

ACTION AND REACTION, DIRECT AND INDIRECT LEADERSHIP: RE-EVALUATING JAPAN'S ROLE IN ASIAN REGIONAL COOPERATION

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1 INTRODUCTION

In the 1990s, political and economic cooperation in Asia¹ gained momentum. While the region was divided into two rival camps, adhering – to varying degrees – to different models of social, political, and economic organization, this bipolarity gradually faded after the collapse of the Soviet Union. Similar to other parts of the world, new channels of communication opened within and outside of Asia, involving both state and non-state actors. The globalization of economic activities pushed forward regionalization in Asia which theretofore had been characterized by business activities organized along single country lines. Regional cooperation was mainly promoted by multinational firms interested in building up a horizontal division of labor with regional production and sales networks to connect their various overseas activities on a more efficient regional scale. On the political side, Asian governments became more interested in cooperation and dialogue to preserve stability in the area. The increasing globalization of economic structures also forced governments in the region to develop political means to adapt to growing interdependence. These developments were stimulated by trends toward regional integration in other parts of the world, especially Europe or North America. The 1997/98 Asian economic crisis added a further dynamic to this process. It painfully illustrated the high degree of mutual

¹ In this paper, the term Asia refers to Northeast and Southeast Asia, made up by Japan, the People's Republic of China, Mongolia, the Republic of Korea, the Democratic People's Republic of Korea, Taiwan and such territories as Hong Kong and Macao, as well as by Singapore, Malaysia, Thailand, Indonesia, the Philippines, Brunei Darussalam, the Socialist Republic of Vietnam, Myanmar, the People's Democratic Republic of Lao, Cambodia and Papua New Guinea. This definition of Asia stands in contrast to that of a wider Asia-Pacific region also including countries like Australia, New Zealand, the United States, Canada, Mexico or Chile. It also excludes countries such as India that are located outside the core of the regional cooperation process in Asia.

dependence of Asian economies and made it clear to political and economic decision makers that one country alone would hardly be able to withstand similar situations in the future.

While visible integration progress in the Asia-Pacific region, with the Asia-Pacific Economic Cooperation forum (APEC) at its core, stagnated in the late 1990s partly due to protectionist strategies of individual member states including Japan, cooperation in Asia has been on the rise. With regard to security matters, institutionalized communication and consultation has already been taking place since the mid-1990s within the ASEAN Regional Forum (ARF) (see, for example, Hook 1998). In the late 1990s, a similar though much more informal framework took shape for economic and foreign policy issues. The 'ASEAN plus three' forum, involving ASEAN member states, China, South Korea, and Japan, is the first Asia-only consultation group. Initiated by ASEAN, the political leaders of the 'ASEAN plus three' have met annually since 1997 in the context of the ASEAN Summit Meetings to discuss economic, political and security issues involving the region. As the heads of state of the 'ASEAN plus three' member states pointed out in their Joint Statement at the third 'ASEAN plus three' summit meeting in 1999, the aim of this framework is 'to support and complement' the activities of international and regional fora such as the Asia-Pacific Economic Cooperation (APEC), the Asia-Europe Meeting (ASEM), or the World Trade Organization (WTO) (Joint Statement on East Asian Cooperation, Manila, 28 November 1999).

Previous articles in this volume introduced attitudes and expectations of Asian political leaders and civil society regarding a Japanese role in Asia and addressed the various measures taken by state and non-state actors, bureaucrats, politicians, and business on closer political and economic cooperation in Asia. This article sums up and re-evaluates the process of regional cooperation in Asia and Japan's role within it. As the leading economy in Asia – Japan still accounted for two thirds of the regional GDP (gross domestic product) in 1998 (Keizai Kikakuchō 1999) – and as the only Asian member state of the G 8 group of advanced industrial nations, Japan is of key importance for the success or failure of regional integration in Asia.

Who are the key actors in this process and where and how does this process take place? We will analyze state and non-state, public and private actors. By addressing the various layers of the process of regional integration, we will examine the international, national and subnational level. We will point out the core areas of regional cooperation and integration and discuss the specific role of Japan in this process. We will further discuss what model of regional integration and cooperation Japanese decision makers of the political and economic sphere are favoring and what

activities they take to implement it. We will pay special attention to the effects of the Asian economic crisis on the process of regional cooperation and include the most recent developments in our analysis. Did the experience of the crisis motivate Japan to take on a leading role in Asian integration, or did it rather cause skepticism? Are Japanese political and economic elites willing to play a leading role in Asia? Or are the actions taken by the Japanese government merely a reaction to the crisis and will not proceed further once the most pressing problems are solved?

It will be argued that there is a strong trend of deepening regional cooperation in Asia, both in the political and the economic arenas. Japan did and will continue to influence and shape this process. The main driving forces are to be found in the economic sector, in which Japanese actors play a distinct role. In the 1990s, actors of the Japanese business sector have shown a growing interest in regional cooperation in order to respond to the pressures of globalization. Within this process, Japanese economic actors are more interested in deeper regional cooperation in the Asian region (or single subregions within it) than in the wider region of Asia-Pacific. Pushed forward by the forces of economic regionalization, Japanese political elites are also more willing to adopt a regionalist perspective than in the past. The recent experience of the Asian economic crisis has even strengthened the pro-Asian forces.

However, this trend toward a more regional view faces strong limitations by political and economic dependencies outside the Asian region. Because of these limitations, the broader concept of Asia-Pacific that also includes the United States will keep its current importance for Japanese political elites. While achieving their objectives, Japanese decision makers are reluctant to play a pro-active leadership role where leadership is understood as dominating decision making; rather, they prefer a style of indirect support and background mediation. This preference is mainly the outcome of structural constraints on the domestic level. Political decision making processes in Japan are shaped by different actors with split competing objectives and thus require compromises. As a result, for the Japanese government, pro-active leadership with clear-cut longterm strategies is not possible. A more short-term and case-by-case 'reactive' policy approach is thus the more rational choice for Japanese policy makers.

2 TERMINOLOGY

Before discussing Japan's role within regional cooperation in Asia, some remarks about the terminology used in this article are necessary. In the fields of international relations and international political economy, dif-

ferent definitions of 'region', 'regionalism', 'regionalization' and 'regional cooperation' are in use. It is therefore important to clarify the basic conceptions referred to here.

