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Japan: Using Power Narrowly

Fifteen years ago, Japan appeared to be an emerging new center of regional and global power. Although constrained from exercising military force by its constitution, various aspects of Japan's economic strength positioned the country to play a major role in important regional and global affairs. Today, that opportunity appears to remain bypassed. The notion that economic strength conveyed an ability to influence international affairs was not misguided; rather, the Japanese government retreated from the prospect. Despite new, unwelcome economic constraints that emerged as the Japanese economy sputtered in the 1990s, Japan remains the world's second-largest economic power. It nevertheless seems to lag behind comparable European nations considerably as a world power.

Although Japan has not contributed much to reshaping the global agenda, at least it has exercised an ability to modify or manipulate its external environment to advance its own national interests. It has not changed or even significantly influenced world institutions and systems, yet has successfully maintained access to foreign raw material sources, kept foreign markets open to Japanese goods as well as investment, and remained at peace with the world while keeping the United States at its side should conflict occur. Any fair analysis of Japanese power, therefore, and the country's global role must take this narrower agenda into account. In this sense, the economic and other nonmilitary levers at Japan's disposal have allowed it to meet Japan's immediate needs.

Great Expectations

Since the late 1980s, the world has recognized Japan as a major economic nation and has expected that it would play—and would want to play—a

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more influential role in global affairs. By that time, with an economy almost half the size of that of the United States and a level of affluence close to the U.S. level, Japan stood well ahead of any single European country in economic size. This characteristic alone conferred on Japan a high degree of recognition, with grudging respect or apprehension, among other industrial nations about the new kid on the block as well as admiration among developing nations desiring to replicate Japan's successful development process. Furthermore, with an average annual real gross domestic product (GDP) growth rate of almost 5 percent from 1987 to 1991, Japan was outperforming all other industrialized nations. Speculation that this pattern would continue was yet another reason why other governments might pay attention to what the Japanese government had to say.

Trade

As Japan industrialized, it developed a successful export sector. Whereas Japan had primarily been an exporter of textiles and labor-intensive goods in the 1950s, Japan by the 1980s was a major player abroad in automobiles and electronics—two symbols of industrial success. For the United States, the rapid increase in U.S. imports of technologically sophisticated Japanese products implied that the United States had become dependent on Japan for some important products such as semiconductor memory chips. Some Americans fretted that Japan's export success, combined with the continued lack of openness of Japanese markets to foreign products, would be detrimental to the U.S. economy. James Fallows exemplified this view, writing in 1989 that Japan was engaged in a "one-sided and destructive expansion of its economic power."[1] Economists did not agree with such extreme views, but such expressions typify the belief that Japan was in a position to use its trade policies to benefit itself at the expense of the rest of the world.

Foreign Aid

Concurrent with its economic boom, Japan emerged as the largest provider of foreign aid among major industrial nations, with its foreign aid budget reaching $9 billion by 1990, almost triple what it had been just a decade earlier.[2] Over the past half century, many governments have viewed foreign aid as a potential means to buy friends and influence among developing nations. Whereas Americans saw this means of influence through the Cold War lens of keeping developing countries out of the clutches of communism, the Japanese appeared to be playing the game for mercantilist economic reasons, or commercial advantage, by providing grants and loans for large infrastructure projects to developing countries tied to purchases from the Japanese.

Since the late 1980s, Japan has been the largest supplier of foreign aid to developing countries in East and Southeast Asia; for example, in 1990, 54 percent of aid to the member countries of the Association of Southeast Asian Nations (ASEAN) was from Japan.[3] At the time, some outside observers saw this aid to Asia as one element in a Japanese effort to create an economic bloc in Asia, within which Japanese firms would have preferential access to neighboring markets at the expense of U.S. and European firms.[4]

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Capital Surplus

Since the beginning of the 1980s, Japan has had a current-account surplus, meaning that Japan exported more goods and services than it imported. Because the Japanese did not use all of their export earnings to import goods and services, they bought something else: foreign assets, including everything from U.S. Treasury bonds to Rockefeller Center and other real estate abroad. At the same time, government controls on the movement of investment money into and out of Japan were dismantled, so investments in each direction increased. Both Japanese net assets (what Japanese own abroad minus what foreigners own in Japan) and gross assets (what Japanese own abroad) rose dramatically. In just one decade, from 1980 to 1990, Japanese net assets held abroad exploded from $11 billion to $383 billion. Meanwhile, gross assets went from only $159 billion to $2.0 trillion, a twelve-fold increase.[5]

