

NAVAL POSTGRADUATE SCHOOL

Monterey, California



THESIS

**U.S.-JAPAN NATIONAL INTERESTS: NECESSITY AND
IMPLICATIONS**

by

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December 1998

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19990119 023

REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.

1. AGENCY USE ONLY (Leave blank)

2. REPORT DATE
December 1998

3. REPORT TYPE AND DATES COVERED
Master's Thesis

4. TITLE AND SUBTITLE

U.S.-Japan National Interests: Necessity and Implications

5. FUNDING NUMBERS

6. AUTHOR(S)

Kim, Yong-Beom

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)

Naval Postgraduate School
Monterey, CA 93943-5000

8. PERFORMING
ORGANIZATION REPORT
NUMBER

9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)

10. SPONSORING /
MONITORING
AGENCY REPORT NUMBER

11. SUPPLEMENTARY NOTES

The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Ministry of National Defense or the Republic of Korea (ROK) Government.

12a. DISTRIBUTION / AVAILABILITY STATEMENT

Approved for public release; distribution is unlimited.

12b. DISTRIBUTION CODE

ABSTRACT (maximum 200 words)

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14. SUBJECT TERMS

National Interests, U.S.-Japan Relations, Democratic Peace, Forward Deployment Strategy, Trade Routes, Pacific War, Trade Friction, U.S.-Japan Defense Guideline, Regionalism.

15. NUMBER OF
PAGES

90

16. PRICE CODE

17. SECURITY CLASSIFICATION
OF REPORT

Unclassified

18. SECURITY CLASSIFICATION OF
THIS PAGE

Unclassified

19. SECURITY CLASSIFI- CATION
OF ABSTRACT

Unclassified

20. LIMITATION
OF ABSTRACT

UL

Approved for public release; distribution is unlimited

U.S.-JAPAN NATIONAL INTERESTS: NECESSITY AND IMPLICATIONS

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Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS

from the

**NAVAL POSTGRADUATE SCHOOL
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EXECUTIVE SUMMARY

Why is the U.S.-Japan relationship important? This research question is the starting point of the thesis. The two nations share national interests in many areas. The U.S. and Japan have their own interests. In some ways, the promotion of these interests will develop their mutual benefits. In other ways, it may lead to conflicts. The definition of the national interests varies. This thesis examines these differences.

What factors influence the formulation of the national interests? I have chosen twelve major factors that can influence the formulation of national interests. These are: world order, economic interest and structure, location of the country, status of the adjacent countries, military strength, culture and values, political system and ideology, religion, population, energy, history, and sub-national groups. For a better understanding of the U.S. and Japan, the general background was analyzed. In addition, the characteristics of the two countries were compared.

The United States has major interests in Japan. The U.S. is promoting its political values and democratic system. The policy is based on the "democratic peace" concept which states that democratic countries rarely fight each other. In this regard, Japan's role is significant. Japan is the world's second largest power and a major player in international forums. Japan is the second largest trading partner for the United States. Japan's foreign direct investments, host nation support, high technology transfers, and purchase of treasury bonds greatly benefit the U.S. economy. In the military context, the U.S. needs a very reliable ally in order to maintain the forward deployment strategy. Japan is the only ally to provide a home port for a U.S. carrier group. Japan also hosts a

land base for the largest overseas U.S. Marine Corps contingent. Japan's procurement of major United States weapons systems has also been beneficial to the United States.

Japan seeks to increase its national prestige. In this process, U. S. assistance is significant. One of the examples is Japan's bid to become a permanent member of the U.N. Security Council. In the economic context, Japan pursues an increased trade and market share. It is also developing high technology. Since the U.S. is leading the development in high-tech areas, Japan recognizes the necessity of cooperation with the U.S. in technology. As the second largest trading nation, the security of the sea lines is one of the biggest concerns for Japan. Thus, it has to rely on the U.S. which has a global navy. Japan also seeks to enhance its self-defense forces.

There are some tense issues in the U.S.-Japan relationship such as the legacy of the Pacific War, racial issues, trade frictions, and the changing world situation. Since the two nations had a severe war, the legacies of Pearl Harbor and Hiroshima/Nagasaki still remain. The racial issue may reemerge if disputes between the two countries becomes worse. The chronic trade imbalance causes frictions in the U.S.-Japan relationship because both nations are competing with each other in many areas and markets. In the post-Cold War era, the economic interests gain more significance among the policy makers.

The changing world situation also affects the U.S.-Japan relationship. A changing power structure in the world order will redirect U.S.-Japan security relations. In this regard, the new U.S.-Japan defense guidelines have major implications. There also are new trends in the economic sector. Growing regionalism and aggressive trade policies

characterizes the post-Cold war era. Thus, these trends are also affecting the U.S.-Japan relationship.

Generalizations about nations can be dangerous. However, there are some characteristics of nations worth noting. The U.S. and Japan maintain a unique relationship. They are former adversaries, and now are close allies. Economically, they are both partners and rivals.

In international relations, their national interests play a key role. Therefore, the implications of national interests should be analyzed carefully and periodically. The U.S.-Japan bilateral relationship may be strengthened or may get worse. It also can help develop a multilateral alliance system. Which direction the relationship develops depends on the various factors. Therefore, a continuous analysis of their national interests is significant since the level of importance of these factors in any nation does not always remain the same. The more benefits a nation can provide, the more nations will approach the nation to gain more benefits. In this regard, a nation and its people should make continuous efforts to be strong, attractive, and beneficial.

I. INTRODUCTION

A. WHY IS THIS RESEARCH IMPORTANT?

Why is the U.S.-Japan relationship important? It is important because the two nations share national interests in many areas. From the historical perspective, both countries were former adversaries during the Pacific War. The damage was so severe that the legacy of the war still remains in the relationship. From the political perspective, the U.S. and Japan greatly impact regional and global issues. In trade, the two countries experience competition as well as friction.

The U.S.-Japan bilateral relationship has various implications in terms of national security affairs. In the Asia-Pacific region, the development of the U.S.-Japan relationship will definitely influence regional stability. Since the two countries constitute a major portion of global economics, the changes in the economies will also influence the world economy.

The U.S. and Japan have their own national interests. In some ways, the promotion of these interests will develop for their mutual benefit. In other ways, it may lead to conflicts. Through research and analysis, the importance of the two countries' relationship and national interests will be examined.

The goal of this thesis is to provide facts and analysis regarding the U.S.-Japan relationship. By comparing and contrasting their respective national interests, the significance of U.S.-Japan national interests in their regional and global contexts will be articulated.

B. THE CHANGING NATIONAL INTERESTS

1. Definition of the National Interests

Since the U.S. and Japan had a bloody war in this century, there necessarily are existing legacies. On the other hand, they are strategic partners and share national interests in many areas. In order to find out why they cooperate and what matters in their relations, it is important to begin with a definition of national interests.

One political dictionary offers this definition of the national interest:

National interest is the fundamental objective and ultimate determinant that guides the decision-makers of a state in forming foreign policy. It also constitutes the state's most vital needs, including self-preservation, independence, territorial integrity, military security, and economic well-being. The significance of the national interest is that states interact with other members on the basis of the national interests.¹

When their interests are harmonious, states often act in concert to solve mutual problems. When their interests conflict, however, competition, rivalry, tension, fear, and ultimately war may result. Therefore research about the U.S.-Japan relationship is significant in the context of changing national interests. The national interests shall be examined in this thesis through dimensions such as politics, economics, and the military.

2. Factors that Influence the Formulation of National Interests

What factors influence the formulation of the national interests? I have chosen twelve major factors that can influence the formulation of national interests. These are: world order, economic interest and structure, location of the country, status of the adjacent countries, military strength, culture and value, political system and ideology, religion, population, energy, history, and sub-national groups.

¹Lawrence Ziring, *International Relations: A Political Dictionary*, Oxford, England: CLIO, 1995, p. 11.

In the Cold War era, ideology was the main factor in each country's national interests. Therefore, the grouping by ideology among nations was not strange. In this context, the nations in the same group shared national interests in many ways. In addition, any cross-group relations were not recognized. For example, trade with the opposition was prohibited.

In terms of national interests, the economic issue is always given high priority. In order to maintain itself as a nation, each nation needs profits and a budget. The promotion of exports, the protection of domestic markets, the development of technology, and defense of property by use of armed forces are all related to the nation's economic interests.

The economic structure also has a significant role in the formulation of national interests. For example, the major trading partners are directly associated with the nation's economic situation. If one major nation's currency is significantly devaluated, the impact affects the related nation almost instantaneously. In addition, nations cooperate to enhance their mutual interests. The creation of the European Union, the North American Free Trade Agreement (NAFTA), and the Asia Pacific Economic Cooperation group (APEC) are good examples.

The nation's location has many implications. For example, Japan is located away from the Asian continent. It is also surrounded by major military powers with nuclear capabilities. For its part, the United States is right across the Atlantic Ocean. Therefore, the events in Europe directly influence its policy making.

Throughout history, nations have paid a lot of attention to adjacent nations. The build-up of arms, political instability, national disasters, development of the new natural

resources, and the emergence of new governments cause adjacent nations to take actions or change the nation's policies. Nations, therefore, heed the changes and movements in the neighborhood.

Military strength is a vital factor in the survival of nations. Each nation wants to have an armed force strong enough to defend its territory, nationals, and properties. What is strong enough remains always in question. Overly armed forces may result in an economic recession, and lightly armed forces will not function as a real force. In this context, nations examine global or regional security situations with great care.

Values and culture are invisible factors in national interests. Each nation has its own value system and culture. If the values and culture are in danger, the foundation of the nation itself will be undermined. For example, the introduction of another value system can have a positive as well as negative impact.

The political system is also important in the formulation of national interests. The type of government reflects the way a nation pursues its policies. It is also closely related to its ideology. The Cold War era is a good example. During that era, nations were separated by their political systems and ideologies.

Religion creates harmony among the believers, and sometimes creates tensions with other religions. One of the causes of war may be religion. In this context, the national interests are formulated in part by the religion or religions the nation practices.

Population is also a factor that influences national interests. The size of the population, the composition of ethnic origins, and the level of education are basic considerations in the formulation of the national interests.

Energy is a prerequisite for national power in the industrial era. The availability of natural resources influences a nation's economic system as well as its strategic objectives. The last two oil shocks in this century are good examples of how vulnerable a nation is when it lacks essential resources. Therefore, a stable supply of energy is one of the major considerations in the formulation of national interests, even in the resource-rich nations.

Does history repeat itself? Yes, it does in terms of cycles and patterns. For this reason, people seek and learn lessons from history. The relations between nations are tied to the events in the past. For example, friendly relations which are developed for a long time do not easily go away. On the other hand, the animosity between nations remains in the minds of the people and even among new generations. The historical legacy is another important factor in terms of national interests and policies.

The sub-national groups also play a role in the formulation of national interests. For example, a sub-national group tends to expand its influence in the formulation of national interests. Interest groups tend to make their inputs into national policy-making. Other factors, such as separatist movements, imbalance of development throughout the nation, ethnic disputes, and lack of cohesiveness, impact on the national interests. Those concerns tend to direct the priorities concerning national interests. As we have learned from history, one nation's instability induces other nations' intervention. Therefore, domestic stability and harmony should not be neglected.

C. COUNTRY BACKGROUNDS: U.S. AND JAPAN

For a better understanding of the U.S. and Japan, the following background information regarding their resources and characteristics is presented:

1. U.S. Background²

Area	3,618,764 square miles
Cultivated	20%
Forest	29%
Pasture	26%
Resources	Coal, copper, lead, molybdenum, phosphates, uranium, bauxite, gold, iron, mercury, nickel, potash, silver, tungsten, zinc, petroleum

Table 1. Land

1995 Estimate	263814032
Annual Growth	1.02 %
Life Expectancy	75.99 years
Literacy	97 %
Ethnic Divisions	Caucasian: 83.15 %, African: 12.55 %, Asian: 3.45 %, Native American: 0.85 %, Hispanic: 10.02 % (Hispanics can be of any race)

Table 2. Population

POLITICAL

Type of Government	Federal Republic
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Table 3. Political

² *U.S. and Asia Statistical Handbook: 1996 Edition*, compiled and edited by John T. Dori and Richard D. Fisher, Jr., The Heritage Foundation, 1996. p. 24-25. See, also, Appendix A, Chronology of U.S.-Japan Relations.