Most authors understand regions in geographic terms and talk of regions as groups of physically contiguous countries that entertain a high degree of political, economic, military, and/or social relations. However, in this article, regions are not seen as geographically specified areas, but as products of social and political construction processes. In the same way that modern nation states have to be understood as 'imagined communities' (Anderson 1991), regions are created by conscious policy choices by key political decision makers. Regions can only come into existence when there is a shared feeling of regional identity among the people(s) of the countries involved. Depending on the issues at stake and the political priorities of the most influential political actors in the countries that are part of a region, the degree of 'regionness' can vary in intensity (Higgott 1998a, 338).

The complex of ideas, attitudes, and loyalties contained in concepts of regional identity is usually referred to as 'regionalism'. Regionalist ideas are promoted by national political elites, both from the state and non-state sector, with the strategic motivation to influence public perceptions of 'regional affairs'. Thus, key political actors influence national political communities to support policy convergence and bring about an increase in political and economic activities between the member states of a region (Mansfield and Milner 1997, 3). Regionalism is therefore an ideological concept aimed at creating a sense of regional identity among the people(s) living in a region.

In contrast, 'regionalization' is an economic process driven by actors from the private sector, *i.e.* multinational corporations. It does not have an ideological basis and is caused by the spread of economic networks within or across geographical regions (Higgott 1998a, 339). Regionalization is an undirected process that often influences government policies. Economic networking in a certain geographic area and problems related with it can become an incentive for political decision makers to develop political strategies for this region and to adopt regionalist ideas. As a consequence, 'market-led open regionalism' (Higgott 1998b, 43), the prevalent concept of regional identity in Asia-Pacific, took shape.

Another frequent consequence of economic regionalization is the formation of regional economic and political institutions aiming at coordinating political and economic activity within the region and also between the region and other areas of the world. While the term regionalism refers to ideological and rhetorical concepts of regional identity promoted by political elites, and regionalization describes an undirected process of in-

creasing economic activities, 'regional cooperation' addresses the institutional level of policy formation and coordination within a region (Higgott 1998a, 340). The term regional cooperation is used to describe trade arrangements such as the North American Free Trade Agreement (NAFTA), cooperation fora like the Asia-Pacific Economic Cooperation (APEC), but also highly institutionalized organizations like the Association of Southeast Asian Nations (ASEAN). The key actors in this process are state decision makers. For fully understanding the processes of regional cooperation, however, the actions and positions taken by business representatives and associations, policy advisors, scholars, and think tanks also have to be taken into account.

Earlier articles in this volume have discussed economic regionalization and Japanese and Asian concepts of regionalism as well as Japan's Asia politics in international financial institutions such as the World Bank and the Asian Development Bank. In this article, we sum up these findings and reevaluate Japan's role within the process of regional cooperation in Asia. In the next paragraph, we give a brief overview of the various actors in Japan that shape Japanese political and economic activity in Asia and address their specific role within regional cooperation in Asia before and after the Asian economic crisis.

3 JAPAN'S ROLE WITHIN REGIONAL COOPERATION IN ASIA – ACTORS AND SCALE OF ACTIVITY

Analyses of regional cooperation mostly follow a state-centered approach. Focusing on the aims and objectives of leading politicians and government bureaucrats, questions are asked about the depth of regional integration and cooperation, or about determinants of the institutional strength or weakness of regional arrangements. The majority of such studies portray national governments as united actors whose decisions are guided by a clearly defined 'national interest' or strategy. Japanese regional foreign and economic policy is very often described as lacking such a clear-cut national strategy and being a merely 'reactive state'. It is criticized for only 'coping' with issues and problems raised by other states (Calder 1988; Blaker 1993). The mainstream view of Japan's approach toward regional cooperation in Asia is one of indecisive manoeuvring and indifference (Gordon 1993; Grieco 1997, 168).

In this paragraph, we argue that Japanese politics toward regional cooperation is not merely reactive, but is based on a strategy of national interest defined by Japanese political elites. Japanese political decision makers, however, should not be seen as a monolith. Politicians and

government bureaucrats are split into several different factions, motivated by different interests, and pursuing different strategies for Japan's regional and global role. It is also important to take the interests of business, which is again split into different groups with often competing agendas, into account.

Japanese multinational enterprises, the driving forces of regional economic integration, push national government decision makers to support their claims for market liberalization and the standardization of economic exchange while, at the same time, other domestic economic actors speak out against such moves out of fear to be left behind. Different groups lobby for different policy options, and different parts of the national government support different positions. Both politicians and bureaucrats advocate those strategies that best serve their clients' interests. Japan's policy toward regional cooperation therefore has to be seen as the product of a compromise between competing concepts and opinions within the national political elite (and supported by a wider community of business and other interest groups, private and government think tanks, researchers, and the media). This compromise has to be understood as the smallest common denominator that all actors can agree upon and thus as the minimum definition of 'national interest' supported by all political elites.

Liberal institutionalist scholars such as Keohane (1984) and Nye (Keohane and Nye 1977; Keohane and Nye 1987) have pointed out the importance of actors from the private sector for foreign policy decision making. This is especially true for Japan's role within regional cooperation in Asia, which, as a consequence of economic regionalization, is mainly market-driven. Economic and, to a lesser degree, other non-state actors play a crucial role in shaping cooperative agreements in the region and influence the degree of their institutionalization. For the case of Japan, three reasons why the interests of business and other non-state actors 'count' in political decision making processes about regional cooperation in Asia have to be mentioned. First, structural problems in official Japanese foreign policy institutions impede or at least slow down government decision making processes and open the door for interference and mediation by non-state actors. Second, since the mid-1980s, the Japanese private sector has built up extensive networks and contacts within the Asian region enabling business actors to conduct independent economic diplomacy in the region. These structures are supported by private-sector information gathering facilities that make business associations and also multinational enterprises independent of – or sometimes even superior to – government sources of information. Third, with the end of the Cold War and the ensuing breakdown of levels of governance, a process of pluralization of Jap-

anese foreign policy has set in that further challenges the supposed foreign policy monopoly of state actors.

3.1 Structural problems of official foreign policy institutions

The majority of Japanese foreign policy proposals is drafted by bureaucrats. Factionalism and inner-party power struggles within the LDP, Japan's longterm ruling party impede the development of longterm foreign policy initiatives by politicians. Regular changes of government also prevent government ministers from shaping their ministries' agenda. Aside from exceptions like the former prime ministers Tanaka or Nakasone, Japan's foreign policy is thus developed by the bureaucracy that has kept its position as 'gatekeeper' (Pempel 1977) in Japanese international affairs since the early postwar period. However, bureaucratic control of foreign policy decision making is limited by structural problems of Japanese political institutions that encourage mediation by politicians or actors from the private sector.

