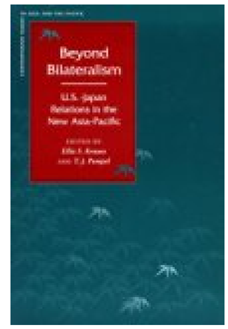
H-Net Reviews
in the Humanities & Social Sciences

Ellis S. Krauss, T. J. Pempel, eds. *Beyond Bilateralism: U.S.-Japan Relations in the New Asia-Pacific.* Stanford: Stanford University Press, 2004. xxi + 421 pp. ISBN 978-0-8047-4909-1; ISBN 978-0-8047-4910-7.



Reviewed by Timothy J. McKeown (Department of Political Science, University of North Carolina, Chapel Hill)
Published on H-US-Japan (July, 2004)

This edited volume, which grew out of a panel at the annual meeting of the Association for Asian Studies, is an attempt to come to grips with changes in relations between the US and Japan in the wake of three developments: the end of the Cold War, increases in transnational movements of private capital, and a larger role for multilateral organizations in East Asia. An introductory essay by T. J. Pempel and a conclusion by Ellis Krauss and Pempel bracket eleven chapters covering these topics. As the title implies, the contributors generally take the view that contemporary U.S.-Japanese relations cannot be satisfactorily understood in terms simply of the bilateral interaction of the two governments. This is generally viewed by the contributors as a result of changes in the world, rather than in the minds of analysts who write about international relations. Straightforward bilateralism is seen by them as beginning to break down in the mid-1980s, and current U.S.-Japanese relations are described as being "beyond" bilateral in two senses: The bilateral relationship is altered in significant ways by events in other countries in the region, and the bilateral relationship in turn has a wider influence on third parties in the region. The bilateral relation itself is also being altered. The end of the Cold War has shifted the focus of the security relationship towards a greater emphasis on regional peace and security. Channels of contact (especially non-governmental contacts) have proliferated, and the rise of multilateral organizations has provided new arenas in which the Pacific Rim countries interact. Although they do not use the term or refer to their work, the portrayed relationship exemplifies what Keohane and Nye termed "complex interdependence."[1] This treatment of the bilateral relationship as nested within a larger web of relationships also calls to mind a recent RAND study on contemporary transnational conflict that treats the primary actors as networks.[2]

Power Shifts

The authors generally see the capability shifts of the last fifteen years as creating a far more complicated security environment for all governments involved in the region. The U.S.-Japan alliance has survived the disappearance of the Soviet Union, but "a more complex an shaded pallet of friends and foes" confronts decision-makers, policy analysts and scholars (p. 298). While Japan and the US have always had their differences about how to approach conflicts within the region, the highly public, highly assertive and military security-dominated approach of the Bush administration is generally seen by the contributors as standing in sharper contrast to Japanese policies than has U.S. policy of recent administrations. Partly for this reason, the traditional bilateral security relationship is slowly being supplemented by multilateral discussions. As John Ikenberry notes, intergovernmental organizations are increasingly a part of the regional security policy-making environment. However, none of these multilateral discussions presently functions as a regional collective security organization along the lines of the Organization for American States–let alone an alliance such as NATO.

The Importance of International Capital Flows

The contributions that discuss international capital markets and movements of capital tend to concentrate on reactions to the East Asian financial crisis of 1997-98; their views on the causes and consequences of international capital movements in non-crisis times are mostly implicit. Pempel in his introduction and Krauss and Pempel in their concluding essay go farther, contending that there has been a rise in the power and mobility of capital, and that efforts to control the investment activities of multinational corporations are "increasingly futile"(p. 300). One might take issue with these claims. It is not that international capital flows are unimportant, or that governments today do not adjust their policies at times in order to influence those flows, or that it is easy to control multinational firms. Rather, their assumption that somehow governments were less constrained in previous decades and that capital then was significantly less mobile is what merits critical scrutiny. Beth Simmons's discussion of economic policy-making in the inter-war years, a period when the international economy was more closed than at any other time in the twentieth century, reveals that even then governments often attempted to maintain "orthodox" policies for their exchange rate and balance of payments but paid a heavy price in domestic economic performance for doing so.[3] And just as some countries survived the 1930s by abandoning the orthodoxy of the day without the sky falling, so too did Malaysia abandon international financial orthodoxy in the 1997-98 Asian crisis without calamity.[4] (However, Malaysia's foray into exchange controls was only possible because Malaysia had "both a disciplined banking system and a competent central bank. Not all countries are so blessed.")[5] The editors' pessimistic view of the possibilities of altering economic outcomes by government action is not seriously examined by the case studies presented here, and is also at variance with several recent studies.[6]

