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The  
U.S.-JAPAN  
Security Relationship  
AFTER THE  
COLD WAR

Francis Fukuyama • Kongdan Oh

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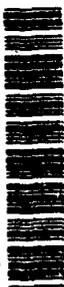
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## PREFACE

This report assesses long-term trends in Japan's thinking about its relationship with the United States in light of broad changes in Japanese strategy. It then analyzes ways in which the United States should re-evaluate its own security relationship with Japan in light of the economic competition between the two countries.

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## SUMMARY

This report examines Japanese views of the U.S.-Japan security relationship after the Cold War and considers implications of those views for the United States. Since the end of World War II, the close U.S.-Japan security relationship has benefited both nations. The United States has been able to anchor its East Asian military presence in Japan, helping to contain communist influence and lending stability to the region. Japan has been able to concentrate on rebuilding its economy with relatively little concern (and cost) for its own defense. But both Tokyo and Washington have begun to reassess their security requirements in view of changing global threats and, in the United States' case, in the face of perceptions of long-term economic decline. An important part of this reassessment involves an examination of the purpose and structure of the U.S.-Japan security relationship.

### THE JAPANESE REASSESSMENT

In Japan, two events have prompted debate on the security relationship. The first is the apparent disappearance of a security threat from the former Soviet Union. The second is criticism—both domestic and foreign—that Japan has received for its limited role in the Persian Gulf War.

The Japanese continue to evaluate their changing security environment in Asia. Although the former Soviet Union has clearly abandoned its belligerent attitude, and has lost much of its military will and capability, Russian forces in the Far East are still of formidable size. Moreover, Japanese-Russian relations remain strained, primar-

ily because of the long-running dispute over the ownership of four small islands just to the north of Japan, the so-called Northern Territories. Pressure from Russian nationalists forced President Yeltsin to make a last-minute cancellation of his planned visit to Tokyo in September 1992, a cancellation that angered and offended the Japanese.

Japan's relations with the other nations of East Asia are smoother, although deep hostility toward Japan and suspicion of Japanese remilitarization are harbored by many Asians who remember the days of Japan's Greater East Asian Co-Prosperity Sphere. Japanese sensitivity to this suspicion provides a strong constraint against strengthening its military posture.

Japan's security environment is not trouble-free. The Japanese have identified the following threats to peace in Asia: (1) claims by many nations to the Spratly Islands; (2) increases in Chinese military capabilities, perhaps in part to support China's claim to the Spratlys; (3) the unstable peace in Cambodia, where Japanese peacekeeping troops are now stationed; and (4) the continuing threat posed by a North Korean regime, which remains outside the international community and which is suspected of developing nuclear weapons.

The Gulf War highlighted for many Japanese the extraordinary abnormality of its international position. Japan's peace constitution prevented the deployment of Japanese troops to fight with the allies; instead, Japan contributed \$13 billion in economic support. Many Japanese were ambivalent about the seriousness of Iraq's threat to world peace and did not believe in the necessity of forcing Iraq to withdraw from Kuwait by military means. Consequently, the Japanese economic donation to the war effort was made only after extensive domestic debate, and only after Japan had been criticized by the allies for its lack of support.

The Japanese learned several lessons from the Gulf War. The first was that the post-Cold War era would not be free of the type of armed conflict that could draw many nations into battle. The second was that as the United Nations (UN) plays a larger role in peacekeeping, it is important for Japan to assume a larger role in the UN. The Gulf War was basically an American war fought under the guise of UN approval, and Japan had little influence on events leading up to the war or the decisions involved in launching Operation Desert Storm. Finally, the third lesson Japan learned was that, in times of

**military crisis, the banker does not get nearly as much respect as the soldier: Despite its large financial contribution, Japan came out of the Gulf War with a damaged international reputation.**

In the aftermath of the Gulf War, Japan has begun to consider whether it wants to continue playing a subordinate role to the United States, or whether it should seek a more independent and prominent role in world affairs. If the latter course is chosen, it may be necessary for Japan to transform itself from an "abnormal" nation of enormous economic power but limited military power to a more "normal" nation with a balance between economic and military might. To do so will require braving the criticism of many internal Japanese pacifists and assuaging the anxiety of its Asian neighbors.

The Japanese military establishment, business leaders, and the ruling Liberal Democratic Party (LDP), who collectively represent the mainstream of political thought on the subject of Japanese security relations with the United States, strongly favor maintaining the present security relationship. The Japanese public, many of whom have more pacifist leanings than the mainstream, are less enthusiastic about the relationship (slightly more than half think that it is in Japan's best interest), but they do appreciate that the alliance has served its protective function in the past and has spared the Japanese from having to support a larger defense capability. The major news media, which have traditionally taken a pacifist stance, frequently criticize the Japanese government for being too subservient to the United States, but they also recognize that Japan currently has no alternative to the security relationship. Japanese nationalists, who are a relatively small minority, favor the remilitarization of Japan so that it can conduct its own defense and develop a foreign policy independent of the United States.

Although the majority of Japanese clearly support the continuation of the security alliance, both the alliance and the broader U.S.-Japan relationship are experiencing a number of strains that will likely necessitate modification of the relationship. The chronic U.S. trade deficit with Japan has resulted in increasingly vigorous calls in the United States for Japan to change many of its business practices. Such calls are not appreciated by most Japanese, who feel that the trade deficit reflects American economic faults rather than Japanese unfairness.

At a deeper level, some question whether Japanese society will continue to become more similar to American society, as it has done since the Meiji restoration of 1868. Many Japanese no longer feel that the United States is the best economic or social model for Japan. Rather, there is a growing feeling that an alternative Asian model—a model characterized by less individualism and more cooperation among businesses and between businesses and government than are found in the United States—might be the better road to travel into the post-industrial future. If Japan does indeed reject some or all of the American model, the ideological glue that holds the two nations together will likely be weakened in the absence of a Cold War threat.

In the near future, the present security relationship will doubtless continue, perhaps with Japan taking a more active role in its own defense, shouldering more of the financial burden of keeping a smaller number of American troops in Japan, and insisting on a greater say in the conduct of the alliance. If Japan or the United States should one day decide to abandon the alliance, Japan will need to develop an alternative security relationship. Asia has nothing like Europe's NATO or the Conference on Security and Cooperation in Europe (CSCE) but, since the beginning of the 1990s, has increasingly recognized the need to establish at least a loose organization to consult on security matters in Asia. Whether such an organization would include the United States in a political role, such as that for the Asia Pacific Economic Cooperation (APEC) forum, or whether it might be an exclusively Asian group, such as the Association of South East Asian Nations (ASEAN) or the proposed East Asian Economic Caucus (EAEC), remains to be seen.

As Japan takes on a larger role in regional and global affairs, the United States will also have to modify its relations with Japan and Asia. The following suggestions can be made for such modifications:

1. The United States cannot afford to become isolationist. It must balance the reduction of U.S. forces in Japan and Asia with an increased diplomatic and economic presence.
2. While the United States should continue to support Japan's development of a UN peacekeeping role for Japanese troops, it should make it clear that a "remilitarized" Japan is not in the best interests of either Japan or Asia.

3. The United States must not prevent Japan and other Asian nations from developing an Asian forum for security discussions.
4. A forum for serious, ongoing dialogue between the United States, Japan, and the rest of Asia should also be established.
5. To continue to play an effective role in Asia, the U.S. government must gain a deeper understanding of Asian politics, economics, and culture. To do so it must augment its staff of Asian specialists.

In the twenty-first century, America may have to give other nations, including Japan, a greater role in global political affairs. Relinquishing some of its traditional leadership role will prove challenging to American policymakers, but if the United States is to maintain the respect of its allies, it will be necessary to move toward an equal political relationship.

#### **THE U.S.-JAPAN SECURITY RELATIONSHIP AND ECONOMIC COMPETITIVENESS**

The national security implications of the "hollowing out" of the U.S. commercial manufacturing base are controversial and not obvious; however, maintaining a healthy, technologically dynamic defense industrial base is an obvious concern in an age of defense downsizing and reconstitution. Although the Department of Defense has traditionally tried to isolate defense-procurement and technology-transfer issues from the rest of the U.S.-Japan relationship, such a separation is clearly no longer practical in the post-Cold War era. To provide defense policymakers with a framework within which to judge the economic-competitiveness implications of defense-policy decisions, we have identified four ways in which defense-procurement issues overlap economic-competitiveness issues:

- *Spin-off*, which is the migration (or planned transfer) of technology from the military to the commercial sector
- *Spin-on*, which is the reverse of spin-off, is the migration of commercial technologies to the military
- *Direct foreign investment* in the U.S. defense industrial base by Japanese firms

- *Component dependence on foreign suppliers*, in this case, Japanese-owned suppliers, particularly those physically located outside the United States.

Spin-off was crucial to the development of a number of critical early post-World War II civilian industries, such as computers, semiconductors, nuclear power, and radar; its significance has decreased in recent years, partly because of the high specialization of defense technologies. But the decrease has also been the consequence of the high institutional "walls" separating civilian and defense contractors in the United States. Such separation is a result of the heavy regulatory burden of defense contracting and of the detailed and demanding specifications built into most weapon designs. While further empirical research on this subject is necessary, it seems probable that similar barriers do not exist in Japanese industry, where military and civilian contractors are integrated both at a high corporate level and at the level of the factory floor.

The lack of such barriers in Japan implies that, with co-development agreements between Japan and the United States on such projects as the FSX, some U.S. technologies will inevitably leak. The leakage (or unintended technology migration) can be partially compensated for by technology flowback agreements, although many American defense contractors do not have adequate capabilities or incentives to acquire potentially useful Japanese technologies. In the future, it would be best for the United States and Japan to avoid co-development altogether and to choose either licensed production or fully indigenous Japanese development.

With the rapid development pace of many commercial technologies, spin-on has become a more central issue than spin-off. The same factors tend to inhibit spin-on as spin-off: the separation of commercial and defense businesses in the United States owing to regulatory and other burdens. Companies also have to worry about the potential loss of intellectual property rights when they incorporate commercial patents and designs into defense goods. Again, the ability of Japanese firms to "spin-on" commercial products is probably higher than for their American counterparts. There are, moreover, high-volume Japanese commercial manufacturing businesses, such as those that produce gallium arsenide semiconductors, whose existence will potentially yield important defense dividends. The loss of or failure to create certain of these commercial manufacturing ca-

pabilities could have a detrimental effect on the U.S. ability to "reconstitute" its forces at a state-of-the-art technological level during a future crisis.

Foreign direct investment by Japanese firms in the United States is also a potential source of technology leakage. The likelihood that Japanese and other foreign companies will try to acquire U.S. defense firms is quite high, given the large decreases in U.S. defense spending planned for the next five years. The attempt of the French electronics firm Thomson to acquire the missile division of the LTV Corporation and Fujitsu's efforts to purchase Fairchild Semiconductor are harbingers of things to come. While the political constraints on Japanese purchases of prime contractors will be substantial, the same may not be the case of subcontractors or components suppliers.

The importance of component dependence on Japanese firms will be determined entirely by (1) how high up the value-added chain the component is and (2) how many alternative sources of supply, foreign *and* domestic, a given component has. For relatively low-value-added components with numerous alternative suppliers, for example, dynamic random-access-memory (d-RAM) chips, dependence on foreign supply can be seen as merely one potential bottleneck, although by no means the most important, in constraining future reconstitution.

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## ACRONYMS AND ABBREVIATIONS

<b>APEC</b>	<b>Asia-Pacific Economic Cooperation</b>
<b>ARPA</b>	<b>Advanced Research Projects Agency (formerly DARPA)</b>
<b>ASEAN</b>	<b>Association of South East Asian Nations</b>
<b>BRIE</b>	<b>Berkeley Roundtable on the International Economy</b>
<b>C<sup>3</sup>I</b>	<b>Command, control, communications, and intelligence</b>
<b>CFIUS</b>	<b>Committee for Foreign Investment of the United States</b>
<b>CIS</b>	<b>Commonwealth of Independent States</b>
<b>COCOM</b>	<b>Coordinating Committee on Multilateral Export Controls</b>
<b>CSCE</b>	<b>Conference on Security and Cooperation in Europe</b>
<b>CSIS</b>	<b>Center for Strategic and International Studies</b>
<b>DA</b>	<b>Defense Agency (Japan)</b>
<b>DARPA</b>	<b>Defense Advanced Research Projects Agency (now ARPA)</b>
<b>DoD</b>	<b>Department of Defense (U.S.)</b>
<b>d-RAM</b>	<b>Dynamic random-access memory</b>
<b>DSP</b>	<b>Democratic Socialist Party</b>
<b>EAEC</b>	<b>East Asian Economic Caucus</b>
<b>EC</b>	<b>European Community</b>
<b>FAR</b>	<b>Federal Acquisition Regulations</b>

<b>FBIS-EAS</b>	<b>Foreign Broadcast Information Service--<i>Daily Report, East Asia</i></b>
<b>FSX</b>	<b>A new Mitsubishi fighter derived in part from the F-16C/D</b>
<b>GaAs</b>	<b>Gallium arsenide</b>
<b>GD</b>	<b>General Dynamics</b>
<b>GNP</b>	<b>Gross national product</b>
<b>GSDF</b>	<b>Ground Self-Defense Force (Japan)</b>
<b>IAEA</b>	<b>International Atomic Energy Agency</b>
<b>IIGP</b>	<b>International Institute for Global Peace</b>
<b>JASDF</b>	<b>Japan Air Self-Defense Force</b>
<b>JCP</b>	<b>Japan Communist Party</b>
<b>JETRO</b>	<b>Japan External Trade Organization</b>
<b>JGSDF</b>	<b>Japan Ground Self-Defense Force</b>
<b>JSDF</b>	<b>Japan Self-Defense Forces</b>
<b>JSP</b>	<b>Japan Socialist Party</b>
<b>LDP</b>	<b>Liberal Democratic Party</b>
<b>MELCO</b>	<b>Mitsubishi Electric Company</b>
<b>MITI</b>	<b>Ministry of International Trade and Industry</b>
<b>MMIC</b>	<b>Monolithic microwave integrated circuit</b>
<b>MOFA</b>	<b>Ministry of Foreign Affairs</b>
<b>MOU</b>	<b>Memorandum of Understanding</b>
<b>NACA</b>	<b>National Advisory Committee on Aeronautics</b>
<b>NAFTA</b>	<b>North American Free-Trade Agreement</b>
<b>NASA</b>	<b>National Aeronautics and Space Administration</b>
<b>NATO</b>	<b>North Atlantic Treaty Organization</b>
<b>NIDS</b>	<b>National Institute for Defense Studies</b>
<b>NIRA</b>	<b>National Institute for Research Advancement</b>
<b>OPEC</b>	<b>Organization of Petroleum Exporting Countries</b>
<b>PKO</b>	<b>Peacekeeping Operations</b>
<b>PMC</b>	<b>Post-Ministerial Conference (ASEAN)</b>

<b>RIPS</b>	<b>Research Institute for Peace and Security</b>
<b>SDF</b>	<b>Self-Defense Forces (Japan)</b>
<b>SDPJ</b>	<b>Socialist Democratic Party of Japan</b>
<b>SII</b>	<b>Structural Impediments Initiative</b>
<b>START</b>	<b>Strategic Arms Reduction Talks</b>
<b>USTR</b>	<b>U.S. Trade Representative</b>
<b>VHSIC</b>	<b>Very high-speed integrated circuit</b>

**Chapter One**  
**INTRODUCTION**

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**OVERVIEW AND OBJECTIVES**

The U.S.-Japan relationship since the end of World War II has been intimate and complex. The formal structure supporting the relationship has been the U.S.-Japan security alliance; however, the bilateral relationship encompasses not only the military alliance but also close and complex economic and political ties. This broader relationship is being reappraised by both the Japanese and the Americans.

Japan has significantly downgraded the security threat posed by the former Soviet Union. Although the final disposition of Russian forces remains unclear, they no longer present the main threat to Japan's security. Instead, other potential danger spots in Southeast Asia, e.g., the Spratly Islands, are receiving increasing attention, as are China's military buildup and events on the Korean peninsula.

Changes in threat perception are not the only reason for Japan to reappraise its role in the U.S.-Japan security relationship. Perhaps an equally important factor has been the ultimate recognition of the "abnormal" status of Japan and the United States. While the United States is a military and political superpower "with economic feet of clay,"<sup>1</sup> Japan is an economic superpower with the political stature of

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<sup>1</sup>Olsen, Edward A., "A New American Strategy in Asia?" *Asian Survey*, Vol. XXXI, No. 12, December 1991, p. 1142.

a pygmy. This asymmetry was manifest in the relative contributions of the two nations during the Gulf War.

Japan stands today at a crossroads. The old certainties of the Cold War era are disappearing. America's preeminent economic power is fading. The death of Emperor Hirohito ended the Showa era, an era tainted with Japanese imperialism—the legacy of which still haunts the Japanese. Worst of all, the U.S.-Japan relationship seems to be in trouble. This trouble stems mainly from trade friction, even though its roots are far more complex, encompassing cultural, social, political, and security differences between the two nations.

The end of the Cold War and the uncertain future of the new international order are making new inroads in Japanese thinking. New agendas must be addressed. These agendas include an examination of the appropriateness of Japan's political structure, an assessment of the consequences of not having an independent national security policy, a solution to the question of Japanese dependence on the United States, and a full-fledged formal recognition by the government of Japan's responsibility for aggression against its neighbors during World War II.

Changes in Japan's external environment also raise questions as the world order changes from a bipolar to a unipolar or perhaps even a multipolar structure. Japan has begun to reassess the U.S.-Japan relationship in the midst of all these changes, both internal and external.

In the aftermath of the Cold War, the Japanese asked themselves four questions:

1. Are the traditional threats to Japan's security changing?
2. If so, how does the U.S.-Japan alliance address the new threats?
3. If the alliance should be maintained, are current communication and management structures adequate?
4. Should Japan seek or accept a larger global political role commensurate with its economic power and global interests, and if so, how?

The United States will also have to reassess its relationship with Japan in light of the end of the Cold War. During the Cold War, American administrations played down economic frictions with Japan for the sake of the broader security relationship. This period would now seem to be over: The Clinton Administration has indicated that the economic side of the relationship with Japan will be scrutinized as never before. In the economic field, a group of American analysts of Japan, known collectively as "revisionists"—among them, Chalmers Johnson, Clyde Prestowitz, Karel van Wolferen, and James Fallows—have come to very different conclusions about the nature of the U.S.-Japan economic relationship from those of traditional Japanologists. Asserting that Japanese capitalism is qualitatively different from American capitalism, and that the persistent bilateral trade deficits between the two allies could not simply be explained by exchange-rate misalignments, this group has called for "tougher" American trade policies toward Japan. It is our view that, although the U.S.-Japan alliance remains vitally important, the United States itself needs to reassess the security side of the relationship in light of economic competition with Japan.

This study examines two important topics. In Chapter Two, we discuss the broader topic of Japan's reassessment of its relationship with the United States in light of the end of the Cold War and the Gulf War. The admittedly strong impact of trade friction on the relationship has received considerable attention in recent years and so will be considered here only as it is expressed through its political consequences.

The second, more specific topic, which is covered in Chapter Three, is how the United States should reconsider its defense policies in light of the economic competition with Japan, with particular regard to four technological-competitiveness issues: spin-off, spin-on, direct foreign investment in the U.S. defense industry by Japan, and component dependence on Japanese suppliers.

In Chapter Four, we summarize the principal conclusions about national security policy that the Japanese appear to be reaching, and we offer policy suggestions for the U.S. side to prevent further deterioration of relations with Japan and to preserve American technological competitiveness.

The focus of this report is on the present status and future nature of the U.S.-Japan security alliance. Although this alliance will undergo strains, there is little reason to believe that either country will choose to abandon the alliance in the foreseeable future. But there will almost certainly be a need for changes within the alliance structure as Japan becomes a more "normal" (i.e., independently acting) nation. The United States will have to realize that its future choices will inevitably be constrained by changes in its relations with a more assertive Japan, not to mention changes in the structure of world politics.

#### SOURCES USED IN THE STUDY

Americans remain woefully ignorant about Japan. The causes of this ignorance are many, from a strongly ethnocentric view of the world to a lack of knowledge of the Japanese language. Americans seeking a knowledge of Japan have a rich and varied culture to learn about. And Japan, contrary to popular Western thought, is far from being a homogeneous society.

