

**US AND JAPAN
RELATIONS
AND
THEIR IMPACT
ON THE
ASIA -PASIFIC
REGION.**

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Introduction

The United States and Japan are two countries of immense strategic and economic significance to the Asia-Pacific region. With a combined gross national product equivalent to more than 80 % of the regional total, these two economic superpowers constitute the primary markets and the biggest sources of investment and aid(1). Japan in particular dominates in trade and investment, and provides a market big enough to absorb 42% of all Indonesian exports. The U.S. market is bigger still, accounting for about a third of Taiwan's exports and a similar share from other countries. The Asia-Pacific nations depend on Japan and the United States to a large degree, and any adverse developments to the economies of these two powerhouses would strongly affect the regional drive toward modernisation and stability.

At present regional stability is guaranteed by the American strategic commitment. If this were to be withdrawn, the absence of real trust

(1) The regional total here refers to the sum of the GNPs of the Asia Pacific Economic Cooperation forum members.

between Japan and the East Asian countries of China and Korea, and between the Southeast Asian countries, China, and Japan could trigger an Asia-Pacific arms race⁽²⁾. In this scenario, nations anxious to maintain their security in the ensuing vacuum would feel compelled to divert vital resources to military expenditure. This and the general instability of the situation could seriously hamper the region's economic development.

It has also become increasingly clear just how deeply the Japanese and U.S. roles are intertwined. In the heyday of U.S. influence the United States played a role independent of Japan in Vietnam and elsewhere. Any decision now by either country to go it alone, however, would fundamentally alter the economic and structural balance of entire region.

In the arena of defense, the U.S.-Japan alliance is based on the Mutual Security Treaty of 1960, an agreement vitally important to U.S. strategic interests. Although America has important bilateral security relationships with other nations in the area, including Korea and the Philippines, these will only remain viable as long as the Japanese relationship is maintained. Other bilateral agreements can be terminated without necessarily upsetting the fundamental U.S. strategic posture, as the U.S. withdrawal from the Philippines shows. Withdrawing from Japan, however, would be an entirely different ball game. The United States would have to recast its basic strategy, or perhaps even withdraw to a Fortress America. Such U.S. isolationism in the Asia-Pacific region could also influence its attitude toward involvement in Europe.

Japan for its part needs the treaty as a credible assurance to its Asian neighbors that, despite its enormous economic power and growing influence, Japan has no intention of embarking on any militaristic path akin to that of the past. The treaty also provides cover for Japan to work out a security role acceptable to its neighbors and at the same time satisfy American demands for burden sharing. And not least, especially to many Japanese themselves, the treaty acts as a restraining force on the development of right-wing nationalism

(2) This is not to suggest that the United States is actually withdrawing, but it is clear that it will reduce its presence. This is likely to cause less jitters than when President Carter announced a reduction of U.S. troops in South Korea some years ago. It is sometimes suggested that countries like China, Japan, and even India would fill the vacuum created by U.S. withdrawal, at least in Southeast Asia. Some Southeast Asians, however, believe a U.S. withdrawal could help to neutralize the region. Whatever the consequences, it cannot be denied that a strategic uncertainty would ensue until a new balance is achieved.

within Japan. The treaty's abolition would almost certainly force Japan to reassess its fundamental strategic posture, with rearmament as the probable outcome.

The Japanese and U.S. economies are also deeply intertwined. The U.S. market absorbs about a third of Japan's exports, making it vital to Japan's economic prosperity that this trade be sustained. Japan, in its turn, provides one of the biggest markets for U.S. producers, and has moreover invested hugely in the United States, financing a sizeable part of the American budget deficit with the purchase of U.S. Treasury bonds.

