Japan and a New Asian Order

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Abstract

Today the emergence of a new "Asian order" is being touted, especially with the rise of China and India as two key and influential players. Where does Japan stand in this new Asian order and what role it might play in it? Given Japan's location on the far eastern edge of the Asian continent its relations with the rest of Asia have always been challenging. Now Japan stands at a major crossroads in its relations with these now also successfully modernised Asian nations. Its status is transforming from the Asian leader to an Asian leader amidst rapid change in the politico-economic and security environment externally and domestic politico-economic and social change. These complex circumstances present new and very different challenges to Japan-Asia relations, especially since Japan's place in Asia profoundly influences Japan's place in the world. Early in the twenty-first century, Japan's central foreign policy challenge is how to balance support for the US as its key ally across the Pacific, while maintaining, and possibly expanding, its influence in Asia. The main argument of this paper is that Japan's contributions will remain vital – to Asia, to the Asia-Pacific and indeed to the overall global community. The September 2009 political change from the Liberal Democratic Party to the Democratic Party of Japan brings even stronger message *from Japan of its Asian commitment.*

Introduction

Today the emergence of a new "Asian order" is being touted (Mahbubani 2008). Yet this latest new order is different from the recent decade-long discussion of the then imminent change to a new millennium as "the Asia-Pacific century" (Cronin 1992). While the United Sates and Japan were identified as the two key players in this Asia-Pacific epoch, albeit with significant roles for other states including China and those of ASEAN (Association of Southeast Asian Nations), the focus of this new Asian order is on the two continental giants of China and India as these are rising simultaneously. As the world's second largest economy with significant political influence, Japan remains a key player but it is China and India whose economic and political dynamism is likely to shift the political order away from the Pacific side towards continental Asia. The US National Intelligence

Council for example, has described this dual emergence of China and India as a transforming moment similar to that of the advent of a united Germany in the nineteenth century and a powerful United States in the twentieth (National Intelligence Council, 2004). What are the resultant forces of change and how they might affect Japan's current foreign policy directions? What diplomatic options and choices does Japan have if it is to maintain its economic and political influence in Asia and beyond? This paper seeks to answer the above questions.

Given Japan's location on the far eastern edge of the Asian continent its relations with the rest of Asia have always been challenging. In the latter half of the twentieth century, economic success in the wake of the devastation and defeat in war Japan became an economic and political role model for many Asian nations (World Bank 1993). Now Japan stands at a major crossroads in its relations with these now also successfully modernised Asian nations. Its status is transforming from *the* Asian leader to *an* Asian leader amidst rapid change in the politico-economic and security environment externally and domestic politico-economic and social change. These complex circumstances present new and very different challenges to Japan-Asia relations, especially since Japan's place in Asia profoundly influences Japan's place in the world.

In the post WWII period, Japan's foreign policy concern was largely with the Asia-Pacific nations, with Japanese economic, political and strategic interests focussed on this region, and the United States as its principal security partner at the western edge of the Pacific. Today, 'the Asia-Pacific region' stretches further westward, incorporating more of 'Asia' and less of 'the Pacific'. These complex, interlinked changes present difficult multi-dimensional policy challenges for all Asia-Pacific states. Political rivalry and national self-assertion unsettle the region but concomitant forces such as increasing economic interdependence and need for collective problem solving mean that interests are now shared in ways once seldom even imagined. Two great powers are rising simultaneously on the Asian mainland and with one of them, India, well outside Japan's familiar neighbourhood of East and Southeast Asia.

Japan's involvement in Asia today is expanding far beyond what it has been at any time in the past – in both geographic reach and in nature. Japan has been involved militarily and diplomatically in Afghanistan and Iraq as part of the United States led 'coalition of the willing', and has begun to engage more actively with South Asia, especially India (Jain 2008). Japan faces serious challenges in its own backyard – with ongoing tensions on the Korean peninsula and across the Taiwan Straits with China, and unresolved territorial problems with Russia. Japan's 'golden era' of Cold War diplomacy – when external challenges could be