To compound the foreign observer's difficulties, the Japanese themselves are often less than eager to present their case to outsiders. The Japanese form of expression is indirect, with veiled meanings. The distinction between the reality of a situation [*honne*] and the appearance that is presented [*tatemae*] is a marked characteristic of Japanese culture. The job of the researcher who seeks to understand the true nature of Japanese society is not an enviable one.

This study is based on two sources: extensive interviews with a select group of Japanese politicians, government officials, business leaders, journalists and academicians;<sup>2</sup> and written sources, consisting of scholarly publications in both English and Japanese, as well as nonacademic publications in Japanese, ranging from newspapers to popular periodicals.

Fathoming the *honne* of an issue as sensitive and complex as the U.S.-Japan security relationship is admittedly difficult for non-

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<sup>2</sup>A list of those who were contacted can be found in Appendix A; the standard interview questions that were put to them may be found in Appendix B.

Japanese researchers. There are, however, approaches to conducting an inquiry that maximize the possibility of tapping the true opinions of the Japanese. The key components of our interview approach were the ability to establish a friendship with the interviewees and the willingness to converse with them in their own language. We cannot claim to have utilized these interview skills perfectly, but we did try to conduct our interviews—whether in Japanese or in English—in an informal and intellectually challenging manner, rather than in a rigid question-and-answer format. Our goal was to provoke our interviewees to be straightforward rather than diplomatic and polite. We, in turn, presented our own ideas to the Japanese in a candid manner, as a sign of our trust in them and our desire to form a working relationship.

Our survey of the literature, much of it written by and for Japanese (although it was not as extensive as we would have liked), did provide background and corroborative evidence of what the Japanese were thinking. Although we cannot claim that everything we have reported here is *honne*, we are confident that our respect for and sensitivity toward Japanese culture and our seriousness of purpose were acknowledged and appreciated by our Japanese interlocutors.

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**THE JAPANESE REASSESSMENT**

**JAPAN'S CHANGING STRATEGIC ENVIRONMENT**

**The End of the Cold War: Changing Threats**

As Stuart Harris has observed, "even if less clearly defined, the implications of the end of the Cold War in Northeast Asia are no less portentous than those in Europe. In some respects, although lacking the drama of the European changes—no Berlin Walls have fallen—they are more complex."<sup>1</sup> The Japanese military establishment, as well as Japan's public-opinion leaders and policymakers, have accepted that the Cold War is over.<sup>2</sup> While many of the implications of this change are still emerging, the chief priority of the new peacetime environment is for Japan to re-evaluate its security requirements in the absence of an apparent threat from the former Soviet Union.

International security threats comprise a combination of aggressive intentions and military capabilities. And viewed from a long-term perspective, as most security policies are, the additional factor of predictability, especially predictability of intentions, becomes a third important variable to enter into the threat equation. The Japanese are perhaps more concerned about the unpredictability of their

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<sup>1</sup>Harris, Stuart, "The End of the Cold War in Northeast Asia: The Global Implications," in Stuart Harris and James Cotton, eds., *The End of the Cold War in Northeast Asia*, Boulder, Colo.: Lynne Rienner Publishers, Inc., 1991, p. 258.

<sup>2</sup>See "War and Peace for Superpower Japan: Is There a New Strategy for Japan Now That the Clear Enemy Has Disappeared?" *Voice*, September 1992, pp. 72-73.

security environment than about the present intentions or military capabilities of their neighbors.

The Asian security environment, always less structured than the European NATO-Warsaw Pact environment, is becoming even more complex and multipolar. During the Cold War, a fairly clear division of loyalties existed in Asia. On the one side, there were bilateral alliances between the United States and its Japanese, South Korean, and Taiwanese allies. This Western group attempted to contain communist influence on the other side, in Russia, China, North Korea, and North Vietnam. But even during the Cold War, relations between Japan and its neighbors required a more finely tuned diplomacy than that practiced by Washington. Today, changes in domestic politics in most of the communist and formerly communist states, and the resulting breakdown of a clear distinction between East and West, make the political environment in Asia extremely fluid.

Japan's 1992 defense white paper identified the following problem areas in East Asia: the continuing confrontation between North and South Korea, the multinational dispute over the Spratly Islands, and the unresolved conflict in Cambodia. On the other hand, the white paper noted positive signs in the region: a continuing dialogue between North and South Korea, both of whom joined the United Nations; South Korea's announcement that it is free of nuclear weapons; North Korea's signing of the Non-Proliferation Treaty and acceptance of nuclear inspections by the International Atomic Energy Agency (IAEA) (although, in 1993, Pyongyang refused to allow IAEA special inspections of facilities suspected of hiding undeclared nuclear material); China established relations with South Korea and Vietnam, and strengthened relations with Russia; North Korea was talking about opening up to the outside world, and Vietnam *had* opened up; and a Cambodian peace agreement was reached.

The 1992 defense white paper opened with the observation that "the East-West confrontation that had keynoted the world military situation for over 40 years since the end of World War II came to an end with the collapse of the Soviet Union, in both name and sub-

stance."<sup>3</sup> As for the threat posed by Russian forces in the Far East, the white paper was more cautious: "It is not yet clear how the former Soviet Union's massive military forces in the Far East will develop in the process of the CIS [Commonwealth of Independent States] reorganizing the former Soviet Union's military forces. As of now, no significant movements toward arms reductions have been seen in the Far East, constituting an unstable factor for the security of this region. . . ."<sup>4</sup>

In the following subsections, we discuss the changing geopolitical threats to Japan.

**The Russian Threat.** Like most other Western nations, Japan is experiencing difficulty in adjusting to the changed security environment vis-à-vis the former Soviet Union. In Japan's case this difficulty can be attributed to at least three factors: lessened dependence on U.S. military power, negligible rapprochement between Russia and Japan, and lack of Russian stability.

As to the first factor, the Cold War superpower confrontation provided both predictability and form to Japan's relations with its most powerful ally, the United States. Without a Soviet threat, Japan's dependence on U.S. military power is presumably not as great.

The absence of any real rapprochement between Russia and Japan in the aftermath of the breakup of the Soviet Union, the second factor, has the two sides blaming each other for the lack of improvement in relations. Russian analysts argue that Japan has "belittled the changes that *perestroika* and new thinking have brought to Soviet foreign policy."<sup>5</sup> Japanese defense analysts point to the lack of force reductions in Russia's Far East. The Japanese are also concerned about the sale by former Soviet republics of modern weapons to other nations, especially China, as well as the possibility of weapon-technology (especially nuclear technology) transfer, all in the new Russian spirit of free-wheeling capitalism.

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<sup>3</sup>Defense Agency of Japan, *Defense of Japan, 1992*, trans. Japan Times, Ltd., Tokyo: Japan Times, Ltd., p. 3.

<sup>4</sup>*Defense of Japan, 1992*, p. 5.

<sup>5</sup>Menon, Rajan, "Soviet-Japanese Relations: More of the Same?" *Current History*, April 1991, p. 160.

Ironically, it is not criticism of Russia's vast military establishment that has preoccupied the Japanese, but rather a relatively insignificant dispute involving the ownership of four small islands (which Japan designates as the Northern Territories), the closest of which is located only a few miles north of Hokkaido. The islands are at the southern end of the Kuril chain, which stretches south from Russia's Kamchatka peninsula. The archipelago provides an eastern barrier to the entrance of the Sea of Okhotsk, from which Russian ships and submarines operate. The islands also have economic value in terms of fishing rights and mineral deposits. Russia is believed to have a brigade of troops supported by helicopters and MiG 23 fighters stationed on the larger two islands of Kunashiri and Etorofu.<sup>6</sup>

The former Soviet Union (and now Russia) claims the archipelago "by right of first discovery, first annexation, first settlement, and first exploration."<sup>7</sup> The four islands were given to Japan in the Treaty of Shimoda, signed in 1855 by Japan and Russia. In the 1875 Treaty of St. Petersburg, Japan traded its claim to the southern half of Sakhalin Island for possession of all the Kuril Islands north to Kamchatka. The Soviet Union regained the entire chain at the end of World War II. Japan has never recognized the legality of Russia's possession of the four southern islands, claiming they are not part of the Kuril group that Japan officially ceded to the Soviet Union in the 1952 San Francisco Peace Treaty.

The Soviet Union has in the past (e.g., 1956, 1988, 1990) offered to give Japan the two smallest islands (Shikotan and the Habomai group) in return for a peace treaty, but Japan has continued to insist on the return of all four islands.<sup>8</sup> Various deals have been floated from both Tokyo and Moscow, involving the Japanese "purchase" of the islands for a large sum of money, or even some agreement whereby the islands might be occupied by Russia but owned by Japan. Russia is sensitive about setting a precedent of ceding terri-

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<sup>6</sup>*Defense of Japan*, 1992, p. 42.

<sup>7</sup>Former Soviet Deputy Foreign Minister Igor Rogachev in *Izvestia*, March 28, 1989, p. 5; as quoted in Menon (1991), p. 162. See also the more extensive discussion of the Northern Territory issue by Rodger Swearingen, *The Soviet Union and Postwar Japan*, Stanford, Calif.: Hoover Institution Press, 1978, pp. 185-196.

<sup>8</sup>Menon (1991), p. 161.

tory to Japan, China, or another CIS republic. The island issue has thus stalemated Japanese-Russian relations.

The third factor in Japan's difficulty in responding to its changing security environment is the lack of Russian stability—in both domestic and foreign affairs—which creates an uncertain security environment for Japan. The difficulty of predicting what Russia might do is aptly illustrated by the last-minute cancellation of President Yeltsin's visit to Japan in 1992.

The response of the Japanese press to the cancellation was one of disappointment, acceptance, and suppressed anger. The government and the press urged the Japanese people to be "cool" and "not become emotional." Perhaps the most important consequence of the cancellation was that Japan had even less reason to trust Russia, given the apparent instability of the Russian government.<sup>9</sup> Although Tokyo immediately announced that a \$100 million food-aid shipment would still be made to Russia, and that negotiations on other issues would continue, the canceled visit (and the failure of the Russians to reschedule it in November 1992, when Yeltsin made his rescheduled visit to South Korea) left the two nations in a twilight zone between the Cold War and a new era of cooperation.

**The Chinese Threat.** After Russia, China is the Asian nation with the strongest military capability. While China has kept military expenditures at a constant percentage of gross national product (GNP) since 1990, the robust growth of the Chinese economy has produced three consecutive years of higher military expenditures. Japan estimates that the increase in spending in 1992 was 13 percent over 1991 spending.<sup>10</sup> Among the recent additions to China's arsenal are Russian Su-27 fighters. The Chinese were even reported to be considering the purchase of a Ukrainian aircraft carrier, although the deal does not seem to be going through.<sup>11</sup>

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<sup>9</sup>See, for example, the *Yomiuri Shimbun's* editorial of September 11, 1992, Morning Edition, p. 3.

<sup>10</sup>*Defense of Japan, 1992*, p. 49.

<sup>11</sup>China reportedly took delivery of 24 Su-27s in December 1992, according to KYODO news service, December 17, 1992; cited in Foreign Broadcast Information Service (FBIS), *Daily Report, East Asia* [hereinafter, *FBIS-EAS*], December 17, 1992, p. 5.

Japan's relations with China have been relatively smooth. The Japanese continue to advocate the importance of opening up China economically, and this advocacy has most certainly been appreciated by Beijing. Except for the passage in 1992 of China's Territorial Waters Act—by which China has laid claim not only to the Spratly Islands but also to Japan's Senkaku Island—China's present intentions toward Japan seem positive. However, in terms of predictability, the Chinese do not score so highly. Chinese politics have taken dramatic twists and turns, and the imminent demise of Deng Xiaoping may trigger yet another change in the political scene. But China's economic reform movement has built up such a head of steam and Deng has been so successful in placing reformers in positions of power that China is likely to become less of a security threat to Japan in the 1990s than it had been in the Cold War past.

The consensus among those we interviewed for this report is that Japan desires neither a weaker China—for example, a China torn by the chaos of political succession—nor a militarily stronger China that might be motivated by expansionist desires. A weaker China could be a serious source of economic, political, and social instability in the region, with such consequences for Japan as an increase in Chinese immigrants or refugees and demand for greater economic aid. A stronger China could become a rival or even an adversary.

The future intentions of China in regard to Hong Kong and Taiwan are unclear to the Japanese. Whether Hong Kong will be allowed to keep its democratic-capitalist system after 1997 has been questioned by Beijing (perhaps as a bluff in a power play with the governor of Hong Kong). But whatever happens in Hong Kong after 1997 is not likely to pose a serious security threat to Japan.

China's future relations with Taiwan may be a different matter. Like China, Taiwan's strong economy has enabled it to improve its defense capabilities, for example, with purchases of advanced fighter planes from the United States and France.<sup>12</sup> The minority Democratic Progressive Party, which received a third of the votes in the December 1992 election, has called for Taiwan's independence

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<sup>12</sup>Taiwan is reportedly purchasing 150 F-16s and 60 Mirage 2000s. Both purchases are being made over strong Chinese objections. See "Regional Briefing," *Far Eastern Economic Review*, January 7, 1993, p. 13.

from mainland China. Such a break is unlikely to come in the near future. If it did, it could conceivably trigger an armed conflict with the mainland. Such a conflict, at Japan's doorstep, could easily have repercussions for Japan's security, especially if the United States should extend assistance to Taiwan, perhaps even from American bases in Japan.

**Threats from the Korean Peninsula.** As the defense white paper notes, on the Korean peninsula "the pattern of military confrontation between the North and South has remained basically unchanged since the end of the Korean War, and the Korean Peninsula has remained an unstable factor for the security of East Asia including Japan. . . ."<sup>13</sup> In the near term, Japan has little reason to fear a security threat from South Korea. Although the two nations have never had a close post-World War II security relationship, their security is linked by strong bilateral alliances with the United States. Although both North and South Koreans have bitter memories of Japan's colonial aggression, the South Koreans have developed strong economic ties with the Japanese and have learned to work with them.

North Korea also has strong ties (of a sort) with Japan: An estimated 200,000 North Koreans have lived in Japan since World War II.<sup>14</sup> The Kim Il Sung regime has been courting Tokyo in pursuit of diplomatic recognition and a large wartime compensation package. Although the Japanese government is also eager to normalize relations in order to provide greater stability to the region, the normalization talks have made little progress over the failure of the North Koreans to agree to permit mutual North-South Korean nuclear inspections.

Particularly worrisome to the Japanese is the possibility that North Korea could develop a nuclear weapon capable of being delivered to western Japan by its new Scud-C missile. What purpose such an attack would serve is not obvious; however, given the somewhat reckless nature of North Korean military policy in the past—from launching the Korean War to attempting to assassinate the South Korean president—the possibility of such an attack is one reason why Japan is eager both for the mutual North-South Korean

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<sup>13</sup>*Defense of Japan*, 1992, p. 51.

<sup>14</sup>Another 800,000 Korean residents in Japan are loyal to the South.

**inspections and for the establishment of normalization with the North Koreans.**

**North Korea's future stability is also a worrisome point. The Kim Il Sung regime cannot last forever: The senior Kim, who celebrated his eightieth birthday in 1992, has apparently relinquished almost all his ruling duties to his son, Kim Jong Il. But the junior Kim has neither the political stature of his father nor, apparently, the political ability. Whether he could rule the North after the death of his father is an open question. If the tight grip of the Kim family over North Korea is broken, domestic chaos or a hasty absorption of the North into the South is possible. In either case, the effect on Japan in terms of refugees taken in and economic aid meted out could be great.**

**While some foreign analysts have speculated that the Japanese would prefer to see Korea remain divided, the consensus among our interviewees was that a Korea peacefully unified under democratic and market-oriented leadership would be most desirable for Japan. The worst scenario is chillingly similar: a unified Korea with nuclear capabilities and a hostile attitude toward Japan.**

**The Japanese have begun to discuss seriously the implications for their security of a Korea unified under South Korean terms. In our interviews, we found opinions on this subject to be mixed, as one would expect in as sophisticated and complex a society as Japan. A number of our interlocutors expressed vague fears of a unified Korea, based on historical antagonisms; others dismissed the notion that a unified, democratic Korea would pose a serious military threat to Japan. A number of military officers noted that, after unification, the combined size of the North and South Korean armed forces would be more than ten times the size of the Japanese Self-Defense Forces (JSDF). While no one expects these forces to be used against Japan, concerns were expressed that the disparity in force levels could lead to misunderstandings unless the Koreans demobilized rather rapidly.**

**If the Japanese come to feel that a unified Korea poses a threat to their security, the unification in itself could potentially cause problems in the U.S.-Japan relationship. If Korea unifies, the United States will obviously maintain a close and supportive relationship with Korea, which will probably serve to inhibit Japanese frankness in discussing bilateral Japanese-Korean problems with Americans.**

Certainly, the United States would not be invited to do joint defense planning with Japan against Korea, as it used to do against the Soviet Union during the Cold War.

**Threats in Southeast Asia.** The only other conceivable Asian security threat to Japan would result from the interdiction of sea lanes in Southeast Asia. Japan's relations with the Southeast Asian nations have improved greatly in recent years, and Japanese investment has been pouring into the region. None of the nations in this region poses a security threat to Japan in the foreseeable future.

### **The Impact of the Gulf War: Japan's Abnormality**

The Cold War ended abruptly, and Japanese policymakers were unable to formulate a strategy to deal with the post-Cold War environment by the time the Persian Gulf War delivered an even more sudden shock to Japan's policymakers. The lessons to be learned from the Gulf War were perhaps as great as those from the more epochal end of the Cold War. In this report it is not possible to analyze all the events and Japanese responses that cumulatively woke Japan from its 40-year-long pacifist sleep. Instead, we concentrate on the three most important lessons from the Gulf War that were learned in Japanese society:

1. The post-Cold War era will not be free of armed conflict.
2. Japan is unprepared to take a leadership role in international political affairs.
3. A nation cannot attain international stature by economic means alone.

**Lessons from the Gulf War.** Japan's role in the Gulf War was limited to financial contributions. On August 2, 1990, Iraq invaded Kuwait, and the UN Security Council passed a resolution calling for Iraq's withdrawal. Three days later, Japan announced that it would honor the embargo of Iraq and occupied Kuwait. American, British, and Arab League troops were dispatched to Saudi Arabia within the week. On August 29, Tokyo announced a Japanese assistance package consisting of transport equipment, goods, medical services, and funds to aid the defense effort and to provide relief for neighboring countries.

On August 30, a \$1 billion price tag was placed on the donation. On September 14, Japan announced that its donation would be expanded by another \$3 billion, half to be earmarked for peacekeeping missions in the Middle East and half for aid to the three countries (Egypt, Jordan, and Turkey) bearing the greatest burden of the UN embargo against Iraq.

The first (and only) nonmonetary response was proposed to the Diet by Prime Minister Kaifu on October 16, 1990. Kaifu proposed a "Peace Cooperation Corps" to be placed under the control of the prime minister's office. The corps would draw on units of Japan's Self-Defense Forces (SDF) and would be limited in its duties to non-military missions. The ruling Liberal Democratic Party (LDP) was divided on the proposal, and without solid party support, the proposal failed to be passed into law.

On January 17, 1991, Operation Desert Storm was launched. On January 24, Japan announced that it would make an additional contribution of \$9 billion. SDF minesweepers were dispatched to the Persian Gulf on April 24, 1991, two months after fighting had ceased, ostensibly to "secure navigational safety for Japanese vessels."<sup>15</sup>

The first lesson of the Gulf War was that the post-Cold War era would not be free of armed conflict. This came as a sobering realization to a nation that was looking forward to a world in which economic power (of which Japan has an abundance) would surpass military power in importance. Although Japan did not publicly voice its concern about the interruption of its vital oil supplies, one strong concern shared by business leaders was for the safety of those supplies.<sup>16</sup> A nation lacking in natural resources is in a doubly weak position when it has no means to defend the import of those resources.

The second lesson was that in a multipolar world, in which the only global forum is the United Nations, Japan was unprepared (in terms both of ideas and position) to guide debate on world affairs. None of the UN resolutions concerning the Iraqi invasion was initiated by the

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<sup>15</sup>*Defense of Japan*, 1992, p. 115.

<sup>16</sup>"Arabian Oil: Its Fate Drifting About at the Mercy of the Rough Waves of the Persian Gulf," *Shukan Toyo Keizai*, March 2, 1991, pp. 76-82.

Japanese.<sup>17</sup> In this important sense, the Gulf crisis was a microcosmic replay of Japan's post-World War II foreign policy, which has been reactive rather than active.

