

APPENDIX 1

JAPAN, MULTILATERALISM AND BILATERALISM: CONTESTING THE FUTURE SHAPING OF EAST ASIA'S REGIONAL ORDER

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The Asia-Pacific is in the midst of reconfiguring its economic and security order.¹ This process has been going on with varying degrees of acceleration and deceleration since bipolarity began to fade, a process which started in the 1970s with the Nixon visit to China and subsequent moves by President Deng Xiaoping and his reformist allies to reshape China's approach both to economic development and to jettisoning the worst foreign and domestic abuses of the Maoist period. Bipolarity ended most dramatically in Europe with the collapse of the Berlin Wall in 1989 and the demise of the Soviet Union in 1991. In the years since, East Asia has been shifting away from an order previously defined by rigid economic and security isolation and confrontation between two hostile blocs toward an order characterized by reduced security conflicts and a spiraling escalation in cross-border economic transactions. The result has been deeper and more encompassing lines of interdependence across the Asia-Pacific. Yet within such general outlines, the specific details of the emerging order remain murky and will be subject to human and state action. As such, any new order will involve the complex interplay of many competing agendas concerning what an "ideal" order would resemble.

To sketch the main outlines of the emerging regional order, however, three core components demonstrate major departures from the previously dominant Cold War order. The first such change involves diplomacy and hard security. There has been a significant improvement in positive state interactions with (perhaps until very recently) a parallel decline in overt military confrontations and reliance on military prowess as a key tool of foreign policy. Nonetheless, while the Cold War has ended in Europe residues of its previous divisions continue to shape state-to-state interactions throughout the Asia-Pacific, particularly in Northeast Asia. Coercive diplomacy has by no means vanished. The second change involves economic shifts that ended the stringent ideological barriers previously erected to stymie economic linkages between China and America's Cold War allies and that have since been marked by extensive cross-border economic interdependence in East Asian trade, investment and finance. Third and finally, an arc spreading over both of these security and economic shifts is represented by the rapid increase in formalized governmental links that mark new institutional commitments reflecting the enhanced regional interdependence.

1 Evelyn Goh, *The Struggle for Order: Hegemony, Hierarchy, and Transition in Post-Cold War East Asia* (Oxford: Oxford University Press, 2013).

ENDING BIPOLARITY

Normalization of diplomatic relations between China on the one hand, and the United States, Japan and South Korea (ROK), as well as other countries previously on opposite sides of the bipolar ideological divide, on the other, was the most profound of East Asia's shifting tectonic plates. Security tensions among the major actors in the Asia-Pacific have since diminished giving rise to what some have called "the East Asian peace," represented by a sharp decline in battlefield deaths and the absence of state-to-state conflict across all of East Asia since 1979 and more narrowly in North-east Asia since the 1953 termination of the Korean War.² These and related shifts have worked to blur East Asia's previously rigid and mutually hostile security bipolarity by moving toward a security order based on much more porous and preponderantly harmonious national interactions. In conjunction with improvements in security relations, as noted, the rigidity of bipolar economic separation has also given way to enhanced cross-border investment, production, and trade that show few remnants of prior ideological motivations.

Etel Solingen underscores these ongoing improvements: Existing disputes have been restrained as never before in recent history, and major powers have normalized diplomatic relations despite continued tensions. Military modernization has not undermined macroeconomic and regional stability. Military expenditures relative to GNP have declined from 2.6 percent (1985) to 1.8 percent (2001), lower than world averages of 5.4 percent (1985) and 2.5 percent (2001), with parallel declines — in most states — in military expenditures relative to central government expenditures. Steve Chan (2010) provides detailed country-by-country data showing the same pattern. Timo Kivimäki (2010) also provides compelling support for the relative peace in the region as does the Uppsala project on East Asian peace.³

Though many of its most acute lines of confrontation have been blurred, particularly as a consequence of cross-border economic and financial integration and the collective improvement in most countries' national economic profiles, in contrast to its termination in Europe the Cold War has hardly vanished in East Asia. This is most demonstrable in the area of security relations. The broad East Asian peace, for example, masks a number of neuralgic security hot potatoes — the divided Korean peninsula; a Taiwan separated from the PRC and devoid of representation in a host of international institutions and its prior diplomatic relations with the US, Japan and South Korea, as

2 On this see Stein Tonnesson et al., "The East Asia Peace: How it Came About and What Threats Lie Ahead," *Global Asia* 10, no.4 (Winter 2015).

