

*Research Fellow Paper*  
*on*  
*“East Asian Integration and Japan’s Regional Policy”*

by  
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## Preface

I'm pleased to issue Research Fellow Paper No.16, titled "East Asian Integration and Japan's Regional Policy," by Mr. YUAN Chong, Assistant Research Professor, Institute of Japan Studies, China Institutes of Contemporary International Relations. Received M.A. from Graduate School of Political Science and Public Administration, Shandong University in 2004, Mr. YUAN has been studying regional politics in East Asia, Japanese foreign policies.

During his stay in Japan from 2 March 2010 to 31 August 2010, The Japan Forum on International Relations, Inc. (JFIR) received Mr. YUAN as a Visiting Research Fellow. Mr. YUAN actively made researches on his interested fields, in addition to studying Japanese language, and submitted this Paper as an achievement of his studies in Japan.

August 30, 2010

ITO Kenichi,  
President, JFIR

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# East Asian Integration and Japan's Regional Policy

## I. Introduction

After the beginning of the new century, East Asia is playing a more and more important role in international politics and economy. The East Asia economy has been an important engine that draws the developments of world economy, especially after the 2008 financial and later economic crisis. The regional cooperation among East Asian states is strengthened continuously, and regional institutions become sophisticated during this process, the prospect of the East Asia Community attracts interests and concerns all over the world.

Japan has been adapting its policy towards East Asia recently, and is attaching much more strategic concern to this region. In 2002, then Japanese Prime Minister Koizumi Junichiro officially proposed the idea of an East Asia community. After the Democratic Party of Japan came into power, then PM Hatoyama Yukio advocated the East Asia Community based on the political philosophy "fraternity" (yu'ai), but he didn't give a clear picture of the Community due to the troublesome Japan-U.S. relations and the short span of his cabinet. The Kan Naoto cabinet drew out Japanese new development strategy in June this year, which made Asian economic strategy one of the seven strategic spheres in the future development of Japan. This strategy proposes that Japan needs to make good use of the prospering Asian market, especially the growing infrastructure market, and aims to establish the Free Trade Area of Asia Pacific.

Japan strengthens its policy attention to East Asia for the region's economic and political significance. The rapid development of East Asian economy and huge demands of overseas markets (mainly U.S. and EU) stimulated the development of Japanese economy, which resulted in the longest economic boom (February 2002 – October 2007, 69 months) after the World War II. After the 2008 economic crisis, Japanese policymakers turn their eyes again to the demands of Asian markets as orders from U.S. and Europe withered, hoping to cultivate the latent enormous regional market with largest population in the world.

The political and security environment also has changed greatly which poses a serious challenge for Japan. Japan's failed endeavor to become a permanent member of UN Security Council in 2005 exemplified that the understanding and support of East Asian countries is important for Japan to play a more important role in the world. Issues that were the relics of the Cold War have changed greatly, for example, North Korea now has nuclear capability and more advanced missile technology, and relations between the two sides of the Taiwan Strait become closer, which makes Japan uneasy about its security environment. At the same time, non-traditional security issues, like environment pollution, contagious disease, natural disaster, and terrorism, raise the necessity of cooperation among regional actors. As the result of changing security and economic environment, Japan's security regime, with

Japan-U.S. alliance as the cornerstone, is seen as insufficient to deal with the security challenges, and begins to evolve gradually in recent years. But the redefinition and reformation of the alliance didn't meet the expectations of the both sides. After the Democratic Party of Japan came into power, PM Hatoyama tried to balance between the Japan-U.S. alliance and East Asia policy by proposing a "close and equal" Japan-U.S. alliance, and establishing East Asia Community. But after the sinking of South Korea warship Cheonan, the security situation of East Asia became tense. U.S., together with Japan and South Korea as its allies, intensified their pressure on North Korea. Recently a former U.S. defense officer called the North Korea problem as "Lehman Brothers" of China.<sup>1</sup> As the bankruptcy of Lehman Brothers triggered global financial crisis, turmoil in the Korea peninsula certainly will cause serious problem in East Asia. It's not a problem that relates only to China, about which the East Asian countries surely have different concerns from a country that is tens of thousands miles away from Asia.<sup>2</sup> It's time for the East Asia countries to think again about the purpose of regional cooperation and the way to realize it.

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<sup>1</sup> "An interview of Joseph Nye", *Nihon Keizai Shimbun*, July 3, 2010.

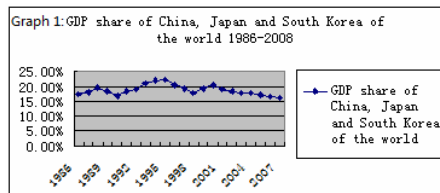
<sup>2</sup> The press conference of Chinese Foreign Ministry spokesman, June 30, 2010

## II. The changing situation of East Asia in Japan's regional policy

Although regional economic relations have been closer than before, East Asia still faces challenges like traditional and non-traditional security threats, economic competition, lack of political mutual confidence, and so on. Objectively, after long time of economic, social and cultural communications, and facing common challenge, East Asia countries are more apt to cooperate with each other, and are considering seriously about the way of cooperation. Japan has been actively engaging East Asia economically while seeking ways to counterbalance the factors of regional instability in recent years. Especially in the non-traditional security sphere, Japan has been willing to play an increasing important role. The development of China and the change of U.S. policy towards East Asia also have great impact on Japan's regional policy.

### 1. The Rise of Economic Status and Changing Economic Structure of East Asia

After the 2008 financial crisis, East Asia received relatively less impact comparing to the rest of the world, regional economy began to recover very soon, and remains to be the engine of world economic development. Through this crisis, East Asian countries began to reflect their development models that depend on the market of European and American market, and made up their minds to develop Asian internal market.



Source: World Bank website

- (1) The economic importance of East Asia is increasing recognized by Japan. East Asia now occupies an important role in world economy. Although the region's GDP share of the world remains relatively the same since the middle of 1980s, (Graph 1)<sup>3</sup> East Asia is showing its strength in international trade and investment market. Trade volume of Asia grows quickly in the new century, and the share of Asia trade in the world became larger and larger, which was mainly pulled up by the East Asian economies. (Graph 2 and 3) In 2008, the total export of China, Japan and South Korea accounted for about 21.8% of the world, and the export of East Asia as a whole region exceeded a third of the total of the world. Moreover, the rise of emerging Asia trade accounted for roughly 40 percent of the total increase in world trade over the period from 1990 to 2006.<sup>4</sup> As to Japan, in 2008, 42.4% of the export, and 43.7% of the

<sup>3</sup> The total GDP of China, Japan, and South Korea, the three main economic states in East Asia, has remained about 18% of the world since 1986. World Bank statistics.

<sup>4</sup> Paul Gruenwald and Masahiro Hori, *Intra-regional Trade Key to Asia's Export Boom*, IMF Asia and

import happened with Asian countries, geographically and economically, Japan has close relations with Asia.<sup>5</sup>

Graph 2: Growth in the volume of world merchandise trade by selected region and economy, 2000-2008

Source: World trade developments in 2008, WTO

(Annual percentage change)

Exports				Imports		
2000-08	2007	2008		2000-08	2007	2008
5.0	6.0	1.5	World	5.0	6.0	1.5
			North America			
2.5	5.0	1.5	America	3.0	2.0	-2.5
3.5	4.0	0.0	Europe	3.0	4.0	-1.5
10.0	11.5	5.5	Asia	8.0	8.0	4.5

Graph 3: World merchandise imports and exports by region and selected economy, 1983, 1993, 2003 and 2008 Source: World trade developments in 2008, WTO

Import	1983	1993	2003	2008
World	100.0	100.0	100.0	100.0
North America	18.5	21.4	22.5	18.1
Europe	44.2	44.6	45.0	42.3
Asia	18.5	23.6	23.5	26.4

Export	1983	1993	2003	2008
World	100.0	100.0	100.0	100.0
North America	16.8	18.0	15.8	13.0
Europe	43.5	45.4	45.9	41.0
Asia	19.1	26.1	26.2	27.7

(2) The intra-regional trade becomes more important for Japanese economy. The rapid development of intra-regional trade is the key to East Asia's foreign trade boom, and makes the regional states more and more economically interrelated. One of the features of this regional trade model is regional industrial specialization, and as a result, East Asia has formed a triangular trade structure, that is, China gets raw materials and intermediate goods from the rest of East Asian economies, and then uses its rich labor resources to assemble these into final products and export to U.S. and European states. From January 2008 to July 2009, the export of intermediate goods of the East Asian countries occupied over 40% of their total export.