Outside observers felt that Japan's position as a major gross and net creditor conveyed it some form of power over debtors. For example, if Japanese investors were to dump their large holdings of U.S. Treasury bonds, then perhaps U.S. interest rates would rise to the detriment of U.S. economic growth. Threats by the Japanese government to do so, therefore, might be used as a form of leverage. In other words, U.S. officials would need to pay attention to demands on various bilateral issues made by their Japanese counterparts or risk facing the deliberate, punitive sale of U.S. Treasury bonds, according to this view. In reality, any very large owner of these bonds would be reluctant to dump their holdings on a massive scale because large sales would depress the price of the bonds further as each sale occurs, causing losses for the seller. As a result, there is no evidence that the Japanese government ever seriously threatened or carried out such a policy. Nevertheless, the worry among some U.S. officials during the past two decades that the Japanese could conceivably pursue such a tactic arguably affected U.S. bilateral policy in some cases. Furthermore, Japan's creditor role made it increasingly necessary for small, developing countries to think in terms of what would attract and keep Japanese money.

Foreign Direct Investment

A subset of capital outflow is foreign direct investment (FDI)—investments in corporations yielding a controlling interest in the firm. Until the mid-1980s, Japanese firms had preferred to stay at home; investment abroad remained largely in the form of general trading companies (handling the overseas sales and purchases of many companies), raw material supply, and labor-intensive industries such as textiles. In 1985, however, the yen rose strongly against the U.S. dollar, roughly doubling its value in less than two years. Japanese firms that had preferred to produce at home found themselves unable to export profitably because the rise in the yen meant that their products were much more expensive abroad, and they were driven to investing abroad to maintain their global market shares. At the same time, Japanese firms became increasingly alarmed at what they perceived to be protectionist trends in their largest market, the United States. Temporary protectionist measures that the U.S. Congress had taken against color televisions, automobiles, and several other products caused Japanese firms to relocate production to the United States to circumvent restrictions or to prevent them from being tightened or proliferating. From 1980 to 1990, the cumulative value of global Japanese FDI rose from \$20 billion to \$200 billion—a ten-fold increase.[6]

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FDI provided Japanese firms and the Japanese government with a strong, new motivation to become actively involved in global affairs. Large sums of Japanese money invested in fixed assets in the United States and elsewhere were at risk if the host countries introduced rules and restrictions disadvantageous to Japanese firms. In addition to the fear of nationalization, as has occurred in some developing countries in the past century, labor laws, environmental laws, and other aspects of other countries' domestic political actions were suddenly important to Japanese firms and the Japanese government. Japanese operation of businesses abroad thus more intimately intertwined the nation with the rest of the world and gave it a greater stake in global operations.

This new, large FDI flow also gave Japanese firms another possible power lever to use internationally. In the United States, for example, Japanese firms made no secret of the fact that they intentionally located some of their factories within the states and districts of senators and representatives considered protectionist toward their particular industry. Having sizable numbers of constituents drawing paychecks from Japanese firms can have a moderating influence on politicians who might otherwise be inclined to support protectionism. Whether these actions were purely the choices of individual firms or whether the Japanese government played a role in encouraging or coordinating such location decisions is unclear, but a government role behind the scenes is certainly conceivable because combating U.S. protectionism has been a key policy priority in the past half century.

Exercising Power?

The international influence afforded to Japan by its economic stature is particularly significant because Japan's constitution constrains the nation's military posture. Drafted by Americans during the post–World War II occupation to prevent a resurgence of Japanese militarism, Article 9 of the constitution contains a prohibition on the use of military force. This provision stripped from Japan the ability to use "hard" international power—the threat or actual use of military action as part of resolving disputes. Although the constitution has not prevented Japan from assembling a large military force and interpretation of the constitution has shifted sufficiently to enable the government to send soldiers abroad for United Nations peacekeeping missions, sending soldiers abroad to engage in combat even as part of UN- or U.S.-led coalitions remains politically unacceptable, as evidenced by the raging domestic debate over the possible deployment of a small number of soldiers to postwar Iraq.