3 Etel Solingen, "Pax Asiatica versus Bella Levantina: The Foundations of War and Peace in East Asia and the Middle East," *American Political Science Review* 101, no.4 (2007): 757. See also, Steve Chan, "An Odd Thing Happened on the Way to Balancing: East Asian States' Reactions to China's Rise," *International Studies Review* 12, no.3 (September 2010): 387-412; Timo Kivimäki, "East Asian Relative Peace - Does It Exist? What Is It?" *The Pacific Review* 23, no.4 (2010): 503-526.

well as a series of maritime disputes still unresolved since World War II, to mention only the most obvious problem areas. Moreover, although big jumps in military expenditures have not been seen in the budgets of most countries in the region (with the conspicuous exception of China), the years since about 2010 have been pockmarked by numerous examples of coercive diplomacy and heightened security and diplomatic tensions.⁴

DEEPENING INTRA-ASIAN ECONOMIC AND FINANCIAL INTERDEPENDENCE

The region's improved security climate following the American defeat in Vietnam was followed by the noteworthy movement of state leaders within the vast majority of governments in Northeast and Southeast Asia (with a few notable exceptions such as the Democratic People's Republic of Korea (DPRK) and Myanmar) to prioritize national economic development as the basis for their domestic legitimacy, simultaneously downplaying the predominance of military prowess and strongman leadership.⁵ This trend persisted for the first four plus decades since the 1970s as states across the region followed one another in eschewing the expansion of military muscle as manifestations of national power while shifting political attention and resources to the pursuit of national economic development and improved day-to-day lives for their citizens. In the apt phrasing, again, of Etel Solingen, East Asia's rulers "pivoted their political survival on economic performance, export-led growth, and integration into the global political economy."⁶

Most regimes opted in this shift to pursue national economic development along lines that differed from US *laissez faire* or USSR state-ownership while making "economic security" an integral component in their broader goal of ensuring what most called "comprehensive security." Countries across the region concluded that "security" remains too vital a treasure to be entrusted exclusively to the military. Domestic security goals and foreign policy aspirations must be kept in balance. "Comprehensive security," represented a perspective that acknowledged the value of such things as economic, energy and environmental security, along with security in the face of pandemics, natural disasters and intrastate crime. (Certainly this was true of Japan since its articulation of a doctrine of "comprehensive security" that was crystalized under the

4 Thomas J. Christensen, *Worse Than a Monolith: Alliance Politics and Problems of Coercive Diplomacy in Asia* (Princeton, NJ: Princeton University Press, 2011).

5 Much of this movement can be attributed to the demonstration effect of the phenomenal economic success of Japanese development efforts. And for countries in Southeast Asia, there was an additional impetus coming from the subsequent successes of South Korea, Taiwan, Hong Kong and Singapore.

6 Solingen, "Pax Asiatica versus Bella Levantina," 760.

administration of Prime Minister Ohira in 1980).

In the process, individual national development projects within most countries became woven into the rapid expansion and economic success of an exploding number of regional and global production networks. Multinational companies had learned how to separate and diversify the locations of their many functions. Increased efficiencies in transportation and communication made it profitable to position design, manufacturing, wholesaling, and retailing operations in diverse locations chosen for effective and efficient contributions to the bottom lines of individual companies. Fragmented operations across multiple geographical boundaries followed, ushering in the widespread expansion of truly multinational production networks.⁷

Western-based companies were hardly alone in developing regional production models. Spurred by their rapidly rising currencies — stimulated in large measure by demands from the US and other governments, as well as their search for more direct access to final markets triggered by stronger currencies — Japanese companies as early as the 1970s and then Korean and Taiwanese companies, as well as some Singaporean and Hong Kong companies, by the mid-1980s began to relocate many of their production facilities abroad, primarily in the countries in Southeast Asia with lower labor costs. In the process, such corporate moves undercut many of the prior presuppositions behind the insulated greenhouse models of national development that had been pivotal to their early industrial development.⁸

Intra-East Asian investment has, since then, taken a sharp turn upward, particularly since the mid-1990s, and the cumulative effect has been a substantial increase in cross-border production. This in turn has bolstered enhanced intra-Asian trade and a deeper East Asian interdependence while at the same time reducing the previous East Asian dependence on exports to the United States. In the 1990s the US was the major export destination for virtually every country in East Asia. By 2015, intra-Asian trade represented 56 percent of total Asian trade, a figure close to that of the EU; China had become the major destination for most Asian exporters while Asian reliance on the US market declined rapidly with the exception of China. The US was ultimately the export market for many goods produced and assembled in China while China was a major

7 A considerable literature exists on this subject but one of the earliest and more influential analyses was Mitchell Bernard and John Ravenhill, “Beyond Product Cycles and Flying Geese: Regionalization, Hierarchy, and the Industrialization of East Asia,” *World Politics* 47, no.2 (1995): 171-209.