In this process, China's role in regional industrial specialization has changed greatly. Especially after the 2008 financial crisis, while the exports of East Asian countries to U.S. and European countries have been shrinking, their exports to China recovered at a very quick pace after the beginning of 2009. Now, China

Pacific Department, February 6, 2008.

<sup>5</sup> METI, *White Paper on International Economy and Trade 2010*, p157

has become the largest trade partner for Japan, South Korea and ASEAN, and all these countries have trade surplus in their trade with China. For example, for the first 5 months of 2010, Chinese exports to ASEAN were about 52.7 billion dollars, and imports were around 59.1 billion dollars, the trade deficit for China is 6.4 billion dollars, about 5 times increase from the same period of last year. The exports of China to Japan were 44.9 billion dollars, and imports were 66.6 billion dollars, the trade deficit of China was about 21.6 billion dollars, a 2 times increase from same period of last year.

The development of China also changed traditional regional division of industry which was generally referred as “the flying geese paradigm”. In 2001, the trade whitepaper of MITI announced that East Asia is beginning to shift away from the flying-geese development pattern to a new pattern, in which national economic development level no longer necessarily a deciding factor in industrial location. In the “white paper on international economy and trade 2010”, it’s observed that now the network of production is being changed into the network of production and sale. According to a 2009 survey, now 1/3 of Japanese enterprises in China are motivated by the scale of Chinese market. China now not only hosts large numbers of labor intensive industries, also becomes the home of R&D centers for many transnational enterprises.

- (3) The market of East Asia becomes an important factor for future development of Japanese economy. European and American markets began to shrink after the 2008 financial crisis, East Asia economies, while still hope the western market could recover soon, turn eyes to the growing regional market. The increasing number of middle class in Asia may create strong demands. According to the 2010 trade whitepaper of METI, the number of middle class in the emerging countries whose yearly income ranges from 5000 dollars to 35000 dollars, reached 0.22 billion in 2000, 0.88 billion in 2009, and will reach 2 billion in 2020. Also regional development creates strong demands for infrastructure. From 2010 to 2020, with the development of Asian economy, the infrastructure demands will reach about 8000 billion dollars, which include irrigation works, rail way, nuclear energy, environmental technology and so on. It’s an important chance for Japanese enterprises as domestic economic development is lukewarm.

## **2. Development of Regional Institutions Especially in Trade and Financial Areas**

East Asia now has large numbers of regional institutions, and the number may increase in the future. Regional institutions and new plans of institution building keep coming out, and members and issues are overlapping with each other. Now as to the regional cooperation framework, there are trilateral summit of China, Japan and South Korea, ASEAN+3, EAS, and APEC. The frequent meeting of the leaders of East Asian countries also is beneficial for the mutual confidence building, and serves as an arena to strengthen regional identity. As to the regional free trade arrangement, regional FTA is booming, but the “spaghetti bowl” phenomenon is especially obvious. Nearly all the FTAs were centered on the ASEAN countries.

Regional financial cooperation is especially sophisticated. The financial cooperation of East Asia proceeds faster than other areas, and could be a fine point for East Asian states to deepen their cooperation. The Chiang Mai Initiative, after its startup in 2000, now has the network consisted of 16 bilateral arrangements among the ASEAN plus Three countries worth approximately US\$90 billion. In order to further enhance the CMI's effectiveness, and as "a self-managed reserve pooling arrangement governed by a single contractual agreement is an appropriate form of multilateralization",<sup>6</sup> on 28 December 2009, the Chiang Mai Initiative Multilateralization Agreement was signed and took effect on 24 March 2010. A foreign exchange reserves pool worth 120 billion dollars was created to deal with regional financial crisis.

Japan became interested in regional institution building mainly for the following considerations. Globally, international economic system is challenged in promoting the further free movement of goods, capital and people. The WTO negotiation doesn't produce positive results in the recent Doha round. International monetary system is also facing more and more criticism, especially after the 2008 financial crisis, for the dominance of dollar in the system and its failure to cope with regional financial crisis. Regionally, the development of China poses a serious issue for Japan. In the 21st century, East Asia has two major regional countries competing for influence in the region. By promoting the regional institution, Japan wants to consolidate its economic position in the region, especially in Southeast Asia. Also Japan wants to balance the development of China by accommodating China into the regional institutions. Domestically, Japanese involvement into regional cooperation could provide impetus for domestic structure reform.

### **3. The Change of Balance of Power in East Asia and Security Cooperation**

The political and security situation of East Asia is not optimistic as the region still has the relics of the Cold War. The situation of Korean peninsula is far from peace. The balance of power is still the basic security thinking in the region, which could undermine regional stability in the long term. For example, U.S. maintains its hostile policy towards DPRK, and continues to sell arms to Taiwan. But balance of power is just a way to maintain status quo, it lacks the capability to solve regional problems. The regional security situation became more delicate after the sinking of South Korea's navy ship Cheonan, which led to the strengthening of U.S.-led hub and spokes alliance system and shadowed regional cooperation process. Also the territorial disputes among certain countries have the potential to trigger conflicts if handled badly.

But East Asia regional security situation is relatively stable. Regional stability is in the interest of all the regional (geographically) actors. The future of East Asia rests on its steady economic development and its capability to act as a whole region. As economic interdependence among regional actors greatly increases the cost of conflict, regional actors are obliged to cooperate in the times of "complex

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<sup>6</sup> The Joint Ministerial Statement of the 10<sup>th</sup> ASEAN+3 Finance Ministers' Meeting, Kyoto, Japan, May 5, 2007, paragraph 6, [http://www.mof.go.jp/english/if/as3\\_070505.pdf](http://www.mof.go.jp/english/if/as3_070505.pdf), (accessed July 23, 2010)

interdependence". As the two major states in the region, China and Japan have common interests in ensuring a stable and vigorous regional environment. Also, security cooperation is taking steps among regional actors. The six-party talks are proved to be an effective way in solving regional security problems. And regional countries are trying to establish new bilateral and multilateral mechanisms to meet new security challenges. As the door of negotiation is not closed in resolving regional security issues, it's hard to imagine that there will be major conflicts in the region.

The regional security perception of Japan changed a lot in the new century. First, regional security structure changed gradually. Although the relics of Cold War still remain in the region, but as relations among regional countries become closer, the boundary between the west and the east has been melting. The old security structure, in which the U.S. alliance system played a major role, is changed gradually. With more common interests in dealing with international issues, China and U.S. tend to cooperate more closely in recent years. The nuclear test of North Korea poses serious challenge to the regional security, but in a certain sense, it greatly decreased the possibility of military conflict in the Korean peninsula, and makes negotiation the only way to realize denuclearization. Second, Japan's focus of security issues and the way to resolve these issues also began to change in recent years. In the 2009 Defense Whitepaper, the main security issues were listed as: the proliferation of NBC weapons, terrorism, sea lane security, natural disaster and contagious disease, etc. Also, the whitepaper stresses that it's necessary to use multiple and complex methods like diplomacy, police and jurisdiction, intelligence, economy to deal with these problems instead of constricting to military methods. Recently Japan pays special attention to nontraditional security issues for that it gives SDF legitimacy of carrying out operations abroad.

### **III. Recent issues in East Asia regional cooperation**

After many years of cooperation, East Asian countries have come to a crossing point. What kinds of institutions do we want? What's the purpose of cooperation and what's the force behind it? What kinds of formation can best serve the needs of regional countries? Recent changes in domestic politics of regional countries and regional situation pose serious problems for the future development of regional cooperation.