In broad strategic terms, without the ability to use its military muscle as a means to influence other countries but with its economic power as a viable alternative by the late 1980s, Japan was positioned to establish itself as a civilian power in contrast to the United States. Much like a conscientious objector under the U.S. draft system, Japan could have trumpeted its role as an appealing builder and healer in contrast to the destructive threats implicit in U.S. or Soviet military power. Nation building, buttressed with generous foreign aid, commercial bank loans, and FDI could have given the Japanese government the moral high ground in international affairs. Enhancing this possibility was Japan's own record of successful economic development and its highly visible, internationally successful manufacturing firms. Had the government demanded attention, Japan's ability to throw money at countries around the world would have at the very least forced the United States and other powers to listen seriously to the Japanese government's policy ideas. Imagine just for a moment a Japan prepared to offer Iraq several tens of billions of dollars in foreign aid and inducements for Japanese firms to locate factories there. Had such a Japan demanded a say in decisionmaking prior to the recent war against Iraq, the U.S. government likely would have listened because the potential financial flows from Japan to a postwar Iraq are much larger than what the Germans or French might have offered.[7]

The Japanese government in the 1980s took a few tentative steps in the direction of exercising soft power in the arena of global policymaking. In the late 1980s, some Japanese government officials became dissatisfied with the doctrinaire neoclassical economic approach that the U.S. government was pushing heavily at the World Bank and the International Monetary Fund (IMF), as Japan's own successful economic development had occurred through a very interventionist government that was not beholden to letting free markets determine all outcomes. In an attempt to change the IMF approach, therefore, the Japanese government first lobbied hard for larger voting rights in the IMF commensurate with Japan's share in the global economy, a change that occurred finally in 1990.[8] The Japanese government then pursued a campaign at the World Bank to gain the bank's acceptance of Japan's development model, funding a major study of the development experiences of East Asian countries. Meanwhile, the government successfully placed Japanese nationals as the heads of the World Health Organization (WHO) and the UN High Commission for Refugees (UNHCR) at the end of the 1980s.

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In the end, however, these steps produced few changes in global policies. The World Bank's report, *The East Asian Miracle*, did not endorse the Japanese development model to the extent that the Japanese government wanted.[9] Nor did increased voting power at the IMF discernibly increase the Japanese government's voice in IMF policymaking. The Japanese head of the WHO, Hiroshi Nakajima, proved to be an ineffective leader unpopular with developed-country members of the organization, and the Japanese government damaged its own international reputation with overt efforts to buy votes from developing-country members for his successful reelection in the mid-1990s.[10] Sadako Ogata was an effective leader at UNHCR but often appeared to be in conflict with her own government and certainly had no impact on the Japanese government's own ungenerous policies on refugees, so Japan has not become a leading voice on international refugee policies.

Much the same proved true of Japan's foreign aid program throughout the 1980s. Rather than fostering the cause of economic development, Japan's aid program appeared closely tied to Japanese commercial interests—subsidizing construction of logging roads in Indonesia or providing infrastructure for industrial parks where Japanese firms would locate. This is not to say that the United States and other aid donors have been innocent of commercial motives, but by not concealing its commercial interests behind the façade of helping developing countries more effectively, the Japanese government lost an opportunity to create a positive image for itself.[11]

To a large extent, the Japanese government appeared more interested in the image of influence and power than its reality. Having Japanese nationals at the top of the WHO and UNHCR was more important symbolically (as a pleasing indication back home that the rest of the world regarded Japan as important enough to let a Japanese national serve in such a capacity) than was actually shaping the organizations' agendas. Arguably, Japanese power advanced an international agenda that consisted of selling the Japanese economic development model to the World Bank and the developing world. Unlike broad themes such as democracy or human rights, however, this was a very specific ideal, and even the Japanese had difficulty defining just what the model was or how important it had been in producing successful economic development in their own country. Thus, the government never reached agreement on a set of ideals that it could push with unified determination in the global arena through its soft power.

One major factor working against Japan taking a more activist stance has been its unwillingness to become more open to the outside world. In many ways, allowing the rest of the world into one's country through imports, investment, immigrants, and students buttresses a country's reputation as a global leader. Japanese society, however, has always behaved in a very insular manner. Markets for imported goods have opened but only slowly and grudgingly. Government policy long restricted inward direct investment, and even now, capital inflow remains much lower than that in any other industrial nation (despite an increase in recent years). Foreign workers or immigrants comprise a much smaller share of the population (less than 1 percent) than they do in other industrial nations. Political refugees admitted from abroad number only a few thousand. Finally, although the government has championed the idea of increasing the number of foreign students, their numbers remain significantly lower than those in other industrial nations. All of these policy decisions are deliberate, indicating that the Japanese government and society prefer to keep the world at bay than to act like a global leader.

