

Review Article

**Japan, Asia, and the Crash :
The Region and Realities, 1997-2000**

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Books reviewed :

Reinhard Drifte, *Japan's Foreign Policy in the 1990s* (Basingstoke, UK, 1996).

Pekka Korhonen, *Japan and Asia Pacific Integration* (London, 1998).

Walter Hatch and Kozo Yamamura, *Asia in Japan's Embrace* (Cambridge, 1996).

Larry Diamond & Marc F. Plattner (eds) *Democracy in East Asia* (Baltimore, 1998).

David A. Lake & Patrick M. Morgan (eds) *Regional Orders* (University Park, PA, 1997).

Ross H. McLeod & Ross Garnaut (eds) *East Asia in Crisis* (London, 1998).

P. W. Preston, *Pacific Asia in the Global System* (Oxford, 1998).

Muthiah Alagappa (ed.) *Asian Security Practice* (Stanford, 1998).

“In the Asia-Pacific region where we live, political and social conditions are generally stable, despite some ongoing disputes and conflicts. Economically, the region continue to enjoy dynamic growth, turning to its advantage its characteristically rich diversity and high level of openness... this Asia-Pacific region may indeed be acquiring a great potential to contribute politically and economically to the peace and prosperity of the world.”⁽¹⁾ With these opening remarks Prime Minister Miyazawa began his optimistic *tour d'horizon* in Bangkok on January 16th 1993. Miyazawa was eager both to salute ‘the “ASEAN way”’ of constructive diplomatic dialogue and to draw attention to his own nation’s commitment to further regionalism. Prime Minister Miyazawa stated that, given

the disappointing condition of the world economy, 'it is essential that the economy of the Asia-Pacific region, in particular that of the ASEAN countries, continue its dynamic development'.¹²⁾ It was not to be. By August 1997 the region found itself in a major economic and financial crisis that would begin in Thailand and engulf each and every state in the region.¹³⁾

Presented with what is still in the autumn of 1999 an ongoing series of domestic and external challenges to the Asia-Pacific region, the historian has two duties. He must first describe and then explain how the crash severely dented a thousand policy statements and left the region uncertain as to its future goals. Given the scale of the political, economic and human damage caused by recent events it would be surprising indeed if the region's self-confidence had not been shaken.

It was outsiders, as might well have been anticipated, who found it easier to point the finger at the sins of the region that were painfully exhibited in the two years following the initial thunder in Bangkok. It was, claims economist Paul Krugman, an unprecedented crisis: "Never in the course of economic events — not even in the early years of the Depression — has so large a part of the world economy experienced so devastating a fall from grace." Even in October 1999 when Asian governments were boasting that the region was well on the road to recovery, the first deputy managing director of the IMF warned of the prospect of further disruptions unless substantial financial and corporate reform was carried out immediately.¹⁴⁾ The fear that 'the strengthening recovery will reduce the urgency of reform, and allow a business-as-usual attitude to set in, is very real', cautioned the IMF at the World Economic Forum's meeting in Singapore.¹⁵⁾

The details of the 1997 Asian financial crisis are clearer than the doubts over where responsibility for the debacle lies. The immediate difficulties started in Thailand — on the eve incidentally of the re-occupation of Hong Kong by the People's Republic of China — before spreading in the form that the world's media aptly termed "Asian

contagion". It appears that international investors began to make massive withdrawals of funds from Southeast Asia in the wake of currency fluctuations.⁽⁶⁾ The ease and inexpense of capital mobility guaranteed that once the region's economies were felt to be vulnerable then international fund managers would withdraw their highly liquid assets. The Mcleod & Garnaut collection of essays provides a most helpful examination of what went wrong and what lessons might be learned from the rapid and large-scale disaster.⁽⁷⁾ The financial mishaps are stressed to the extent that 'the shock of 1997' is described as 'a defining event in the economic history of East Asia'.⁽⁸⁾ It concludes that 'Like the Great Depression in the West, it has the capacity to change thought about economic development and economic policy in fundamental ways'.⁽⁹⁾

Whether the 1997 crisis has substantially altered the region's policy behaviour is far from clear. In the winter of 1999 it is doubtful if Japan, for example, has accepted either its share of responsibility for what went wrong in the Asia-Pacific zone or yet altered its long-standing administrative and political practices. Japan gives little evidence of much shift in its thinking and continues to hope against hope that both the recovery of the region and its own long-delayed economic rehabilitation will occur without pain or cost to the stability of the state and its own society.⁽¹⁰⁾

