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INTRODUCTION

Christopher P. Twomey and Michael Stankiewicz

In September, 1994, another round of friction-filled, comprehensive “framework” trade negotiations between the United States and Japan occupied the news headlines in both countries. While no agreement was reached on the issue of automobile parts—the largest and most contentious portion of the US trade deficit with Japan—the two sides did reach an accord on minor issues in the areas of telecommunications equipment, medical equipment, NTT procurement, insurance and in principle, flat glass. But few analysts consider the agreement a “breakthrough” of any kind that would fundamentally change the US-Japan trading relationship. Many consider it just more of the same, allowing another year or two of further structural impediments to fair access to the Japanese market.

But this agreement (or lack thereof) underscored two important factors in the US-Japan relationship. The need for US negotiators to adapt to the Japanese preference for gradual reforms in any area is essential. To this point in time, each request for changes in regulations or procedures (structural impediments) is treated as an issue of utmost security interest to Japan. Only by the use of trade sanctions and threats has the US been able to achieve progress in any area.

Secondly, and most importantly, the US-Japan relationship is the cornerstone of stability in the Asia-Pacific region. This applies in both the economic and security/diplomacy realms. Given this, Asia’s economic importance, and uncertainties in the region that recently dominated many resources of the Clinton administration (e.g., the nuclear crisis on the Korean peninsula and human rights and trade in China), nothing is worth imperiling the stability of US-Japan relations at this point in time.

The nations in Asia, facing even more uncertainties that extend beyond the narrow focus of the front-line agenda for US and Japanese foreign and trade policies (e.g., territorial disputes in the South China sea, potential for conflict across the Taiwan strait, proliferation of arms in the region, increasing Chinese presence, both military and economically, in Southeast Asia) agree. There is nearly universal agreement that while Japan has emerged as the economic hegemon in Asia, only through the US-Japan military alliance can Japan be entrusted to play a security role. As Kent Calder said, “Political tensions in the U.S.-Japan relationship, especially those threatening to undermine America’s security commitments in the Pacific, could also profoundly affect the future of East Asia and Japan’s role in the region. Indeed, America’s future security presence in the western Pacific is one of the most fateful uncertainties hanging over the region.”

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1Kent Calder, Japan’s Emerging Role in Asia: Emerging Co-Prosperity? The Japan Society, 1991, 32.
U.S. military withdrawal would be destabilizing from Sakhalin Island all the way to Chiang Mai and East Timor.

Based on this theme, IGCC convened a conference on March 21-22, 1994, entitled “The U.S. and Japan in Asia,” which addressed the possibilities for “conflict and cooperation” in these two nations’ policies towards the Asian region.

The project traced its roots to an earlier IGCC/Council on Foreign Relations seminar on reformulating U.S. policy toward East Asia, which highlighted the crucial importance of coordination between the U.S. and Japan in the development of regional foreign policies. Thus, this project did not aim for a detailed examination of bilateral issues. Rather, the planned focus was on the interaction between this bilateral relationship and a much broader (geographically speaking) range of policy issues in Asia. Our aim was to see how that interaction really works, and identify possible issues of cooperation as well as danger signals from sources of conflict. In several sections, however, the discussion focused heavily on the U.S.-Japan bilateral relationship. While this is not what the conference hosts had intended, it indicates the importance of resolving and tempering bilateral conflicts before it is possible to coordinate regional policies. The bilateral relationship plays such a fundamental role in both nations’ Asian policy and for their position in the rest of the world that further discussion of the narrow relationship continues to be relevant.

We commissioned brief policy memos from American and Japanese participants in each of these four issue areas: politics and security; economics; science, technology, and environmental issues; and human rights.

**Politics and Security**

The discussion of political and security issues was similarly contentious. Not surprisingly, concern about the events in North Korea was expressed frequently. Another great area of uncertainty was China: Participants were neither able to agree on its most likely future course nor on the two nations preferences regarding any possibilities. But, as Alan Romberg discusses in his article, U.S. involvement in these regional issues needs to be analyzed with respect to the U.S.-Japan relationship.

He says that the main task for the U.S. is to keep itself engaged in Asia by remaining sensitive to the needs of the region while also persuading Americans that they have something to gain from a U.S. presence in the region. Particularly thorny issues involve Korea, where unilateral U.S. actions on the North Korea nuclear issue would not only be ineffective, but “could ravage U.S. alliances with [Japan and South Korea] with a rapidity and thoroughness that the most acid trade dispute could not.” Romberg also notes that tensions in the bilateral U.S.-China relationship would not only affect the stability throughout the region but might force Japan to question its reliance on the U.S.-Japan alliance as the foundation of its security policy.

However, other issues were also discussed at length. Perhaps most interestingly, a number of Japanese participants questioned the future role of Japan in the region. Clear signs of a reevaluation of the traditional Japanese policy of “comprehensive security” were visible, and alternatives to the current foreign policy of “checkbook diplomacy” were raised (i.e., a policy based more on military power, etc.). Although no consensus arose, the fact that these questions were raised by Japanese participants is important. Nakanishi’s piece outlines the three fundamental aspects of the Japanese perspective on the Asian security order: the nuclear issue and unification of Korea, continued safe access of Southeast Asia sea lanes, and the “gradual” development, based on economic growth and political stability, of institutionalized political/security dialogues such as APEC and ASEAN’s new ARF (Asian Regional Forum).

The issue of the U.S.’s withdrawal was also a focal point. Here, the participants agreed that at least in the long run this was inevitable, and that it would have negative effects. The U.S. involvement in the region was deemed key to the future stability by many, although a few seemed to suggest that Japan was now able to (and ought to) lead in Asia.

A final area of general agreement was found in the acceptance of the appropriateness of multilateral fora for security issues (see Nakanishi). This was in notable contrast to the agreement that bilateral discussions should be relied upon in the area of economics.

**Human Rights**

The discussion of human rights centered around a lively debate regarding the nature of the concept of Asian values. With only a few dissenters, the participants agreed that this concept was more of a political expedient for some authoritarian elites than a reflection of a common perspective across Asia. The region is too large and
the support for Asian values too varied for this concept to genuinely represent reality. The centrality of China to this issue was noted in this context.

Other discussion focused on the question of “is attention to human rights at odds with economic development?” Several participants noted that countries may be faced with a “strategic choice” between democracy and authoritarianism in their pursuit of economic development. Some suggested that the concept of Asian values may be analogous to previous discussions regarding the problem of “late development.”

Although there was little explicit conflict, there was also little cross-Pacific agreement. The Japanese participants tended to stress the importance of multilateral measures. In this volume, Seiji Endo argues that both the US and Japan must support human rights in the region by always making a clear commitment to liberal democracy and a basic level of human rights, but also by patiently refraining from punitive measures in regard to human rights issues. Positive sanctions and rewards must be used instead, Endo states. The ideal way to handle this would be a multilateral, multi-issue forum for security, human rights, development, and ecological management among Asia-Pacific countries. In this way, Chinese participation in negotiations on human rights would be possible, albeit within the framework of multi-issue discussions.

However, those on the U.S. side argued for the relevance of some minimum level of human rights. These positions differ by degrees and are not by any means fundamentally incompatible.

## Economic Issues

The first session addressed a range of economic issues; while our goal had been to broaden the discussion to include policy toward the entire Asia-Pacific region, most attention focused more narrowly on the bilateral relationship. This was certainly expected, given the high level of tension in the U.S.-Japan trade relationship at the time. Nevertheless, a number of interesting, more general points were also raised. First, several aspects of managing the international economic ties between the nations have changed. Many participants noted that trade negotiations have now moved “beyond the borders” to include a number of issues that had previously been considered purely domestic policy. Additionally, the role of private actors in resolving international economic disputes has increased substantially, with the Motorola case serving as an ideal example in this regard. Several also noted that Japan is undergoing a period of fundamental structural change in the economy that will have profound impacts on the future of two nations’ relationships.

On the question of how best to deal with these economic concerns, several possibilities were raised. The issue of quantitative targets received much attention, with a predictable difference of opinion from the participants on either side of the Pacific. Surprisingly, a number of participants spoke favorably regarding the utility of the Structural Impediments Initiative (SII) talks and noted that these, as well as the private sector talks that led to the recent Motorola agreement, should provide the cognitive basis for future talks. Given the pressure for progress and the complexity and sheer number of issues to be resolved, most of the participants agreed any future negotiations should (or at least are likely to) remain bilateral in nature. In his piece in this volume, Stephan Haggard states that the current fundamental question is how to structure bilateral relations and discusses how trade negotiations have evolved to the current state of “framework” talks on discrete sectoral subagreements. This question is vital in light of the increasing amount of actors involved in trade and investment who no longer necessarily owe their allegiance to one nation-state and thus make it difficult to resolve their needs within a bilateral negotiation. However, some participants noted that the recent strengthening of the GATT is likely to make its dispute resolution procedures more useful in the future.

## Science, Technology, and Environmental Issues

In the discussion of science, technology, and environmental issues, again the focus returned to the bilateral U.S.-Japan relationship. Perhaps the most talked about issue was the confrontational nature of the two nations’ relationship on the issue of technology transfer. While the two sides have very different (and potentially complementary) technology and R&D sectors, mutual suspicions restrain the possibilities for profitable collaboration. Kenneth Keller’s piece points out how some candidates for overcoming these various barriers to cooperation include science “megaprojects,” bi-national science foundations, creation of international environmental institutions, and energy research. Rather than being restrained by trade tensions, cooperation on these
issues should be able to improve other areas of the bilateral relationship, Keller argues. Several Americans also raised oft-heard concerns about limited technology transfers by Japanese subsidiaries in the lesser developed nations. In the area of international environmental cooperation, Jiro Tamura argues in this volume that international regulation would be acceptable under a GATT-type system that based environmental regulation on "economic interests" and did not hinder the innovation of technology (e.g., many current regulations define a standard that prevents future technology breakthroughs from having an impact until the regulation is re-legislated). Thus, indirect measures such as an environmental tax, and an "exchange of emission rights" market would be ideal for achieving environmental goals on a regional level.

This volume’s papers are not meant to summarize the discussions of the conference but instead represent what we feel were the most significant contributions to discussions at the conference. We hope you will find them as useful and thought-provoking as the conference participants did.

The project involved approximately a dozen analysts each from the U.S. and Japan. These included both scholars as well as a number of participants from both governments and international organizations (all attending in their private capacity). The conference was also distinctive for the large number of younger scholars involved, especially on the Japanese side. We hope this bodes well for future discussion of these issues on both sides of the Pacific. IGCC is particularly interested in pursuing research issues raised by this project. Topics such as the changing role of China and the importance of balancing security and economic interests are particularly pertinent to other ongoing projects.
THE UNITED STATES AND JAPAN IN ASIA: THE CHALLENGE OF SECURITY

Alan D. Romberg

Introduction

Specialists do not need to be reminded of the importance of U.S.-Japan security ties, not just as an underpinning of the overall bilateral relationship, but as a good tool for promoting shared objectives in the Asia Pacific region. Yet, at this time of economic tension, when the focus of attention is on issues such as measurable criteria for implementing the Framework Agreement and the prospects for utilizing Super 301 and actions in the GATT, it would probably be useful to lay out the rationale for the alliance and to specify a set of objectives in the Asia-Pacific region as a reminder of what is at stake in the relationship beyond economics. Failure to do so could mislead people, even senior political actors, into committing the fundamental error of equating economic security with national security. That the former is part of the latter is unquestionable as is the fact that it has received inadequate attention in the past. But security is not defined by economic relations, and especially not by bilateral trade imbalances.

At the same time, the politics of trade do have an effect on security, because a souring of mutual perceptions can be corrosive and can open the door to those—who waving the “bloody red shirt” of economic “unfairness” and would undermine confidence and trust. Indeed, a Washington Post/ABC News poll taken in late February 1994 revealed that only half of Americans “generally have a favorable” impression of Japan. While this is unchanged since last June, it is down from 60% four years ago. And in the wake of the “drumbeat” of criticism against Japan and the “failed” Clinton-Hosokawa summit meeting of February 11, 58% of Americans described bilateral relations as “not so good” or “poor”, compared with 44% who felt that way last June and 31% in November 1991. Moreover, 30% saw relations as “getting worse” up from 17% in June and 15% in November 1991.