8 Sven W. Arndt and Henryk Kierzkowski, eds., *Fragmentation: New Production Patterns in the World Economy* (Oxford: Oxford University Press, 2001); Dennis Tachiki, “Between Foreign Direct Investment and Regionalism: The Role of Japanese Production Networks,” in *Remapping East Asia: The Construction of a Region*, ed. T.J. Pempel (Ithaca, NY: Cornell University Press, 2005), 149-169; Henry Wai-chung Yeung, “Regional Development and the Competitive Dynamics of Global Production Networks: An East Asian Perspective,” *Regional Studies* 43, no.3 (2009): 325-351; Yeung, *Strategic Coupling: East Asian Industrial Transformation in the New Global Economy* (Ithaca, NY: Cornell University Press, 2016).

purchaser of US debt. Interdependence in trade within Northeast Asia more narrowly has risen in tandem with the broader regional trend, creating an extensive economic interdependence among Japan, China, Taiwan, the ASEAN member states and the ROK as well as between Northeast and Southeast Asia.⁹

DEEPENING REGIONAL INSTITUTIONALIZATION

Economic and security organizations established in the wake of World War II reflected the comprehensive global power of the United States. The United Nations, the International Monetary Fund (IMF), the World Bank (WB) and the General Agreement on Tariffs and Trade (GATT) were but a few of the most prominent economic and security bodies undergirding the architecture of a US-led agenda.¹⁰ Many played instrumental roles in the economic recovery and the sweeping economic improvements across much of the world, including in East Asia. Yet, a number, particularly those most central in shaping the regional order in East Asia, were security-focused and as such bore the indelible fingerprints of the Cold War. Nowhere was this more apparent than in the network of hub-and-spoke security alliances that linked a number of America's allies to US security priorities. Important to remember, similar arrangements tied China and the USSR to the DPRK and regimes in Central Asia. For three or more decades the political-economic-security order across the Asia-Pacific was strongly structured by this matrix of global and regional arrangements and remnants of that order continue into the present.

The balancing act between economics and security is among the most perplexing difficulties confronting national policymakers. As E.H. Carr noted long ago: "power is indivisible" and "military and economic weapons are just different instruments of power." It is not always clear when to move the ships and when to keep them in port in favor of mustering trade sanctions and when to try both avenues simultaneously. There is a long history of governments synchronizing the two spheres as related facets of national power. The US certainly treated both as intimately linked during the Cold War, as "the two halves of the same walnut," in President Truman's melding of the Truman Doctrine and the Marshall Plan in his doctrine of containment.¹¹ At the same time, US hegemony and the globally oriented neo-liberal institutions that were established "after

9 Avery Goldstein and Edward Mansfield, eds., *The Nexus of Economics, Security, and International Relations in East Asia* (Stanford: Stanford University Press, 2012). See also, Goldstein and Mansfield, "When Fighting Ends," *Global Asia* 6, no.2 (2011): 8-17; Pempel, ed., *Remapping East Asia*.

10 G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order After Major Wars* (Princeton, NJ: Princeton University Press, 2009).

11 Walter LaFeber, *America, Russia and the Cold War 1945-2006* (Boston: McGraw-Hill Humanities, 2008), Chapter 3.

victory” put considerable emphasis on the alleged benefits of globalized markets, deregulation, convertible currencies, free trade, et cetera. These gave American foreign economic policy its own logic and advocates. Moreover, as will be noted below, much of East Asia’s collective foreign policy approaches have concentrated far more heavily on enhancing national economic muscle and less on traditional military buildups. Scholarship as well as bureaucratic organization also often separate economics from security with the latter emphasizing military hardware, territorial security and the use of force.

During the Cold War, as noted above, economic interactions mirrored lines of security contestation. Friends traded with friends and little trade or investment managed to bridge the deep bipolar abyss separating capitalist from communist regimes. This prior division has been mitigated by a sweeping array of new institutional arrangements that reflect enhanced economic ties on the ground. These illustrate the extent to which old Cold War bifurcations have been diminishing in finance and economics across East Asia. The ASEAN plus Three (APT), the East Asia Summit (EAS), the Asian Development Bank (ADB), the Asia-Pacific Economic Cooperation (APEC) Forum, the Asian Infrastructure Investment Bank (AIIB), the New Development Bank (NDB) and a host of unilateral and multilateral Free Trade Agreements (FTAs) are but a few of the more prominent manifestations of governmentally-engineered institutions that complement the pervasive corporate activities to forge the more economically and financially integrated East Asian order that undergirds narratives and norms highlighting “Asia’s rise,” and the “East Asia peace.”

Security arrangements such as the ASEAN Regional Forum (ARF), the ASEAN Defense Ministers Meeting Plus (ADMM+) and the now dormant Six-Party Talks (SPT), along with a number of Track-2 and Track 1.5 bodies (such as NEACD, CS-CAP, and the Shangri-la Dialogue) have also been forged to deal with changes in state power and new security challenges. Yet, despite their potential to reduce state-to-state tensions, these security-oriented institutions have been less numerous and less effective in weaving cross national networks of cooperation and trust that are in any way comparable to the increasingly dense connections being forged in economics. Cold War walls — real or imagined — remain divisive reminders of the diverging state visions of any ideal East Asian security order; in the interim powerful vestiges of the old order shape security relations.