Before action can be proposed in Japanese society (and politics), a consensus must emerge. No such consensus on Japan's role in the Gulf War ever did emerge. Some Japanese advocated taking part in the UN-led economic sanctions as well as in the military campaign. Others (the majority) preferred a policy of military non-interference coupled with economic contributions, consistent with a literal interpretation of Japan's "peace constitution."<sup>18</sup> After Operation Desert Storm commenced, the Japanese public began to recognize the need to provide some form of active, nonmonetary contribution to the war, but there was little that could be done at that point, given Japan's slow political process and its constitutional constraint.<sup>19</sup>

The third lesson of the Gulf War concerned how to gain—or, in Japan's case, how to lose—international respect. Japan learned that respect cannot be purchased. *Kinken gaiko* [money diplomacy], which comes naturally to a country in which politics is basically a practice of *kinken seiji* [money politics], is not a substitute for military force. Offering money only seemed to reinforce the impression abroad that Japan is exclusively a business enterprise (Japan, Inc.), interested only in making and spending money.<sup>20</sup>

A corollary lesson is that the only thing worse than trying to buy respect is to try to earn it by giving money *after* a donation has been requested, especially if (as for Japan) the donation only follows ex-

<sup>17</sup>"Gulf War Retrospective," *Japan Echo*, Vol. XIX, No. 1, Spring 1992, pp. 34–35.

<sup>18</sup>In Article 9 of the constitution, "the Japanese people forever renounce war as a sovereign right of the nation and the threat of force as a means of settling international disputes."

<sup>19</sup>Sato, Seizaburo, "Wangan kiki to Nihon no taio" ["The Gulf Crisis and Japan's Response"], in Okasaki Hisahiko et al., eds., *Nichi-Bei tomei to Nihon no senryaku* [The Japan-U.S. Alliance and Japan's Strategy], Tokyo: PHP Institute, 1991, p. 122. Two polls taken in late January 1991, one by *Nihon Keizai Shimbun* and the other by the KYODO news service, both found 41 percent of the Japanese approving the use of force by the allied coalition against Iraq, and 41 percent opposed. See Delfs, Robert, "Carrying the Can," *Far Eastern Economic Review*, July 18, 1992, pp. 18–20.

<sup>20</sup>See Kosaka, Masataka, "The Iraqi Challenge to the World Order," *Japan Echo*, Vol. 18, No. 1, Spring 1991, p. 13; also, Sassa, Atsuyuki, "Posto-Maruta ni okeru Nihon no jii" ["The Status of Japan in the Post-Malta Era"], *Chuokoron*, March 1991, pp. 48–59.

tensive debate and thus becomes viewed as a curmudgeonly gesture rather than a freely made, generous contribution.<sup>21</sup>

The Gulf War taught these lessons to many Japanese. In order to profit from the lessons, most Japanese realize that changes in their international role and in their domestic decisionmaking process must be made.

The Japanese (in contrast to European allies, such as Britain and France) felt that they were not adequately consulted before the United States launched an attack on Iraq.<sup>22</sup> The Japanese were equally surprised that the fighting was broken off before a clear victory over Saddam Hussein had been won. Washington, which had taken a moralistic view of the war, seemed to have become legalistic, claiming that its only goal was to evict the Iraqis from Kuwait and not to punish the aggressor who, according to Washington, had so dangerously threatened the world order.

Most nations do not expect to share responsibility with the United States for maintaining world order, and they are not expected by the international community to bear a heavy financial burden for peacekeeping interventions. Japan, by virtue of its economic prominence, is another story. As a world power and close ally of the United States, Japan has been forced onto the world stage, and its every action, or inaction, is viewed and judged by the international community.

The Japanese now realize that they have to take a more active position in the United Nations, whose role in the post-Cold War era is likely to increase in importance. They have begun to lobby quietly for a Security Council seat.<sup>23</sup> Yet it is difficult for them to play a more prominent role because they do not have a permanent seat on the Security Council and because Japan's peace constitution has been interpreted as forbidding the dispatch of Japanese soldiers abroad.

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<sup>21</sup>See the roundtable discussion on U.S.-Japan relations in *Gaiko Forum*, November 1991, pp. 27-40.

<sup>22</sup>Smith, Charles, "Loyalties Under Fire," *Far Eastern Economic Review*, January 24, 1991, pp. 10-11.

<sup>23</sup>Sato, Kinko, "Kempo o uragitta kempo kakusha no hiretsu" ["Foul Play of Constitutional Scholars Who Betrayed the Constitution"], *Shincho*, July 1992, pp. 12-19.

Many Japanese believe that successful involvement of Japanese forces in peacekeeping operations will increase their claims to a seat at the table. On this point, UN Secretary General Boutrus-Ghali has denied that there is a direct link between Japan's provision of UN peacekeeping forces and a seat on the Security Council. On the other hand, he has urged the Japanese to "participate [in UN operations] aggressively, not only in the financial and technical fields, but in peace-keeping operations."<sup>24</sup> As to current restrictions imposed by Japan's constitution, Boutrus-Ghali has been quoted by Japan's KYODO news agency as saying, "My hope is that the government of Japan will be able to change the constitution so that it will allow the Japanese forces to participate in operations of peace enforcement."<sup>25</sup> The secretary general subsequently denied that he had made the remark, adding that it would be "an intervention in the domestic affairs of Japan."<sup>26</sup>

**Preparations for Representation.** During the Gulf War, the Japanese found themselves in a frustrating position—faced with a crisis but unable to respond. The American Revolutionary War slogan of "No taxation without representation" became a widely voiced sentiment in Japan.<sup>27</sup> What can Japan do to prepare itself for representation in the future?

The first step has already been taken: passage of the Peacekeeping Operations (PKO) bill. The Gulf War and Japan's inactive diplomacy following the war provided the momentum for the passage of the PKO bill in August 1992. The fact that the bill was passed a year and a half after the war means that Japan will receive less gratitude from the United States (which is seen as pressuring Japan for more active military participation) than it would if the bill had been passed *before*

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<sup>24</sup>Interview by Yoshio Sato in New York, February 5, 1993. Published in *Asahi Shimbun*, February 6, 1992, Evening Edition, p. 2.

<sup>25</sup>Boutrus-Ghali's quotation is attributed to an interview he had with KYODO on Wednesday, February 3, 1993.

<sup>26</sup>Interview by Masui Nario in New York, February 5, 1993, published in *Yomiuri Shimbun*, February 7, 1993, Morning Edition, p. 4.

<sup>27</sup>This sentiment, as well as the phrase, was used by a number of our interviewees. See also Rowley, Anthony, and Shim Jae Hoon, "Paying for Time," *Far Eastern Economic Review*, January 24, 1991, p. 12, in which the equivalent phrase "paying the piper without being able to call the tune" is used in reference to Japan's Gulf War participation.

the war. Moreover, Japan will have to face increasing suspicion from its Asian neighbors, who see the PKO as the possible beginning of Japanese remilitarization.

The bill was highly controversial in Japan.<sup>28</sup> The opposition parties in the Diet undertook a variety of tactics to prevent its passage, including the infamous "ox walk," in which Socialist Democratic Party of Japan (SDPJ) members approached the front of the Diet chamber at the speed of a reluctant ox to cast their ballots. But even now that the bill has passed, it does not provide automatic endorsement for Japanese military involvement overseas. It is, rather, the beginning of a rich debate regarding the limits of PKO missions. Those who oppose the bill point out that it will be difficult to keep the mission of PKO troops entirely defensive if they are attacked. Defense, after all, can include offense for defensive purposes. Moreover, if Japanese troops should begin appearing in trouble spots throughout the world, Japan should be ready with enhanced defensive measures for the day when it may be the recipient of aggression from another nation that perceives Japan to be a military power.

The PKO bill raised a number of sensitive constitutional issues for the Japanese. Many of the bill's opponents argued vehemently that it violated Article 9 of the constitution, which prohibits Japan from the use of military force even in self-defense. (Many of those critics would also argue that the very existence of the Self-Defense Forces violates the constitution, and public opinion polls suggest that this view has considerable support among the broader population.) Many supporters of the PKO bill concede the constitutional problem and argue that the constitution will ultimately have to be amended to permit a broader international role for Japan. Many regard the PKO bill as part of a broader strategy: If Japanese participation in peace-keeping operations goes well and the Japanese public comes to understand that such participation is not a harbinger of remilitarization, it will be possible over time to address the question of revising Article 9.

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<sup>28</sup>In a *Yomiuri Shimbun* poll taken in September 1992, 54 percent favored the idea of the PKO being sent to Cambodia; 41 percent were opposed. See *Yomiuri Shimbun*, November 1, 1992, Morning Edition, p. 1. An *Asahi Shimbun* poll taken at the same time found 52 percent supporting and 36 percent opposing passage of the PKO bill. See *Asahi Shimbun*, September 28, 1992, Morning Edition, p. 1.

Predictably, the strongest international criticism against the PKO came from Japan's closest neighbors, South and North Korea. Given the success to date of South Korea's *Nordpolitik*, many South Koreans see Japan, not North Korea, as their greatest potential threat. The PKO is a nightmare for those Koreans in both South and North Korea who experienced World War II, and for them the PKO is a sign that the Japanese intend to remilitarize. China, on the other hand, was more restrained in its response. Chinese foreign ministry spokesman Wu Jianmin told a press briefing that "due to historical reasons, Japan's sending troops abroad is a very sensitive issue" and "the Chinese government has always hoped the Japanese government will act with prudence in this matter."<sup>29</sup>

## THE JAPANESE DEBATE ON NATIONAL SECURITY

### Debate on Alliance Structure and Management

Along with the adoption of a more prominent international political role, a realignment of Japan's security relationship with the United States will be a key element in Japan's adaptation to the emerging post-Cold War environment. The Japanese we interviewed for this report generally agreed that the U.S.-Japan security alliance is a pillar of regional and international stability that should be maintained, and that if the alliance is broken, it will be broken by the Americans, not by the Japanese. They were also in general agreement about the present sources of strain on the alliance:<sup>30</sup>

- The weak U.S. economy, and especially the chronic U.S.-Japan trade imbalance, which often leads to harsh and (in Japan's view) unwarranted criticism of Japan and pressure for changes in Japan's economic, political, and social structures
- Eroding respect in Japan for the United States because of its economic and social problems

<sup>29</sup>See Jiang, Yaping, "Troops Law Arouses Concern in Asian Countries," *Beijing Review*, June 29, 1992, p. 9.

<sup>30</sup>See the March 1992 issue of *Shin Boei Ronshu* [*The Journal of National Defense*], Vol. 19, No. 4, which is devoted to U.S.-Japan relations. See also the roundtable discussion in *Galko Forum*, November 1991, pp. 27-40.

- Increasing suspicion in the United States that Japan is not a market-oriented economy, but rather a mercantilist economy
- A weakening of the Cold War fears that helped the two nations overcome their past differences
- Emerging foreign-policy differences resulting from Japan's attempt to formulate a foreign policy independent of the United States.<sup>31</sup>

Opinions regarding the security treaty with the United States fall into "pro-continuity" and "pro-change" camps. The pro-continuity group argues that the treaty is still important in the post-Cold War era, precisely because nobody is sure of the threats posed in the near- to mid-term future. The latter group argues that the treaty served its purpose of protecting Japan while at the same time making it unnecessary for Japan to acquire a large military arsenal or develop nuclear weapons, but that now the treaty is no longer needed because Russia is not the threat that the former Soviet Union was. However, the common concern shared by both camps is that Japan lacks a comprehensive new national security strategy to deal with the post-Cold War environment, and that security alliance or no, Japan must build such a strategy.<sup>32</sup>

Will Japan wish to continue its security alliance with the United States under these changing post-Cold War circumstances? For the foreseeable future, the answer is yes. The alliance is considered by the Japanese defense establishment to be "vital to the existence and prosperity of Japan."<sup>33</sup> Although the general public is not as enthusiastic about the treaty as is the military, the treaty still has more

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<sup>31</sup>For example, as Yoichi Funabashi notes ("Japan and America: Global Partners," *Foreign Policy*, No. 86, Spring 1992, pp. 24-39), Japan is increasing its assistance to, and contacts with, China and is showing less concern for the human-rights issue than is the United States. But, on the issue of Japan's claim to the four northern islands, it is the United States that feels the Japanese should be less rigid and come to the assistance of Russia, even though the island issue cannot be settled.

<sup>32</sup>One exponent of this argument is Col. Shigeki Nishimura of the Ground Self-Defense Forces of Japan. See Nishimura's "Senryaku tenkan no sessoku o haisu" ["To Avoid Hasty Strategic Switch"], in *Voice*, September 1992, pp. 94-105.

<sup>33</sup>*Defense of Japan*, 1992, p. 68.

supporters than opponents.<sup>34</sup> Yet, even though Japan is not satisfied with the present, unequal alliance structure, it is not sure how that structure should be changed. A first step toward greater equality would seem to be improved communication and consultation between the two nations.

From his vantage point as a former prime minister, Yasuhiro Nakasone has suggested that the best way to manage an effective and solid alliance is to utilize existing channels of communication. He suggests the initiation of a regular dialogue between the Sorifu [the prime minister's office] and the White House to deal with fundamental problems. The Japanese Diet and the U.S. Congress could have direct contacts as well. Finally, there should be a joint media forum run by the leading Japanese and U.S. news media to reduce the dissemination of distorted news stories that arouse unnecessary negative emotional feeling in the two countries.<sup>35</sup> Nakasone believes that the famous "Ron-Yasu" relationship set the tone for more effective U.S.-Japan dialogue during his tenure.<sup>36</sup> Nakasone's mention of that famous relationship reminds us that, unless the bilateral relationship is to be run on a personal basis, efforts will have to be made (as he indicated) to establish a systematic arrangement for communication and consultation.

### Parties to the Debate

From their remote vantage point in Washington, U.S. policymakers often fail to appreciate the heterogeneity of the Japanese political system. This misperception is, in part, the fault of the Japanese themselves, who prefer to keep their debates out of the public eye,

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<sup>34</sup>In a September 1992 *Yomiuri Shimbun* poll, 52 percent said that the treaty was "greatly" or "to some extent" in the interests of Japan compared with 32 percent saying it was "not very much" or "not at all" in Japan's interest. See *Yomiuri Shimbun*, November 1, 1992, Morning Edition, p. 1.

<sup>35</sup>A recent example is the erroneous quotation that was disseminated by both U.S. and Japanese news sources, which had Prime Minister Kijichi Miyazawa saying that "the American worker lacks a work ethic." In fact, he was referring to the popularity of junk bond issues, and stated "I have always thought that such transactions reflected a lack of work ethic." See Shunji Taoka's editorial in *Aera*, February 25, 1992, pp. 15-17.

<sup>36</sup>Personal interview, Tokyo, July 1992.

and present instead one face to the outside world (often after laborious and time-consuming private consultations).

The heterogeneity of Japanese politics can be viewed from several angles: as debates among the government bureaucracy, political parties, the big-business community, and the relatively voiceless masses;<sup>37</sup> as debates within and among the political parties; and as debates among those whose political philosophies could be called "mainstream," "nationalist," and "pacifist." This third viewpoint seems most useful for understanding Japan's security relationship with the United States, but let us first briefly consider the other two aspects of Japanese political culture.

Japan's political culture is a collaborative product of the major political parties, especially the ruling Liberal Democratic Party, the government bureaucracy, and the business world. Each of these groups has its unique functions and interests, comparable with those found in their counterpart groups in the United States. To greatly simplify a complex situation, it could be said that politicians propose and pass laws that are good for business (and sometimes the rest of society), business supports those politicians who provide a favorable business environment, and the bureaucracy runs things. The Japanese political system does differ significantly in certain respects from the American system. The relationship between the three groups is relatively close, and the interests of other segments of society (e.g., consumers and minorities) receive less attention than they do in the United States. And perhaps most important, the Japanese prime minister is relatively powerless, because his position derives completely from his being the leader of a political party faction. Thus, policy must be made through a close collaboration of these three groups, with compromise and consensus needed every step of the way. This political decisionmaking system is not conducive to bold political initiatives.

If we concentrate only on debates within the world of political parties, we find that Japan has what has been aptly termed a "one-and-

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<sup>37</sup>On foreign policy conflict between politicians and the bureaucracy, see the following two articles by Robert Delfs: "Carrying the Can," and "Missing Links," *Far Eastern Economic Review*, July 18, 1991, pp. 18-20 and 20-21, respectively.

a-half party system."<sup>38</sup> The Liberal Democratic Party has been in power since its creation in 1955. The largest of the four serious minority parties is the Socialist Democratic Party of Japan, which under its former name of the Japan Socialist Party (JSP) challenged the LDP in 1990, but whose influence has since waned. The other parties are the Komeito ("Clean Government Party"), the Japan Communist Party (JCP), and the Democratic Socialist Party (DSP). While certain factions of the LDP sometimes need the support of one or more of these minority parties, for the most part Japanese politics consists of rivalries among LDP factions.

In fact, if there is ever to be a two-party system in Japan, many believe it will arise when an LDP faction bolts the party. As this report goes to press, Japanese voters have just given three such parties formed from LDP defectors, the Japan Renewal Party, Japan New Party, and Harbinger Party, enough votes to deprive the LDP of a majority in the lower house. The traditional opposition parties, however, did not benefit from the electorate's desire to send a message to the LDP that it was time for political reform.<sup>39</sup>

The unique strength of the Japanese political system is that, although it lacks a strong leader, the country has been "led" by the same party year after year, and that party has developed stable relations with the other power centers of Japanese society. Consequently, the LDP has been able to push through economic policies without seriously consulting with opposition parties or the general public. And the continuity of LDP rule means that national economic policies can be pursued for the long term without being subject to change after each election.

Beginning in the late 1980s, the Japanese political system has come under attack from the public and news media for at least two reasons. First, a series of bribery scandals has revealed that the problem of political corruption is endemic to Japanese politics and is not simply isolated incidents. Second, the economic recession into which Japan has fallen has caused the public to question their lead-

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<sup>38</sup>Scalapino, Robert A., and Junnosuke Masumi, *Parties and Politics in Contemporary Japan*, Berkeley: University of California Press, 1971, p. 53.

<sup>39</sup>*Yomiuri Shimbun*, July 19, 1993, p. 1.

ership.<sup>40</sup> The Japanese political system has been found wanting in at least three respects: (1) excessive closeness among business, the political parties, and the Japanese underworld; (2) over-reliance on heavy political financing, resulting in elected officials being placed under large obligations; and (3) inefficient electoral representation.<sup>41</sup>

Now let us turn to U.S.-Japan relations as viewed from the perspective of the mainstreamers, nationalists, and pacifists.

**Mainstreamers.** Within the government, mainstream thought characterizes the Ministry of Foreign Affairs (MOFA), the Defense Agency (DA) and the Self-Defense Forces, and the ruling Liberal Democratic Party. It is also voiced by conservative think tanks.<sup>42</sup> The main channels of communication for mainstream ideas are such widely read periodicals as *Chuokoron*, *Bungeishunju*, and *Voice*. The mainstream advocates the maintenance of the U.S.-Japan security alliance, and, to keep U.S. forces in Japan, this group is willing for Japan to carry more of the financial burden of the alliance. The other side of the coin is that they do not favor expanding Japan's defense forces in the near term.

However, not all mainstreamers are of exactly the same mind. Differences are based on professional affiliation. Businessmen tend to downplay the importance of Japan's military preparedness as long as the bilateral treaty with the United States remains in force and U.S. troops stay in Japan. This group most strongly favors Japanese burden-sharing to keep American forces in Japan. Quite simply, the alliance is seen as good for Japanese business. Businessmen are concerned about U.S. domestic economic debates regarding the "unfairness" of Japanese business practices. To keep the alliance firm, they are willing to make economic compromises in the form of market-opening measures, or in the new catch phrase coined by KEIDANREN [the Japan Federation of Economic Organizations], they

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<sup>40</sup>See Wood, Christopher, "Japan Blowup," *New York Times*, November 11, 1992.

<sup>41</sup>See, for example, Wolfe, Eugene L., "Japan's LDP Considers Electoral Reform," *Asian Survey*, Vol. XXXII, No. 9, September 1992, pp. 773-786.

<sup>42</sup>For example, the International Institute for Global Peace (IIGP) and the Research Institute for Peace and Security (RIPS).

desire *kyosei* [symbiosis] with the United States.<sup>43</sup> However, Japanese businessmen are not willing to bow to unlimited U.S. pressure to change the Japanese style of business.