The following essay is reprinted largely as it was presented in early March. Since then, of course, the North Korean problem has gone through several cycles and Japan has lost two prime ministers. Even in the case of China, although MFN has been renewed and “delinked” from human rights, many of the underlying issues are unchanged and the risks of mishandling U.S.-PRC ties remain significant. Most fundamentally, alliance management with Japan, the underlying concern of the paper, remains as crucial—and difficult—as ever.

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One aspect of these perceptions is that, while Americans overwhelmingly agree that the United States should pressure American companies to try to do business in Japan (including producing better products that the Japanese will want to buy) they also increasingly believe that the United States should close American markets to more Japanese products (56% to 41%, up from 52% in June). Thus, one can assume that while there will be strong resistance from many quarters, any specific proposal to apply Super 301 to Japan will resonate well with a majority of Americans.

A principal conclusion from this is not new but nonetheless less merits repeating: In the absence of a clear overriding threat such as existed in the Cold War, not only is the tone of the relationship more sensitive to economic tensions, but there is a real—if still latent—danger that failure to effectively tackle the economic issues will undermine political support for the alliance. The President and his advisers proclaim loudly that this is neither their intention nor something they will allow to happen. But the Administration’s handling of the economic issues—not so much the fact that they stress them, but the way in which The President is going about it—may set loose political forces that eventually cannot be controlled.

Without belaboring that point further, and also taking an avowedly American perspective, what are the security issues in the Asia Pacific area that require alliance cooperation and how might those issues best be addressed?

**Security Dynamics in the Asia Pacific Region**

From the perspective of most people, the Asia Pacific region is more peaceful that other regions of the world. The fighting that is going on is local in character. Major threats to international peace have either been quelled, controlled or put off. Every nation in the region, including the most troublesome one, North Korea, fervently proclaims that it wants peace if for no other reason than that peace is critical for economic development.

I take these pronouncements seriously, primarily because I do not see in prospect either type of confrontation that would “justify” war and because I cannot see how any of the regional players could conclude that military conflict would advance their interests. That said, the dynamics of security in the region are not so immutable that they can be taken for granted. It is true, for example, that deterrence has worked on the Korean Peninsula for over forty years, and there is no reason it should not continue to work. No reason, that is, unless it is undermined by either inappropriate policies toward the North or by a breakdown in alliance cooperation between the United States and the Republics of Korea or Japan.

Similarly, although there is a rising level of concern among China’s neighbors about the PRC’s military capabilities and intentions, it is unlikely that Beijing will undertake initiatives that will overtly threaten those neighbors unless there is a major shift in the power configuration and in political relations in the region. Viewed from Washington, this means that so long as the Japanese-American alliance is healthy and so long as Sino-American relations are maintained on a constructive plane, we should be able to foster a deepening of the current stable order. If we fail to maintain these relationships, the risks of misunderstanding, misperception and miscalculation could grow rapidly, compelling us all on a totally unnecessary but potentially inevitable course of confrontation.

A difficult task for Washington and its friends will be to fashion an American role that keeps the U.S. engaged in a manner that is at once sensitive to the needs and attitudes of others in the region while persuading the American people that they have something to gain. That gain will need to be measured not only in terms of direct military security but also in terms of access to the spectrum of political and economic interests, domestic as well as foreign. As Leslie H. Gelb put it recently when writing about overall US foreign policy:

Clinton could be reelected and still fail as a President unless he realizes the truth of his oft-repeated campaign statement—that domestic policy is foreign policy is domestic policy. History will judge him poorly in 2000 unless he brings American and foreign policy professionals to the common realization that the nation’s domestic needs must generally have priority, but that a better America depends ultimately on his helping to create a new an legitimate international order.2 What does this mean for the Asia Pacific Region?

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Korea: The Tiger at the Gate

There is no question that nuclear proliferation is, and should be, one of the core foreign policy concerns of the Clinton Administration. Both because of its implications for the global nuclear non-proliferation regime—including the prospects of renewing the Nuclear Non-Proliferation Treaty in 1995—and because of possible proliferation fallout within Northeast Asia, stopping the DPRK nuclear program is essential. At the same time, it is also essential to avoid provoking the outbreak of a second Korean War.

Neither element has been absent from American policy since the North Korean nuclear issue became a pressing concern in the late 1980’s, but the U.S. approach, going back as far as the Bush Administration, has focused primarily on the NPT concerns. Only when brought to the brink of a crises have the Peninsular issues emerged clearly at a level of parity, and then in part only because the South Koreans and Japanese have intervened. Thus, for example, while the U.S. has had no doubt taken time to remind IAEA Director General Hans Blix that, in essence, he has his finger on the American “trigger”, Washington has been extremely reluctant to do anything that could be interpreted as pressing Blix to compromise with North Korea on requirements the LAEA felt were needed to bolster the agency’s integrity as the international nuclear watchdog.

At this point, the (generally) unified approach of Seoul, Tokyo and Washington remains critical to maintaining a credible position vis-a-vis the North, convincing Pyongyang that the DPRK will not get the political, security and economic relief it needs in order to survive and prosper if it does not cooperate with the NPT/IAEA requirements. At the same time, it has also been agreed by all the major parties concerned that resolution of the nuclear dilemma will not be feasible except in a larger context that addresses a number of issues of importance to all sides. That is what has led to agreement on the “broad and thorough” approach, otherwise known as a comprehensive or package approach.

But, in addition to possible differences of perspective between Seoul and Washington, it would be all too easy for Americans and South Koreans to overlook the crucial role Japan has to play here. Not only is the U.S.-Japan alliance an essential underpinning of credible deterrence on the Peninsula and an effective defense of the ROK should that be necessary, but Japan’s role in helping North Korea to get its economic house in order and to raise living standards—avoiding a “hard landing”—is absolutely central. Thus, whatever package is fashioned for presentation to Pyongyang must take into account Japan’s security and political interests and the positive inducements Japan can provide to the DPRK. Those inducements need not be an integral part of the U.S. negotiating proposal, but they will certainly be on North Korean minds and should be thought out in advance in the close consultative process that has worked well thus far. (Some people would actually include Japanese aid and other inducements, along with South Korean measures, in the package presented by the United States. I disagree, both because I think that would be too complicated to do and because I think that Tokyo and Seoul will want to conduct their own negotiations, pursuing interests that may be compatible with American interests but that are not identical.)

Those advocating a particularly muscular approach to North Korea need to bear in mind the consequences of unilateral American decisions and unilateral American military actions against North Korea. Not only is it likely that they would be ineffective, but they could ravage U.S. alliances with those two nations with a rapidity and thoroughness that the most acid trade dispute could not.

China: The Dilemma of Defining National Interests

In a recent breakfast meeting with members of Congress, some Representatives pushed for a unified, strong human rights line on China, allowing no “light” to exist between the Executive and Legislative branches. Other Representatives searched for an explanation of the benefits that would result if the PRC’s Most Favored Nation tariff status were revoked.

I volunteered that pressure from all sectors of American society, including Congress, would be useful in underscore two points for the Chinese. First, as a society Americans take the values on which our nation was founded very seriously, values which have become, in many instances, universal values held around the world. Second, whether one likes it or not the Clinton Administration is serious about its determination to revoke MFN if there is not “significant overall progress” in China’s human rights practices by
the time of the Presidential decision toward the end of May 1994.

At the same time, I could not think of a single issue of interest to America (including the promotion of human rights in China) that would be advanced by the actual removal of MFN.

The PRC would probably not revert to its harsh, post-Tiananmen mode of operation, but it would close its ears to American appeals on behalf of individual prisoners, it would—as a matter of “principle”—reject U.S. pressure to take steps to respect the Rule of Law and allow neutral outside observers to monitor the Chinese system, and it would do nothing to help enforce international arms control codes important to the U.S. such as the Missile Technology Control Regime and the Nuclear Test Ban Treaty. How trade relations would be affected is not clear, because the PRC would not want to “shoot itself in the foot”. But China would surely engage in a tit-for-tat struggle and take steps to hurt American business.

The security interests of the United States and Japan enter into the picture in a number of ways. First, it would probably be universally agreed that a deterioration in political relations between Washington and Beijing would heighten tension and reduce long-term confidence in the peace and stability of the Asia Pacific region. Even if other nations did not follow the American lead—and they would not—China would perceive itself as singled out as an enemy of the U.S. and thus subject to a variety of pressures in the future. Never mind protestations from Washington that this is not America’s intention. No Chinese leader would, or could, take such statements seriously.

As a consequence, while the PRC would intensify its current efforts to deepen and broaden relations with its neighbors and with others farther afield who might stay the American hand as well as offer alternative markets, China would also accelerate its military modernization plans, plans that will go ahead in any case, but that would probably be of a more threatening nature in these circumstances than otherwise would be the case.

This, in turn, would set off a chain reaction in North East Asia and elsewhere, with broad consequences, not only for concerned Asian nations, but also for the U.S. An American step of this kind would be perceived as irresponsible and dangerous even by allies in Japan and Korea not to mention others whose interests would be directly affected such as Russia, Vietnam, Taiwan and India. What is now viewed as uncertain American leadership would be viewed as unreliable posturing, based on ill-conceived notions of national interest.

Having overcome past resistance to the American alliance that stemmed inter alia from a fear that Washington would pull them into a war with their nearby neighbor, the Japanese people would once again be forced to consider the value of the U.S. treaty. Most Japanese political thinkers agree with American objectives of promoting human rights and democratization in China—agreement that grows out of an understanding that China’s authoritarianism will become increasingly fragile and hence unstable. They would nonetheless have to weigh the costs and benefits of a more independent course with those of being tied to this ally—one that could not see the “forest” of the broad trend in developments in China and the centrality of the PRC to peace and stability in the region, for the “trees” of outrageous and arbitrary PRC behavior toward some political activists.

I do not raise this issue lightly. The U.S.-Japan alliance is not just a security treaty, it is the political underpinning of much that both the U.S. and Japan need to accomplish throughout the region. But the distressingly misguided approach that would underlie any American decision to revoke MFN would come as a shock to Japan and others, and would lead to a reassessment of their basic interests. This might result in a rupture in the alliance. But limited as the options might be, it would be likely to lead to reconsideration of Japan’s national strategy of relying on the alliance as the fundamental underpinning of its security and diplomatic policy.

Russia: Helping the Bear out of Hibernation?

For some time, Japan has expressed weariness over American enthusiasm to provide large amounts of assistance to Russia. In part, of course, this attitude is a function of the lingering Russo-Japanese dispute over the Northern Territories. But in important measure it also reflects Japanese doubts about Russia’s ability to utilize aid effectively.

Recent events in Russia have understandably increased doubts in the United States as well as Japan, but they also seem to have increased the determination of the Clinton Administration to press the case for Russia’s economic reform as a necessary underpinning of political reform. Although Tokyo has—sincerely or
not—endorsed the logic of the U.S. position, absent some convincing development either within Russia on the Northern Territories front, the necessary will to pour resources into the Russian Federation will likely be slow to emerge. The American decision to go slow on East European membership in NATO in order to avoid provoking nationalist sentiments in Russia may not find an exact parallel in Asia, but decisions over the aid issue, and perhaps over Russian participation in Asia Pacific region fora, may become a functional equivalent.

In contrast to my fairly strong views on the Korean and Chinese cases, I have no well developed opinion on how to proceed with respect to Russia. I remain convinced that naval arms control is doable even beyond the Bush Administration’s decision on withdrawal of tactical nuclear weapons from naval vessels. And I think that confidence and security building measures are possible, too. Here, full coordination between the U.S. and Japan will be essential, especially in light of lingering Japanese strategic concerns about Russia. The “China factor” also needs to be brought in; how is one to proceed without requiring inclusion of the PRC? Perhaps utilizing the nascent regional security dialogue under the ASEAN Regional Forum is a way to start addressing some of these questions. Since many of them involve only a limited set of nations, however, bilateral talks, or talks among a few nations will likely also be required.

Some Russian defense intellectuals have advocated that the U.S. get into the middle of the territorial dispute between Moscow and Tokyo. Part of the argument is that the lingering dispute hinders a constructive Russian role and sours Russian attitudes, especially among the military. While resolution of that dispute is likely to benefit U.S. interests, putting ourselves in a position where we would per force move from supporting Japan to a position of greater neutrality would be unhelpful, and overall it would probably be unwise for Washington to intervene. So, while the United States should encourage flexibility and pragmatism on both sides, Washington should not abandon forthright support for Japan in this matter.