#### **1. The Change of Regional Situation**

- (1) Regional tension was followed by domestic policy change and recent economic crisis. Since 2008, a series of East Asian regional actors, for example, South Korea, United States and Japan, have experienced changes of leaders. It's widely reported by foreign media that North Korea may experience shift of power in the near future. And domestic turmoil continues in Thailand as red shirts protest activities escalate from time to time since 2006. Also the ramification of 2008 financial crisis began to gradually unfold in regional politics. As a result, regional security hot spots became more troublesome.

After South Korea President Lee Myung-bak came into power, he changed the sunshine policy and insisted that South Korea won't provide large scales of assistance unless North Korea gives up nuclear weapons. The relations between North and South Korea became tense again. The power shift in Japan didn't come up with the change of its policy towards North Korea. DPJ cabinets maintain sanction to North Korea. Also issues between Japan and China have been used by Japanese politicians to appeal to domestic nationalistic sentiments in order to win the support of voters. For example, in February 2009, PM Aso said in a Diet questioning session that "Senkaku Islands are under the coverage of Japan-U.S. security treaty". And after DPJ came into power, Foreign Minister Okada has been expressing suspicion about Chinese military build-up, calling for Chinese reduction of nuclear weapon in various international occasions, and reassured that there's no need of negotiation on Senkaku Islands (Diaoyu Islands) after PM Hatoyama said it's necessary to discuss the Senkaku Islands problem with China. Also after Obama came into power, U.S. abandoned its former "benevolent neglect" position to East Asian regionalism, and vowed to participate in the institution building process. After the Cheonan sinking incident, U.S., together with Japan and South Korea, increased their pressure on North Korea. U.S. and South Korea took joint military exercise in this July to deter North Korea, which only increased the regional tension and didn't have positive effects on the solution of North Korea issues.

- (2) East Asian identity becomes less stressed than before. The U.S. media successfully demonized former PM Hatoyama partly for his insistence on the East Asian Community and reformation of the U.S.-Japan alliance. Now PM Kan revised his tone on Japan-U.S. relations, although there may be no sufficient time for him to propose a detailed foreign policy vision because of changes in domestic politics. The Kan cabinet promised to fulfill the 2006 U.S.-Japan agreement on the Futenma base relocation. Also the Kan cabinet dictated in the growth strategy that Japan will promote Free Trade Agreement of Asia Pacific, which was first proposed by U.S. being worried about the FTA among Asians would hurt the interests of U.S. enterprises. South Korea also showed willingness to speed up the KORUS FTA and delay war time command transfer during the recent G20 summit. Southeast Asians recently proposed an ASEAN+8 framework which includes U.S. and Russia. All these showed that U.S. has successfully used the Cheonan incident to check the independence movement of its allies and strengthened its position in East Asia, which may change the route of East Asia integration.

## **2. The Coexistence of Multilayered Regional Institutions; Hard to Attain Further Cooperation?**

Now various regional cooperation mechanisms are flourishing in East Asia, like ASEAN+3, EAS and APEC and so on. Katzenstein and Shiraishi call the shaping forces of East Asia integration "hybrid regionalism". In their view, East Asia has

become a porous region, where new regionalization forces and especially non-state actors are heavily influencing government policies in the regional community building process.<sup>7</sup> But it seems that now there's no sufficient dynamic for East Asian countries to deepen their cooperation. After the economic crisis, regional countries began to lose tolerance and sought to act toughly. Furthermore, the present institutions didn't play their expected role when problem occurred. For example, after 2008 financial crisis, South Korea resort to signing bilateral swap agreements with U.S., China and Japan, not activating the regional financial mechanism.

The following factors are affecting the regional integration process. First, the present institutions are fairly enough in meeting the needs of regional actors. The institutions need time to be recognized and implemented. For example, concerning Japanese export to EPA partners, about 2/3 of Japanese enterprises don't use EPA/FTA, and the reasons are "don't understand the way of using EPA", "the cost of using EPA is larger than merit", and "the procedures are complicated".<sup>8</sup> As creating new framework of institutions become harder, it's important to get the existing ones implemented. Also when it comes to security issues, it's still true that maintaining balance (for U.S., it may be superiority) is important in creating a stable environment. The U.S. led alliance system plays an important role in the region. There are also opinions in China that China should reconsider its North Korea policy and reassure the security of North Korea.

Second, further regional integration may need transference of sovereignty which is immature under the current East Asian environment. Also realpolitik thinking prevents regional states from cooperating closer. For example, although Chiang Mai Initiative Multilateralisation is welcomed by regional countries and Japan also promotes that East Asia should acquire independent surveillance capability in order to delinking from IMF conditionality, "shaping policy conditionality is demanding, requiring excellent information and sophisticated analysis, and enforcing it requires political determination."<sup>9</sup> On the one hand, East Asian countries are still sensitive to the sovereignty issue. The independence of economic policy is seen as sovereignty in East Asia. On the other hand, strong regional institutions would require the major countries have the capability and willingness to afford (and avoid) free riding of the participants. Otherwise, just as in the recent Greece financial crisis, Greece got helped by Goldman Sachs to mask the true extent of its deficit in order to meet Europe's deficit rules while continuing to spend beyond its means,<sup>10</sup> such mistake could draw the whole region into crisis. As now there's no country in East Asia that is ready or capable to cover the economic miss of the other countries, it's better now to maintain the loose and open regionalism.

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<sup>7</sup> Peter Katzenstein and Takashi Shiraishi, eds., *Beyond Japan: The Dynamics of East Asian Regionalism*, Cornell University Press, 2006, p.2. pp10-11

<sup>8</sup> 横山大輔、「原産地規則から見た EPA/FTA 利用促進に向けた提言」、野村総合研究所、[http://www.nri.co.jp/opinion/m\\_review/2009/pdf/nmr23-7.pdf](http://www.nri.co.jp/opinion/m_review/2009/pdf/nmr23-7.pdf), (accessed June 1, 2010)

<sup>9</sup> C. Randall Henning, "The Future of the Chiang Mai Initiative: An Asian Monetary Fund?" *Policy Brief*, Peterson Institute for International Economics, February 2009. p.3.

<sup>10</sup> "Wall St. Helped to Mask Debt Fueling Europe's Crisis", *New York Times*, February 13, 2010.

#### **IV. Japan's Participation in the East Asian Regional Cooperation**

Recently, Japan has been proposing various policies about East Asian cooperation, which shows the growing importance of the region to Japan. After Prime Minister Koizumi proposed to establish a community of East Asia in 2002 during his visit to Southeast Asia, the following cabinets have been paying more and more attention in elaborating their regional policy. Also, as Japan feels uneasy about the security environment of East Asia, and Japan-U.S. alliance doesn't fully satisfy Japanese security concerns, Japan also attempts to reevaluate its security policy by strengthening the alliance and initiating defense cooperation with countries sharing "common values".

##### **1. A Brief Review of Japan's Policy towards East Asia**

Asian policy has always occupied an importance place in post-war Japanese foreign policy. In the 1957 Diplomatic Blue Book, Japan proposed three basic principles of its foreign policy: UN-centered diplomacy, cooperation with the free world, and preservation of Japan's identity as an Asian nation. But in the most time, especially before 1970s, the principle "cooperation with the free world" was emphasized, while the other two principles didn't receive sufficient attention, because of the bipolarity of the world system and restrictions of Japanese domestic conditions.

In the 1970s, with growing economic power and rising position in international arena, Japan tried to make up the vacuum after the retreat of U.S. from Vietnam, and improve Japanese image in the East Asian countries, which became a problem after Japanese products and investments flourished into Southeast Asia, and anti-Japanese sentiments culminated when Prime Minister Tanaka Kakuei visited Southeast Asian countries in 1974. In 1977, PM Fukuda Takeo dictated the "Fukuda Doctrine" which became the general principle of Japan in dealing relations with East Asian countries. During his visit to the Southeast Asian Countries, Prime Minister Fukuda proposed that (1) Japan would never become a military power and would work to promote peace and prosperity in Southeast Asia; (2) Japan would build relationships with governments in the region based on mutual trust; and (3) Japan would work cooperatively with ASEAN through an equal partnership to strengthen regional solidarity.