Defense specialists—civilian and military officials of the SDF and research staff affiliated with the SDF think tanks—take a somewhat different stance toward Japan's defense orientation. These defense specialists argue that Japan should be upgrading its command, control, communications, and intelligence (C<sup>3</sup>I) and other basic defense equipment, not because of the possibility of U.S. troop withdrawal from Japan, but because of Japan's need to prepare for an independent defense. Many of these people assert the importance of enhancing channels of communication not only with the United States but also with South Korea to prepare for future cooperation against threats to the stability of the region.<sup>44</sup>

Government officials and LDP politicians stress the need to create a forum for security dialogue with the United States, both to avoid misunderstandings that would strain the security alliance and to enhance the effectiveness of the alliance. Some officials suggest the formation of a Japanese version of the U.S. National Security Council, to be attached to the office of the prime minister.<sup>45</sup>

The mainstreamers value the alliance not necessarily out of admiration or respect for the United States, but out of cool political calculation of what is best for Japan. Japan will need U.S. security support for the indefinite future for at least two reasons: first, because other nations' historic perception of Japan as a potential aggressor in Asia restricts Japan's rearmament options and, second, because without American support the nationalists might seize the opportunity to remilitarize Japan. Thus, Japan is caught between the legacy of World War II and today's abnormal condition as a militarily weak nation.

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<sup>43</sup>See Toyoda, Shoichiro, "Kyosei: Three Prerequisites," *KEIDANREN Review*, No. 137, October 1992, pp. 2-4; Ueda, Atsuo, "Kyosei—in Word, in Concept, in Practice," *KEIDANREN Review*, No. 137, October 1992, pp. 4-5.

<sup>44</sup>Based on our personal interviews with defense analysts in Tokyo, July 1992.

<sup>45</sup>Based on personal interviews with government officials and LDP members in Tokyo, July 1992.

In the aftermath of the Gulf War, an LDP ad hoc study group, chaired by former LDP Secretary General Ichiro Ozawa, was set up to examine Japan's role in the international community. The group's final report, released in February 1992, suggested that Japan's peace constitution be reinterpreted as advocating an "active" form of pacifism that would be consistent with Japan's use of force in international peacekeeping operations.<sup>46</sup> Such force would be used to achieve the constitution's goal of "an international peace based on justice and order." Since this goal cannot always be achieved by the use of economic power, Japan should contribute to international peacekeeping efforts in non-economic ways, as well, including the use of personnel. "Japan should not assume this [active] role in the international community only because other countries have asked it to do so . . . [s]ince the role is essential for realizing the ideals expressed in our own Constitution. . . ."

The report outlines the following measures that Japan can take to promote global peace and order:

- Strictly manage arms exports, and encourage other nations to do so as well.
- Allow the SDF "to play a full peace-keeping role" in the UN.
- Strengthen Japan's role in the UN, with the eventual goal of obtaining a seat on the Security Council.
- Participate in a future "UN army."

To pave the way for the use of Japanese personnel in foreign peacekeeping missions, the following steps must be taken: Japan's political system must be strengthened so that decisions can be made "in a timely fashion," the Self-Defense Forces Law must be revised to permit the participation of the SDF in foreign peacekeeping missions, and other nations must be assured that by pursuing a more active peacekeeping policy, Japan is not "disregarding [its] remorse for the last great war," but is instead acting *because* of that remorse.

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<sup>46</sup>The Japanese version of the draft report, entitled "Kokusai shakai ni okeru Nihon no yakuwari" ["Japan's Role in the International Community"], by the Special Study Group on Japan's Role in the International Community, LDP, was published in *Bungeishunju*, April 1992, pp. 132-145. The English version, from which the following quotations are taken, is from *Japan Echo*, Vol. XIX, No. 2, Summer 1992, pp. 49-58.

The Ozawa report has sparked debate within the LDP on the need to revise the constitution. The Ozawa recommendation that the constitution be "creatively reinterpreted" rather than revised has received limited support. Ozawa's "activist" position has been preempted by those who approve of Ozawa's ends but disagree with his means: They believe the constitution should be revised to make it more relevant to the post-Cold War era and to Japan's growing international stature—in particular, to allow Japanese forces to participate in UN peacekeeping operations.

The two most prominent advocates of revision in the LDP are Michio Watanabe, who, until illness forced his retirement, held the posts of deputy prime minister and foreign minister, and Hiroshi Mitsuzuka, head of the LDP's Policy Research Council. The simplest revision suggested is to insert a paragraph stating that the prohibitions of Article 9 regarding the use of force to settle international disputes do not apply if Japanese troops are employed as part of a UN peacekeeping force.

Prime Minister Miyazawa has resisted calls for a revision. In a January 1993 Diet interpellation, he repeatedly said that "there is no national consensus on the revision of the constitution." On the other hand, in the face of a strong movement in the Diet to consider revision, he diplomatically responded that "to have a full, daily discussion on the constitution without treating it as a sacred cow is the way of respecting it."<sup>47</sup> Miyazawa's lack of enthusiasm for constitutional revision may be rooted in his memories of the role of the Japanese military in leading Japan into World War II, or it may instead be a political consideration that it is better not to get ahead of the Japanese electorate on this issue.

The "revisionists" seem to have the momentum in the debate, but rather than make a public spectacle of intraparty disagreement, the LDP has sent the issue to a party committee. The LDP's Research Commission on the Constitution, which has met periodically since its creation in 1955, was reconvened in January 1993 to gather opinions about constitutional revision and provide a forum for debate. The 45-member panel comprises LDP members from all the major

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<sup>47</sup>See *Mainichi Shimbun*, January 26, 1993, Morning Edition, p. 2.

party factions, under the chairmanship of Yuko Kurihara, former director general of the Defense Agency and a member of the Miyazawa faction. In order not to bias the work of the committee (and presumably in deference to Miyazawa's position on the issue), Kurihara has conservatively stated that the commission "will not start from the premise that the constitution should be revised." Kurihara has gone on record as opposing Ozawa's proposal to "reinterpret" the constitution, and as committee chairman has taken the neutral position that "while there are some aspects that need to be amended, there are others which need to remain as they are."<sup>48</sup> The debate is likely to last for several years.

If, as seems likely, the peace constitution—originally imposed on Japan by the United States—is revised to permit a more active international military role for Japan, the United States and the international community will have to consult with the Japanese more seriously on the subject of peacekeeping activities, and the groundwork will have been laid for Japan to develop a defense capability that will render the military provisions of the U.S.-Japan Security Treaty less important in the future.

**Nationalists.** Although the nationalists are not affiliated with any significant institutional foundations or political parties, they are scattered as influential individuals throughout Japanese society. Nationalists see the post-Cold War era as a nonpolar world in which Japan must be ready to defend itself without relying on the United States, and the first task for doing so should be to revise the constitution, which prohibits Japan from using force against other nations. Their reactions to the Gulf War differ from those of the mainstreamers: They objected to Japan's effort to gain respect from other nations through financial contributions to the war. Most nationalists believe that the monetary contribution in place of military participation was foolish. They would have preferred that Japanese troops go into combat with UN forces.

Probably the best-known nationalist is Shintaro Ishihara, an LDP Diet member and writer who became internationally famous for his book *The Japan That Can Say "No,"* the original version of which was

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<sup>48</sup>Interview of Kurihara by Tadashi Sonoda, NHK Television, February 10, 1993; cited in *FBIS-EAS*, February 16, 1993, pp. 10-11.

co-authored with SONY chairman Akio Morita.<sup>49</sup> Ishihara subsequently expanded his part of the book into a second version entitled *The Japan That Can Firmly Say "No,"* co-authored with Keio University professor Jun Eto.<sup>50</sup> The third version, *The Japan That Can Still Say "No,"* was co-authored with Sophia University professor Shoichi Watanabe and political analyst Kazuhisa Ogawa.<sup>51</sup> Through these three volumes Ishihara has become a national and international celebrity, attracting an unusual amount of attention to Japan's foreign and security policy debate.<sup>52</sup>

The gist of Ishihara's argument is that Japan has merely followed America's lead in foreign policy since the end of World War II. It is now time for Japan to create an autonomous foreign and security policy, free from American dominance. Japan can create such policy without much difficulty, because it has better technology and a healthier economic system than the United States. For example, Japan can build an autonomous defense without relying on the United States because Japanese technology is more cost-effective and reliable than American technology. In Ishihara's view, Japan's blind submission to U.S. pressure to pay \$13 billion for the Gulf War was not only foolish but also a demonstration that Japan is an uncritical follower of misguided "American justice."

Ishihara's autonomous defense and foreign policy orientation certainly implies that Japan would either withdraw from the U.S.-Japan security alliance or insist on an equal partnership. However, he does not clearly spell out what Japan's future defense posture should be. He also emphasizes that it is not necessary to immediately sever the alliance with the United States. His attitude toward Japan's Asian neighbors is also less than clear, indicating a serious weakness in the nationalist position. While he insists that Japan should communicate more closely with its neighbors in Asia, he does not offer a de-

<sup>49</sup>Morita, Akio, and Shintaro Ishihara, *"No" to ieru Nihon* [*The Japan That Can Say "No"*], Tokyo: Kobunsha, 1989.

<sup>50</sup>Ishihara, Shintaro, and Jun Eto, *Danko "No" to ieru Nihon* [*The Japan That Can Firmly Say "No"*], Tokyo: Kobunsha, 1991.

<sup>51</sup>Ishihara, Shintaro, Shoichi Watanabe, and Kazuhisa Ogawa *Sore de mo "No" to ieru Nihon* [*The Japan That Can Still Say "No"*], Tokyo: Kobunsha, 1992.

<sup>52</sup>Yayama, Taro, "Ishihara Shintaro wa gaiko onchi" ["Ishihara Shintaro Is Diplomacy Folly"], *This Is Yomiuri*, September 1991, pp. 118-123.

tailed plan to help Japan achieve a new Asian diplomacy with those countries that still remember Japan's aggression during World War II.

Overall, it seems fair to say that Ishihara and other Japanese nationalists are trying to ride the wave of Japan's frustration with its inadequate foreign policy in the post-Cold War period. Yet they have not come up with a substantive strategy that is likely to win over the Japanese public, or foreign governments.

Another prominent nationalist, Jun Eto,<sup>53</sup> asserts that Americans see the Gulf War victory as a compensation for America's loss of the Vietnam War. He says it should be remembered that Japan paid \$13 billion for this victory, as well as providing the technology that went into many of the advanced weapons that the United States so successfully used. Eto and other nationalists see the Gulf War and Japan's ensuing "respect deficit" as one more reason to revise Japan's peace constitution to permit the dispatch of Japanese soldiers overseas.<sup>54</sup>

Eto contends that the United States is often in the wrong in the demands it places on Japan and in its illusion that it is the leader of a new world order. And he has criticized the American belief in the universality of its own social and political system; Japan, in his view, represents a separate socioeconomic model, which he is interested in protecting and promoting above all. Nationalists like Eto therefore see little ideological common cause between Japan and the United States.

**Pacifists.** The views of Japan's pacifists on rearmament have prevailed since the end of World War II; they have been groomed largely within the academic community and the SDPJ. Japanese academics, especially economists, are predominantly socialists, the Marxist tra-

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<sup>53</sup>See, for example, Eto, Jun, and Nagayo Homma, "Shimbei to hambei no aida: Nihonjin wa naze Amerika ga kiraika" ["In Between Pro-America and Anti-America: Why Do the Japanese Dislike America?"], *Bungeishunju*, June 1991, pp. 94-109.

<sup>54</sup>See, for example, Eto's "The Japanese Constitution and the Post-Cold War World," *Japan Echo*, Vol. 18, No. 3, Autumn 1991, p. 64. As for the interesting phrase, "respect deficit," although several of our Japanese interviewees used it, it appears to be an American invention: see Luttwak, Edward N., "The U.S.-Japanese Crisis," *Washington Quarterly*, Autumn 1992, p. 117.

dition having taken root in the early part of this century. Although Japanese government and business leaders claim that university professors do not have a strong popular influence, Japan's academics—far more than their American counterparts—enjoy the respect of the public in accordance with the Confucian tradition of “revering the literati and despising the military.”

The influence of Japan's opposition parties, on the other hand, has ebbed and flowed. These parties have functioned as the conscience of the Japanese citizenry, many of whom were concerned about preserving the honesty and simplicity of the Japanese tradition, rather than madly pursuing economic development. However, the opposition has failed to present any workable alternatives to the ideas of the LDP, and opposition politicians have increasingly been viewed as opportunists interested only in gaining political power for themselves. The recent revelations of the corrupt nature of the LDP have given the opposition a new lease on life, although the traditional opposition parties themselves are not immune to the charge of political corruption.

Pacifists have traditionally advocated that Japan make a contribution to world peace in an age of collective UN leadership by terminating its security treaty with the United States, supporting the United Nations as a global, nonmilitary force for peace, maintaining the Japanese peace constitution, and reducing Japan's military capabilities. The main channels of communication for the pacifists are liberal journals such as *Sekai* and major newspapers such as *Asahi Shimbun* and *Mainichi Shimbun*.

Many of the less radical pacifist views are widely held among the electorate, especially by women.<sup>55</sup> The pacifists believe that, in response to the criticism that Japan received for its lack of active participation in the Gulf War, Japan should actively pursue a nonmilitary role in world affairs. According to Yoichi Funabashi,

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<sup>55</sup>In a poll taken by *Nihon Keizai Shimbun* in late January 1991, 57 percent of Japanese men but only 25 percent of Japanese women supported the use of force by the U.S.-led coalition in the Gulf. See Delfs, “Carrying the Can” (1991). Similarly, the *Asahi Shimbun* poll on attitudes toward PKO participation in Cambodia showed 63 percent of Japanese men in favor and 30 percent opposed; but only 42 percent of women in favor, and the same percentage opposed. See *Asahi Shimbun*, September 28, 1992, Morning Edition, p. 1.

The widespread perception that the Gulf War actually underscored the supremacy of military power should not alter Japan's strategy of acting as a global civilian power. Japan should still search for various avenues to enhance its political power through economic strength, not military might.<sup>56</sup>

An interesting argument presented by one of the best-known pacifist scholars, Motofumi Asai, is that the United States no longer has the military capability to play the role of world stabilizer, because the United States is not financially strong enough. In his view, this is just as well since Japan needs neither a stabilizer nor, for that matter, the security treaty.<sup>57</sup>

A noted SDPJ Diet member has made the following two points about the U.S.-Japan relationship and Japan's responsibility as a sovereign nation. First, whereas it is true that the security treaty played a constructive role in the sense that it made it unnecessary for Japan to expand militarily (and acquire nuclear weapons), Japan's relationship with the United States has been governed too much by military considerations. In the future, the military aspect should become less important.

Ironically, as the United States withdraws its forces from the Philippines, it is transferring some of those forces to Japan. Because of its financial, social, and economic problems, the United States is now trying to involve Japan as a subsidiary partner in its global military power. Japan's peacekeeping forces are in Cambodia and may be asked to go elsewhere, which essentially violates Japan's peace constitution. Instead of sending troops into combat, the pacifists believe that Japan has to remain a peaceful power and convince its neighbors that it is not a future military threat.<sup>58</sup>

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<sup>56</sup>Funabashi, Yoichi, "Japan and the New World Order," *Foreign Affairs*, Vol. 70, No. 5, Winter 1991/92, p. 59. A similar sentiment is expressed by Motofumi Asai, "Pacifism in a New International Order," *Japan Quarterly*, Vol. 38, No. 2, April-June 1991, p. 131. Funabashi is one of the "less radical" pacifists in that he does support the U.S.-Japan security treaty.

<sup>57</sup>Asai, Motofumi, "Reisendeki shiko o doo seisansuruka" ["How Do We Liquidate the Cold War Era Thinking?"], *Sekai*, September 1992, pp. 218-231.

<sup>58</sup>Personal interview, Tokyo, July 1992.

The second point involves one of the most striking differences between mainstreamers and pacifists: their attitude toward the history of Japanese imperialism. The mainstreamers do not see any particular need to offer a systematic apology for Japan's past errors in order to regain the trust of its Asian neighbors, although they pay lip service to this effort. Pacifists believe that to acknowledge and apologize for the past are important for both the Japanese people and their neighbors.

Since the 1960s, when the pacifists were most active, public sympathy for their more extreme views has dwindled. The SDPJ has been unsuccessful in rejuvenating the 1960s anti-security treaty sentiment, and in its search for votes no longer insists on the abrogation of the treaty. In a February 1993 interview with the *Mainichi Shimbun*, SDPJ Chairman Sadao Yamahana admitted that in order to get more votes, the SDPJ must become more realistic and less idealistic. "We are calling for reducing the Self-Defense Forces, but we cannot immediately deny the existence of the SDF itself." And rather than rule out the possibility of revising the peace constitution, Yamahana seems to be taking a reluctant position similar to that of Miyazawa.<sup>59</sup>

#### ARE JAPANESE AND AMERICAN SOCIETIES CONVERGING?

The future shape of the U.S.–Japan security relationship will be determined not only by the balance of Japanese political views on the need for such a relationship but also by more basic factors relating to the similarity of Japanese and American societies. Throughout the Cold War, both Americans and Japanese argued that the two countries shared similar values in their commitment to liberal democracy and to market-oriented economic policies. In the absence of a common Soviet threat, those common values and institutions will become the main glue holding the two allies together. To the extent that Japan believes it is an American-style democracy and converges de facto with the United States as a society, the more likely it is that the two countries will see things in a similar manner and sustain a high level of trust and cooperation. On the other hand, if Japan in-

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<sup>59</sup>See *Mainichi Shimbun*, February 4, 1993, Morning Edition, p. 2.

creasingly diverges from the United States by developing and promoting a series of uniquely Japanese (or Asian) political and economic institutions, the more likely it is that the common sense of purpose will be lost. Without convincing shared security interests under such circumstances, the security relationship itself may be in jeopardy.

The level of mutual bad feelings between the United States and Japan in the economic relationship is already quite high and has threatened to poison the security relationship. In general, American policymakers have suggested two broad approaches for overcoming these economic differences. The first is for America to "clean up its act" and begin behaving more like Japan. That is, the United States should focus more single-mindedly on restoring its economic competitiveness by correcting its federal budget deficit, increasing its savings rate, improving its educational system, funneling more money into investment and high-technology research and development (R&D), making its workers work harder, etc. These are all worthy and broadly shared objectives, and the Clinton Administration has warmly embraced them. However, political constraints in the United States prevent rapid or dramatic progress in achieving them. In the meantime, Japan's trade surpluses with the United States continue to accumulate.

The second alternative approach is to make Japan more like the United States—that is, to empower Japanese consumers (thereby, it is hoped, increasing the market for U.S. goods while reducing the pool of Japanese savings feeding cheap credit), to increase government purchases of (it is hoped, American) goods and services, and generally to increase the power of individuals in the expectation that they will seek "quality-of-life" goals rather than pursue economic competition so single-mindedly. This was the logic behind the Structural Impediments Initiative (SII), which sought to go beyond trade talks and actually change Japanese social behavior in ways that would presumably be helpful to American business.

Underlying SII, and therefore much of American policy toward Japan, was the expectation that a broad social convergence between Japan and the United States was taking place anyway as the country modernized economically. The Japanese trade surplus and its accompanying frictions were held by many to be transitional phenom-

ena that would gradually disappear as Japanese economic behavior began to resemble that of the United States. And to the degree that American policymakers despaired of undertaking structural reforms to make the United States "more like Japan," this assumption of ultimate convergence became less a hope than a requirement for the long-term health of the relationship. The issue of whether Japan is converging with or diverging from the United States is therefore not merely an issue for academics and social scientists, it is of acute interest to U.S. policymakers as well.

With respect to divergence, a remarkable change has occurred in Japanese attitudes that does not bode a positive future for the U.S.-Japan alliance. In the early days of the Cold War, when the memory of Japan's defeat in World War II was still fresh, a common assumption both in the United States and in Japan was that there would be a broad convergence of Japanese and American societies over time. This was the hypothesis of modernization theory, the reigning social science doctrine of that time, and it was broadly accepted by many Japanese who felt acutely inferior to the United States.<sup>60</sup> Not only did Japan accept an American-written postwar constitution, but it anticipated "catching up" with the United States across the board by adopting American business practices, political institutions, cultural norms, and social structures. Many Japanese felt somewhat embarrassed by aspects of their society—its lack of democratic participation, the power of informal social groups, the inferior status of women, the habitual deference to authority of the Japanese people—and hoped that these characteristics would erode over time.