addressed through corporate samurai, chequebook diplomacy, deference to its US 'nuclear umbrella', or simply favouring neutrality or non-involvement – is over. This complex geo-strategic situation has pulled Japan into inextricable involvement in its region and across the globe in ways that economic prophylaxis or indifference cannot address. Now, almost all major economies are hit by a global financial crisis, although the Bush administration's unilateralism[1] may replace a more cooperative approach under the Obama administration; China looms large as superpower-in-the-making; neoliberalism is on the march across much of the globe; the so-called 'Global War on Terror' is reshaping security concerns worldwide; and national borders are crossed legally and illegally, not just by people, goods, finance, information and ideas, but also by environmental ravages, disease and drugs. In this rapidly changing external environment, Japan cannot hermetically seal itself from these transformative international developments as it once did several centuries ago.

Early in the twenty-first century, Japan's central foreign policy challenge is how to balance support for the US as its key ally across the Pacific, while maintaining, and possibly expanding, its influence in Asia beyond its post-war foreign-policy vision that focussed primarily on East and Southeast Asia and essentially truncated Asia at the Burma border. This vision now stretches westward into South Asia with India as the principal concern, and into Afghanistan and Central Asia.[2] Managing this balance requires Tokyo to seek cooperation more broadly and manage conflict effectively on a broader geostrategic front, especially when the US may not remain the sole superpower. China already appears as an 'ascendant superpower', and the potential of India is rising rapidly (White, 2005; Shambaugh 2005; Foreign Affairs 2006; Rajadhyaksha 2007; Rothermund 2008). For an opposite perspective on India and China, see Bardhan 2005). These circumstances require Japan to build up its levels of trust with its neighbours as it is this trust that is so essential to developing cooperative relations.

The main argument of this paper is that Japan's contributions will remain vital – to Asia, to the Asia-Pacific and indeed to the overall global community. Japan should not be taken lightly in regional and global affairs. Despite more than a

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[1] Iraq is a classic example where the US intervened and declared a war on terrorism without any UN resolutions. Furthermore, the appointment in mid-2006 of John Bolton as US ambassador to the UN who once remarked 'there is no such thing as the United Nations', demonstrated the Bush administration's lack of interest and commitment to multilateral institutions.

[2] Just before his retirement from the position in September 2006, Prime Minister Koizumi Junichiro visited Kazakhstan and Uzbekistan in August 2006. This was the first visit by a Japanese prime minister to Central Asia.

decade of economic malaise, Japan is nevertheless still the world's second largest economy. It is It is also a major trading partner to most countries in the Asia-Pacific region. Moreover, Japan's modern history has demonstrated an acute capacity for recovery and resurgence. As Aurelia George Mulgan writes: 'Japan is an emerging, not a retreating power.... Japan is increasing its economic power, technological capabilities, military reach, soft power and diplomatic influence.'(Mulgan 2005, 104) The nation's networks with states across Asia and the Pacific are beginning to transform in unprecedented ways, those with America among them.

Shifting Geo-political and Economic Landscape

The United States

The US has long been a key player in the Asia-Pacific and its role is still crucial in many of the current security and political tensions. Since the end of the Cold War, the US has positioned itself as the world's lone superpower with hegemonic status. The US has the world's highest GNP, the largest military budget, and the technologically most powerful military force. Its domination in world politics is undeniable. But many argued that the Bush administration squandered vast swathes of the goodwill built up over two centuries. Some commentators warned that belligerent US policies were souring friendships and cultivating enemies around the world and urged more effective deployment of 'soft power' to maintain its status through cooption and persuasion rather than through coercion (Nye 2002). Terms such as 'imperial overstretch', 'imperial outreach' and 'blowback' are used to point out just how far the US is stretched (Johnson 2000). Some claim that just as all hegemonic powers in history have ultimately fallen, so too the US will decline – and in the not too distant future. Such a change would result in a post-Pax Americana world order, or orderlessness, with uncertainty and fluidity in world politics throughout the transition period (Kupchan 2003). With the inauguration of the Obama administration in January 2009, it is likely that some the policies of the Bush administration will be reversed, but to pull the US out of its declining trajectory is a huge challenge that the new administration faces. These are still early days for the Obama administration, but signs that it will engage the world community rather than alienate it are strong.

