

Japan's Balancing Act: China, Asia and the U.S.

by

Ambassador Kawato Akio

Kawato Akio: Ladies and gentlemen, it is my great honor to be able to speak in such a renowned forum. This is my debut speech in Washington, D.C., and I will do my best so that this will not become my farewell speech.

I used to be an expert on the Soviet Union and on Russia, but all experts on Russia sort of lost their jobs after the fall of the Soviet Union. I picked up Asia as my new target. I revamped my career as well, quitting the service early as Ambassador in Uzbekistan to start my second life as an international blogger.

Over the past two years I traveled and studied Asian countries, China inter alia. I opened my own blog, *Japan-World Trends*, to disseminate my findings (www.akiokawato.com). This blog is in the English, Japanese, Chinese, and Russian languages, and is not funded by anyone. Likewise, all views which I present today are purely my individual and personal views.

I know that my colleague, Mr. Tanaka Hitoshi, made a speech in this forum about half a year ago. To avoid duplication I will speak about historical background and attempt a longer perspective.

Japan and the Current Situation in Asia

So let us take a sober look at the current situation in Asia, and try to free it from many kinds of myths and stereotypes. Because only then can we determine what Japan and America should do and can do.

Physically, America is very far away from Asia and Japan is very small, on the rim of the Eurasian continent. But in today's world, the vast ocean can even promote trade and communication. So in real terms, we could place the United States just next to Japan. Indeed, the United States is a close member of the Asian community, not only in politics and military affairs, but also in the economy.

This location of Japan, however, would remind you of Switzerland in Western Europe, surrounded by big countries like Germany, France, Italy, and Austria. But Japan economy-wise is a big country, still 2.5 times larger than Chinese GDP and four times larger than Russian GDP. The Japanese economy still occupies more than 50 percent of the total Asian GDP, including China.

However, in view of the resurgence of China, Japan is not able to cling to the happy notion that Japan is the center of Asia. It is time for us to define the real position of Japan in Asia in a sober, modest, and responsible manner. So let's take a look back at the history of Asia.

The Sino-Centric Order and the Myth of Japanese Uniqueness

I think most of you know the terms for the two systems which sustained Chinese hegemony in medieval times: Cefeng and Chaogong. The Cefeng system was made up of a series of alliance-subordinations around China. If you vow subordination to the Chinese emperor, then your security

will be assured by China. If you do not vow subordination to China, you might get invaded by China—that kind of system.

Chaogong is the economic side of the Cefeng system. It meant monopoly on trade, monopoly by the Chinese emperor and a vassal king. This system existed for more than 2,000 years. In ancient times, Japan was also a member of this system. But about 1,500 years ago, we became independent. This is a very peculiar point about our history. Almost all other East Asian countries were either merged with or subjugated by China for centuries.

This independence gave birth to the myth about Japanese culture as if it were very original, exquisite, and very peculiar. I do not necessarily agree with such views, for Japan always had very active traffic and communications with mainland China, importing many elements of Chinese culture, which greatly contributed to the formation of Japan's culture. We tended to over-stress the originality of Japanese culture.

Then Commodore Perry came to Japan 150 years ago. This event is much touted in Japan, as if Japan mattered very much in the eyes of the Americans. But if you read the letter of President Fillmore to the Japanese Emperor, it effectively says that America needs Japanese ports to be opened for American trade with China, namely for supply of coal and water. Japan used to be a producer of natural resources, including gold and coal. 150 years ago, the export of coal was the main source of our foreign currency. American vessels also needed ports in Japan because the Americans were actively engaging in whaling in the Pacific Ocean.

So, 150 years ago, Japan was not the main

target. The main objective was China for the Americans. This relationship between the U.S.A. and China was intensified during the Second World War, quite naturally. They had a formal alliance. Just after the Second World War, more than 60 percent of government revenue of Kuomintang China was financed by American economic assistance.

After the war, America first attempted to render Japan a third-rate country in Asia. The American occupation forces began stripping Japanese factories of equipment and machinery. More than 1,000 Japanese officers, soldiers, and civilians were executed through summary court procedures. More than 600,000 were taken to forced labor camps in the Soviet Union, and 70,000 of them perished from cold and hunger. Japanese overseas assets were confiscated and those assets amounted to about \$25 billion.

Although many countries waived their right to demand compensation from Japan when they signed the San Francisco Peace Treaty, nevertheless we conferred compensation to some countries: Burma, the Philippines, Indonesia, and Vietnam. If we take the Philippines, the amount is \$550 million. It doesn't look like much, but when this agreement was concluded in 1956, it amounted to half of Japanese foreign currency reserves and 18 percent of the Japanese government's budget. So, although the payment was done in installments, the burden of compensation on Japan was not small.

The Japan-U.S. Alliance

But right thereafter came the period of the Cold War. The Soviet Union and China—both were allies during the war—had become the enemies of the U.S. This turned

out to be very comfortable for Japan, both politically and economically speaking. The United States changed its policy overnight from making Japan a third-rate country to making it its number one partner in Asia, as a bridgehead of the United States in Asia.

The Japanese archipelago, militarily speaking, is very important. Okinawa and the small islands to its south form a chain to Taiwan. They serve as a kind of lid vis-à-vis third countries' navies.

Also, Japan serves as an ideal base for the aviation forces of the United States and for the U.S. Marines. Japanese ports, such as Yokosuka with its huge docks, are the only ports in Asia which can repair American aircraft carriers. For the U.S. Army, Japan is an ideal place to keep their ammunition. On top of that, stationing American troops in Japan is quite convenient for the United States in that as much as two-thirds of the expenditures are funded by the Japanese government.

Japanese Diplomacy

Therefore, Japan has become very important in the eyes of the United States. Using this status, protected by the United States, Japan tried to improve its own international status by deploying its own diplomacy. For example, ASEAN. I see ASEAN as one of the best achievements of Japan's postwar diplomacy. When ASEAN was started 40 years ago, no one took it seriously. But Japan saw a great value in it and conferred a large amount of economic assistance, mainly low-interest loans, with a returning period of 30 to 40 years. Nowadays, we see ASEAN as a kind of loosely united international entity, which can perform a political and also an economic role in Asia. It can work in such a way to mitigate conflicting interests

among surrounding big powers: Japan, America, and China.

Another success is peacemaking in Cambodia. After the Pol Pot regime, together with Mr. Akashi, an Undersecretary-General of the United Nations, the Japanese government made every effort to bring the general election in Cambodia to a successful conclusion. And we now have a more or less stable government in Cambodia.

Also, when the Tiananmen incident took place in 1989, Japan was the first country which came to help the Chinese government, rendering a huge amount of economic assistance a few years later. It was intended to maintain stability in China. Instability in China would not be in Japan's interest.

