japan and North Korea signed a declaration on normalization of relations.<sup>108</sup>

While Northeast Asia's importance is earmarked by geographical proximity to Japan's national security and interests in Asia, Southeast Asia's importance in Japanese foreign policy circles has a geostrategic dimension in addition to economic and political aspects. Geostrategically, Southeast Asia is situated between the two Oceans—Indian and Pacific—and is the main route of Japanese trade to the Middle East. More importantly, Japan needs like-minded friends in the region. In case of



disagreement with Europe or the US on certain policy options, Japan can count on the firm support of Southeast Asian Nations. Therefore, to make this “constituency” a firm supporting base, the Japanese government and private sector have been making strenuous efforts to cultivate a new generation of power elites in Southeast Asia who could be more sympathetic to Japan and Tokyo’s more active political-security role.<sup>109</sup> The successive aid packages devoted to the economic recovery of regional economies since the 1950s are vivid examples of the Japanese way of creating influence as well as indicator of Southeast Asia’s importance in Japan’s foreign policy agenda.

The history of Japan’s post-World War II Southeast Asia policy dates back as early as 1954. However, in its Southeast Asia policy, Japan’s efforts focused on construction of economic infrastructure. According to Makio Miyagawa, policy-makers in Japan believed that they could contribute to the peace and security in this region by providing financial assistance in a fairly consistent manner.

Japan has long been a major aid donor, investor, and trading partner for Southeast Asia countries, particularly for the members of the Association of Southeast Asian Nations. Japan has actually concentrated its economic assistance on this region. However, in political and security fields, it has been seen shy in intensifying its contribution to the peace and stability of this region, its diplomacy often caricatured as a “trader’s diplomacy”.<sup>110</sup>

Therefore, according to Miyagawa

On November 8, 1954, Prime Minister Shigeru Yoshida made a speech at the National Press Club in Washington and called for the urgency of help for Southeast Asia by the international community. He stated that without raising their production level through assistance from industrial countries and world financial institutions, private capital investment from developing countries could in no way be expected. If, for instance, Communist China’s economic progress outstrips that of the Southeast Asian nations substantially in the years ahead, Southeast Asia will fall prey to communism.<sup>111</sup>

Japan's Northeast-Southeast Asia aid donor policy, thus far, has a two-fold objective: (1) geostrategically, prevention of expansion of communism, and (2) creating an economically dependent Asia-Pacific region. Once economically integrated, the regional powers would need to support any policy formulated in Tokyo. In this way the region turns into a "sphere of influence" that looks toward Japan for policy direction. Such a prospect indeed facilitates the creation of consensus among power elites on policy options proposed by Japan. In the final analysis the phrase "Asia that cannot do without Japan" will practically result in the creation of an Asian bloc led by Japan.

In view of the above analysis, the Asia-Pacific region occupies a central position in Japanese foreign policy formulation. Its importance since 1954 has been reiterated with the Fukuda Doctrine in 1977 when Prime Minister Takeo Fukuda outlined Japan's foreign policy directions and economic relations with the nations of Southeast Asia.<sup>112</sup> This policy line has prevailed since then and continued until the Asian financial crisis in 1997, which deeply affected the nations of Southeast Asia. Though this policy line would remain a major preoccupation of Japanese foreign policy-makers in the next century, it is essential to look at Japan's contribution to a contagious financial crisis the region is struggling to recover from.

Japan initiated two foreign policy responses to address the Asian financial turmoil: (1) It proposed the establishment of an Asian Monetary Fund (AMF), and (2) Tokyo announced a plan for economic recovery of Southeast Asian Nations called the Miyazawa Initiative. Japan intended to create a permanent financial institution to provide financial facilities to the crises-ridden economies of Southeast Asia.

According to Japanese officials, AMF, which was proposed in the annual World Bank-IMF meeting in Hong Kong in September 1997, will serve as a supplement and not a substitute to the international financial institutions such as International Monetary Fund (IMF).