The combined changes in the external security order plus the increased significance of cross-border economic and financial ties posed serious challenges to the deeply institutionalized combination of security and economic institutions, power positions, and policies previously in play. Not only were political and business elites challenged to reassess longstanding predispositions but the new exogenous conditions quickly filtered into the domestic arena where social groups, political parties, and non-state actors were provided with a mixture of new challenges and new opportunities.

For most of the 1990s and well into the early 2000s, East Asia generally, and Northeast Asia in particular, were marked by increasing economic interdependence, a

deepening multilateralization, and a reduction in military clashes and threat levels. And relations of the United States with China, Korea and Japan were all largely positive. Emblematic of such benignity were China's formal recognition of the regime in South Korea; its accession to the World Trade Organization; its "charm offensive" and the official projection of a doctrine of "peaceful rise;" economic outreach by South Korea to the DPRK; the Kim-Obuchi meeting promising forward looking ROK-Japanese relations along with Japanese-Korean cooperation in co-hosting the 2002 World Cup; generous official aid from Japan to China; new institutions such as APEC, the ASEAN Regional Forum; the ASEAN plus Three process; the Chiang Mai Initiative and its multinationalized successor, CMIM; the East Asia Summit; the Six Party Talks; and the creation of a Trilateral Secretariat among China, Japan and South Korea.

East Asia (and the Asia-Pacific), in these ways has seen an explosion of new security and economic institutions. These have generally been organized along functional lines rather than combining economic and security goals.¹² All were collectively presumed to be fostering closer state-to-state ties through the socialization of members, the development of epistemic communities and the regularization of institutionalized processes to which members would adhere. Regional institutional cooperation, it was increasingly assumed, would foster a reduction in security tensions and an ability to keep collective economic growth moving forward, unimpeded by security challenges.¹³ But these bodies have enjoyed widely different degrees of success.

At the heart of the difference between them is the fact that most economic and financial institutions in the region have been able to emphasize cooperation in the interest of a "common good." Particularly since the Asian financial crisis of 1997-98 they have emphasized the ways in which East Asian financial and economic interests are often collectively different from the global interests pressed by the US, the IMF and the WTO along with the interests of hedge fund operators, currency manipulators and other non-Asians whom many Asian leaders were convinced had been responsible for the devastation brought to the region's prior economic development in 1997-98. Suddenly, East Asia had a collective exogenous challenge against which they collectively sought to securitize the region. That common sense of purpose has given considerable energy to the financial and economic institutions forged in the wake of the Asian financial crisis.

The states of Northeast Asia have also been moving in many common directions and closer cooperation in the area of finance. China, Japan, Taiwan, the ROK and even Southeast Asian states such as Vietnam have opted for strategies of expanded foreign reserve holdings in the aftermath of the Asian Financial Crisis, a move that Gregory Chin has labeled "self-insurance" and "regional insulation" against the previously

12 The East Asian Summit might be offered as a partial exception.

13 For example, see: Alastair Iain Johnston, "Treating International Institutions as Social Environments," *International Studies Quarterly* 45, no.4 (2001): 487-515; Amitav Acharya, "Ideas, identity, and institution-building: From the 'ASEAN way' to the 'Asia-Pacific way'?" *The Pacific Review* 10, no.3 (1997): 319-346.

disruptive forces of global capital and “hot money” that challenged so many economies across East Asia in 1997-98.¹⁴

Such measures are, as noted, predicated on some element of collective cooperation against a (real or imagined) exogenous challenge. That commonality of interest has been far less in evidence in the area of security where in fact there is no agreed-upon external challenger to East Asian security. Virtually all of the security threats perceived by governments in the Asia-Pacific are endogenous to the region (taking the US as a regional player). The guns in East Asia are aimed, not at potential enemies outside the region, but at other countries within the region.

Not surprisingly, national governments have not all engaged this embryonic regional order with compatible goals or equal political enthusiasm. Indeed the very thinness of most security arrangements reflects the wariness with which governments have been approaching formal institutional cooperation. Moreover, the extent of a country’s commitment to regional multilateral bodies undulates with the shifting climate of regional geopolitics and geo-economics. Again, national commitments to regional institutions remain primarily instrumental; regional institutions are still seen by most participant countries as means to particularistic national goals rather than as ends in themselves. Regional institutions continue to be seen as providing opportunities for ‘forum shopping’ by governments in pursuit of their discreet national foreign policy agendas.