Jurisdiction over Japan's international relations is divided between several government agencies, mainly the Ministry of Foreign Affairs (MOFA), the Ministry of Finance (MOF) and the Ministry of International Trade and Industry (MITI). While MOFA is the government agency most involved in foreign policy making, MOF and MITI take charge of international financial and economic politics. Other ministries like the Ministry of Post and Telecommunication, the Ministry of Transport, or the Ministry of Education are also striving to increase their influence on Japan's international affairs. As the Japanese bureaucracy is vertically structured with only a few linkages between ministries, sectionalism is one of the main characteristics of Japanese government institutions (Koh 1989, Muramatsu 1997). For foreign policy decision making, the split jurisdiction between ministries is a permanent source of conflict, especially in times of limited budgetary resources. In frictions between MOFA and MITI, for example, there is a tendency for the larger and politically more influential MITI to prevail, partly also due to the political backing of a large number of ex-MITI bureaucrats among Japanese Diet members (see for example Calder 1997, 3–11).²

Rivalries and turf wars are not only taking place on the inter-ministerial level, they are also shaping the relations between bureaus and divisions within ministries. Within MOFA, for example, internal conflicts be-

² Of the 500 members of the politically more influential House of Representatives of the Japanese Diet, currently 6 are former MOFA bureaucrats compared to 11 former MITI and 21 former MOF officials (Seisaku Jihōsha 1999, appendix, pp. 7–9).

tween the Asia and the North America Bureaus are frequent, as are disputes between the North America Bureau and the Economic Affairs Bureau. Public officials in both bureaus talk to and interact with different counterparts both within Japan and abroad, and consequently often come up with conflicting policy preferences. Bureaucrats of MOFA's North American Bureau, for example, focus rather on security issues and thus promote strategies to keep the US involved in the region, both militarily and politically. Their colleagues from the Economic Affairs Bureau, in contrast, who have a long history of dealing with US–Japan trade conflicts, prefer strategies of controlling and balancing US influence in the region. Due to the early specialization of bureaucrats within their ministries, such internal splits are not only visible within MOFA itself, but also affect Japanese diplomacy down to the level of Japanese embassies abroad (Fujiwara 2000).³

As communication between ministries is rather complicated, inter-ministerial domain conflicts open a channel for politicians or interest group representatives to act as mediators. One well-known case of open conflict between MITI and MOFA that was settled due to political mediation was the initiation of APEC in the late 1980s. While MITI has been actively involved in setting up APEC from the beginning, MOFA officials, who not only favored different regional concepts like the Pacific Economic Cooperation Council (PECC), but also were concerned that MITI was invading MOFA territory by promoting APEC, took a rather critical position. At the initial APEC meetings, observers noted the presence of 'two Japans', represented by MITI and MOFA, which had two different agendas and were thus stalling the APEC process. The split between the two

³ Frequent domain conflicts and sectionalism make it rather difficult for Japanese government ministries to share or exchange data. To support their policy positions and to become independent from (or to supplement) government sources of information, Japanese foreign policy institutions also have think tanks. MOFA receives strategic information, for example, from the Japan Institute of International Affairs (JIIA) and the National Institute for Research Advancement (NIRA). MITI funds a similar organization, the Japan Economic Foundation (JEF). By sponsoring international conferences or funding research projects, for example, ministries are actively gathering information and promoting new policy ideas. Government think tanks not only enhance their ministry's standing in inter-ministerial turf wars, but also keep close contact with interest groups related to the ministry. Aside from their function as sources of information, these institutions also enable the ministries to informally address issues beyond their jurisdiction. In this context, think tanks contribute to building up support both in Japan and abroad for policy ideas whose promotion would otherwise lead to the creation of new frontlines in the inter-ministerial power struggle.

ministries could only be solved in 1989 after former MITI Minister Mitsuzuka Hiroshi was appointed Minister of Foreign Affairs. Well familiar with MITI interests and complaints, it was Mitsuzuka's mediation that made MOFA increase cooperation and coordination with MITI and thus gave the APEC process a push forward (Funabashi 1995, 211–13).⁴

3.2 Influence of non-state actors on foreign policy decision making

Domain conflicts and infighting within or between government ministries do not only open up a channel for political mediation, they also encourage interest groups from the private sector, itself split into various competing factions, to join forces with parts of the bureaucracy and to thus promote their own agendas. Non-state actors from the private sector generally use two channels to influence foreign policy decision making: first, they do so by keeping in close contact with the regulating bureaucracy in the ministries in charge of their area of business, and secondly, by the active lobbying of high-ranking politicians or political party headquarters.

Individual companies keep direct contact with bureaucrats in the central government ministries in two ways: first, they participate in government advisory committees (*shingikai*), and secondly they hire retired bureaucrats as advisors for their company (*amakudari*). Both practices are of special interest for international economic policy making. All ministries cooperate with special advisory committees (*shingikai*) that include scholars and interest group representatives. These committees are set up by government ministries in order to, among others, obtain information on recent developments and trends in the Japanese (and international) economy, to detect the need for new regulation, and to ensure that a broad range of opinions is considered in the law making process (for a detailed study of *shingikai*, see Schwartz 1993; Schwartz 1998). For multinational companies and business associations, the participation in *shingikai* provides an opportunity to articulate their claims and expectations toward future Japanese foreign and foreign economic policy. After retiring, a high number of Japanese top bureaucrats take on jobs as advisors or counselors in the private sector (*amakudari*) (for details, see for example Johnson 1995, Schaefer 1995). For companies expanding their activities on the international level, the hiring of retired government bureaucrats especially from MITI has to be seen as a means of securing access to the foreign (economic) policy establishment. As these ex-bureaucrats still dispose of a wide net-

⁴ For another example of conflict between MOFA, MITI and MOF with regard to Japanese foreign policy toward Asia, see the article by Yasutomo in this volume.

work of contacts within the agency, business interests can thus informally influence Japanese international economic policy decision making. Through such informal access paths, interest groups from the private sector stay in permanent contact with the regulating bureaucracy and can easily bring up issues on their agenda for the Asian region with the public officials in charge.