The motivation for building The Asian Monetary Fund (AMF) can be traced to the lessons of Asian crises that were triggered by the Thai crisis. These financial crises taught us at least three lessons: (1) Both appropriate foreign exchange system and proper conduct of macroeconomic policy are crucially important for the sound financial mechanism. (2) In order to manage and cope with the fragility in the existing financial institutions in Asian countries, it is important to keep the sound monetary policy. And (3) particularly in case of newly industrialized countries, a currency crisis in one country could easily spread over to another country. The rationale for the AMF could be found in the following two examples: First, it is important for Asian countries to exchange their precise economic observations and frank opinions on their economies in order to prevent monetary crises by cooperation. Second, if a monetary crisis takes place, the amount of the IMF support might be insufficient. In that case the AMF can provide a sufficient supplement.<sup>113</sup>

However, IMF officials and the US opposed the Japanese proposal on the ground that it would undermine the “authority and effectiveness of the IMF itself”.<sup>114</sup> The US strongly opposed establishment of such a financial institution, as it could lead to creation of an economic bloc dominated by Japan. An economic bloc, as discussed earlier, would undermine Washington’s efforts aimed at creation of the Pacific Community. But when Japan realised that its AMF campaign failed to produce quick results, Kiichi Miyazawa, Japan’s finance minister, at the meeting of Asian Finance Ministers and Central Bankers, on October 3, 1998, announced a new plan of US\$30 billion, known as the Miyazawa Initiative, to assist the economies of Southeast Asian Nations that were under stress from the currency crisis. “Of that amount, \$15 billion will be used to assist the mid-term and long-term development, while the other \$15 billion will be used for the short-term capital needed during the process of

implementing economic reforms. The Japan Export-Import (Jex-Im) Bank will be an instrument in the process".<sup>115</sup> However, Koichi Hamada argues that the Miyazawa Initiative also has been viewed with suspicion. The main reason, according to him, for the likely failure of both proposals--the AMF and the Miyazawa Initiative--is the fact that they were not properly articulated and promoted by the Japanese Government. He says:

When the AMF proposal was made, however, the idea was just explained in the Ministers' meetings in Bangkok and in Hong Kong. There was no official or unofficial systematic document that justifies the proposal, describes its process of implementation...[and] explains the philosophy underlying the proposal. There was no systematic account of why the activity of IMF is insufficient, why Asia requires an additional monetary institution.... [When the Miyazawa Initiative was announced...I searched the web sites of related ministries of Japanese Government, it was difficult to find a substantial, systematic account of the New Miyazawa Initiative. Hardly any systematic statement of the purpose, logic, and mechanism of the Initiative seemed to exist.<sup>116</sup>

The writer of this thesis shares Hamada's view on Japan's policy responses to the Asian financial crisis. Indeed, if Japan wants to contribute to the region and play a leading role in the international affairs of Asia, particularly Southeast Asian affairs, it needs to articulate its policy options before making any commitments. This would project Japan as an ally that is both reliable as well as capable of fulfilling its intentions. However, a deeper look into Hamada's analysis suggests that Japan proposed the AMF to address its own frustration, as it is "unable to represent its opinions justly in proportion to its financial contribution to the IMF and IBRD when the United States does not fully cooperate with the IMF with respect to payments of its subscription".<sup>117</sup> Japan, according to him, feels under-represented in international institutions as such and needs a parallel institution of its own. Hence it proposed the AMF. Japan, according to Hamada, proposed the Miyazawa Initiative as "the

initiative is motivated by the need for Japan to strengthen the ties with Asian countries, some of which are under stress from financial crises".<sup>118</sup>

Therefore, if Japan's intention in introducing the AMF and the Miyazawa Initiative is to address its own under-representation and strengthen ties with potential allies, it supports the argument that Japan's economic diplomacy is aimed at achieving the two-fold objective (mentioned earlier in this thesis): (1) creation of an economic bloc, and (2) finding allies. The Asian financial crisis merely provided Japan with an opportunity to tell the nations of Southeast Asia that it, if permitted, wants to assist the region out of its economic problems. It also provided Tokyo with an opportunity to express to the Western nations, particularly the United States, that Japan is not satisfied with the status quo within the international institutions such as the IMF. If the aforesaid assumptions about Japan's response toward the Asian financial crisis are true, then it seems that the government of Japan intentionally did not articulate its policy responses toward the economic problems in the region. Therefore, while Japan's intentions behind Tokyo's financial contribution to Southeast Asia's economic recovery remains debatable, it is logical for a great Asia-Pacific power such as the United States to oppose these proposals.

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 ENDNOTES

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