JAPAN’S BALANCE OF SECURITY AND ECONOMICS, BILATERALISM AND REGIONALISM

How has Japan been operating within this changing environment? Japanese policymakers have long anchored their country’s foreign policy around one central pillar — the US-Japan security alliance. That security alliance has brought with it close bilateral ties on a multiplicity of dimensions. Prior to the 1970s and the ebbing of regional bipolarity, Japanese policymakers kept considerations of security and economics in sync with one another — security and economic ties with the US, few or none with communist regimes. Meanwhile, bilateralism under America’s hub and spoke system was the only viable option available to Japan on security even as active participation in such global multinational institutions as the UN, the IMF and the World Bank contributed greatly to postwar Japan’s global rehabilitation and subsequent positioning. Important to note, during the Cold War, Asia-Pacific or East Asian regional institutions were all but nonexistent.

Japanese ties to the US were thus robust in both their economic and security dimensions. The military component of the relationship took center stage as US bases in

14 Gregory T. Chin, “Remaking the architecture: the emerging powers, self-insuring and regional insulation,” *International Affairs* 86, no.3 (2010): 693-715.

Japan provided rear base support for American combat missions in both the Korean and Vietnam wars as well as allowing ongoing demonstrations of the naval predominance of the US Seventh Fleet. The US nuclear umbrella also bolstered Japanese perceptions of security in a neighborhood rife with unfriendly nuclear powers (the PRC and the USSR). Important as these security connections were, the bilateral relationship was equally welded together by means of economic linkages. US Cold War considerations underwrote generous one-way access to the US market for the exports of Japan (and other of America's East Asian allies). Even as late as the mid-1990s, Japan sent roughly 30-35 percent of the nation's exports to the US while its second largest export market (variously Germany and South Korea) rarely received more than 5-6 percent.¹⁵ Japan's postwar economic success depended greatly on easy access to the US market.

Political relations across Northeast Asia had been fraught with deep security fissures during the Cold War. However, normalization of ties between Japan and China in 1972 and between China and the US in 1979 put a blunt, if temporary, end to the mutual animosity, mistrust, and saber-rattling of each toward the other that had followed the communist victory in 1949 and the decades of regional bipolarity fostered by the Cold War. Without glossing over many profound security differences among states since then, it is fair to say that regional relations warmed for most of the next three decades. Japan reembraced its close prewar ties to China offering massive packages of foreign aid along with investment and trade by Japanese corporations. According to Japan's Ministry of Foreign Affairs, from 1979 to early 2016, Japan sent approximately 3.3164 trillion yen in loan aid (yen loans), 157.2 billion yen in grant aid, and 181.7 billion yen in technical cooperation.¹⁶ For the period 2005 to 2012, for example, Japanese FDI to China ranged between \$5 billion and \$15 billion per year.¹⁷ Equally, and as a consequence of Japanese aid and investment, China soon replaced the US as Japan's most significant trading partner. These diplomatic and economic improvements ushered in a thirty year period of bilateral congeniality that only began to chill around 2010.

The US, like Japan, embraced China's "peaceful rise," both predicating their embrace on the assumption that the country was moving in the direction of becoming what then Deputy Secretary of State, Robert Zoelick, called "a responsible stakeholder" within the American dominated global and regional order.¹⁸ During the early 2000s, for example, the US supported China's accession to the World Trade Organization and the creation of Permanent Normal Trade Relations (PNTR). A growing financial and trade interdependency across the region was enhanced, as were US-China economic

15 For details see T.J. Pempel, "Trans-Pacific Torii: Japan and the Emerging Asian Regionalism," in *Beyond Japan: The Dynamics of East Asian Regionalism*, eds., Peter J. Katzenstein, and Takashi Shiraiishi (Ithaca, NY: Cornell University Press, 2006), 47-82.

16 MOFA web site at http://www.mofa.go.jp/policy/oda/region/e_asia/china.

17 <http://www.bloomberg.com/news/articles/2016-05-30/southeast-asia-is-winning-more-japanese-investment-than-china>.

18 <https://www.ncuscr.org/content/robert-zoelicks-responsible-stakeholder-speech>

ties quite specifically. The US also deferred to Chinese leadership in multilateral cooperation efforts to check North Korea's nuclear program through the Six-Party Talks.

Despite Japan's deepening economic ties with China, and despite the rise in the number and agendas of regional multilateral bodies, Japan's central foreign policy focus has remained unshakably focused on retaining close ties with the United States. Thus when it appeared during the late 1980s that the US was toying with a reduction of its presence in East Asia, Japan along with Australia, took an active role in creating and promoting APEC and the ARF as institutions that would operate to keep the US deeply engaged in the region. APEC presented a stark contrast to proposals by some East Asian leaders such as Mahathir Mohanmmmed of Malaysia for institutions that would represent "Asia for the Asians." Japan, in contrast, was insistent that new regional institutions such as APEC and the ARF represent the "Asia-Pacific," preventing what US Secretary of Defense James Baker once called "a line down the middle of the Pacific." For much of the 1990s — largely until the Asian Financial Crisis of 1997-98 — both the Japanese and US governments collaborated actively with other APEC member economies in laying the groundwork for an interwoven nexus of policies aimed at enhancing regional economic cooperation.