Deteriorating Conditions

The economic factors that appeared to provide Japan with an opportunity to influence international affairs in the 1980s have undergone major—and largely negative—changes in the past decade. Japan remains the world's second-largest economy, but its image, among outside observers and the Japanese themselves, has undergone a profound change for the worse.

Stagnation

Collapse of an enormous speculative bubble in the Japanese stock and real estate markets at the beginning of the 1990s, compounded by bad policymaking since then, has virtually stagnated Japan's economy since 1992. Between 1992 and 2002, Japan's GDP grew at a real annual rate of only 1.1 percent, well below the 5 percent rate of the late 1980s. Meanwhile, the collapse of asset prices spawned a huge number of nonperforming loans in the banking sector, complete with numerous scandals of imprudent, unethical, or illegal behavior by bankers and their corporate borrowers. Since 1998, Japan has been going through a period of deflation—a general decline in the level of prices—making it the first industrial nation to undergo this experience since the 1930s. So far, Japan has muddled through its economic ills, although a more serious crisis in the financial sector is a distinct possibility and a fiscal crisis (as the government's debt mounts to extremely high levels) in the next decade is conceivable as well.

Japan's international reputation as an admirable economic model for developing countries to emulate is in tatters. Among the major developed nations, a rising sense of amazement has emerged at the Japanese government's decade-long inability to fashion better solutions for its economic problems, and officials of these nations now wonder why they should listen to the proposals of Japanese government officials who cannot even put their own economy back on a path of solid recovery.

Continued Creditor Status

Overall, gross and net assets held abroad by the Japanese have continued to rise. By 2002, gross assets had expanded to $3 trillion and net assets to $1.5 trillion.[12] Much of the increase has come in the form of foreign bond holdings, such as U.S. Treasury bonds, and foreign exchange reserves (now equaling more than $500 billion). Although its rising foreign asset position appears to provide Japan with stronger levers of soft power, specific aspects of capital outflow from Japan suggest otherwise.

Domestic Financial Weakness

In the 1980s, the threat of the Japanese government dumping U.S. Treasury bonds as a policy tactic seemed plausible to some Americans. Today, the issue is whether collapsing Japanese banks and other financial institutions would dump their Treasury bonds and other foreign assets to pay their depositors and other creditors back home. U.S. policymakers, therefore, still need to worry about Japan but because of financial weakness in Japan, not because of possible antagonistic Japanese government behavior.

Falling Foreign Aid

Japanese foreign aid peaked at $16 billion in 1997. Since then, it has fallen 40 percent to $10 billion (not much higher than in 1990), and this trend appears set to continue. By 2001, Japan had slipped behind the United States as the world's largest aid donor. For many years, Japanese foreign aid was immune to the domestic debate about the alternative value of helping foreigners to helping citizens at home that had been standard in the United States, but this is no longer the case.

To the extent that foreign aid provides a means of buying friends and influencing governments, the falling foreign aid budget has diminished the Japanese government's clout in the developing world. The one counterexample to this was the temporary surge in aid given to East Asian countries in the wake of the 1997 Asian financial crisis. The United States initially dithered over whether the crisis was important enough to intervene, and the IMF made some initial mistakes in its policy prescriptions to the crisis countries. The Japanese government stepped into this breach, first with a half-baked idea for an Asian Monetary Fund that would insulate the region from IMF interference and then with a unilateral offer of aid to help tide over the countries in crisis.