Krauss and Pempel also claim that the current volume of international capital flows make the return to a fixed exchange rate regime all but impossible. This is doubtful, simply because financial globalization was deeper in 1890-1913 than at any other time in the twentieth century,[7] but the world then relied almost exclusively on fixed exchange rates based on gold or, less commonly, silver. Whether the combination of parliamentary democracy, open capital markets, and fixed exchange rates is stable is not so easily determined.

Economic Development as a Competitive Process

One of the most interesting chapters is an exploration by Walter Hatch of the policy implications of keiretsus. If Japanese corporations organize themselves differently from the way that European or North American corporations do, what implications does this have for governments that are importers of capital investment from these developed countries? Hatch argues that the Japanese firms have tried to replicate their domestic patterns of organization whenever they have gone abroad. Sometimes governments who are aware of this tendency adopt policies designed to make it easy for strong networks in industries such as automobile manufacture to be established within their borders. However, when the characteristics of an industry seem to confer competitive success on firms that have looser and more adaptable patterns of inter-firm ties, as in computer-related hardware, such policies are neither necessary to attract foreign investment nor very helpful to the competitive position of the firms that established branches in such countries.

Competitive pressures also give rise to a changing pattern of trade frictions between the United States and Japan. Here the increasing importance of multilateral institutions–the World Trade Organization and APEC–in the resolution of bilateral trade disputes becomes apparent. Studies by Saadia Pekkanen (the WTO) and Krauss (APEC) of multilateral trade politics show how the availability of multilateral venues complicates the trade politics of both countries.

The Blooming of Multilateralism

Krauss and Pempel's insight concerning the consequences of proliferating international organizations–"The primary influence of multilateralism, often on an issue-specific basis, has been to create arenas within which members will meet to bargain regularly" (p. 300)–resembles Norton Long's (1958) depiction of a political system as an "ecology of games."[8] Creating new international organizations creates new venues within which Japan or the United States can seek to obtain negotiating advantages by attempting to capitalize on an ability to gain coalition partners within the organization in ways that would be difficult to duplicate outside of it. It also softens bilateral conflicts by having them occur within a setting where other countries are taking positions and playing a visible role.

The point is most clearly illustrated by Krauss's chapter on the Early Voluntary Sectoral Liberalization negotiations, a highly instructive case study of how a multilateral setting (the APEC Forum 1997 Vancouver meeting) was used by the U.S. government to isolate the Japanese government diplomatically on liberalization of trade in fisheries and forestry. Although tactically clever, the American gambit failed to produce significant results. Even though they correctly anticipated that they could isolate Japan and build a strong coalition for sectoral liberalization, they failed to understand that the Japanese business community and government would see concessions in these talks as a signal of weakness in advance of WTO discussions with far higher stakes. This doomed prospects for liberalization.