To further increase their pressure on official government decision making processes, both big multinational companies and business associations also lobby intensely with Diet members. Representatives of organized business associations mostly target official party institutions of the ruling parties, such as the LDP Foreign Affairs Committee. The Japan Federation of Economic Organizations (Keizai Dantai Rengōkai, Keidanren), the largest and most influential Japanese business association, has been maintaining close contacts with the LDP since the party was founded in 1955. By collecting money from its member associations, Keidanren has been the most influential donor for the party's political activities and election campaigns (Iwai 1992, 109, 113–17) until it stopped the practice due to a series of major political corruption scandals in the mid-1990s (Blechinger 1999, 57–60). Also, after stopping the collection of political funds for the party, regular policy meetings between Keidanren officials and LDP leaders continue to take place and provide business interest groups with a forum to state their expectations toward domestic and international policy. Moreover, Keidanren organizes various study groups, staffed with journalists and academics, which discuss international economic and political issues and work out policy proposals. In April 1997, the association also founded its own research institute in order to increase its input of ideas in the policy making process. The 21st Century Public Policy Institute (*21seiki Seisaku Kenkyūjo*) conducts, among other things, research projects on Japan's international relations. Keidanren is thus actively promoting its own foreign policy agenda and is exerting pressure on government institutions to implement them. Keidanren is only one example of the foreign policy activities of Japanese business associations. Other organized business interest groups, for example Keizai Dōyūkai, the Japan Association of Corporate Executives, lobby in similar ways for the inclusion of Japanese business interests into foreign policy decision making.

Parallel to the activities of business organizations, Japanese big business also has a long tradition of conducting its own economic diplomacy. Often initiated by Keidanren, business representatives engage in informal consultations with foreign political and business leaders to promote Japan's economic relations with certain countries or regions, such as China. Consultations often parallel or precede government talks and can thus be

seen as coordinated with official foreign policy (see for example Masumi 1995, 296–304). One important actor with a long tradition in the field of private sector economic diplomacy is the US–Japan Business Council, which is usually co-chaired by one Japanese and one American leading business executive. Its activities contributed, for example, to the solving of Japan–US trade friction in the early 1990s. The former chairman of this council and also Chairman of Fuji Xerox, Kobayashi Yōtarō, used this forum to foster understanding for the Japanese interest in Asia on the side of his US counterparts (see Blechinger in this volume).

As a consequence of the growing globalization of the Japanese economy, business also built up independent information gathering and policy planning facilities. While up to the 1980s, the Nomura and Mitsubishi Research Institutes (founded in 1966 and 1970) were the only business-related think tanks in Japan, since, banks, financial institutions, and public relation companies have created their own research institutes. Many of these private think tanks show a strong interest in regional political and economic issues. The Nomura Research Institute, for example, has demonstrated increased interest in Asia by opening three new offices in Taipei, Seoul, and Manila in the last 6 years, adding to their already existing representations in Hong Kong and Singapore. Another private think tank with a strong focus on Asia is the Sakura Institute of Research (Sakura Sōgō Kenkyūjo) founded in 1991. This institute is running a special research department, the Center for Pacific Business Studies (Kantaiheiyō Kenkyū Sentā) which conducts research projects on political and economic problems in Asia. Think tanks not only provide the Japanese private sector with strategic information about Asian countries and their markets. They also make business independent from information and data otherwise only available from government institutions, thus enabling it to develop its own independent trade diplomacy or foreign policy initiatives.

3.3 Pluralization of Japanese foreign policy after the end of the Cold War

During the Cold War, security concerns dominated not only Japanese foreign policy, but also most other policy areas. Trade friction with the US, for example, was buffered by Japanese government security concerns, and government officials cautiously avoided to damage the alliance with Japan's most important partner. The Cold War dogma also set clear limits to the area in which other actors of the Japanese political elite could pursue their agendas – compared to the importance of national security, the interests of, for example, the business community, did enjoy lower priority. Japanese business did conduct independent economic diplomacy already during the Cold War and was often successful in its pursuit of is-

sues that were considered sensitive in the context of the Cold War, as for example engaging in closer economic relations with China. However, it has to be argued that such efforts could only be made in cooperation and coordination with the government. After the Cold War ended, the absolute priority of security issues subsided, too, and domestic actors got more freedom and more opportunities to engage in international relations. Political relations in the region are no longer controlled by the state, and political and economic regional integration in Asia is now taking place simultaneously in various parallel layers. As illustrated by Hook in this volume, the process of regional cooperation in Asia is currently involving the state, but also the substate level, giving certain regions within states the chance to pursue their own foreign policy agenda and to increase their contacts with either states or other regions. Furthermore, there are not only governments, either national or prefectural, or private sector interests involved in this process. The end of the Cold War also brought about a boost for democratization movements in Southeast Asia that resulted in a growing and increasingly active civil society that is gradually, and sometimes even state-induced, met by a growth in the activities of non-governmental organizations in Japan as well (see also Shutō in this volume).

The process of foreign policy making in Japan and especially decision making about Japan's relations within the region is thus no longer determined by a small elite of decision makers, but is becoming more and more pluralized with every new layer that is added to it. It will thus also become increasingly difficult to define concepts like 'the national interest' – the more actors will be involved, the more necessary it will become to form coalitions of interest between and across the various layers of the process of regional cooperation, and the less possible it will be to follow monocausal, state-centered explanations of Japanese foreign politics.

4 JAPAN'S ROLE WITHIN REGIONAL COOPERATION IN ASIA – THE ACTUAL IMPACT

In this section, we will analyze the role Japan played within the process of regional cooperation in Asia. We will point out that Japanese foreign policy elites since the early 1990s were torn between two competing concepts of regionalism. One was the idea of a broader Asia-Pacific region that not only involved Asia, but also its 'neighbors' on the other sides of the Pacific, especially the US. This concept is expressed in the APEC idea, and it has long been favored by the traditional foreign policy establishment. The rival concept limits regional cooperation to the countries of Asia, thus ex-

PLICITLY excluding Japan's most important ally, the US. This concept, promoted mainly by Malaysia, can best be seen expressed in the proposal by Malaysian Prime Minister Mahathir to create an East Asian Economic Caucus (EAEC). We will show that while the Japanese government was strongly supporting the former concept until the start of the Asian economic crisis, the situation has changed somewhat since the crisis ended. Currently, we will argue, Japanese political and economic decision makers rather favor the smaller-scale Asia-only concept of regional cooperation.

4.1 Japan's role until 1997

The APEC process has undoubtedly been the most visible and important development of regional cooperation in Asia since the late 1980s and the end of the Cold War. Within this process, Japan has played a very distinctive and often influential role shaped and characterized by its general interests, dilemmas and approaches toward regional cooperation. Who were the decisive actors? What were Japanese motivations and objectives for APEC? Which strategies were adopted and what action was taken? Finally, what was Japan's impact on APEC? By answering these questions, we will also encounter the many faces of Japan in the process of regional cooperation that interpose Japan between action and reaction, and direct and indirect leadership.