The New Miyazawa Plan, as this unilateral effort was dubbed, created some positive imagery, with the Japanese government claiming to have provided a very sizable $30 billion in assistance of various forms. A more careful accounting, however, reveals that Japan provided only about $16 billion in new aid for the region, most in the form of hard loans made at interest rates close to market rates. More importantly, the effort was a very short-term one, a temporary blip in the longer-term trend of shrinking foreign aid.[13]

Falling Commercial Bank Loans

The amount of commercial bank loans, another kind of capital flow from Japan to other countries, has also fallen greatly. The total dollar value of outstanding Japanese international bank loans fell 36 percent from its peak in 1997 to the end of 2002. Loan amounts to developing countries in East Asia have fallen much more, down almost 70 percent, while loan numbers to Hong Kong and Singapore, the two developed money centers in the region, fell an even larger 81 percent.[14] To the extent that Asian countries perceived the availability of commercial bank credit from Japan as an element of Japan's international reach, the nation's image has faded badly in comparison to other developed countries whose banks cut back on loans temporarily but not by as much and not for as long.

Falling FDI

Even though the yen has remained much stronger than it was through 1985, the pace of direct investment abroad by Japanese firms has dropped. In fiscal year 2002, the total outflow was 4.4 trillion yen (or roughly $35 billion), down 47 percent from a peak of 8.4 trillion yen back in 1990.[15] Regional perceptions of Japan's relative importance have fallen apace.

In one sense, FDI has nevertheless served its purpose even though the flows have diminished. For example, few would doubt that the extensive investment by Japanese companies in the United States has altered U.S. perceptions of Japan. For a brief period of time in the late 1980s, U.S. perceptions shifted against the Japanese when Americans felt they had sold their nation out to a bunch of dubious foreigners with their ostentatious purchases of trophy buildings and golf courses. Yet, the longer-lasting impact of Japanese investment in the United States has been the experience of Americans working for Japanese manufacturing firms. In a number of midwestern and southern states, Japanese firms, the expats that come with them, and the U.S. employees that work for them have become a regular part of the landscape. To the extent that the Japanese government hoped that these investments would generate more positive feelings about Japan on the part of their large economic and strategic partner, it was correct. This influence clearly was not an exercise of global power on a grand scale but certainly helped meet the modest goal of maintaining the goodwill of voters in the United States, Japan's key trading partner and indispensable security ally.

Shrinking Trade Importance

Economic stagnation has limited the rise of Japanese imports, while the strengthened yen has slowed the growth of Japanese exports. Although the value of Japanese exports and imports has risen in the past decade, in relative terms Japan's importance as a trading partner has shrunk for many nations. Back in 1982, for example, Japan supplied a very large 22 percent of all U.S. imports, a level that slipped by half to 11 percent by 2001. The same kind of reduction is true for other trade partners. Whereas Japan supplied 25 percent of other East Asian countries' imports at its peak in 1985, it only supplied 15 percent in 2001.[16]

To some extent, rising imports from developing countries offset this declining relative role in trade. Especially when the yen underwent a temporary strong rise against the dollar in the early 1990s, Japanese markets finally began to open up to imports of low-value-added imports from developing countries. Textiles and a few other low-value-added products that had moved only partially offshore prior to the 1990s shifted more quickly. Yet, Japan has certainly not shed its reputation as a stingy importer. Great Britain in the nineteenth century embraced free trade (for a time) and the United States led the post–World War II effort to lower global trade barriers through the General Agreement on Tariffs and Trade (GATT), but Japan has not used its newfound economic preeminence to behave as a leader in the global trading system. Instead, it has continued to be a laggard in trade liberalization, evidenced most recently perhaps in its stance at the current Doha round of negotiations in the World Trade Organization (WTO). Although protectionist behavior is unremarkable, acting as the leader on trade as a means of enhancing its reputation and influencing the world in a positive manner has been an opportunity for the Japanese government that it has chosen not to pursue.

The Japanese government has continued to act as a subordinate power tied to the U.S.

Success through Subordination

Clearly, Japan's economic stature has afforded it numerous opportunities over the last two decades to secure a more influential role in global affairs than it has actually managed to obtain. Some might consider this development unsettling or even a reflection of a particular Japanese inability to use Japan's economic assets to affect much positive change beyond the country's borders. After all, is it not natural for a nation that has achieved great economic size and success to want to throw its weight around more in the world, as the United States did as it emerged economically in the first half of the twentieth century?

We should not write off Japan as a country that failed to capitalize on its economic power. The Japanese appear to be relatively content to have accomplished important goals concerning Japan's external environment. On the security side, Japan has remained subordinate to the United States, but that posture has met its security needs. On the economic side, Japan has managed to keep foreign markets open to its goods and investment. Beyond those immediate needs of the nation, the Japanese have had little interest in altering global policies.

