

Japan and The United States: Dual Asian Powers?

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INTRODUCTION

When discussing regions of the world, many academics would point to Asia as the most interesting, yet volatile. More specifically, East Asia is the “hottest” area of the world. United States policy is, arguably, centered on Asian affairs. To quote President William Jefferson Clinton at a speech given at Elmendorf Air Force Base in Anchorage Alaska on June 29, 1998, “We [The United States of America] are an Asia-Pacific nation.”¹ With this being said, it is of the utmost interest to explore the United States’ relationship with the most influential and powerful nation in this region, as well as their biggest partner, Japan.

Japan’s relationship with the United States is one of the most unique, dynamic and integral facets in the field of international relations. Not only do the inter-developments between these two powers have repercussions domestically, but, also, a vast majority of nations, world-wide, are effected. From the Pacific Rim to the European mainland the burgeoning Japanese-United States relationship generates shocks ranging from interest rates to security issues.

Consequently, the most influential arenas contemporarily, with respect to the United States of America and Japan, are military and security issues, as well as the economic ties. As the world has become more globally connected, it should be understood that these two issues have inspired many opinions due to the fact that

decisions made by these two powers can undoubtedly influence up to fifty different countries direction militarily, and especially financially.

This introduction should provide a brief overview of what this research entails, focusing on the United States-Japanese relationship militarily and economically and the unavoidable consequences and effects. Firstly, the military aspect of the relationship will be analyzed. Particular attention will be applied to the past, as the history between the nations is quite imperative in understanding this unique relationship today. Japan's militaristic past and potential will be the catalyst in discussing the Treaty of Mutual Cooperation and Security of 1960. This treaty is the cornerstone of the new treaties adopted in 1995 and 1997, under the same name, as well as the majority of issues between Japan and the United States. Therefore, the historical analysis will be necessary to comprehend and examine the contemporary issues.

Secondly, the paper will examine the economic and financial interdependence between Japan and the United States. Trade will be a focal point as well as the currencies, that being the Yen and the Dollar respectively. This logically can not be discussed with out including the "Asian Contagion", the financial crisis engulfing Asia since the summer of 1997. The brief, yet adequate, analysis should illustrate a Japanese perspective on the economic relationship, which exists between the two financial super powers.

In dealing with the financial side of this tremendously important relationship, there are numerous arenas currently. Therefore, concentration will be shifted toward trade, looking at expenditures, and Japanese "dumping". Subdividing the category will lead the research to delve into a more global context, as oppose to the bilateral. Here is

where the Asian Contagion will be probed, as well as the Nikkei Index in Tokyo, foreign exchange rates, and a look at how the market specifically relates to the United States.

In general, the central theme of the paper will be a Japanese perspective on the affairs economically and militarily with regards to the United States of America. The relevance on a global level should be obvious, as well as insightful.

JAPANESE MILITARY ISSUES: A HISTORICAL BACKGROUND

To fully comprehend contemporary affairs between the United States and Japan, it is essential to diagnose the past half-century. More specifically, The Treaty of Mutual Cooperation and Security of 1960 is the document of the utmost importance in relations today. The aforementioned Treaty of Mutual Cooperation and Security is the foundation of the alliance shared by Japan and the United States. In 1995 it was revamped and expanded to include issues of future importance. This treaty will be the focal point in understanding and analyzing contemporary military diplomacy between Japan and the United States. First the premise of the original treaty will be presented which will then move the central theme into the contemporary treaty and affairs.

On January 19, 1960 the Treaty of Mutual Cooperation and Security was signed between Japan and the United States². This treaty was basically the culmination, with additions, of the 1952 Security Treaty signed at Tokyo. Also, upon the ratification of this treaty the Security Treaty signed in San Francisco on September 8, 1951 expired³.

Therefore, in essence, the root of contemporary policy can be traced to 1952, but more conclusively to 1960.

The Treaty of Mutual Cooperation between Japan and the United States of America, outlined in 1960, is dissected in to ten articles and attention should be directed to the following aspects, beginning with the opening which reads as follows:

Japan and the United States of America, desiring to strengthen the bonds of peace and friendship... and to uphold the principles of democracy, individual liberty, and the rule of law, desiring further to encourage closer economic cooperation... reaffirming their faith in the purposes and principles of the Charter of the United Nations, and their desire to live in peace...recognizing that they have the inherent right of individual or collective self-defense...considering that they have a common concern in the maintenance of international peace and security in the Far East, having resolved to conclude a treaty of mutual cooperation and security⁴.

