



IIPS

Institute for
International Policy Studies

▪ Tokyo ▪

IIPS International Conference

“Reidentifying Japan for the 21st Century”

Tokyo, October 27-28, 2004

“Japan’s potential world role”

By
Mr. Bill Emmott
Editor-Chief
The Economist
UK

Japan's potential world role

Institute for International Policy Studies

Tokyo October 27th 2004

Bill Emmott

It is a great pleasure and honour to have been invited to take part in this symposium here in Tokyo, the city that I think of as my second home.

The topic before us is that of Japan's potential yet to be realised. That is an infinite potential. For Japan is a great country, with a great people, full of talent, energy, intelligence and capability. No one can guess today what that potential might be. It is there to be created, by the people of Japan individually, and as a nation.

What we can focus upon now is what are the barriers to the expression of that potential, and what are the current limits to Japan's role in the world. If those barriers are never lifted, if those limits are never breached, then there will be no chance for Japan to realise its potential.

The biggest of those barriers is at home, here in Japan. It is the whole range of restrictions on individual enterprise, on initiative, that have conspired to prevent new generations of entrepreneurs from being created in Japan. The economy has been fairly stagnant during the past decade, and it is easy to blame banking problems, or deflation, or the stockmarket bubble, for that state of affairs. And there is much truth in that explanation. But behind it lies a deeper explanation. It is that the bubble would not have occurred if the reform process in Japan had taken place freely from the 1970s onwards, if the full entrepreneurial potential of the Japanese potential had been unleashed. The bubble was a consequence of the unwillingness to begin a proper liberalisation of the economy from the late 1970s onwards, a sort of financial substitute for innovation in the real economy of businesses and individuals.

During the 1980s, when Japan's economy was growing so rapidly and with it the country's status as a creditor nation, exporting capital all around the globe, it was commonly stated that with such vast economic power would inevitably come economic power. It was only a question of when that political power would come, and then a question of how Japan would seek to use that political power.

That assumption was rather too simplistic. The connection between economic power and political power is not quite so straightforward. But at any rate it is surely true that without economic power, and international economic interests, global political power or influence will not come. So the stagnation of Japan's economy during the 1990s has, of course, brought silence to this debate about Japan's political power.

Now, at last, the economy is reviving, with more than a year and a half of uninterrupted economic growth. It is still early days, and the recovery is still quite dependent on exports to China. Price deflation has not yet been brought to an end, and domestic consumption is weak. Nevertheless, we can see the beginnings of a virtuous cycle of corporate restructuring, falling levels of bad debts at banks, rising corporate investment, rising incomes for households and, next, rising consumer spending.

What has not happened yet, to a very large extent, is the removal of barriers to new enterprises, both in the form of the large government influence in many parts of the economy and in the form of direct regulations that limit competition and innovation. That needs to happen if Japan is to regain the industrial and economic vigour that characterised it in the past. But it can and must happen.

This economic revival, if it can be sustained, is vital for many reasons. The biggest is a selfish one for Japan: not just should Japan want to stay rich, but also it needs to stay rich and economically strong if it is to be able to afford the ageing of its own society, as the population gets older very rapidly during the next decades and as it even begins to shrink. Without an enterprising economy, an economy producing a new generation of great entrepreneurs to match those who founded such companies as Sony and Honda in the 1950s, Japan will not be able to cope well with the stresses and strains of its changing demography.

Also, though, without such a sustained economic revival, amid a new period of liberalisation, Japan will not be in a position to play the sort of big international role that it would like to, and that its friends in the rest of the world would like it to.

Nor, in fact, will Japan be likely to accumulate what Joseph Nye, the former dean of the Kennedy School of Government at Harvard University, calls “soft power”, the influence that consists of a growing ability to get other people to want what you want, to do what you want to do. Soft power comes from a respect for the values of a society but also, crucially, from the attractiveness of a society as a place in which to study at university, to visit, to go to do business, to be in contact with in order to exchange ideas.

Japan already has considerable amounts of soft power, thanks to its wealth, its reputation as a great industrial economy, its culture both ancient and modern, and the way its universities and schools attract foreign students and teachers. But, in my opinion, that soft power is far below its potential, and it is vulnerable to the competing economic and social and cultural influence in the future of China.

Japan’s great advantage, compared with China, is its democracy and its much more open, freer society. If Japan’s soft power is to be maintained and even increased, I would suggest that more will need to be done to make society here more open, especially in terms of openness to immigration. If talented people, especially from Asia, feel they cannot come to live here, to start new businesses and to live with their families, then they may well conclude that it is not worth their while to make the investment of time and energy that is needed to learn the Japanese language and understand the country. America and Britain benefit from the immigration of poorer, unskilled people but also, crucially, from the immigration of skilled, talented, qualified people.

Like Britain, Japan needs to do more to reform and modernise its universities if it is to have a chance to attract such talented immigrants, whether as temporary visitors or more permanent residents. In both of our countries, our universities have fallen behind America’s halls of learning in all subjects.

Unlike Britain, with our lucky possession of the English language, Japan needs to work harder at making it possible for such social, cultural and economic contacts to flourish. But I am sure it could be done. Japan could and should be the cultural, intellectual and social hub of Asia, or at least East Asia. In some ways, it already is. But not as much as it could be. And time is short, given the increasing attraction of China as a place for young, talented people to realise their ambitions.

So, Japan needs a sustained economic revival, and it needs to foster its soft power, through becoming a more open society and by building its universities to become world class institutions once again.

But what should Japan want to do around the world, what role should it want to play?

The answer to that must begin with Japan's own interests, though they are of course shared in many ways with the interests of other free, democratic societies.