It can be argued that Japan's economic role in the region has been greatly influenced by the American connection. U.S. pressure to revalue the yen in 1985 led Japan to sharply increase investment in the Asia-Pacific region, particularly in Southeast Asia, and has made Japan see the region's economic potential somewhat differently from before. Japan no longer views Southeast Asia simply as a source of natural resources and markets, but increasingly sees it as a place to relocate manufacturing plants. Should U.S.-Japan ties unravel, Japan would be forced to consider the creation of an Asian trade bloc. The United States, pressed by Japan economically, has been wont to view the various Asia-Pacific countries as potential Japans that may eventually become competitors. It is thus forced on the one hand to be more hard-nosed in its economic dealings with these countries, and on the other to view them increasingly as having great economic potential from which the United States can benefit. U.S. ambassadors to the ASEAN members were clearly party to the latter view when they toured the United States in March 1992 to drum up interest in the economic potential of ASEAN.

One of the ironies of the post-cold-war order is that the mutual security pact so widely condemned by communist Asia and radical elements in non-communist Asian countries should now be viewed by the same parties as necessary for regional stability. China, for example, no longer considers the treaty to be anti-Chinese. On the contrary, it increasingly adheres to the view that the U.S. presence in Japan acts as a restraining force on a country that China believes will be a rival for regional influence in the long term. South Korea and the noncommunist countries of Southeast Asia have been reluctant to condemn the treaty in the past and are even less inclined to do so now.

In the uncertain post-cold-war context these nations feel much more comfortable with the strategic presence of the United States than with the specter of a rearmed Japan playing an independent security role. Their desire for a continued U.S. presence both in Japan and throughout the region is demonstrated by continuing South Korean support for their own mutual security treaty with the United States, and the efforts of some Southeast Asian countries to offer military facilities to the United States in anticipation of the U.S. withdrawal from the Philippines. One example is the agreement signed by then prime minister of Singapore, Lee Kuan Yew, and U.S. Vice President Dan Quayle in November 1990 to permit the United States increased use of military facilities in Singapore. Another is Malaysia's willingness to allow the U.S. navy the use of some of its port facilities, albeit on a commercial basis.

Strains in the Relationship

If the desirability of the treaty and the need for stable U.S.-Japan relations have been accepted by many Asia-Pacific nations, they are nevertheless increasingly subject to question in the United States and Japan, the countries most directly concerned. The end of the cold war and intensifying U.S.-Japan economic rivalry are the main reasons.

The original rationale for the Mutual Security Treaty grew out of perceived threats to Japan's security from the former Soviet Union, and to a lesser extent from China (the treaty does not oblige Japan to come to the aid of the United States should that country be attacked). With the breakup of the Soviet Union and the cold war's end, voices on both sides of the Pacific have questioned the treaty's validity. While the opposition does not as yet constitute mainstream or official opinion in either country, convincing justifications for the continuation of the treaty have yet to be devised. Those that have been given range from broad interpretations that allow the treaty to take on economic functions to murmurs that it enables the United States to exercise restraint on Japan. One U.S. general stationed in Japan was reported to have expressed this idea with the metaphor of a cap on a bottle. The validity of these new interpretations remains to be proven, and the latter view is particularly suspect—some Japanese might question whether their country needs restraining.

If feelings of this sort become widespread, the Japanese will perceive the U.S. troops stationed in their country as occupiers and not protectors. Some Japanese have even suggested, perhaps humorously, that Japan could use the U.S. troops as hostages if the worst came to pass. This is hardly conducive to the viability of the American military presence in the long run.

Economic rivalry has also strained the relationship. In these competitive times it is easy to forget that the U.S. view of Japan as a competitor is a fairly recent one. During the cold war a democratic Asian model was needed as a counterweight to Chinese communism, and the United States sought to provide this by strengthening Japanese democracy through economic development. This policy continued for sometime after the end of the American occupation. The United States provided Japan with its big market, effected relatively cheap transfers of technology, and turned a blind eye to Japanese trading practices variously described as neomercantilist, predatory, or adversarial. At that time the United States was such an economic powerhouse that nobody anticipated a threat from Japan. Indeed the American Secretary of State, John Foster Dulles, in the Eisenhower administration was reported to have said that there was little Japan could export to America.