Article I explicitly states that the United States and Japan are to settle any disputes in the region in a peaceful manner, but force is not outlawed. The next significant articles are numbers four, five, and six. Article IV designates that the parties will work together regarding the implementation of the treaty and that at the request of either party, whenever the security of Japan or international peace and security in the Far East is threatened⁵. Article V says that any armed attacks in the region will result in action taken by both parties in accordance with the constitutional provisions. Article VI, which may be the most important, grants the United States “use by its land, air, and naval forces of facilities and areas in Japan”, if necessary to contribute to the security of Japan and maintenance of international peace⁶. Also, it proclaims that this will replace the Administrative Agreement Article III of the Security Treaty between Japan and the United States, from February 28, 1952. This document governed the extent to which the

United States could use the facilities for military purposes. Basically, Article VI revises the details of that agreement, under new premises.

Also, with the signing of this new treaty, Article IX of it maintains that the Security Treaty between Japan and the United States signed in San Francisco on September 8, 1951, shall expire⁷. Lastly, Article X states that the treaty will remain in force until the governments of the United States and Japan agree that the United Nations can satisfactorily provide international peace and security in the Far East, specifically the Japanese area. And, after ten years, either party may give notice of their intention to terminate the treaty, in which case the treaty shall terminate one year after such notice has been given.

Continuing the discussion on the importance of this treaty, we can now delve in to the maintenance of Japan's security. Japan finds the treaty necessary, in order to establish a complete defense system ensuring its security, by continuing its alliance with the United States, which possesses immense military power. Japan and the United States also share the basic values and ideas of freedom and democracy, instilled upon Japan after heavy United States influence following World War II. Therefore, by placing was deterrent capability of the United States to work for ensuring the security of Japan, along with attaining an appropriate level of defense capability of its own, Japan insures its safety and viability at considerably less economic pressure. As to an idea of how much less economic pressure, less than one percent of Japan's Gross Domestic Product (GDP) is spent on military, as oppose to the United States spending approximately 3.4 percent of GDP on military expenditures⁸. In return, the United States maintains a military and economic presence in a strategically important region.

While the treaty focuses on the security aspect, at the same time, it incorporates important provisions regarding political and economic cooperative relationships. The Japan-U.S. security arrangements based on the treaty constitute the foundation of the U.S. alliance, which can be defined as a friendly, cooperative relationship not only in the defense field but also in the broad political, economic, and social fields.

The tight Japan-U.S. cooperative relationship and the U.S. military presence, both of which are based on the treaty, as well as the United States presence in the region based on relationships of alliance and friendship between the United States and other countries, which revolves around the Japan-U.S. security alignments, will continue to play an important role in securing peace and stability in Japan's surrounding region.

As is evident in this brief overlook of the treaty and its importance, it is fair to claim that the United States essentially becomes an Asian power, with as much right to intervene in any regional disputes as any other nation.

CONTEMPORARY MILITARY ISSUES

This leads us in to a contemporary issue involving these aforementioned parties, that being the signing of the treaty between Japan and the United States on July 26, 1997. Although, the signatory date was in 1997, the treaty was in the works from as early as 1995, when the Prime Minister confirmed Japan's fundamental defense policy as articulated in its new "National Defense Program Outline" adopted in November, which underscored that the Japanese defense capabilities should play appropriate roles in the security environment after the Cold War. This treaty has similar implications, with more

emphasis on Japan defending their own region, combined with less reliance on the United States of America. The focal point, and indeed the most important aspect of the updated treaty, is that Japan will have a much freer hand in their own military. Japanese re-armorament is the indirect focal point. Japan will be spending an enormous amount on the military and will improve the quality of its armed forces, both in training and equipment. This is ostensibly to ensure stability and protection over the region, with less dependence on outside forces, but it can be appreciated that this is an aggressive move and that, in theory, these maneuvers by Japan could be used to become a threat to the region, especially due to their militaristic past⁹.

Coupled with this was an agreement signed on April 15, 1996 between the governments of Japan and The United States of America welcomed by Prime Minister Hashimoto and President Clinton, respectively. The agreement concerned reciprocal provision of logistic support, supplies and services between the Self-Defense Forces of Japan and the Armed Forces of the United States, and expressed their hope that this agreement will further promote the bilateral cooperative relationship.