The expanded role for intergovernmental organizations also sometimes serves to facilitate U.S.-Japanese cooperation. Christopher Hughes and Akiko Fukushima argue that multilateral organizations–in particular, the UN–provide the necessary diplomatic "cover" for Japan to extend its cooperation with the United States in the security realm. Thus Japanese military deployments to the Indian Ocean area after 9/11 were facilitated by United Nations actions. In this respect the multilateral relationship complements rather than competes with the bilateral relationship. Mike Mochizuki, in his discussion of the U.S.-Japan alliance and China, notes that ASEAN initially had a Japanese-sponsored rival, but that it disappeared quickly once it became apparent that ASEAN would receive U.S. support and that it would take hold. We see a similar development in the case of Japanese ideas about an Asian Monetary Fund after the onset of the Asian financial crisis of 1997-98. Too little is known about these cases to be certain whether they are merely an aberration, simply a story of the failure of Japan to create new institutions or part of a more complex game in which Japan signals its displeasure at current arrangements by launching its own multilateral initiatives, then aborts them when Washington becomes a bit more forthcoming on issues of concern to Japan (as Amyx seems to hint). Saori Katada and Pekkanaen speak of Japan using a "counterweight" strategy–perhaps these embryonic Japanese-backed organizational initiatives are part of this. As long as Washington is to some degree responsive to Japanese concerns, Tokyo does not follow through on such initiatives. What would happen if the US were not as responsive?

Implications for Further Research

Although intended to illuminate the bilateral relationship, many of the chapters suggest ways in which our general theories might usefully be modified or extended. However, the question that this volume implicitly poses–to what extent is the departure from simple bilateralism a product of world events rather than of changing perspectives among analysts? –remains to be answered. We need to re-examine earlier periods in the bilateral relationship to determine if precursors of the "new bilateralism" were overlooked because scholars lacked an alternative framework for interpreting events. Scholars whose interests are far from East Asia could examine other bilateral relationships to see if they also exhibit the features identified here. The larger possibilities suggested by this volume are a challenge and an opportunity for all scholars of international relations.

Notes

[1]. R. O. Keohane and J. P. Nye, *Power and Interdependence: World Politics in Transition* (Boston: Little, Brown, 1977).

[2]. J. Arquilla and D. F. Ronfeldt, *Networks and Netwars: The Future of Terror, Crime, and Militancy* (Santa Monica: RAND Corporation, 2001).

[3]. B. A. Simmons, *Who Adjusts? Domestic Sources of Foreign Economic Policy during the Interwar Years* (Princeton: Princeton University Press, 1994).

[4]. B. Eichengreen and J. Sachs, "Exchange Rates and Economic Recovery in the 1930s," *Journal of Economic History* 45 (1985): pp. 925-46.

[5]. W. M. Corden, "Exchange Rate Regimes for Emerging Market Economies: Lessons from Asia," *Annals of the American Academy of Political and Social Science* 579 (2002): pp. 26-37.

[6] D. Berkowitz and D. N. DeJong, "Policy Reform and Growth in Post-Soviet Russia," *European Economic Review* 47 (2003): pp. 337-52; T. Plumper and C. W. Martin, 2003. "Democracy, Government Spending, and Economic Growth: A Political-Economic Explanation of the Barro Effect," *Public Choice* 117 (2003): 27-50; S. Klasen, "Low Schooling for Girls, Slower Growth for All? Cross-Country Evidence on the Effect of Gender Inequality in Education on Economic Development," *World Bank Economic Review* 16 (2002): pp. 345-73; M. Kurtz, "State Developmentalism Without a Developmental State: The Public Foundations of the 'Free Market Miracle' in Chile," *Latin American Politics and Society* 43 (2001): pp. 1-25.

[7] D. P. Quinn, "Capital Account Liberalization and Financial Globalization, 1890-1999: A Synoptic View," *International Journal of Finance and Economics* 8 (2003): pp. 189-204.

[8] N. E. Long, "The Local Community as an Ecology of Games," *American Journal of Sociology* 64 (1958): pp. 251-61.

If there is additional discussion of this review, you may access it through the network, at:

https://networks.h-net.org/h-us-japan

Citation: Timothy J. McKeown. Review of Krauss, Ellis S.; Pempel, T. J., eds., *Beyond Bilateralism: U.S.-Japan Relations in the New Asia-Pacific.* H-US-Japan, H-Net Reviews. July, 2004.

URL: http://www.h-net.org/reviews/showrev.php?id=9636