Japan did much the same with the ARF despite an initial concern that it might compromise its commitment to the US-Japan security alliance. Although initially greeted with skepticism by the United States and ASEAN, the Japanese proposal gained traction, including the endorsement of the new Clinton administration in July 1993. The US ultimately declared that "a multilateral forum for security consultations" was one of the ten major goals for US policy in the Asia-Pacific region.¹⁹ Though scorned by officials in the Bush Administration, the Obama presidency has seen a consistent engagement and the presence of high level officials in ARF meetings.

Both institutions had to confront diminished credibility, however. The Asian economic crisis diminished APEC's stature, even though the institution had never claimed a mandate to deal with problems of finance. Even more damaging was the Bush administration's actions in the aftermath of 9/11 when it sought to securitize APEC in its "global war on terror" and to eschew regional bodies in favor of creating ad hoc "coalitions of the willing." However, Japan drove its own nail into the APEC coffin by its refusal to collaborate with Early Voluntary Sector Liberalization (EVSL) efforts due to domestic interest group pressures.²⁰

19 T.J. Pempel, "Japan: Dealing with Global Forces: Multilateralism, Regionalism, Bilateralism," in *Governing the Global Economy: Politics, Institutions and Economic Development*, eds., Dag Harald Claes and Carl Henrik Knutsen (London: Routledge, 2005), 213-214. See also Kuniko P. Ashizawa, "Japan, the United States and Multilateral Institution Building in the Asia-Pacific," in *Beyond Bilateralism: U.S.-Japan Relations in the New Asia-Pacific*, eds., Ellis J. Krauss and T.J. Pempel (Stanford: Stanford University Press, 2004), 248-271.

20 Ellis J. Krauss, "The United States and Japan in APEC's EVSL Negotiations: Regional Multilateralism," in *Beyond Bilateralism*, eds., Krauss and Pempel, 272-295.

If Japan's engagement with regional institutions was driven heavily by its efforts to keep the US engaged in Asia, a rupture of sorts occurred during the Asian Financial Crisis when Japan, in an autonomous effort aimed at assisting the countries in trouble, proposed a substantial Asian Monetary Fund (AMF) to be 50 percent funded by Japan. The US, the IMF and China all recoiled at what appeared to be a challenge to the global financial balance. Yet in the end, the crisis and the stringent IMF conditions imposed on the countries that received its aid packages spurred a widespread conviction across much of Asia, often led by Japan, that regional financial solutions could serve as an alternative and that the global financial architecture should be reconfigured to take greater account of the growth in financial power of the Asian economies. A series of moves toward intra-Asian currency swap arrangements followed with the Chiang Mai Initiative of 2000, then subsequently expanded and multilateralized as the CMIM. Also created in large part through Japanese initiatives were two Asian bond markets and eventually the East Asia Summit (EAS). Yet the EAS hardly represented abandonment of the US by Japan. In its effort to check the rising regional influence of China, particularly in the ASEAN plus Three (APT), Japan pushed for the EAS and its expanded membership as a body that would dilute the influence of China and other authoritarian regimes with an EAS membership that included Australia, New Zealand and India. And as is well known, the Obama repositioning eventually led the US also to join the EAS in 2010.

Within Japan, any enhanced embrace of regional institutions has thus continued to be counter-balanced by overwhelming efforts to ensure close security relations with the United States. Hence Bush's shift away from multilateralism and demands to be "with us or against us" spurred Japanese Prime Minister Koizumi, among other things, to alter a series of security laws allowing direct Japanese cooperation with US military actions in Afghanistan and Iraq; he forged a New Defense Planning Guidelines around cooperation with the US; joined with the US in introducing a ballistic missile system into Japan; centralized Self-Defense Forces command and control operations and integrated them with US operations; and upgraded the Japanese Defense Agency to ministerial status. Japan also worked with the US under the Six-Party Talks format to confront the challenge of North Korea's nuclear program and entered the US-created Proliferation Security Initiative (PSI).