Just as Japan-U.S. relations entered into the state of drift after the end of the Cold War, there were lots of debates about the future of Japanese foreign policy. On the base of the first Nye report, U.S.-Japan alliance began the process of redefinition. In 1996, "Japan-U.S. Joint Declaration on Security" was signed by the leaders of the two countries. Then in 1997, "The Guidelines for Japan-U.S. Defense Cooperation" were released. By strengthening the alliance, Japan wanted to increase its influence in regional political and security affairs and got a political status corresponding to its economic status in the region. This policy trend was best illustrated by Prime Minister Koizumi's remark that "the better the Japan-U.S. relationship was, a stronger relationship could be established with the world, including Asia". Japan

tried to embrace U.S. more to increase its capacity of influencing the East Asian affairs and counterbalance the development of China. Generally speaking, at this time, Southeast Asian countries also welcome Japan playing an active role to balance the influence of China, and get interests in the competition of big powers. But the relations between Japan and the rest East Asian countries became tense due to PM Koizumi's repetitive visit to the Yasukuni Shrine.

At the same time, the economic relations between Japan and Asia became closer than ever. Japanese economy began to get out of the long time stagnation since February 2002, and realized the longest economic boom (69 months), thanks to the increase of exports to rapidly growing East Asian economies, such as China. Japan's economic fortune depends on East Asia far more than on any other region.<sup>11</sup>

The relations between Japan and East Asia entered a relatively new phase since the step-down of PM Koizumi. The failure of Japan to attain East Asian states' support of Japan's becoming a permanent member of the UN Security Council in 2005 exemplified that it's inappropriate for Japan to maintain a one-sided foreign policy that emphasizes relations with U.S. while ignoring communication with East Asian countries. The Japanese cabinets after Koizumi increased their attention to the East Asia, tried to make Japan a bridge between the world and Asia, which really means more dependence from U.S., and more emphasis on Asia. Also Japan decided to promote a wider framework for East Asia cooperation. The inclusion of Australia, New Zealand and India into the cooperation process to form the East Asia Summit was intended to decrease the U.S. suspicion of East Asian cooperation and dilute the influence of China. Professor Soeya put it more sophisticatedly, "The inclusion of Australia and New Zealand holds a double function. First, they provide a venting channel leading to the United States as a security anchor in East Asia, an important foundation of an East Asia Community from the Japanese perspective. Secondly, the membership of Australia and New Zealand is also important from the point view of universal values that will sustain, as well as keep open, the basis of an East Asian Community to the rest of the world."<sup>12</sup>

Economically, Japan wants to catch the East Asian economic development opportunity, and avoids being too dependent on the Chinese economy. So the "China plus one" model became a reasonable choice for this purpose. Politically, as U.S. took a different approach to North Korea, and Sino-American relations became closer, "Japan passing" became a serious concern for Japanese diplomacy. Especially after the 2008 financial crisis, Japan greatly increased its emphasis on East Asia policy. PM Aso talked about creating a new world order, and proposed "Growth Initiative", which planned to double the current scale of Asia's economy by 2020.<sup>13</sup> PM Hatoyama took a step further to advocate an East Asia Community while demanding equal relations with America. But after the Cheonan incident, regional atmosphere

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<sup>11</sup> Yul Sohn, "Japan between Alliance and Community", *EAI Issue Briefing* No. MASI 2009-05, August 13, 2009. p4

<sup>12</sup> Yoshihide Soeya, An East Asian Community and Japan-China relations, *AJISS Commentary*, May 17<sup>th</sup> 2010.

<sup>13</sup> 麻生太郎, 「経済危機を超え、再び飛躍するアジアへ」, 平成21年5月21日, <http://www.kantei.go.jp/jp/asospeech/2009/05/21speech.html>, (accessed June 16, 2010)

changed a bit. Japan emphasizes the alliance again while showing worries about Chinese military expenditure, nuclear weapons, etc, and refused to reopen the six party talks.

## 2. The U.S. Factor in Japan's Regional Policy

### (1) Changing policy of U.S. toward East Asia integration

U.S. "Quadrennial Defense Review 2010" declares that "the United States faces a complex and uncertain security landscape in which the pace of change continues to accelerate. The distribution of global political, economic, and military power is becoming more diffuse. The rise of China ... will continue to shape an international system that is no longer easily defined". Also Roberts Gates said that China's military modernization "could threaten America's primary means of projecting power and helping allies in the Pacific". So U.S. "must increasingly work with key allies and partners if it is to sustain stability and peace".<sup>14</sup> Being struck by recent financial crisis and involved in two enduring wars, U.S. is eager to show its power to the world that it's still number one in world.

U.S. is reluctant to see the weakening of the hub and spoke system in the Asia. By strengthening the system, U.S. could balance the development of Asia, also could control the pace of East Asia integration. "Since there is no multilateral organization in East Asia in which U.S. power is diluted by a one-state, one-vote process, U.S. alliance with East Asian countries affords the U.S. extraordinary power. This allows the United States to extract more from its allies as Japan, South Korea, and Australia did in Iraq and Afghanistan, while affording it less criticism and opposition."<sup>15</sup> Actually it has always been the U.S. policy to have a decisive saying in East Asia security affairs. For example, immediately after PM Koizumi's first visit to Pyongyang in 2002, U.S. announced North Korea has secret uranium enriching program. Obviously the improvement of Japan-North Korea relations could decrease the importance of U.S. alliance system, and marginalize the role of U.S. in North East Asia security issues. Recently the wartime command transfer between U.S. and South Korea was delayed to 2012. U.S. also refuses to make any compromise on Futenma base relocation issue. After the Cheonan incident, U.S. strengthened the trilateral communication with Japan and South Korea. And by having joint military exercise in Yellow Sea, U.S. also intends to show its deterrence power to North Korea and China.

Also U.S. intends to be more economically and institutionally engaged in Asia. U.S. President Obama has been continually emphasizing that U.S. is an Asian Pacific country. After the financial crisis, U.S. has been considering of increasing export in order to realize economic recovery. Obama also expressed in his speech during his visit to Japan that the openness of U.S. market has brought prosperity to the world, now U.S. needs more openness of world market to boost U.S economy.

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<sup>14</sup> *Quadrennial Defense Review Report 2010*, U.S. Department of Defense, p iii.

<sup>15</sup> Victor Cha, "The Obama administration's policy towards East Asia", *Korean Journal of Defense Analysis*, March 2010, P.5

And “U.S will participate fully in appropriate organizations as they are established and evolve”. U.S. Secretary of State Hillary Clinton also gave a speech earlier this year called “Remarks on Regional Architecture in Asia: Principles and Priorities”. In this speech, Hillary said that “the formation and operation of regional groups should be motivated by concrete, pragmatic considerations. It’s more important to have organizations that produce results, rather than simply producing new organizations.” U.S. should help to establish institutions in the region that is “effective and be focused on delivering results”. On 2009, U.S. changed its previous policy, and signed Treaty of Amity and Cooperation (TAC) with ASEAN, which paves the way for its participation in East Asia Summit. U.S. also decided to start the negotiation of Trans-Pacific Partnership Agreement (TPP) with Australia, Brunei Darussalam, Chile, New Zealand, Peru, Singapore, and Vietnam. In the 2006 APEC meeting, U.S. President Bush advocated establishing Free Trade Agreement of Asia Pacific, in order to prevent further proliferation of bilateral and subregional preferential trade arrangements, and to avoid renewed risk of “drawing a line down the middle of the Pacific”.<sup>16</sup> Now U.S. tries to make South Korea and Vietnam as the two points to engage Asia economically.

But the geographic distance of U.S. to Asia makes frequent summit between U.S and East Asian countries impossible. President Obama has been postponing his visit to Indonesia from time to time due to domestic problems, and it’s impossible for him to participate frequently into the Summit of East Asian countries. Also the results of the TPP negotiation are still not clear as its economic effect is rather small.