Japan contributed quite a lot in bringing to the fore the so-called "new dragons in Asia." I don't know how many of you still remember the word NIEs, Newly Industrializing Economies, those countries like Taiwan, Hong Kong, Singapore, and later Thailand. Those economies developed with the help of Japanese and American economic assistance and direct investment.

Japan as Number One and the Rise of China

After all of this, we came to believe in a kind of mythic euphoria: "Japan as Number One" as put forward by Ezra Vogel. Many people wrote that the 21st century belongs to Japan. And some Japanese came to believe it.

Thereafter occurred a colossal downfall of Japan: the Plaza Accord. The finance ministers of five industrialized countries came together at the Plaza Hotel in New

York City, and they agreed upon a gradual fall of the dollar's value. But international financial markets didn't allow a gradual fall, generating a sudden fall of the dollar's value. In two years, the value of the yen, vis-à-vis the dollar, rose two to three-fold. No country and no economy could sustain such a sudden appreciation of their currency.

Japanese exports in the five years after 1985 did not grow at all, while American exports doubled in the same period. The Japanese government at first managed to sustain growth by inflating government expenditures and by lowering the interest rate of the central bank. Up to 1991 Japan survived even with great success: the famous Bubble Economy. And, of course, it popped in 1991.

So then we faced a big question: what can we do and what should we do? The only way out for us was production in China. Fortunately, Deng Xiaoping, the leader of China at that time, made a famous speech in 1992 inviting foreign investment in China, creating favorable conditions for it. So 1993 became a watershed year for investment in China, and perhaps for overall international relations. The investment frenzy in China started. First, Taiwan and Hong Kong came, Japan followed suit, and the United States and everyone followed. Accumulating this capital, the Chinese people themselves started a cycle of investment, building high-rise buildings and selling these high-rise buildings at a higher price to others. And these others again sold the high-rise buildings at even higher prices to others. In such a way, Chinese economic growth started. Even today, 40 percent of Chinese economic growth consists of construction. So we can say that high-rise buildings are the main commodity of the Chinese economy.

As foreigners built many factories in China, it became a big exporter as well, and for many countries, China became trade partner number one. Nowadays, for Japan, China is trade partner number one surpassing the United States. For the U.S., too, China matters more than Japan as trade partner; the volume of trade with China is 1.7 times larger than the trade with Japan.

So Asia is becoming trade partner number one even for the United States and the EU. It is largely because of China. And this reminds me of the medieval age when China and India were the centers of global trade and manufacturing: ceramics, pottery, and textiles.

The entire Indian Ocean and the Chinese seas were very active trade routes. The Indian Ocean commerce was managed by Iranians and Arabs. That was in the time of Sinbad. The trade in the Chinese seas was managed mainly by Chinese and sometimes by Japanese. And the Okinawan Islands used to be a trade hub in the Chinese seas.

Then are we now going back to medieval Asia? I would say no. And I believe that the U.S.A., EU and ASEAN countries will also say no. For these countries are now far stronger than in the medieval age.

A New System in Asia

Therefore, we have to build a new system in Asia for stability, prosperity, and perhaps more freedom with deep involvement of both old and new forces in the region. Asia today is the engine of economic development for the entire world. Only in Asia can we make huge profits and enlarge the size of our companies.

So the question is, how can we build a system that ensures win-win relations

among Asian countries as well as among countries in the world? In working out such a future system, several elements should be reckoned with; some of them might conflict with your understanding of the situation. First of all, we have to take note of the fact that the majority of Asian countries support the maintenance of the status quo. We are quite often told that the Chinese government has an ambition to unify Taiwan with the mainland by armed means. But when I talk to Chinese experts on this matter, they in one voice tell me that they do not want to see such a violent situation. They prefer to preserve the status quo with Taiwan—neither total independence nor total dependence—because China today needs stability most of all in their neighborhood.

Within eight years, China will become the most aged country in the world with the population of people above 60 surpassing 200 million. In such a short period of time they will have to build a viable pension system, which they don't have today. You may be able to understand the feeling of urgency on the part of Chinese policymakers.

Therefore, they need the maintenance of the status quo with Taiwan and on the Korean Peninsula. The existence of North Korea works as a buffer zone for China vis-à-vis South Korea, where American troops are located. They need a buffer state.

Secondly, we have to take note of a very important factor: free trade with the United States is the most vital thing for all East Asian countries. It is true that China has become trade partner number one for Japan and South Korea, but we have to note that via China, we still export a large quantity of commodities to American market. So as long as free trade with the United States is

maintained, we are happy, and the win-win situation in Asia can be maintained. These points above may be defined as centripetal forces in Asia.

But we have centrifugal forces in Asia as well. Number one is populism in most East Asian countries today. In Japan, we have a populist government, in South Korea, too. In Taiwan, they also have a populist government. President Chen, from time to time, refers to total independence, but it is mainly to rouse political support for his government. Populism is a kind of democracy, but instead of true leadership, it provides only demagoguery. It is quite close to direct democracy, but it lacks the institutions needed for real democracy. Uninstitutionalized direct democracy is populism, I think.

As the second dividing force, we have the historical enmity between Japan, China, and Korea. It is true that the people in China and South Korea act all the time out of their enmity toward Japan. But the lifestyles are becoming closer in East Asian countries. If you go to East Asia and stay in a hotel, in the morning you look out the window, and sometimes you cannot figure out which country you are in. It could be Tokyo, it could be Taipei or Seoul or even Beijing or Shanghai. So the appearance of the civilization is becoming more uniform. The East Asian younger generation has become more individualistic and they love American rock music and Japanese pop music. But for the historical enmity, they would have a lot of reasons to be sympathetic toward each other.

Another dividing force in Asia is the love and hate attitude towards America. East Asian countries compete with each other for the favor of the United States, and I call it the "if you (America) do not call me your

first wife, I'll hate you" syndrome. But please note that, for example, Russia has two first deputy prime ministers. So in Asia, I think there can be two or three first partners of the United States.

Before contemplating a future system for stability in Asia, we will have to sort out several things. First of all, the nation-state; is the nation-state still viable in the contemporary world and in contemporary Asia? Is it needed? The nation-state, in the context of pre-modern Europe, was formulated mainly to conduct war and to get the largest colonies. It was a machine for taxation of the people and recruitment of soldiers. In other words, the nation-state was designed to break the status quo.

In East Asian countries, there were wars with each other. But it seems to me that the nature of the Asian states was different from that of the nation-state in Europe. For example, when we analyze the nature of Chinese governments, we notice that Chinese emperors only seldom performed leadership roles, and in most cases the government was run by bureaucrats, faceless bureaucrats. I call it bureaucratic absolutism based upon Confucianism. Since that type of government lacked strong leadership, it was fit for a time of peace.