Despite the economic setbacks of the past decade, Japan remains the second-largest economy in the world, is an even larger net and gross creditor than a decade earlier, has extensive direct investments despite the smaller annual flow, and has the world's second-largest foreign aid program. It also appears on the surface to be more of a player today in regional and global affairs than it was a decade ago. Yet, in areas of major global policy action such as trade negotiations or the response to terrorism, Japan's role has been small and cautious at best. Japan has in fact retreated from its earlier modest forays at being a major power.

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At the regional level, the Japanese government has indeed been a participant in the ASEAN Plus Three (Japan, China, and South Korea) dialogue—a purely East Asian grouping that discusses regional economic cooperation—and has begun a program of negotiating bilateral free-trade areas (FTAs). Within ASEAN Plus Three, however, Japan does not appear to be much of an independent leader. The one real cooperative policy this group has established has been a set of expanded, bilateral swap agreements among central banks to help small Asian countries facing attacks on their fixed or quasi-fixed currencies fend them off without relying as much on help from the IMF. The Japanese government insisted though that activation of all but 10 percent of the money in these agreements be tied to explicit approval from the IMF itself, negating the original purpose of the concept. Rather than joining with its regional neighbors to achieve some independence from the IMF, therefore, the Japanese government's behavior proved more mindful of U.S. concerns.

Japan's new policy of forming FTAs has also been quite limited. At one time, pundits worried that competing European, U.S., and Asian trade blocs would emerge.[17] That vision seemed more plausible when the Japanese government finally embraced the idea of FTAs at the end of the 1990s. So far, however, Japan has successfully completed only one such agreement, with Singapore. In addition, even though Singapore has virtually no agricultural products to export, the Japanese government was unable to include agriculture in its agreement with Singapore, putting a damper on its ability to negotiate with countries such as Thailand where agriculture matters. The United States remains preeminent in the minds of Japanese government officials and politicians as a strategic ally and economic partner. FTAs to create an Asian bloc that would trade within itself and be less reliant on U.S. markets are not consistent with Japanese strategic thinking. This fact, along with the purely domestic politics of agriculture, explains why the Japanese government has not pursued bilateral or regional FTAs more vigorously.

The Japanese government's behavior regarding the war on terrorism and the war in Iraq even more clearly illustrates Japan's role as U.S. subordinate. During the Persian Gulf War, the Japanese government was badly embarrassed by the drawn-out process of acquiescing to Washington's demands for financial support for a war whose importance the Japanese simply did not support in principle or understand. Although the Japanese government eventually voted to provide $13 billion in assistance, the money came after the war had ended and in response to months of arm-twisting by U.S. officials. Not wanting to repeat that experience, Japanese prime minister Junichiro Koizumi and other Japanese government officials made a show of verbally supporting the United States quickly and strongly in the wake of the September 11 attacks. Similarly, Koizumi backed President George W. Bush often in the run-up to war with Iraq. Koizumi's only demand was a mild request in September 2002 for the U.S. president to go to the UN Security Council before invading Iraq; the Japanese did not join other European nations in demanding a second vote by the Security Council.

This aversion stems from Japan's own disastrous path of violent adventurism.

On one hand, Koizumi's boldness in supporting the United States in the face of opposition to the war from some 70 percent of the Japanese public appears an exercise of leadership. On the other hand, a closer examination suggests that Koizumi's behavior reflected a familiar pattern in Japanese foreign policy. The Japanese had three reasons to support Bush, none of which had anything to do with fighting outrageous dictators or bringing a better future to the Middle East. First, the Japanese government wanted to avoid aggravating the U.S. government the way it had during the Gulf War through its slow and grudging support. Second, the real strategic issue for the Japanese government was North Korea, and it expected that support for the war against Iraq would translate into influence with Washington on policy toward North Korea. Whether or not that assumption was correct, it factored into Japanese thinking. Third, Iraq became the most recent opportunity for conservatives in Japan to press to alter or reinterpret the constitution to permit dispatching soldiers abroad for combat.