Major Industries	telecommunications, chemicals, electronics, food processing, consumer goods, lumber, mining
Major Agricultural Product	food grains, feed crops, oil bearing crops, cattle, dairy products, fruit and vegetables
Major Imports	crude oil and refined petroleum products, machinery, automobiles, consumer goods, industrial raw materials, food and beverages
Major Imports	capital goods, automobiles, industrial supplies and raw materials, consumer goods, agricultural products
Per Capita GDP	U.S. \$25,900

Table 4. Economy-The Largest Trading Nation in the World

1995 Military Budget	U.S. \$272,100,000,000 Increase over 1994: -2.4% Outlay as a Share of GDP: 3.8%
As a Share of Government Spending	17.9%
Total Regular Forces	1,547,300 (in Asia: 94,685 plus 13,130 afloat) Army: 524,900 Reserves: 2,045,000 Navy: 441,800 Air Force: 408,700 Marines: 171,900
Ballistic Missiles	ICBM: 597; SLBM 384; Cruise Missiles: Not Available
Combat Aircraft	4,971 (in Asia: about 350 assigned to U.S. Pacific Command)
Naval Vessels	16 Ballistic Missile Submarine, 82 Attack Submarines (including 29 Cruise Missile Submarines), 12 Aircraft Carriers, 32 Cruisers, 46 Destroyers, 49 Frigates, 9 Coastal Patrol Craft, 12 Inshore Patrol Craft, 16 Minesweepers, 41 Amphibious Craft
In Asia	7 th Fleet: 1 Aircraft Carrier, 8 Surface Combatants, 3 Submarines, 3 Amphibious ships

Table 5. Military

2. Japan's Background³

Area	145,870 square miles
Cultivated	14%
Forest	67%
Resources	Minerals, fish

Table 6. Land

1995 Estimate	125,506,492
Annual Growth	32%
Life Expectancy	79.44
Literacy	99%
Ethnic Divisions	Japanese: 99.4%, other (mostly Korean): 0.6%
Urban Population	78%

Table 7. Population

Type of Government	Constitutional Monarchy
Chief of State	Emperor AKIHITO
1995 Voting with U. S. at U. N.	75.4 %

Table 8. Political

Major Industries	electrical equipment, construction and mining equipment, motor vehicles and parts, electronic and telecommunication equipment and components, machine tools and automated production systems, locomotives and railroad rolling stock, shipbuilding, chemicals, textiles, food processing
Agricultural Products	rice, fisheries, beef, pork, logs
Major Imports	manufactures, fossil fuels, foodstuffs, raw materials
Major Exports	machinery, motor vehicles, consumer electronics
Per Capita GDP	U.S. \$21,328

Table 9. Economy

³ Ibid., 50-51.

1995 Military Budget	U.S. \$53,800,000,000
Increase over 1994	17.5%
Outlay as a Share of GDP	1.1%
As a Share of Government Spending	7.1%
Total Regular Forces	239,500
Army	151,200
Reserves	47,900
Navy	43,700
Air Force	44,600
Ballistic Missiles	None
Combat aircraft	450
Naval Vessels	18 Submarines, 8 Destroyers, 55 Frigates, 6 Patrol and Coastal Combatants, 1 Minelayer, 38 Minesweepers, 6 Amphibious Craft
Security Alliance with U.S.	Mutual Cooperation and Security Treaty (1951, 1960)
Other Security Alliances	None
U.S. Military Installations	Yokosuka Naval Base, Atsugi Naval Air Facility, Sasebo Naval Base, Iwakuni Air Base, Misawa Air Base, Kadena Air Base, Yokota Air Base, Camp Zama, Okinawa, Futema Marine Air Station (reverting to Japanese control within 5-7 years under April 1996 Clinton-Hashimoto agreement)
U.S. Military Personnel	1,942 Army; 6,910 Navy; 20,547 Marine Corps; 14,765 Air Force

Table 10. Military

3. The Characteristics of the U.S. and Japan

Japan's characteristics in terms of national conditions differ with those of the U.S. in many ways. Japan lacks natural resources such as oil, minerals, grain, and other significant materials, but is the second largest trading nation in the world. Thus, security of the air route and sea lines is vital. Japan is surrounded by former adversaries, the density of the population is high, and needs more territory. Its military capability may not extend globally; however it may reach within the region. In order to protect Japanese foreign investments abroad, it must maintain a security alliance with the United States because of its global military strength. Japanese technology has reached the top, and its

influence on the world is increasing. Japan is moving towards obtaining the status of a world class power in political and military aspects. Japan is an insular country. Its race is homogeneous, and has maintained a long history.

One encyclopedia points out Japan's population concern:

Japan has one of the highest overall population densities in the world. The population is distributed unevenly over the land area, with almost the entire population crowded onto the 16% of land that is level enough for cultivation and settlement. As a result the number of people per cultivated unit is the highest in the world; congestion of living space, highways, railways, and industrial and agricultural space is a characteristic feature of Japanese life. The supply of adequate housing falls far short of demand, despite prodigious building programs by government and industry. Alleviating environmental pollution resulting from such concentrated development will be a source of concern for the Japanese for many years to come.⁴

The United States of America consists of the fifty states. It has the most powerful armed forces, and it is the largest trading nation in the world. The U.S. is a multi-racial country, and the diversity of its culture is unique. The multi-racial national origins creates diversity. It has many natural resources. Its military strategy is based on forward deployment and maritime power. The U.S. dollar is the major currency in world trade. It is spreading democratic values throughout the world.

The United States itself is a huge market. Domestic trade is one of the strong points the U.S. enjoys. Since the market is so large, minimal demand for a product can be relatively high compared to nations with low populations. In addition, there are no tariffs in these internal transactions. The lead time is much shorter than importing from

⁴ Academy American encyclopedia, Vol. 11, Danbury, Connecticut: Grolier Incorporated, 1994. 364.

other nations. Thus, the United States is relatively self-reliant compared to other countries such as Japan.

II. U.S. NATIONAL INTERESTS AND JAPAN

For a better understanding of U.S. interests toward Japan, U.S. interests in East Asia will be assessed in general terms:

Even though the United States is not an East Asia power in terms of its location, the United States became a Pacific power when its influence and power reached the Western Pacific in the middle of the nineteenth century. Since then, the United States has both strategic interests and economic interests, throughout East Asia and to maintain these interests, the United States established a rather consistent foreign policy toward East Asia. At first, the "Open Door" policy of the United States toward Asia was aimed at the territorial integrity of China. More specifically, the United States did not want China divided because China was regarded as a potential economic interest for the United States. For both strategic and economic interests, the United States needed a balance in this region. The United States did not want to see any specific power become a hegemon in East Asia. The United States wanted a certain type of balance of power among East Asian nations.⁵

A. POLITICAL ASPECT

1. Democratic Peace and Promotion of Values

U.S. leaders reached the conclusion after the victory over Japan in World War II that the democratization of Japan was a fundamental prerequisite to avoid another war with Japan. This policy is based on democratic peace.

What is the democratic peace concept? It explains that democratic countries rarely fight each other:

1. The democratic system ensures a certain level of transparency in decision making.
2. Democratic countries share the same basic values, and pursue rational policies.

⁵ Choon Kun Lee, "The Military and Strategic Balance in the Korean Peninsula," in *Strategic trends in Northeast Asia at Century's End*, ed. by Choon Kun Lee and Chung Min Lee, Seoul: The Sejong Institute, 1994. p. 220.

3. They trade with each other, therefore, the interdependency decreases the possibility of wars.
4. In most cases, they maintain a military alliance, and this fosters peace among the nations concerned.

As a leader of democracy, the United States has wanted to spread its ideology throughout the world. After World War II, the democratization of Japan was very significant in supporting U.S. national interests. Therefore, the U.S. actively assisted Japan in developing democracy. In addition, the outbreak of the Korean War and the presence of major communist powers in the region meant that the U.S. needed a powerful and reliable ally to assist it in dealing with the situation.

As we know, Japan is the world's second largest economic power in terms of Gross National Product. It is a major player in the United Nations, the Group of Eight, the Asia Pacific Economic Cooperation (APEC), and other international organizations. Thus, the significance of relations with Japan concerning the United States is extremely important.

One scholar suggested that the U.S.-Japan alliance relationship provides the U.S. with two major political and diplomatic benefits:

First of all, the US-Japan partnership constitutes the pillar of America's East Asian policy. One guiding principle of America's foreign policy toward East Asia since the 19th century has been to maintain stability by preventing the rise of any regional hegemonic country or a group of countries that might threaten US security and interests. From the 1930s to 1940s the US checked Japanese attempts to dominate Asia. The Cold-War period did not break this US national objective, despite the appearance that America's policies in those days were largely anticommunist. Viewing their communism-driven expansionist policies as a formidable threat, the US first countered the Chinese-Soviet bloc and later the USSR after winning China over to its side as a strategic ally. This anticommunist stance was simply the modern manifestation of the same anti-

hegemonistic interest that led to the war against Japan. The fall of the Soviet Union and a decrease of its real or perceived threat, therefore, do not mean the end of American involvement in East Asia. Rather, a diminished Russian threat ushers in a new era in which a traditional aspect of America's East Asian policy—preventing dominance by maintaining the balance of power—assumes greater prominence. And a close US-Japan association provides the US with an indispensable foothold in carrying out the balancing role.

The second political benefit is that the current US-Japan security relationship provides the US with a powerful diplomatic means in dealing with Japan and other East Asian countries. In terms of defense commitment the US-Japan Security Treaty is not mutual but unilateral: the US is obligated to defend Japan, but not vice versa. Although this unilateral nature of the US-Japan security arrangements is a subject of criticism in the United States, the one-sided defense commitment has given the US a strong bargaining power vis-à-vis Japan. Securing the political upper hand over Japan, which ranks now the second largest economy next to the United States, will be an enormous US political asset in designing and carrying out its global strategy. Similarly, in America's relations with other East Asian nations, the US-Japan alliance results in one of the power sources for the US in exerting a political influence on East Asian countries. This is because the US-Japan alliance has a "watch-dog" function against and thus alleviates Asian apprehension toward Japan. In addition, the security partnership with Japan facilitates America's military presence in the Far East, the presence of which constitutes another political power source for the US in dealing with East Asian countries.⁶

The U.S. is very sensitive to the dangers to democracy globally. Even though the post-Cold War trend toward democracy throughout much of the world is tremendously favorable for the security of the U.S., the U.S. still seeks democratic enlargement. Thus, it is important to maintain a reliable alliance relationship with Japan in Asia. U.S. policy makers emphasize the alliance with democratic Japan because they strongly believe that peaceful resolutions of disputes are more likely to occur as democracy spreads.

⁶ Shinichi Ogawa, "Significance of the Post-Cold War US-Japan Alliance and Prospects for Security Cooperation," *The Korean Journal of Defense Analysis* (Summer 1994), pp. 60-61.

2. The U.S. Global Lead and Japan's Support

In order to maintain a global lead, the U.S. needs support from Japan which is the second largest economic power and influential in world affairs. In the Asia-Pacific area, Japan plays the key role. Therefore, close cooperation with Japan is significant for the United States. In international organizations such as the United Nations, the Group of Eight, International Monetary Fund (IMF), and others, Japan has supported the United States in most instances.⁷

The development of technology and the globalization trend have created some transnational issues. In order to resolve the issues, the allies' support is critical and in this context, close relations with Japan is important to the United States.

During the Cold War, Japan played a role in supporting the U.S. camp in many ways. The significance of Japan's strategic location, at the far end of the Pacific, was fully recognized by U.S. policy makers. Even though the Cold War is over, the U.S. still needs support from Japan politically, economically, and militarily. One example is Washington's backing of Japan's bid to be a permanent member of the United Nations' Security Council.

B. ECONOMIC ASPECT

1. Promote Trade and Increase the Market Share

Since the volume of trade between Asian countries and the United States has been on the rise, the importance of relations with the countries in the region is also growing.

⁷ For example, as suggested in Chapter I, Japan's voting with the U.S. at the U.N. in 1995 was 75.4 percent.

According to statistics provided by the U.S. Census Bureau, Japan is the second largest trading partner of the United States, not only in exports, but also in imports as shown in Table 1. In other words, Japan is a good market as well as a good competitor. The increase of direct foreign investments in both countries shows that the countries share mutual investments and develop common interests. Through collective research, they produce and create new technology and other products which demonstrates the economic interdependence between the countries.

Major U.S. Trading Partners			
Top 15 Trading Partners - Exports of Goods in 1996			
Rank	Country	(\$ billions)	% of total
1	Canada	\$133.7	21.4%
2	Japan	67.5	10.8
3	Mexico	56.8	9.1
4	United Kingdom	30.9	4.9
5	Korea	26.6	4.3
6	Germany	23.5	3.8
7	Taiwan	18.4	2.9
8	Singapore	16.7	2.7
9	Netherlands	16.6	2.7
10	France	14.4	2.3
11	Hong Kong	14.0	2.2
12	Brazil	12.7	2.0
13	Belgium	12.5	2.0
14	Australia	12.0	1.9
15	China	12.0	1.9
Top 15 Trading Partners - Imports of Goods in 1996			
Rank	Country	(\$ billions)	% of total
1	Canada	\$156.5	19.8%
2	Japan	115.2	14.6
3	Mexico	73.0	9.2
4	China	51.5	6.5
5	Germany	38.9	4.9
6	Taiwan	29.9	3.8
7	United Kingdom	28.9	3.7
8	Korea	22.7	2.9
9	Singapore	20.3	2.6
10	France	18.6	2.4
11	Italy	18.2	2.3
12	Malaysia	17.8	2.3
13	Venezuela	12.9	1.6
14	Thailand	11.3	1.4
15	Hong Kong	9.9	1.2

Source: U.S. Census Bureau

Table 11. Major U.S. Trading Partners⁸

⁸ The Wall Street Journal Almanac 1998, p.183.