**Conclusion**

The Asia Pacific scene may be relatively peaceful as viewed in a world perspective, but there are serious concerns that arise either out of specific disputes (as across the 38th parallel in Korea) or out of uncertainties and suspicions (as between China and Japan). The U.S. role obviously remains a critical variable, but so does the quality of U.S.-Japan security cooperation. Without political agreement on strategic purposes, and without cooperative arrangements both within the strict terms of the treaty and in a broader sense, stable peace in East Asia will be threatened.

An important dimension of maintaining close ties that have existed for several decades now will be a maturing of the relationship with each side taking responsibility for its words and actions. Neither American bluster or “foot dragging” on the part of the Japanese will be adequate. Specifically, if economic issues are not satisfactorily addressed this could have a seriously corrosive effect on the overall relationship. One way to deal with that prospect might be to take particularly difficult disputes to the GATT rather than raising bilateral tensions to fever pitch. Another might be to think before speaking as difficult as this seems for some in both countries.

Security must be viewed in a context broader that strict military considerations. Economics may have been downplayed in American foreign policy in the past (though not ignored or sacrificed for alliance interests in the case of Japan as myth has it). And the balance of interests comprising national security needs to be in accord with new global realities. But it would be a fatal error to substitute “economic security” for all other national interests. Convincing national leaders of this reality in the face of domestic pressures is a challenge this group should actively accept.
THE EMERGING POLITICAL AND SECURITY ORDER IN THE ASIA-PACIFIC: A JAPANESE PERSPECTIVE

Hiroshi Nakanishi

The Japanese political and security concern in the Asia-Pacific region can be subdivided into two subregional and one region-wide categories: (1) the concern on the Northeast Asian subregion, in which Japanese territorial security is directly affected, (2) the concern on the southeast Asian subregion, through which vital Japanese sea lines of communication pass, and (3) the concern on the mode of institutionalizing political and security dialogues in the Asia-Pacific region for the purpose of, among others, cultivating the environment amenable to the regional stability and economic development. Incidentally, the first two subregional categories include one potential flashpoint respectively, the North Korean nuclear doubt issue and the South China Sea territorial dispute. Though both issues require crises prevention and preparation for the possible crisis management, their dealings must also be considered with the long-term perspective for the subregional and regional peace and stability in mind. In general, when it comes to political and security matters in the region, Japan prefers an evolutionary approach to a hasty, mechanistic system-building.

Security in the Northeast Asian Subregion

In spite of the drastic ups and downs of the fate of Japan since the opening of the country in 1850s, the geopolitical conditions which affect the Japanese territorial security have been relatively constant. Theoretically, the potential threat could come from the North by Russia, later the Soviet Union and now again Russia, or from the south by sea powers, especially Great Britain and/or the United States. But the direction which worried Japanese leaders since the Meiji era was the Northwest, the Korean peninsula. The peninsula in the hands of the antagonistic power was thought to pose the most imminent threat to the Japanese territory. Whatever motivated the Japanese imperial expansion until the defeat in the Pacific War, the instability of the Korean regime and the fear of the penetration of great-power influence on the peninsula gave the excuse for Japan to annex Korea in 1910. After the collapse of the Japanese empire, the Korean War and the ensuing American presence in South Korea saved Japan from the potentially most serious security concern. Now that the Cold War is over, the Korean problem looms large among the Japanese security concerns again.
The current concern on the Korean peninsula has two aspects: short-term and long-term. The current crises as to the North Korean nuclear proliferation doubt is the short-term concern. The issue of stability in the Korean peninsula and the unification is the long-term one. Even though the former constitutes a very serious security concern, the geographical proximity of the peninsula makes it imperative for Japan to put the problem into the perspective of the long-term stability in Northeast Asia. The ideal scenario for Japan is that North Korea succumbs to the relatively moderate international pressure and quits its attempt to own nuclear weapons, if it really is conspiring to do so. In due course, the scenario continues, North Korea opens up its society slowly, and makes a gradual and peaceful transition towards coexistence with or absorption by South Korea.

If things do not go as ideally as just described, Japan will be forced to make a difficult choice. UN economic sanctions against North Korea, if carried out, might raise the question of the remittance of Koreans in Japan to North Korea or the debate on legality of the Maritime Self-Defense Force to engage itself in economic blockade, both of which can become not only very divisive issues within the Japanese society, but can have negative influence over the long-term stability in the region, for mishandling of these issues may result in the ill-feelings between the Japanese and the Koreans, in the North and the South. The military sanction against North Korea can cause even greater trouble, ranging from the direct military attack on the Japanese territory to the problem of massive refugees from the peninsula.

Long-term problem of the peninsula is no lighter headache for Japan. If the North Korean regime collapses, the possible arrival of refugees from the peninsula surely causes a strenuous political problem. Even if the collapse takes place without shots fired, Japanese government will be asked to help the South Korean government, which will have to bear a heavy cost for absorbing the collapsed society. Japan will help the Korean government, but underdoing it may cause the Korean resentment and overdoing it may draw Japan into the Korean politics.

The current Japanese government does not seem to come up with a solution to avoid these gloomy prospects. In this sense, Japan is counting on crisis prevention, rather than crisis management. Still, it is possible to point to basic policy stance of Japan. Firstly it regards the continued US engagement in the security of the Korean peninsula as extremely significant. Different from other powers in the region, such as Korea, Russia, China, and Japan, who have too much security stake on the peninsula, the US is the only country who has capability and reasonable detachedness to play the role of an “honest broker” on the peninsula. Secondly, Japan is more willing than before to have closer contact on security matters with the South Korean government. It seems that both the Japanese government and the South Korean government recognize the importance of policy coordination, in preparation for possible crisis. The three-party discussion among the United States, South Korea, and Japan is also thinkable. Thirdly, Japan has started bilateral talks with China and Russia respectively. Japan desires that those two countries wield influence over North Korea so that they later will take an open, reasonable stance.

Is there a possibility for creating a Northeast Asian multilateral security regime? Given the current situation of the region, the prospect does not look favorable. There are too many bilateral problems among the countries in the region. Japan has territorial problems with Russia on the Northern Territories, with China on the Senkaku (Diaoyutai) islands, and South Korea on the Takeshima (Tokdo) island. The difference of regime and ideology among the states in the region will also be an obstacle against the formal discussion. Still, some problems may be better handled in a multilateral setting. For example, the issue of the security in the Okhotsk Sea may be discussed trilaterally by the US, Russia, and Japan. The problem of security of Mongolia can also be a matter for multilateral discussion.

In short, the Northeast Asian security scene, which has significant relevance upon the Japanese territorial security, looks more like a place of balance of power and tactful diplomacy of a few independent actors than a place for a collective problem-solving. The possibility of some matters being taken up by multilateral framework is not excluded, but in general, multilateral dialogues seem better left to a wider regional setting, about which the paper will discuss below.

Security in the Southeast Asian Subregion

Since Japan is heavily dependent on foreign countries for raw materials, markets, and investments, the security interest of Japan on maintaining the stable environment for the flow of
goods, money, and human being is almost as strong as the one on its territorial security. In particular, Japan holds the safety of the sea communication to the American continent and to the Middle East vital for its economic security. Since the former is thought to be relatively secure in the hands of the US naval force and the Japanese Self-Defense Force, the discussion of the non-territorial security has focused on the line linking Japan and the Middle East.

In the Cold War days, the major threat to the Japanese sea lines of communication (SLOC) was thought to be the Soviet Far Eastern Fleet stationed at Vladivostok. Now the focus of our attention seems moving to the South China Sea, stretching from the Straits of Malacca to the Bashi Strait between Taiwan and the Philippines. The South China Sea has in its inside islands and reefs on which several counties have rival claims, most notably the Spratlys and the Paracels.

In spite of the interest Japan feels in the security of the South China Sea, Japan recognizes that the direct presence by the Japanese Maritime Forces there is likely to do more harm than good for the stability in the area. Therefore, the American commitment to the protection of the safety of the SLOC backed by the appropriate military presence is viewed as a significant factor for Japanese security, and Japan, for its part, will assist the US to fulfill this commitment as long as the Japanese political consensus including the constitutional interpretation allows.

Historically, the existence of the predominant seapower, such as the present US naval force, is the most important factor for the security of the SLOC. Still, the new types of threat to the SLOC in the form of piracy or terrorism may need a different approach for the security at sea, for which purpose the US navy may be too large an axe. In addition, it is desirable for the interested countries to reach a consensus as to the safety of the SLOC. So a multilateral framework for discussion and possibly confidence-building measures or naval cooperation among the interested parties, including the US, the ASEAN member states, Indochinese states, China, Taiwan, South Korea, Japan, and possibly Russia and/or India seems worth considering.

One of the keynotes of the Japanese policy towards Southeast Asia from late 1970s has been the economic cooperation of the Indochinese states to the ASEAN countries. One of the first articulation of this policy was the so-called Fukuda doctrine expressed in 1977. The recent Japanese involvement in the Cambodian peace process and the later participation in the UN peace-keeping operations there under the UNTAC prove that the policy line since the Fukuda doctrine still continues. Japan will continue to use its mainly but not exclusively economic influence, so that the political stability based on the open economy will be maintained in the reign.

As to the territorial disputes in the South China Sea, in the San Francisco peace treaty, Japan has “renounced all right, title and claim to the Spratly Islands and to the Paracel Islands” (Article 2 (f) of the Treaty of Peace with Japan). Given this historical background, Japanese direct involvement in the dispute will confuse, rather than contribute to, its peaceful resolution. Still, Japanese own territorial disputes, especially that with China over the Senkaku Islands (the Tiaoyutai Islands) makes Japan a keen observer of the way the territorial disputes in the South China Sea are handled. Therefore, while the informal workshops held under the auspice of Indonesia are looked favorably, the creeping unilateral occupation by one or more claimants, if it acquires tactic international recognition, will be seen to set a bad precedent for the peaceful resolution of territorial conflicts in the region. The American stance on this problem is of great interest for Japan.

Political and Security Dialogues in the Region

In addition to the questions at the subregional level, there is an upsurge of interest the institutionalization of the regional political and security dialogues covering the whole Asia-Pacific region. Currently, there are two burgeoning institutions which may deal with political and security matters. First the APEC, which was initiated by Australia more as a process for economic dialogue in Asia-Pacific in 1989, is increasingly becoming an institution for regional dialogues, though its scope is still limited to economic matters. (The APEC, which stands for the Asia-Pacific Economic Cooperation, currently consists of 17 members: the United States, Japan, Australia, Canada, New Zealand, South Korea, the six ASEAN countries, China, Taiwan, Hong Kong, Mexico, Papua New Guinea.) Second, the various fora linked to the ASEAN, such as the Post-Ministerial Conference (PMC) and the proposed regional forum, which is to meet for the first time this summer. (The ASEAN consists of six members: the Philippines, Indonesia, Malay-
ria, Singapore, Brunei, Thailand. Seven dialogue partners, the United States, Japan, South Korea, Australia, New Zealand, Canada join in the PMC. The regional forum is expected to invite China, Laos, Vietnam, Papua New Guinea, and Russia in addition to the PMC members.) Japan has been positive in promoting political and security dialogues, whose expression can be seen in Foreign Minister Nakayama’s proposal at the ASEAN-PMC in 1991 and the Bangkok address by Prime Minister Miyazawa in January 1993.

The Japanese attitude to the regional dialogue can be termed as “gradualism.” Japan favors the increased chances for regional discussion, but to the extent which does not throw the baby out with the bathwater. Given the diversity of the Asian countries, too hurried approach to call for universal stance on such issues as human rights or environments can disturb the emergence of the sense of community in the region. Therefore, Japanese current policy puts priority for cultivating the atmosphere conducive for discussion through the promotion of economic growth and maintenance of political stability within the region. It does not mean that Japan ignores the human right infringement in some of the states in the region, but the postwar Japanese diplomacy has regarded a “carrot” such as economic assistance as more important a tool than a “stock”. In addition, the Asian way of social communication, which puts importance on “keeping face,” tends to make the open denunciation at the formal place counterproductive.