The U.S. attitude has undergone a fundamental change lately following the spectacular success of the Japanese penetration of its market and the relative decline of the U.S. economy⁽³⁾. Opinion polls show that a majority of Americans now see Japan as an economic threat. American intellectual opinion has also become less sanguine. Samuel Huntington, a noted American political scientist at Harvard University whose views are now gaining currency, recently argued that the United States must meet the Japanese economic challenge head-on if it is to remain the preeminent global power. Many Americans now question the wisdom of the United States defending a country that poses an economic threat, diverting economic resources to military expenditure and weakening itself in the process.

Gaining currency too is the revisionist view that Western capitalism, which, of course, Americans believe to be the universal norm, is somehow different

(3) There are arguments both for and against the idea of American decline. Paul Kennedy sees the prospect of decline in his well-known book, *The Rise and Fall of the Great Powers*, whereas others, Samuel Huntington and Joseph Nye among them, argue to the contrary. What cannot be denied is that American economic power has declined relative to that of Japan and Germany since the end of World War II.

from the Japanese version. Revisionists have seized on the term "managed trade" to legitimize discrimination against Japanese goods, with unpredictable consequences for the U.S. -Japan economic relationship.

Consequences of a Breakup

What directions are U.S.-Japan relations likely to take, and what would be the impact of each one on the Asia-Pacific region? One possibility is that the bilateral relationship could break up. This outcome seems unlikely, however, given the deep and growing interdependence of Japan and the United States, and of both countries with Europe, the other major industrial center. Figures for the years 1985-1988 show Japanese investment in North America rising from \$ 5.5 billion to \$ 22.3 billion while investment in Europe for the same years rose from \$ 1.9 billion to \$ 9.1 billion(4) Three-way trade between the United States, Japan, and the rest of the Asia-Pacific region has grown tremendously. There are now sufficient numbers of influential people on both sides of the Pacific, especially among policy makers to ensure that the prospects of a breakup remain slim. Yet the trend toward interdependence could be reversed. Political factors could wreck the U.S. Japan relationship, particularly if influenced by racial and emotional considerations. The consequences of a breakup on the economy and the security setup still have to be considered.

There is one view, held mainly by Japanese, that a Japan freed of the Security Treaty would have no reason to rearm. In an era where economics is gaining primacy, the argument goes, it would benefit Japan little to divert resources to military expenditure, and in an interdependent world few countries of weight would wish to suffer economic hardships by denying trade routes to Japan. At any rate, war among industrial nations possessing nuclear weapons is inconceivable. Many Japanese also claim that there are historical precedents of nations which have been economically influential without being militarily dominant. Venice in the sixteenth century and Holland in the seventeenth are frequently quoted as examples. Other Japanese reach the same conclusion

(4) These statistics were used by an American scholar, Jeffrey Frankel, to demonstrate that a yen bloc was not in the making in the Asia-Pacific region.

from a different premise. They argue that Japan will help usher in a new era where the flag need not follow trade, or in other words, there would be no need to seize political control of territories once a country had substantial economic interests there. This view is really a reversion to old-fashioned imperialism.

Those who believe the Japanese would rearm use historical evidence to support their arguments. They claim that Western colonialism, interrupted for a short while by the Greater East Asia Co-Prosperty Sphere imposed by the Japanese, provided the strategic framework for economic interaction during the nineteenth and the first half of the twentieth centuries. Even after European colonialism collapsed, economic interaction was a function of the Pax Americana. This was particularly true of free trade in the Asia-Pacific area. Many also think that the influence Venice had in the past is not really comparable to the global reach of Japan today, and note that Holland eventually became an imperialist nation in the nineteenth century.

Whether realpolitik or some new dispensation will guide the Japanese role can only be decided when the time comes. If the former triumphs, a rearmed Japan backed by immense economic strength will be a formidable power indeed. With 1 % of its GNP earmarked for the military budget, Japan has one of the highest military expenditures in the world. This, coupled with its superior technological skills and what Lee Kuan Yew, senior minister in the Singapore government, sees as a commitment to excellence, will make Japan a powerful player in the geopolitics of the region, if not of the globe. Alongside this newfound strength a profound strategic uncertainty will be created that will work against the interests of the Asia-Pacific region as a whole.