In Asia today, all countries are forming nation-states of the European type. However, we should ask ourselves whether we really need them or not. What we need is free trade, with the United States inter alia, and maintenance of stability in Asia. If that is the case, our governments could be re-engineered.

Secondly, the Japan-U.S. alliance may require a redefinition. True, we definitely need to maintain the alliance; otherwise, Japan's international status would sink

substantially. The presence of the United States in Asia will become less constant if it loses its bases in Japan. Therefore, Japan and America should communicate the idea to Asian countries that their alliance serves the maintenance of the status quo in Asia. In other words, the Japan-U.S. alliance should turn into a common asset for Asia as a whole.

Sino-Japanese Relations

Thirdly, we have to solve or contain at least the quagmire between Japan and China. For if they cannot coexist, there is no way to plan a future collective system in Asia. And I think Japan and China can coexist. In the beginning of April, when the Prime Minister of China, Mr. Wen Jiabao, visited Japan, he made an impressive speech in the Japanese Parliament. I quote his words (my own translation): "The Japanese government and its leaders have expressed several times deep remorse and apology for the invasion. The Chinese government and the people highly value this. We sincerely hope that Japan will prove its words by its acts." In general, this is a very positive statement about Japan, although China still cautions Mr. Abe not to visit Yasukuni Shrine. That is expressed in the words, "we sincerely hope that Japan will prove its words by its acts." It implies Yasukuni Shrine. Next, he said, "we refer to history not for keeping enmity, but for building a better future." This is not the first time that Chinese leaders have said this kind of thing, but nevertheless, this is very positive. Mr. Wen Jiabao said further, "Japan has been peacefully developing after the war." The message is that the Chinese government no longer considers Japan to be a militarist country. Although Mr. Wen Jiabao failed to read this phrase, it is printed in his speech. I do not think that it was his intention to drop the phrase.

Japan and China can coexist because, as I said, China needs stability around itself. From Japan they need investment and technology. Currently, U.S. investment in China accounts for 1 percent of Chinese annual economic growth and Japanese investment to China accounts for 0.6 percent.

Many people consider Japan and China to be economic rivals, but we are not rivals—at least not yet. Japan has greatly benefited from its trade with China. Our economies are complementary. Japan exports machinery and equipment to China and China exports to Japan the final product built in Japanese factories. So Japan does not have either a huge trade deficit or surplus. Large exports to China is even one of the reasons why the Japanese economy has recovered recently.

And yet, it is true that we have some unclear elements in Sino-Japanese relations. For example, in this coming autumn, China will have a Party Congress, the most important political event in their system. At this Party Congress, Mr. Hu Jintao will firmly secure his power, having his followers nominated to key posts. Until then, Japan should be careful so that the Japan card is not played negatively by those who might oppose the current Chinese leadership.

Secondly, the sentiment of the Japanese matters. Most of the Japanese people still remain very nervous vis-à-vis China. Whatever China does, those people see it in a negative light. Even Mr. Wen Jiabao's visit to Japan was criticized in one program on Japanese TV because they thought that Mr. Hu Jintao, the formal counterpart of Mr. Abe who paid a visit to China last autumn, and not Mr. Wen Jiabao should have visited Japan.

We are nervous because our economy has been suffering during the past 15 years since 1990, and our international status went down during this economic depression, while the Chinese position has gone up quite substantially. And we had a severe defeat in the Security Council of the United Nations. Japan was not able to become a permanent member of the Security Council. Also, many Japanese feel that they have not received enough support from the United States on the North Korean nuclear bomb issue. Fear of being sidelined by the ongoing rapprochement between the U.S., China, and North Korea makes the Japanese even more nervous vis-à-vis China.

Energy

Lastly, I would like to mention energy. Many people in the United States for some reason firmly believe that Japan and China will engage in a fierce battle over energy resources. But it might be a simplistic understanding, and Japan and China may be able to coexist even in this field, because firstly, China is still largely dependent on cheap coal. 70 percent of their energy supplies come from coal. Since overseas oil is too expensive for ordinary consumers in China, the prices get subsidized by the government. So the more they use imported oil, the more they have to spend from the official budget.

In 2004, oil imports by the U.S.A. were 576 million tons; it was about one-fourth of global imports. Japan imported about 200 million tons; it was about 10 percent of global imports. China imported about 140 million tons in 2006. In 2015, it is predicted that China will import 210 million tons. It means that China will add 60 million tons. This number corresponds to two thirds of the current total imports of France and the

total exports of United Arab Emirates. It is quite substantial. We have to find 60 million tons of crude oil somewhere. But in this, Japan may be able to play some role, because Japanese imports of oil decreased by 19 million tons from 1995 to 2004. Japan is, to my surprise as well, an exporter of oil products. Japan exported 20 million tons of oil products in 2005. It seems that many refineries in Japan have become redundant because of falling consumption. Japan is exporting gasoline even to the United States. Who knows? Some day you may find Japan as a member of OPEC.

All in all, there are good reasons to believe that we will be able to keep stability and prosperity in Asia. The alliance between Japan and the U.S. will keep functioning as mainstay of it.

A New Collective Arrangement for Stability in Asia

Together with this, we need some kind of multilateral arrangement to engage China and all Asian countries to make them feel committed to peace and stability in Asia. Many attempts have been already undertaken in this direction: safety measures against pirates in the Malacca Straits, for example. Cooperation in finance is proceeding quite substantially, and I admire the efforts by the Japanese Ministry of Finance in this affair, they are quite realistic and concrete. We now have a collective agreement for currency swaps during financial crises and we created Asian bonds, too.

APEC is still active, and it is worth noting that among APEC's members are Taiwan and some countries from Central America and South America. We have the ASEAN Regional Forum, ARF, for discussion of security affairs, and North Korea is a

member. We also have ASEAN Plus, involving Japan, China, South Korea, Australia, India, and preferably the U.S.

These are the current multilateral arrangements, but I notice that these fora are now losing momentum. Perhaps we need a new impetus for collective arrangements in Asia. So I personally propose a kind of Asian version of the CSCE. CSCE stands for Conference for Security and Cooperation in Europe. The CSCE began in 1973 in Helsinki, adopting the so-called Helsinki Charter. In this conference, the United States, Canada, Western European countries, the Soviet Union, Eastern European countries, all countries took part, and they agreed upon the necessity of maintaining the status quo in Europe. They agreed not to attempt to change the current borders by armed force. They also agreed upon confidence building measures as well. If we do a similar thing in Asia, we may be able to fix the status quo with Taiwan, the Korean Peninsula. The principle of free trade, the source of wealth for all Asian countries, should be also highly commended. I'm sorry for giving such a long speech, but that is it. Thank you very much for your attention.