Based on this recognition, Japan finds the functional division of labor between the APEC and ASEAN fora reasonable for the moment. While the legitimacy and prestige of the ASEAN as a group of Asian countries makes the political and security discussion in the ASEAN-related fora less objectionable to the eyes of the Asian people, the APEC can call for wider participation of the countries in the region, including such “entities” as Taiwan and Hong Kong. And the limited focus of the APEC on economic issues can be easily overruled from time to time, if the matter is recognized as the common concern for all the participants, as the reference to the importance of the US-China-Japan cooperation at the Seattle informal summit last November suggests. After all, the economic growth through the open economy is the most common thread which unites the countries in the region together. In a sense, the APEC can function as a safety net, supporting the political and security dialogue in the ASEAN-linked fora from below.

Among other things, the major objective for the regional political and security dialogue from the Japanese perspective is to involve China in the multilateral framework. To intermesh China with various networks linked to the outer world is hoped to strengthen the position of those in China who think that cooperation with neighbors is truly advantageous to the country’s national interest. Japan does not favor a militarily mighty and expansionist China, but also does not want to have a politically divided China in turmoil. The latter, which we experienced in the first half of this century, was the largest element of uncertainty in the region, and given the current size of Chinese population, its political paralysis can be a serious security threat to neighbors. The soft landing of the Communist regime, gradually transforming itself to a more open, democratic, and decentralized governing system, is the best imaginable scenario at this moment.

In the region, there was never a system consisting of multiple modern states. Actually, the region has never seen an autonomous international system among equal actors, though we had the tribute system centered around China. Therefore, creating a regional political and security system is an ultimate challenge for the countries in the region, including the United States and Japan. But Japan is willing to take on this challenge, based on the cooperation with the United States.
PROSPECTS OF COOPERATION BETWEEN THE UNITED STATES AND JAPAN FOR THE POST-COLD WAR ERA IN THE FIELD OF HUMAN RIGHTS AND OTHER SOCIAL VALUES

Seiji Endo

Introduction

The end of the Cold War marked an end to the post-World War II era, which means not only that an era characterized by multi-level conflicts between capitalism and/or liberal democracy and communist forces has come to an end, but also that the international order in the capitalist world, centered in the United States, has come to a fundamental turning point, if not an end. Therefore, we expect huge transformations and realignments at various levels of the world political and economic systems, which will necessarily involve a lot of friction and contradiction.

It seems that we lack a common understanding about the basic principles on which a coming world order is based, about what justice and fairness mean, both at the domestic society and at the international community level. Mutual mistrust caused by various factors seems to be a basic current, especially in the Asia-Pacific region. This basic current of mistrust and the lack of shared understanding about the basic principles of justice or other social values make the effort to create a new regional order in Asia Pacific more difficult.

The relationship between the United States and Japan, among others, is undergoing very severe strain, mainly because of the huge and accumulating Japanese trade surpluses and trade deficits of the United States, and mounting irritation and agony in the United States caused by them. This is a fundamental flaw in constructing a stable world and regional order, since these two countries are the two biggest economic powers in the world and the two leading democracies in the Asia-Pacific region.

The prospects for and realities of friction between these two countries call for conscious and long-lasting effort in creating a stable world order. This paper will explore the possibilities and scope of cooperation between the United States and Japan in creating a common frame of reference for a stable order in the Asia-Pacific region, focusing on human rights and other social issues. Because it is concerned with often vague and
ambiguous social issues, the paper may be somewhat impressionistic, although an attempt is made to clarify points at issue.

The paper opens with comments outlining the basic standpoints of the author. Then it analyzes the root cause of instability in the region: the United States’ abandonment of the role of benevolent leader of the capitalist world. The paper then assesses several countries from a Japanese perspective in terms of human rights and democracy: Japanese society and foreign policy, the United States, China and other Southeast Asian countries. Finally the paper argues for increased coordination between the United States and Japan in order to create a multilateral regional framework like Conference of Security and Cooperation in Europe (CSCE) in Asia-Pacific.

**Basic Premises of the Paper**

Before going into substantive discussion, several basic standpoints about democracy, human rights and other social values will be made explicit. Firstly, democracy is a universal political doctrine of self-governance based on basic and inalienable human rights of liberty and equality. It is a modern political myth, which should be protected without question: that all people are created equal, and are entitled to be free and utilize their freedom as fully as possible, so that they and the society in which they live can survive and flourish, interacting with the world in a spirit of reason and decency.

Secondly, however, the historical origins of democracy as a political system of self-governance are very unique. Not many countries have created stable democracies in a truly indigenous way outside of Western Europe and North America. And we should remember that the spreading and deepening of democracy on the global scale are very recent events. If democratic principles have not taken root in a society, it is almost impossible to maintain democratic polities. Therefore, more time must be allowed for non-western countries to create democracies that will take root in their indigenous societies. In short, a stable democracy is historically and geographically specific. It takes time to create.

Thirdly, democracy as a norm and a model have never been fully achieved by any country in modern history; democracy has value as a utopian ideal and a source of inspiration for creating a better society.

Fourthly, democracy allows various ways of concretizing its norms in real socio-political and economic systems. In addition, democracy, in principle, does allow the existence of diversity and variety. Liberty and equality, for instance, are sometimes mutually contradictory and there are many ways of mitigating the contradiction between them.

Finally, there are some collective rights that should be protected in the name of democracy: the rights of minority groups to participate in domestic politics and the rights of lesser powers to participate similarly in international society. These collective rights are allowed however, so that the individual human rights of liberty, equality, and self-governance can be expanded and extended, not diluted. These are the basic standpoints of the author about the values of human rights and democracy.

**American Leadership in the Eyes of Asian People**

The United States is a unique country in the world in various respects. It is a country with a sense of mission: human rights, liberty, and democracy. The United States has consciously pursued these goals in foreign policy arena since the time of Woodrow Wilson. Partly because of this, American foreign policy and the values of ordinary American people seem to be Manichaeanistic; thus the United States tends to see the world in straightforward terms of black and white, good and evil. In addition, the style of United States foreign policy tends strongly toward unilateralism.

Not only has the United States been playing the role of missionary of democracy and human rights, but it has also been the strongest military and economic power throughout the Post-World War II era. The world political and economic order in the Post-World War II era was created under the strong leadership and influence of the United States. During the time that the United States was the generous and benevolent leader of other capitalist countries, the order was relatively stable, although the United States supported some horribly undemocratic and autocratic countries from the onset of the Post-World War II era through the early 1970’s.

Though its military and economic power seems to be declining in relative terms, the United States still has power over other countries. In particular, it still has a considerable intellectual power over other societies and peoples. It has set both the agenda and framework for discussion of various matters. Other countries
follow the leadership of the United States. Turning to popular culture, American predominance is much more evident; most of the stars of music, films, novels, and sports who are famous worldwide are American. In other words, the United States has very strong “soft” power. In that sense, the United States still retains some universal appeal in the world.

In the eyes of Asian people, however, as its relative material powers decline, the United States ceases playing the role of a benevolent and generous leader in the Asia-Pacific region and it begins to exploit its structural dominance in its own interests and at the expense of other countries. In most of the cases, unilateral actions by the United States to promote its own interests seems to set the framework in which disputes between it and Asian countries are discussed and dealt with, especially in bilateral economic relations. Since the United States remains the world’s strongest power, no one country can rival it. But the superpower looks more self-interested than interested in leading other countries in desirable directions. Thus the image of the United States is getting worse and anti-American sentiment is growing in Asia.

When the United States speaks out loudly for human rights and democracy, many people in Asia suspect that the real issue might be the economic interests of the United States. For example, the issue of universal human rights is attendant to the issue of intellectual property rights. Asians are the losers once they admit the intellectual property rights of American companies are to be protected in their countries. Though people in the United States may be sincerely trying to promote the universal human rights of liberty, their voices exude self-interest. Thus, American universalism, especially in the field of human rights and democracy, is losing ground.

Besides, people in Asia see double standards in the advocacy for human rights and democracy on the part of the United States. For example, China has a socialist polity, now run by almost the same (U.S.) principle of capitalism: profit making. In that sense, it is not a Stalinist socialist country anymore. In addition, it is trying to develop its economy in order to provide its population with material welfare and a measure of affluence. On the other hand, Russia may now be a democratic country, but political power is increasingly concentrated in one person and it is getting closer to autocracy. In addition, the human rights record of Russia is not much better than that of China. Nevertheless, China is heavily criticized and Russia is warmly supported by the United States. The same pattern can be found when we compare Southeast Asian Countries with Mexico; Mexico is far from democratic by any standard, but it is getting better treatment from the U.S. than Asian countries.

These are the reasons some political leaders in Asia call for stronger leadership in Japan. Many do not trust Japan as a political leader of Asia, not to mention as a military leader. But many Asian countries seem to think they need a counter-weight or a counter-power against the United States. In addition, they appear to see in Japan their future in terms of economic relations with the United States: Asian nations will be more pressured to open their markets and societies to American influence as they grow economically like Japan. Hence, these nations would like to see in Japan a strong buffer against pressure from the United States. Besides, so far Japan does not bother these countries by advocating universal human rights or democracy, and it does not force them to open their markets for its companies by using human rights rhetoric.

These relations of mistrust and disbelief are very unproductive, if not dangerous, for the development of human rights and democracy in the Asia-Pacific region. In order to give democracy and human rights more chance to grow in Asian countries, measures should be developed to improve these relations.

A Perspective from Japan

Japanese Society

There is one point that should be made explicit at the outset: The United States and Japan are both liberal democracies based on the universal principles of liberty and equality, though some people in the United States are trying to persuade the general public that Japan’s political and economic systems and the value systems of Japanese people are totally different from those of the United States and other Western countries. Here again, Japanese people tend to think that the United States is becoming intolerant and denying the value of democracy itself, which would in principle allow the existence of such diversity.

It is true, to be sure, that Japan is not an ideal democracy; that there is a strong group orientation in Japan; that there are many undemocratic practices in various parts of the society; that Japanese society is much more closed to the world outside than American society; and that Japanese society does not have a large enough capacity for diversity and variety.
Nonetheless, none of these are evidence that Japan is not democratic. Japanese people have been very eager to learn the basic values of liberal democracy since the end of World War II, under the strong influence of the United States. Though the Japanese people may not have been perfect students of American democracy and human rights, they have created a very affluent and reasonably democratic society as a people who have long political and cultural traditions, different from those of Western democracy. Besides, they have created a safe and less violent society with a relatively equal structure of income distribution. Some Japanese know that there is considerable room for expanding and deepening democracy and basic human rights in Japanese society. They are still trying to make democratic principles take root.

**Foreign Policy of Japan in Terms of Human Rights**

On the other hand, it is quite evident that Japanese foreign policy has not placed much weight on the promotion of human rights and democracy. Japan has lacked a sense of mission and a clear commitment to any kind of universalism. Rather, Japanese foreign policy has centered on the promotion of the economic interests of Japanese companies, and thus the interests of Japanese people, which is not necessarily a Japanese phenomenon.

It could be said that Japanese foreign policy has been using only economic tools and its aim has been to help neighboring countries to achieve economic development. Budgets for the Official Development Assistance, (ODA), have been consistently growing. Nevertheless, there is a lot of criticism about the Japanese ODA both from within and without: that a huge amount of ODA money is pouring into developing countries without the human rights records of those countries being checked; that Japanese ODA is more beneficial to Japanese companies and elites than to the ordinary people of the recipient countries; and that it functions to help undemocratic regimes in those countries survive.

But in 1992 the Japanese government established the general guidelines of the ODA. Japanese ODA will seek: (1) to make environmental and economic development compatible; (2) to prohibit the military use of the ODA and to discourage international conflict; (3) to keep under check military expenditures, production of mass-destruction weapons, missiles, and arms exports by developing countries; (4) to encourage democratization, the introduction of market economy, and the protection of liberty and other fundamental human rights in developing countries. It may be problematic that the protection of human rights comes last, but this is an improvement. Recently an official of the Japanese government reconfirmed that the human rights records of the recipient countries should be considered more carefully in the decision making process of the Japanese ODA.