2. Economic Partner and Host Nation Support

Given the economic interdependence between the U.S. and Japan, the U.S. needs Japan's support in such areas as direct foreign investments in the U.S., joint investments in third countries, and joint technology development or the transfer of high-tech items. See Figure 1.

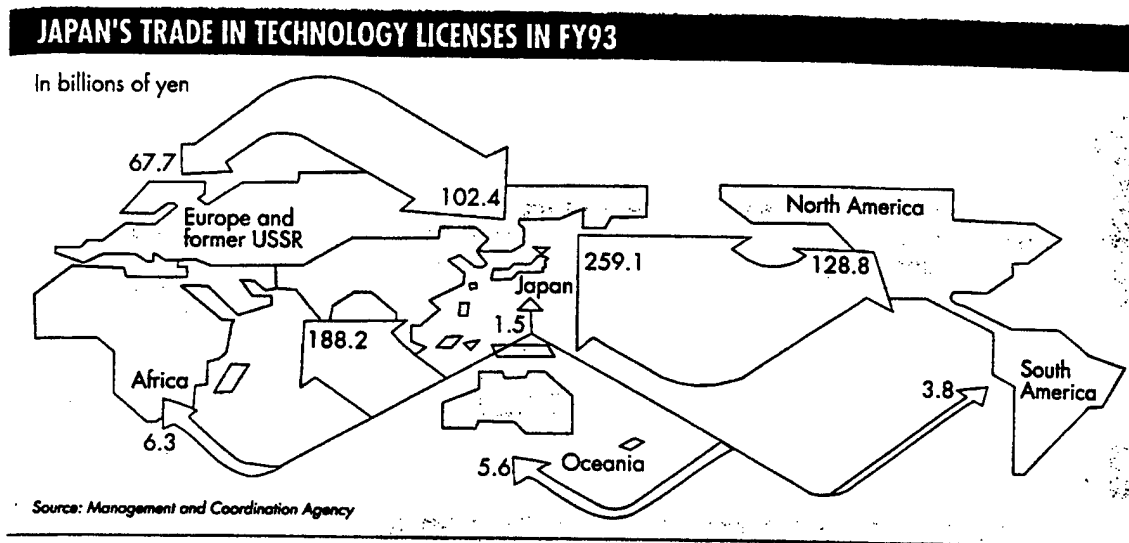


Figure 1. Economic Interdependence⁹

Japan is also the major holder of U.S. Treasury bonds as shown in Table 12. Japan's purchase of the bonds relieves the U.S. national financial burden and deficit. Also, Japan's direct foreign investments in the U.S. also create more jobs in the U. S. For the U.S., Japan's contributions are welcomed in most cases.

⁹ *Japan Economic Almanac 1996, The Nikkei Weekly.* p. 61.

[In billions of dollars. Covers transactions in all types of long-term domestic securities by foreigners as reported by banks, brokers, and other entities in the United States (except nonmarketable U.S. Treasury notes, foreign series; and nonmarketable U.S. Treasury bonds and notes, foreign currency series). Data cover new issues of securities, transactions in outstanding issues, and redemptions of securities. Includes transactions executed in the United States for the account of foreigners, and transactions executed abroad for the account of reporting institutions and their domestic customers. Data by country show the country of domicile of the foreign buyers and sellers of the securities; in the case of outstanding issues, this may differ from the country of the original issuer. The term "foreigner" covers all institutions and individuals domiciled outside the United States, including U.S. citizens domiciled abroad, and the foreign branches, subsidiaries and other affiliates abroad of U.S. banks and businesses; the central governments, central banks, and other official institutions of foreign countries; and international and regional organizations. "Foreigner" also includes persons in the United States to the extent that they are known by reporting institutions to be acting on behalf of foreigners. Minus sign (-) indicates net sales by foreigners or a net outflow of capital from the United States]

YEAR AND COUNTRY	NET PURCHASES					TOTAL TRANSACTIONS ⁴				
	Total	Trea- sury bonds and notes ¹	U.S. Govt. corpora- tions ² bonds	Corpo- rate bonds ³	Corpo- rate stocks	Total	Trea- sury bonds and notes ¹	U.S. Govt. corpora- tions ² bonds	Corpo- rate bonds ³	Corpo- rate stocks
1980	15.8	4.9	2.6	2.9	5.4	198	97	17	9	75
1985	78.3	29.2	4.3	39.8	4.9	1,256	968	46	84	159
1990	18.7	17.9	6.3	9.7	-15.1	4,204	3,620	104	117	362
1991	58.1	19.9	10.2	16.9	11.1	4,706	4,016	124	155	411
1992	73.2	39.3	18.3	20.8	-5.1	5,282	4,444	204	187	448
1993	111.1	23.6	35.4	30.6	21.6	6,314	5,195	263	239	618
1994	140.4	78.8	21.7	38.0	1.9	6,562	5,343	297	222	699
1995	231.9	134.1	28.7	57.9	11.2	7,243	5,828	222	278	915
1996, total ⁵	384.1	244.2	49.3	77.4	13.2	9,172	7,217	283	434	1,238
United Kingdom	122.9	64.4	11.0	43.6	3.9	3,709	3,099	66	224	320
Japan	54.4	41.5	7.6	5.6	-0.3	970	854	30	14	72
Canada	9.2	2.7	0.2	4.1	2.3	774	639	6	18	110
British West Indies	23.1	8.5	8.7	3.0	3.0	416	210	60	32	114
Netherlands Antilles	17.6	12.4	0.3	0.9	4.1	391	260	4	21	107
Bermuda	7.6	2.6	3.3	2.0	-0.3	324	144	46	25	109
Singapore	12.3	7.7	1.4	1.1	2.2	270	237	4	5	24
France	5.4	2.6	0.2	5.0	-2.3	227	173	2	12	41
Germany	24.3	18.1	1.6	3.5	1.1	219	173	3	14	29

¹ Marketable bonds and notes. ² Includes federally-sponsored agencies. ³ Includes transactions in directly placed issues abroad by U.S. corporations and issues of States and municipalities. ⁴ Total purchases plus total sales. ⁵ Includes other countries, not shown separately.

Source: U.S. Dept. of Treasury, *Treasury Bulletin*, quarterly.

Table 12. Foreign Purchases and Sales of U.S. Securities, by Type of Security, 1980 to 1996, and by Selected Country, 1996¹⁰

One of the economic benefits the U.S. now enjoys is Japan's huge host nation support in terms of financial contributions to U.S. forces and extensive maintenance and repair capacity for the U.S. Seventh Fleet. So far the Yokosuka Naval Base is the only U.S. foreign military base that can perform large repair work on U.S. aircraft carriers. As to the costs necessary for stationing U.S. forces in Japan, the Government of Japan began to shoulder a substantial portion of them in 1977, starting with labor costs, then the costs for facilities upgrades, and now the utilities costs.¹¹ Thus, Japan's financial support reduces the burden to Americans of U.S. forces in Japan.

¹⁰ U.S. Department of Commerce, *Statistical Abstract of the United States 1997*, p. 525.

¹¹ Ogawa, p. 58.

C. MILITARY ASPECT

1. Forward Deployment Strategy

What are the U.S.'s purposes for the forward deployment strategy? One U.S. view suggested four major purposes: to demonstrate U.S. commitment, foster regional stability, lend credibility to the U.S. alliances, and enhance the U.S. crisis response capability.¹²

The National Military Strategy of the United States points out the necessity and implications of the U.S. forward presence:

Over the past 45 years, the day-to-day presence of US forces in regions vital to US national interests has been key to averting crises and preventing war. Our forces deployed throughout the world show our commitment, lend credibility to our alliances, enhance regional stability, and provide a crisis-response capability while promoting US influence and access. In addition to forces stationed overseas and afloat, forward presence includes periodic and rotational deployments, access and storage agreements, combined exercises, security and humanitarian assistance, port visits, and military-to-military contacts. Although the numbers of US forces stationed overseas will be reduced, the credibility of our capability and intent to respond to crises will continue to depend on judicious forward presence. Forward presence is also vital to the maintenance of the system of collective defense by which the United States works with its friends and allies to protect our security interests, while reducing the burdens of defense spending and unnecessary arms competition.¹³

The U.S. has numerous alliances, treaties, and military base agreements around the world. These involvements constitute a complex alliance structure that is cumulatively a response to the various perceived threats to U.S. foreign policy objectives that have arisen since World War II. With the outbreak of the Korean War (1950), the

¹² Conference (on Stability and the Offense/Defense relationship) Final Report, Vol. II, SAIC, 1992. p. 52.

¹³ *National Military Strategy of the United States*, U.S. Government Printing Office, 1992. p. 7.

United States began adding Asian allies in relatively quick order with Japan in 1951 and with Korea in 1953.¹⁴

Building from the July 1994 U.S. National Security Strategy, the Defense Department still believes the U.S. military presence of 100,000 in East Asia to be the "bedrock" for the U.S. security interests in the region. Since it recognizes the importance of regional stability through mutually beneficial security partnerships, multilateral security forums, and the engagement of other countries in the area as well as work with friends and allies, the security relations with Japan constitutes a significant basis of U.S. security policy¹⁵

One U.S. view emphasizes the necessity and the significance of U.S. forces in Japan:

For the United States, American forces in Japan and Okinawa are emblematic of the American determination to preserve the advantages and political leverage that come from keeping its military forces forward deployed. Basing U.S. forces in Japan keeps American defensive boundaries on the Asian littoral instead of in the eastern Pacific. Strategically, the United States cannot afford to withdraw significant forces from Okinawa, for which no realistic and viable alternative exists. American influence and political and security policy in Asia depend upon these forces remaining where they are. To agree to remove or reduce those forces would put American credibility at significant risk.¹⁶

The significance of the Pacific Ocean is that it is the largest body of water in the world. The Pacific provides more than half of the world's catch of fish and shellfish. Petroleum is the most important mineral resource of the Pacific. The area is about 181

¹⁴ Amos A Jordan, William J. Taylor, Jr., and Lawrence J Korb, *American National Security: Policy and Process*, fourth edition, Baltimore and London: The Johns Hopkins University Press, 1993. p. 33.

¹⁵ The Center for Strategic and International Studies, *Developing a Consensus for the Future*, Washington, D.C.: CSIS, 1996. p. 45.

¹⁶ Paul S. Giarra, "Host Nation Support, Responsibility Sharing, and Alternative Approaches to U.S. Bases in Japan," in *Naval War College Review*, Autumn 1997. p. 56.

million square kilometers. The Pacific is one of the world's major trade routes. Since the mid-1960s the transportation of goods across the ocean has increased as East and Southeast Asian countries have developed industrially.¹⁷

The U.S. Pacific Command has a huge area of responsibility encompassing 43 countries and more than 56% of the world's population. It also attaches great importance to understanding the critical linkages between economics and security in the Asia-Pacific region¹⁸ as seen in Figure 2. In this context, Japan's security support plays a significant role in maintaining and exercising U.S. security interests.

The Japan-US alliance bears a special significance:

Japan is the only US ally in the world to provide a home port for a carrier battle group. Japan also hosts a land base for the largest overseas US Marine Corps unit. Moreover, in its capacity as a host nation, Japan defrays 75% of the non-salary costs of the US forces stationed in the country. As a result of the US withdrawal from the bases in the Philippines, the military importance of the US bases in Japan has grown significantly, in recent years. Again, Japan is the only country willing and capable of providing such host-nation support in the far-flung theater that ranges from the Northwestern Pacific all the way to the Indian Ocean. The upholding of the Japan-US alliance, therefore, is not only crucial to the security interests of Japan and United States, but also indispensable to the security of the entire region.¹⁹

¹⁷ *The World Book Encyclopedia*, Vol. 15, World Book, Inc., 1996. pp. 14-17.

¹⁸ United States Pacific Command, *Asia-Pacific Economic Update*, April 1998, p. i.

¹⁹ Seizaburo Sato, "Security in the Asia-Pacific Region: Threats, Risks, and Opportunities," in *Asia-Pacific Review*, 1994, p. 191.