Thus, in East Asia and on a broader global scale, the Japanese government has continued to act very much as it has ever since the end of the U.S. occupation, as a subordinate power tied to the United States. The U.S. government consults the Japanese government, but the reality remains that Japan does not have its own seat at the table of international policymaking. Although Japan criticized the U.S. government and the IMF during the Asian financial crisis, it has not acted on these sentiments to lead its neighbors toward a more independent stance on either international finance or trade. Neither in the Middle East nor in Afghanistan has the Japanese government moved to claim expertise in nation or economy building. Instead, it has ridden the coattails of the U.S. government, avoiding criticism and advancing the causes of domestic conservatives concerning the use of military force unrelated to the Middle East.

The notion that Japan would want to act as a leader in international trade and security issues rather than play second fiddle, furthermore, may be much more of an American conception than a reality for the Japanese. Instead, Japan has concentrated on manipulating its international environment in a much narrower fashion to suit its own needs. The Japanese want peace, exports, and investment abroad, as well as secure access to oil and other raw materials. Beyond these immediate needs, the Japanese government and most of the Japanese public regard issues such as human rights or the convoluted and violent politics of the Middle East as none of their business.

This aversion to interfering in human rights battles within other nations or conflict among other nations stems from Japan's own disastrous path of violent adventurism in the first half of the twentieth century. The forced annexation of Korea (1910), creation of a puppet state in Manchuria (1932), unjustified initiation of a grinding war against China (1937), and then initiation of war against the United States and Great Britain (1941) ended in 1945 with a cataclysm of death and destruction for the Japanese. That devastating experience has left many in society feeling that noninterference in issues that do not directly threaten Japanese territory is the best policy, either because they fear sliding down a slippery slope toward militarism again or because they feel use of military violence to solve problems is simply wrong.

Peace and security, even regarding cases in Japan's immediate vicinity, such as with North Korea, have come through reliance on the bilateral security alliance with the United States. Economic access has come through the GATT/WTO, of which Japan has been a member since the 1950s. Japan has been able to secure access to raw materials by relying on the GATT/WTO and its own efforts, such as providing generous foreign aid to raw material–producing countries. Although particular aspects may have been based on relying on others or adopting a low-key position in a multilateral setting, the government has pursued an active and deliberate agenda to maintain Japan's national interests.

For interests in security and economic access, the key has been to keep the United States and other major players sufficiently satisfied with Japan that they would not end existing relationships. Toward this end, Japan has agreed to pay part of the costs to maintain U.S. bases in Japan and has taken a series of small steps during the past two decades to play a larger role in security matters, such as increasing defense spending and dispatching soldiers for UN peacekeeping operations.

On economic access, Japan has offered just enough concessions on access to Japanese markets to prevent its major trading partners from closing their markets. It has also invested heavily in lobbying in Washington, supported academic programs around the United States, and created additional programs designed to foster more positive images of Japan among Americans (e.g., annual groups of businesspeople and academics to give speeches around the United States, support for local Japan-America societies, and funding for various bilateral conferences at which Americans could be exposed to Japanese views). The effectiveness of such policies might be debatable, but the Japanese government clearly seeks to ensure that its primary benefactor in the security and economic world will not forsake Japan. Bilateral relations have endured some periods of tension over problems of access to the Japanese market or allegedly unfair tactics (such as dumping) by Japanese firms selling to the U.S. market, but the bilateral relationship itself—security or economic—has never been in real jeopardy. The Japanese have, therefore, been quite successful in meeting Japanese needs.

Not all countries aspire to dominate others or change how the world works.

Similarly, Japan has kept its Asian neighbors sufficiently satisfied to accept imports from Japan, not complain too much about access to Japanese markets, and accept direct investments from Japan. Japanese efforts to buy good will with foreign aid, direct investment, and commercial bank loans never evolved into a Japan-led economic bloc and are unlikely to do so in the foreseeable future, but Japan has used its power to maintain its economic relationships. Foolish actions such as Koizumi's repeated visits to the Yasukuni Shrine—dedicated to Japanese war dead, including war criminals from World War II—occasionally jar those relationships, but the government has made sure that they never spin out of control.

In securing the supply of raw materials, the government has used a number of tools, including diversifying supply sources, stockpiling, offering large amounts of foreign aid, encouraging Japanese firms to invest in countries supplying raw materials, and supporting supplier governments diplomatically. Japan's interest in maintaining close relations with the United States has not kept it out of negotiations concerning raw material supply with governments considered totalitarian and dangerous by the U.S. government—an engagement that led to Japan's initial miscalculation of the importance of Iraq's invasion of Kuwait. Japan's desire to obtain stable raw material supplies, especially oil, has often conflicted with the country's need to maintain close relations with the United States. When such conflicts arise, the Japanese government has tried to minimize offense to all sides, ultimately supporting the United States but remaining sufficiently on the sidelines so that Middle East suppliers would view Japan more favorably.