A Greater Japanese Role

Japan could take steps toward shaping its own future by assuming greater responsibilities, primarily in the fields of defense and the economy. The defense burden can be shared in two ways, the first of which is for Tokyo to increase its financial assistance for the maintenance of the U.S. military presence within Japan.

This approach presents no constitutional difficulty as Tokyo is already paying a sizable percentage of this cost. Despite the views of some American

congressmen to the contrary, however, there is a limit to how much Japan can contribute to the troop's upkeep, since to pay out to great a share of the expense would conjure up an image of the U.S. military as a mercenary force. Few self-respecting nations could accept this, least of all the number one superpower.

Another way to share the defense burden would be for Japan to give financial aid to the Asia-Pacific countries that are host to U.S. troops. Such an action would be seen by some as a violation of Japan's war-renouncing Constitution, and would likely prove controversial. A way out of this could be to increase nonmilitary aid such as official development assistance to these host countries. Thus in the Philippines before the U.S. withdrawal, a mini-Marshall Plan (otherwise known as the Philippines Assistance Plan) was proposed to help develop the economy in the hope of cultivating a government that would favor the American military presence. Japan was earmarked to be a substantial donor to this plan.

Japan could also decide to discharge its responsibility by taking an active security role, although this would be more likely to occur in the event of a U.S.-Japan breakup than under any system of burden sharing. Leaving aside the constitutional constraint, any Japanese attempts to do so unilaterally would be unacceptable to Southeast Asian countries, and would be anathema to the Northeast Asian nations of China and North Korea. The explanation usually given is the persistence of Southeast Asian war memories. While time, together with mutual economic links, has substantially erased antipathy toward Japanese business people on the part of Southeast Asians, it has yet to overcome the identification of the Japanese military uniform with the image of ruthless invaders. A deeper reason for Asian opposition is the profound strategic uncertainty that would result from Japan playing an active security role in the Asia-Pacific region. As suggested earlier, Japan would hardly be a military pygmy in such an eventuality. To Southeast Asians used to the U.S. military power that underpins the present order, a militarily active Japan could be a strategic nightmare.

Japan might consider playing an active role in conjunction with others, either bilaterally or multilaterally. The former option was explored when the Thai government under Chatichai Choonhavan proposed a joint naval exercise in 1990. This failed to get off the ground owing to adverse ASEAN reaction,

particularly from Singapore. Multilateral cooperation, on the other hand, is not always so controversial. The Japanese government proposed that the security issue be put on the agenda of the annual foreign ministers conferences of ASEAN members and their dialogue partners, which included Japan. ASEAN ministers were prepared to accept this on condition that the security issue was not the main topic of the conference. They reacted cautiously, however, to the further Japanese proposal that a meeting of senior defence officials from Japan and ASEAN should precede the dialogue in order to give the issue some depth, fearing that such discussion might institutionalise the process. This idea might nevertheless be accepted over time if Japan undertakes sufficient confidence-building measures.

More substantial is Tokyo's proposal to dispatch the Japanese Self-Defense Forces abroad, probably to Cambodia, as part of a United Nations peacekeeping force. At the time of writing the U.N. peacekeeping bill has yet to receive approval from the Japanese Diet. The proposal to dispatch the SDF is a development of a plan put forward by former prime minister Toshiki Kaifu to send the SDF to the Persian Gulf area. Japan had been stung by Western, especially American, criticism that it was failing to do its fair share in the international gulf war effort, despite the fact that Japan was much more dependent on oil from the Persian Gulf than was the United States. Although Japan contributed more financially than any other nation not directly involved in the fighting, delivering a total of \$ 13 billion to the war effort, it was criticized for practicing checkbook diplomacy and a unwillingness to sacrifice lives.