Henry Nau: Well, thank you very much Ambassador Kawato. That was a very thorough presentation and very easy to follow, for which I am grateful, since we were asked to put our remarks together from what Ambassador Kawato actually had to say. I am neither a Japan specialist nor an Asian specialist, so I'm having trouble initially figuring out why I'm on this panel.

But from time to time, I convince myself against the opinion of some of my colleagues that I know something about U.S. foreign policy, so I will pitch my

comments to what you've had to say largely from that perspective, although, I think in this regard, there is a strong overlap. At least I will argue that there is a very strong overlap between American interests and Japanese interests in thinking about the security and prosperity of Asia, as well as the world, over the next decade or more.

Alliances as Common Assets

I want to start by pulling something out of one of your slides, which was actually the only statement on that slide, so I'm assuming that that suggested some significant priority on your part, and that is that the U.S.-Japan alliance is a common asset. I want to argue that in some sense, it's the lynchpin of the future of Asia, both in terms of stability and in terms of economic prosperity. And by lynchpin I mean that if it were unplugged in some way, it would set loose a series of developments that would essentially resemble the security dilemma, the well-known security dilemma, a competition for power that could very well wreck the future of both Asia and the world.

I would compare it in this sense to the critical importance that some people have attributed to the German-Russian relationship prior to World War I. When that relationship became unstuck in the 1890s, it immediately set in motion in Europe a series of developments related to the security dilemma that ultimately led to World War I. What do I mean? I mean that the minute Germany no longer had a secure relationship with Russia, Germany had to start thinking about fighting a two front war and indeed the plans for doing so stemmed from roughly the early 1890s when the treaty relationship with Russia was broken. As a consequence, Germany had to be strong enough to deal with war on

both borders. Being that strong meant that, of course, the countries around her were threatened, at least individually threatened, and felt as though perhaps they should get together in order to deal with this stronger Germany. That only reinforced Germany's insecurity and its need to contemplate more power in order to fight a two-front war. There is a good case to be made that that fundamental unhinging of a critical relationship had a lot to do, obviously along with many other things, with the breakdown of security in Europe before World War I.

In Asia today, there are some similarities but I don't want to overstate them. Obviously you have a rising power in China as you did in Europe before World War II, but my sense is that this critical relationship between the United States and Japan, if it were unhinged, would set in motion a tri-polar competition for power in Asia between the United States, Japan, and China. I am leaving Russia aside for the moment. That would be an extraordinarily dangerous set of events that could follow over the course of the next decade or so.

Some scholars think that the tri-polar arrangement of power is the most unstable and indeed, that is what ultimately led to World War II, tri-polar competition between Germany, the Soviet Union, and the United States. It seems to me there is enough logic to that to be worried about it. So I start from the premise that look, we don't need to face that kind of a future. The reason, by the way, that tri-polar competition is dangerous is because you have to get that partner. Somebody has to win that partner. Whoever gets a partner obviously has dominance, and so it is a fierce competition. We don't need to face that kind of a future in Asia because, in effect, we have partners that are solidly aligned with one another. The situation is

pretty clear at this point in time. It is clear from the standpoint of both Japan and the United States. I think it's clear from the standpoint of China.

Therefore, it is terribly important as we move forward into a new era now, because we are moving forward into a new era, both in the case of developments that are going on in Japan and in the case of developments taking place here in the United States, it is absolutely critical, I think, that we keep our eye on that ball and that that is the relationship on which we have to build and think about the future of Asia as well as the world.

By the way, in this sense, I would say that Japan is the first wife. We may from time to time have an affair with China or some other country in the region, but from my point of view, Japan is going to have to be the first wife of an effective American policy in Asia that protects our interests and fundamentally, I think, stabilizes and protects the interests of Japan and other cooperating countries in that region. But it's going to be tested; it is going to be tested very, very severely in three areas. And I am just going to identify those areas and we can have some discussion about them.

Tests of the U.S.-Japan Alliance

The first is the military relationship between the United States and Japan; it is going to change. It has been one of the most stable relationships, in a sense, that you can identify, frankly, in the last 50 or 60 years. Japan has clearly been the junior partner, has been essentially uninvolved in much of the defense planning in the region, and has been essentially satisfied with that position. Now that is changing, it's been changing for the last decade and a half, it continues to change. Japan is going to

work out a more equal role in the relationship, not unlike the way, in fact, Europeans are struggling to work out and did, during the Cold War even, a more equal relationship with the United States in the context of the defense alliance. It's going to want more influence. It's going to want to be heard, paid attention to. By the way, it is going to be integrated more gradually and more completely into the defense planning, including nuclear planning, of the United States in Asia. And this is going to be something that American policymakers are going to really have to keep their eye on because there are going to be doubts about the American alliance. You suggested, in fact, in your talk some ambivalence in this regard. Lots of issues fall into this category: concerns about North Korea, longer term concerns about China.

China, you suggest that everyone is in favor of the status quo in Asia, but China is changing the status quo. I wanted to ask when you were saying that, which status quo, the one yesterday or the one tomorrow? Because the status quo is changing very rapidly in Asia and of course China is going to, if this continues, probably with some stumbles in the future, but nevertheless, I suspect it will continue becoming a much bigger power and player. That map of economic size that you showed is going to change. And that is going to change the status quo and that is going to suggest some real adaptation, the need for some real adaptation on the part of the United States and Japan in the context of the alliance.

The second area where I think there are going to be some real pressures within the alliance and adjustments in the U.S.-Japan relationship is with respect to the Middle East. Both countries are heavily dependent upon oil. That is where the oil supply for

the indefinite future is centered. Japan has now suggested, both by its support of American activities in the Indian Ocean and Afghanistan and by its support of activities in Iraq, that it sees its interests as being substantially involved in these areas, particularly in the Middle East. There is the potential there for some real differences to emerge between the United States and Japan unless again, we keep our eye on the ball. In this area, we will face conflicts, of course, with Russia and with China. That will test the ability of the U.S.-Japan relationship, it seems to me, to work out arrangements that maintain the solidarity of our position, while we may have to take, from time to time, different positions with respect to different issues, just as the U.S. and the Europeans did on various issues in the Cold War, as well as in the 1990s.

Finally, a third area where there are going to be real tensions, I think, is in this area of economic integration, free trade, the character of the global economy that is going to emerge in the next decade or more. You made, I think, an extremely important point which I don't think we ought to forget, either the U.S. or Japan, and that is that the modern world economy, the modern multilateral economic system that we have, was built, essentially, for almost every country at the outset on the back of the American market.

If you look at every single Asian country, from Japan on, you will find that in the most explosive period of their growth, they exported 30 and sometimes as high as 50 percent of their products to the American market. So global markets were open, they were open as a result of a very, very deliberate policy of multilateral free trade.