Noting the importance of interoperability in all facets of cooperation between the Self-Defense Forces and the U.S. armed forces, the two governments will enhance mutual exchange in the areas of technology and equipment, including bilateral cooperative research and development of equipment such as the support fighter (F-2). As a result Japan has ceased buying numbers of F-2 fighter planes from the U.S., and now has commenced building the jets themselves.

The two governments recognized that the proliferation of weapons of mass destruction and their means of delivery has important ramifications for their common

security. They will work together to prevent proliferation and will continue to cooperate in the ongoing study on ballistic missile defense¹⁰.

The last issue to touch upon is theatre missile defense, or TMD. A simple brief overview will be presented, in lieu of the fact that while it is a major topic between the United States of America and Japan, other people's research will cover it in greater depth.

United States Secretary of Defense, William Cohen, underscored Washington's interest in the deployment of TMD systems by Japan in April of 1997. In Japan, Cohen noted the changing threat environment in North East Asia and urged Tokyo to decide in 1997 to provide the nation with TMD capability. When referring to the growing threat in North East Asia, Cohen is clearly pointing to China and more dangerously North Korea. That the U.S. Defense Secretary stressed the issue of TMD deployments in North East Asia was not new, although it is today a very large aspect of the bilateral relationship. In fact, in 1992 the first Clinton administration made a concerted effort to persuade Japan, in particular, to become its partner in developing advanced TMD systems which could potentially be deployed by both countries¹¹.

While Japan has not yet adopted TMD it has agreed to accept a U.S. offer to provide information from its missile launch detection system that would warn Tokyo that a ballistic missile launch had occurred in the region. Obviously, the United States is very interested in TMD in Japan, but Japan is considering several factors. For instance, which of its military services will operate it, and where will it be based? Which option provides Japan with the greatest opportunity for technical and industrial cooperation, at the component if not system level? What is the depth of U.S. commitment to a given system? Will the U.S. itself deploy and operate the system in large numbers over a long

period of time, as is the case, for example, with the US F-15 fighter that Japan now produces for its own forces? Other factors include system effectiveness against the range of threats Japan will face, and cost¹².

This combination of factors suggests that, unless it rules out TMD, Japan will prepare for a formal acquisition decision at the end of the current budget cycle in 2000. This program would include identifying technical and industrial areas of cooperation, operational requirements, impact, and implications of systems choices, and plans to assure coordination on the deployment and use of U.S. and Japanese TMD systems, based in Japan.

That covers contemporary military affairs between the United States and Japan. Of course, that is simply the generalized outline of affairs, concentrating only on the most important aspects. Both of which being The Treaty of Mutual Cooperation and Security and Theatre Missile Defense. However, while these issues are a large part of relations between the two countries, it is not the only field. Economics plays an enormous role in the bilateral relationship between Japan and the U.S.A. Therefore to appreciate the aforementioned relationship in today's global society, the financial ties must be touched upon.

ECONOMIC ASPECT OF THE JAPAN-U.S. RELATIONSHIP

In assessing the ties between both countries, there are two major subsections to investigate. One, being the direct relationship between Japan and the United States. Thus meaning looking at trade and specific policies as well as the consequences on each

party. Secondly, there is an indirect relationship between the countries, which in a more general sense incorporates a more regional conjunction. When referring to this indirect relationship, the Asian crisis will be probed as well as what Japan and the United States are doing to survive the impending crisis. Currency exchange rates, stock markets, and current accounts will be the useful variables in exploring this indirect U.S.-Japanese relationship.

Beginning with the most important feature of the economic ties between Japan and the United States, there is the trade. Basically if you look at numbers we have the United States, in 1997, exporting 625.1 billion dollars of goods and services, and 11 percent of that with Japan. Also, they imported 822 billion dollars of goods and services, and 16.5 percent of that was with Japan¹³. Examining these numbers, clearly the United States is at a deficit in trade, or in other words current account deficit. Secondly, they are in a trade deficit with Japan, specifically. Japan is selling more products in the United States and is not allowing U.S. products to be sold domestically.

To verify these numbers and obtain some stronger data, now let us peer at Japan's current account briefly. They exported 421 billion dollars of goods and services in 1997 and an incredible 27 percent of that to the United States. Their imports valued 339 billion dollars in 1997 and 22 percent of that was from the United States¹⁴. Therefore, Japan is maintaining a current account surplus, and furthermore it appears to be at the expense of the United States of America.