At the most general level, Japan has a strong interest in fostering a stable, peaceful and prosperous development of the region of the world in which you live. Americans have long talked of wanting to "make the world safe for capitalism and democracy", and that must be Japan's interest too. As a great, rich, populous country, with commercial contacts and interests all over the globe, you also have interest in working to build that stability and prosperity outside your immediate region.

In the past 60 years, much of that role within your region has been expressed through your alliance with the United States. In my view, the time has come to prepare for a weakening of that alliance, a weakening of America's role and influence in the region. That does not mean a complete withdrawal by the Americans, nor any particular hostility between Japan and the United States. But I think many factors make a lessening of America's role quite likely. America looks likely to me to go through another period of economic adjustment, even weakness, during the next decade. It is also heavily engaged elsewhere, especially in the Middle East, and will continue to be. And American politics are quite likely to go through a period in which taking on all the burdens of being the world's policeman becomes unpopular again.

This will leave a gap, a gap that in part Japan should want to fill. For we all know that the world is a dangerous and unstable place. And we all know that the rapid economic development in China is changing the dynamics of the region, changing the balance of power. That development is overwhelmingly a positive one, but it still carries with it political dangers of all kinds.

So what should Japan do? Two main things, in my opinion. First, Japan should want to be the leading driving force behind the development of regional institutions, for trade, security, finance and other matters. Second, Japan should want to be one of the main countries within the region capable of sending military forces abroad when it is necessary to maintain stability or rebuild troubled nations.

Of course, in many ways, Japan is already doing the first of those things. Asia has regional institutions, and Japan is one of the most important members of them. However, those institutions are not very well developed or yet of fundamental importance, and my perception is that Japan is not able to or willing to, drive that development deeper and faster.

Probably, such deep and fast development will not happen until and unless Asia's two greatest powers, Japan and China, agree that it is necessary and desirable. Just as France and Germany have driven the development of the European Union, so only Japan and China can really drive the development of East Asian institutions.

To put it perhaps in far too simple terms, in East Asia Japan is the equivalent of Britain and Germany combined. Like Britain in Europe, Japan is a reluctant, slightly distant partner, one that also has a close relationship with the United States. Like Germany, however, Japan has historical problems that make it difficult to achieve close, trusting relationships with its neighbours, but that also arguably make it more important for you to do so.

Like Britain, Japan needs to combine its close association with the United States with the capability of exerting its power and influence independently. Like Britain, it can do this in three ways: through the soft power already mentioned; through regional institution-building; and through the availability of military resources for use separately from those of the United States.

Like Germany, however, Japan is not going to be able to do those things unless it can deal effectively with the legacy of history. And it is not going to be able to do those things without partnerships or agreements with neighbouring countries, especially China but also South Korea and even, in the future, Indonesia and far-off India.

Historical issues are thus both a reason why Japan needs alliances, and a blockage to forming such alliances.

And they are, of course, the main blockage to Japan fulfilling the second of my desired functions, that of providing military solutions for regional or even sometimes global problems. In the past five years, much progress has been made in easing that blockage, progress for which the contingent of Japanese troops now in Iraq are prime evidence. That is just the beginning, however.

Britain is again a good analogy for the sort of military role Japan could play. But perhaps Australia is an even better one. Despite having a small population, Australia plays an important role in regional stability, supplying skilled forces in recent years to help with such problems as East Timor or in the Pacific islands, not to mention Iraq itself.

Why shouldn't it be possible, say in 10 or 20 years time, for Japanese troops to play the sort of role Australian troops play, in some future equivalent of East Timor? Maybe not on their own, maybe together with the Australians?

History, again, is the reason for scepticism about this development. But history does fade, as long as statesmen and diplomats work hard to help make it fade.

In Japan's case, one can conclude at the same time that diplomats and others have worked very hard to solve the problems of history, and that they have not worked hard enough. Yes, much has been done. Yes, the list of apologies is a long one and yes, there have been many efforts in cultural and social and economic exchanges to compensate for the legacies of history.

But it has not been enough. It has not been enough because issues such as history textbooks and the Yasukuni shrine have not been dealt with. It has not been enough because of the continued insistence, in diplomatic terms, that all matters were dealt with in the 1951 San Francisco treaty, when in common sense and human terms they plainly were not. It has not been enough in part because the very pluralism of Japan's democratic society leads to doubts abroad that the efforts are sincere, or deep-seated, or sufficiently widely accepted. And it has not been enough for reasons beyond Japan's control, namely the fact that the main country with which Japan has needed a rapprochement, China, has been a closed communist dictatorship, simultaneously poor, jealous and power-hungry. Japan has been Germany, but it has not had its France.

Now, however, that is changing, as China's economy develops and its society becomes more open. A hugely important historical opportunity is emerging for Japan. It is not an easy one, nor one that is fully ripe to be exploited, given the fact that the rising economic power of China remains a dictatorship. But it is still going to be vital to try to grasp that opportunity.

Some might say that Japan and China will always be rivals. Some, outside Japan and the region, might say that a partnership between Japan and China could pose a threat to others, especially the United States.

Surely the truth is that, yes, Japan and China will always be rivals, but the question is whether they are constructive competitors or destructive ones. And surely the truth, also, is that without some sort of partnership between Japan and China, analogous to but not identical to the partnership between France and Germany in Europe, the world will be a poorer, less stable place. It is overwhelmingly in the world's interests for Japan and China to find a way to deal with the past and to work together to build the future.

Without that, Asia will never have the sort of institutional arrangements that bind countries together and bring about the deep habit of co-operation. And without that, Asia and the world will never have the sort of Japanese role and influence which could bring so much future benefit.

Without solutions to history, without a closer partnership with China, the world will not see Japan achieve its true potential role as a major force for peace, stability and prosperity.

Thank you for listening.