That policy and that approach, it seems to me, is under challenge today, without

question. Maybe primarily in Asia, where we obviously, led by the United States, are undertaking a rash of bilateral trade agreements, most recently of course the U.S.-South Korea free trade agreement. Japan and China are also developing these or at least talking about these free trade agreements in considerable numbers.

The real question is going to be what kind of world economy are we going to see in the future? Is it going to be a regional economy that is going to be largely based upon the bilateral pattern that maybe is more consistent with the history of Asia, as you were suggesting, sort of a tribute system that may revolve around China or China and Japan? Or are we going to have a system that is going to continue to be open globally in which not only American markets, but also European markets and other markets around the world become progressively more open?

I think for the sake of managing the explosive growth that is going to take place in Asia over the next decade or two, which we hope will take place over the next decade or two, it's going to be very important for that region to be globally integrated and to be a part of a global system led, in effect, by the United States and Japan and Britain and other countries, obviously Australia, but countries that are going to have to renew their conviction that even as we take care of problems created at home by globalization, and there are plenty of them, we recognize that at the margins, we must continue to stay on this course of worldwide open markets as the premise for absorbing now what will be, I think, enormous change. Change potentially for the better, particularly in Asia, but in a way in which, in fact, the world economy can accommodate it.

In all of these areas, I would just conclude by saying that the U.S.-Japan alliance remains critical for all of these interesting reasons, even as it has to change. It is going to be, I think, the critical lynchpin of the security of the modern world and certainly of Asia in the next couple of decades.

Richard Samuels: Thanks very much. It is terrific to see Ambassador Kawato here. We've known each other since his days as Consul-General in pre-Matsuzaka Boston, and we've stayed in touch ever since. I am delighted that he was as provocative and as informative and as lively as ever. He did not disappoint.

What I want to do is try to be brief and pick up on five points, some of which actually overlap with Henry's points. I apologize in advance for what may seem a scatter shot quality to the remarks, but I will try anyway.

Size

First, I want to start where Ambassador Kawato started, which is with the issue of size. I was intrigued when he made two claims about size and distance, that America is far from Asia and Japan is small. And quickly he said that of course, America is not far from Asia and showed us why, and he said of course Japan is not small, and he showed us an economic map, a map scaled to the size of the economy. But it seemed to me curious that at the end of the day, he had a very small Japan sandwiched between a very large China and a very large United States, which raised some questions for me. One question is, would that be the picture as seen from the continent of a small, weak, helpless Japan? It's a rhetorical question—I think not.

More important, it seems to me that

economics, material measures of the size of a country and its reach are often not as critical as the national identity or the definition of the country by the folks themselves. Which reminds me, and I think should remind all of us, that Japan is in the middle of a debate now between whether it, in fact, is and ought to be big or is and ought to be small. It's an old debate in Japan. It's a debate that goes back to the early part of the 20th century with Ishibashi Tanzan and Shidehara and so forth. I'm not going to be academic and pedantic about it. The point is though that that debate is still with us and was in that slide. I think the presumption that Japan will be small—the small island trading nation dependent upon imported raw materials—or be big is, I think, an empirical question. We are going to find out soon. To frame it as a non-rhetorical question, will Japan really be comfortable with an identity that places itself as a small, island trading nation? I know my answer to the question, but I guess I would like to hear Kawato-san's.

Sovereignty

The second issue is sovereignty, and this came up in Henry's remarks as well. He and I both pick up on this issue of ambivalence toward the United States and all I can add are a couple of exclamation points. That ambivalence is palpable in Japan today. I think Ambassador Kawato is also correct about how precious to the United States U.S. bases have been, naval and air pre-positioning, and how cheap they've been. Again, have been. All of this raises the sovereignty issue. This notion that Japan has been a junior partner and now wants equality—Henry's point is exactly right. The question for Kawato-san and I think for everyone who is looking at the issue of sovereignty is, what is the mood in Japan about Japanese autonomy,

about Japanese sovereignty? When will we see a resolution to the debate about the extent to which Japan is truly an independent country? I think the debate is raging today as vigorously as I've ever seen it in the post-war period.

Economy

Third is the issue of the economy. I was really struck by Kawato-san's characterization of Japan's second defeat in 1985 at the Plaza. I thought that was very smart and very interesting. Because so often we hear that the second defeat came at the hands of Richard Nixon a little bit more than a decade earlier, the Nixon shocks and so forth. But as I was thinking about this claim about the second defeat, I turned to look at the slide and I saw at the bottom right hand corner of the slide, the *maneki neko*. And you know, in the context of the economy, what is the *maneki neko* doing? He is inviting people in. And the country that is inviting people in in Asia is not Japan. The country that is inviting people in, investors in particular—I'm talking about foreign direct investment—has been China in a really dramatically different way, a different path of industrialization and growth. The figures, until recently, were one half of one percent of GDP was direct foreign investment in Japan. That has gone up dramatically, all the way up to 2.2 percent, which is dramatically less than it is in China, 13 percent, 15 percent, or the United States and so forth. So the question that that raises is when will Japan become a normal nation vis-à-vis foreign direct investment, and a corollary question is why should anyone care at this point, given what China has been able to accomplish? And I guess a corollary to the corollary is, isn't it a problem that nobody may care?

A second question about the economy is on the characterization of win/win. Henry picked up on this, too, and I think he was right. That is, the Sino-Japanese economic relationship is win/win so long as the U.S. market remains open. There is complementarity and there has been complementarity over time. But over time, the Chinese economy is going to look more like the Japanese one. Not any time soon, but the day is coming. Japanese investors in China know that, which is why they've begun black boxing their technology in the investments that they make on the continent. They are worried about loss of intellectual property and they tell each other the story about what happened with Korea and vow never to have it happen again. So "burakku bokkusu", you are hearing that rhetoric now among Japanese investors. So the question then is, on this point, what are the consequences when the bilateral economic relationship becomes less complementary than it is still today?

Security

The fourth issue is security, and here Henry and I are very much on the same page, I think, and Kawato-san as well. To a certain extent, this is where I want to probe a little bit. Japan and China, he says, need free trade and political stability, China needs the status quo. But Henry is right, just as the United States is not a status quo power in the world, as we've seen in the Middle East, China is not a status quo power just by sheer virtue of its expansion in size, its rise. The stability that we all are grateful for comes from the U.S.'s continued willingness to be present, and from the alliance as that so-called common asset. The question here is why should China accept that arrangement once it reaches its security goals and no longer really needs the status quo? Here is where I will

disagree with Kawato-san. It seems to me that China's acceptance of the status quo on Taiwan is temporal and not a secret. China will not accept the Taiwan status quo indefinitely.