On the other hand, the Japanese government started to cooperate with Japanese international nongovernmental organizations, or NGOs, which have been actively helping developing countries at a grass roots level (Before, the government and NGOs did not have good relations in Japan). This policy change could bring about some positive effects in expanding and deepening democracy in Asian countries.

Generally speaking, however, there are remarkably few public debates about Japanese commitment to universal human rights and democracy in foreign policy. This is a reflection of the general public not knowing much about the violations of human rights in China, Indonesia, and other Asian countries.

**The United States of America**

The bilateral relationship between Japan and the United States is undergoing severe strain, mainly because of the economic imbalances between the two countries. Ordinarily the Japanese would think that requests by the United States are sometimes unreasonable and contradictory; the United States requests the Japanese bureaucracy to deregulate their economy and release their control over economic activities in Japan, but at the same time it demands certain levels of the market share of the U.S. companies in Japan, which will necessarily increase the role of bureaucracy in the overall management of the Japanese economy.

According to a poll held in February, 1994, 64 percent of those who answered the questionnaire think that relations between Japan and the United States are not in “good condition”; only 20 percent think they are in “good condition”. As for the causes of the persistent trade imbalances between the two countries, 21 percent think that the causes lie mainly in Japan, 30 percent feel the cause lies in the United States; 49 percent gave no answer or some other reason.

The strain seems to be spreading into other social spheres. Most Japanese would not like to
see violence as frequent and terrible as that which exists in the urban areas of the United States. They cannot endure civil violence at as high a level as the United States, nor can they accept that the freedom to keep guns is a fundamental human right. Most Japanese think that economic inequality and the widespread poverty in American society are the principal causes of the prevalent violence. Most Japanese would not allow such a huge economic inequality as we see in the United States; the Japanese would think it a social injustice. Japanese people would accept more governmental intervention if it was needed to keep the society relatively equal, safe, and stable.

The idea of freedom or liberty in the United States is too narrowly focused on the economic freedom. Other important aspects of liberalism have been neglected since the ideals of the New Deal and orthodox Keynesian economic policies were discredited in the late 1970s. Up until then, American society seemed more sympathetic to the socially weak and the poor in its own society and more tolerant of and generous toward different societies and cultures. Today, however, American society seems to be getting harder for the poor and the less privileged. It seems to be falling apart into various and mutually hostile segments. Liberalism should not overlook these situations and should try to remedy them.

Still Japanese people like the United States, especially American pop-culture. As a nation in Asia-Pacific which is characterized by diverse traditions, cultures, religions, belief and political systems, and many levels of economic development, the Japanese people find their closest friend in the United States, rather than in other Asian countries.

**China and Southeast Asian Countries**

As is well known, Japan’s military intervention in Asia caused terrible suffering and destruction among Asian people. Most Japanese are ashamed and repentant regarding Japanese deeds of the past. But some conservative Japanese have been less repentant and more disdainful. The Japanese government led by the Liberal Democratic Party never expressed an official apology about Japanese aggression in Asia. And the question of history textbooks has repeatedly been an issue between Japan and China, Korea, and other Asian countries. In addition, though the recent Japanese Prime minister officially expressed an apology about Japanese deeds during the war and Japanese colonialism, the question of reparation for individual suffering remains. This and other lingering questions about the past limit the scope and credibility of Japanese political leadership in Asia.

On the other hand, China’s rapid economic development and market-oriented economic policies are welcomed by most Japanese. And the image of China among Japanese has generally been good since the establishment of diplomatic relations between China and Japan. But because of its rapidly expanding economy and military expenditures, some people want against the growing Chinese power. On the other hand, many Japanese were shocked by the Tiananmen incidents in 1989, were strongly against brutality of the Chinese regime, and came to see China with more sober eyes. Nonetheless, the reaction of the Japanese government was very reserved; it was reluctant to take sanctions against China in spite of its violation of basic human rights.

Japan and other advanced capitalist countries in the West may diverge at this point. The question of human rights in China is not a simple matter for the Japanese. Aside from economic interests, there are a number of factors underlying Japanese thinking. First, since China is such a big power and a close neighbor, Japan cannot alienate China. Secondly, the Japanese do find some truth in the official statement of the Chinese government that it has different priorities about human rights than Western countries and that it gives top priority to feeding more than one billion people rather than to giving a broader scope of human rights. Thirdly, the Japanese know that historically there has never been a nation-wide civil society or a public space independent of the political authority of the central government in China; rather, narrowly defined self interests dominate the private sphere of Chinese life. Today the rapid economic development of China has weakened the political grip of the Chinese Communist Party, and the local governments and private companies are taking more independent action in self-interested ways almost without any central control and coordination. This causes a fear among Japanese that there might be an abrupt break down of the present regime in China, and that China might fall apart into mutually hostile and competing regions. This would be a disaster for China and it’s neighbors, too. Now the apparatus of the Communist Party of China is the only uniting force in China. All in all, it is to Japan’s benefit to have a stable and responsible political regime in control in China. Thus, the Japanese government does not press China too much for liberalization.
Japanese tend to see other Asian countries in a similar way. Though the present regimes of Singapore, Malaysia, and Indonesia are authoritarian and far from democratic, they are largely responsible to their people; they are succeeding in providing material well-being for most of their citizens. The question of the compatibility of human rights and economic development remains unresolved.

In addition to this question, a new one about the compatibility between economic development and environmental protection is rising. Though not discussed here, China and The Association of Southeast Asian Nations (ASEAN) countries are resisting schemes of global management of the environment that could lead to regulation over their policies of economic development, arguing that they have the right to national development. These attitudes reflect their nationalism and commitment to these policies and they make any agreement about priorities, given the value of environmental protection, difficult to achieve. Given the importance and immediacy of the environmental protection issue, however, there should be more effort to bring about consensus on the issue.

**Some Policy Prescriptions**

Shared understanding and common vision of the future among the nations in the Asia-Pacific region would contribute to stability and regional order. As the preceding analyses suggest, however, it is currently very difficult to achieve such a common understanding among all the states in this region. In addition, there are not many concrete measures to spread democratic principles and human rights in Asian countries from outside; after all, it is the citizens of those countries who create and maintain democratic politics and societies.

Thus, because many subtle questions are involved, any action taken by the United States and Japan should be carefully thought out for the sake of human rights, democracy, and responsible ecological management. Basic points are clear: firm commitments, persistent efforts, thoughtful attitudes, and positive inducements rather than punitive measures. First, both countries should make it clear that they have a firm commitment to the universality of liberal democracy and human rights, and also that they would help Asian countries develop economically. Secondly, they should be patient and realize that it would take time for other Asian countries to adopt and adapt the basic ideas of liberal democracy. In addition, they should refrain from using punitive economic measures in order to pressurize Asian countries to make progress toward democracy and more human rights; they should make more use of positive sanctions or rewards. On the other hand, they should also refrain from using, or giving the impression of using, the issue of human rights and democracy as a tool for gaining economic concessions from other Asian countries.

At the bilateral level, as advanced liberal democracies that have a lot in common, the United States and Japan should cooperate more in order to forge a common frame of reference for the values which democratic societies pursue; present relations between the United States and Japan have been too narrowly focused on economic matters. These two countries have ensured that they will cooperate in order to give democracy and human rights more chance in this region both domestically and internationally, and also to improve the environment and keep the world ecologically safe. There should be more effort made toward mutual understanding.

As for unilateral measures, the Japanese government should make it clearer that it will stick to democratic principles in its domestic and foreign policies. In domestic policies, it should make more of an effort to create a liberal society: a more equal, tolerant, open, and less xenophobic society. Regarding foreign policies, it should make more use of its ODA to help democratize other Asian countries, but as we have suggested, positive sanctions should be the main tools. Besides, Japan should also discuss the requests of reparations for the individual suffering caused by the deeds of Japan during the last war. This would show Japan’s commitment to fairness and peace for Asian people.

The United States should refrain from resorting to unilateral actions that might damage other countries. In addition, the United States should be aware of its tendency of seeing the world in a Manichaean way and it should make more of an effort to understand the difficulties of other countries. The government of the United States should tone down its strong human rights advocacy and keep its preference for democracy low-key. At the same time, it should make a firm and consistent commitment to the value of human rights and democracy. It is very difficult to strike the right balance, but the United States is expected to assume a mature leadership role.

At the multilateral level, the United States and Japan should cooperate to establish a multilateral forum for cooperation and coordination in
the area of security, human rights, development, and ecological management among Asia-Pacific countries. The forum should be based on the model of CSCE. The issue of human rights and democratization, and ecological management should be dealt with in this multilateral forum, not as one of the most important issues of the regional cooperation in Asia-Pacific, but as just one of many issues.

Since China is the key country, China’s participation is indispensable, though China would be very cautious. By making the issue of human rights and democracy one of many issues that the multilateral forum will deal with, however, China may be more induced to participate. In addition, a multilateral forum would avoid giving the impression of bigeminy between the United States and Japan over other Asian countries.

Unilateral concessions from the advanced economies to developing countries should come first: more development assistance, more technology transfer, more environmental cooperation, etc. By gradually using these unilateral measures of assistance as leverages, the United States and Japan could induce these countries to liberalize and democratize their societies.

From the start, however, there should be at least an agreement among nations that each member state will hand in a report on present human rights situations. The report should be opened to the general public, and be regarded as a subject for discussion but not for negotiation.

The governments of Asian countries would learn what liberal democracies like the United States, Japan, or Canada, Australia, and New Zealand think about human rights and democracy, and they could learn more about the value of the universal human rights and democracy without feeling intimidated.

In the multilateral forum, more voices of Non-governmental Organizations, NGOs from both advanced economic countries and other Asian countries could be reflected. These NGOs could be more straightforward in criticizing violations of human rights than the governments. By involving those NGOs, the forum would provide more opportunities for the governments of the developing countries in this region to hear the voices of the ordinary citizens who are committed to democracy and human rights. In addition, the NGOs will start the processes of cooperation at the grass roots level and their activities will bring about networks of communication and cooperation free from the control of the governments. This will help Asian people understand and learn more about democracy and human rights. These kinds of multiple channels and communication networks at the grass roots level are badly needed in the Asia Pacific region.

It will take a long time for the process to achieve concrete and positive results. In any case, the stability of the relationship between the United States and Japan is the key for creating a favorable environment for the expansion and deepening of democracy and human rights.
Two sets of issues dominate the economic agenda in the Asia-Pacific region: macroeconomic coordination and exchange rate policy; and an increasingly complex set of trade and investment questions. This memo addresses how the U.S. has managed these questions to date, and how it is likely to define and manage this agenda in the future.

Despite the role of the U.S. and the Asian countries in supporting the completion of the Uruguay Round, and despite the rapid growth of trans-Pacific regional institutions, the foreign economic policy of the U.S. toward the Asia-Pacific continues to have a strong bilateral and unilateral component. This strategy is partly the result of the substantive nature of the issues, some of which are difficult to manage in a multilateral or regional framework. However, the preference for a bilateral approach also reflects both international and domestic political factors. These include limits on APEC’s role, domestic political pressures, and the American desire to exploit perceived bargaining advantages associated with the region’s continued dependence on the U.S. market. Though substantial thought has been devoted to the design of possible regional economic institutions, the more pressing question remains how to effectively structure these bilateral relations.

Macroeconomic Policy Coordination and Exchange Rates
Since the Plaza and Louvre accords succeeded in easing the dollar down after 1985, negotiations on exchange rates and macroeconomic policy have become a central instrument for addressing the global, regional and bilateral current account deficits of the United States. For obvious reasons, these negotiations have centered largely on Japan, but it is worth noting that this approach is not limited to the “G2.” Exchange rate questions and the related issues of financial market liberalization and macroeconomic policy have also arisen in bilateral discussions with other Asian countries in the post-Plaza period. As a result of provisions in the 1988 trade bill, the U.S. Treasury formally monitors and reports on exchange rate developments in East Asia and is authorized to designate countries that are manipulating their exchange rates in order to gain undue competitiveness. The U.S. was strongly supportive of Taiwan’s Six-Year Economic Development Plan (announced in 1990), which explicitly sought to reduce Taiwan’s trade surplus through aggressive government spending on infrastructure, as well as accelerated trade liberalization. The U.S. has also negotiated with Korea, particularly during its surplus years, on exchange rate, financial and macroeconomic questions. More recently, the U.S. Treasury
has supported the unification of China’s exchange rate, presumably on the assumption that it will reduce the bilateral deficit by inducing appreciation. Nonetheless, the most important interlocutor on such issues is Japan, particularly given that the U.S. current account position has deteriorated since 1991 and Japan represents the largest share of that deficit. The first year of the Clinton administration witnessed a repetition of exchange rate and macroeconomic policy conflicts with Japan that have occurred before and again, in their broad outlines, quite familiar: the U.S. pressed either formally or through signaling for an appreciation of the yen and called on Japan to pursue more expansionary fiscal and monetary policy; Japan, by contrast, criticized the U.S. for its failure to address its fiscal deficits and low savings rates.