There has, in fact, been a degree of convergence between Japan and the United States and other Western industrialized democracies over the past 40 years. Japanese society is more diverse, complex, and (to a degree) individualistic than it was in the immediate postwar period.<sup>61</sup> Greater affluence and exposure to the West have led to a

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<sup>60</sup>See Dore, Ronald P., *British Factory, Japanese Factory*, Berkeley: University of California Press, 1973, p. 301; and Miyanaga, Kuniko, *The Creative Edge*, New Brunswick, N.J.: Transaction Books, 1992, p. 1.

<sup>61</sup>On this subject, see Miyanaga (1991). The primary example this author takes to illustrate growing individualism in Japan is the fashion industry and other small "niche" sectors. Overall, it does not amount to a very impressive trend, and it is contradicted

fraying of traditional Japanese values, particularly among young people who grew up entirely during Japan's period of postwar prosperity.<sup>62</sup> On a cultural level, it is still the case that the Japanese show a strong taste for Western movies, books, music, clothes, and advertisements. There is, as already indicated, a great deal of unhappiness about the closed nature of the Japanese political system, the corruption of its "money politics," and suppressed demand for expansion of rights from such "out" groups as consumers and women.

But it is possible, on the other hand, to see completely opposite tendencies, particularly in the growing belief that Japan represents a special and superior model of socioeconomic modernization.<sup>63</sup> The primary reason for this shift has been, understandably, the high sustained rate of economic growth that Japan has achieved in the past four decades. Just as in the case of "revisionist" analysis in the United States, many Japanese observers have come to understand this success not as being a result of the adoption of certain universal economic practices, such as market-oriented policies, but rather because of the peculiar features of Japanese capitalism that distinguish it from its American and European counterparts. These observers would tend to argue that Japan is not just another Western-style capitalist democracy but has achieved a new kind of synthesis based on Japan's non-Western, premodern social and cultural traditions. This view is not at all hostile to modernity; indeed, it would argue that Japan is better able to achieve the highest levels of technological

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by many of the data she provides about the strength of traditional, hierarchically organized groups.

<sup>62</sup>Common in Japanese social commentary for the generation that grew up during the war and the postwar reconstruction are complaints about the decline of work habits, self-discipline, and the like among the younger generation. See, for example, Kazuo, Ijiri, "*Rikuruto no mo hitototsu no hanzai*" ["The Breakdown of the Japanese Work Ethic"], *Shokun*, October 1990, pp. 174-184.

<sup>63</sup>Miyanaga cites an interesting example of this belief in describing the fate of the sociologist Chie Nakane in the 1970s. Nakane, a British-trained social scientist, wrote her now-famous *Japanese Society* as a critique of the hierarchical, group-oriented nature of Japanese social organization. Her hope and expectation were that these structures would give way to more Western, democratic ones that stressed "horizontal" relations among individuals of more or less equal social status. Her concept of Japanese groupism, however, was interpreted by many of her Japanese readers not as an indictment of Japanese society but, rather, as a description of one of its unique virtues; it subsequently became the basis for later attempts to explain Japanese economic success. See Miyanaga (1991), pp. 55-56.

modernity because it has been able to preserve so much of traditional Japanese culture.

In contrast to the earlier emphasis on Japanese "uniqueness," many Japanese nationalists today believe that Japan can serve as a distinct, non-Western model of socioeconomic development having relevance to the rest of Asia and, perhaps, the world at large. This belief has, in turn, provoked sympathetic responses from some parts of Asia: In Korea, for example, a deliberate attempt has been made to create a dominant political party modeled on the LDP; in Singapore and Malaysia, there has been talk of an "Asian" model, combining market economics and a Confucian-based "soft" authoritarianism of a sort said to underlie Japanese politics. The appeal of the Japanese model clearly forms the ideological groundwork for recent Japanese attempts to "re-Asianize" its foreign policy.

Over time, this stress on Japan's special economic model has broadened into a critique of Western and, specifically, American, society as a whole. Many Japanese observers of the American scene would argue that, if there is any central social problem, it is that the United States suffers from an excess of individualism: It overemphasizes the rights of individuals or particularistic groups that place their own interests over those of the broader community. It is this stress on individual rights that, in Japanese eyes, ties together the varied American social problems of crime, drugs, homelessness, racial animosity, family breakdown, and the like.

This was precisely the criticism that characterized the Japanese response to the Los Angeles riots of April 1992. Commentary on the riots, which was uniformly devastating to the United States throughout all of Asia, emphasized the hypocrisy of America's championing of human rights around the world and the apparent lack of rights in its own minority communities. But, in addition to this strain of criticism, there was another, more ominous one: America's problem, according to certain Japanese observers, was not that it excluded minorities but that it attempted to be a multiracial, multiethnic, and multicultural society in the first place. In the opinion of such critics, Japan's particular virtue is not its greater openness but its cultural and racial homogeneity, which allows it to achieve collective social ends not possible in so diverse a society as that of the United States.

All the above factors do not imply that Japan is today diverging from the United States in its social structure or overall ideology. The trends in such a complex and dynamic society are themselves necessarily complex and multifaceted, and it would be perfectly possible for Japan to continue to converge with the United States on a social and economic plane while diverging in other respects. The main implication of the above factors is that the old assumption about more-or-less automatic convergence being a by-product of economic modernization will not necessarily hold true. It is perfectly possible that the view of Japan as a unique and superior society, distinct in its social structure and political institutions from Western democracies, will grow.

Today, such views are primarily the province of a relatively small group of conservative nationalists, with those in the mainstream listening but not necessarily believing. But if Japanese economic performance continues to outstrip that of the United States and other industrialized democracies, and if there is no serious effort to grapple with major American social problems, then it is possible that such views could become much more widespread. Needless to say, if a majority of Japanese came to believe that *their country is not* another Western liberal democracy sharing a set of common, fundamental values and institutions, then the possibility of maintaining a cohesive security relationship over the long term will become more difficult, even if the kinds of strains that it would come under cannot be predicted precisely.

#### **THE FUTURE OF THE U.S.-JAPAN SECURITY RELATIONSHIP AFTER THE COLD WAR**

In the preceding sections we have considered the major international factors that are shaping Japan's foreign policy today and the nature of the political establishment in Japan that will decide on a future course of action. We now try to look into the future to consider Japan's major security options in the form of a range of scenarios of cooperation and independence for the United States and Japan.

## Scenarios

In 1988, Takashi Inoguchi offered four world security scenarios for the next 25 to 50 years, as seen by the Japanese.<sup>64</sup>

**Pax America, Phase II.** His "Pax America, Phase II" is a slight exaggeration of the present world order as viewed by most people, "whereby the United States would retain its enlightened hegemony and control the direction of world development." In this scenario, Japan's role would be to support the United States by economic means. The likelihood of this scenario being realized depends heavily on whether the United States can preserve its lead in science and technology, and maintain the open trading relations with other nations (especially Japan) that are necessary to fuel continued American economic progress.

**"Bigemony."** An extension of Pax America, "bigemony" sees the two economies becoming so closely intertwined that future security efforts (with Japanese technology being used for weapon development) are better coordinated and more closely approach equality, and economic differences between the two nations are overcome. For bigemony to be realized, the traditional pacifism of Japan would have to be relinquished, and, consequently, the suspicion and fear of Japan that some of Japan's Asian neighbors harbor would have to be addressed as Japan gains greater world power.

**"Pax Consortis."** In this scenario, each major world power will form coalitions with other powers in a multipolar world. Japan will use its "quiet economic diplomacy in forging coalitions and shaping policy adjustments among peers, no one of which is predominant." This form of world structure is unlikely to develop as long as a few nations have a monopoly on nuclear weapons, because those nations will continue to hold the military balance of power.

**"Pax Nipponica."** In this fourth scenario, "Japanese economic power reigns supreme." Japan takes on a role similar to that of the British during the nineteenth century, using its formidable economic power to act as a balancer among world powers. As with "Pax Consortis,"

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<sup>64</sup>Inoguchi, Takashi, "Four Japanese Scenarios for the Future," *International Affairs*, Vol. 65, No. 1, Winter 1988/89, pp. 15-28.

Japan could not hope to become a preeminent power unless all nations abandoned nuclear weapons, or Japan gained them, or a means of neutralizing them was found. Further, Japan could not hope to become the world leader unless it achieved what the United States needs in order to hold on to its place as the world leader—scientific and technological leadership.

Inoguchi believes that, in the next 25 years, one of the first two scenarios is most likely, because they are continuations of the present situation; he sees a possibility of a Pax Consortis in the more distant future.

More recently, Hideo Sato<sup>65</sup> has offered four self-explanatory scenarios, three of them resembling Inoguchi's: (1) Pax America Restored, (2) Pax Nipponica, (3) Competing Economic Blocs, and (4) U.S.-Japan Joint Leadership. The inclusion of the third scenario reflects the rise of economic trading blocs within the last few years. Sato believes that the fourth scenario would be the most desirable for Japan.

Let us consider one more specific scenario, one that envisions a breakup of the U.S.-Japan relationship. Yukio Okamoto has presented a scenario that would be favored by many of Japan's nationalists.<sup>66</sup> In this scenario, the United States and Japan are on a collision course. There is growing evidence of a broad "emotional friction" [*kanjo no atsureki*] in the relationship, and Japan may not want to maintain an alliance with the United States. Consequently, Japan needs to build its defense capabilities to match its economic capabilities.

The scenarios that we have considered fall, predictably, into two broad categories. On the one hand, the United States and Japan might continue to work closely, perhaps more closely than now, to ensure their mutual security and peace in the world. Inoguchi's first and second scenarios, and Sato's first and fourth scenarios fall into this category. On the other hand, the two nations might drift apart,

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<sup>65</sup>Sato, Hideo, "Four Japanese Scenarios for the Future," *International Spectator*, Vol. XXVI, No. 3, July-September 1991, pp. 75-102.

<sup>66</sup>Okamoto, Yukio, "Ningen kankei to shite no Nichi-Bei kankei" ["The Japanese-American Relationship as Human Relations"], *Chuokoron*, July 1991, p. 155.

as in Inoguchi's third and fourth, Sato's second and third, and the nationalist scenarios.

The first category of scenario is the more likely, for it is a prediction based on many years of security cooperation between Japan and the United States. Japan has limited means of defending itself against major power aggressors or an unpredictable security threat; public opinion and its peace constitution act as barriers against rearmament; the government has little experience in conducting a foreign policy independent of the United States; the Japanese generally like and respect Americans; and Japan does not have any real allies other than the United States.

But there are also reasons to predict change, for the most part reasons of more recent vintage. The Cold War threats appear to be gone; the Japanese were unhappy with the limited role they were able to play in the Gulf War; Japan's economic power has grown; trade friction with the United States has become more intense; many Japanese feel it is time to become a more normal nation in terms of creating an independent foreign policy; respect for the United States as an economic power and an admirable society is declining; and the United Nations is growing in importance as an international guarantor of a nation's security.

For the second category of scenario to be tenable, it is likely that Japan will need an alternative to the United States as a security partner: In its present form, the United Nations is not yet a reliable guarantor of a nation's security. This need brings us to the topic of Asian regionalism—an alternative to maintaining a close security relationship with the United States.

### **Asian Regionalism as an Alternative for Japan**

Japan is searching for a proper role to play in the changing world and for a secure future in the twenty-first century. While no one in the Japanese political mainstream contemplates the possibility of severing Japan's security relationship with the United States in the foreseeable future, no one has complete confidence in the future stability of that relationship, either. Does Japan have any escape route should it find itself on a collision course with the United States, or is there anywhere to turn if the Americans someday decide (perhaps for do-

mestic reasons) to withdraw their protection from Asia? Many leading Japanese suggest a re-Asianization of Japan as a possible solution, and signs of this phenomenon are beginning to emerge in the form of discussions on expanded and proposed Asian regional groupings.

During the Cold War, East Asia was an amalgam of nations aligned with the East or the West, or nominally nonaligned. With the end of the Cold War, the distinction between East and West has broken down. Although no new groupings have yet bridged the old Cold War gap, it is only a matter of time before this happens. The Association of South East Asian Nations (ASEAN) has been a relatively successful model of political regionalism and is still evolving from its original goal of preserving the territorial integrity of its members.<sup>67</sup> Membership has traditionally been limited to non-communist states, but in 1984 Indonesia proposed that Vietnam be considered as a potential member. In 1991, Thailand was given the nod by ASEAN to open dialogue with the Indochina states as a sign of ASEAN's desire to transform itself from a subregional organization into a truly regional one. On January 1, 1993, ASEAN also agreed to begin working toward the establishment of a free-trade area. The ASEAN Post-Ministerial Conference (PMC), a "summit conference" of Asia's wise men, has been meeting periodically for several years.

The other Asian-Pacific forum now in existence is the Asia-Pacific Economic Cooperation (APEC) group, an exclusively economic grouping composed of Canada and the United States, along with virtually all the East Asian economies, including China.<sup>68</sup> Established in 1989, APEC has yet to develop into much more than a forum for discussion.

Two other Asian forums have been proposed. In 1990, Malaysia's Prime Minister Mahathir proposed the formation of an exclusively Asian economic forum, called the East Asian Economic Caucus

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<sup>67</sup>In 1992 ASEAN members were Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand.

<sup>68</sup>APEC members as of 1992 include Australia, Brunei, Canada, China, Hong Kong, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, Thailand, and the United States. The following states have applied for membership: Argentina, Ecuador, Chile, India, Mexico, Mongolia, Pakistan, Papua New Guinea, Peru, and Russia.

(EAEC), which would include the East Asian nations but exclude Australia and New Zealand, as well as the United States. The EAEC was proposed as an economic forum consciously organized to guard against protectionism from the world's other two leading economic trade areas, the European Community (EC) and the North American Free-Trade Agreement (NAFTA) bloc. The other suggested grouping was intended as a security forum. In 1990 South Korean President Roh Tae Woo proposed a 2+4 forum (the two Koreas, China, Russia, Japan, and the United States) to discuss issues such as the stability of the Korean peninsula.

Nothing has yet come of either of these proposals. Roh's proposal seems to have fallen on deaf ears, and when Washington got wind of Mahathir's EAEC proposal, Secretary of State James Baker sent off a letter to Prime Minister Miyazawa discouraging Japan from joining an exclusively Asian group, on the grounds that regionalism was not good for world trade. Since the United States was at the same time pushing to include Mexico in NAFTA, Baker's letter sent another message to the Japanese: The United States was opposed to groups in which it could not be a member. Moreover, many in Japan felt that this was yet another example of America's desire to shape Japan's foreign policy. Nevertheless, the Japanese told Mahathir that the EAEC proposal was premature.

Since at least 1991, the Japanese have been rethinking their position. Tokyo became alarmed when President Bush suggested in a campaign speech that NAFTA be extended to include some of the Asian nations, and a U.S. trade official listed Hong Kong, Singapore, Taiwan, Australia, and New Zealand (but not Japan) as possible candidates.<sup>69</sup> Although NAFTA is an economic rather than political agreement, the exclusion of Japan carries implications for Japan's security, because a nation's security is closely tied to its economic health.

Japan has yet to commit itself to any security forum other than the U.S.-Japan security alliance. But mixed signals are coming out of Tokyo. In a September 1992 press conference, Kozo Watanabe, the head of Japan's Ministry of International Trade and Industry (MITI),

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<sup>69</sup>According to a KYODO News Service report, October 18, 1992; cited in *FBIS-EAS*, October 19, 1992, pp. 2-3.

reportedly voiced Japanese disapproval of using APEC as a security forum.<sup>70</sup> Yet, in a November 1992 speech given in Washington, Prime Minister Miyazawa said it was important to construct a "comprehensive framework for political talks" that would include China and Russia. A Japanese government source interpreted Miyazawa's remarks as referring to the use of currently existing forums such as the PMC and APEC for such political talks.<sup>71</sup> In a typically Japanese expression of caution, one writer has urged the Japanese government to be more discreet in its foreign-policy debates:

If Japan does not trust the U.S. pledge to maintain its military commitment, or if Japan is to consider the necessity of a multilateral security system in order to frame a long-term strategy that takes the 21st century into account, Japan should carry out such a project within its governmental ranks, or through the use of a think tank so as not to attract attention.<sup>72</sup>

The end of the bipolar world makes an Asian regional security structure more thinkable, but it is still very difficult to conceive of such an arrangement serving as anything more than a discussion forum. Unlike Europe, which has developed strong regional organizations (EC, NATO, and the CSCE), the cultural, political, and ethnic heterogeneity of Asia militate against any similar regionalism there. The major threats that Japan might face in the post-Cold War world would come from such states as China or a unified Korea, which would presumably be charter members of the new regional security structure. *One of the most powerful arguments for the maintenance of the U.S.-Japan security relationship after the Cold War is precisely the difficulty of envisioning a plausible alternative.*

While not wanting to end the relationship with the United States, a number of Japanese strategic thinkers have begun to consider moving beyond purely economic forms of regionalism, such as APEC or the EAEC, to an actual regional security organization as a hedge

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<sup>70</sup>See *Nihon Keizai Shimbun*, September 15, 1992, Morning Edition, p. 5.

<sup>71</sup>See Tomiyama, Yasushi, "Doubts About Asian Security Plan Advocated by Prime Minister Miyazawa," *Chuokoron*, November 1992, pp. 78-79.

<sup>72</sup>Tomiyama (1992), p. 78.

against deterioration of the U.S.-Japan relationship. Those who have thought along these lines are aware of the enormous difficulties creating such an organization would entail, not only in determining the membership and nature of the organization, but in overcoming the legacy of distrust in the region that would greet any Japanese effort to break free of the American relationship and organize Asia as a separate bloc.

One of the strategic thinkers interviewed suggested, therefore, that such an organization could only come into being with American blessing and diplomatic support. Others have observed that Asian regionalism would require a much more honest and repentant attitude on Japan's part toward its World War II victims than was reflected in the grudging and partial acknowledgments made in 1992 concerning guilt for Korean "comfort women" during the war.<sup>73</sup> For, only if Japan forthrightly eschews its imperialist past can it even begin to conceive of playing a political leadership role in Asia free of the charge that it is seeking to reconstruct the Greater East Asia Co-Prosperty Sphere, the euphemistic term the Japanese gave to describe their World War II occupation of other East Asian nations.

European regionalism is supported by the common history and culture of European societies, and in a similar way there has been an effort in Japan and other parts of Asia to deliberately create a common, supranational Asian identity. In Asia, considerable interest has been expressed in taking Japan as a model for successful economic modernization in order to avoid what are commonly seen as the pitfalls of American democracy. A common Asian cultural identity would include characteristics such as respect for authority, emphasis on economic growth rather than ideology or human rights, and strong community-oriented societies—characteristics said to be shared across such diverse countries as China, Japan, the Koreas, Singapore, Thailand, and Malaysia. Given the very real differences between these societies, such an Asian identity seems rather implausible; however, the effort to create such an identity is

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<sup>73</sup>The Japanese army forced tens of thousands of foreign women to serve as prostitutes to the troops during the war. See, for example, Hicks, George, "Ghosts Gathering," *Far Eastern Economic Review*, Vol. 156, No. 7, February 18, 1993, pp. 32-36.

revealing and points toward rejection of Western models in general and the American model in particular.

It is, of course, both premature and counterproductive for either the Japanese or Americans to talk about some form of Asian regionalism as an alternative to the U.S.-Japan alliance. Nonetheless, we believe that it is important for Americans to track the development of the cultural and economic manifestations of Asian regionalism as early indicators of impending strategic and geopolitical change. Obviously, such a massive shifting of the geopolitical "tectonic plates" would not come about overnight: Before there could be a regional Asian security organization involving Japan, there would have to be a much higher degree of trust and integration between Japan and its potential partners. Thus, economic regionalism, represented by the EAEC proposal, has a significance that goes beyond trade and investment policy, and should be of interest to strategic policy-makers as well.

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**THE U.S. REASSESSMENT**

As a result of the changes outlined in Chapter Two, the United States will have to make a number of adjustments in its relationship with Japan. However, a fundamental reconsideration of the security relationship as a whole is not warranted: The U.S.-Japan alliance is and will be, for the foreseeable future, the basic underpinning of security for Asia as a whole. Virtually no country in the region has any wish to see it change.