Closer bilateral security ties have continued and been expanded as part of the Obama repositioning. In recent years, China's rise, the US pivot/rebalance and the assertive behavior of China in the East China Sea and the South China Sea have led to a further strengthening of defense linkages in the region, particularly between Japan and the US (but also of many other US allies and security partners). Of particular anxiety to the current Abe government is Chinese behavior in the Senkaku/Daiyou islands, for which the US and Japan have made clear that the US-Japan Security Treaty will be operative and bring the US to Japan's defense in the event of any Chinese efforts at a military takeover. With these radical revisions of its post-war defense posture, Japan is now playing a more active military role and has strengthened its military assistance

and co-operation with several countries in the region, generally against the interests of China.²¹

Equally promising in tightening US-Japan bilateral connections has been the Trans-Pacific Partnership (TPP). Following years of reluctance in opening certain “sacred” areas of Japan’s domestic market to foreign competition, Prime Minister Abe finally in 2013 announced his country’s willingness to join TPP negotiations. That decision followed his predecessor, Prime Minister Noda’s announcement at the Asia-Pacific Economic Cooperation (APEC) in 2011 that Japan was “interested” in the TPP negotiations and almost two years of discussions between the Japanese government and the other TPP parties on their expectations should Japan join the trade negotiations. But once in the negotiations, Japan embraced the TPP both as a major cudgel with which Abe could bludgeon domestic resisters to deregulation and structural reforms and also as an economic mechanism by which to strengthen bilateral US-Japan ties. And certainly for the United States, the inclusion of Japan in TPP negotiations was seen as a major reinforcement of US regional economic engagement. Multiple delays, widely attributed to Japanese reluctance to go far enough in agricultural liberalization, delayed final agreement, as a series of promised deadlines came and went. Yet, a bevy of enthusiastic statements by trade negotiators followed the LDP electoral victory in December 2014 on the assumption that enhanced power for Abe would allow his government to enact powerful steps to make enough concessions to ensure TPP agreement. Indeed, the TPP was signed by all twelve participants in February 2016 following five years of tough negotiations and promising to include roughly 40 percent of world trade. But ironically, now that an agreement has been reached that is being highly touted by a once skeptical Japan, it is the US Congress that has become the major roadblock to multilateral ratification and implementation.

CONCLUSION

The Asia-Pacific is in the midst of a transformation of its regional economic and security order. For the moment, these two sectors have been evincing very different levels of cooperation and competition. Economics and finance continue to show an expanded integration and are increasingly organized through regional multilateral institutions.²² Regional security institutions on the other hand have been far thinner in their ability to forge common agendas agreed to by large numbers of countries. Instead,

21 https://globalasia.org/bbs/board.php?bo_table=articles&wr_id=9090.

22 I do not wish to discuss here the apparent institutional contestation between the Asian Development Bank (ADB) for example and China’s Asian Infrastructure Investment Bank (AIIB). As of this writing even though Japan and the US have not joined AIIB it is clear that the ADB and AIIB are joining forces in a number of projects and that early US opposition to AIIB has begun to wane.

security relations remain structured in large measure by a deep residue of unresolved territorial issues, by longstanding alliances, and by increased tensions surrounding the toxic combination of China's military expansion, the DPRK's nuclear and missile threats and the US repositioning.

Japan has been an active and enthusiastic member of multiple regional institutions, particularly in the economic and finance areas. At the same time it has worked energetically to keep its close bilateral ties to the US from eroding in any way. To this end it has bolstered the security links and has negotiated TPP. But the TPP raises a final point about the emerging order, and one that is of considerable concern to Japanese policymakers, namely concerns about the potential staying power and commitment of the US. How longstanding, they ask, will the Obama repositioning prove to be?

American policymakers articulate a strong intention to remain engaged in Asia. Yet wars in the Middle East continue to drain the American treasury and the attentions of policymakers. And economic engagement through the Obama administration's showcase piece, the Trans-Pacific Partnership, faces the high probability of non-passage by the Senate as well as vocal opposition from both presidential candidates. Furthermore, sustained US engagement now confronts rising American populist demands for greater budgetary constraint and increased policy and budgetary attention to domestic problems. In addition, the US public — joined by many policymakers — shows a growing reluctance to support overseas military actions after fifteen years of costly wars in the Middle East and Central Asia. Thus, it may become more difficult for US policymakers to marry tough regional actions to the best of intentions.

It is worth noting in this regard that Asia has been compelled to deal with earlier periods of reduced US focus on Asia such as the Nixon Doctrine, President Carter's plans to reduce US troop levels in Korea, and efforts to take advantage of the "peace dividend" in the early 1990s. US engagement levels may go through ebbs and flows but in the long term its engagement in the region has remained high. This is likely to continue.