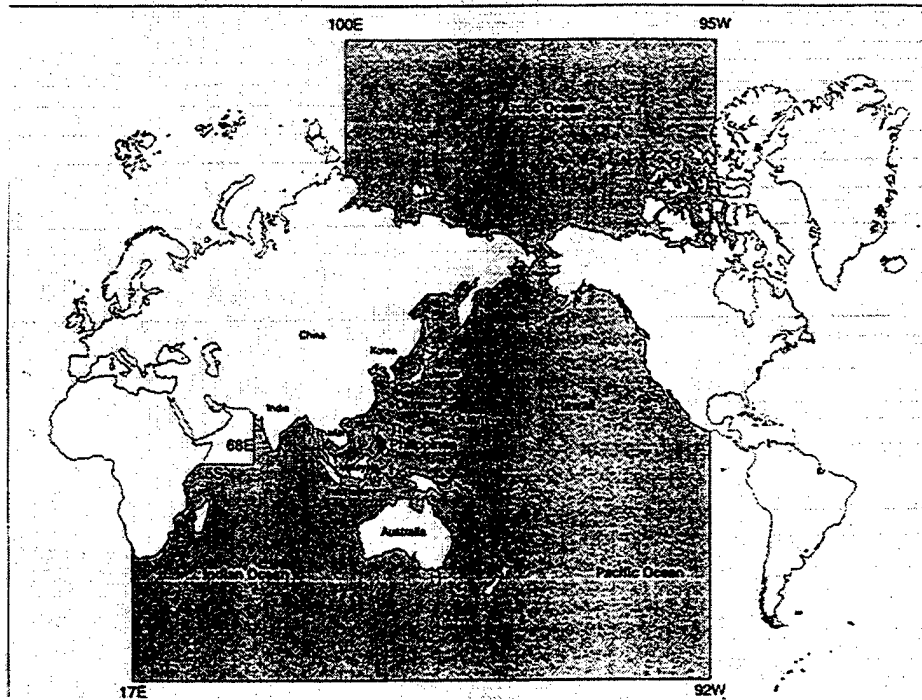


Figure 2. U.S. Pacific Command Area of Responsibility²⁰

According to one Japanese newspaper, Japanese host nation support is on the rise. The so-called "Special Measures Agreement" is designed to increase Japanese host nation support:

The new accord will go into effect April 1, 1996, after the current accord expires and will remain in effect until March 31, 2001. The new agreement will increase financial support from the Japanese side by about 3 billion yen in the first fiscal year. Tokyo spends about 620 billion yen annually, or about 70 percent of the expenses for facilities and utilities, wages for Japanese base workers, and other outlays for maintaining U.S. bases in Japan.

As its major items, the accord requires Japan to bear the cost of wages for an additional 418 Japanese workers to be hired at U.S. bases, which currently employ 22,637 Japanese workers.

Tokyo will also pay the expenses for relocating training exercises to new military exercise sites, if requested by Japan, such as nighttime aircraft

²⁰ Don Flamm, "Is US Overseas Presence Still Important for Asia?," in *Asia Defense Journal*, August 1998, p. 8.

takeoff and landing drills on the island of Iwojima in the Pacific, instead of from Atsugi Base outside Tokyo.²¹

Through the FSX project and the Theater Missile Defense plan, the U.S. gets high technology military support from Japan. This cooperation reduces the budget and helps efforts to create new technology. For the United States, Japan's high tech cannot be neglected.

2. Major Arms Importer and Rapid Deployment

One U.S. report points out the significance of Japan's arms imports from the United States:

Japan's procurement of major United States weapons systems has also been beneficial to both countries. Japan buys large amounts of military equipment and services from the United States each year. Interoperability of major systems, purchased directly or license built, is a major aspect of the security relationship. The long list of United States equipment in Japan's inventory includes AWACS, Patriot, AEGIS, MLRS, F-15s, P-3, C-130, SH-60 and UH-60 helicopter, and numerous gun, missile, torpedo, and sensor programs.²²

The United States has dominated the arms export market with almost 50 percent of the world total. During 1993-1995, the United States exported 1.9 billion U.S. dollars worth of arms to Japan.²³ In this regard, Japan is a major arms importer from the United States.

Another benefit is that the U.S. can deploy its forces in Japan to the region rapidly. In case of emergency, it will reduce the time and resources. See Figure 3. In addition, the U.S. forces can train with the Japanese forces. Therefore, the U.S. side can

²¹ *Mainichi Daily News*, November 8, 1995.

²² *United States Security Strategy for the East Asia-Pacific Region*, Department of Defense, Office of International Security Affairs, February 1995, p. 26.

²³ U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1996*, pp. 19-20.

learn Japanese tactics in relatively different terrain and climate. In addition, the U.S. presence in Japan shows the strong message that the U.S. has a high stake in the region.

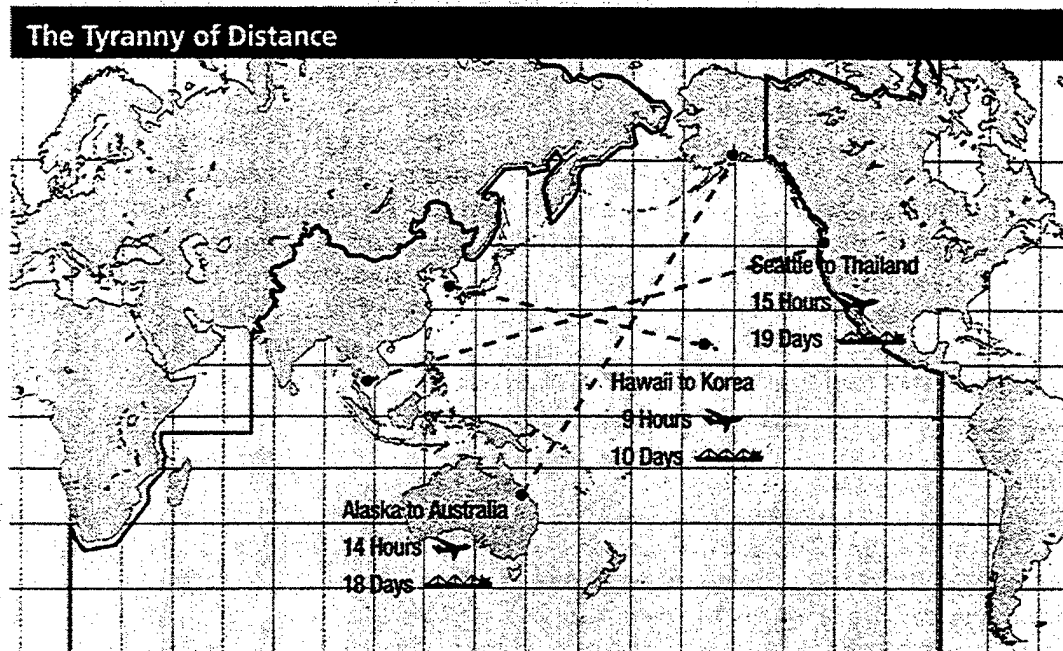


Figure 3. Map of Pacific Distances²⁴

²⁴William M. Steele, "Preparing the Army in the Pacific for the 21st Century," in *Joint Force Quarterly*, Autumn/Winter 1997-98, p.63.

III. JAPAN'S NATIONAL INTERESTS AND THE U.S.

A. POLITICAL ASPECT

1. Increase the National Prestige

It is true that the U.S. played a major role in rebuilding the Japanese economy after the Pacific War. One U.S. analysis explains the background:

The Japanese have become aware that their extraordinary economic success in part rests on their relatively open access to the American market and on American military forces as their ultimate protectors. In addition, for Japan the alliance plays an important role beyond providing a security umbrella and a linkage to the industrial democracies, namely, it also makes a sizable and highly effective Japanese defense effort acceptable to neighbors who remember too well Japan's pre-1945 aggression.²⁵

Japan is making efforts to enhance its military and diplomatic role commensurate with the size of the second largest economy in the world. It has actively participated in United Nations Peace Keeping Operations (UN PKO), and pursues its goal to become a permanent member of the UN Security Council.²⁶ In order to do so, the United States' cooperation and support is significant.

Why does Japan want to become one of the permanent members of the United Nations Security Council? Former U.S. ambassador to Japan Armacost suggested the general background:

As East-West tensions faded, the United Nations promised to become the powerful force in world affairs that its founders had envisaged. For Japan to be a genuine global partner, it was essential that its voice in international organizations reflect more accurately its growing power.

²⁵ Amos A. Jordan, William J. Taylor, Jr., and Lawrence J. Korb, *American National Security: Policy and Process*, fourth edition, Baltimore and London: The Johns Hopkins University Press, 1993. p. 366.

²⁶ *Defense White Paper 1997-1998*, The Ministry of National Defense, The Republic of Korea, 1998. p. 32.

And it was only natural that Japan would seek a larger role in a revitalized UN. As economic concerns appeared likely to supplant military anxieties. Japan's claims to more substantial representation in the Security Council appeared all the more justified; its financial subventions to the United Nations already exceeded the combined contributions of China, the UK, and France.²⁷

2. Toward the "Normal Nation"

Rather than growing more independent, Japan in the late 1990s recognized the necessity for even closer relations with the United States, and perhaps with Russia. Because it lived in a precarious neighborhood with a rapidly growing strongman, Japan no longer had the advantage of introspection. The difficulty of Japanese Prime Minister Hashimoto to interest the countries belonging to the Association of South-East Asian Nations (ASEAN) in closer security relations showed that Japan would have to resort to an increasingly closer, albeit modernized, alliance with the United States.²⁸

However, Japan has been working hard to increase its clout in the world. The term, 'normal nation' represents Japan's willingness to be less dependent on the United States. In addition, there have been movements in Japan demanding that it should consider the revision of its constitution. Some people argue that Japan should be a normal nation with a full-scale military capability. During the Cold War, the U.S. military commitment in Japan was mainly designed to deter the Soviet Union's expansion in the region. In addition, because of the rising costs to run the forces abroad, Washington continued to ask Tokyo to do more. In other words, more active military commitment by Japan and the increase in the financial burden sharing such as host nation

²⁷ Michael H. Armacost, *Friends or Rivals?: The Insider's account of U.S.-Japan Relations*, New York: Columbia University Press, 1996. pp. 158-159.

²⁸ IISS, *Strategic Survey 1996/97*, 1997, p.12-13.

support were sought. Coupled with pressure from the U.S. to do more and its own necessity to enhance its military capability, Japan is gradually strengthening its military posture.²⁹ This movement will strengthen Japan's position in the region as well as in the world.

B. ECONOMIC ASPECT

1. Increase Trade and Market Share

There is no doubt that raw materials such as oil, iron ore, copper, aluminum, chromium, rubber, and others are the lifeblood of modern industry. Most of these commodities are sought in the form of minerals or natural resources throughout the world. The deposits that are economically exploitable with current technology varies in the different countries. Moreover, some of the industrialized countries that are primary consumers of raw materials do not possess sufficient deposits of the minerals. Japan is one of the examples of economies with rapidly growing needs that must rely heavily on imports of most raw materials. When basic industries of a country become significantly dependent on supplies of such raw materials from foreign sources, these resources and a secured supply become labeled strategically important to the economies of those countries as well as their national security.³⁰

The dependence on foreign resources is one of Japan's major vulnerabilities in the economic and military context. This weakness, however, encourages Japan to promote a trade-oriented economic policy. If its trade is in bad shape, a nation which lacks natural

²⁹ One survey reflects the current trends toward the Japan's force enhancement; see Appendix B. survey result No. 13.

³⁰ Richard William Sim, *Japanese Resource Dependence*, M.A. Thesis, U.S. Naval Postgraduate School, March 1982. p. 13.

resources will weaken. In this regard, Japan is exercising policies to increase its trade and market share in the world markets.

2. Development of High-Technology

Technology has drastically changed human history and lifestyles. In the old days, natural resources and manpower were the main sources of national power. However, in this modern world, the rapid development of technology is playing a key role in terms of national growth as well as national power. The significance of technology is explained as follows:

Improved technology has produced revolutionary changes in military weaponry, industrial production, communication, transportation, and medicine. These changes have in turn produced such results as the danger of nuclear war, a revolution of rising expectations, a worldwide ideological-propaganda-economic conflict, and the threat of a massive population explosion. Technological advances are outstripping society's ability to adapt to or deal with the social consequences of progress. The level of technology used by a nation relative to that of other countries (especially potential enemies) is a major determinant in the evaluation of national power.³¹

In this regard, many nations invest a lot of budget and time to develop their own technology. However, the cost is so high that many nations resort to joint development or transfer of technology. The eternal trend in world trade is a 'buy low, sell high' policy. This means that a nation will buy low-price products to ensure low inflation and sell high-profit products to hold on to its trade surplus. In these trends, technology plays a vital role.

Japan is one of the leaders in global technology. Japan needs joint development or the transfer of high-tech items in order to upgrade its technology capability. Therefore, close cooperation with the United States in the technology field is a significant

factor for Japan. As pointed out in Chapter I, Japan, which lacks most natural resources, has a high population density, and maintains most of its national income through trade, must maintain supremacy in the technology field.