China

Stories about China's spectacular resurgence – its rapidly growing economic power and political influence regionally and globally – appear almost daily in media outlets, government and business reports and academic literature (Fishman 2005). China's rise is certainly noted by political and business leaders and policymakers. Some reports suggest that by 2020 China's economy will have

surpassed Japan to become second only to the US (National Intelligence Council Report 2004). Although China's economic growth has slowed down with the onset of the global financial crisis since 2008, forecasts of continued growth inevitably raise the prospects of China's development as a tremendously powerful nation. Rapid economic growth gives China the capacity to spend more on military, and science and technology, and to invest heavily in infrastructure development and R&D. There may not be a clear indication of China's grand strategy as the nation but it is reasonable to assume that China has already emerged as a major power and is likely to act and be recognised as a de facto superpower (Goldstein, 2005).

Southeast Asia

Southeast Asia appears to have lost some of its pre- late 1990s gloss. Throughout the 1980s and early 1990s, most institutionalised political and economic activities in the Asia-Pacific region evolved around the ASEAN through the institutional frameworks the Association has fostered. Bilateral and other tensions have prevented political cooperation at the subregional level in northeast Asia, so ASEAN served as a moderator of the East Asian region at large. ASEAN brought together Northeast Asian nations through dialogue and drew them into institutional arrangements with Southeast Asia and within the Asia-Pacific. Related institutions, such as the ARF (the ASEAN Regional Forum), ASEAN Plus Three (APT – that includes the ten ASEAN members plus Japan, China and South Korea), ASEM (the Asia Europe Meeting) and most recently EAS, the East Asian Summit, became part of a complex mix.

Today, ASEAN has lost some of its earlier strong capacity for coordination and mediation, especially since the Asian financial crisis of 1997. Most significantly, ASEAN as a group has lost some of its unity, especially since its expanded membership now includes Myanmar (Burma), an underdeveloped state run by a military junta that pays little regard to human rights issues and is unwilling to reform. Some ASEAN members have pursued formal bilateral ties within and beyond the region, ties which undermine ASEAN's capacity to operate through multilateral frameworks.[3] Economic growth has slowed considerably for some, and the largest – Indonesia –has been struggling since the 1997 economic crisis (Mallet 2005). Indonesia with its mostly Muslim population, plus Thailand and the Philippines with significant Muslim communities are all under great international pressure to contain problems associated with 'terrorism', a destabilising task that diverts resources from developmental and other work that would contribute to economic and social wellbeing.

[3] Many of the Southeast Asian nations have signed bilateral free trade agreements (FTAs).

Nevertheless, for all the weakening of ASEAN's unity and strength, it survives as a vital regional institution and it is doing its utmost to engage other regional players. One very important initiative was the inaugural East Asian Summit held in Kuala Lumpur in December 2005. Not only were ASEAN's 'Plus Three' nations, namely Japan, China and South Korea, three new members, namely India, Australia and New Zealand also were accepted as members in the process. Vietnam, although still under communist rule, is becoming the next economic powerhouse in the region and very successfully hosted the APEC leaders' summit in November 2006.

What then remains to be considered on this Asia-Pacific landscape? Developments around the key national players in *Pacific* Asia have certainly begun to transform the economic and geo-political map of the region in the last ten years, as described above. But another grand, though less acclaimed development is also crucial for understanding a major transformation now underway, particularly since it draws another key player into the region's politico-economic and strategic power dynamics.

Enter India

India's entry into the 'great-power' dynamic has begun to pull some attention from the Pacific side to the Indian Ocean part of Asia, i.e. to South and West Asia. Until roughly the mid-1990s, India counted for little in world politics and was considered only a small player in its sub-regional context, which was then more narrowly South Asia, comprising India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and the Maldives – countries that also formed the South Asian Association for Regional Cooperation (SAARC) in 1985. India was subjected to international approbation – and very strongly from the United States and Japan – when it tested nuclear devices in 1998. However, since the late 1990s the Indian economy has performed exceptionally well, especially given that in the early 1990s India ran out of foreign exchange reserves and was on the verge of national bankruptcy (Rajadhyaksha 2007, ch. 2). Many now compare India and China as the world's most attractive destinations for foreign direct investment (Laudicina and White 2005), yet India's economic status is still nowhere near that of China. Nevertheless, future projections foresee an even higher and consistent growth rate in the Indian economy.