While many plausible explanations exist to understand this Japanese current account surplus, there are two major causes. This probably oversimplifies the problem and root of the issue, but it outlines flaws in the relationship today. Firstly, Japanese

“dumping” illustrates the massive influx of imports into the U.S. from Japan. This dumping can be linked to the Japanese concept of lifelong employment¹⁵. Japanese Keiretsu usually employ workers for life, therefore they make a certain amount of products because it costs nothing extra to make less of a product, than more. This is due to the fact that they must pay employees regardless. In essence, you either pay the worker to produce or to not produce. Obviously, the keiretsu are going to choose to be productive. However, if the company does not completely sell each item, than the corporation will lower the price. The price will decline until every last item is bought. These items are then sold for less money in foreign nations, usually the United States of America. Dumping helps consumers get Japanese products cheaper in the United States than domestic goods.

The second cause of the unbalanced trade is also along those lines. Japanese importation laws clearly shape the economic conglomeration of Japan and the U.S. Basically Japan makes it difficult to sell U.S. goods in Japan, which causes the lopsided import/export statistics above. Currently Japan is part of the World Trade Organization (WTO), which does not allow unfair tariffs. Therefore, Japan denies U.S. goods through non-tariff and trade barriers. This simply makes extreme requirements in order for foreign products to enter the country for sale. The United States can not improve its negative trade balance with Japan because, essentially, companies can not get their products in to Japan to appeal to the average Japanese consumer. This is a massive problem in the trade relations between the United States and Japan and coupled with “dumping” practices makes for a favorable trading arrangement from a Japanese perspective.

While these are very current problems, solutions, from a U.S. perspective, are being initiated. Firstly, Japan is not as wealthy now as they were in the 1980's, therefore life long employment is an ever dwindling luxury for the Japanese worker. Companies simply can not afford to offer lifetime employment, which means dumping will also cease because it will not pay to sell products cheaply. With regards to the importation laws, the WTO is always attempting to arbitrate fair trade between member nations, and this means it is only a matter of time before these absurd regulations placed on foreign, especially U.S., goods are deemed illegal. This being the case, the Japanese trade advantage with the United States appears to be disappearing, although it does currently exist.

Also, in trade between the countries we can look at the bond market as a tell-tail sign of their relationship. In the previous years, during the early 1990's, we saw proportionally equal investments in both markets. Meaning that Japanese corporations were investing in United States treasury bonds, and U.S. businesses were investing in Japanese bonds¹⁶. Now we see the Japanese companies withdrawing money out of the U.S. bond market and taking their money back to Japan. This, in turn, is causing interest rates to rise in the U.S., in order to keep money invested in the bonds, because bonds are being sold. This is hurting U.S. companies and it cost more to borrow now, which means companies are going to fold. This is a direct result of the dynamic and fragile relationship, which exists between these two global superpowers.

Continuing with the economic and financial associations between the nations, observing the Asian crisis, which began in 1997 and is currently engulfing each nation, serves as an excellent tool to observe The United States and Japan in an indirect capacity.

Just touching the tip of the iceberg, we can look at the currency crisis of last summer which the yen underwent. In comparison with the dollar, the yen depreciated almost 20 percent in 1997. Just to give an idea of how rapid the decline was, the yen was at an all time high against the dollar in May of 1992 at approximately 80 yen per dollar. During the summer of 1998, the yen went to over 150 per dollar. The instability is malignant to both nations. The United States invested billions of foreign exchange reserves in to Japan last year, in order to stabilize the market and stress on trade. More specifically, the U.S. intervened three times in the Japanese currency market in the previous eight months¹⁷. Despite the trade unbalance mentioned previously, the U.S. and Japan are clearly partners, rather than competitors. This is not to say that they do not compete with each other, because they do, however, reciprocal benevolent action is a necessity for market growth and stability.

The crisis in Asia has also engulfed the Japanese stock market or Nikkei Index in Tokyo. The Nikkei Index hit massive lows during the previous year, as did all Asian markets for that matter. Simply put, investments were leaving the nation, and money which was flowing in over the previous decade, for the first time began pouring out. The U.S. stock market actually did not suffer as much. While the Dow Jones Industrial average plummeted in October of 1997, it recovered nicely and is approaching and climbing to all time highs, such as 10,000 points.