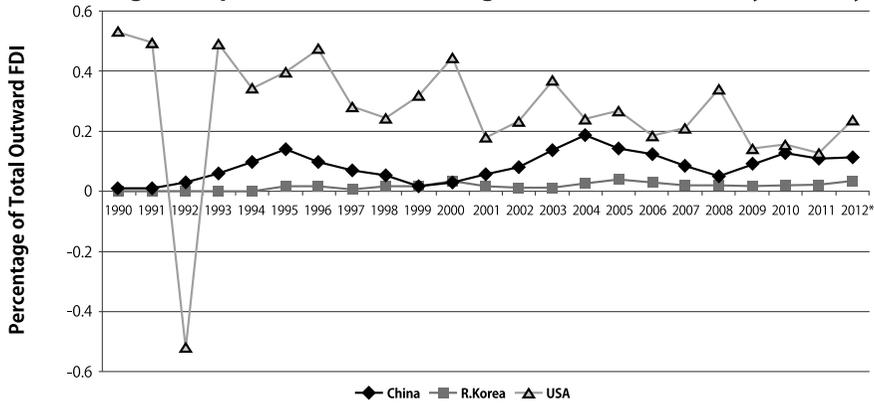
At the same time, worries about possible US disengagement remain strong among Japanese analysts and policymakers. They express their concerns about America's staying power, especially under a possible Trump administration, a prospect that has worried policymakers across East Asia. Equally worrisome to many Japanese is their belief that the US is trapped in its relations with China between economic interdependence and strategic competition. As a result, many Japanese officials worry quietly that the US, in their eyes, has been too tepid over the past few years in its responses to China's military assertiveness, particularly in the East China Sea.

An ongoing concern about abandonment is one with deep roots going back to the 1950s albeit in slightly different form today. Would the US, in the face of a DPRK nuclear threat, be willing to risk Los Angeles to save Tokyo? (Such worries extend to South Korea as well: many there ask whether Japan would be willing to risk Tokyo to aid South Korea from a similar threat). From this perspective it remains likely that Japan, along with other countries in the region, will pursue their own best strategies going

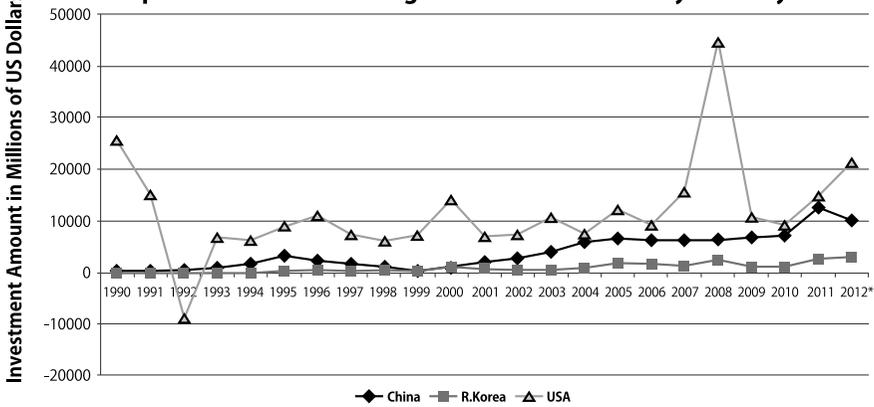
forward, always less than 100 percent sure of US strategic assurances.

A concluding point on the emerging regional order involves the recognition that any Asia-Pacific security order will depend on two things: 1) a balance of power; and 2) an accepted set of norms. At present, the Asia-Pacific has some semblance of a balance of power but it lacks agreement on a comprehensive set of norms. Regional security institutions have thus far been unable to develop confidence in even the most basic agreement on norms of security conduct. As a result what are now most needed across the region are rules that can be commonly accepted by all players. That such a set of rules could be agreed upon, however, almost surely remains a long way off.

Percentage of Japanese Outward Foreign Direct Investment by Country

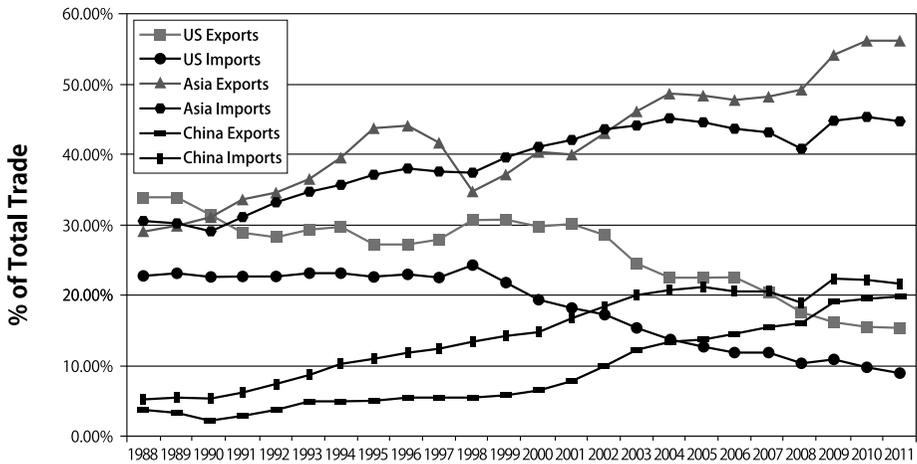


Japanese Outward Foreign Direct Investment by Country



JAPAN'S TRADE WITH MAJOR PARTNERS

Japanese Trade Levels 1988-2011



Source: Prepared from Ministry of Finance, Trade Statistics.
<http://www.jetro.go.jp/en/reports/statistics/>