The ASEAN response to the peacekeeping bill proposal has been mixed. Lee Kuan Yew, senior minister in the Singapore government, objects to the presence of Japanese troops in Southeast Asia under any form. Lee's objection essentially is that Japan has not yet come to terms with its past, and he suggested that sending Japanese troops abroad is like giving liqueur chocolates to reformed alcoholics. Mahathir Mohamad, prime minister of Malaysia, raised a similar objection last year. This view is not universal, however. The Filipino secretary of finance, Jesus Estanislao, was reported to pose no objection to Japanese troops as part of the U.N. peacekeeping forces. Moreover, the bill seems to embody an idea whose time has come. If it is

passed by the Diet, ASEAN will probably accept it as long as Japan communicates its position to ASEAN with delicacy⁽⁵⁾.

It is in the economic sphere that Japan can make the greatest contribution. As free trade continues to benefit the Asia-Pacific region Japan should do everything it can to ensure the success of the Uruguay Round. The Japanese market is more open now than formerly, but there is still scope for liberalisation. The agricultural issue is a deeply emotional and political one among the Japanese, with the liberalisation of rice the most sensitive issue of all. It is difficult to foresee how Japan would react should the success of the Uruguay Round hinge on Japanese agricultural policy. Although it is unlikely to happen this tie around, every effort should be made to ensure that the survival of free trade is never hostage to a single issue, whether it be the U.S. European Community dispute over agricultural subsidies, or Japanese agricultural policy.

Similarly, Japan's financial and economic strength puts it in a good position to contribute to global institutions like the World Bank and the United Nations. Japanese influence in such institutions should be commensurate with its contributions -the Japanese have been known to use the American revolutionary slogan "No taxation without representation" to justify having more say. There is a good case for Japan to be admitted as a permanent member of the U.N. Security Council, much better than there is for the membership of France and Britain. If the issue of Japanese membership proves too complex to be resolved, however, Japan should be given an important role in any U.N. operation for which it is expected to contribute. The appointment of Japanese as U.N. High Commissioner for Refugees and as the head of the U.N. Transitional Authority in Cambodia are steps in the right direction.

The other way Japan can contribute in the economic sphere is to cooperate with the United States to "marshal unparalleled resource and skills to address the challenges that will shape the post-cold-war-world" as U.S. Secretary of State James Baker urged in his November 11, 1991, speech in Tokyo

(5) One reason why ASEAN members accepted the Japanese explanation for the dispatch of SDF minesweepers to the Persian Gulf in April 1991 was the stress put on the peaceful nature of the expedition. These minesweepers, Japanese spokespersons said were to be sent to an area where a ceasefire has been declared. Moreover, they would be used to clear mines as well as to ensure safe navigation to Kuwaiti ports, thus aiding Kuwaiti reconstruction.

(carried as the first article in this issue). Baker also suggested that this cooperative leadership should be exercised not only in the field of economics, "but also in building democracy, respect for human rights, stopping the proliferation of weapons of mass destruction and in facing transnational challenges in areas such as the environment, narcotics, and refugees. "No one can deny that these are laudable goals. As the Asian partner Japan should nevertheless be sensitive to the fact that the issues of protecting human rights, building democracy, and preserving the environment should not be pushed outside the context of the need for political stability and industrialisation that are the priorities of many Asia-Pacific nations.

Recent Trends

The focus of this essay so far has been on U.S. Japan relations and their impact on the Asia-Pacific region. As the relationship is a bilateral one, other Asia-Pacific nations have no legal right to interfere, even if its regional impact is enormous. Compare this setup with organizations like the North Atlantic Treaty organization and the EC. The United States has a strong influence on the former and Germany on the latter, but other member states have a say in the policies of both organizations. EC member nations each have the right to designate the chairperson of the organization in turn, irrespective of their standing in international affairs. The consequence is that smaller nations, such as Portugal, can have a representative in high office.

Yet it is no easy matter to develop organizations after the fashion of NATO and the EC to embrace the entire Asia-Pacific region, however desirable this may be to the nations concerned. The political security aspect, to begin with, poses such a serious obstacle that few would entertain the prospect of an Asia-Pacific NATO. Even the formation of a much looser structure like the Conference on Security and Cooperation in Europe, an idea once suggested by Australia for the Asian region, is improbable. It will be illuminating here to look at the ways in which the CSCE and a proposed Conference on Security and Cooperation in the Asia-Pacific area are likely to be different.