Where a reassessment does need to take place, however, is in how the United States is to view defense policy in light of the larger economic competition vis-à-vis Japan. Within the framework of the security relationship, the United States can no longer segregate defense cooperation from economic competitiveness.

**THE U.S.-JAPAN SECURITY RELATIONSHIP AND  
ECONOMIC COMPETITIVENESS**

The connection between national security and economic competitiveness in U.S.-Japan relations is fraught with emotion. Within the American policy community, large theoretical disagreements abound between those who argue that retaining certain commercial manufacturing capabilities within the territorial boundaries of the United States and under the ownership of U.S. firms is crucial to American national security, and others who say the United States should be indifferent to both the geographical location of production and the nationality of ownership of industrial facilities in the United

States.<sup>1</sup> And there are disagreements concerning the degree to which defense cooperation in the form of technology transfer will have spillover effects in the U.S.-Japan economic competition. All these concerns came to a head in 1989 over the FSX co-development deal with Japan [the FSX is a new Mitsubishi fighter derived in part from the U.S. F-16C/D], when the FSX Memorandum of Understanding (MOU) negotiated by the Departments of State and Defense under the Reagan Administration had to be renegotiated under heavy pressure from the Commerce Department and Congress.

Our purpose in this report is not to delve into whether the preservation or promotion of certain manufacturing capabilities, such as those for machine tools or automobiles, whose purpose is primarily commercial, is in the national security interest of the United States. The answer to this question will depend on a series of prior assumptions about the nature of both national security and economic welfare that are well beyond the scope of the present study. Our purpose, rather, is to identify the way in which economic considerations affect narrowly understood defense issues, that is, the development and production of weapons.

Even the most orthodox believers in the "free market" will admit that the market cannot be supreme when it comes to the acquisition of defense goods: The United States would not, presumably, contract out the production of MX missiles and their warheads to Japan or Germany, even believing that doing so could substantially lower their acquisition costs or improve their quality. Indeed, defense is one of the few areas of economic activity for which all would agree that the geographical location of production and the nationality of the producer do matter. Those most opposed to an "industrial policy" for the United States as a whole would be the first to admit that the defense budget constitutes an enormous, if unavoidable, industrial

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<sup>1</sup>For a review and evaluation of some of these arguments, see Neu, C. R., "Economic Security, Economic Interests, and Economic Threats to U.S. National Security," Paper prepared for the conference on The Economic Dimensions of National Security, RAND, Santa Monica, Calif., February 7-8, 1992. See also Friedberg, Aaron L., "The Changing Relationship Between Economics and National Security," *Political Science Quarterly*, Vol. 106, No. 2, Summer 1991, pp. 265-276, "The Political Economy of American Strategy," *World Politics*, Vol. 41, No. 3, April 1989, pp. 381-406, and "The End of Autonomy: The United States After Five Decades," *Daedalus*, Vol. 120, No. 4, Fall 1991, pp. 69-90.

policy, in which the state rather than the market determines the nature of economic activity.

### **Compartmentalization of Defense and Trade Issues**

Traditionally, those agencies responsible for maintaining the U.S.-Japan security relationship, the Department of State and the Department of Defense (DoD), have, in formulating policy, sought to keep defense-related issues rigidly separated from trade conflicts. The rationale for this compartmentalization was clear: Both departments believed that the threat from the Soviet Union and other communist states in Asia was a real and present one, and did not want decisions about force structure, roles and missions, and the like, to become excessively politicized. The intrusion of domestic interest groups either in the United States or Japan does not make for the procurement of better weapons. Such intrusion has led to an equally traditional deadlock in the interagency process, in which State and DoD habitually lined up against Commerce and the Office of the U.S. Trade Representative (USTR) on military technology-transfer issues. This deadlock could only be broken by the president or, more typically, in a rancorous negotiation involving the different parts of the executive branch and Congress.

Whereas compartmentalization of defense issues is clearly desirable from the standpoint of operational readiness, it is questionable whether its continuation is any longer realistic, for several reasons. First, the end of the Cold War means that the former imperatives for rapidly increasing Japan's operational capabilities are no longer there; economic issues have now been thrust to the forefront of national attention. The United States, of course, has an important interest in remaining a loyal and supportive ally of Japan, but it is not clear why it is any longer a critical U.S. national interest to promote a high level of Japanese defense preparedness when doing so may come at the expense of domestic U.S. economic interests.

Second, as the FSX deal indicated, the political climate in the United States engendered by continuing Japanese trade surpluses means that Congress will force administrations to pay attention to economic consequences of major military cooperation programs with Japan, whether they want to or not.

Thus, although it is DoD's responsibility to formulate the strategic rationales for such programs, such rationales are not the only issues that will shape *national* policy.

Third, many observers have pointed out that a fractious and uncoordinated interagency process is itself a source of weakness in America's dealings with Japan and other allies, since the internal disharmony permits external parties to ally themselves with domestic political factions. Clearly, greater consensus on the part of the executive branch would strengthen its own negotiating position, both vis-à-vis Congress and in dealing with Tokyo.

#### **Overlap of International Security and Economic Competitiveness: Four Issues**

The following are four broad ways in which issues of international security overlap with questions of economic competitiveness, and which have special importance for the U.S.-Japan relationship:<sup>2</sup>

- *Spin-off*, which is the migration (or planned transfer) of technology from the military to the commercial sector
- *Spin-on*, which is the reverse of spin-off, is the migration of commercial technologies to the military
- *Direct foreign investment* in the U.S. defense industrial base by Japanese firms
- *Component dependence on foreign suppliers*, in this case, Japanese-owned suppliers, particularly those physically located outside the United States.

We analyze each of these issues and its significance for both commercial competitiveness and defense policy, in turn.

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<sup>2</sup>For an overview of efforts to relate defense spending to general economic performance, see Chan, Steve, "The Impact of Defense Spending on Economic Performance: A Survey of Evidence and Problems," *Orbis*, Summer 1985, pp. 403-434.

## SPIN-OFF AND THE POTENTIAL FOR TECHNOLOGY TRANSFER TO JAPAN

### Spin-Off and Aerospace

In the early post-World War II period, a number of important technologies were developed for or by the military and were subsequently "spun off" into successful commercial applications. They included radar, nuclear power generation, computers and semiconductors, and aircraft. The Department of Defense, for example, concerned that supplies of semiconductors were inadequate after their invention by Bell Laboratories in the late 1940s, directly promoted the commercialization of semiconductor technology by financing the building of excess semiconductor-manufacturing capacity. Later, as integrated circuits were being developed in the late 1950s, DoD similarly stepped in to promote their large-scale production. This period corresponded to one in which American semiconductor manufacturers dominated world supply for these products.<sup>3</sup>

The dominant American commercial aircraft industry can, in many respects, be seen as the beneficiary of substantial spin-off from the military and government work that has always constituted a large part of the aerospace business.<sup>4</sup> In its early days, basic research into aeronautics was supported by the National Aeronautics and Space Administration (NASA), as well as by NASA's predecessor, the National Advisory Committee on Aeronautics (NACA).<sup>5</sup> Many commercial transport designs were in fact "dual use," for example, the Boeing 707 that shared a common airframe with the KC-135 tanker. The high-bypass turbofan engine, used on a variety of wide-

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<sup>3</sup>On the military's role in the early days of the semiconductor industry, see Stowsky, Jay, *From Spin-Off to Spin-On: Redefining the Military's Role in Technology Development*, Berkeley: Berkeley Roundtable on the International Economy, Working Paper No. 50, May 1991, pp. 4-12.

<sup>4</sup>Industry-funded R&D constituted only 15 percent of total R&D for the aircraft industry between 1945 and 1982. Mowery, David, *Alliance Politics and Economics: Multinational Joint Ventures in Commercial Aircraft*, Cambridge, Mass.: Ballinger, 1987, pp. 42-43.

<sup>5</sup>Government programs benefited the commercial aircraft industry in a variety of other ways not related to the spin-off of military technology. Airline regulation, for example, reduced competition based on price and provided the airlines, and therefore the aircraft manufacturers who supplied them, with a high and stable level of revenues as the latter industry was being created. See Mowery (1987), p. 47.

body commercial transports, was originally developed for the C-5A military transport program.<sup>6</sup>

### Reasons for the Decline of Spin-Off in U.S. Industry

The prevalence of spin-off has diminished considerably over the past two decades for a variety of reasons. One has to do with the increasingly specialized and esoteric nature of military technologies: Commercial applications for stealthy aircraft or explosive armor are rare. The military has developed few generic technologies with widespread application in recent years.<sup>7</sup>

But more important than limited applicability are political and institutional barriers to spin-off. In the United States, the defense industry constitutes a distinct and highly specialized industrial sector. Despite frequent efforts to diversify into commercial sectors, the seven major prime defense contractors do a large part of their business exclusively with the U.S. government, and therefore would be unable to spin off their military technologies directly even if they wanted to. And, as a general rule, those primarily commercial corporations that also do substantial defense work (e.g., IBM, General Motors, Westinghouse, and General Electric) maintain relatively "high walls" between their defense and nondefense lines of business: There is not only little integration between military and commercial lines in the R&D stages or on the shop floor, but defense work is often relegated to a wholly separate subsidiary located in a different city from the company's civilian commercial activities. The opportunity for design or production technology to migrate from one sector to

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<sup>6</sup>In addition, revenues from military programs provided a counter-cyclical "cushion" that ensured the survivability of commercial transport manufacturers.

<sup>7</sup>Indeed, it has been argued that the specialized requirements of military or government buyers have driven commercial spin-offs in wrong directions. For example, the Air Force sponsored the early development of numerically controlled machine tools but pushed their development in the direction of highly complex and sophisticated machines for the aerospace industry that left the commercial market open to the Japanese, whose opening niche was small, general-purpose tools. Similarly, the failure to develop high-temperature gas-cooled reactors is said to be due to the Navy's insistence on developing small, pressurized light-water reactors for use in submarines. See Stowsky (1991), pp. 12-18; and Dyson, Freeman, *Infinite in All Directions*, New York: Harper & Row, 1989, pp. 140-146.

the other, which often depends on simple physical contiguity, is thereby minimized.

The reasons for the high walls separating military and commercial businesses in the United States—walls that inhibit spin-on as well as spin-off—are long-standing and relatively well understood, even if they have been depressingly difficult to eliminate.<sup>8</sup>

The first reason for such separation is the extremely high regulatory overhead associated with defense contracting for the U.S. government. Originally a result of the cost-plus accounting needed to fairly price complex, unique, and specialized components for which no commercial market existed, this overhead burden was substantially increased in subsequent years as a result of congressionally mandated "reforms" in defense acquisition that sought to remedy alleged abuses in the wake of periodic scandals. Each subsequent reform added new layers of accounting and auditing requirements, which frequently had the effect, completely counter to the original intent of the legislation, of substantially increasing acquisition costs.

The second reason for separating military and commercial businesses is the detailed and demanding military specifications and standards laid down by DoD in its procurements. These specifications, designed to ensure high performance and reliability, are frequently unrealistic in their goals and implemented inflexibly, in a way that deters many commercial companies from entering into the defense business.

The third and final reason for the separation is that defense acquisition has been used as a means of achieving a number of nondefense goals, such as the encouragement of minority-owned businesses, or for the simple distribution of government pork barrels through the opening of defense contracts to unlimited bidding with right of appeal.

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<sup>8</sup>For surveys of this problem, see *Integrating Commercial and Military Technologies for National Strength: An Agenda for Change*, Report of the CSIS Steering Committee on Security and Technology, Washington, D.C.: Center for Strategic and International Studies, 1991; and Gansler, Jacques, *Affording Defense*, Cambridge, Mass.: MIT Press, 1991, pp. 141-214.

Economic success in the defense business resulted, therefore, not from the kinds of efficiencies that would be rewarded in the commercial marketplace but from a company's ability to deal with the unique regulatory and requirements burden. The special requirements of supplying the U.S. government effectively raised entry costs into the defense business, limiting the number of industrial participants that might otherwise be in a position to commercialize military technologies. Those companies not deterred have sought to keep their defense and nondefense businesses rigidly segregated for fear of "contaminating" their commercial operations with practices necessitated by government contracting.

The obstacles to greater spin-off have been well understood since at least the 1950s and have been the subject of repeated study by a variety of commissions and blue-ribbon panels.<sup>9</sup> Despite periodic efforts at reform, however, it appears unlikely that they will be removed. Doing so would require Congress to replace the current regulatory environment with one in which bureaucrats had much greater leeway to exercise their judgment without post facto second-guessing; the political system would have to tolerate the occasional mistakes and scandals that this form of public administration necessarily entails.

### Japan and Spin-Off: Contrasting Practices

In Japan, by contrast, far fewer barriers are erected to commercialization of military technologies. There are specialized defense contractors in Japan, but they tend to be subsidiaries of major industrial firms, tightly linked to other commercial businesses through the usual Japanese arrangements of cross-share holding, long-term relationships with particular banks, and supplier-networks of *keiretsu* [large group of inter-related companies]. No independent Japanese prime contractors are primarily engaged in defense work. The four largest defense firms, Mitsubishi Heavy Industries, Kawasaki Heavy Industries, Fuji Heavy Industries, and Ishikawajima-Harima Heavy Industries, are wholly owned subsidiaries of larger commercial cor-

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<sup>9</sup>See, for example, Alic, John A., et al., *Beyond Spinoff: Military and Commercial Technologies in a Changing World*, Boston: Harvard Business School Press, 1992, pp. 133-163.

porations.<sup>10</sup> Most Japanese defense contractors also do a certain amount of commercial business as well, primarily in aerospace. Anecdotal evidence suggests that, within individual Japanese defense companies, commercial and military manufacturing operations are integrated all the way down to the level of the factory floor.

There is, of course, a great deal we do not know about Japanese industrial organization in the defense sector. It is entirely possible that barriers to commercialization exist in Japan that are comparable to those in the United States. Nonetheless, the underlying factors that create the high walls between the commercial and military sectors in the U.S. economy would likely be less significant in Japan. For example, although Japanese defense contracts would have to be written on a cost-plus basis as are their American counterparts, we know from other areas that Japanese defense contractors do not face the mountain of detailed, legally mandated accounting and auditing requirements of their American counterparts: The essence of Japan's fabled "administrative guidance" is that companies accept the judgment and guidance of the bureaucracy in place of detailed legislation outlining contractual rights and duties.<sup>11</sup> Moreover, the Japanese Diet has traditionally played a much more passive role than the U.S. Congress in overseeing the process of defense acquisition. Whereas defense contracting in Japan may be as equally subject to pork-barrel politics as in the United States, defense procurement has not been subject to similar waves of attempted "reform" that have added so many regulatory and auditing requirements to American defense contracting. And, needless to say, Japanese defense contractors do not face the same legal requirements for minority and small-business contracting that American firms do.<sup>12</sup>

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<sup>10</sup>For an overview of the Japanese defense-aerospace industry, see Samuels, Richard J., and Benjamin C. Whipple, "Defense Production and Industrial Development: The Case of Japanese Aircraft," in C. Johnson, L. Tyson, and J. Zysman, eds., *Politics and Productivity: The Real Story of Why Japan Works*, New York: Harper Business, 1989.

<sup>11</sup>The origin of "administrative guidance" lay in the inability of the Diet to pass the Special Measures Law in response to the liberalization measures of the mid-1960s, thereby leading MITI head Shigeru Sahashi to step into the breach administratively. See Johnson, Chalmers, *MITI and the Japanese Miracle*, Stanford, Calif.: Stanford University Press, 1982, p. 266.

<sup>12</sup>It is estimated that such requirements add 15-30 percent to the overall cost of U.S. defense procurement. See Gansler (1991), p. 154.

That spin-off is indeed substantially easier to come by in Japan than in the United States means that any co-development agreement, such as the FSX, is necessarily going to lead to some leakage of technology into Japan's commercial sector. Unlike earlier agreements for the licensed production of such aircraft as the F-104J and F-15J that transferred the "know-how" but not the "know-why,"<sup>13</sup> the FSX project was the first in which the Japanese themselves would play a major role in development and systems integration.<sup>14</sup> Aside from learning how to manufacture certain critical subsystems, the most important technologies sought by the Japanese were the ability to integrate large and complex systems, a notable earlier deficiency.<sup>15</sup>

In Japan, acquisition of foreign technology has been turned into a well-developed art over the decades. Japanese firms have received considerable help from the government in researching foreign markets and technologies, beginning in the 1950s with the Japan External Trade Organization (JETRO).<sup>16</sup> Because of their commercial lines of business, Japanese contractors have an incentive to be vigilant for commercializable American military technologies. American defense-related firms do not, however, have a corresponding interest in protecting their technology from the Japanese, owing to the lack of market incentives.

A commercial corporation, Boeing, for example, would, presumably, have a powerful self-interest in preventing the leakage of technology (or unintended technology migration) to potential rivals; in co-developing the 767J with Japanese partners, it does not want to lay the groundwork for a Japanese Airbus some time in the future. (Even here, Boeing has been charged with trading short-term sales for long-term market position, allowing Japan to use access to its market for

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<sup>13</sup>For a study of the nature and limits of earlier transfers of aerospace technology to Japan, see Hall, G. R., and R. E. Johnson, *Transfers of United States Aerospace Technology to Japan*, Santa Monica, Calif.: RAND, P-3875, July 1968.

<sup>14</sup>For general background on the politics of the FSX agreement, see Vogel, Steven K., "New Weapon Label: Made in Japan," *Bulletin of the Atomic Scientists*, Vol. 46, No. 1, January 1, 1990, pp. 31-35; and Kohno, Masaru, "Japanese Defense Policy Making: The FSX Selection, 1985-1987," *Asian Survey*, Vol. 29, No. 5, May 1989, pp. 457-479.

<sup>15</sup>On Japanese weaknesses in systems integration, see Alexander, Arthur, *Of Tanks and Toyotas: An Assessment of Japan's Defense Industry*, Santa Monica, Calif.: RAND, N-3542-AF, 1993.

<sup>16</sup>On the origins of JETRO, see Johnson (1989), pp. 230-232.

commercial transports as a means of extracting technology from Boeing.) For a military contractor like General Dynamics (GD), however, such incentives do not operate: GD has no commercial aircraft business and no reason to care if its technology, developed with taxpayer dollars rather than commercial sales, comes back to haunt Boeing and McDonnell Douglas. Its F-16 patents and designs, moreover, are of limited and declining value as technology marches on; they are of value not because they contribute to the production of the next-generation fighter for the U.S. Air Force but because they can generate foreign royalties.

### **Spin-Off and the FSX Agreement**

That some leakage of American technology into Japan's commercial sector would occur as a result of the FSX agreement was recognized by many of the proponents of the deal at the time of its renegotiation in 1989. FSX supporters in the United States countered, however, that the degree of leakage would not be severe—certainly not important enough to give the Japanese a leg up in the commercial transport business—and that the U.S. would get back as much technology as it would give away through the technology-flowback provisions of the FSX MOU. It was recognized that Japanese defense contractors had advantages over their American counterparts in certain novel technologies, particularly the composites used in the wing of the FSX and the active phased-array radar (discussed below), and the MOU made explicit arrangement for the U.S. participants to have access to those technologies.<sup>17</sup> All co-production and co-development deals, which are endemic to the aerospace industry, result in technological diffusion from the American to the foreign partners; but with adequate flowback arrangements, in which foreign developments and applications of U.S. technology are shared with U.S. companies, the likelihood that such agreements will damage the overall American competitive position would be minimized.

There is reason, however, to question whether technology flow has really been a two-way street in the case of FSX. A RAND study con-

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<sup>17</sup>The MOU distinguished between "derived" and "non-derived" technologies; U.S. companies were to have free and automatic access to the former, and guaranteed access at a negotiated cost to the latter.

ducted for the U.S. Air Force has found sharp contrasts in the degree of flowback from Japanese partners working on the FSX relative to that obtained in the X-31 co-production agreement with Germany.<sup>18</sup> Implementation of the MOU, itself a long and cumbersome document, has led to continuing disagreement and extraordinary rancor between the Japanese and American partners, with frequent disputes over such issues as whether certain Japanese technologies were indigenously developed or were derived from American predecessors.

As with other trade issues for which the Japanese are accused of unfair behavior or of not reciprocating American openness, the relative dearth of technology flowback in FSX development can be laid at the doorstep of both the American and Japanese participants. In contrast to their Japanese counterparts, American defense contractors are used to being at the cutting edge of technological development and have not traditionally felt they had a great deal to learn from foreign competitors. They have not, therefore, established as elaborate an institutional structure dedicated to the acquisition of foreign technology as have the Japanese.