The ramification of the increasing interest of America in East Asia remains to be seen. As U.S. may easily resort to the bilateral alliance to strengthen its presence in the region, just like a report on Asian regionalism said, “the starting point remains America’s bilateral alliances and partnerships, which lie at the core of U.S. engagement with the region”,<sup>17</sup>the regional geography may be changed by the deepening engagement of U.S., especially if U.S. chooses a strong way.

## **(2) The Change of Japan-U.S. Alliance**

The development of Japan-U.S. alliance is facing a dilemma. On the one hand, as Joseph Nye said, the alliance is much stronger than 20 years ago, and on the other hand, the doubts on the effectiveness of the alliance in Japan are stronger than ever. The future development of the alliance has close relations with Japan’s regional policy.

First, the alliance has become stronger militarily. After the end of the Cold War, the Japan-U.S. alliance entered into a period of so-called “state of drift”, with their common enemy Soviet Union collapsed and the multipolar world came into being. The two governments tried hard to reshape the alliance, which is exemplified in the Joint Declaration of 1997 and the common strategic objectives in 2005. U.S intends

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<sup>16</sup> C. Fred Bergsten, “Toward a Free Trade Area of the Asia Pacific”, *POLICY BRIEF 07-2*, 2007, p1, <http://www.iie.com/publications/pb/pb07-2.pdf>, (accessed May 1, 2010)

<sup>17</sup> Evan A. Feigenbaum, Robert A. Manning, “The United States in the New Asia”, *Council Special Report* No. 50, November 2009, p29

to make Japan the “Great Britain” of Asia, and turn the alliance into the main mechanism governing regional affairs. During this process, the military capability and the interoperability of the alliance have been greatly strengthened. Japan revised domestic laws concerning the dispatch of SDF in case of contingencies. The alliance also extends its sphere of activity from Far East to the world. The MD defense system is due to complete this year. Also there will be a bilateral and joint operations coordination centre in Yokoda Base to coordinate air and missile defense issues. Japan and U.S. also signed agreement concerning the protection of classified military information in 2007, which made possible for the alliance to further their military operation.

Second, the alliance is complained for its clumsy reaction to regional and international issues, and both countries are not satisfied with the performance of the other side. The process of the transformation of the alliance abides by the vision dictated by the first Armitage-Nye report. But after U.S. turned policy emphasis to counter terrorism since “9.11” terrorist attack, U.S. has began to adopt a new way to carry out international operation, i.e., the alliance of willing. In East Asia, a multilateral way is adopted to cope with regional security issues, such as six party talks. So the importance of the alliance in dealing with regional affairs decreased relatively.

Although both countries want to strengthen the function of alliance, the basic logic of the alliance, which means that Japan provides base and support for U.S. while U.S. ensures the security of Japan, is challenged. Due to domestic constraints, Japan became less and less willing to support military actions of U.S. in the anti-terrorist war. The Indian Ocean replenishment support activities was terminated at the beginning of this year, and there’s strong criticism in Japanese domestic politics that some of oil provided by Japan was used for military purpose, which is contradictory to Japanese constitution. And after DPJ came into power, Prime Minister Hatoyama proposed to renegotiate the agreement concerning the relocation of Futenma air base, and vowed to move the base out of Okinawa. But as U.S. refuses to make concession on this problem, the problem drags on and finally PM Hatoyama resigned partly for this reason. As there’s no sign that the base issue will be resolved quickly and easily, the troublesome relations between Japan U.S. will remain for a while.

For Japan, the security assurance of U.S. doesn’t fully satisfy Japan’s security concerns. After nuclear test of North Korea, the credibility of the nuclear umbrella of U.S. is constantly questioned by Japan, some politicians even openly call for nuclearization of Japan as nuclear issue is no longer a taboo in Japanese political arena. Also, Japan and U.S. adopted different approaches to North Korea, especially in the second term of Bush administration, when U.S. removed North Korea from a terrorism blacklist without consulting Japan. Also, concerning environmental and economic issues, U.S. and Japan also have different interests, just like Kent Calder said recently, “today it’s much hard for Tokyo and Washington to align their attention and policy agendas toward one another in the non-military sphere.”<sup>18</sup>

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<sup>18</sup> Kent E. Calder, “Alliance Endangered? Challenges from the Changing Political-Economic Context of

Especially about East Asian economic integration, it's hard to say that U.S. and Japan are sharing a common vision of regional cooperation.

### **(3) The Ramification of U.S. Policy Change**

The effects of U.S.'s engagement in Asia economically, institutionally, and militarily recently remain to be observed. But as U.S.-Japan alliance was originally an political-economic arrangement in which Japan provide military bases and host nation support for U.S. military based in Japan in return for broad access to the American market and diplomatic support for Japan's inclusion in a wide range multilateral economic institutions,<sup>19</sup> U.S. can also use its military superiority in this region to counterbalance the regionalization process and maintain its influence. Just like some scholars observed, "Asia's rich experience with regionalism over the past two decades has made gains in functional cooperation as well as in norm-building, but it has not eaten into the relevance of the U.S.-centered bilateral alliance structure."<sup>20</sup>

Especially concerning the recently U.S. policy towards East Asia, in the Chinese language world, while some scholars think there're no essential change in the U.S. policy, there are other different opinions. In recent days, U.S. held joint military exercise with South Korea in order to deter North Korea. And in ASEAN Regional Forum this year, U.S. Secretary of State Hillary Clinton claimed that U.S. had a national interest in the resolution of South China Sea disputes, and called for a multilateral discussion to deal with the issue. The intention of U.S. was interpreted as "destabilizing the situation of East Asia" by many Chinese scholars, there're even voices claiming that U.S. is blocking China from both the north and the south.<sup>21</sup> Although it's hard to anticipate the next step of U.S., U.S. did exert major influence to the East Asia regional cooperation by bringing out new issues and changing the regional security atmosphere through its alliance system in the region.

### **3. The current regional policy of Japan**

#### **(1) Economy**

In order to utilize the opportunity of East Asian economic development, Japan has been taking steps to realize free movement of goods and capital, and maintain financial stability in the region. The main measures include: negotiating Economic Partnership Agreement (EPA) with ASEAN countries and other Asian states, strengthening the regional financial cooperation, and support the sub-regional development plan, etc.

#### **(a) Economic Partnership Agreement (EPA)**

Japan takes Economic Partnership Agreement as the main vehicle to

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U.S.-Japan Relations", *Asia Policy*, Number 10. July 2010, P23

<sup>19</sup> Ibid, p22

<sup>20</sup> Nair Deepak, "Regionalism in the Asia Pacific/East Asia: a frustrated regionalism?", *Contemporary Southeast Asia*, Vol. 31 Nbr.1, April 2009.

<sup>21</sup> "US blocks China from north and south", *Wen Hui Bao*, July 29, 2010.

<http://trans.wenweipo.com/gb/news.wenweipo.com/2010/07/29/IN1007290027.htm>, (accessed June 12, 2010)

promote economic cooperation with East Asian countries. The contents of EPA adopted by Japan are a little different from FTA. In addition to tariff reduction rules of FTA, EPA also includes stipulations that deal with investment rules, intellectual property, revision of domestic laws and regulations of relevant countries, and movement of labor. In other words, EPA deals with “all of Japanese economic relations with its counterparts”. From Japanese official stance, Japan will first negotiate EPA with East Asian countries, and EPA will not be restricted to the trade of goods, it will also include service, investment, labor movement, government regulation, intellectual property, business environment.<sup>22</sup>

Japan has adopted a strategy to sign bilateral EPA with ASEAN states first, and then to sign EPA with ASEAN as a regional organization. This was seen as a way to check China’s initiative to sign FTA with ASEAN countries. In January 2002, Japan signed its first EPA with Singapore. Singapore was selected mainly because the tariff of Singapore was already low enough and Singapore doesn’t have agricultural issues which are the main obstacle for Japan to negotiate EPA with other countries. Then gradually Japan signed EPA with ASEAN countries. In 2009, Japan-ASEAN EPA, the first EPA Japan signed with a regional organization, came in effect.