Recent European history has been dominated by the cold war, an overriding confrontation between East and West. Before the breakup of the Soviet Union

and Yugoslavia there were few other conflicts that stood out in their own right. Once it became clear that the cold war was to thaw out and ultimately melt away altogether, the CSCE was formed to oversee European affairs.

The history of the Asia-Pacific region has been different in many respects. While there was also an Asian cold war, considered at one stage to be more persistent than its European counterpart-some Asians believed it was still on right up to the fall of the Berlin Wall and the breakup of the Soviet Union-there were and are other conflicts linked to the cold war but of independent origin. These are primarily territorial disputes, and include the Japanese claim to the Northern Territories seized by the Soviet Union in the final days of World War II, the issue of the People's Republic of China and Taiwan, and the division of Korea. Despite the putative end of the cold war in Asia, these remain unresolved.

Europe also possesses an underlying unity that lends substance to the CSCE as an organization, manifested in the concept of a common European home (admittedly, ethnic conflicts in the former Soviet Union and Yugoslavia show that Europe is less unified than this concept implies). The Asia-Pacific region, on the other hand, is culturally and racially diverse. It is home to a Western civilization, a Confucian civilization and, it could be argued, a southeast Asian civilization. The racial stock is most heterogeneous, and includes Caucasians, Mongoloids, and Polynesians. Nobody can speak meaningfully of an Asia-Pacific person as one can of a European. Hence, there is no spirit of underlying unity to suffuse any future CSCAP proceedings.

The membership of the CSCE, moreover, is well defined, and before the breakup of the Soviet Union was not so large as to be unmanageable. The Asia-Pacific region lacks a precise boundary-naturally it includes those Asian countries that abut the Pacific Ocean, but it can be extended to embrace others, some ASEAN members among them, that do not. The boundaries can even be stretched further to include some Latin American countries.

Finally, the CSCE is concerned with human rights in addition to its focus on hard aspects of security such as arms reduction. This has caused little controversy since human rights is a concept well understood within the European tradition. Baker insists that human rights also has universal

application, and most people in the Asia-Pacific region would agree⁽⁶⁾. To suggest otherwise would be to belittle those countries outside the Western tradition. The issue is one of whether the right to be free from hunger should be given priority over the rights of human freedom as defined by the West, and of the manner in which such human rights are pursued whether aid should be linked to improved respect for human rights, and so on. Whatever the merits of these schemes, a human rights program is unlikely to be adopted within an organization such as CSCAP without controversy.

Until a common consensus can be formed over the shape of a CSCAP, bilateral security relationships are the order of the day. The United States maintains bilateral agreements with Japan, South Korea, and some Southeast Asian countries. Smaller groupings like ASEAN with a greater cultural and historical unity than the Asia-Pacific region have also cultivated bilateral arrangements, including the security agreements between Indonesia and Malaysia, and between Thailand and Malaysia. But where problems arise that cannot be solved through bilateral arrangements, multilateral forums are likely to be established. Depending on the circumstances, the forum could be of a global nature. One such example is the U.N. sponsored peace agreement to end the Cambodian conflict. The United Nations stepped in because the involvement of the big powers, especially China and the Soviet Union, had doomed to failure the ASEAN brokered informal meeting of Cambodian parties in the conflict.

Regional forums tend to be more adaptable than global forums like the United Nations, and are likely to be increasingly adopted. Already Indonesia has sponsored a forum on the disputed islands of the South China Sea. On the Korean Peninsula a conference of interested big powers has been proposed, to include Russia, China, the United States, and Japan. Here the internal dynamics of the situation are moving naturally toward peaceful reunification, and could lead to a regional solution with the blessing of the big powers.

The essential issue of such forums will be the composition of the participants. While this has already been determined in Cambodia's instance, problems can be envisaged elsewhere. Is the question of China and Taiwan essentially a problem between the two nations directly concerned, or will it involve the

(6) "America in Asia: Emerging Architecture for the Pacific Community", *Foreign Affairs*, vol. 70, no. 5 (winter 1991/92), pp. 1, 18.