To illustrate this point, of the 50 General Dynamics engineers stationed in Nagoya, Japan, to oversee FSX development, only two can speak Japanese. Most of those engineers, moreover, act as in-house consultants to their Japanese partners; they do not spend time on the factory floor looking for new industrial processes to acquire. Perhaps as important, there is little evidence that they have made any effort to penetrate the networks of subcontractors and suppliers who themselves may be important sources of technological innovation.

At this time, empirical studies have not been done to determine the degree of technological leakage that has occurred as a result of the FSX agreement, or the degree to which such leakage has been adequately compensated by the terms of the agreement. Because there is some reason to believe that more technology would flow from the United States to Japan than vice versa, it would seem justified to scrutinize any future co-development deal with Japan for its potential effect on commercial competitiveness.

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<sup>18</sup>Unpublished research by Mark Lorell.

Aside from competitiveness questions, the degree of continuing rancor engendered not only on a political but on a working level raises the question of whether such co-development arrangements between economic rivals harm the political relationship more than they help it. In the future, policy choices may be better restricted either to licensed co-production or to totally indigenous Japanese development of aircraft, with American participation limited to the sale of components or subsystems.

Japan's expensive investment in the FSX—which, over its lifetime, is likely to substantially exceed initial cost estimates—makes more sense if one assumes the ultimate objective is not so much the development of a given set of operational capabilities but the development of a broadly based aerospace industry.

Many observers believe that the chance is very small that the Japanese will break into the markets either for commercial transports or engines any time in the near future.<sup>19</sup> And consensus is even broader that the FSX deal will not put them over the top by itself. The costs of entry into the commercial transport business are enormous—so large, in fact, that the entire Western market can barely support the existence of three independent manufacturers.<sup>20</sup> The technological capabilities, marketing organization, and after-market support of a company like Boeing make it a very costly and time-consuming process to compete. Earlier Japanese attempts to break into the airframe market, such as the YS-11 short-range transport developed in the 1960s and 1970s, have been conspicuous failures.<sup>21</sup>

The real threat posed by the Japanese aerospace industry, however, may not be in the market for airframes and engines but in the subsystem and component business, in which Japanese firms have rapidly increased their sales and market share during the 1980s. On the second and third tiers of the aerospace business—among the

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<sup>19</sup>See, for example, Mowery (1987), pp. 151–152; Alexander (1992), pp. 23–24.

<sup>20</sup>The travails of McDonnell Douglas' commercial transport operations are well known. It is not clear that the Airbus would be a viable enterprise without the subsidies it receives from participating European governments.

<sup>21</sup>It has been argued that, whereas the YS-11 was a commercial failure because of the small size of the Japanese market, it was a technological success, which should give American producers little comfort for the future.

subcontractors and parts suppliers—entry costs are much lower than on the first, and Japanese firms can bring to bear their formidable production technologies. Although the current size of this export industry is small, the Long Term Credit Bank of Japan forecasts aerospace component sales to reach \$1 billion by 1994, and commercial components to constitute 39 percent of domestic production.<sup>22</sup>

## **SPIN-ON AND THE DEFENSE INDUSTRIAL BASE**

### **Civilian Technology Innovation**

For the past two decades, spin-on, the migration of technology from the commercial to the military sector, has become at least as big a policy issue, if not bigger, than spin-off.<sup>23</sup> Driven by a huge commercial market, the rate of civilian technological innovation has been so rapid that many military systems have been rapidly outpaced. For example, during the 1991 Gulf War, the Army purchased commercial portable transponders for use with the Global Positioning System for its forces in Kuwait. The Defense Advanced Research Projects Agency (DARPA; now the Advanced Research Projects Agency [ARPA]) had some years earlier contracted with Rockwell to produce similar devices, but those devices were not ready in sufficient quantities and cost a good deal more than their commercial counterparts. Of course, the commercial devices did not meet the "milspecs" established by DARPA, but they were at least available and in the field in time to be useful during the war.

Similarly, in the early 1980s, DoD funded a program for producing very high-speed integrated circuits (VHSIC), with the express purpose of developing a "dual-use" technology that would have commercial spin-off potential. However, the specific military requirements built into the VHSIC program limited its commercial applicability, and, as it turned out, the civilian semiconductor industry was producing integrated circuits with comparable speeds

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<sup>22</sup>Friedman, David, and Richard Samuels, "How to Succeed Without Really Flying: The Japanese Aircraft Industry and Japan's Technology Ideology," Unpublished monograph, p. 20.

<sup>23</sup>For a broad overview of this topic, see Alic et al. (1992).

and component densities on its own with little help from the military.<sup>24</sup>

### **Factors Constraining Spin-On**

The factors constraining American manufacturers from spinning-on their commercial technologies to military applications overlap in many ways with those constraining spin-off. The most important is probably the prevalence of over-specialized and over-demanding military specifications and standards that bar the use of effective and/or inexpensive commercial products because the latter do not satisfy certain specifications of secondary importance. Recent proposals have been made for modifying the Federal Acquisition Regulations (FAR) to permit greater purchases of commercial products, but the very process of defining what constitutes a "commercial" product has itself become the subject of substantial auditing requirements.<sup>25</sup>

As with spin-off, spin-on is inhibited by the extent of separation between military and commercial businesses in the United States, brought on by the unique regulatory environment of the defense business. Clearly, it is harder to identify commercial technologies with military potential if they are being developed in a different company, or in a different division of the same company located in a far-away city. Even in an age of rapid communications, physical contiguity is often critical to the flow of ideas. Physical contiguity is even more critical for production technologies, because their development frequently proceeds by "doing," and because innovations in them result from direct experience on the shop floor.

Another factor impeding spin-on is the question of intellectual property rights. As a result of the "defense scandals" of the early 1980s, the federal government reacquired almost unlimited rights to technical data used in military production. The original rationale for government ownership of technical data was to permit government to rapidly ramp up production by disseminating those data to other companies; the revisions in the standard contract language enacted

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<sup>24</sup>See Stowsky (1991), pp. 19-29.

<sup>25</sup>See *Integrating Commercial and Military Technologies* (1991), pp. 36-37.

in the 1980s also reflected political pressure from companies that lost out on sole-source contract awards.<sup>26</sup> The result has been, understandably, a reluctance of firms with valuable commercial technologies or processes to incorporate them into their government-sponsored projects, for fear of losing control of proprietary data. In addition, many companies fear that spinning-on certain sensitive technologies may lead to those technologies' being classified and, thereafter, for national security reasons, being unavailable for commercial exploitation.

### **Loss of Volume Manufacturing Capability**

The final factor potentially limiting spin-on is the loss of volume-manufacturing capabilities in industries with significant military potential. Although the "hollowing-out" of the American commercial manufacturing base—shutdowns in such sectors as steel and chemicals, for example—may not have obvious national security implications, the inability to manufacture certain high-tech military products because of the absence of an adequate civilian manufacturing base would. To a certain extent, this problem overlaps with that of component dependence, which is addressed in greater detail in the next section.

But the erosion of a high-tech manufacturing base that can spin-on products to the military has implications that go beyond mere dependence on foreign supply. In many high-tech sectors, the ability of companies to innovate and to even know what technologies will be "militarizable" in the future depends on the existence of a dynamic commercial industry. Clearly, the rate of military aircraft R&D and innovation in the United States would not have been as high had there not been a synergistic relationship with the commercial aircraft industries, both in airframes and engines. Such synergy becomes all the more necessary if the United States moves, as the Cheney Pentagon indicated, toward a policy of "reconstitution," that is, of continuing to fund defense R&D even as acquisition and manufacturing are sharply curtailed. It is much more plausible that the United States would be able to rapidly reconstitute leading-edge

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<sup>26</sup>*Integrating Commercial and Military Technologies* (1991), pp. 53-62.

military technologies in a future crisis if it had a large and dynamic commercial high-tech manufacturing base to build upon, in addition to continued military R&D funding.

### Japan's Spin-On Advantages

Japan's diversified and sophisticated manufacturing base gives it certain obvious advantages in promoting spin-on. Indeed, one of the reasons for the eagerness of the Japanese aerospace and electronics industries to take on indigenous development of the FSX was the opportunity it would give them to turn their technology and manufacturing prowess to a high-prestige military project. The technologies that they have been able to spin-on have, to this point, been largely at the component level. Even so, the results are impressive. For example, the Mitsubishi Electric Company (MELCO) was the prime contractor in the development of the completely indigenously designed active phased-array radar for the FSX. MELCO also happens to be a high-volume commercial producer of gallium arsenide (GaAs) monolithic microwave integrated circuits (MMICs), which, when assembled into transmit-receive modules, are critical components of the active phased-array radar. The final performance characteristics of the MELCO radar are not yet known, and there has been a wide range of initial assessments.<sup>27</sup> But it is clear that however the radar performs on a systems level, both its cost and development time were kept down substantially by (1) the existence of a large commercial GaAs manufacturing base, and (2) the internal integration within the Japanese electronics industry that allowed the technology to be spun-on: MELCO manufactures 30,000 MMICs per month, and its commercial production directly feeds its military manufacturing arm.<sup>28</sup>

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<sup>27</sup>Arthur Alexander argues that the MELCO active phased-array radar may fail, not because of an inability to meet technological specifications but because the radar is being developed in the absence of the interactive process that relates performance specifications to actual experience of combat situations. If this proves to be true, the real limiting factor in Japanese military technology will be the political prohibitions against combat or realistic training, rather than anything in the R&D or manufacturing process. See Alexander (1992), p. 51.

<sup>28</sup>Unpublished research by Mark Lorell.

Gallium arsenide MMICs are manufactured in the United States as well, but the military suppliers tend to be low-volume specialty producers who have not walked very far down the cost curve. The United States does have competitive, higher volume commercial producers of GaAs MMICs, but they have been deterred from entering the military market for the usual reasons of not wanting to incur the high accounting and regulatory overhead costs of government contracting.

## **DIRECT FOREIGN INVESTMENT**

### **Relation to Defense Downsizing**

The Cheney Pentagon's plans called for a reduction in the FY92 DoD budget of some 25 percent over five years, coming on the heels of five years of steady declines from the peak of the Reagan defense buildup in 1987. This dramatic downsizing, brought on by the end of the Cold War, will inevitably lead to a shakeout among defense contractors, just as previous downsizings after World War II, Korea, and Vietnam did. It is not clear that all seven major prime defense contractors will be able to survive this shrinkage; even with substantial restructuring, they are likely to try to sell off major lines of business or go bankrupt. The same applies to the second- and third-tier subcontractors and parts suppliers in the defense business.

In contrast to earlier periods of defense downsizing, however, much more of the capital around the globe for purchases of U.S. defense contractors on the auction block is now in foreign hands. And with the foreign purchase of an American defense firm comes the possibility of technology transfer to the parent company and, hence, to the foreign nation hosting the parent. Indeed, foreign ownership could result in an actual loss of access to and control over technologies that were once clearly "American." With loss of control, in turn, comes the possibility of dependence on foreign governments and the political leverage such dependence implies.

This issue became highly charged when the French electronics and defense giant Thomson-CSF offered to buy the missile division of the LTV Corporation (LTV's aircraft division was to be purchased by the Carlyle Group, with financing from a French bank). The sale provoked opposition from various members of Congress, and the

Defense Intelligence Agency testified that the sale would result in serious leakage of technology. It was ultimately blocked by the Committee for Foreign Investment of the United States (CFIUS).<sup>29</sup> The attempt by the Japanese electronics firm Fujitsu to buy Fairchild Semiconductor was similarly blocked.

As the LTV-Thomson case indicates, heavy political resistance will be brought to the foreign acquisition of a prominent American defense contractor, even when the host of the parent company is a U.S. ally, as is France. While the CFIUS has only rarely ruled against foreign acquisitions on national security grounds, it is hardly likely that it would approve the sale of a (hypothetically) bankrupt Rockwell or General Dynamics to Mitsubishi. Public opposition to such a deal would clearly be much stronger than in the LTV-Thomson case, given the higher level of economic hostility to Japan.

### Critical Areas of Investment

As with technology leakage through spin-off, however, the real damage may not be done at the level of the highly visible prime contractors, but rather at the level of subcontractors and parts suppliers.<sup>30</sup> Concerns about the health and sustainability of the second and third tiers of the defense industrial base have been raised in earlier periods of downsizing, although studies of this sector after the Vietnam War indicated that little erosion had occurred.<sup>31</sup>

Empirical research is required on the consequence of direct foreign investment for the technology base, given several increasingly dire potential scenarios. For example, most commercial foreign companies invest directly in the United States so that the parent

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<sup>29</sup>The Thomson-CSF bid of \$450 million beat out another by Martin Marietta and Lockheed for \$385 million, leading the losers to charge that the French offer was in part subsidized by the French government, which owns a 58-percent share in Thomson. See Tolchin, Susan J., "The United Bazaar of America: Defense Industries for Sale," *The Washington Post*, May 31, 1992, p. C4.

<sup>30</sup>Gansler (1991), pp. 257-263.

<sup>31</sup>See Baumbusch, Geneese, and Alvin J. Harman, *Peacetime Adequacy of the Lower Tiers of the Defense Industrial Base*, Santa Monica, Calif.: RAND, R-2184/1-AF, 1977; and Baumbusch, Geneese, P. D. Fleischauer, A. J. Harman, and M. D. Miller, *Defense Industrial Planning for a Surge in Military Demand*, Santa Monica, Calif.: RAND, R-2360-AF, 1978.

company can evade trade barriers and expand its sales in the host country. This motive might also apply in the defense business: Japanese parent companies, which might not otherwise have access to American defense dollars, can decide to acquire an American company as a market-opening strategy. A foreign-owned contractor would then behave no differently than an American-owned one. On the other hand, the acquisition of a high-tech defense contractor (or indeed, any other high-tech company) opens up the possibility that the investment is being made to acquire rights to the technology, which can then be stripped and returned to the parent company abroad. Worse yet, acquisition would represent part of the foreign government's *national* policy of gaining control over critical technologies. Whether such an action has happened in the past or might happen in the future is a question that can only be answered through further research.

### COMPONENT DEPENDENCE

The final economic issue is component dependence. The U.S. defense industry depends on foreign sources for memory chips, silicon electronic switching, and gallium arsenide-based semiconductors for computers and data processing; precision glass for military satellites and equipment; liquid-crystal and other displays; and advanced fiber optics. Shintaro Ishihara, the author of *The Japan That Can Say "No,"* noted the large number of Japanese parts in advanced American military aircraft and has suggested that they can one day become a source of leverage over the United States.

### Historical Perspective

Such dependence has naturally triggered a great deal of anxiety over its implications for national security. Initially, concern focused on basic commodities in the wake of the oil shocks of the 1970s and led to the creation of the Strategic Petroleum Reserve and other stockpiling programs for various "strategic" materials. In the 1980s it became apparent that America was dependent on foreign suppliers for a variety of high-technology goods as well. As a result, a number of studies have investigated American component dependence,

including a highly visible one by the Defense Science Board in the mid-1980s.<sup>32</sup>

### **Factors Determining Importance of Component Dependence**

Of the four economic issues considered here, however, component dependence would seem to be the least critical, its importance depending on at least two factors: first, how high up the value-added chain the component is and, second, the number of foreign and domestic suppliers that exist for a given component.

The first factor, the question of value added, is very much related to the earlier issue of spin-on. Obviously, it would be of great concern if the U.S. military were dependent on Japanese manufacturers to supply missile guidance systems, high-performance jet engines, or nuclear warheads. The absence of such manufacturing capabilities on U.S. soil would not only imply vulnerability to supply disruption in times of crisis or war but, more importantly, would undercut U.S. ability to innovate and maintain a high level of technological leadership in defense-related activities. On the other hand, the fact that the U.S. is dependent on Japanese producers for relatively low value-added technology products, e.g., dynamic random-access-memory (d-RAM) chips is of much lesser concern: There is no doubt that American semiconductor manufacturers could make large quantities of such chips if they wanted to; many continue to do so, while others have gotten out of the business in pursuit of higher value-added lines of business. For the DoD, the issue is one of cost and availability of volume production—legitimate worries, of course, but not necessarily matters of strategic vulnerability.

The second factor, the existence of alternative foreign and domestic suppliers, can also serve to mitigate concerns about vulnerability. The Organization of Petroleum Exporting Countries (OPEC) oil embargo of the early 1970s burned into everyone's consciousness their vulnerability to imports. But, as it turned out, relatively few raw materials had worldwide production highly concentrated in the hands of producers who were likely to work together for common political

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<sup>32</sup>Defense Science Board, *The Defense Industrial and Technology Base*, Final Report of the Defense Science Board 1988 Summer Study, October 1988.

purposes. The same is true for many commoditylike high-technology products, such as memory chips or flat-panel displays: The production technology has become diffused among a number of producing countries (including the United States) that would serve as alternative sources of supply. Theodore Moran suggests a simple rule of thumb to measure strategic vulnerability: As long as four foreign companies or nations supply more than 50 percent of the world market, they will not be able to collude effectively.<sup>33</sup> For a country like Japan to extract political advantage out of its position as high-tech supplier, it would have to pick a product that it alone produced. The country would have to worry, moreover, that it was not dependent on another commodity or product that could be embargoed in turn.

### Foreign Versus Domestic Bottlenecks

Indeed, as a recent RAND study suggests,<sup>34</sup> it is not clear that foreign dependence is necessarily worse than dependence on single-source American suppliers, of which there are an alarmingly high number.<sup>35</sup> The classic example of single-source dependence occurred after the 1973 Mideast war, when the Army sought to double M-60 tank production to make up for losses incurred by Israel. Although the tank prime contractor had plenty of spare capacity, it turned out that there was only one subcontractor—an American one—with the capability to produce the armor castings, and that subcontractor was operating at near-peak capacity. As a result, “surge” production was not possible.<sup>36</sup> Thus, it would be possible to have zero foreign dependence and yet have severe bottlenecks in the production process. When American suppliers are few or are producing at nearly full capacity, the existence of foreign suppliers might indeed constitute a useful hedge.

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<sup>33</sup>Moran, Theodore H., “International Economics and National Security,” *Foreign Affairs*, Vol. 70, No. 1, Winter 1990-91, pp. 74-90.

<sup>34</sup>Zycher, Benjamin, Kenneth A. Solomon, and Loren Yager, *An “Adequate Insurance” Approach to Critical Dependencies of the Department of Defense*, Santa Monica, Calif.: RAND, R-3880-DARPA, 1991.

<sup>35</sup>For a list, see Gansler (1991), p. 259.

<sup>36</sup>Gansler (1991), p. 259.

This is not to say that component dependence may not be an important national security issue. But, in any plan to reconstitute or surge military production at a later date, it is probably wise to consider such dependence as one potential bottleneck—and not necessarily the most important—among several. As the United States moves toward a policy of reconstitution, it needs to survey *all* such bottlenecks on a system-by-system basis to determine where unexpected snags in production might occur. Measures to reduce foreign dependencies by creating American sources of supply must be considered carefully. Obviously, given the global nature of modern production and the enormous complexity of high-tech defense systems, it would be extraordinarily costly, and in most cases unnecessary, to move all component supply back to the United States.

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**CONCLUSIONS AND POLICY SUGGESTIONS**

**THE NATURE OF THE U.S.-JAPAN SECURITY  
RELATIONSHIP**

A broad consensus in Japan is that it is time to develop a new security policy. The impetus for this emerging consensus is found in the following factors:

- Disappearance of the Soviet threat
- Recognition that economic rivalry is replacing military rivalry on the global stage
- The corollary recognition that economic diplomacy alone cannot earn a nation international respect
- Decline of America's economic power relative to Japan's growing power
- Recognition that Japan must play a larger international role consistent with its global economic power.

**Japanese Conclusions on Needed Changes to National  
Security Policy**

The Japanese have begun to debate the issue of how their national security policy should be changed, but the debate is likely to continue for some time. So far, the following five conclusions have been reached.

First, there is a need to support international organizations, such as the United Nations, as a way of restricting American unipolar dominance in a world bereft of the balancing power of the former Soviet Union. The Iraqi invasion of Kuwait, along with problems in Cambodia, Somalia, and Yugoslavia, has made it clear that the world needs a policeman. The Japanese think that policeman should be the United Nations, not the United States.

Second, the Japanese realize that if they are to play a more important global role, and if the UN is to be the world's peacekeeper, then Japanese forces in the form of PKO must be allowed to play at least a noncombat role in foreign countries under UN auspices—hence, the passage of the PKO bill in summer 1992.