Under Clinton, however, these conflicts have taken place in a context which is changed in two important respects. First, the Japanese economy has been in a recession, which makes the U.S. case even stronger. Second, while Hosokawa claimed to be a reformer, he sat on a weak and divided ruling coalition, and his capacity to implement certain policy initiatives was limited. Even greater questions have arisen since the fall of his government.

The Clinton administration’s strategy consisted of two components, one having to do with the exchange rate, the other with macroeconomic policy. The initial U.S. policy toward the yen-dollar rate might be described as “aggressive benign neglect.” Early in the Clinton administration, C. Fred Bergsten, whose views were considered influential with the administration, made the widely-cited observation that the yen could appreciate as much as one fifth against the dollar. This implied a movement from roughly 125 to 105 yen to the dollar. However, when the dollar threatened to fall below the 100 barrier in August 1993, the U.S. intervened, suggesting some limits on American tolerance for a weak dollar. With the U.S. economy growing rapidly in the second half of 1993, the dollar strengthened again; once again, it was argued that the dollar could fall.

The dollar’s gains were almost entirely wiped out in the three trading days following the failed February 1994 summit when the dollar lost 6 percent of its value against the yen and once again pressed against the 100 barrier. This incident is instructive because it underlines the fact that overall political relations between the two countries have more important consequences for exchange rate developments in the short-run than do explicit coordination efforts; indeed, a coordinated intervention in June 1994 had virtually no effect on the yen-dollar rate. The incident is also instructive because the Keidanren immediately issued statements urging the Hosokawa government to reach an accommodation with the U.S.

U.S. and Japanese preferences with respect to the exchange rate are arguably in direct conflict; other things equal and within some limits, Washington would like to see a stronger yen, Tokyo a weaker one. But domestic politics in the U.S. and the recession in Japan appear to have reduced the degree of conflict with respect to macroeconomic policy. The U.S. has for some time—including in the SII talks—made promises to Japan about its budget deficits, but the promises were empty ones. With a strong voter mandate, reinforced by the large Perot vote, Clinton managed a narrow budget victory against solid Republican opposition.

In Japan, gaiatsu may have played some role in the succession of interest rate cuts and fiscal stimuli over the last two years, but the real motivations seem as much domestic as international. The political question was whether the Hosokawa government could pass a serious stimulus in the face of resistance from the MOF and conflicts within the ruling coalition over future taxation. The components of the Murayama coalition—Socialists and LDP politicians—may be more favorable to a stimulus than their predecessors, but it will take some time to see the effects of recent packages on growth or the current account surplus.

Could such issues be managed more effectively in a multilateral context? It is doubtful. The G7 summit mechanism and the OECD do provide multilateral fora for the discussion of these issues, and the Clinton administration is supportive in principle of the gradual move toward institutionalizing the G7 process. However the Naples summit of 1994 showed—once again—the limits on such a process. Moreover, the coordinated interventions of mid-1994 called into question the efficacy of joint action even when there is agreement.

The Eminent Persons Group suggested that APEC could also play a role on macroeconomic policy questions, and the existence in the PECC of a region-wide econometric model could become a focal point for such discussions. How-

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1The trade-weighted value of the yen and the dollar both appreciated, but the dollar appreciated by a lesser amount.
ever, plans for APEC to play a greater role in such issues lie far in the future. Macroeconomic and exchange rate discussions will continue to be driven by the bilateral U.S.-Japan deficit, and their ultimate success will be contingent on domestic political cycles.

The New Trade Agenda

For several reasons, trade policy is more complex. First, there are more actors of interest to the United States. In addition to Japan, Korea and Taiwan are major trading partners and ASEAN’s importance is increasing. China’s entry into the international trading system in the last decade raises major policy questions for the U.S., most particularly the question of the negotiation of China’s entry into the GATT.

Trade policy is also more complex because the agenda itself has expanded dramatically. As the advanced industrial states succeeded in reducing traditional, at-the-border tariff and non-tariff barriers to trade in manufactures, the debate about the further integration of the world economy naturally shifted to new issues. Beginning in the mid-1980s, the United States began to place much greater emphasis on market-opening measures abroad, an important shift in American trade policy.

The first of the new issues has been the effort to extend international rules to cover investment. Trade-related investment measures (TRIMs) were on the initial agenda of the Uruguay Round, much of the debate about “trade” in services is really about national treatment for foreign firms, and innovations in regional arrangements such as EC 1992 and the U.S.-Canada Free Trade Agreement center as much on the regulation of investment as they do on trade. The close links between trade and investment have inevitably drawn the U.S. into efforts to guarantee market access and national treatment for American multinationals.

Restrictions on foreign investment in Japan have been a major political issue in the past, and the legacy of those restrictions—now generally lifted—constitutes one of the most important reasons why foreign penetration of the Japanese market is so limited. Investment issues have also arisen between the U.S. and every developing country in the region, including China.

A second related concern of the new agenda is how—and whether—to address differences in national regulatory regimes that either have discriminatory effects with regard to trade and investment or that generate “unfair” competition. These range from rules governing intellectual property, to differences in national standards, to financial, industrial, technology, competition and even environmental policies. The central policy question is whether it is optimal to tolerate national differences in these areas, to rely on the traditional arsenal of unfair trade laws, or to move toward “deep integration” through the negotiation of some minimal standards or even harmonization of national policies, probably at the sectoral level.

Recently, the trade policy debate has expanded to include a third, and even more complex set of conflicts that have been labeled “system friction”: how differences in national corporate, industrial and even political structures constitute restraints on trade and investment. The European Community’s 1983 call for a GATT working party on Japan and the discussion of the Japanese Retail Store Law and keiretsu form of business organization under the U.S.-Japan Structural Impediments Initiative (SII) are exemplary of this trend.

Despite the success of the Uruguay Round, these issues have traditionally not been managed by the United States in a multilateral fashion. Rather, the dominant policy style has been either bilateral (MOSS, SII, the negotiation of “framework agreements”) or unilateral (Super and Special 301). The key issue for the future is whether multilateral and regional arrangements can play a larger role in managing these disputes in the Asia-Pacific region or whether the historical pattern of bilateralism and unilateralism will continue. If bilateralism does continue to play an important role in managing trade and investment relations, there is the additional question of how bilateral relations will be structured.

There can be little question that the overarching multilateral framework provided by the GATT will continue to play an important role for the region. Most Asian countries recognized that the strengthening of international rules, and particularly of the dispute settlement process itself, was in their interest. For developing countries in the region, this meant an acceptance that they would have to “graduate” to fuller GATT responsibilities in order to gain the potential benefits of participation in the round. In the case of China, “graduation” involves even more fundamental reforms.

Yet the working of the multilateral system should not be idealized. In several important areas, including intellectual property, the United States forced concessions from its Asian trading partners prior to, or contemporaneously with, the
Uruguay Round negotiations. In other areas, including financial services, the United States has formally sought exemption from the granting of unconditional MFN in order to extract specific concessions. In my view, such conditional MFN is justified; nonetheless, it does once again shift the locus of bargaining back to the bilateral level.

Multilateralism can also be criticized from a different angle: that it doesn’t go far enough. One of the hopes for regionalism is that it can push into new areas on which agreement at the multilateral level is impossible; the NAFTA provides a number of examples. Until very recently, the key question was what the appropriate regional forum would be, and that issue is still not altogether settled. The accession clause to the NAFTA does not make any explicit reference to geographic location. It is therefore possible, though not likely, that an Asian country might become a candidate for entry into NAFTA at some point in the future.

Nonetheless, the Seattle summit made clear that APEC is the forum of choice for the U.S.; the question is precisely what APEC should do. The ambitious agenda set forth by the Eminent Persons Group, which sought to lay the groundwork for an Asia Pacific Economic Community, appears to have been almost totally ignored. For a variety of different reasons, including competing institutional commitments for the ASEAN countries, neither the U.S. nor its Asian counterparts wanted to move as fast or as far as the Eminent Persons Report recommends. However, it is premature to discount APEC’s potential; the organization may actually leapfrog discussions of trade and move directly toward questions of deeper integration. For example, the APEC might become an umbrella for a series of functional working groups on topics such as the harmonization of safety, quality and environmental standards and commercial law. This is not likely to yield a comprehensive regional free trade agreement on the NAFTA model any time soon, but it could be strongly supportive of the “open regionalism” advocated by the PECC.

It has been suggested that those parties wishing to go further than the GATT or APEC will gravitate toward subregional arrangements. These include ASEAN’s AFTA project, the post-ministerial conference mechanism, and a growing number of sub-sub-regional arrangements: the Greater South China Economic Zone (Hong Kong, Macao, Guangdong and Fujian provinces, and Taiwan); the Growth Triangle (Singapore, Batam Island in Indonesia, and Johor Province); a Baht Zone in the border areas of Thailand, Laos and Cambodia; and possible cooperation in the Japan Sea, particularly around the Tumin River, that would include parts of China, the two Koreas, Japan and Russia.

As promising as they are, these “sub-regional” projects are not a means for managing the relations between the U.S. and the major countries in the region. This returns us to the subject of how bilateral relations might most appropriately be structured. One can discern a variety of possible models, virtually all of which have been tried out at one point or another in the U.S.-Japan relationship. A brief catalogue and typology is possible.

At one extreme are what might more appropriately be called unilateral measures. The essence of unilateralism is that the United States decides what constitutes appropriate behavior, and explicitly threatens to punish non-compliance. Super and Special 301 are examples of this, as are the most recent efforts to impose numerical targets on the Japanese. The complaint is often heard that these measures are unfair because they are not based on a principle of reciprocity. This charge is somewhat misleading; in some cases, such as the enforcement of intellectual property rights or the extension of national treatment to American firms, the United States is only securing benefits and protection that our trading partners already enjoy in our market.

The main problems with unilateralism are somewhat different. First, the imposition of the sanction and even the threat of the sanction is costly for both sides. Second, the demands themselves may be misguided and have perverse consequences. The unilateral call for numerical targets is an example. Let’s say that imports and foreign investment in a particular sector in Japan are low, and that the U.S. demands that they increase by some targeted amount. If this goal is achieved by the removal of policy barriers that discriminate against American firms, then welfare on both sides is improved. However, if this goal cannot be met through the removal of such barriers, then it can only be met by somehow forcing sales on unwilling buyers. If these buyers are unwilling because they engage in some private collusive practice which has a discriminatory effect, then welfare on both sides is also improved, though the cartel members will lose their rents.

However, if the target cannot be met either by removal of policy barriers or through breaking up a collusive practices, then meeting the target would be precisely what critics charge: a form of managed trade. Such trade might transfer
some employment to the U.S., but would be welfare reducing for Japan. The same can be said of any American effort to impose further local content requirements (in addition to the NAFTA’s) on Japanese firms operating in the U.S. Thus an assessment of the numerical targets approach hinges on whether it is effective in forcing other negotiations.

At the other extreme from unilateralism are bilateral negotiations aimed at establishing a free trade area. This ambitious objective of negotiating bilateral FTAs in Asia was considered briefly in the late 1980s, but died a quick death when it was realized that the United States might have to offer more concessions than it was willing to make. The idea may now be revived, however, if some Asian countries join the queue for accession to the NAFTA.

The main problem with such a solution is the substantive and political complexity of the negotiation; the cost of negotiation is probably greater than the benefits from its success. It is most likely to make sense for smaller countries which already have very open markets, such as Singapore and Hong Kong. For the larger countries that have more restrictions and for which the negotiation of an FTA might raise difficult political fights in the U.S., such a goal is probably too ambitious. Moreover, the negotiation of new FTAs immediately raises the question of their relationship with the NAFTA.