Probably the clearest phase in this concern was that leading to the start of APEC. Based on the findings of its so-called Sakamoto Report, MITI started in August 1988 to discuss strategies for economic cooperation in the Asia-Pacific region with Australian trade officials. As highly trade-dependent countries lacking membership in any trade bloc, both sides feared the division of the world economy into competing regional blocs and thus shared the same interest for the creation of an Asia-Pacific economic forum. MITI willingly let Australia take public leadership until the inauguration of APEC and beyond while it worked efficiently behind the scenes canvassing support for the initiative in general and for the inclusion of the US in particular. This turned out to be comparatively easy because all countries involved shared the common interest of closer cooperation on a regional scale, though each for different reasons. Within Japan, however, MITI faced stiff resistance by the Ministry of Foreign Affairs (MOFA) that felt MITI intruded on to its home turf, foreign policy. As stated above, it was only when former MITI minister Mitsuzuka became foreign minister in June 1989 that it was possible to break this domestic opposition (on the process leading to APEC, see Funabashi 1995, 55-69).

Looking at the successful inauguration of APEC in November 1989, Japan's (or more accurately MITI's) policy up to that time had shown nothing less than vision, strong action and effective leadership, though in an indirect way or to use the term of Rix (1993) as 'leadership from behind'. Since then however, any clear judgement on Japan's role within APEC has become more difficult. The main reasons for this are the above-mentioned domain conflicts between various Japanese government ministries, competition between and within political parties (factionalism), and also differences of interests between various actors within the economic sector. Thus, from the start, Japan's stance toward and within the APEC process has become the outcome of various conflicting objectives. Numerous resulting conflicts prevented the emergence and implementation of one overall clear-cut strategy, but did not hinder Japan to exert strong influence at several steps along the way of APEC.

The potential for internal conflicts is best illustrated by the extensive Japanese agenda for APEC (for the following see Funabashi 1995, 195–202; Pascha 1999). The main objectives until today are

- to ensure US security presence in the region,
- to elevate Japan's status to that of a global political power in the long run,
- to strengthen political and economic ties with ASEAN while reducing fears about Japan as a hegemon,
- to engage China to contain its ambitions for regional supremacy but also to get access to its huge markets,
- to ease bilateral trade tensions with the US,
- to secure liberalized world markets and work against the emergence of trade blocs in Europe and North America, and
- to support established Japanese business in Asia.

The first important point to note is the explicit concerns in the area of foreign policy. These concerns offer a permanent source of conflict as they might clash with economic interests. The most far-reaching aspect is probably the question of US inclusion into the regional agreement which appears as a must from Japan's political point of view but which might run against the particular interests of the economic sector (we will refer to this point in more detail below). But even neglecting conflicts over objectives or strategies, the mere combination of political and economic interests almost automatically leads to collisions between the two most important actors, MITI and MOFA. This rivalry was not only obvious during the period prior to the start of APEC, but also in the years leading to the 1993 Seattle meeting. Only when President Clinton took the initiative to upgrade the annual summit to a real leader's meeting involving all presidents and premiers, MOFA felt adequately involved and gave up its

initial resistance (Pascha 1999; Hirata, Okamoto and Ōgita 1996). The general rivalry between both ministries, however, continues and is far from being solved.

The second area of diverging interests and potential disunity lies in the economic sphere itself. Problems here are diverse as they relate to different industries and actors. But basically they all boil down to one point, the Japanese position in the debate over 'liberalization versus cooperation' (Funabashi 1995, 119), which are the two pillars stressed as APEC's main objectives in the 1994 Bogor Declaration. While industrialized countries tend to see APEC mainly as a vehicle to push trade liberalization, most developing countries are skeptical about their chances in a fully liberalized environment. Hence they prefer to use APEC to press developed countries for cooperative measures (*e.g.* technology transfer, technical assistance, human resources development) in exchange for trade concessions. Within this 'North-South' dispute, Japan's position has been far from one typically associated with a clear member of the North camp of industrialized countries. Instead, Japan has preferred to present itself as a mediator between the developing economies of Asia on the one hand and the camp of those favoring fast liberalization led by the US on the other. As one example for such a bridging function, Japanese officials point to the 1994 launch of the Partnership for Progress (PPF) program. This Japanese initiative aims at the longterm strengthening of weaker APEC economies by support measures of stronger countries mainly in the area of human resources development.

At the same time, Japan has been one of the strongest proponents of an open multilateral trading system, rejecting any bilateral trade agreements and pledging full support for the trade and investment liberalization as agreed upon in Bogor 1994. As a highly trade dependent economy, such a liberal attitude might be expected from Japan, especially with regard to the markets in Asia which overtook North America as Japan's No. 1 export region in 1991. Another pro-liberalization force has grown constantly within MITI. Hereby we refer to the sections dealing with cross-industry issues that are often in favor of deregulation (Pascha 1999, 13).

De facto however, the Japanese government has always displayed a very negative stance toward liberalization in APEC, at least in the US sense of a rapid legalistic lowering of trade barriers. Despite, or perhaps more accurately by, making a strong pledge to the concept of 'open regionalism' (Garnaut 1996) with an unconditional and non-discriminative liberalization approach, it avoided being forced into real commitments any open regionalism approach struggles may generate. By exerting a strong influence before and at the Osaka 1995 Summit, it made this attitude very clear. Having fervently lobbied behind the scenes prior to the

summit, Japanese actors successfully collected support for their stance against the US position. This US government had demanded a strict and collective rules-based approach to commit the region to trade liberalization by fixed dates. However, instead, Japan presented a so-called flexible approach based on unilateral voluntary liberalization which was finally accepted to become the Osaka Action Agenda (Moffett 1995, 14; Ching 1995, 48). In the years to follow, the no-commitment character of exactly this agenda should effectively prevent any tangible liberalization progress and thus should suit Japanese interests perfectly.

However, we would be mistaken to assume the outcome of Ōsaka to be the result of one clear Japanese strategy. Rather, we can identify different interests within the Japanese political elite running against a liberalization course in at least three main areas. The first comes with agricultural policy in general and the protectionist stance against the liberalization of rice imports in particular. The fears of any Japanese government and especially the LDP to alienate the still powerful rural electorate and its lobbying forces are well-known and need no further explanation here.