The U.S. is leading the development of technology in many areas. For this reason, Japan recognizes the necessity of cooperation with the U.S. in technology. A Japan Defense Agency report points out this importance:

The ongoing joint Japan-U.S. development of the next-generation support fighter (FS-X) is the first case of joint research and development of equipment by the two countries. Such Japan-U.S. joint R&D efforts are important from the viewpoint of promoting defense cooperation between the two countries, as well as effectively developing equipment by the synergy of their superb technologies. ...

Besides, the two countries are regularly holding the Japan-U.S. Systems and Technology Forum to enhance bilateral cooperation in regard to defense-related technology. Through these meetings, the two countries are actively promoting the six joint research projects.³²

The six candidate items for Japan-U.S. Joint Research are: ducted rocket engines, millimeter wave/infrared dual mode seekers, closed degaussing for steel-hull ships, fighting vehicle propulsion technology using ceramic materials, advanced steel technology, and eye-safe lasers.³³

There are three major reasons why the prospect of sharing the costs and benefits of technological advances became more attractive:

First, the demand for increased technological sophistication in new defense systems is forcing development costs ever upward. Second, technology diffusion means that sometimes cost-effective solutions to a government requirement can be found only if industry can choose an international partner with whom to share the increased risks of

³¹ Lawrence Ziring, *International Relations: A Political Dictionary*, CLIO, 1995. p. 131.

³² *Defense of Japan 1994*, (Japan) Defense Agency, p. 74.

³³ *Ibid.*, p. 250.

development and production. Theoretically, all would benefit from greater flexibility to pursue cooperative industrial relationships, not only nationally or regionally.... Third, common technology in common weapons systems means greater alliance interoperability and logistical flexibility.³⁴

Another view covers the relations and implications of the U.S.-Japan relationship in terms of the technology:

A related aspect of economic security is Japan's reliance on foreign sources of technology. One reason the Japanese are so eager to move beyond the frontiers of knowledge and develop their own capabilities in state-of-the-art technology is that they fear that overseas technology may not be readily available in the future. Even under the most favorable circumstances, Japan will have to offer advanced technology in order to obtain technology in return. There may be a groundswell of technological nationalism abroad, arising from the escalating costs and risks of research and development and the severity of commercial competition.

The fear of technological nationalism even extends to the United States, Japan's closest ally, and traditionally the most open source of advanced knowledge in the world. For reasons of national security, the transfer of technology may be increasingly subject to constraints. To lower the level of dependence-already very high in aircraft, space, and other areas of complex systems integration-the Japanese government feels that it must push hard to advance Japan's indigenous capacity to innovate.

Economic security also means continued access to large overseas markets, particularly the U.S. market, which accounts for nearly 40 percent of Japan's total exports. The groundswell of protectionist sentiment in the United States and around the world is deeply worrisome to the Japanese.³⁵

As the view above suggested, Japan has to increase the level of independence in technology and also resort to technology transfer from, or coordination with, the United States.

³⁴ Amos A. Jordan, and et al., *American National Security*, fourth edition, Baltimore: The Johns Hopkins University Press, 1993. p. 35.

³⁵ Daniel I. Okimoto, *Between MITI and the Market*, Stanford University Press, 1989. pp. 30-31.

C. MILITARY ASPECT

1. Secure Trade Routes

As the second largest trading nation, the security of sea lines is one of the most important concerns for Japan. Japan's Navy does not have blue-water capability. Therefore, it has to rely on the U.S. which has a global maritime force.

Japan's Defense Agency points out the vulnerabilities:

Japan relies heavily on other countries for the supply of resources, energy, foods and many other materials that are vital to its existence. Therefore, defending its surrounding sea areas and securing the safety of maritime traffic are important to Japan in securing foundations for its national existence, and for war sustainability, as well as for the U. S. Forces to deploy to help Japan in case of an emergency.

It is believed that Japan's maritime traffic will be obstructed in the form of attacks on ships sailing around Japan and mining Japanese ports and harbors, using submarines, aircraft and surface ships.

Therefore, the SDF will secure the safety of maritime traffic by foiling the advance of enemy forces, reducing their strength and thus effectively blocking enemy operations through carrying out, as described below, surveillance, escorts and the defense of ports and harbors, and straits.³⁶

In this regard, U.S. maritime assets play a key role in enhancing the security of sea lines around Japan. Figure 4 shows how narrow and vulnerable the sea lines are in the region.

³⁶ *Defense of Japan 1994*, p. 83.

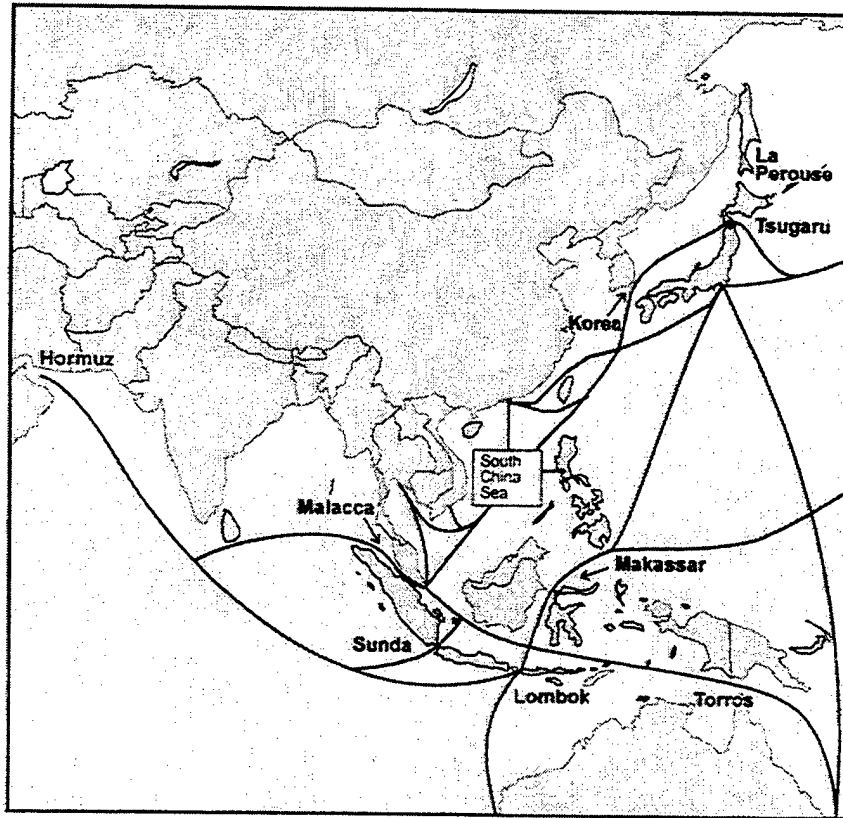


Figure 4. Major Trade Routes and Straits³⁷

One U.S. view suggests the benefits that Japan gets from the presence of U.S. forces:

U.S. forces in Japan are critical to that nation's defense as well. The support, or lack thereof, of the Japanese government for the American bases has important ramifications for the security of Japan and for the bilateral relationship. Most broadly, Japan benefits from the global missions assigned to U.S. forces based in the country. The fact that Japanese support, in turn, is vital to their ability to operate as far away as, for instance, the Persian Gulf animates Japanese foreign policy and tends to align U.S. policies and actions with Japanese interests. They reinforce each other, to Japan's benefit.³⁸

³⁷ United States Pacific Command, *Asia-Pacific Economic Update*, 1998, p. x.

³⁸ Paul S. Giarra, "Host Nation Support, Responsibility Sharing, and Alternative Approaches to U.S. Bases in Japan," in *Naval War College Review*, Vol. L, No. 4, Autumn 1997, p. 59.

Even though Japan receives many benefits from having U.S. forces in Japan, Japan's own national interests need to be taken more into account concerning its own forces. In this regard, Japan is gradually strengthening its military capability.

2. Enhance Self Defense Forces

What motivates Japan to enhance its forces? The enhancement of the military is common sense in terms of national policy. However, there are several factors in Japan's movement towards security. First, the end of the Cold War necessitates the policy of the new world order. Second, regional confrontation and lack of confidence-building measures still remain. Third, is Japan's desire to be more powerful in terms of military capability without having to resort to U.S. commitment.

There are some views which explain Japan's movements to enhance its Self Defense Forces:

The economic factor was also behind the Japanese shift from a traditional reticence to shoulder the weight of regional conflict. The growing belief in the international community and inside Japan that the country could no longer stand on the sidelines as post-World War II pacifism had dictated, led to the Japanese cosponsorship of the UN mission. Japan then embarked on the historic deployment of 600 Japanese soldiers in Cambodia even though Japan's peacekeeping law of April 1992 restricted Japanese troops to reconstruction efforts and prohibited them from entering any area of conflict. Japan also became the largest financial contributor to the UN peace operation and a Japanese diplomat, Yasushi Akashi, was chosen to oversee the UN mission.³⁹

With its economic power and high technology, Japan's armed forces have the potential in terms of military capability to play a larger role. The lack of a collective security system among the nations in the region is stimulating the arms race. In order to reduce tensions in Northeast Asia, multi-national cooperation efforts are significant.

³⁹ Yossi Shain and Juan J. Linz, *Between States*, New York: Cambridge University Press, 1995. p. 70.

IV. ISSUES IN THE U.S.-JAPAN RELATIONSHIP

In Chapters II and III, the benefits for the U.S. and Japan were analyzed. In this chapter, the issues that can create conflicts in the U.S. and Japan relations are analyzed. The major issues are: the legacy of the Pacific War, racial concerns, trade disputes, and the changing world situation. The first two issues are not dominant in policy making, however, the two issues do affect relations between the nations. The trade dispute is a somewhat natural phenomenon. Since the U.S. and Japan are competing with each other, this issue draws immediate attention. The last issue selected is that the world situation causes changes between the two nations, and the two nations have an impact on the world situation. Thus, the U.S.-Japan relationship also affects the world situation in various dimensions, and vice versa.

A. THE LEGACY OF THE PACIFIC WAR

1. Pearl Harbor

Arthur A. Stein asserts that the state which initiates the fighting believes it can win; no state will become involved in hostilities if it knows it can lose. Based on this judgment, he suggested an example, the Japanese decision to attack Pearl Harbor in 1941:

The Japanese knew that they would lose any prolonged war with the United States. They were aware of America's ability to mobilize greater resources and bring more power to bear in any extended contest. Thus it has become important to assess whether the Japanese decision to attack was rational or not. One answer is to point out that they knew they would lose a prolonged war but felt that there was a reasonable chance that the United States, not wanting to wage a protracted one, might negotiate more favorable terms after experiencing a loss such as that at Pearl Harbor. Moreover, waiting would only worsen the Japanese situation, which was deteriorating daily under the weight of America's oil embargo. In short,

the Japanese did not know for certain that they would lose, although they certainly knew that the odds were against them.⁴⁰

The Japanese attack on Pearl Harbor intruded into the daily lives of Americans and had a dramatic impact. The level of shock caused by the surprise attack was comparable to what it would have been had the invasion been from Mars. Moreover, the trauma to the nation was intensified since the attack was executed by the Japanese. The attention of Americans had been riveted to the German blitzkrieg in the European theater since the German army invaded and conquered not only Austria, Czechoslovakia, Hungary, and Poland, but also the Netherlands, Belgium, and France within a relatively short period of time. All had fallen to the onslaught of the German army, and England seemed to be the next target. Thus, the Americans had followed the progress in Europe with interest and anxiety, while paying relatively little attention to Japan's expansion in China and Southeast Asia.⁴¹ In this regard, the bombing of Pearl Harbor opened the door to a two-theater war, and the American hatred toward Japan was doubled or tripled by the bombing.

What was the mood and situation of the United States right before the attack on Pearl Harbor? Severe memories of trench warfare and the heavy casualties of World War I still remained intact among the American people. Due to the losses in that war, some resolved that the U.S. should never again become involved in "someone else's war." Franklin D. Roosevelt, in the presidential campaign of 1940, promised that if he were elected "American boys would not have to fight on foreign soil." This reflected the

⁴⁰ Arthur A. Stein, *Why Nations Cooperate: Circumstance and Choice in International Relations*, Ithaca and London: Cornell University Press, 1990. pp. 62-63 and footnote no.24 on p. 63.

⁴¹ Arthur G. Neal, *National Trauma and Collective Memory: Major Events in the American Century*, New York: M.E. Sharpe, Inc., 1998. p. 61.

mood and attitude towards war among the American people. In other words, foreign problems were defined as foreign problems, not as U.S. problems. This view was deeply embedded in the American consciousness and reinforced by the widespread disillusionment over the heavy losses during World War I. Despite these reasons, Americans were outraged by the attack, and opposition to American involvement in World War II vanished immediately.⁴²

The significance of the Pearl Harbor attack is as follows:

1. Japan's bombing over Pearl Harbor was a surprise attack; therefore the U.S. retaliation in decisive force was justified from the U.S. perspective.
2. The Pacific War was about which side controlled the region as a hegemony in the Pacific Ocean.
3. The U.S. declaration of war showed American decisiveness toward Japan's attack. It implied that a fierce war was inevitable.
4. The failure or lack of diplomatic communications was one of the causes in the war; and these factors did not produce any cease-fire or compromise. Instead the deep hatred escalated, and only an all-or-nothing result was acceptable.
5. The bombing of Pearl Harbor remains a legacy to the American people in dealing with Japan in various dimensions. Thus, this historical event may play a role as a multiplier in times of friction or disputes.