Soft Power Is Real

Because the Japanese government has not pressed for a stronger voice in regional and global affairs, the soft power arising from its economic strength might appear to be illusory. Such a conclusion would be a mistake. The Japanese government has indeed been able to use nonmilitary means to influence its external environment and has done so quite successfully. Elements of this soft power have come from Japan's economic size and affluence, ownership of a massive amount of assets abroad, substantial direct investments abroad, and large amounts of foreign aid. These elements provided the government with financial resources to spend (or withhold) abroad to influence foreign governments.

Had the Japanese government chosen to make a splash on the global scene, it could have done so. The timidity of the government's forays at the World Bank and other multilateral institutions a decade ago was not caused by the lack of leverage. The real cause was a lack of interest. The Japanese government has been relatively satisfied with the international status quo; the multilateral economic institutions (the World Bank and the IMF) have worked reasonably well for Japan, so why rock the boat? Therefore, the government was content to focus on the more immediate needs of the nation in ensuring peace and economic stability for the Japanese. That strategy has involved a deliberate choice to subordinate the nation to the United States on security policy and a major effort to keep Americans sufficiently satisfied with Japanese behavior as to eschew policies that would harm Japan's economic or security interests. Toward the rest of the world, the government has also pursued a policy of containing protectionist urges or other behavior damaging to Japanese economic interests, but always with an eye to U.S. reactions.

World economic stability and peace certainly need some governments to play a leading role in establishing international institutions or pressing others to join in collective action to resolve international problems. Japan has done little to exercise its soft power in that sense, but not all countries aspire to dominate others or change how the world works. Japan's effort to ensure its immediate needs of security and economic stability has worked rather well. Perhaps the world should be glad that Japan has chosen to exercise its power in this limited fashion.

Notes

1. James Fallows, "Containing Japan," *Atlantic Monthly*, May 1989, p. 41.
2. Japanese Ministry of Foreign Affairs, *Japan's ODA Annual Report 1992*, p. 80.
3. Edward J. Lincoln, *Japan's New Global Role* (Washington, D.C.: Brookings Institution, 1993), p. 182.
4. See Walter Hatch and Kozo Yamamura, *Asia in Japan's Embrace* (New York: Cambridge University Press, 1996).
5. Bank of Japan, *Balance of Payments Monthly*, April 1991, pp. 83–84.
6. Ibid.
7. For an extended discussion of what Japan could have done but did not, see Lincoln, *Japan's New Global Role*, pp. 241–267.
8. International Monetary Fund (IMF), *Directory: Members, Quotas, Governors, Voting Power, Executive Board, Officers* (Washington, D.C.: November 2, 1990), p. 9; IMF, *IMF Survey Supplement on the Fund* 19 (August 1990): 1–4.
9. World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (New York: Oxford University Press, 1993).
10. See BBC, "WHO Director General—The Candidates," January 26, 1998, http://news.bbc.co.uk/1/hi/special_report/1998/health/47205.stm (accessed August 20, 2003).
11. For a critical review of Japanese aid policies in the 1980s, see Lincoln, *Japan's New Global Role*, pp. 111–133; Margee Ensign, *Doing Good or Doing Well: Japan's Foreign Aid Program* (New York: Columbia University Press, 1992).
12. Japanese Ministry of Finance, "International Investment Position of Japan," www.mof.go.jp/english/houkoku/e2002.htm (accessed August 20, 2003).
13. Edward J. Lincoln, *East Asian Economic Regionalism* (Washington, D.C.: Brookings Institution, forthcoming), pp. 258–262 (rev. manuscript).
14. Ibid., pp. 89–91.
15. Japanese Ministry of Finance, "Outward Direct Investment by Country & Region," www.mof.go.jp/english/fdi/2002b_2.htm (accessed August 20, 2003).
16. Lincoln, *East Asian Economic Regionalism*, pp. 64–65.
17. See Lester Thurow, *Head to Head: The Coming Economic Battle among Japan, Europe, and America* (New York: William Morrow, 1992).