The EPA framework established by Japan with ASEAN can be seen as a development of the Flying Geese Paradigm. Japanese capital already has been playing an important role in Southeast Asia. By lowering costs of goods and capital movement among East Asian countries, and adjusting the domestic rules of the corresponding countries, Japan wants to turn East Asia, especially Southeast Asia into an efficient manufacture base for Japanese enterprises. This is consistent with the Japanese way of thinking that “first having a consolidate foundation, then gradually coming up with the institution”, and is different from the European way, which use institutions to guide economic integration.<sup>23</sup>

#### (b) Financial Cooperation

Japan is also playing a leading role in the regional financial cooperation. Although Yen doesn't succeed as an international reserve currency<sup>24</sup> Japan gained much expertise and many well trained economists in this process, so naturally most of the regional financial cooperation ideas came from Japan.

In 1997, during the East Asian financial crisis, Japan proposed to establish Asian Monetary Fund to deal with future crisis, but didn't receive support from U.S. and China. Then in 1998, a financial assistance program called New Miyazawa Initiative with the total amount of 30 billion dollars was proposed by Japan. This initiative played an active role in maintaining the financial stability of the region. During the ASEAN+3 Summit in 1999, participating

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<sup>22</sup> *Japanese Economic Partnership Agreement*, Ministry of Foreign Affairs of Japan, October 2009. [http://www.mofa.go.jp/mofaj/gaiko/fta/pdfs/kyotei\\_0910.pdf](http://www.mofa.go.jp/mofaj/gaiko/fta/pdfs/kyotei_0910.pdf), (accessed May 2, 2010)

<sup>23</sup> Liu Xiangfeng, *Japan’s EPA trends and future strategy*, June 6, 2006, [http://www.neat.org.cn/chinese/xsdt/contentshow.php?content\\_id=146](http://www.neat.org.cn/chinese/xsdt/contentshow.php?content_id=146), (accessed June 2, 2010)

<sup>24</sup> Andrew Sheng, “Yen and the art of currency maintenance”, *China Daily*, August 27, 2009.

countries agreed to the “necessity of strengthening self-help and assistance mechanism in East Asia”. So in 2000, Chiang-Mai initiative began as a series of bilateral swap arrangements signed among ASEAN+3 countries. In 2007, in order to promote the multilateralization of CMI, a self-managed reserve pooling arrangement was decided, which means that although members provide foreign reserve to create a pool, they still have the right to manage and use their shares themselves instead of entrusting it to supervision unit. In May 2009, a foreign reserve pool with the total amount of 120 billion dollars was decided, in which, China, Japan and Korea will provide 32%, 32%, and 16% of the total, and the rest will be covered by ASEAN countries.

But CMI is not independent from IMF, when it comes to medium-term loans, 80 percent of the amounts available under the BSAs would be disbursed only if the borrower also agreed to an IMF program but that 20 percent could be disbursed prior to such a program.<sup>25</sup> This is because Asian countries do not have the surveillance capability as IMF does.

Now under the initiative of Japan, Asian countries are considering to develop their own capability to keep the regional economies under surveillance. ASEAN+3 countries have been conducting Economic Review and Policy Dialogue (ERPD) at the Ministers’ level annually and at the Deputies’ level twice a year to discuss economic and financial developments in the region.<sup>26</sup> On June 3, 2008, under Japanese initiative, Economic Research Institute for ASEAN and East Asia (ERIA) was established. ERIA is described as the OECD of Asia and “aspires to be the foremost research institution whose products would supplement and complement those of global institutions like the World Bank, International Monetary Fund and Asian Development Bank”.<sup>27</sup> The ERIA is established to review the Comprehensive Economic Partnership for East Asia proposed by Japan. This was seen by some Chinese scholars as a move for Japan to strengthen its leadership in regional cooperation.<sup>28</sup>

#### (c) Sub Regional Development: Case of Mekong River Region Development

Japan also participates actively in the sub regional development in Southeast Asia and South Asia to meet the needs of infrastructure construction accompanied by the economic development of East Asia countries, and facilitates Japanese investment in this region.

Development plan of the Mekong River region, which includes five countries Vietnam, Cambodia, Thailand, Myanmar, and Laos, was first

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<sup>25</sup> C. Randall Henning, “The Future of the Chiang Mai Initiative: An Asian Monetary Fund?” *Policy Brief*, Peterson Institute for International Economics, February 2009. p.3

<sup>26</sup> *Regional Financial Cooperation among ASEAN+3*, [https://www.mof.go.jp/english/if/regional\\_financial\\_cooperation.htm#review](https://www.mof.go.jp/english/if/regional_financial_cooperation.htm#review), (accessed June 2, 2010)

<sup>27</sup> Ronnel Domingo, *East Asia bloc seen to fuel global growth*, October 6, 2009, <http://business.inquirer.net/money/topstories/view/20091006-228725/East-Asia-bloc-seen-to-fuel-global-growth>, (accessed June 2, 2010)

<sup>28</sup> Zhang Yunling, “In which way should the East Asia cooperation go?” *Waijiao Pinglun (Diplomacy Review)*, No.2, 2009.

proposed by the Asia Development Bank in 1991, for this region is important to provide machine parts to India and Middle East. Before 2008, Japan especially pays attention to Cambodia, Laos, and Vietnam (CLV). In January 2008, Japan and the five countries in the Mekong River hold their first meeting at the level of Foreign Ministers, and participating countries showed intention to develop cooperative projects to improve efficiency of logistics and distribution of the “East West Economic Corridor” and the “2nd East West Economic Corridor”. Japan will initially provide 20 million dollars to help build the “East West Economic Corridor”. In November 2009, the first Japan-Mekong Summit was hold in Tokyo, the leaders from Japan and five Mekong River region countries declared to “build a new partnership for the future common prosperity”. Japan decided to provide 500 billion yen in the following 3 years to strengthen the hard and soft infrastructure in the region. Although it’s said that Japan and China are competing for influence in the Mekong region, there are negotiations held between Japan and China to exchange understandings about the Mekong region and information about Mekong region development policy, and the participation of all the regional countries in the development of Mekong region, which has about 0.22 billion people and large income gap, is helpful for the regional stability and prosperity.

#### (d) Environmental Issues

Japan has accumulated strong technology and experience in the environmental and energy saving field since the oil crisis. It’s shared by many officials and intellectuals that environmental issue is the next opportunity to boom the economy just like Information Technology did about 20 years ago. In 2030, the environmental business market in Asia will reach 300 trillion yen which is five times of the present scale.<sup>29</sup>As Kyoto Protocol is due to expire in 2012, Japan also wants to increase its influence in the formation of the new international institution about climate change. In 2008, The Fukuda Yasuo cabinet proposed that Japan would promote to build “Asian Economic and Environmental community” to deepen the economic relations among Asian countries. In September 2009, Prime Minister Hatoyama declared in the UN Climate Change summit that Japan will cut green-house emission by 25% until 2020 (from 1991 levels). Also Japan announced an assistance framework called “Hatoyama Initiative” which is destined to provide money and technology to developing countries to help them reduce the emission of green house gas. The total amount will reach 15 billion dollar during the following 3 years until 2012. The first 400 million dollar was planed to be provided to Indonesia in 2009.

#### (2) Political and Security Policy

Basically Japan chooses to strengthen Japan-U.S. alliance to deal with the increasing complicated regional issues. But as the alliance cannot cover all the

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<sup>29</sup> 「環境ビジネス、政府が構想原案、アジア市場5倍300兆円、技術移転を推進」,『日本経済新聞』、2008年3月18日。

regional issues, and also Japan and U.S. have shown different interests in dealing with regional issues, such as issues related to China, North Korea, Japan chooses to strengthen relations with regional countries as a counterbalance and complement to the U.S.-Japan alliance.