2. Hiroshima and Nagasaki

The first atomic bomb in human history was used in Hiroshima. The explosion equaled 20,000 tons of TNT. Many people were killed and exposed to radiation. Another atomic bomb was used against Japan in Nagasaki three days after the first atomic

⁴² Ibid., pp. 64-66.

bomb. Unaware that the U.S. did not possess any more atomic weapons, Japan offered its surrender terms the next day.⁴³

The use of the atomic bombs had several implications. First, the two bombs opened the nuclear age. Second, the speed of development in technology was the decisive factor in the war. Third, all means were used to win the war. Fourth, the radiation effects were formidable, and the effects were inherited by the next generation. Fifth, shock therapy was used to end the war as quickly as possible. Along with the Pearl Harbor surprise, the atomic bomb attacks remain in the minds of the U.S. and Japanese people.

So far, Japan is the only nation in history that has been attacked with atomic bombs in human history. In this regard, Japan is not free from the legacy of the Pacific War. People found out how miserable the effects of these bombs were.

B. RACIAL ISSUES

From about 1880 to 1910, the so-called yellow peril hysteria developed in the western part of the U.S. It was mainly due to the increase in Chinese and Japanese immigration. The local newspapers warned of a "yellow peril" that would lower living standards of Americans on the Pacific coast. This anxiety coincided with apprehension over Japan's unexpected victory in the Russo-Japanese War in 1905, and these concerns resulted in riots against Asian laborers.⁴⁴

⁴³ Thomas L. Purvis, *A Dictionary of American History*, Oxford: Blackwell Publishers, 1997. pp. 180-181. and p. 269; *The Dictionary of Global Culture*, edited by Kwame Anthony Appiah and et al., New York: Alfred A. Knopf, 1997. p. 296.

⁴⁴ Thomas L Purvis, *A Dictionary of American History*, Oxford:Blackwell, 1997. p.452.

As Japanese immigration to the United States increased, negative attitudes were expressed towards Japanese immigrants. This attitude was reinforced as hatred after the Japanese bombing of Pearl Harbor in 1941, and the local newspapers began to use radical terms regarding the Japanese immigrants.⁴⁵

Historically, Japan was rarely invaded by foreign countries. In addition, Japan is an insular country. This geographic location helped Japan maintain its homogeneity. Therefore, Japanese attitudes towards foreigners did not have enough mutual understanding due to the lack of exchange among cultures. In addition, this background may have developed fear and prejudice toward foreigners such as Americans.⁴⁶

At present, the racial issue has, to some extent, disappeared. However, the issue may reemerge if disputes between the two countries worsen. To avoid that, both countries should continue cultural exchanges for a better understanding of each other.

C. TRADE FRICTIONS

Trade means selling the goods that others need and buying the goods one needs. Economic interests stimulated colonialism, and nations promoted their national wealth mostly via exports. In this context, Japan and the United States have not reached a very stable trade relationship. What matters most in these relations?

1. Trade Deficit

Renato Ruggiero points out the significant implications that trade has:

'If goods cannot cross borders, soldiers will'. This sentence, so often repeated, expresses with great clarity the value of the freedom of trade as an economic and political tool for reducing barriers between peoples and

⁴⁵ The Japanese immigrants suffered greatly during this turbulent period. One example is the relocation camps.

⁴⁶ This is because the U.S. and Japan emerged as new powers at almost the same time. Thus, the rivalry pre-dated the war.

strengthening economic growth and international solidarity. But it also expresses the danger, as history has shown us, of embarking on the road of protectionism. This is because while the international trading system itself has a set of rules, sometimes of vast technical complexity, its consequences are highly political.⁴⁷

One of the issues in the U.S.-Japan relationship is trade friction. The friction seems to be very visible for the following reasons. First, both nations fought against each other in the 1940s. In this regard, a trade imbalance with the former adversary may not be tolerated from the U.S. perspective. Second, the U.S. and Japan are competing with each other in the global market. Thus, the rivalry is somewhat inevitable. Third, some Americans view Tokyo as enjoying the so-called 'free rider' status since U.S. commitment in Japan relieves Japan's heavy burden for defense expenditures. Fourth, changes in the new world order have nations paying more attention to economic interests. In this context, nations exercise more aggressive trade policies.

One view reflects the changing national policies:

The dismantling of one international political structure does not mean the cessation of international politics. On the contrary, the transition through which the world now moves is potentially more unstable than its cold war predecessors. Clear lines between old allies and enemies fade as the former become commercial competitors and the latter new trade, aid, and investment partners.⁴⁸

The U.S.-Japan trade imbalance is not a new story. As Figure 5 shows, it has been a chronic issue. During the Cold War, the trade issue was not at the top of the list in terms of the U.S.-Japan relationship. This was not so because both nations recognized the

⁴⁷ Renato Ruggiero, "Freedom of trade, globalization and economic interdependence: Factors for progress and strengthening of world peace," in *Living in the Global Society*, ed. by Roberto Papini and et al. (Brookfield: Ashgate, 1997) p. 133.

⁴⁸ Sheldon W. Simon, "Regional Security Structures in Asia: The Question of Relevance," in *Collective Security in Europe and Asia*, ed. by Gary L. Guertner, (Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, March 1992) p. 31.

immediate threat from the former Soviet Union. The severe military and ideology confrontation silenced the trade issue to some extent. However, in the post Cold-War era, the economic issue have become more vivid, and have drawn more attention away from the policy makers and people.

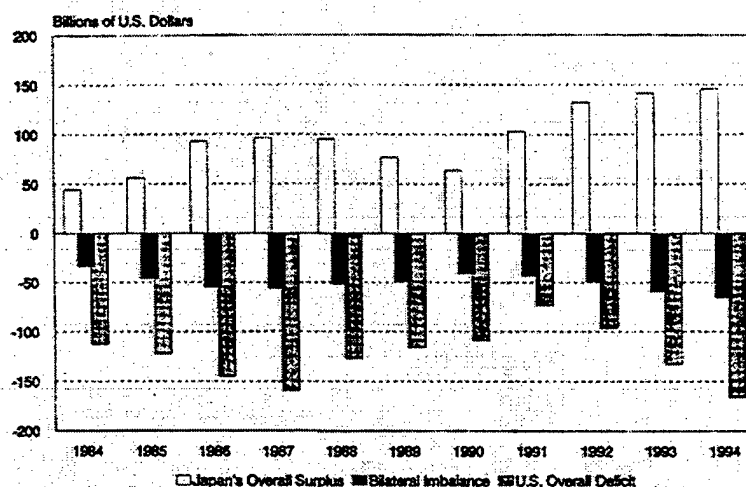


Figure 5. U.S.-Japan Balance of Trade, 1984-94

One view suggested the cause of the trade imbalance:

There are irritants between the partners across the Pacific that could shake the secure relations embodied in the treaty: US-Japan trade conflicts are probably the most troublesome. In 1995 Japan's trade surplus with the US was \$59.3 billion, making Japan the largest trade surplus partner for the United States. Greater opening of Japanese markets, along with bold deregulation of its economic and administrative structures, will apparently be necessary to redress the trade imbalance. At the same time, greater US efforts to save more and spend less are urgently required since the cause of the US-Japan trade imbalance is not the fault of Japan alone.⁴⁹

When it comes to the automobile, the United States has been the leading nation; however, Japan began to take over this position. The automobile is one of the major

⁴⁹ Daizo Sakurada, "Why we need the U.S.-Japan security treaty," *Asia-Pacific Review* (Spring/Summer 1998), pp. 31-32.

exports from Japan, and its most important market is the United States. On the other hand, the United States suffered severely from competition with Japanese products. The U.S. market share of the auto market has been jeopardized by Japanese car makers. As witnessed in the 1995 automobile deal between Japan and the United States, the trade issue is a very sensitive one.

2. Business is Business

Why does business matter? Nations compete to increase market share and to make profits through trade. In the post-Cold War era, economic interests gain more significance among policy makers. Politically, statesmen do not want to experience trade deficits, and people demand the government do something to increase per capita income and to create more jobs. Economically, a trade deficit may result in tax increases and might lead to loans from other nations. Therefore, each nation pursues an aggressive trade policy. In the military context, nations which experience economic recessions cannot freely invest in more updated weapons systems, and cannot provide enough resources for the military. Only nations with sufficient budgets can improve their military capabilities and keep up with the new trends.

D. THE CHANGING WORLD SITUATION

1. Security Context

a. The Changing Power Structure in World Order

The end of the Cold War does not mean that peace exists all around the world. In one sense, the change in the new world order is hard to forecast. One example is the Asian region. Asia has relatively high diversity - ethnic, religious, linguistic, and

geographic.⁵⁰ Also, Asia's identity as a region is not as strong as in other regions. In addition, the legacy of the Cold War still remains. In other words, the nations in the region do not share the same political systems or multinational security coalitions. A lack of trust among nations in security issues may increase mutual suspicions about the intents of those nations.

One characteristic of the East Asia region is the arms race. This movement may easily lead to conflict as tension grows. Barry R. Posen views offensive military doctrines as promoting arms races in two ways:

First, a tenet of offensive doctrines is that an effective first strike can quickly, cheaply, and successfully end a war; so the state will support that first strike with large resources. Second, since offensive doctrines imply a belief in the superiority of offensive action over defensive action, states feel greatly threatened by increases in one another's military capabilities and react quite strongly to those increases.⁵¹

Any bilateral relationship functions as a major variable in regional security. One example is the U.S.-Japan relationship. Gerald L. Curtis points out the concerns between Japan and the U.S.:

There is worry that tensions in the U.S.-Japan relationship will have an adverse impact on the economic well-being and the security of other countries in the region. It is doubtful that any country in Asia, including China, believes that its own national interests would be served by a weakening of the U.S.-Japan relationship. Anti-Japanese sentiment in the United States is viewed with alarm because of the danger that it will lead to protectionist policies, which in the end would hurt smaller Asian economies more than Japan itself. There also is concern that further souring of the U.S.-Japan relationship will intensify domestic pressures in

⁵⁰ *United States Security Strategy for the East Asia-Pacific Region*, Department of Defense, Office of International Security Affairs, February 1995, p. 9.

⁵¹ Barry R. Posen, *The Sources of Military Doctrine* (Ithaca and London: Cornell University Press, 1984) p. 18.

the United States to withdraw strategically from Asia or spur changes in Japanese policy that could upset the regional balance of power.⁵²

Without risking human forces, using weapons against weapons will constitute the major conflict. In this context, the triumph will go to the nation armed with superior technologies. Therefore, the development of high technology is a top priority in most national strategies. In addition, well-developed technology is a stepping stone to enhancing economic efficiency as well as reducing the cost of growing labor expenses. The RMA (Revolution in Military Affairs) and Japan's driving efforts to develop new high technology capabilities reflects the contemporary trend mentioned above. The nations which do not invest enough in technology will face a deepening gap in their technology capabilities.

The growing significance of the United Nations and international organizations tends to cause a nation's policy makers to participate more actively in international forums to gain favorable positions. As there are more transnational issues such as arms races or arms control, environmental damages, drug trafficking, internationally organized crime, there is an increased need for higher levels of cooperation among nations.

b. The U.S.-Japan Defense Guideline

In the Cold War era, the U.S. and Soviet Union's competition was quite severe. Even the Olympics were boycotted by the leaders of each camp. Furthermore, both powers made efforts to develop their zone of influence. In this context, even a former adversary was accepted as an ally as long as it was on our side. Japan is a good

⁵² Gerald L. Curtis, "Meeting the Challenge of Japan in Asia," in *The United States, Japan, and Asia*, ed. by Gerald L. Curtis (New York and London: W. W. Norton & Company, 1994) p. 218.

example. The outbreak of the Korean War eliminated Washington's reservations about creating a security treaty with its former opponent only six years after the destructive Pacific War.

As the new international order emerged with the demise of Soviet Union, the U.S.-Japan security relationship also began to be reexamined. Bradford Dismukes proposed three factors that negatively affect maintaining U.S. forces overseas:

1. Pressures on the defense budget resulting in a pool of forces too small to support a significant overseas presence;
2. A decline in domestic political support for forces abroad, due to concern about costs in dollars and the lives of American soldiers or burden sharing;
3. The possibility that military planners may come to see presence as technologically obsolete and therefore inefficient as compared to forces kept in the continental United States (CONUS).⁵³

Through the new defense guideline, the U.S. can get more support from Japan, and can define the division of labor in more concrete terms. It also recognized the necessity of more updated security relations with Japan in the post- Cold War era.