A second group comprises Japanese multinational corporations (MNCs) that are already highly involved in business activities in Asia. As early starters in the region, they enjoy strong first-mover and insider advantages in these countries (for the automobile industry see Legewie in this volume). But as most Japanese firms lag behind their Western competitors in the globalization of their activities outside of the region, the majority still oppose full-fledged liberalization fearing to lose from international competition on an equal playing-field (Legewie and Meyer-Ohle 2000).

This defensive argument holds strongly on the micro-level. But it also has to be applied to the macro-level where it constitutes a third area of Japanese interest against fast trade liberalization in Asia. It relates to the discussion whether rapid trade and investment liberalization helps or threatens the economic development of developing countries in the long run. Regardless of the answer to this question, Japan – as an Asian country – is clearly more in need of strong neighboring economies than, for example, the US. This holds true for the best-case scenario of a free world trade regime but in particular for any kind of bloc scenario in which geographical proximity even counts more. Thus, the Japanese emphasis on supporting and cooperative over liberalization measures for its neighbors does not only represent the short-term interests of single actors. It also stands for an overall country interest regardless whether concrete cooperation measures tend to favor Japanese companies (which they often do) or not.

Summing up Japan's role in APEC until the Asian economic and financial crisis, we return to the questions for the main actors, objectives,

strategies and impact. Within our brief review, we have encountered numerous political and business actors with diverging interests often standing in direct conflict to each other. The Japanese position displayed at the APEC level has thus turned out to be the product of compromise. Put in other terms, it has been a negative selection of competing views and visions that reduced concrete action to the smallest common denominator achievable under various domestic constraints. While this might sound like a trivial or disappointing finding, it had huge implications for Japan, the APEC process and regional cooperation in Asia in general. While the world economy was kept open and the US politically and economically engaged in the region, the Japanese government succeeded to use APEC as a vehicle to serve its basic economic interests. It managed to reduce bilateral trade tensions, while at the same time it succeeded to avoid a more forceful execution of the much stricter framework of GATT. Undoubtedly, the APEC process until 1997 strengthened Asia-Pacific regionalism and regional cooperation to a certain extent. But probably more importantly, it brought together Asian actors that had been much further apart from each other before November 1989.

The mainstream in the Japanese foreign policy establishment thus clearly supported an Asia-Pacific identity that centered around APEC and that prominently involved the US. The Japanese government therefore reacted outright negatively at first, then rather evasively, to the concept of an Asian only regional identity, as it was expressed in the proposal by Malaysian Prime Minister Mahathir Mohamad, to form an East Asian Economic Caucus. This grouping was supposed to include only the ASEAN member states, China, South Korea, and Japan (for details on Malaysia's position and motives, see Kimura in this volume). Some MITI officials signaled interest in the first initial stages of the proposal, and there certainly also was support from some parts of MOFA since the former Japanese minister of foreign affairs, Okita Saburō, was actively involved in the drafting of the proposal as Mahathir's friend and advisor. The official response by the Japanese government to the EAEC was, however, outright negative. The main reason for this can be seen in the strong opposition the plan received from the US, but also in the views held by the Japanese foreign policy establishment in support of free trade and in opposition to the formation of any kind of trade bloc. After ASEAN adopted the idea of installing the EAEC as a council working within the APEC framework, the official Japanese government position changed from outright opposition to non-committal statements (for details, see Blechinger in this volume). Some parts of the Japanese political elite were ready to flirt with the more narrow concept of regionalism, however, the majority of decision makers believed in the inclusion of the US as the better choice and supported the

Asia-Pacific model of regional identity. We will see in the next paragraph, however, that the perspectives changed in the wake of the Asian economic crisis of 1997/98.

4.2 Japan's role since the Asian crisis 1997

Two and a half years after the floating of the Thai baht in July 1997 and the start of the Asian economic and financial crisis, it has become obvious that this crisis will have a lasting impact on the process of regional cooperation in Asia. This comes as no surprise as any regional 'crisis fosters reexamination' (Pempel 1999, 224) and makes 'tighter regional organization a desirable commitment mechanism' (Haggard 1997, 46). The two main effects are an increased interest of Asian state and non-state actors to engage in regional integration and a trend toward executing such cooperation efforts more within Asia than within the wider Asia-Pacific region. While both statements refer to the general recent trend in Asia to become more inward-looking after the shock of the crisis subsided, they also describe the Japanese position toward regional cooperation. To illustrate this, we will review in more detail Japan's reactions toward the Asian economic crisis. We will also point to areas that are not related directly to the crisis, but in which Japanese actors recently have been exerting a distinct influence on the process of regional cooperation.

Japan was not directly hit by the crisis and did not suffer under strong currency fluctuations, short-term debt problems and rapid contractions of economic output like Thailand, Indonesia, South Korea, or Malaysia. However, the crisis painfully demonstrated that the strong economic interdependence built up between Japan and other Asian economies since the 1980s has made Japan vulnerable to any instability and weakness of its Asian neighbors. Japanese exports to Asia, whose share of total Japanese exports had grown from 25% in the mid 1980s to more than 44% in 1996 (Sōmuchō Tōkeikyoku 1999), plunged sharply contributing to the Japanese recession in 1998. At the same time, Japanese firms and their regional production networks suffered strongly from the turmoil and reduced regional economic activity (see the articles by Tejima and Legewie in this volume).

As the only Asian nation and the most affected economy among the G 8 group of states, it is not astonishing that Japan was quick to react to the crisis. More as a surprise came the Japanese proposal for an Asian Monetary Fund (AMF), a multilateral revolving facility of US\$ 100 billion drawn from the combined reserves of Japan, China, Hong Kong, Taiwan, Singapore, and other Asian nations. This far-reaching proposal presented an unexpected step in regional leadership by the Japanese government. It

clearly aimed at altering the economic policy framework in Asia by creating the first Asia-only institution within the US dominated global financial architecture. In October 1997, after months of quiet lobbying within Asian diplomatic circles, Japan presented the AMF idea to the public at the IMF (International Monetary Fund) and World Bank meeting in Hong Kong. Japan had dared take this step after interpreting the absence of the US from the IMF rescue package for Thailand as a signal that such an initiative would be tolerated (see also Yasutomo in this volume; on the original AMF proposal see, for example, Shinohara 1999 or Mathews and Weiss 1999).