(a) Strengthening Communication with China

As the two major powers in East Asia, the importance of Japan-China relations is self-evident. "Japanese policy towards China has the same meaning with its East Asia strategy".<sup>30</sup> During the Koizumi cabinet, relations between the two countries had been intense due to history issues, which hurt the interests of both countries. In 2006, the two countries began to break the ice of bilateral relations and determined to build "strategic, mutually beneficial relations". The healthy bilateral relations are also beneficial for the regional cooperation. Now Japan-China relations are fairly good for the two countries have: (1) frequent high level exchange of visit. From 2006, the leaders of the two countries have been exchanging visits, and holding dialogue at international meetings. (2) increasing number of bilateral cooperation mechanism. In 2007, the two countries launched "high level economic dialogue" to discuss bilateral and regional economic issue. Also there are cooperation mechanisms at the level of bureau directors in the fields of economy, environment, food safety, etc. (3) more frequent security communication. The two countries didn't terminate security exchange at the captain's level even in the period called "politically cold and economically hot". In August 2007, Defense Minister of China Cao Gangchuan visited Japan after nine and half years' interval for Chinese Defense Minister to visit Japan. In November 2007, and June 2008, the naval ships of the two countries exchanged visits. Japanese Defense Minister said in 2009 that "now Japan and China has general full range of military exchange now, Japan want to deepen defense exchange with China, and contribute to the building of strategic, mutually beneficial relations". During Premier Wen Jiabao's recent visit to Japan, China and Japan decided to speed up the establishment of a maritime communication mechanism between defense departments of the two countries, and to negotiate and sign an agreement on maritime rescue at an early date.

(b) Political and Defense Cooperation among Countries with Common Values

The value oriented diplomacy is an important characteristic of Japanese foreign policy. Facing the competition of China, it's hard for Japan to adopt a straight confrontation policy because the close economic relations between the two countries. Nor could Japan could resort to military because "Japan's overemphasis on military posture risks exacerbating fears among Asian neighbors, which divert attention from its true strength in nonmilitary diplomacy and global appeal".<sup>31</sup> So Japan chooses to strengthen soft power. In

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<sup>30</sup> *Yomiuri Shimbun*, March 24, 2010.

<sup>31</sup> Pempel, T. J. "The U.S.-Japan Relations: Japan Should Re-balance." *Japan Spotlight*, January-February,

November 2006, Foreign Minister Aso Taro proposed the idea of “the Arc of Freedom and Prosperity”, which intends to strengthen the relations with the newly democratized countries in the Eurasia, and maintain stability and prosperity in the area. This is an ambitious plan. While this idea was abandoned during the Fukuda cabinet, Mr. Aso picked it up again after he became the Prime Minister, and came up with a new one called “the Eurasia Silk Road Initiative”, which aimed to assist the development of Central Asian countries and Caucasian region. Even after DPJ took power, Japan still sticks to the value oriented way of diplomacy.

Under this way of thinking, Japan began to strengthen security relations with regional countries having common values, namely South Korea, Australia and India, etc. Japan-South Korea relations have great development in recent years. According to the recent statement of Japanese Ministry of Foreign Affairs, Japan-South Korea relations are the core of Japan’s Asian foreign policy.<sup>32</sup> After the history problem caused by PM Koizumi’s visit to Yasukuni Shrine was settled, the two countries resumed shuttle diplomacy, and vowed to establish future-oriented relations. After South Korea President Lee Myung-bak came into power, the two countries got a common stance of being tough to North Korea and strengthened defense cooperation. After the sinking of South Korean naval ship Cheonan, trilateral cooperation of Japan, U.S. and South Korea became even closer and stronger.

Japan and Australia began their first 2+2 meeting in 2007, which is the first such kinds of meeting Japan has except Japan-U.S. 2+2 meeting. In 2009, Japan and Australia signed agreement concerning reciprocal provision of supplies and services. Although the activities are restricted to “UN peacekeeping operations, humanitarian international relief operations, or operations to cope with large scale disasters” and don’t include provision of weapon and ammunition, which is different from the same kind of agreement Japan signed with U.S., it’s an important step forward for SDF to play an active role in coping with non traditional security issues in the region.

Also in July this year, Japan and India held their first 2+2 meetings at the level of vice ministers. Both sides are concerned with the security situation in the East Asia region, and decided to deepen their cooperation on dealing with non traditional security issues.

Japan’s insistence on the universal values is an important characteristic of its foreign policy. The insistence on universal values gives Japan an identity of western countries. But more importantly, Japan intends to turn this identity into diplomatic soft power. Unlike European states which were strongly against American unilateralism and the Iraq war waged by the Bush administration, East Asian states responded “more pragmatically to Iraq seeking ways to accommodate and take advantage of the United States”.

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<sup>32</sup> 「最近の日韓関係」、外務省、2010年6月、<http://www.mofa.go.jp/mofaj/area/korea/pdfs/kankei.pdf>, (accessed July 6, 2010)

Michael Green said that “the damage to U.S. moral authority caused by the abuses at Abu Ghraib and Guantanamo (hasn’t) caused a significant backlash against the norms of the U.S.-led neoliberal order. On the contrary, the universal principles of democracy, human rights, and the rule of law have never had more currency in Asia than they do today.”<sup>33</sup>

Victor Cha points out that Asian countries adopt such position because of the “understanding of Asian allies with regard to their place in the world”, that is, “Asian governments may not view themselves or each other in the same role of key stakeholders in the international system as their Western European counterparts might”.<sup>34</sup> Actually there was criticism in Japan about the anti-terrorism war of America. For example, in 2007, then Minister of Defense Kyuma Fumio openly said that the anti-terrorism war is a mistake. But the doubt on the legitimacy of the anti-terrorism war would hurt the legitimacy of Japan’s support of the war and weaken the alliance, which is not accepted by the Japanese government.

Actually as globalization draws people closer, to admit and respect the difference of political system and culture among different countries is the key to realize peace and harmony of the world. As German Chancellor Merkel said recently in China, “just like Confucius is different from Jesus, We should not say that our model is better than yours.”

#### (c) Non-traditional Security Issues

East Asia is confronted with various nontraditional security issues, such as terrorism, natural disaster, contagious disease, pirates, etc. These problems are not constricted within the border of one country, and have closer relations with the life of ordinary people, so the participation of all the relevant countries is needed. In 2004, after the Indian Ocean tsunami, Japan participated in the rescue activities by providing 500 million dollars assistance and sending SDF to cooperate with U.S. army in the relief activities. “The Asian tsunami crisis provided Japan with an opportunity to play an international role commensurate with its economic standing without the criticism this might normally entail, further consolidate alliance relations with the U.S. and to enhance the legitimacy of the SDF, as well as to steal the diplomatic spotlight from a rising China.”<sup>35</sup> Also after Wenchuan Earthquake of China and Myanmar tsunami in 2008, Japanese PM proposed to establish “Disaster Management and Infectious Disease Control Network in Asia”. Japan also takes part in combating piracy in Malacca Strait actively by providing assistance to regional countries. Japan Coast Guards have been holding joint training with Southeast Asian countries to combat piracy.

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<sup>33</sup> Michael J. Green, “The Legacy of the Iraq War in Asia”, *Washington Quarterly*, Spring 2008, p.18

<sup>34</sup> Victor Cha, “The Obama administration’s policy towards East Asia”, *Korean Journal of Defense Analysis*, March 2010, p.4

<sup>35</sup> Brad Williams, “Why give? Japan’s response to the Asian tsunami crisis”, *Japan Forum*, 18(3)2006, p410

## V. Issues and Future Trends of Japan's Regional Policy

Just as mentioned before, although economic relations among regional states become closer anyhow, the development of East Asia regional cooperation has been accompanied with security problems from the very beginning, which greatly influences regional institutional building. The functional cooperation in East Asia has been preceding relatively smoothly, like free trade agreement, financial cooperation, and so on, while regional cooperation frameworks remain far from perfect, with present frameworks overlapping with each other and new ones keeping come out. The security issue becomes even more troublesome now as U.S., troubled by domestic economic problem, is more eager to use its military power to maintain its superiority in the region. The regional cooperation picture may be changed if U.S. intends to actively shape the future of East Asian cooperation. As a major actor in the region, Japan's policy has a very important impact on the future of regional cooperation.