The suggestion that Tokyo was involved in the beginning of the crisis and has done relatively little to assist in the solutions to the region's problems needs to be underlined. The view that it was merely the lapses of a small number of financial institutions that has held back Japan is implicit in Akiyoshi Horiuchi's chapter in *East Asia in Crisis*.⁽¹¹⁾ While a necessary part of the whole picture, it has nothing to say on the disappointing state of the wider Japanese economy in the 1990s. Others, fortunately, have been less reticent. Marcus Noland in his address to the Keidanren in September 1999 saw Japanese institutions as being partly to blame for the extraordinary inflows and outflows of funds from southeast Asia in the late 1980s and mid-1990s. It was not only Western speculators that invested and quickly disinvested as the bubble built up and then burst.⁽¹²⁾

The question of where contemporary Japan stands in its dealings with the Asia-Pacific region remains somewhat unclear, particularly as all nations have had to concentrate their energies on recovering, as best they can, from the downturns of the late 1990s.¹¹³ The topic though is obviously of major scholarly interest. All the works under review are obliged to consider this issue. The more ambitious student would attempt a synthesis that could boldly incorporate international relations, and current history with the newer discipline of political economy but that will only be possible after the more specialized monographs have been assimilated.

Pleas for clarity in this (and other) contexts are almost by definition un-Japanese. Indeed, as Drifte argues, there may be excellent political motives for such deliberate obfuscation.¹¹⁴ Yet the almost unanimous acceptance that Japan's economic and financial strengths are the key to its foreign policies can not be hidden. Japan is either a major economic power or it is nothing. How it deals with maintaining and expanding such a position in the Asia-Pacific region exercises all our authors.

There is general agreement among them that the recent Asian crisis is unlikely to alter the somewhat narrow focus of Japanese international relations.¹¹⁵ Moreover, it is suggested that the current crisis has greatly impaired the foreign policy debate on 'Whither Japan?' and further delayed the long-hoped for precision and clarity that must eventually be realized if Tokyo is serious about its claims to global influence. The 1990s have seen relatively little change in the international status of Japan; indeed, it is possible that Japan has regressed through narrowing its focus to long-standing but still only partly solved domestic issues.

The difficulties that observers experience in attempting to reach definite conclusions are bluntly seen in Drifte's subtitle —'From Economic Superpower to What Power?'— and the somewhat amorphous conclusions that he reaches.¹¹⁶ Others have encountered similar problems. The hopes expressed earlier in the 1990s on Japan's willingness to cooperate on vital global issues of security, poverty and the environment are no longer

presently near the top of the agenda.¹¹⁷⁾ We are left with a sense of disappointment at Japan's irresolution.

The view that Japan's primary interest is economic and that it will at best alter its behaviours only slowly is a frequent comment in the literature.¹¹⁸⁾ The claim that Japan is a 'regional superpower' (Drifte) and that its economic dominance in the Asia-Pacific region is such that, in Hatch and Yamaura's subtitle to their study, there is 'a regional production alliance' in the process of being born¹¹⁹⁾ characterizes commentary at least up to the eve of the 1997 crisis. Since then the relative failure of Japan to assist the region, primarily by improving its own economy and thereby enabling its neighbours to export more to Japan, has reduced the attractiveness of any Japanese model to others.¹²⁰⁾

Suggestions on Japan's international ambitions are most unlikely to reemerge until the economy improves and the financial position is clearer. What is apparent at the turn of the century is the uncertainty of both economic and security-related issues for Japan and the wider region. The economic and financial difficulties of the 1990s ensure, at the very least, that the "Pacific Century" rhetoric and the implicit assumption of Japanese leadership in such economic and (perhaps) cultural areas is now open to question. It is no longer possible for authors to boldly begin their essays on Asian regional security by stating unequivocally that the 'Asia-Pacific enjoys a peace and prosperity that is the envy of the rest of the world'.¹²¹⁾ Such optimism was always dubious and is now dangerous. All states and entities in the region are having presently to rethink their positions in the light of their own particular failings, both economic and often political,¹²²⁾ as well as the weaknesses of attempts at regionalism.

Most commentators appear to hold the view that the present balance of power structure, dependent on the United States and premised by essentially Cold War thinking, ought to be modified by the addition of cooperative, open structures that would encourage wider discussion and greater transparency among all parties in the region. The frequency with which such suggestions are made with regard to virtually each and every

relationship is not, however, necessarily reassuring.⁽²³⁾ It may simply be a substitute for more detailed and more difficult thought; it is highly improbable that constant reference to 'confidence building' can solve such myriad issues.⁽²⁴⁾ Getting the USA, Japan, the PRC and the Russian Federation to form multilateral bodies may take decades of work.

In a competitive and unstable regional environment it would appear unlikely that Japan is about to shift its basic strategy. The anxieties shared by its neighbours and portions of the Japanese public on any far-reaching move to alter its long-established security policies would seem to be unfounded.⁽²⁵⁾

The severe economic disruptions of the 1990s have reinforced the prevalent minimalism within the nation's foreign policy towards the Asia-Pacific region. Its options for the early 21st century are likely to be restricted by economic realities at home that will work against a more activist approach to Asia and the wider world. For the present it might be wise to echo the remarks of the first postwar British ambassador to Tokyo. When preparing his annual review on Japan in 1954, Sir Esler Dening adopted a suitably sceptical posture in the face of the unknown. He wrote to the Foreign Office that Japan 'was in the process of moving from defeat and occupation to the attainment of her new position in the world—whatever that may prove to be'.