So if the CSCE is the solution—and it is attractive to many and it's been tossed about in many forums—then, perforce, the U.S. Japan alliance no longer has centrality, something else begins to take its place. By definition, it is not the status quo and so the question is, is there a strategy? What should the strategy be for a shift in the alliance and security framework that involves two powers, one centrally depending on the alliance and one increasingly depending on a CSCE kind of arrangement?

History

The final point is the question of history. I appreciated very much Ambassador Kawato's frank assessment of the chaos that existed in the ruins of empire and here I am consciously stealing the title of a new book by one of Henry's colleagues at George Washington University, Ronald Spector, called *The Ruins of Empire*, which is a terrific book. It is the story of the confiscations, it is the story of the executions, it is the story of the reparations.

I would just take issue on one historical point: the question of those reparations. Ambassador Kawato talked about the monetary figures, their size, and they were significant at the time, particularly as a percentage of the Japanese economy. But many of them came in the form of contracts given to Japanese manufacturers and it was a very effective way to reinvigorate the Japanese economy. In fact there are cases, I've seen them in the archives, the Indonesian case is the one that comes to

mind, in which Japanese diplomats negotiated very tough terms with the Indonesians about what the size of the reparations would be. Japanese politicians came in and said to double it. Why? Well, because they were able to give contracts to political supporters and so forth. I wouldn't make too much of how difficult it was for the Japanese to undertake these reparations.

And the absolute final point, he spoke of Japan/China/Korea enmity and he spoke of it with a question mark, which I find curious. Now there is plenty of responsibility to go around. Whenever there is enmity, there is plenty of responsibility to go around. But the question I have is, if you believe that the question mark doesn't belong there, then aren't you engaging in wishful thinking? One wonders what Japan—I'm not here responding to a presentation by a Chinese or a Korean—needs to do differently, if anything, to make sure that that question mark about enmity goes away, that the enmity itself goes away. Thank you very much.

John Ikenberry: Thank you very much, Dick. With that set of rich remarks, I want to open things up. I think we will wait and let the Ambassador respond to the comments as we go forward.

Questioner: Thanks to all three of you for your stimulating comments. I am drawn to Henry's depiction of the vital lynchpin strategy. In other words, what you are really arguing is that there is a stable equilibrium of interests that is stable because of that lynchpin. If that changes, a lot comes apart.

American Decline in Asia?

I guess my question is, isn't it coming apart

in lots of other parts of the world and isn't that competition for power sort of grabbing some of the key players out of Asia? CSIS hosted an absolutely fantastic forum for 28 aspiring, rising Japanese foreign ministry officials here not too long ago. I was invited to spend some time with them along with some others. I think it's not violating anything to report that I asked them a question which was, how many of them saw American power in Asia rising? How many of them saw American power floundering around about where it is now, meaning sort of on again, off again? And how many of them saw American power in Asia in structural decline? And if they saw structural decline, what kinds of scenarios were they building and thinking about regarding their future? All 28 said structural decline, which is radical. I mean, to hear Japanese foreign ministry officials, who are usually the preservers and spear carriers of the relationship, kind of like Henry depicted it, to confide that reality as they saw it, was remarkable. These young foreign ministry officials see the world in radically different terms and their immediate neighborhood in different terms than I think Henry and Dick depicted it. So I am wondering, are we pining for something that we'd like to have that simply is not sustaining itself very well?

Ikenberry: Would each panel member take a stab at that one?

Nau: I will make a quick comment. Look, I mean, Asia is ineluctably now linked to the rest of the world, so developments that take place in the Middle East, as we are now seeing, will significantly affect American policy in Asia. If you project that we go through a period, after extracting ourselves from Iraq, of self-absorption, as we did in the '70s, I think we are going to lose control of a lot of threads around the

world that are going to be hard to grab hold of again five years later when, by the way, we will have to come back and grab hold of them.

So I guess it's a way of saying that even as we go through this period, we keep our heads about us and that maybe we signal this ahead of time to our friends in Asia and especially in Japan that this is very typical of American policy. It happened often during the Cold War, but don't give up on the capacity of this country to keep a steady long-term picture of what is going on in the world and exercise a role in that direction.

Look, people have been underestimating American strength for a long time and we are going to go through another period, I suspect, in which we are going to argue that America is in decline once again. I think, I hope Japan doesn't listen to those siren songs inside the United States. They have proved to be incorrect in the past and I think they will not—as long as we maintain certain basic policies in this country, particularly in respect to our economy—pan out in the future.

We are not going to be the partner that we have been in the past in this relationship with Japan. Japan is going to play a bigger role, and I reinforce what I think Dick was saying, and that is that the United States tends to overemphasize its influence in the world and Japan tends to underemphasize its influence in the world. They are going to have to pull a bigger load, and it's going to have to be done. I just hope that it will be done in the context of this alliance as the fundamental cornerstone, there are lots of other elements to this, but I'm just thinking that if this comes apart, we're going to have much, much bigger problems than we would otherwise. We may have some substantial problems in the short run

because of our difficulties in the Middle East, even with this cornerstone hopefully still in place.

Kawato: About the possible decline of the United States, I do not agree with such a view. I am always writing in my blog that this would be a wrong perception. If we take the BRICs countries, they are very fragile in economics and also in politics and in military affairs.

Even among larger-sized countries, only the United States can develop safely and quite substantially, particularly because the United States is the only country among developed nations which will see a substantial increase in its own population.

So I am not pessimistic about the future of the United States at all. I don't know what kind of younger Japanese diplomats came to Washington D.C. and said that, but perhaps they were a bit influenced by recent sentiments in Asian countries. Many people in Asia are not happy about the Iraq War, and are very much disappointed and even feel threatened by the United States, because they are afraid of coercive regime change.

Perhaps to young Japanese diplomats, the situation around North Korea—and this is true of many other Japanese—now looks as if the United States had become powerless vis-à-vis North Korea or was neglecting the interests of Japan. But many Japanese forgot about the fact that we used to urge America not to be too aggressive toward North Korea. That was several years ago, when the Bush Administration was very negative about Kim's government. Do you remember how the South Korean government and the Japanese government persuaded the American administration not to be so belligerent vis-à-vis North Korea?

We told the Americans we need stability on the Korean Peninsula. Also, several months ago, it seems that our government told the American government that we would not be able to take part in a maritime blockade of North Korean vessels to deal with their nuclear development because of some legal problems. So we should take into account that it is Asian countries that have been tying the hands of the United States and it is we who are saying, "Look how weak the United States has become." This is a self-contradiction.