There are a few issues relating to the future of Japan's regional policy. As the economic ties among East Asian countries become stronger than ever, Japan, and also other East Asian countries, face a common problem, that is, how the closeness of economic relations could be turned into political trust and intimacy, and what kind of regional security order is suitable for the future development of the region. For the first part of the question, deeper economic integration is needed. Japan could play a more active role in regional economic integration. In the regional economic institution building process, Japan could stimulate regional economic growth by accelerating the process of negotiating FTA with China and South Korea. As economic relations of the three countries become more and more close, there needs to be a more sophisticated institution. Japanese economic development experiences are valuable for the East Asian countries, and there should be more cooperation, both inter-governmental and civil, to share these experiences. Concerning the issue sphere of development, surely environmental issues are very important, and Japan could provide capitals and technology to the other Asian countries to realized cleaner development. But as the development level of regional countries is different, and the formation of global regime on environmental issues is nearly impossible in the near future, more flexible regional cooperation may be realistic.

About the future of East Asian regional security order, the following issues need to be noted. The first issue is about the Sino-Japanese relations. How Japan will deal with the development of China will generally define the picture of Japanese regional policy. The economic relations between the two countries get closer than ever, but as the economic and military power of China are developing quickly, Japan has shown increasing worry towards China. It could be said that much of Japan's policy towards China is based on the premise or hypothesis that China is a heterogeneous power, and someday the development of China will squeeze the strategic space of Japan, and threaten national interests of Japan, whether economically or militarily. This hypothesis, together with nationalism within Japan, becomes an important factor behind Japan's regional policy.

It's true that the development of China may change the structure of world economy and politics. In a recent report issued by U.S Chamber of Commerce, it's reckoned that the development of China means "a power shift underway".<sup>36</sup> China has announced its peaceful development policy, and tends to solve international problems through negotiation. But the peaceful development of China is not only determined by the good intention of China, but also relies on an international society that trusts China, and is willing to see China playing a more important role. It's unwise to believe that containment policy will have any effect on China as the relations among states are so close and interrelated. Just like an article in Time said, "Beijing can't, as many cold-warrior views of it might wish, be 'contained'; it's far too interwoven into the global system."<sup>37</sup>

Recently professor Shindo Eichi correctly points out Japan should overcome the myth of China threat, for that China's military power, although developing fast, is relatively small, considering that the military expenditure and power of China is much smaller than America, and China has large territory and faces various domestic problems.<sup>38</sup> The new Japanese ambassador to China also admits that the increase of Chinese expenditure is understandable.

The new defense outline program of Japan is to be published at the end of this year, it's reported that Japan will shift the emphasis of national defense to the Southeast, which means that China will be the main object of Japanese defense. This change of strategy, together with Japan's recent movements to deploy SDF on the islands near Okinawa, reflects that is not a constructive way to deal relations with China.

Now the two countries need to take concrete measures to increase mutual confidence and reduce the influence of nationalism on foreign policy. The two countries has been working to realize this goal, for example, in the Joint Statement on Comprehensive Promotion of a "Mutually Beneficial Relationship Based on Common Strategic Interests" issued in 2008, both sides recognized the need of "enhancement of mutual trust in political area". The two countries need to establish more sophisticated dialogue and exchange mechanism in the future. If the negotiation on the oil exploration in East China Sea can produce positive results, it can serve as an example for dealing similar issues in the future.

The second issue is related to the former. As U.S-Japan alliance cannot satisfy Japan's security expectation now, there're different opinions about how Japan will deal the changing regional security situation.

Some intellectuals propose that Japan should strengthen the U.S.-Japan alliance, or make the alliance evolved while enforce the defense ability of Japan. This will be accompanied by the painful modification of Japan self-imposed restraints on defense ability, even the redefinition of the peaceful constitution, which doesn't earn enough domestic supports as well as international understanding. Tanaka Hitoshi noted that, "now it's necessary to end this approach which firstly talks about legislative

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<sup>36</sup> James McGregor, "China's drive for 'indigenous innovation', a web of industrial politics", *U.S Chamber of Commerce*, July 2010, p7.

<sup>37</sup> Joshua Cooper Ramo, "Hu's visit: finding a way forward on U.S.-China Relations", *Time*, Apr 08, 2010

<sup>38</sup> Shindo Eichi, "The way to East Asia Community", *Oriental Economist*, July 1, 2010, p50.

issues. What needs to think first is that in an era that international security environment is changed greatly, what kind of diplomatic vision will Japan take? What kind of security policy should Japan adopt based on this vision?"<sup>39</sup>

Actually the about 20-year reformation of U.S.-Japan alliance already made it clear that America has been using the alliance as a tool to maintain its primacy in the region. In most of the cases, regional states take stability as one of the most important interests, and tend not to challenge the primacy of America in the region (actually America is sensitive to the challenge of its primacy, and willing to take measures to counter the challenger). But there're occasions that U.S will drive the alliance according to its own interests. Now the U.S-Japan alliance is called common goods of East Asia, which, if true, will certainly increase the legitimacy of the alliance in the region. But it should be noted that the U.S led hub and spoke system is one part of the security structure of East Asia. Originally the U.S. alliance system in East Asia was intended to counterbalance the influence of Soviet Union. It was the balance of power between East and West that generally kept the stability of the region in the Cold War days. But after the collapsed of Soviet Union, the regional balance of power was disrupted. Now U.S., the only superpower of the world, holds strong military presence in the region, and is eager to use it when possible. As nearly all international wars after Cold War were waged by U.S. and U.S. intends to overthrow governments holding different opinions by force, even for reasons that don't exist, it's not too hard to understand what the source of tension in East Asia is.

Another approach is a multilayered one proposed by Tanaka Hitoshi. In one occasion, Mr. Tanaka proposed a three pillar security system in East Asia, which includes reinforcing U.S. security arrangement and Japan-China-U.S. strategic dialogue, six party talks and East Asia Security Forum.<sup>40</sup> In another occasion, Mr. Tanaka proposed a four layered structure that includes U.S. alliance system, Japan-China-U.S. strategic dialogue, six party talks, and a framework dealing with nontraditional issues.<sup>41</sup> They have a same theme that multilateral security is suitable for Japan. In order to attain regional stability and national security, it's necessary to avoid drawing lines between each other and always make the door of negotiation open.

The third issue is about the future national identity of Japan. From the Meiji era, Japan has established a national strategy called "rich nation, strong army". Although after World War II, Japan adopted the Yoshida Doctrine that put emphasis on economic development while trust national defense to United States, Japanese elites did not give up the strategy. It should be noted that Yoshida Doctrine and the constraints on Japanese defense, like three principles on arms exports, and three non-nuclear principles, was chosen by Japanese government voluntarily, and change of these policies is at the discretion of Japanese government. Professor Shiraishi complained that Japan doesn't have clear national identity after the Cold War.<sup>42</sup>

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<sup>39</sup> Tanaka Hitoshi, *Gaiko no chikara*, Nihon Keizai Shimbun Syubansya, 2009, pp190-191.

<sup>40</sup> Hitoshi Tanaka and Adam Liff, *Japan's foreign policy and East Asia regionalism*, Council on Foreign Relations, December 2009, pp8-11

<sup>41</sup> *Yomiuri Shimbun*, March 24, 2010

<sup>42</sup> Shiraishi Takashi, "Gaikou Meisou wo Maneita Kokka no Mitorizu no Soushitsu", (Missing of national

Professor Shiraishi said that although Japan wants to find a different identity from “major economic power”, there’s no time to reach national consensus for the rapid change of domestic politics. The national identity that Professor Shiraishi wants to propose is that Japan, together with U.S., should possess the ability to govern the regional community building process.

On the contrary, there are other opinions which claim that Japan should choose different strategy. One representative opinion is the idea of “global civilian power” proposed by Funabashi Yoichi. In 2009, Japan vice foreign minister Yabunaka Mitoji also proposed that Japan could be a country that has “middle scale and high quality”. Mr. Yabunaka proposed five image of Japan, that is, a country that is environmentally friendly, a country that dedicates to peace and arm reduction, a country that helps the developing countries, a country that has high technology power, a country that has cultural power. Although these national identities seem to be contradictory with each other, actually Japan is trying to realize all these goals. As long as Japan can reach mutual understanding with regional countries, it may be possible that Japan will reach these objectives in the future.

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