Demography is critical here. China's population will start declining after 2025, but India's is set to keep rising. The BRIC (Brazil, Russia, India and China) Report places China as the world's largest economy and India as the third largest economy by 2040, with the US between them (Roy 2003) The rise of China and

India in the world economy and its impact on other nations has also been noted by another high-profile report titled *Dancing with Giants* and published jointly by the World Bank and the Institute of Public Studies in Singapore (Winters and Yusuf 2006).

Stronger economic muscle has strengthened India's political muscle. As mentioned above, the US National Intelligence Council report marked India *and* China as emerging global powers (National Intelligence Council 2004). Asia-Pacific nations kept India largely outside the region's cooperative and multilateral frameworks in the 1980s and early 1990s. But now India is not only a member of various Asia-Pacific and Southeast Asian regional institutions, it is also an active participant in them. In the 1990s, India began to engage more vigorously with Southeast Asia through its "Look East policy." It is now about to clinch a free trade agreement (FTA) with ASEAN, for which the draft agreement has been negotiated over a seven year period and is now awaiting signatures of member states. One of Southeast Asia's highest-profile leaders, Singapore's Minister Mentor Lee Kuan Yew, acknowledged India's emerging role in the region and globally in his Jawaharlal Nehru Memorial Lecture delivered in November 2005 in New Delhi. Lee noted that in his Memoirs published in 2000 he had concluded that, 'India is a nation of unfulfilled greatness. Its potential has lain fallow, under-used'. Now though, Lee was ready to revise his view since 'India's place in the world and of India as a global player is within India's grasp' (Lee 2005).

Even more important are the new dimensions in India's relations with the US – a relationship that had remained tense throughout the Cold War and beyond, but has been affirmed in recent times, especially since the US administration's declaration of a 'Global War on Terror'. The US was highly critical of India throughout the Cold War because of India's non-aligned stance, its self-declared role as leader of the 'Third World', and later because of India's closeness to the former Soviet Union. In 1998 when India conducted its first nuclear testing, the US condemned India's nuclear policy and imposed heavy sanctions, as did Japan.

In more recent years the US has dramatically shifted its disposition towards India (Tellis 2005; Carter 2006). It recently agreed to provide India with civilian nuclear technology, effectively presenting India with *de facto* recognition as a nuclear state. The recycled rhetoric from the US now extols India as the world's largest democracy, with sound legal institutions, a free press and other political virtues. But this is surely not the real reason why the US has moved to engage India. After all, democracy has been alive and well in post-independent India for more than 55 years. We can point to two key developments that have inclined the US in this direction.

First is the US administration's 'war on terror', for which the US sees India's cooperation as vital. Pakistan, India's neighbour *bete noir*, and archrival, enjoyed a special place in US foreign policy throughout the Cold War and until very recently when it became known publicly that Pakistan was involved in transferring nuclear technology to North Korea and operates as a breeding ground for terrorist activities. Although still important in the US strategic framework, Pakistan's special status has been downgraded, and the Bush administration has turned a kind eye to India instead. India will remain a critical country in Obama's 'Af-Pak' mission.

Second is the rising China, which the Pentagon under the Bush administration cast as a potential danger. This threat perception serves to orient the US closer to India strategically and to foster India's potential as a 'balancer' to the Asian mainland's China 'heavyweight'. India welcomes the US rapprochement which it sees as useful for strengthening its own global position economically and strategically. But India also recognises that there is a potentially great strategic cost in projecting itself as a power balancer against China on the Asian mainland. India very much seeks to improve its own political and economic relations with China.[4] The choice of how and how far to partner with the US without impinging too far on relations with China is one that has some resonances for Japan as another powerful nation in Asia-Pacific with close ties to the US.