Ikenberry: Let me just ask Dick to layer on. I mean, the reports that I hear are echoing that question. Japanese impressions of this kind exist, regarding American general neglect of East Asia, preoccupied, obviously, with the Middle East. More particularly relating to the Japan-U.S. alliance, there is not a good conduit for the inter-governmental management of the relationship right now. And there are, again, shifts in the security debate about East Asia that have taken the U.S. and Japan kind of out of synch, particularly on North Korea. But the question really is then, to what extent are these kind of cycles and fluctuations about abandonment, which we see come and go, and that partly hinge on the flow of issues that come across the radar screen, and also the flow of governments and personalities and appointments? Or is there, to try to ask you to answer your own question, something more secular going on about the decline of the underpinnings of that bilateral security relationship?

Samuels: Yes is the short answer. I guess I have to say that I am not at all surprised by the answer you got from the 28 young diplomats. And I also have to say that perhaps defensively, since I'm on the record, I agree with them. I guess I

disagree with my colleagues on the panel.

The conceit that the United States has been operating with throughout the Cold War and beyond as being an Asian power, it's almost in the form of a mantra. It was impossible for American government representatives to visit Asian capitals without declaring that the United States is an Asian power. That doesn't make it wrong, but it also doesn't make it right. It also doesn't speak to the temporal dimension. How has that changed? What is the trajectory? I think what your interlocutors were saying is that yes, the United States is an Asian power, but the curve is going in the wrong direction from the perspective of those who would like to see it sustained as such.

Where are we hearing that? It's not just these diplomats. As I see it in the debate in Japan today about what is the most effective or most desirable kind of new architecture, it's not only about the military side, it's about the economic side. We haven't really talked about the economic architecture, we didn't talk about the East Asian Community, the East Asia Summit, and so forth. You know, the real debate there, and it's one that really ought to be had in forums like this, is whether or not the United States plays, whether or not the United States is even invited to play. And in the last round, the United States was not invited to play. If you ask about ambivalence in Tokyo toward the United States, we talked about it here as ambivalence toward the United States' role as globo-cop, but the real ambivalence is about whether or not the United States ought to be a part of an East Asian economic community. Very smart, very thoughtful Japanese colleagues of ours look at me and say something that leaves me without an effective response, which is, you

lived with the combination of a NATO in which you were in and an EU in which you were out of in Europe, why are you having a problem living with that possibility here in Asia? The answer is sort of like Ralph Kramden, hamana-hamana-hamana, there is no good answer to that. Excuse me for the narrow reference, but I use it all the time.

A CSCE in Asia

Questioner: Thank you very much Ambassador Kawato for a very interesting presentation. My question focuses on your last slide, the CSCE thing. As Dick said, there has been a lot of talk about some sort of East Asian security arrangement. Well, where does this all fit? We've got APEC, we have ARF, we have PMC, we have the ASEAN Plus Ten, we have the East Asia Summit, we have the Six-Party Talks and people are saying if it is successful, to institutionalize that. Where does this fit, who are the members, do you include Taiwan in this kind of structure?

The second question, if it does materialize, isn't there a danger that rather than reinforcing the status quo, thinking about Dick's point, it undermines it because the U.S.-Japan security alliance becomes a focus for those, like China and perhaps the ROK, who question the over reliance on these bilateral relationships. So how does this really reinforce stability in the way that we would like to see it reinforced? Thanks.

Kawato: The Asian version of the CSCE, according to my own idea, it should be only one meeting to acknowledge the current borders and the current status of Taiwan and the Korean Peninsula and then adjourn. Just one meeting. Then a permanent system will be sustained by the Japan-U.S. alliance and other arrangements. We need a kind of one-time impetus and stimulus for creating

centripetal forces in Asia. That is the reason for my proposal. It will not weaken the Japan-U.S. alliance either.

Questioner: If the status quo is, in fact, accepted by the other players.

Kawato: Yes, by status quo I mean the current status of Taiwan and the Korean Peninsula. Of course, this status quo can be interpreted in various ways, but...

Ikenberry: Let's keep that issue of the relationship between a multilateral security mechanism and the alliance and whether they are additive or whether there is a relationship that would, in some sense, lead one to supplant the other. I want to come back to that in my own question, but let's keep going here.

The U.S. and an East Asian Economic Community

Questioner: Two quick follow-ups and just a comment, Dick, on your point about the U.S. role in the East Asian economic community. I am increasingly hearing that the rejection or the skepticism about the U.S. role in that community stems from the U.S. reaction to the East Asian financial crisis in the late 1990s. That was the core root of the question about whether the U.S. plays, whether it should have played, how it was different from the U.S. reaction to Mexico, that led to some of those questions emerging. One very other quick comment about this change in the status quo, one thing that we haven't talked about is the role of India and the way it is changing the status quo within Asia, within this broader alliance, how that might affect the U.S.-Japan-India trilateral relationship, China's reactions and responses and so forth.

But to keep with John's guidance on how

these relationships interrelate, I actually wanted to pick up on this last piece of the slide there, Ambassador Kawato, and ask you a specific question. Did the North Korean nuclear test in October actually bind China, Japan, and the United States in a way that would make at least a five party CSCE more likely?

Kawato: There have been many questions about economic dimensions. I do not have time to answer them all, but I want to make one thing clear: I do not see any intention on the part of the Japanese government to exclude the United States from collective economic arrangements. On the contrary, Japan is eager to see the U.S. taking part in the ASEAN Plus summit meeting, for example, and has made serious efforts to make it possible. The U.S. government, however, is a little bit dubious and passive about taking part in East Asian summit meetings. It has been attaching priority to APEC. That is a forum to which U.S. government can offer the precious time of the President. But over the past several years, APEC has apparently lost its momentum. We need a new arrangement.

On the issue of a free trade area agreement between Japan and the United States, the opinion in our government is still divided. I see many people who support the conclusion of a free trade area agreement with the United States, but people who are directly watching economic issues are a little passive. Not only because of a question of importing U.S. agricultural products. Their thinking is broader. They are afraid of undermining the current system of the WTO. If such big economies like the U.S. and Japan conclude special free trade area agreements, it might effectively replace the WTO. That is a worry that Japanese government officials have.

Ikenberry: I am going to collect two or three questions and then I'm going to let our speakers have the last word.

The Unraveling of the Alliance

Questioner: I tend to agree with Dick's analysis that the U.S.-Japan lynchpin may be unraveling, especially in the wake of the U.S. shift of policy on North Korea and how upset the Japanese foreign policy establishment seems to be, even asking questions about under what circumstances the U.S. nuclear umbrella will work for Japan. I mean, Japanese asking questions to the U.S. which I think don't have an answer. My question really is, if that unraveling is really happening and if the Japanese are questioning the commitment of the U.S. to its alliance with Japan and its willingness to defend Japan, what are Japan's options or what do the Japanese think their options are?