This leaves us a middle ground of bilateral negotiations which fall short of a full FTA but which may be more or less comprehensive. At the less comprehensive end of the spectrum is the model of the High Technology Working Group and the MOSS talks, which identified particular sectors and sought to remove existing barriers through consensus. SII arguably fell in this same vein, but with a more ambitious, and less successful, agenda.

More comprehensive yet is the current approach, which is to move toward the negotiation of “framework” agreements, under which discrete sectoral subagreements might be struck. A visit by President Bush to Seoul in January 1992 gave rise to what was subsequently known as the “Presidents’ Economic Initiative,” a comprehensive effort to negotiate on a variety of issues: standards, regulatory and customs procedures, and technology and investment laws. In 1992, similar steps were taken toward the negotiation of a “framework” agreement with Taiwan that would result in the establishment of a permanent Council on Trade and Investment. As with the new Korean initiative, the agenda touched a variety of issues. Finally, the July 1993 Framework Agreement with Japan presumably provided a foundation for the negotiation of discrete sectoral subagreements, though it ultimately founndered over the U.S. insistence on numerical targets and with recent political developments in Japan its future is now highly uncertain.

The problem with such negotiations is that they do not always appear to be yielding “results,” even when they are. The reason for this is twofold. First, the issues themselves are extraordinarily complex, there are fundamental disagreements about what constitutes an actionable barrier, and there are a variety of ways in which non-tariff barriers can be maintained. A second problem is that the public, and even a substantial portion of elite opinion, continues to believe that microeconomic negotiations will have a substantial effect on bilateral deficits. Since this is not the case, the possibility of disappointment is almost guaranteed. It is these two sources of disappointment that are responsible for the periodic adoption of more unilateralist approaches.

The U.S. will continue to pursue a strategy which encompasses a variety of different layers, none of which wholly dominates the others. The Uruguay Round agreement will provide the framework for ongoing negotiations on a number of issues, including financial services, and the new WTO will provide an avenue for dispute settlement. APEC will provide a regional forum for the discussion of further integration at the functional level, particularly in areas where some degree of regional harmonization may be appropriate. However, it is not likely to evolve into a regional free trade area.

Yet these initiatives will not lessen the signficance of traditional bilateral diplomacy in the region, a diplomacy driven by efforts to open markets in the region to American exports and firms. It appears that the most promising structure for such bilateralism is the negotiation of framework agreements, and the establishment of a regularized negotiating, decision-making and dispute settlement structure to support them. Such arrangements allow countries to move forward at their own pace, will allow attention to national peculiarities, and can be made wholly consistent both with the GATT and with the open regionalism of the APEC structure.
General Observations

It is difficult to imagine a more obviously positive scenario than that of cooperation between the United States and Japan in research and development in both science and technology. Cooperation in scientific research has almost no negatives; the search to understand the laws of nature has never been an individual or a proprietary enterprise; the community of scientists has always spanned national borders; and scientific knowledge needs to be openly and widely shared if understanding is to continue to grow.

Cooperation in the development of technology may not be as deeply rooted in history and tradition as in the case of science, but the circumstances of the late 20th century make the case almost as compelling. The modern technological development process, most observers agree, is extremely complex. Research and development (R&D), while vital to the process, are not, in themselves, sufficient to insure success. The innovation process that turns new ideas and new understanding of the physical world into useful products requires a number of additional steps in which the applicability and complementarity of technologies in various fields are recognized and exploited, in which products are designed that can be integrated into existing product lines and usage patterns, and in which efficient manufacturing strategies are developed. The overall process is characterized by feedback loops and matrix elements: R&D advances in many different areas are necessary to develop particular technologies and technological advances often hold the key to subsequent breakthroughs. As a result of these complexities, there are a number of relatively independent points at which important development processes are unlikely to succeed because leading-edge technological development requires global cooperation.

A reasonable strategy for a nation with a technology-based economy to follow is to promote all phases of science and technology (S&T) activity within its borders, but also

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to support efficient international technical information exchange processes which should optimize global technological development and to develop the capacity to exploit new technological advances in its national interest. With certain technological developments, the scale and cost will be so great and the exploitation of the technology in actual products so far removed or "downstream" from the development process itself that actual direct cooperation in "pre-competitive" consortia makes a great deal of sense.

Cooperation in S&T, if used wisely, has a number of payoffs. As North-South tensions grow over issues such as population, energy, the environment and migration, the nations of the developed world can use their great technical strength to ease the tensions by mitigating the problems, thus contributing to the health and stability of developing nations even as they improve their own conditions. Such a strategy has a number of obvious benefits: stability enhances security; stronger nations are better markets; a number of global problems, particularly those involving health and the environment, can only be solved on a global basis; and the relationship between powerful nations and those in their sphere of influence can certainly be improved when the relationship is mutually beneficial.

If any two nations could be expected to take the lead in S&T cooperation, it would be the United States and Japan who, between them, spend about $225 billion on R&D amounting to 65% of all of the R&D activity of the OECD nations (1991 figures)—that is, almost 65% of all R&D in the world. However, the fact is that cooperation between the two countries is quite modest and certainly less, for example, than the joint R&D activities of the European Community. "Big science" projects that have sought to involve both countries, such as the U.S.'s Superconducting Super collider and Space Station, have failed or certainly faltered. Japan's Human Frontiers Program, while interesting, does not appear to have found a strong focus or to have had a significant impact yet. In the wake of the UNCED Conference in Rio, there have been discussions of cooperation in environmental research through groups such as the U.S.-Japan Task Force on the Environment, sponsored by the Carnegie Council on Ethics and International Affairs, but no obvious action. Attempts at more modest cooperative activities—pre-competitive consortia, university industrial associates programs—have been hampered by their political unpopularity, particularly on the part of the U.S. Congress.

There are a number of reasons for the lack of significant success thus far. They have to do with historical differences between the two countries in the sources and mechanisms of funding for R&D, the institutions engaged in R&D activities, the emphasis placed on different steps in the technological development process, the relation of cooperation in this area to other tensions between the two countries and the particular choice of projects and problems on which to collaborate. These are examined briefly in this paper in order to determine whether there are practical ways of overcoming the barriers so that the advantages of joint efforts might be realized.

### Structural Barriers to Cooperation

In promoting its rapid economic growth in recent decades, Japan has built certain characteristics into its technical infrastructure: an extremely strong industrial sector working in close cooperation with the government; an R&D focus on product development; and an engineering emphasis on design aimed at efficient, high quality manufacturing. The result has been that most of its R&D takes place in industry (71%) rather than in universities (18%) or research institutes (11%) and there is a preponderance of engineers rather than basic scientists among its technically-trained professionals. Interestingly, the close cooperation between government and industry does not imply that the government bears a large percentage of the R&D cost. In fact, quite the opposite is the case; industry in Japan provides a very high percentage of the total R&D cost—73% in 1991.

In contrast, the technical work force in the U.S. has a higher percentage of basic scientists, a large fraction of whom are employed in its universities and publicly-funded research laboratories and, growing out of its tradition as a "mission-oriented" country, 49 percent of R&D support comes from some government entity. Fully two-thirds of support in basic science comes from government and half of all basic science research is performed in the nation's universities. Furthermore, the emphasis on the traditions of

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the market economy has led industry, on the one hand, to feel no obligation to serve a public purpose— for example, in developing and sharing technologies—other than that which grows out of a profit motive and, on the other hand, has led government to place barriers in the way of cooperative R&D on the assumption that it might compromise the protections to the consumer afforded by competition.

These asymmetries give rise to a number of problems. Critics argue that the Japanese emphasis on product development has meant that it is not carrying its weight in the generation of new fundamental scientific knowledge. Japanese researchers do not concentrate on fundamental investigations and, to the extent that they do, their work is not easily accessible because it is conducted in the closed environment of industrial laboratories. The relatively low level of total government funding has resulted in severe deterioration of university laboratory facilities and equipment in Japan, so that their present conditions is quite inconsistent with what one might expect in a country so respected for its technical prowess and economic success.

The U.S., on the other hand, is severely handicapped in scientific collaboration by tradition, structure, and culture. The tradition of investigator-initiated research, which traces its roots to Vannevar Bush and the arguments he made in the late forties that led to the establishment of the National Science Foundation, creates a serious barrier to large scale organized, goal-oriented research efforts, a pre-condition for some of the most promising cooperative research between nations. It is interesting to note, for example, that a ten-year effort in the United States to conduct an organized research program on acid rain produced a good deal of basic science, but almost nothing applicable to the policy questions that motivated the research: the issue of appropriate standards to be included in the Clean Air Act. In recent discussions at the Council on Foreign Relations on the possibility of using the technical capacity of the U.S. intelligence community to gather data useful to environmental scientists, one of the most serious barriers identified was the absence of any central authority that could organize and prioritize the information collection tasks.

Even where such efforts have been undertaken, primarily in “big science” projects, their great cost and overwhelming dependence on government support has meant that the funding process has been highly political and quite uncertain from year to year, making the U.S. a very undertependable partner for joint efforts. Furthermore, because the U.S. has developed its habits of research, through decades in which it was more advanced than most nations in most fields of research, it is badly prepared to learn from others, an essential element in collaboration. Few American scientists, for example, speak Japanese and fewer still are willing to live for long periods of time in Japan.

Collaboration in the development of technologies—and in providing such technologies to developing nations—presents a different set of problems. While both the U.S. and Japan are market economies with strong private sector traditions, the U.S. has proved much more chary than Japan about directing or cajoling industry to develop or make available technologies to serve any but the most compelling national purposes. This has several consequences. First, the U.S. has expected to pay industry for developments it wants—and absorb the funds to do that, it has acted as if it had little leverage to push their development. Second, in its international negotiating positions, it has attached high priority to intellectual property protection, which has hampered its ability to enter into collaborations or to promise technology transfer in order to serve other national purposes. Third, as noted earlier, it has placed strict limitations on the ability of corporations to collaborate with each other, holding over them the threat of anti-trust prosecution. Each of these, of course, complicates cooperative efforts between U.S. and Japanese corporations, particularly where that cooperation is aimed at benefiting underdeveloped nations.

Political Barriers to Cooperation

The U.S. perception is that it loses in two ways in collaborative efforts with Japanese partners: the Japanese learn more from U.S. R&D than Americans learn from Japanese efforts; and the Japanese efficiency in applying technical knowledge in product development exceeds that of the U.S. so that they are able to make much better use of the information for economic gain. This feeds an attitude, particularly in government circles, that collaboration must be approached cau-
tiously. It is now commonplace in the U.S. for congressmen across the political spectrum to worry that government support for research may benefit Japanese firms and, therefore, to place great pressure on research institutions to exclude Japanese corporate participants from various programs. MIT has suffered particularly strong attacks in this respect, ironically ignoring the fact that it is one of the few American institutions which has developed an effective program for teaching American scientists and engineers Japanese culture and language so that they can, in fact, contribute to balancing the flow of information between the two countries.

A debate currently underway in the U.S. may exacerbate this situation. Voices in the administration and in the Congress are presently being raised in support of the notion that the U.S. cannot afford to keep its investment in fundamental research at its historically high levels unless that research is more clearly and directly related to social outcomes. What has in the past, been an assumption underlying the support of basic research—that the unconstrained search for understanding the laws of nature will ultimately produce socially-useful outcomes—would thus be altered significantly with the introduction of the requirement that research be justified on the basis of its explicitly useful outcome. While it is possible that the notion of socially useful outcomes will embrace environmental issues, sustainable development, world health and the like, it seems more likely that it will quickly be interpreted in narrow economic terms and, indeed, specifically in terms of American economic interests. To the extent that this occurs, the pressure to avoid serious collaboration in research would increase since such collaboration would work against the very advantage that the U.S. would seek to achieve in its support of research.

Certainly, such an attitude would be consistent with U.S. behavior in the few instances in which the government has supported pre-competitive consortia for the development of new technologies, such as Sematech, the initiatives in high performance computing, materials science, biotechnology and, most recently, the new effort to develop an electric-powered automobile. In all of these cases, it has been clear that the projects are to be American efforts aimed at providing an economic advantage.