United States, particularly if force is used by China? At any rate the participation of the United States, and increasingly of Japan, would be of great importance in most such forums. The United States is strategically involved in most of the Asia-Pacific region while Japan can provide economic aid if the forum is successfully concluded. This has happened in the Cambodian case where Japanese aid is deemed crucial for Cambodian and Indochinese reconstruction. For this reason a Japanese, Yasushi Akashi, has been appointed head of the U.N. Transitional Authority in Cambodia in recognition of Japan's importance.

Economic Structures

The Asia-Pacific region has been somewhat more successful at creating economic organizations to encompass the entire area. One of these is the Asia-Pacific Economic Cooperation forum, a grouping of governments throughout the region. This was first mooted in 1989 and had its first official meeting in Canberra, Australia, later in the same year. APEC was, however, preceded by a number of Asia-Pacific organizations of a nongovernmental nature, such as the Pacific Basin Economic Council, a grouping of business people, the Pacific Trade and Development organization, a gathering of academics and businessmen, and the Pacific Economic Cooperation Council, a tripartite grouping of businessmen, academics, and government officials working in a nonofficial capacity.

The formation of APEC is in line with global trends toward supranationalism evident in the movement toward European integration and the North American Free Trade Agreement. Governments have come to recognize that some economic issues, such as the setting of currency rates, and on occasion the economic policies of individual states, can have international repercussions, and that supranational cooperation is needed to resolve distortions. This kind of collaboration is most evident in Europe. The growing economic interdependence of the Asia Pacific region also argues for the establishment of supranational groups.

But the greatest impetus to Asia-Pacific regional cooperation is the deteriorating state of U.S. Japan bilateral relations. The consequences of a breakdown in the relationship undoubtedly spurred many Asia-Pacific nations

to look to some kind of supraregional organization that would include the United States and Japan in the hope of containing the fallout from the bilateral strain. The ASEAN group put aside fears of their unity being compromised, and of Japanese and U.S. domination, to participate in APEC. Since its inception APEC has clearly matured, and although U.S. Japan relations remain a core issue the organization has taken on many of the functions relevant to a wider Pacific body. The admittance of China and Taiwan as APEC members testify to its scope. A proposal for an East Asian Economic Caucus, which is apparently to exclude the United States, was recently floated by Malaysia. The U.S. Japan relationship, or at least the U.S. issue, remains very much on the minds of some Asia-Pacific nations.

The other trend is toward subregionalism, which takes place between districts contiguous to each other in neighboring countries that form a natural economic unit, meaning that the districts are in complementary stages of economic development. One example is the growth triangle of Singapore, the state of Johore in Malaysia, and the Indonesian Riau Islands. Johore and Riau can benefit from the investment and advanced economic resources of Singapore, while Singapore can benefit from the natural resources, and the availability of land and cheap labor, of the two less prosperous regions. A second example is the Hong Kong, Taiwan, and South China nexus where the advanced economies of the first two can benefit the less advanced areas of South China, and vice versa.

There have also been suggestions that a similar subregional grouping could be formed in Northeast Asia of North China, North Korea, the Soviet Far East, South Korea, and Japan. Whatever the subregional trends, the United States and Japan will play important roles. Some of the Singaporean-based firms that relocate in Riau or Johore, for example, are in fact Japanese subsidiaries. The greater the flow of Japanese capital to the other areas of the triangle via Singapore, the greater the chance of the triangle's success. The same applies with the flow of U.S. capital.

Conclusion

It is a matter of wonder that two countries as different as the United States and Japan can be so interdependent. Separated by a vast ocean as well as cultural

and racial differences, their interaction sparks off continuous misunderstandings. Yet both countries need each other, however much their peoples increasingly dislike and even resent it. Structural Impediments Initiative talks are striking evidence that the two sides recognize their need for each other. By holding these discussions both the United States and Japan have accepted that it is legitimate to be involved in the affairs of the other side. It is also growing clearer that the future of the Asia-Pacific region will depend to a large degree on these two very different giants achieving a stable relationship.