Questioner: Ambassador, there are many who think, as LaRouche does today, that the only way to prevent the crisis in the U.S. from becoming a global economic breakdown—expanding wars, perhaps even world war—is for collaboration of the great nations, the U.S. as well as emphatically Russia and China and India on physical economic development programs—not just free trade deals and open markets for hedge funds, but physical economic projects, of the sort that the Mitsubishi Research Center used to promote. As I mentioned to you before the speech, in Moscow today there was a historic conference proposing a tunnel under the Bering Strait, with the participation from top government officials in Russia, and also from the U.S. and Japan and Korea and others. I am wondering if you think this is something that is feasible? It certainly would make your map of the U.S. being right next to Asia much more

realistic if you could take a train from Pusan to New York. But I am wondering if you think that Japan can get back into the policy of helping out on big infrastructure, as they have in the Mekong and elsewhere, and if we can reverse America's refusal to do such things in the near term.

Ikenberry: I'll turn things over and let each of our speakers respond, perhaps in reverse order, allowing the Ambassador the last word.

Samuels: Let me respond to three of the questions that are on the table. This issue of whether or not the United States lost credibility after it failed to step up in a timely way and in an equivalent way in 1997 in the way that it did vis-à-vis the Mexican or the Argentine crises I think is exactly right, but it's only half the story. It's not just a concern about the U.S. reaction to the crisis, but it was a concern in the region of the Japanese reaction to the U.S. reaction, which was when the United States said no, the Japanese said okay. And it left the door open for the Chinese to take leadership on the issue. So I think there was a cascade of mistakes. That is on your first point.

On your second, the question of the role of India, that is another thing that should have come up. There are so many things that should come up—this is not a criticism—but it needs to be discussed more thoroughly. What is, in fact, the role of India in a new security architecture for the region? There is much talk, actually in your shop and elsewhere, about this arc of democracy, so India and Australia and the United States fly wing tip to wing tip and bow to stern or whatever the metaphor is, as democratic states, which is essentially a thin veil for a neo-containment of Chinese power. The reason why I think it's on sort

of spindly legs is that the Indians have absolutely terrific relations with the Iranians and are exercising with the Russians and the Chinese at the same time that they are exercising with the Americans and the Japanese. The Indians are consummate realists and I just don't see that appeals to democracy are going to drive a new security architecture in the region. But, you know, it doesn't hurt to try, I suppose.

Finally, the question about the nuke issue, another topic that we should spend considerably more time talking about. I guess one way to respond is to remind ourselves that the Japanese, while they are reviewing the nuclear option now and will again in the future, they have in the past several times. It's not new for the Japanese to be concerned about U.S. extended deterrence and to think hard about what the alternatives are. In the past, the alternatives have always been zero, unattractive, unreliable. But today, I think the shape of the discourse about national security in Japan has changed. That is, those who would like to consider the use of force as a legitimate tool in international affairs and believe that the statute of limitations on Japan's past has expired, that the use of force can be a legitimate instrument for a normal nation's diplomacy, and want greater distance from the United States. That combination is, while not the dominant one in Japan, an important one and those are folks who believe Japan's best option is to be an autonomous military power, which means nukes. The United States encourages it in various ways at various times. I agree with you 100 percent that there is no way to put it in writing, what city will we defend if there is an attack, on which city in the United States. It's not in the cards.

Nau: It's interesting, because the debate is—it's not only an old one in the case of Japan and Asia. It's an old one in the context of the NATO alliance. I mean, my goodness, the history of the NATO alliance was all about these concerns on the part of the Europeans about abandonment on the one hand, Berlin, think of all of the tensions that were created, and entrapment on the other hand, Vietnam and more recently now Iraq. This is the nature of alliances, it seems to me, to sort of wrestle through these problems of abandonment and entrapment. One of the things that I was appealing for is in the short run, you are going to get everybody saying everything. Everything will be on the table and the discussion, by the way, in Japan, as Dick points out, is more visible and more lively and it's going to be more visible and more lively and that is new. Whether it comes out differently or not is another question entirely, just because it's happening now more visibly. I'm glad to see it happening more visibly, and it makes me actually more confident about where the result is likely to come out. Because when one thinks about it, I think, and I'm not going to try to put myself in Japan's shoes, there aren't really a lot of other good options and there never will be. If the relationship with the United States doesn't work, you are going to have to go in the direction of some kind of independent nuclear capability, and that's going to trigger all kinds of tensions and struggles in Asia. So beware. I think the public discussion is going to make people aware of what that involves.

On the economic side, what is the long-term alternative to the U.S. market? Who is going to open up their market the way the U.S. has and continues to, to absorb these exports? Where are the 30 percent of Chinese exports now coming to the United States going to go? Are they going to go to

Japan? Are they going to go to Indonesia? Are they going to go to Europe?

So there are a lot of forces, there are a lot of powerful forces holding this fundamental cornerstone together now. I don't mean to say that it's going to look like it has in the last 40 or 50 years, it won't. In fact, Japan is going to be taking more responsibility, Asia is going to be taking more responsibility. They have, for example, in response to the financial crisis, and as it turns out, I don't think it's contrary to our interests at all. I mean, they now have financial reserves that permit them to manage—if they can cooperate—any foreseeable financial crisis in the region. And if that is a response to our failure to kind of anticipate that and preempt it, fine. It seems to me it has balanced the situation, at least in terms of the financial markets and the financial issues and problems we may face. It has balanced the set of responsibilities for the future in a much better way. And that's the kind of Asia and Japan that I would be looking for in the future, one that takes more responsibility, that is in fact doing more things on their own, but within the fundamental context of this relationship for which there is no basic alternative now or in the foreseeable future.

Kawato: I agree with the discussants. We have to keep in mind that the American military infrastructure in Japan is huge and very well organized. It cannot disappear momentarily. That is a good basis for the future. So many debates about possible alternatives for Japan may well end up being mere ideas. We have to be more realistic.

I'm also pretty sure that nuclear deterrence by the United States is still functioning very well, not only vis-à-vis North Korea, but also vis-à-vis other countries. The nuclear

deterrence of the United States still works.

What our government is contemplating is to increase our contribution to the Japan-U.S. alliance, as you said. When I take a look at the German case, I see that the German government has already sent 10,000 troops abroad, including Africa and so on. So why not Japan, too? That is the direction of the Japanese elite and governmental officials' thinking now. Let's see if we can persuade and convince the Japanese people of that.

As far as the possible railway across the Bering Strait is concerned, I would recommend building such a huge infrastructure project somewhere else, for example, creating a new canal through the Malay Peninsula as an alternative to the Straits of Malacca. That would be commercially more viable, because if you build a railway over or under the Bering Strait, I think that very few people will use it. Perhaps Mr. Kim of North Korea, who detests flying, might use it in his trip to the U.S. Thank you.

Ikenberry: On that note, I think we will conclude. Please join us in thanking our panelists.