Japan's Responses to the Changing Regional Environment

In very broad-brush strokes, this picture described above is the geopolitical and economic context of Japan's Asia challenge and the emerging importance of India to Japan. How has Japan responded to these developments? What strategies and what types of relationships has Japan developed while attempting to best position itself within this transforming Asia-Pacific landscape? And what may this mean for Japan's relationship with India as India and China appear set to triangulate the great power dynamic within Asia and beyond?

Japan–US Relations

The United States is Japan's most valuable partner, particularly in security and defence. Japan–US economic relations remain robust; many of the earlier grievances that the US had in trade with Japan now seem to have been shifted to the US–China trade relationship. The responses of both governments to national and international developments have pulled them closer together, especially since

[4] Chinese Premier Wen Jiabao visited India in April 2005 and President Hu Jintao in November 2006, indicating a political thaw between New Delhi and Beijing after more than four decades of tensions across the borders since the 1962 war between the two.

they share some perceptions of threat that are crucial to foreign policy orientation. Post-Cold War, US and Japanese policymakers have considered a nuclearised North Korea and 'certainly resurging' China with foreboding, and have strengthened mutual security ties even further. The US–Japan defence cooperation guidelines were revised in the late 1990s, with Japan agreeing to provide military support to the US in areas surrounding Japan, sparking Beijing's wrath. This was a contentious move by the Japanese government since it meant extending Japan's highly restricted security reach in an unprecedented way. The 9/11 attacks on the US inspired even more crucial arrangements, as Japan agreed to provide greater military support to the US for the Bush administration's Global War on Terror. For example, under the October 2001 Anti-Terrorism Special Measures Law, Japan's Self-Defence Forces (SDF) have been deployed to support US-led military operations in Afghanistan and Iraq. SDF aircraft have helped transport US forces and SDF naval vessels have provided fuel supplies to coalition warships in the Indian Ocean. The August 2003 'Law Concerning Special Measures on Humanitarian and Reconstruction Assistance in Iraq' enabled Japan to dispatch on a humanitarian and reconstruction mission, about 600 ground troops to the city of Samawah in Iraq. Japan extended its participation and the SDF presence in Iraq.

The Koizumi administration (2001-2006) had already committed Japan to acquiring new military equipment and closer relations with the US through the 'National Defence Program Guidelines for 2005 and After' report. Some observers are disturbed by what the proximity of this security relationship signals to others not nearly so enamoured of the US, or who, such as China, in fact resist it. Others take these moves as a positive sign that Japan is becoming a 'normal state' that can deploy forces as freely as some other nations choose to do, without the imposition of the Constitution restraining military dispatch. In November 2005, at the fiftieth anniversary of its founding, the ruling Liberal Democratic Party recommended that Japan's SDF be called 'military force' that can be deployed overseas. These moves clearly demonstrate Japan's increasing willingness to play a greater military role globally.

Under Koizumi, Japan had strongly supported the Bush Administration's new security agendas internationally and in Asia, including its willingness to 'pursue stability' in the Taiwan Strait. This support was despite profound consequences for Sino-Japanese relations and with China-inclined nations, and hence for regional stability. Japan will not press any time soon for withdrawal or even reduction of US troops from Japanese soil, since these troops can be mobilised for action on the Korean peninsula that remains highly volatile, or in de facto independent Taiwan still claimed by China. In fact, proposals for better

integrating the command functions of the US-based and Japan-based forces are likely to bind the two nations' military arrangements even more closely. Whether the military resurgence and such close ties with the US best serve Japan's national interest is debatable. Many nations in Asia-Pacific whose cooperation Japan would like to have are unhappy with these developments and China in particular is suspicious of both the US and Japan. China is also concerned by a new dialogue between the US, Japan and Australia seeking to link the two 'spokes' with the US 'hub' in a much more integrated fashion a shift which Chinese authorities view as a move to 'contain China' and as akin to a new NATO (Jain and Bruni 2004).

When the stakes are so high for Japan some may wonder if the Japanese government truly finds US protection so vital. It would appear that some of the value of these 'security' links with the US is about something other than immediate security concerns. Indeed, it could be argued that it suits the Japanese government to meet US requests since these requests serve to legitimise the greater international role that the Japanese government is now keen to pursue but must reconcile with some domestic resistance and external perception of Japan as a regional threat. Dispatching Japanese 'troops' to Samawah in Iraq was a classic example.