Notes

- (1) 'The new era of the Asia-Pacific and Japan-ASEAN cooperation', policy speech by Prime Minister Miyazawa, 16 January 1993, *ASEAN Economic Bulletin*, (March 1993).
- (2) *ibid.*
- (3) The literature on the subject is only now surfacing. Throughout the summer of 1999, a succession of post-mortems were held in Tokyo under the auspices of the UN University, Japanese newspapers, the International House of Japan and industrial organizations.

- (4) Stanley Fischer's comments in report by Michael Richardson, *International Herald Tribune*, 19 October 1999.
- (5) *ibid.* cf. Reginald Dale, 'Asian economies could be drifting into part 2 of crisis', *IHT*, 15 October 1999.
- (6) For a detailed account see Ross Garnaut's introductory chapter in McLeod & Garnaut, *op. cit.* For warning signs that predate the crisis see *Financial Times*, 5 December 1996, (survey).
- (7) The authors are decidedly wary of assuming that long-term structural reforms will necessarily take place in the region. The prospect of repeated crises is posed in remarks such as 'even if reforms are carried out, the question then is whether they will be discredited as arrangements imposed from outside when the East Asian developing economies were in a position of weakness'.
- (8) *op. cit.*, p.21.
- (9) *ibid.*
- (10) This perspective has been reinforced by repeated statements by Japanese officialdom that the recession of the 1990s is over. The fact that this has been demonstrated on numerous occasions to be false appears to have done little to prevent yet more bromides from successive bureaucrats and their nominal political masters. This approach is highly counter-productive and merely adds to the already massive cynicism among the Japanese public.
- (11) Akiyoshi Horiuchi, 'Japan' in McLeod & Garnaut, *op. cit.*
- (12) Marcus Noland, speech to the Keidanren, 22 September 1999.
- (13) Japan's efforts to rethink its postwar policy goals predate the present Asian turmoil but unfortunately the imprecision has been permitted to continue as the nation concentrates only on tackling domestic economic crises.
- (14) Drifte, *op. cit.*, pp.6-9. Drifte suggests that 'recognition of Japan's power is sometimes unwanted because it may be politically inopportune, it may harm

relations with other countries or it may provoke demands for more Japanese international burden sharing’.

- (15) See also Buckley, ‘Declinism and Contemporary Japan : History versus Masochism, 1945-2000’, *The Journal of Social Science* 42 (1999).
- (16) Driete speaks of a bid for greater stature through ‘stealth and networking’ but suggests that this risks failing through the lack of public debate at home on Japan’s goals and the impatience of outsiders at the slowness of change.
- (17) See Haruo Shimada, ‘Parting ways with a Passive Foreign Policy’, *Economic Eye* (Winter 1993), trans. from *Chuo Koron*.
- (18) See, for example, Preston, *op. cit.*, pp. 156-160. He suggests that a larger political role ought to be possible but this will require other major powers to make ‘some form of accommodation in the not too distant future’.
- (19) Hatch & Yamamura, *op. cit.* They warn that Asia-Pacific states risk becoming ‘captive economies’ of Japan by overreliance on Japanese investment, aid and technology. This begs the question, however, of alternative donorship.
- (20) On the conjectural attractiveness, however, of a Japan-led Pacific Community in the 21st century to those living beyond Asia, see the conclusion to Pekka Korhonen’s work, *op. cit.*, pp. 200-202.
- (21) Susan L. Shirk in Lake & Morgan, *op. cit.*, p. 245.
- (22) The cases of Indonesia and Thailand are the most glaring but the faults in the Japanese political-bureaucratic arrangements should not go unrecognized. See Makoto Iokibe in Diamond & Plattner, *op. cit.*, for a look at the ‘closed mentality’ behind party politics.
- (23) If it were all so simple, then presumably much more progress would already have been made towards peaceful coexistence.
- (24) Brian Bridges, for example, employs the analogy in his recommendations for better European ties with the region; see Brian Bridges, *Europe and the Challenge*

of the Asia Pacific (Cheltenham, UK, 1999). Similar prescriptions can be seen in Muthiah Alagappa's edited volume, *op. cit.* See, for example, Yoshihide Soeya, 'Japan: Normative Constraints versus Structural Imperatives' and comment by Alagappa on Japan's postwar 'abnormality', *ibid.*

- (25) On the unlikelihood of more than incremental change see comments by Paul Stares, 'Japan's Security Policy: Continuity or Change?', paper delivered at Sophia University International Relations Workshop, 23 October 1999.