Japan can expand its military commitment. Japan has been dependent on the U.S. security commitment, and the new guideline will be a booster to modernize and make its forces more sophisticated. It also showed that the U.S.-Japan security relationship is no longer based on senior-and-junior relations. Thus Japan reached a certain level of military independence.

The new guideline was reviewed and established in consideration of the mutual interests of the U.S. and Japan. It is true that other nations in the region have

⁵³ Bradford Dismukes, "The U.S. Military Presence Abroad," *Strategic Review*, Vol. XXIII, No. 2 (Spring 1995), p. 50.

questions over the details. The vagueness in the expanded areas, the lack of explanations to other nations in the region over the new guidelines, and the growing arms race in the name of modernization in the region raises concerns. It is necessary for the U.S. and Japan to rebuild the U.S.-Japan security structure. It has implications not only for the two nations, but also for other nations in the region.

The new U.S.-Japan guideline has two-way implications. The expanded sphere of the guideline may create tensions in the region. Furthermore, it may induce counter-reactions. On the other hand, it firmly shows that U.S. involvement in the region still remains strong even in the post-Cold War era.

What is the U.S. necessity for the expanded guideline? The U.S. does not welcome any emergence of truly powerful regional powers. If any regional power is strongly established, it could be a more immediate threat to the United States. During the Gulf War, the U.S. asked Japan to join the coalition forces. Japan's reply was not satisfactory to the U.S. In this regard, the U.S. has tried to establish a basis to clarify and specify Japan's responsibility for actions in times of war. In addition, the heavily entrenched U.S. forces, particularly in Okinawa, have been a controversial issue. Thus, the new guidelines suggested the reduction of U.S. bases on the island. The growing cost to run its forces abroad is a burden for the United States. Some American taxpayers assert that they need a peace dividend in this post-Cold War era. Furthermore, in coming wars, the U.S. will risk its forces only as long as coalition or multi-flag forces are established. Therefore, the new guidelines are the public message that the U.S. received a more concrete Japanese pledge to go along with the United States in the event of a crisis or emergency.

And what is Japan's necessity to establish the new guideline? The confrontation between the U.S.-led bloc and the U.S.S.R.-led bloc no longer exists. The U.S. has now positioned itself as the global leader in many areas. Thus, Japan needs to establish a more strengthened relationship with the U.S. In addition, Japan has territorial disputes along its trade sea lines. Furthermore, the straits among the lines are too narrow to take alternative routes. The only nation which has a 'blue water' navy at this time is the United States. Thus, for Japan, the enhanced alliance with the United States will reduce Japan's strategic concerns. Even though the U.S. has security treaties with various nations in the world, the U.S. is the only nation with which Japan has a military alliance. If Japan begins military modernization unilaterally, it will engender immediate negative reactions from the nations in the region. Because it fosters a bilateral upgrade, the new guideline may alleviate the concerns among the nations in the region. In addition, the movement can pacify the domestic pacifists' concerns over the chances of becoming too formidable a military power.

2. Economic Context

a. New Trends and Regionalism

One view shows the new trends in the world:

Boundaries between national markets are disappearing, as decreasing transportation costs over the last century have enabled information, products, and people to be transferred easily to new countries, cultures and markets, and encouraged greater trade among countries. For example, U.S. exports of goods and services have risen as a share of Gross Domestic Product from 8 percent in 1980 to 13 percent in 1995. Rapidly growing foreign direct investment among countries, too, has further reduced the importance of national boundaries, changed the nature of

competition, and increased the pace of diffusion of new technologies and new management techniques into the world economy.⁵⁴

There are debates among scholars whether armed conflict between the mass-wealth industrialized nations is highly unlikely or not. Maris McCrabb suggests three issues that pose at least some possibility for conflict between these countries:

The first area, and one with the lowest probability of hostile conflict, is disagreements over resources access. Two phenomena are occurring. One phenomenon is user-supplier agreements where firms, through contracts, attempt to secure for themselves guaranteed access to raw materials. An example of this is Japanese firms which, through direct foreign investment to build or modernize extraction facilities, secure supplies of ores for smelting plants in Japan and third countries. Another phenomenon is more direct conflict over resources. An example is the sporadic outbreaks of fish wars, where fishermen of one country have been fired upon by boats and naval craft of another country over alleged poaching on national grounds.

The second area that has only a medium probability of conflict is over market access. The two biggest concerns in this area are the rise of regional trading blocs and the increasing use of nontariff trade barriers. Trading blocs raise fears of a return to the autarkic economic policies of the 1930s such as Germany's *grossraumwirtschaft* and Britain's sterling area that implied discriminatory preferences for members of the bloc over outsiders. Nontariff barriers are means nations can use to circumvent negotiated market access agreements. The European ban on US beef containing growth-inducing hormones and Japanese banning other US agricultural products for similar health concerns are but two examples of this use of administrative regulations to keep out foreign competition.⁵⁵

There are several implications from regionalism. Politically, it helps to create stable economic boundaries. The partnership among the nations can be enhanced by a regional military or economic alliance. Economically, it creates relatively cheap transportation costs owing to the relatively short line of communications. Since the

⁵⁴ Sumiye Okubo, and et al., *Prospects for Growth in Japan in the 21st Century*, U.S. Department of Commerce, 1996. p. 2.

⁵⁵ Maris McCrabb, "Anticipating the Twenty-First Century," in *Global Security Concerns*, ed. by Karl P. Magyar (Alabama: Air University Press, 1996) p. 129.

nations which form the regional mechanism do not impose high tariffs, it can help to maintain low inflation. In addition, trade disputes can be reduced, or the friction created, at least, may be friction among the blocs rather than the nations within the blocs.

What are the necessities of the trade blocs? One view suggested an answer to the question:

An awareness of the problems and opportunities presented by nations forming trade blocs can go a long way in helping international businesses to globally maximize market share and earnings. Nations often create new and larger trading areas that are easier to penetrate than the traditional single-nation market.⁵⁶

b. Aggressive Trade Policy

In the post-Cold War era, economic interests are the most important issues. Therefore, each nation pursues an aggressive economic policy. In this context, trade frictions between the nations are inevitable. The U.S and Japan have experienced chronic trade disputes. This tension has undermined the bilateral security alliance between the two nations. Japan, which lacks the natural resources, has to resort to growth by export. In addition, the Japanese people have a tendency to save most of their incomes rather than to consume goods. In this regard, Japan looks to more markets, and narrows imports.

The growing significance of economic interests is closely related to national security. For example, a nation which has insufficient internationally transferable reserves may suffer in an era of sudden change and more rapid deals. In order to deter that kind of crisis, a trade surplus is the major way to accumulate capital. Thus, each nation concentrates on promoting its national products.

Thomas H. Henriksen asserts that U.S.-Japan trade frictions show the phenomenon of economic competition becoming political:

Competition today is largely economic. Scores are tallied in balance of payments figures, currency exchange rates, and comparative unemployment. History, which is an early warning system for the future, teaches that economic competition often turns adversarial. Political rivalry can result from contentions over access to resources and markets, disputes over intellectual property rights, governments pressured by citizens' expectations of rising living standards or apprehensions about declining economic status. Economic rivalries have often been viewed through a nationalistic lens.⁵⁷

On 25 January 1993, President Clinton issued Executive Order 12835, entitled "Establishment of The National Economic Council"(NEC). The major functions of the organization are:

1. to coordinate the economic policy-making process with respect to domestic and international economic issues;
2. to coordinate economic policy advice to the President;
3. to ensure that economic policy decisions and programs are consistent with the President's stated goals, and to ensure that those goals are being effectively pursued; and
4. to monitor implementation of the President's economic policy agenda.⁵⁸

The establishment of the National Economic Council was considered a step to fulfill President Clinton's pledge to give top priority to the development of the U.S. economy. This movement also showed the decisiveness of the new administration's trade policy.

⁵⁶ Claude M. Jonnard, *International Business and Trade: Theory, Practice, and Policy* (Boston: St. Lucie Press, 1998) p. 245.

⁵⁷ Thomas H. Henriksen, "The Coming Great Powers Competition," in *World Affairs*, Vol. 158, No. 2 (Fall 1995), p. 66.

The United States is the world's largest trading nation, and Japan is the second largest. Globalization, rising economic interests, and the end of the Cold War enabled trade-oriented nations to exploit their markets and profits. In this process, competition is on the rise among the nations. Thus, the trade issue will draw more attention from people and policy makers.

⁵⁸ I. M. Destler, *The National Economic Council: A Work in Progress* (Washington, D.C.: Institute for International Economics, 1996) p. 1.

V. CONCLUSION

After analyzing the national interests of the two countries, this thesis focused on specific examples about the positive and negative sides of their bilateral ties. Despite the issues suggested, Japan and the U.S. can promote common national interests better than they do now. In a changing world situation, whether the U.S. and Japan develop their relations in a positive fashion will affect regional stability as well as the global situation.

The U.S.-Japan or Japan-U.S. relationship affects not only the two nations but other nations as well. Globalization, the development of technology, economic interdependence, the spread of democracy, and other new trends will have the two nations involved more and more in international or regional affairs. In this context, the U.S.-Japan relationship will draw more attention among the nations concerned as well as on the world forum. History gives lessons about how and why nations cooperate, and how conflicts may impact directly or indirectly upon other nations. As a major variable in regional and global affairs, the U.S.-Japan context is significant. Other variables, such as various bilateral relations and the movement of the world order, will continue to influence the U.S.-Japan relationship, and the ways Japan and the U.S. move will also serve as a variable influencing regional and global relations. This is a particularly important consideration for nations such as China, Russia, and Korea.

Can the Americans and the Japanese learn to value their relationship more highly and "internalize" its importance? Yes, they can. They should make more of an effort and have strong enough will to make it more effective. History, racial differences, and

conflicts of national interests should be cautiously dealt with to make U.S.-Japan relations more innovative.

Conflicts tend to develop as communications get difficult. The leaders of the U.S. and Japan meet each other not only at the bilateral summit talks, but also at international fora such as the Group of Eight, the Asia Pacific Economic Cooperation group, and the United Nations. The more they meet, the less the conflicts grow. As long as they agree to talk and communicate with each other, there will be no more wars between the two countries. Since their national interests are defined by understanding other countries, peace can be maintained through maximizing the benefits of political systems, cooperation, and common national interests and minimizing misunderstandings and conflicts.

The U.S.-Japan bilateral relationship may be strengthened or may worsen. It also can develop into a multilateral alliance system. Which direction the relationship develops depends on the major factors proposed in Chapter I. Therefore, continuous analysis over their national interests is significant since the level of importance of national interests in any nation does not always remain the same. The more benefits a nation can provide, the more nations will approach the nation to gain those benefits. In this regard, a nation and its people should make continuous efforts to be strong, attractive and beneficial.

APPENDIX A. CHRONOLOGY OF U.S.-JAPAN RELATIONS*

- 1853 Arrival of Commodore Matthew C. Perry at Uraga
- 1854 Kanagawa Treaty signed with the United States, opening Japan
- 1858 Commercial treaty with the U.S. (July 29)
- 1904 February 8, Japanese Army launched a surprise attack on the Russian ships at Port Arthur.
- 1905 Taft-Katsura Agreement
- 1908 February 18 - Gentlemen's Agreement on Japanese emigration to the U.S. Root-Takahira Agreement
- 1924 April 16 - Exclusion Act by the United States banning Japanese immigration
- 1930 April 22 - signing of the London Naval Treaty
- 1937 December 12 - Japan's bombing of the U.S. gunboat *Panay* on the Yangtze River
- 1939 July 27 - denunciation of the 1911 trade treaty by the U.S. (effective in six months) September 1, outbreak of World War II in Europe
- 1940 September 23 - entrance of Japanese forces into northern French Indochina
September 26 - embargo by the U.S. on scrap iron shipments
- 1941 April 1 - Soviet-Japanese neutrality pact
July 24 - occupation by Japan of southern Indochina
July 26 - freezing of Japanese assets by the U.S.
August 1 - American licensing system for oil shipments to Japan
October 18 - General Tojo Hideki as prime minister
December 7 - attack on Pearl Harbor and start of the Pacific War
- 1944 November 24 - start of B-29 bombings of Japan

* Compiled from almanacs, encyclopedias, and numerous sources such as *Japan: the story of a nation* by Reichauer, Edwin O., McGraw-Hill Publishing Company. Due to the time difference in publications between Japan and the United States, some differences in the dates are inevitable. For example, President Bush's visit to Japan in 1990: January 7-10 in Japan's publications and January 7-9 in the U.S. publications. In this chronology, the dates may vary according to the sources.