But that expectation turned out to be only wishful thinking. The IMF and the US Treasury briskly refused the AMF proposal. They accused it to be a mere duplication of IMF functions that would only enhance 'moral hazards' by its relative absence of conditionality for loans. Obviously, there was some economic reasoning for this argument. However, the outright opposition of the 'Washington consensus' to the AMF was also fueled by fears of a Japan-led threat to the supremacy of the US dollar in Asia and the general US dominance in international finance (Legewie 1999, 28). As a result, by the end of 1997, Japan had backed down on its proposal.

However, Japan did not deny financial support to crisis-hit Asian economies. As Hirono and Daquila describe in this volume, Japan provided by far the largest sum of money of all donors adding up to more than US\$ 73 billion at the end of 1998. It did so by various multilateral and bilateral schemes and programs that range from its participation in the IMF rescue packages for Thailand, Indonesia and Korea and special ODA loans, over export credits and humanitarian aid to the US\$ 30 billion pledged as bilateral help by the so-called Miyazawa Initiative. All these support measures simultaneously served different political and economic actors with various objectives and were thus easily generated by the Japanese system despite the deep financial problems within Japan itself at that time. Speaking in terms of the three main ministries, MOFA was glad to polish the Japanese image in Asia, MITI welcomed the opportunity to hand out direct and indirect support to Japanese firms suffering from the effects of the crisis in the region, and MOF under Finance Minister Miyazawa happily took the initiative to extend its influence in Asia and international finance (see Sender 1999; Furukawa 1998).

The Miyazawa Initiative of the MOF is by far the most interesting and telling of all mentioned support measures for a number of reasons. After the brisk dismissal of the AMF in 1997, a year later this initiative bore the clear intention to reclaim the initiative in Asian financial cooperation as it also called for consideration of an international institution for Asia offer-

ing financial guarantees (Furukawa 1998, 1). Although the Miyazawa initiative threatened to usurp some authority from the IMF, this time the Japanese proposal was not blocked by the US, the IMF, or the World Bank. These former opponents had meanwhile turned their focus to the financial crisis in Brazil while the IMF had come under additional pressure for its dealing with the Asian crisis. This meant an opportune time for the MOF that succeeded in presenting the package to cash-stripped Asian countries as a substitute for the original AMF by referring to it as the 'New Miyazawa Initiative'. Parallel to its calls for closer regional financial cooperation, Japan also became the most outspoken proponent among industrialized countries for stronger control mechanisms of international capital flows.

On a theoretical level, the financial crisis and growing concerns for regulation needs have given the 'liberalization versus cooperation' debate for Asia an important new turn. In contrast to the area of trade – where Japan stands somewhere in between 'North' and 'South', liberalization and protectionism – Japan clearly belongs to the group of Asian economies with regard to international finance. While it is leading the US in regional manufacturing (but lagging behind globally), in finance, it is trailing the US even in Asia. The region never developed to a yen-bloc but remained clearly under the predominance of the US dollar (Frankel 1993; Kwan 1999; Gyohten 2000). Hence, one might argue that the vulnerability of Asia and Japan exposed by the financial turmoil of the crisis has catapulted Japanese interests into an Asia-only camp brought together by the joint interest for more regulation and cooperation and the eventual opposition to the US, the US dollar and the call for ultimate liberalization of capital flows.

The Japanese interest in the internationalization – or at least the 'Asianization' – of the yen and the Tōkyō financial center is by no means a new or altruistic one as neither is its interest in a closer regional cooperation of financial affairs (Gyohten 2000). Already in 1991, Japan had launched the so-called Executive Meeting of East Asia and Pacific Central Banks (EMEAP) that deliberately excluded the US (see Pascha in this volume), but this and other similar initiatives never went very far. However now, closer regional cooperation in the financial sector appears that it will become an eventual venue for stronger regional cooperation and institutions in the context of 'Asian 10' or 'ASEAN plus three' (see Estanislao in this volume). While skepticism toward any regional financial institutions is still strong for a number of practical but also theoretical deliberations (see Pascha in this volume), the recent development suggests at least the possibility of spill-over effects for a closer regional cooperation in general. By this we refer to the noteworthy fact that the recent 'ASEAN plus three'

meetings have started from discussions of financial matters and meetings of finance ministers. By November 1999 and the last informal ASEAN summit, they had developed for the first time to a meeting involving all three political leaders of Japan, Korea and China.

Indirectly, the Asian crisis has also influenced the further development within the APEC framework. APEC has clearly lost most of its influence in the regional cooperation process in the aftermath of the crisis. Not prepared to deal with financial matters that stood at the center of regional cooperation efforts, APEC's focus on trade and investment liberalization made it badly equipped to stay on course amidst rising calls against the forces of globalization and for protectionism and regulation. At the Kuala Lumpur summit in November 1998, Japan dealt APEC a fatal stroke when it refused to move on demands for import tariff cuts on fish and forestry products. These cuts had been demanded under the first early voluntary sectoral liberalization (EVSL) package of nine sectors in total which had been selected for early liberalization a year before at the Vancouver meeting.

Most observers simply explained the Japanese government's refusal to liberalize these sectors with the infamous argument of the strong agricultural lobbying force in Japan (see, for example, Hiebert and Crispin 1998, 21). However, such a monocausal argument must be seriously questioned. Rather, one has to take into account the far-reaching consequences for other interest groups if such a liberalization step like the first EVSL package had gone through. It would have been nothing else than the precedence for the collective liberalization approach favored by the US. Thus, it would have set the pace for further liberalization steps and troubles in other sectors as well. One example is the Japanese automobile industry – already agreed upon for the second EVSL package in Vancouver – that strongly opposes a trade liberalization process for Southeast Asia orchestrated by APEC (see Legewie in this volume). A similar opposition attitude can also be assumed for other Asian nations that silently supported the Japanese position.

A change in the official Japanese position toward liberalization could also be noticed in the process leading up to the selection of the new head of the WTO. Japan clearly supported the Thai candidate Supachai Panitchpakdi over Michael Moore of New Zealand who was the favorite of the 'liberalization' camp led by the US. Once again the Japanese government representatives closed ranks with Asian nations preferring Supachai, who is generally regarded as a representative of developing economies' interest and who takes a more careful approach to liberalization than his New Zealand counterpart Moore. The eventual decision to have both serve half terms can even be interpreted as a partial success for Japan

that resists liberalization on the WTO level and thus on the global scale. The fact that Supachai will succeed Moore even gained in significance, at least symbolically, after the failure of the WTO talks in Seattle in December 1999. Hence, for the time being, Japan seems 'safe from liberalization pressure' on both the wider Asia-Pacific (APEC) and the global (WTO) levels.