While these factors of analysis are only touching the tip of the iceberg, it gives an idea of the intertwined economies of both the United States and Japan. However, by deriving the current account, trade, importation laws, currency exchange rates, and stock markets, a good illustration of the contemporary financial bilateral U.S.-Japan

relationship is achieved. Furthermore, approaches in Foreign Direct Investment (FDI) and market analysis depict a larger scale, more in depth relationship.

CONCLUSION

The intricate Japan-United States relationship encompasses all areas of international diplomacy. As explored in this paper, the constituents of the military and economic regimes have very intertwined implications. Throughout this paper, the focal point has been placed upon the friendly, as oppose to bullish, relationship shared by both allied economic and military powers.

In dealing with the modern military aspect over the last few years, the important themes attacked were those of the Treaty of Mutual Cooperation and Security and Theatre Missile Defense (TMD). The aforementioned treaty was first envisioned in the late 1940's and evolved into a "a new treaty for the twenty-first century"¹⁸. It has shaped Asian affairs drastically, vaulting the United States into a leading Asian military force, while placing its greatest Asian ally, Japan, under its nuclear umbrella and protection. While Japan has benefited greatly from this, militarily and economically (less than 1% of GDP is spent on military), the new treaty, adopted in 1995, is attempting to create a more self-sufficient Japanese force.

While this does appear to be a good direction to take, some countries may see this as a veritable problem. Japan is, without a doubt, becoming more militaristic due to this treaty and, due to their past, some nations in Asia may fear this, such as China. Nonetheless, it is absolutely necessary to incorporate a double-sided view of the situation.

Since, this research is simply concentrating on Japan and the United States, it must be asserted that this treaty is advantageous for both nations. The U.S. does not have as much a financial and military burden on Japan's defense, and Japan is less reliant on outside forces.

TMD can be viewed with similar consequences. This is why the United States is so keen on the implementation of TMD systems in Asia, specifically in Japan and South Korea. It is a contemporary issue being incurred by both The United States and Japan, supposedly in Japan's best interest.

Economically, the ties between the two nations are quite obvious. In a direct approach of analysis the current account and trade were essential tools in illustrating the relationship. Moving in to a more specific realm, we looked at Japanese dumping tactics as well as importation laws. Japan is stingy when it comes to fair trade with the United States, but improvements are being made. Japan is beginning to allow multi-national corporations in for financial services. Large banks are moving in to reform the Japanese banking system, and restrictions are being lessened. This should help both economies in the long run and may also be exactly what the stagnant Japanese economy needs to resurrect itself from its recession.

In terms of the Asian Contagion, Japan is exemplifying less effort than the United States to cure the situation. Keizo Obuchi was elected as Prime Minister in July of 1998, for primarily this reason. It is theorized that if the Asian crisis can be dealt with positively, Japan will rise again. Thus far, Japanese politicians have showed little interest and innovation in efforts to help Asia. Obuchi, apparently, is prepared to help Asia, and in turn help Japan. Only time will tell, however.

In contemporary times, clearly the United States and Japanese relationship is one of the strongest alliances. Militarily they work together to implement peace and security in Asia, and financially, the necessity for each others economies is glaring. It is a tribute to human nature that two, seemingly different cultures, with different pasts can work together in order to create an Asian military and financial machine, coping with problems of vast variety and using numerous diplomatic tactics and precision.

ENDNOTES

¹ Weekly Compilation of Presidential Documents. June 29, 1998, pg. 1221

² www.jda.go.jp.com. pg.1

³ Ibid. pg.2

⁴ Ibid. pg.1

⁵ Ibid. pg.2

⁶ Ibid. pg.3

⁷ Ibid. pg.4

⁸ www.odci.gov/cia/publications/factbook/ja.html. pg.8

⁹ Far Eastern Economic Review. March 5, 1998, pg.36

¹⁰ Newsweek. May 10, 1996, pg.23

¹¹ Survival. Autumn 1997, pg.66

¹² Ibid. pg.68

¹³ International Strategy and Investment. June, 1998, pg.33

¹⁴ Ibid. pg. 41

¹⁵ Pacific Century. 1998

¹⁶ Foreign Affairs. July/August 1997, pg. 14

¹⁷ International Fixed Income Research. August 12, 1998, pg. 27

¹⁸ International Affairs. July, 1996, pg. 11

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