- 1945 February 19-March 17 - Iwo Jima campaign
March 10 and May 24-25 - great firebomb raids on Tokyo
April 1-June 21 - Okinawa campaign
May 8 - German surrender
July 26 - Postdate Proclamation
August 6 and 9 - atomic bombings of Hiroshima and Nagasaki
August 8 - Soviet entrance into the Pacific War
August 14 - acceptance of terms of the Potsdam Proclamation
September 2 - formal surrender received by General Douglas MacArthur
December 15 - disestablishment of state Shinto
December 27 - Moscow Agreement creating the Far Eastern Commission and the Allied Council for Japan
- 1946 January 1 - Emperor's denial of his own divinity
- 1947 May 3 - new constitution goes into effect
- 1948 December 23 - execution of Tojo and six other major war criminals
- 1949 April 15 - report of Joseph M. Dodge on budgetary retrenchment; exchange rate of 360 yen to the dollar
- 1950 August 10 - National Police Reserve ordinance
- 1951 September 8 - signing of the peace treaty with 48 nations and the security treaty with the U.S. in San Francisco
- 1952 February 28 - signing of an administrative agreement on terms for the U.S. bases in Japan
May 1 - anti-American riots in Tokyo
September 18 - Soviet Union vetoes Japanese admission to the United Nations
October 15- National Police Reserve reorganized as the National Security Force
- 1953 December 24 - U.S. agrees to return Amami Islands to Japan
- 1954 July 1 - National Security Force reorganized as the Self-Defense Forces under the Defense Agency
- 1955 August 6 - first Ban the Atomic Bomb World Conference held in Hiroshima
- 1956 October 19 - joint statement normalizing relations with the Soviet Union
December 18 - Japan admitted into the United Nations
- 1957 December 6 - signing of a treaty of commerce with the Soviet Union

- 1958 May 2 - Chinese Communist flag incident in Nagasaki leading to breakoff of trade relations with Japan
- 1959 March 9 - secretary general of the Socialist party, declares in Peking that U.S. is common enemy of Japan and China
- 1960 January 19 - Japan's signing of the Treaty of Mutual Security and Cooperation with the United States
 June 15 - giant antitreaty demonstration resulting in the death of a girl student
 June 16 - cancellation of the visit of President Eisenhower
 June 19 - automatic ratification of the treaty
- 1961 June 10 - agreement on the repayment to the United States of the GARIOA debts (economic assistance during the occupation period)
 November 2-4 - first meeting in Hakone of the cabinet level U.S.-Japan Committee on Trade and Economic Affairs
- 1962 January 25-31 - first U.S.-Japan Cultural Conference
- 1964 April 28 - Japan admitted into the OECD (Organization for Economic Cooperation and Development)
 October - Tokyo Olympics
 November 12 - first visit of an American nuclear-powered submarine
- 1968 January 19-23 - U.S. nuclear-powered aircraft carrier *Enterprise* visits Sasebo
 February 1 - approval given by the U.S. for the election of Okinawa chief executive
 April 5 - agreement for the return of the Bonin Islands (returned June 26)
- 1969 July 25 - first enunciation of the Guam Doctrine, later called the Nixon Doctrine
 November 21, Sato-Nixon communiqué announcing the reversion of Okinawa within a few years
- 1970 March 15 - opening of the World Exposition in Osaka
 June 23, expiration of the ten-year term for the Japan-U.S. Security Treaty
- 1971 July 15 - first "Nixon shock" of forthcoming presidential visit to China
 August 15 - second "Nixon shock" of 10 percent surcharge on imports into the U.S. and nonconvertibility of the dollar
 October 15 - Japan formally accepts new "voluntary" textile quotas
 December 20 - agreement on the reevaluation of the yen 16.88 percent upward against the dollar (308 to the dollar); Sato formulates the three nuclear principles.
- 1972 February 3 - opening of the Winter Olympic Games at Sapporo
 May 15 - Okinawa reverts to Japan as the 47th prefecture

- 1973 February 15 - revaluation upward of the yen by 16.67 percent against the dollar (264 to the dollar)
November-December - impact on Japan of the shock of the Arab oil crisis
- 1974 January 15-16 - riots in Indonesia during Tanaka's visit
April 20 - China-Japan air agreement signed and Japanese flights banned by Taiwan in retaliation
September 1 - nuclear leak on the experimental nuclear-powered ship *Mutsu*
October 6-13 - revelation by retired American Rear Admiral Gene LaRoque that U.S. naval vessels carry nuclear weapons in Japanese waters
November 18-22 - visit by President Ford to Japan
- 1975 July 20 - start of the International Ocean Exposition in Okinawa
October 2-13 - visit by the Emperor and Empress to the U.S.
- 1976 February 2-4 - revelation in U.S. Senate subcommittee hearings of scandals connected with the sale of Lockheed planes to Japan
May 24 - ratification Treaty (signed February 1970)
July 8 - start of the Japan-U.S. Subcommittee for Defense Cooperation
- 1977 November 28 - a cabinet post to supervise Japanese trade problems with the U.S.
- 1978 October 17 - enshrinement of fourteen class A "war criminals" in the Yasukuni Shrine
- 1979 June 24-27 - President Carter visits Japan
July 1 - 30 percent increase in oil prices world wide
November 27 - Komeito officially announces its support of the Security Treaty with the U.S.
- 1980 May 22 - Asukata announces dropping of Socialist' opposition to the Security Treaty and Self-Defense Forces
July 9 - President Carter attends Ohira's memorial service in Tokyo
- 1981 May 1 - Japan agrees to self-restraint on car exports to U.S. to 1,680,000 units in fiscal 1981
May 7-8 - Suzuki visits Washington and confirms with President Ronald Reagan "alliance relationship" between the two countries
May 17 - former U.S. ambassador Reischauer's statement that American nuclear weapons pass through Japanese waters stirs up large controversy
August 15 - Suzuki and eighteen cabinet members visit Yasukuni Shrine
December 1 - Komeito Chairman Takeiri Yoshikatsu says party recognizes Self-Defense Forces as constitutional
- 1982 March 26 - U.S. Secretary of Defense Casper Weinberger calls for 1,000-mile radius of defense by Japan (accepted by Japan September 14)

- August 7 - U.S. brings complaint on restrictions on baseball bats to GATT
- 1983 January 14 - Japanese government decides to pave the way to provide military technologies to the United States
January 17-21 - Nakasone visits Washington and declares Japan an unsinkable aircraft carrier
April 21 - Nakasone visits Yasukuni Shrine in his capacity as prime minister
August 6 - Nakasone reasserts three nuclear principles
November 9-12 - Reagan visits Japan and is first U.S. president to address the Diet
- 1984 June 25-27 - Japan-U.S. working-level consultations on defense of Hokkaido
- 1985 September 18 - defense budget set at 1.04 percent of GNP
September 22 - Plaza Accord is signed; it begins revaluation of the yen as a world currency.
- 1986 August 15 - Nakasone abstains from annual visit to the Yasukuni Shrine
September 22, Nakasone makes insulting remarks about American minorities, apologizes September 26
- 1987 May 1 - Japan's record trade surplus of 101.4 billion U.S. dollars
July 1 - chairman president of Toshiba resigns because small subsidiary sold to Soviet Union propeller milling machine on banned COCOM list (Coordinating Committee for Export Controls)
July 9 - U.S. suspends Toshiba import license in retaliation
- 1988 November 29 - Japan and U.S. agree on joint production of a fighter based on the F-16
- 1989 February 24 - the new American President, Bush, attends Hirohito's funeral
April 28 - United States and Japan agree on joint production of FSX fighter planes for Air Self-Defense Force
May 25 - the United States labels Japan as "unfair trader"
- 1990 June 19 - Japan-U.S. Joint Committee agrees to coordinate with each other for returning U.S. Force facilities (23 items) in Okinawa.
June 28 - Japanese and U.S. governments issue final report on Japan-U.S. structural impediments initiative talks.
- 1991 April 17-19 - Gorbachev visits Japan: the first visit ever by a Soviet president to Japan
November 5 - Miyazawa becomes Premier of Japan
December 7 - the 50th anniversary of the Japanese attack on the Pearl Harbor

- 1992 January 7-9 - President Bush visits Japan
- 1993 Liberal Democratic Party loses power for the first time since 1950s.
- 1994 Murayama becomes Japan's second socialist prime minister
- 1995 Hanshin earthquake kills more than 5,000 in western Japan.
- 1996 United States moves some bases from Okinawa, following widespread demonstrations
- 1997 Declaration of the new defense guideline
- 1998 Prime Minister Obuchi takes office

APPENDIX B. QUESTIONNAIRE SURVEY RESULTS*

1. The ideal system for Japan's security defense

	Politicians	Bureaucrats	Scholars	Total
Self-reliant System	19%	7%	18%	15%
Neutrality	7%	1%	24%	11%
The U.S.-Japan Alliance	74%	92%	58%	74%

2. The biggest threat to Japan's security

	Politicians	Bureaucrats	Scholars	Total
Russia	4%	10%	7%	7%
China	38%	31%	26%	32%
North Korea	46%	52%	45%	48%
R.O.K.	0%	0%	2%	1%
Unified Korea	8%	7%	12%	9%
U.S.A.	4%	0%	8%	4%

3. The reliability of America's current security umbrella capacity for Japan

	Politicians	Bureaucrats	Scholars	Total
Very Reliable	48%	51%	11%	37%
Somewhat Reliable	33%	47%	60%	47%
Somewhat Unreliable	11%	2%	27%	13%
Not reliable At All	8%	0%	2%	3%

* The questionnaire survey results are cited from an article by Dr. Kim, Tae-Hyo, "A New U.S.-Japan Security Relationship: Japan's Perspective," in *Korea and World Affairs* (Winter 1997). 624-627. According to Dr. Kim, the questionnaires were from the leading Japanese groups who exert influence on Japan's defense affairs. He received 185 answered copies, of which 54 were from politicians, 76 from government officials, and 55 from scholars.

4. Relative to other great powers, American power

	Politicians	Bureaucrats	Scholars	Total
is increasing	29%	30%	29%	30%
remains the same	44%	46%	40%	43%
is decreasing	27%	24%	31%	27%

5. Will the U.S. send troops to help Japan if Japan were attacked by other external power(s)?

	Politicians	Bureaucrats	Scholars	Total
Definitely	41%	62%	25%	43%
Might or Might Not	52%	38%	71%	54%
Never	7%	0%	4%	3%

6. Which side receives more payoff from the current U.S.-Japan security treaty?

	Politicians	Bureaucrats	Scholars	Total
U.S.A.	7%	5%	44%	19%
Japan	41%	28%	7%	25%
Both sides Get the Same	52%	67%	49%	56%

7. How necessary is it for U.S. troops to stay in Japan for Japan's security?

	Politicians	Bureaucrats	Scholars	Total
Very Necessary	48%	71%	15%	45%
Somewhat Necessary	30%	24%	42%	32%
Not really Necessary	19%	5%	31%	18%
Not Necessary At All	3%	0%	12%	5%

8. Which adjective most appropriately describes your feeling about U.S. troops in Japan?

	Politicians	Bureaucrats	Scholars	Total
Positive	74%	91%	27%	64%
Negative	11%	3%	35%	16%
Indifferent	15%	6%	38%	20%

9. Because of the decline of the Russian threat, Japan's security ties with the United States

	Politicians	Bureaucrats	Scholars	Total
became much more important	4%	0%	0%	1%
became more important	19%	12%	7%	13%
became less important	22%	18%	38%	26%
became much less important	7%	4%	22%	11%
was not affected at all	48%	66%	33%	49%

10. The U.S.-Japan security alliance will likely

	Politicians	Bureaucrats	Scholars	Total
end someday	0%	1%	0%	0.30%
end in the near future	7%	42%	27%	25.40%
continue forever	93%	57%	73%	74.30%

11. Should Japan have the capacity to produce nuclear weapons at any time or does it need some time to obtain nuclear weapons technology?

	Politicians	Bureaucrats	Scholars	Total
At Any Time	82%	67%	75%	75%
Needs Some Time	18%	33%	25%	25%

12. Should Japan acquire nuclear weapons?

	Politicians	Bureaucrats	Scholars	Total
Should	0%	1%	0%	0.30%
If Necessary	7%	42%	27%	25.40%
Never	93%	57%	73%	74.30%

13. Should Japan's conventional military capability be strengthened?

	Politicians	Bureaucrats	Scholars	Total
Yes	41%	43%	15%	33%
Yes, if the U.S. Leaves	52%	54%	49%	52%
Never	7%	3%	36%	15%

APPENDIX C. LIST OF ACRONYMS

AWACS	Airborne Warning and Control Systems
FSX	Fighter-Support Experimental
FY	Fiscal Year
GDP	Gross Domestic Product
ICBM	Intercontinental Ballistic Missile
IISS	International Institute of Strategic Studies
MLRS	Multiple Launch(ing) Rocket System
ROK	Republic of Korea
SDF	Self-Defense Forces
SLBM	Submarine-launched Ballistic Missile
SLOC	Sea Lines(or Lanes) of Communications
USSR	Union of Soviet Socialist Republics

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