While the APEC process and with it the Japanese mainstream political elite's preference for an Asia-Pacific model of regional cooperation seems to lie in shambles for the present, the concept of an Asia-only region seems to grow on an increasing number of decision makers in the Japanese foreign policy establishment. With the regular meetings of the 'ASEAN plus three' group of states which started in December 1997 and whose membership is identical to the EAEC, the grouping *de facto* came together without making explicit reference to the ideological context of the original proposal. Within this group, the Japanese government plays an active role in agenda setting. The Japanese support projects for troubled Asian economies that were summarized and further extended in Manila in November 1999 clearly underline the Japanese claim for a leadership role that is equivalent to Japan's economic position in the region (MOFA 1999; see also Blechinger in this volume).

The arguments made above suggest a turn of the economic and political preferences within the Japanese political leadership from the Asia-Pacific model to an Asia-only concept, presenting both regional identities as 'either-or' alternatives for cooperation efforts. The recent willingness of Japan to consider bilateral trade pacts as cooperation options, however, shows a new and total different policy approach as it does not favor per se either Asia-Pacific or Asia. Currently, such bilateral free-trade agreements are under study for Korea, Singapore and Mexico. This new thinking, promoted by MITI and JETRO, is labeled as 'multi-layered', meaning that both bilateral and regional free-trade pacts are regarded important to complement the multinational free-trade scheme of the WTO. It also signals an important turn in Japan's stance that so far had always stressed multilateral trade arrangements (Shimizu 2000; Yamamoto and Ng 1999).

While this new policy can be seen as based on a rational decision amid the current stand-still in regional (APEC) and global trade liberalization, one might also argue that at least some groups within the Japanese policy making elite consider these bilateral pacts as a back-door entrance and intermediate move toward an Asia-only free-trade agreement. Thus, this new development toward bilateral free-trade pacts can also be regarded as an important first step toward the implementation of the 'concentric circles' concept as suggested by Estanislao. This model describes the regional cooperation process in terms of waves, emanating from various

agreements – bilateral, subregional, regional, global – with each being linked but at the same time autonomous (Funabashi 1995, 129). Distant as this may sound today, such a development appears not totally unrealistic as other Asian economies like China and Korea also lack membership in any regional trade pact other than APEC and thus present interested and suitable partners. This applies not only for a closer bilateral trade relationship between Japan and Asian countries but also for the future relationship among other Asian countries themselves as shown by the recent bilateral free-trade talks between Thailand and India.

5 CONCLUSION

Summing up and evaluating the findings above, two main conclusions can be drawn.

First, it has become obvious that regional cooperation in Asia continues and indeed is intensifying. This is especially true for the period after the Asian economic and financial crisis that painfully illustrated to the states in the region and beyond how far economic interdependence in Asia has already become a reality. The crisis has strengthened the feeling of regional identity among the Asian states, brought Asian countries closer together, and made them more keen to initiate communal structures that will help to prevent similar situations in the future. Such moves have been further stimulated and supported by anti-globalization and anti-liberalization movements within various countries of the region. The influence of such movements could last be seen at the 1999 Seattle WTO meeting whose breakdown led to a stand-still of further trade liberalization. However, any desire for a regional solution for problems brought about by globalization and trade liberalization is constrained by severe problems. The definition of common interests and goals did not resolve conflicts of interest and conflicts stemming from different and often contradictory strategies of governments and business within the various Asian countries. This closer cooperation in Asia is not as much a consequence of a newly achieved unity over the issue of what the majority of Asian governments and private sector interest groups agree on, but rather the outcome of a negative reaction to the demands raised toward Asian countries from outside the region.

Second, within this process of closer regional cooperation in Asia, both state and non-state actors from Japan play a distinctive and influential role. Japanese government representatives and big business can be regarded as exerting leadership in the region. This leadership, however, is not pro-active in a sense that Japanese political or economic leaders publicly engage in agenda-setting and pushing for the implementation of

goals defined by Japan. As the APEC process has shown, Japanese actors are rather following the concept of 'leading from behind' (see the article by Calder in this volume), engaging in behind-the-scenes mediation and acting as speakers for Asian interests on the international level. The political and economic mainstream in Japan has been supporting and promoting closer regional cooperation. However, until 1997, such activities were clearly defined in an Asia-Pacific context that involved the US and that was centered around APEC.

The reason for this behavior was not only the fear of friction with Japan's most important ally, the US, which strongly resented any regional frameworks without its active participation. It also resulted from the fact that a focus on a regional concept along the lines of an Asia-Pacific framework also was what the various competing political and economic actors within Japan could best compromise on. To mention only two of the groups involved in this decision making process, the closer cooperation within the Asia-Pacific region, involving the US, did not only come closest to the agenda of Japan's traditional foreign policy elites in MOFA who wanted to continue the basic policy lines of Japan's postwar foreign policy. It also suited the interests of big multinational firms that needed Asia as a production site, and in addition needed close relations to the US as Japan's most important single market.

After the crisis, the compromise between Japan's foreign policy and economic elites rather shifted toward an outspoken commitment to the Asian region. Not only were Japanese domestic political and economic actors trying to save and support their own clients whose investments in the region had suffered severe damage in the wake of the crisis, but these motives dovetailed nicely with the expectations of their Asian counterparts. Negative experiences with international organizations involving and often dominated by the US have made Asian political leaders turn to Japan for support and have thus lessened concerns that made some of them speak out against a strong Japanese leadership role in Asia.

For the future, two developments can be expected. First, the process of political and economic cooperation and integration in Asia will continue and will become of more central importance for Japanese foreign policy than before. However, due to security and other constraints, this process will not lead to the same institutionalization as we have, for example, in Europe or in North America. Second, Japan will stay in the center of this process and will play an important leading role. However, it will fulfill this role not as a rival, but as a partner to the US which will keep its important position in the region. Japanese political leaders will continue to strive to keep the US involved in Asia to counterbalance the increasing importance and hegemonic ambitions of China, and to consult and coor-

dinate policies toward new actors coming up at the fringes of the region such as India. With the breakdown of levels of governance after the end of the Cold War and the higher amount of freedom for domestic actors to pursue their own international agendas, official Japanese foreign policy activities will be more and more supplemented by non-state actor activities. However, the distinctive pattern of compromise and the search for the smallest common denominator between political and economic domestic actors within Japan as the leitmotiv of foreign policy making will stay intact and will further shape the distinctive pattern of action and reaction, direct and indirect leadership in Japan's relations with Asia.

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