Finally, it would be a mistake to underestimate the strong linkage between collaborations in S&T and tensions between the U.S. and Japan in other areas. Recently, a very senior American official stated unequivocally that there would be no serious initiatives for cooperative R&D as long as the trade question remained unresolved. While S&T cooperation may ultimately prove to be the route to easing the tensions between the two countries and may put each of them in a more positive light in the view of other Asian nations, the barrier to expanding that cooperation is quite high at the moment.

**Overcoming the Barriers**

If these barriers are to be overcome, we will need to do two things: identify the areas in which the motivation to work together is strongest and identify new approaches or new institutional arrangements that will help both countries to deal with the structural and political barriers to cooperation. To begin that discussion, I would suggest the following as candidates for cooperative effort:

*Science megaprojects.* These “big science” projects—such as the superconducting supercollider (SSC) and the Hubbell space telescope—can yield important scientific understanding but are so costly that they are beyond the capacity of any one nation to fund. They are ideal for multi-nation collaboration, but there are few examples of successful collaborations on this scale with the exception of CERN, the EC’s high energy physics facility. However, to be successful, such efforts must be collaborative from the early planning stages, as the U.S. learned from its failure to enlist Japanese financial support for the SSC long after it had begun to build it. Furthermore, since these projects may often take a decade or more to complete, the U.S. must develop mechanisms for committing multi-year funding in order to earn the confidence of other nations that their own investment will not be compromised by year-to-year changes in the amounts appropriated by congress for such efforts. Finally, it will be necessary to yield national control to independent management structures that have the authority and continuity to plan and carry out these efforts, to avoid the turf battles and irrational funding decisions that contributed to Hubbell mirror problem.

*U.S.-Japan Bi-National Science Foundation.* Scientific cooperation at a more modest level might be possible through an institutional arrangement such as a Bi-National Science Foundation. Such an entity would fund only those projects in which both American and Japanese investigators were involved (an institution of this kind presently exists to support U.S.-Israeli collaborative research). Funds provided in this way
would preserve the investigator-initiated research culture of the U.S., encourage collaboration with Japanese colleagues stimulated by the access to funds not otherwise available, and help improve the seriously deficient status of Japanese university research. One could envision that in the early years, the Japanese might contribute more heavily to the support of the Foundation than the U.S. to compensate for the fact that a greater fraction of the work would take place in well-equipped U.S. laboratories in which Japanese scientists would work as visitors in residence. This would do much to overcome the concern that American money as well as American research was supporting Japanese development. Over time, as Japanese university laboratories were built through this program, the site location of the work could shift to a more even distribution between the U.S. and Japan.

Environmental research. As attractive as collaboration would be in this area, it is one fraught with difficulty, particularly to the extent that the goal is to be of help to developing nations in Asia. First, it must be recognized that environmental problems cover an enormous spectrum and the problems of major interest to developed countries—global warming, the state of the oceans, biodiversity, deforestation—are of less immediate interest to developing countries where clean water, tropospheric air pollution, and desertification are of more serious concern. Moreover, while technical approaches can help in developing the solutions to many environmental problems, social, cultural, and political behavior modification may be more important and neither the U.S. nor Japan has great credibility in that arena. For example: pressure on Indonesia and Malaysia to curtail deforestation rings hollow when the practice is driven by the Japanese demand for hardwoods; the U.S. resistance to rigorous fuel efficiency standards for its automobiles on the argument of sovereignty and individual freedom gives it little credibility to encourage energy efficiency elsewhere; Japanese resistance to strong regulation of the fishing industry is hardly consistent with expressed concerns about the state of the oceans; and, despite its admirable record in overall energy efficiency, Japan’s recalcitrance on the issue of breeder reactors casts doubt on its environmental sensitivity.

For these reasons, the most promising approaches to collaboration by the U.S. and Japan in environmental research may be those that involve the creation of international institutions shielded from national political interest, operated in partnership with developing nations, and organized into regional entities that can reflect particular regional problems. The Carnegie Commission on Science, Technology and Government has recently proposed such a solution, borrowing from the successful model of the Consulting Group on International Agricultural Research (CGIAR) with its several regional laboratories. Questions remain as to whether a single organizational structure can adequately deal with the very broad range of environmental issues (and consequent broad range of scientific disciplines that must contribute to solutions), and whether environmental questions can be considered apart from those concerning energy and economics; clearly solutions cannot. Nevertheless, the Carnegie contribution is a useful one and the discussion of new international institutions is timely.

Energy research. Collaboration in the development of new energy technologies is perhaps the most and broadly applicable of all possibilities. Improved energy efficiency and less polluting energy sources are equally important to developed and developing nations. Certainly for the U.S. and Japan, those developments that decrease dependence on fossil fuels will serve to increase security. Furthermore, to the extent that efficient and convenient fossil fuel replacements can be made economically feasible, the tensions associated with the expansion of the economics of developing nations will be reduced. In certain respects, similar technologies, particularly those derived from wind and solar sources, will be applicable in nations that span the spectrum of development.

The difficulties that will have to be confronted stem from the fact that this is a field whose advancement depends more on technological development of economically feasible solutions rather than fundamental scientific research. In that respect, energy technologies are quite clearly commercial developments and the relative roles of the public and private sector, the appropriate basis of technology transfer, questions of intellectual property protection, and the promotion of fair competition all loom large. The importance of the problem and the advantages of cooperation suggest that this might be the most appropriate testing ground for dealing with these

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difficulties which are certainly different from those involved in scientific cooperation.

**Conclusion**

Collaboration in matters related to S&T is often an afterthought in international discussions. But if it has been an error in the past to ignore its potential for improving international relations and, more importantly, deal with the global problems, it is equally erroneous to ignore the difficulties it presents. In an important sense, S&T collaboration becomes, in itself, an important element in international negotiations. Its promise makes that effort worthwhile.
The Characteristics of Environmental Issues and Government Intervention

The Necessity of Government Intervention

The environment in our society will not last perpetually, unless we take adequate measures to maintain it and hand it over to the next generation. It goes without saying that no generation has ownership to this planet, but has only “leasing rights with a condition to repair.” However, each individual has a tendency to take advantage of the given environment and may not take responsibility for preserving it.

Therefore, a third party is necessary to set conditions for this purpose; in our society, it is each nation’s government which can play that role. Environmental issues are understood as negative externalities (external diseconomies)/ Negative externalities are generally considered a market failures, so without government intervention setting a fair standard, they cannot be left to the market mechanism.

The Limits of Government Intervention

Noncommittal Awareness Toward Environmental Protection
Awareness toward environmental issues varies among nations, depending on the degree of economic development, living standards, and knowledge of the issues of each nation. Hence, it is not easy to form a consensus on environmental protection or to implement a solution. Disagreements regarding the justification of governmental intervention occur and result in limitations on the degree of regulation and its standards.

The Validity of Technology Innovation
Technology innovation for environmental protection is constantly progressing. These innovations force changes to already-set standards of environmental regulation. This means
that regulations themselves increase the risk of delaying the development of these technologies and may bring about negative results toward solving environmental problems.

The Methods of Governmental Intervention Toward Environmental Issues

The importance of environmental issues for the sake of saving the earth and its constituents outweighs any other value we can think of. And in order to protect the environment, it seems clear that with negative externalities government intervention is necessary. However, factors such as differences in the understanding of environment among respective countries, difference of changes in the scientific rationale for each environmental issue, and the development in the technology of environmental protection; bring about doubtful views toward the efficacy of governmental intervention. It seems difficult to come to an agreement in the international or even domestic arena without a clear justification of a given regulation and a clear picture of future solutions. From this there is a clear need for environmental regulation which will not have a negative impact on the sectors being regulated. A positive solution is to implement environmental regulation that is flexible enough to reflect the market, utilizing the competition principle at both international and domestic levels. Utilizing competition mechanisms allows nations to contain various conflicting views in implementing governmental intervention.

By allowing government intervention, a framework of environmental protection can be set. To set this framework, allowing market competition is necessary in order to facilitate the function of market mechanism and innovation of technology.

International Regulation

Developments of Environmental Protection in the International Arena

Framework of International Environmental Regulation has been set mostly at OECD, GATT, and the SUMMIT. From the economic regulations standpoint, developments of understanding such as Polluters Pay Principle, National Treatment Principle, Least Trade Restrictive Principle, Prohibition of Import Surcharge and Export Subsidies in the name of adjustment of environmental costs have been formed. On the other hand, understandings such as Harmonization of Environmental Standards Principle, Multilateral Agreements Principle, Consideration to Developing Countries have been adopted. Under these circumstances, Formation of international agreements must be done with caution and incentives must be given to form a multinational consensus. One of the solutions is to utilize GATT type of system setting the whole issue on the trade mechanism. It is probably easier for most of the nations to accept environmental regulation if it is based on economic interests. As history shows, international institutions based on economic interests such as GATT have proven to be relatively more effective. Nations that are unwilling to follow the environmental regulatory framework set by treaties or agreements may see the incentive if encountered by a legal trade retaliation mechanism. This will force each nations government to include this environmental protection externality into their domestic market mechanism.

So a valid option would be to form a flexible multilateral environmental regulation that would allow the externalities to be included in the trade mechanism. This will be carried out domestically by each government and will be monitored reciprocally by nations through GATT (or OECD). For example, nations allowing eco-dumping may be punished through dumping surcharge initiated under GATT's multilateral consensus.

Domestic Regulation

After multilateral agreements have been reached, the actual implementation of these agreements can only be achieved through domestic measures. Each nation must apply the allocated regulatory framework forcing certain burden to domestic industries. Domestic regulation of this type will be hard to accept for the industries unless done in a manner fair and flexible. It would be more preferable to bring in indirect measures rather than direct because of the flexibility allowing businesses to maneuver by using cost analysis. Indirect measures that utilizes market mechanism would be environmental tax (CO2, NOX), subsidies, exchange of emission rights, etc.

As for subsidies, it has often been used as a financial assistance to domestic firms for the protection of the environment. However, since governments have tendencies to favor domestic
businesses to be successful in export competition, these kind of subsidies may result in being used for a different purpose. Moreover, in order to promote exports, governments will be forced to use tax payers’ money to assist the polluters which contradicts to the polluters pay principle.

On the other hand, environmental tax has a characteristic of promoting the enterprises’ incentive without contradicting to the polluters pay principle. It will only effect the flow of funds so it is possible to minimize the burden of enterprises by reducing tax of other areas. Hence, governments can use the collected tax for the purpose of actually protecting the environments.

Lastly, the exchange of emission rights will allow the enterprises to calculate the market costs and give the choice of manufacturing goods even with the purchase of such emission rights. By establishing its market price, the emission by the enterprises will inevitably decrease. Since this exchange of emission rights will not restrict the action of enterprises in an unreasonable way, it will also change the incentives both technically and productionally.

Conclusion

Environmental problems have long been an issue where people around the world were too particular about protection of environment without seeking a realistic solution. It is needless to say that what needs to be done as fast as possible is to form an international consensus of implementing a solution. Therefore, in order to achieve a more realistic measure, a technique of utilizing the incentive to mechanism should be used as mentioned up above. Moreover, more ideal discussions can be conducted when respective nations have further understanding of this environmental issue and its necessity of protection. At this stage, something ought to be done rather than doing nothing. The approach of stimulating peoples’ incentive mechanism will be more productive under the present circumstances for protecting our precious environment.
THE UNITED STATES AND JAPAN IN ASIA MEETING AGENDA

21–22 March 1994, La Jolla, California

Sponsored by the Center for Global Partnership, Tokyo, Japan

Co-hosted by the Institute on Global Conflict and Cooperation, University of California; the Japan Center for International Exchange, Tokyo, Japan; and the Council on Foreign Relations, New York

Monday, March 21, 1994

Economics
Chair: Tadashi Yamamoto
Presenters: Stephan Haggard and Naoko Ishii

Politics and Security
Chair: Susan L. Shirk
Presenters: Hiroshi Nakashini and Alan D. Romberg

Tuesday, March 22, 1994

Human Rights Values
Chair: Alan D. Romberg
Presenters: Sejii Endo and Susan L. Shirk

Science, Technology, and Environmental Issues
Chair: Tadashi Yamamoto
Presenters: Kenneth H. Keller and Jiro Tamura
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