

# Implications for Asia in Japan's economic decline

new diplomacy as a repudiation of the LDP's failed China containment strategy, one which was founded on a series of strategic hedges in the Asia-Pacific that sought to box in China's influence and growth. No longer, say many in the DPJ, party kingpin Ichiro Ozawa foremost among them. 'In the view of DPJ policy advisers,' writes Sneider, 'this pseudo-containment strategy is doomed to failure.'

It isn't exactly clear where this priority was born. Some point to Ozawa, who has long cultivated ties between China and the DPJ, and demonstrated an interest in mending Sino-Japanese ties since well before he defected to the DPJ. His recent mission to China with 143 DPJ lawmakers in tow certainly underscores this point.

Foreign Minister Katsuya Okada also seems to be at the crest of the wave of New Asianism, and has done his part to cultivate closer ties and move beyond the corrosive historical rows of the past. During a recent visit to South Korea, he offered a frank and unequivocal apology for Japan's past actions. He also backed the creation of a joint history textbook by China, Japan and South Korea.

The real question is whether or not the Japanese defence establishment is on board. They are likely the greatest source of opposition and will doubtless raise legitimate concerns about the long-term security implications of these policies. It's no accident that Toshio Tamogami came from the military establishment in Japan, where revisionist thinkers are in no short supply. 

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**T**o lose one decade may be a misfortune ...' ran a recent article in *The Economist*, the unstated quip being that the next one was lost due to carelessness. Another 'lost decade' would further justify such dark humour and would also present the Asian region with a significant security challenge.

Japan's economic decline is well established. That country's stock market, which was just below 40,000 points in 1989, finished 2009 at just over 10,500. Yet Japan's underlying economic problems are wider and more complex. They range from low growth and deflation to expanding public debt and rising inequality. And the global financial crisis has further exacerbated matters.

What makes Japan's economic woes a regional security challenge is the important role of the US-Japan alliance in maintaining regional stability. If the alliance were weaker, it would have serious implications for regional stability. As a Japanese analyst recently observed, a US downgrading of the alliance or withdrawal from the region could well lead to faster Japanese military growth (notwithstanding its current economic lethargy), heightened regional threat perceptions and a greater scope for global insecurity. Alliance troubles would make it harder if not

impossible for the US to pursue its 'double assurance' strategy of instilling confidence in strategic partners and competitors alike.

How could Japan's fiscal weakness potentially undermine the alliance? Worsening economic troubles would add greater constraints to the already considerable political and cultural restrictions on Japan's ability to contribute to the alliance and thus negatively affect America's confidence in Japan as an ally. Declining military spending over the past seven years illustrates Japan's predicament, and the trend, in light of the country's public debt, could well continue. Shifting greater amounts of the total bill for ongoing agreements to the US, as a recent report on the alliance's future postulates, 'would undoubtedly put strain on the alliance.'

Economic weakness together with export dependency could also influence Japan to mismanage its current hedging strategy in dealing with China and the US. Japanese leaders describe its current approach as pursuing a more autonomous foreign policy, but the rise of China has provoked Japan to respond to the resulting geostrategic pressures in Asia. This 'return to Asia' policy might resolve some of Japan's problems associated with its dark history, but there is no guarantee that any such policy would be more repentant than chauvinistic.



Former Japanese Prime Minister Yukio Hatoyama: visions of forming an East Asia Community.

How might these problems of economic capacity and political image be addressed? Japan has received abundant economic and diplomatic advice during the post-war era. However, owing to the difficulty of the necessary reforms, and the limited role played by outsiders, the utility of such advice seems minimal. The more immediate challenge is to manage the wider security consequences of the decline, meaning that solutions should focus on strengthening the region's security architecture.

The first option would be to strengthen Asia's multilateral institutions. This might take the form of further developments to regional bodies such as the ASEAN Regional Forum (ARF) or sub-regional bodies such as the Six Party Talks. Or it could develop from former Prime Minister

Hatoyama's vision of an East Asia Community. Policymakers would be aiming to establish institutions that could facilitate major power security dialogue, further enmesh Japan into the region, and ensure a continued US presence.

Yet region-wide institutions have many problems. Their talk-shop style, emphasis on 'non-core' security issues and faith in socialising states echo E. H. Carr's descriptions of the League of Nations in *The Twenty Years' Crisis*. Furthermore, underlying these institutions in recent years has been a rising competitiveness between the region's two major powers, China and the US, and so they seem an unlikely venue for resolving core security challenges.

Another option, described by one analyst as 'multilateralising the

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US alliance system', would be to reform the San Francisco alliance system and the US-Japan alliance as its lynchpin. Bilateral alliances still play the key role in regional security but are supplemented or extended by multilateral processes and instrumentalities. Such an approach could consolidate America's double assurance strategy: it could produce a stronger security architecture to compensate for a weaker US-Japan alliance while also ensuring that Japan stays within the architecture.

Such 'extended bilateralism' also raises questions, however. Would Japan still be satisfied with US strategic deterrence guarantees under such circumstances? Would China see it as a hardening of Western containment postures directed against it? And would America's partners and allies be willing and able to increase their own defence burdens?

Unfortunately, continued economic stagnation in Japan will present policymakers with many such dilemmas. If Japan were to 'lose' another decade, however, the US-Japan alliance, America's Asian grand strategy and the Asian security order would all be severely tested. Whatever its specifics, any policy should address the region's core security concerns, and the most practical path seems to be to extend or multilateralise the region's bilateral security architecture in case there is further misfortune.