Third, in order to play a leadership role, Japan needs to earn the respect of the rest of the world, and especially to regain the respect of its Asian neighbors. To earn global respect, it can begin to participate as a "normal" (i.e., military) power in UN peacekeeping operations. The first step in regaining the respect of its Asian neighbors is to sincerely apologize for its past transgressions and settle legitimate claims arising from those transgressions.

Fourth, Japan must re-evaluate its business culture to determine whether, as many nations claim, it is engaging in predatory mercantilist practices. Japanese economic success in the face of economic decline in other nations does not breed respect. If the Japanese, after examination, remain convinced that their economic practices are legitimate, then they need to find a way to convince other nations of their value and help them to adopt those practices as their own.

A fifth and final conclusion, and one that is basic to the U.S.-Japan relationship, is that Japan has no other friend as good as the United States, and that, with all the strains of the U.S.-Japan relationship, it is still a relationship that must be maintained, even if in a modified form.

As the Japanese reassess their security environment and begin to formulate a new security policy more appropriate to the needs of a major power in a multipolar world, the United States will be obliged also to reassess its role in Asia and, more specifically, its role in the U.S.-Japan security relationship. This is but a part of a larger assessment of America's role in a "new world order." That new order

has yet to emerge, and America's place in that order needs to be given more careful thought.

### **Recommended Changes to the United States' Asian Security Policy**

We recommend that the following four steps be taken by the United States to make its Asian security policy more effective in the face of changing conditions in Japan and East Asia.

First, make a number of simple institutional changes to strengthen policymaking toward Japan and Asia. The national security bureaucracy is still extraordinarily Atlanticist and oriented in its structure toward Cold War types of issues, such as arms control and military security. Under the Bush Administration, Secretary of State James Baker visited Alma-Ata, the capital of Kazakhstan, as often as he stopped in Tokyo. Within the staff of the National Security Council, the office handling arms-control issues had seven or eight personnel, whereas responsibility for all of Asia was left to two staffers. The State Department's Policy Planning Staff had separate experts for conventional arms control, START, Eastern Europe, Western Europe, and the Soviet Union, but only one specialist for the whole of Asia. This kind of imbalance is repeated in other areas of the bureaucracy, and in the amount of time that senior decisionmakers spend on Japanese issues compared with relations with the former Soviet Union, the Middle East peace process, etc.

Furthermore, while policymaking toward Japan (in contrast with that toward most other countries) has a significant domestic content, there has traditionally been little policy coordination across different government departments and agencies concerned with Japan. As noted earlier, the lack of coordination on Japan policy between State and Defense on one side and Commerce and USTR on the other has been a liability, potentially exploitable by the Japanese. It is therefore perhaps time to consider whether the interagency process on Japan policy ought not to be centralized at a higher level. A more centralized policy would allow trade-offs and priorities to be established across the various levels of policy as part of a deliberate strategy, rather than emerging haphazardly as part of a messy, intrabureaucratic process.

A second step toward security-policy improvement is to formalize the institutional structure of the U.S.-Japan relationship itself. The U.S.-Japan security relationship is much less formal and institutionalized than is the American relationship with its NATO allies. The many Japanese complaints about the lack of consultation on the substantive differences between the U.S. and Japan on such issues as strategy toward Iraq could have been met through simple, formal gestures signifying American recognition of Japan's newfound importance as an international power. Efforts have been made in the past to institutionalize the relationship, for example, in the proposed meetings between the U.S. secretaries of state and defense and the Japanese foreign minister and head of the Self-Defense Agency. But American officials never made those meetings a high priority, and, because they were so easy to derail as a result of other scheduling conflicts, they never once took place under the Bush Administration. By comparison, a secretary of defense or state would think twice before cancelling attendance at an annual NATO ministerial; failure to attend would, in itself, send a powerful political signal.

The third step is for America to resist isolationism—not just in the military-security sphere but on a political and economic level, as well. Reasons abound for concluding the North American Free-Trade Agreement (NAFTA), which the Clinton Administration has supported in principle. But the U.S. zealotry for NAFTA should not divert attention from global free trade, and the government and policymakers should be concerned if free trade with Mexico begins to divert large amounts of U.S. investment capital away from Asia. As American troops depart, Asia should not be left to Japanese corporations. An example of how the United States can maintain its political and economic presence in this region is to appoint an APEC ambassador to oversee U.S. relations with Asia.

The fourth step is for Washington not to automatically reject proposals for Asian regional organizations that exclude the United States, any more than it rejects the European Community. Asian regionalism may be either good or bad from the standpoint of American interests, depending on the form it takes. Obviously, regionalism designed to exclude the United States from Asia economically, or aimed at it strategically, will be dangerous. But certain forms of Asian regionalism may actually be helpful in relieving the United States of some of its regional security obligations. The EC

presents an example that provides an analogue for such a situation in Asia. Although the EC has not emerged as a serious security organization during the Yugoslav crisis, most American policymakers would have been very happy had it been able to play such a role. American resistance to Asian regionalism may undermine the U.S.-Japan relationship and make regionalism a self-fulfilling prophecy by convincing Asians that the United States wants to exit Asia. This clearly is a danger to be avoided. On the other hand, in the absence of a Soviet threat, the United States probably will want to somewhat attenuate its direct role in Asian security, particularly where its interests are not directly affected. Finding and encouraging a form of regionalism that suits American interests will be a delicate and difficult, but not impossible, process. Any such regionalism would have to exist in parallel with existing bilateral agreements, such as the U.S.-Japan alliance or the security agreement with Korea. It would have to be designed not to replace the central security functions fulfilled by these relationships but, rather, to meet new, post-Cold War security challenges that the existing bilateral framework cannot readily accommodate.

The United States will find that implementing policies similar to those described in these four steps presents a formidable challenge to traditional ways of thinking about America's place in the world and, more specifically, the United States' role in the U.S.-Japan security relationship. Throughout this century the United States has had great freedom of action for its foreign policies, because even at the height of the Cold War, America was the preeminent world power. This freedom and power have reinforced the American belief that other nations, in Europe and even more so in Asia, are not competent to play a role equal to that of the United States in world affairs. Quite simply, the United States does not know how to behave as an equal—only as a leader. Perhaps this leadership role has been essential to maintaining peace in the past, but it may not be appropriate for the future.

### **The Challenge of Equality**

An example of the challenge of equality that faces the United States is its relationship to a more militarily independent Japan. The United States supported the PKO bill and pressed Japan repeatedly to play

a larger role in international peacekeeping operations. Our interviews suggest that Japan's emergence as a serious international power may be more of a mixed blessing than is often assumed by American policymakers. When those same policymakers admonish Japan to step up to the responsibilities of "global partnership," what they hope for are larger and quicker Japanese contributions of blood and money to international projects of mutual interest. Few Americans, however, envision a partnership in which Japan will have a truly equal voice in determining the course of policy. Rather, what they have in mind is the old Cold War framework in which the United States acts as alliance leader, engaging in pro forma consultation with its allies, and receiving moral and material backing from them.

This type of "equality" in the relationship is clearly what the Japanese have in mind when they complain about taxation without representation. Japan's emergence as an important international political power means not simply qualitative and quantitative changes in the nature of its contributions to international order, but to the shape of that order itself. During the Gulf War, the Japanese felt inhibited from insisting on their preferred strategy, which was clearly not the exercise of a military option. Likewise, the United States would not have been very happy had Japan sought to veto military action in favor of continued economic sanctions in return for a substantial Japanese contribution of forces to the defense of Saudi Arabia. In the future, if it is Japanese young men who might die in such an operation, Japan will demand not just pro forma consultation but real participation in alliance decisionmaking.

#### **THE U.S.-JAPAN SECURITY RELATIONSHIP AND ECONOMIC COMPETITIVENESS**

That the barriers to spin-off of military technologies are much higher in the United States than in Japan implies that, in the future, the United States will have legitimate concerns about whether transfers of military technology will lead to commercial advantages for Japan. We do not know the extent to which the FSX co-development project has already resulted in technology leakage (this would constitute an excellent topic for future research), but there are institutional and political reasons to believe it can occur and has occurred.

A conclusion that can be derived from this likely occurrence is that, in the future, it will be better for the health of the U.S.-Japan alliance to avoid co-development and stay with either licensed co-development, as in the past, or else permit the fully indigenous Japanese production of high-tech military systems. The latter was, after all, what the Japan Air Self-Defense Force (JASDF) wanted at the beginning of the FSX saga. Co-development requires a high degree of cooperation, sharing, and trust, qualities that have not been readily apparent in the working-level relations between U.S. and Japanese defense contractors. As a result, intimacy has turned into active dislike, and it is difficult to say that either country is better off in the end.

### Topics for Further Research

The discussion in Chapter Three of technology transfer to Japan and economic competitiveness was intended to give a broad overview of the problem to defense officials who have, until now, worried primarily about operational capabilities, roles and missions, and the like. In a sense, the chief conclusion that it points to is that we need to do considerably more research to understand the interaction between defense procurement and economic competitiveness. For example, we can guess that institutional and political barriers to both spin-on and spin-off are less severe in Japan than in the United States, but it would be helpful to study in greater depth the exact nature of the linkages between commercial and defense industries in Japan. There are perhaps barriers to technological diffusion that we simply do not understand and that would lead the United States to be more relaxed about the potential consequences of technology transfer; on the other hand, the system might be better optimized for such diffusion than we realize.<sup>1</sup>

It is possible to point to gallium arsenide as a high-volume commercial technology that has been successfully spun-on to military programs, but we need to look for other commercial technologies, some perhaps just emerging, that will be "militarizable" in the future. We know that there has been considerable Japanese direct investment in

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<sup>1</sup>Anecdotal evidence suggests, for example, that F-16 fly-by-wire technology was transferred by some of General Dynamics' European partners to the Airbus.

the United States in recent years, but we do not know how much, if any, of it has gone to purchase companies in the second and third tiers of the defense industry and, if so, how the Japanese parents have behaved with regard to the defense technology acquired in such a manner. We could obviously do better in identifying new Japanese technologies that would be candidates for flowback. And, finally, we need to have a better understanding of the supply constraints, both foreign and domestic, as part of a reconstitution strategy.

Each of these topics is eminently researchable. Although problems may arise in gaining access to some Japanese data, as well as data on Japanese foreign direct investment in the United States, much of the necessary information is publicly available. Such information could, and should, constitute the core of a DoD-sponsored research program that would be part of a larger national strategy of economic renewal.

### **Recommendations for Technology Controls**

To prevent the leakage of militarily useful technologies to the Soviet Bloc during the Cold War, a regime of export controls was established under the Coordinating Committee on Multilateral Export Controls (COCOM). Today, the need to control the spread of those technologies to the former communist bloc is less critical, but different or stronger technology controls have been suggested to prevent the outflow of commercial technologies, excessive dependence on foreign defense goods, and foreign acquisition of American defense assets.

We are extremely reluctant to recommend the creation of new government agencies or institutions, particularly if their function is to restrict the free movement of goods and services between the United States and Japan. Nonetheless, given the fact that the spin-off consequences of defense technology transfers, and the spin-on potential of certain commercial products, are so poorly understood, it would be useful if the U.S. government had an in-house ability to analyze such issues. The American parties to the FSX debate in 1989 did not have access to a common body of data and analyses concerning the possible effect of FSX technology on commercial aerospace competitiveness.

**Institutionally, there are a number of places where such an analytic capability could be located: the intelligence community is one obvious home, as is DoD itself. As noted earlier in this chapter, American policy toward Japan has been hurt by the divided authority evident in the interagency process on Japan policy. It would be very helpful if Japan policy could be centralized to a greater extent than at present, presumably in the White House.**

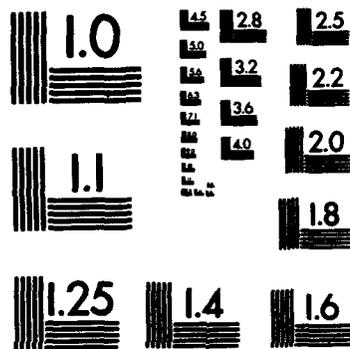
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**LIST OF TOKYO INTERVIEWEES**

**INDIVIDUAL INTERVIEWS<sup>1</sup>**

1. Yasuhiro Nakasone, LDP Diet member; former prime minister (November 1982 to October 1987). July 10, 1992.
2. Seizaburo Sato, acting director, International Institute for Global Peace (IIGP), and professor, University of Tokyo. July 10, 1992.
3. Hiroyuki Kishino, director of the Nuclear Energy Division of the Ministry of Foreign Affairs. July 10, 1992.
4. Gina M. Bertolino, research fellow, IIGP. July 10, 1992.
5. Michael Armacost, ambassador of the United States to Japan. July 13, 1992.
6. William Breer, minister, United States Embassy in Japan. July 13, 1992.
7. Mark Fitzpatrick, first secretary of the political section, United States Embassy in Japan. July 13, 1992.
8. Shigeki Nishimura, colonel, Japan Ground Self-Defense Force (JGSDF), and professor, GSDF Staff College. July 13, 1992.
9. Tadae Takubo, professor, Kyorin University. July 14, 1992.

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<sup>1</sup>Names are listed in chronological order, by date of interview. All names are given in Western style: first name preceding last.

10. Itaru Umezu, acting director, Japan Institute of International Affairs. July 14, 1992.
11. Yoshihiko Seki, professor emeritus, Tokyo Metropolitan University. July 14, 1992.
12. Kinko Saito Sato, attorney at law (expert on Japan's Constitution). July 14, 1992.
13. Sinyasu Hoshino, president, National Institute for Research Advancement (NIRA). July 15, 1992.
14. Ukeru Magosaki, director, International Cooperation Department of the NIRA. July 15 and 17, 1992.
15. Yoshiko Sakurai, journalist. July 15, 1992.
16. Rikuo Sato, editor, *Mainichi Shimbun*. July 15, 1992.
17. Robert Delfs, Tokyo bureau chief, *Far Eastern Economic Review*. July 15, 1992.
18. Jun Eto, professor, Keio University. July 15, 1992.
19. Kazuo Nukazawa, managing director, KEIDANREN [Japan Foundation of Economic Organizations]. July 15, 1992.
20. Kenichiro Yokowo, staff economist, International Economic Affairs Department of KEIDANREN. July 15, 1992.
21. Tatsufumi Tsuboi, president, National Institute for Defense Studies (NIDS). July 16, 1992.
22. Shigekatsu Kondo, professor and director, First Research Department (Defense Policy and Japan-U.S. Relations), NIDS. July 16, 1992.
23. Kameyoshi Tsuruta, Cabinet Secretariat for the Prime Minister's Office (Japan-ASEAN Relations). July 16, 1992.
24. Glen Fukushima, director, Public Policy and Business Development, AT&T Japan, Ltd. July 17, 1992.
25. Tomohisa Sakanaka, professor, Aoyama Kakuin University. July 17, 1992.
26. Akira Kato, research fellow, NIDS. July 17, 1992.

27. Kunihiro Masao, Upper House Diet member, Socialist Democratic Party of Japan. July 17, 1992.
28. Katsuyoshi Yamada, researcher, International Cooperation Department of the NIRA. July 17, 1992.
29. Karel van Wolferen, Dutch journalist and freelance writer on Japanese affairs. July 18, 1992.
30. Atsushi Seike, professor, Keio University. July 18, 1992.
31. Nobuko Narita, attorney at law (expert on international business and capital transactions). July 19, 1992.
32. David E. Sanger, Tokyo bureau chief, *The New York Times*. July 20, 1992.
33. Shinji Fukukawa, former senior adviser, Japan Industrial Research Institute of the Ministry of International Trade and Industry (MITI), and executive vice president, Kobe Steel, Ltd. July 20, 1992.
34. Yasushi Yamanouchi, professor, Tokyo Foreign Language University. July 21, 1992.

#### **PARTICIPANTS AT ROUNDTABLE DISCUSSIONS AND SEMINARS**

Roundtable discussion at *The Japan Times*. July 10, 1992.  
Topic: "The U.S.-Japan Relationship After the Cold War"

1. Toshiaki Ogasawara, chairman and publisher, *The Japan Times*
2. Yoichi Funabashi, diplomatic correspondent and columnist, *Asahi Shimbun*
3. Masaru Tanimoto, general manager, Asia Pacific Association of Japan
4. Ryosei Kokubun, professor, Keio University
5. Michimi Muramichi, professor, Gakushuin University

**Seminar at the International Institute for Global Peace (IIGP). July 10, 1992.**

**Topic: "The U.S.-Japan Relationship After the Cold War"**

1. Seizaburo Sato, acting director, IIGP
2. IIGP staff and invited outside guests (total of 28)

**Roundtable discussion at the Japan Ground Self-Defense Forces (JGSDF) Staff College. July 13, 1992.**

**Topic: "The U.S.-Japan Relationship After the Cold War"**

1. Shigeki Nishimura, colonel and professor
2. Yoshihisa Nakamura, colonel and professor
3. Takao Shibukawa, colonel
4. Daihachiro Uematsu, colonel

**Seminar at the Japan External Trade Organization (JETRO). July 13, 1992.**

**Topic: "The Korean Peninsula and Asian Security in the 1990s"**

1. Tetsuo Murooka, China-North Asia Section, Overseas Research Department of JETRO
2. Hideya Kurata, research fellow, Japan Institute of International Affairs
3. Keiji Kobayashi, senior staff writer of *Aera* (*Asahi Shimbun* weekly)
4. Satoshi Imai, senior economist, JETRO
5. Tomohide Murai, professor, Japanese National Defense Academy
6. Zhou Jienrong, professor, Asian Women's College
7. Lee Nak Yon, correspondent to Tokyo, *Dong-A Daily News*, Korea

**Seminar at the National Institute for Defense Studies (NIDS). July 16, 1992.**

**Topic: "The U.S.-Japan Security Relationship After the Cold War"**

- 1. Shigekatsu Kondo, professor**
- 2. NIDS staff (total of 20)**

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**QUESTIONNAIRE ON THE U.S.-JAPAN SECURITY  
RELATIONSHIP AFTER THE COLD WAR<sup>1</sup>**

**About security issues:**

1. Can you foresee circumstances in which the U.S.-Japan security relationship will not continue? Will the U.S. and Japan define common interests after the Cold War?
2. Do you agree that the recently passed PKO bill will serve to upgrade Japan's image as a nation more responsible for its own defense? Or will the bill make it more difficult to maintain foreign perception of a peaceful and defensive posture of the Self-Defense Forces of Japan [JSDF]? Do you agree that the bill marks an important watershed in dismantling the post-1945 security arrangements?
3. With the breakup of the Soviet Union, what do you see as the chief security threats facing Japan? What specific contingencies should the JSDF plan against? Do you think that a unified Korea could present a threat to Japan?
4. Do you agree with Japan's peace activists who argue that the U.S. bases in Japan are no longer necessary to protect Japan from any security threats?
5. Did you support the U.S. during the Gulf War or did you feel the U.S. acted too unilaterally?

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<sup>1</sup>In most cases, these questions were sent to the interviewees a few weeks before the interviews were held.

6. What do you think of the current North Korean nuclear development program? Will the North pursue a weapons project? If so, what should Japan do?
7. Have you considered a new defense plan and posture for Japan after the Cold War? If you have, could you tell us the gist of your thoughts?
8. Are there new institutional arrangements that would improve U.S.-Japanese security ties?

About economic and political issues:

1. Do you consider that Japan's role as the subordinate ally is viable in a situation of economic parity?
2. Do you think that Akio Morita's article in the *Bungeishunju* of February 1992 had a significant impact on Japan's industrialists and economic policymakers? If so, why? If not, why?
3. What do you think is Japan's proper role in the Asia-Pacific region, as a leading economically or politically active nation?
4. If the world divides into three large economic blocks—a North American block including Mexico, a unified Europe, and an Asia-Pacific block—where will Japan stand?
5. Can you foresee any circumstances under which Japan would acquire nuclear weapons?
6. What was your reaction to the Los Angeles Riots in April-May 1992? Did you consider that they showed a failure of U.S. democracy and capitalism, or were the riots just an isolated local problem?
7. Are there any things in the U.S. that you would like to emulate, such as its democratic institutions or some of its economic measures?

General:

1. To what extent do you think that Japan is simply another Western democracy, or does it represent a unique and different social and

political model? If the latter, to what extent will this model be exportable?

2. Do you think that America's decline is a permanent fact of life, or will it be reversible?

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