Japan–China

The Sino-Japanese bilateral relationship is full of contradictions. In an important milestone in 2004, Japanese trade with China reached US$168 billion, allowing China to replace the US as Japan's largest trading partner for the first time since World War II. Greater economic interdependence is a reason for cooperation and goodwill. But politically and diplomatically, suspicion runs deep. Much is reported of bilateral conflict over oil and gas rights in the East China Sea; differences over Taiwan; Chinese opposition to Japan's quest for a permanent seat on the UN Security Council; and China's deep concern at the misleading content of Japanese textbooks, Japanese Prime Ministerial visits to Yasukuni Shrine and Japan–US security arrangements. These issues have repeatedly resulted in ugly public demonstrations on both sides. Japan confronts diplomatic challenges in its relations within the immediate neighbourhood: difficult relations with Russia and South Korea, and with North Korea, the twin tensions of Japanese nationals who were abducted by the North Korean regime and North Korea's threats of missiles and nuclear bombs. Under these circumstances, having on its doorstep a China that is economically and militarily resurgent – and aggrieved with Japan – is also a great concern for Japan.

Japan–ASEAN

Japan is no longer the 'leading goose' promoting, modelling and supporting Southeast Asia's economic development as it once was and this region's acceptance of India as a regional player has shifted regional dynamics even more. Yet the most significant development in Japan's relations with ASEAN is the ever-increasing influence of China, which like the ASEAN nations appears to see institution building as an important vehicle for linkage across the region. China has taken initiatives towards a China–ASEAN Free Trade Agreement, and is central in influencing the course of the East Asian Community.

Japan has taken a less active role on both. This is despite the importance of Japan's economic relations with ASEAN, especially while China is Japan's ever-stronger competitor and despite Japan's strategic need for ASEAN's diplomatic support. Clearly, China too seeks political influence and economic gain and is well placed on both fronts. Many Southeast Asian countries have significant ethnic Chinese populations that offer China an opportunity to establish a close-knit network in South East Asia and connect it with the PRC. Japan does *not* have as much practical capacity nor the appeal of China. Japan *does* have historical and contemporary reasons to move diffidently, while China moves forward confidently, especially since Japan has not rebuilt trust from nations in the region after its wartime aggression in the early 1940s. Nevertheless, there is some diplomatic cachét for Japan within ASEAN since some Southeast Asian nations want Japan to remain actively involved in the region to offset a Chinese preponderance. They would at least like the two Asian giants to cooperate to achieve East Asian regionalism for which ASEAN has remained at the forefront (Lee 2006).

Japan–India

Japan–India relations remained low-key throughout the Cold War period. The two countries have not held mutual grievances and early in post-war, goodwill prevailed. However, relations soon cooled as Japan was tied with the US through the bilateral security treaty while India joined Third World forces and took leadership of the Non-aligned Movement. The disillusion was mutual. For example, when India asked for Japan's support in the 1962 Sino-Indian war and the 1965 war with Pakistan, Japan favoured neutrality. And while Japan poured billions of dollars in trade, investment and aid into East and Southeast Asia in the 1970s and 1980s, India received only a miniscule share, even though it had the 'democracy' and poverty that should have made India particularly eligible for a large share of Japan's official aid. India tried to woo Japan in the early 1990s as a

new government in India set the country on the course of economic liberalisation and market reform post-Cold War. But the mild improvement in the relationship was virtually blown out of the water when India conducted nuclear tests in 1998 and Japan responded severely with economic sanctions and the freezing of its official aid. Diplomatic relations are hardly strong now but Japan sees reason to strengthen relations given India's sustained economic growth, its role in the war against terrorism, and the precedent that Japan sees in the US firming up its ties with India (Jain 2002). Abe Shinzo, in his book published before he became Japan's prime minister in September 2006, raised the prospect of closer relationships with democratic India (Abe 2006).

Commercial factors are surely at work here. Many European, American and above all Korean and Chinese companies have established successfully and are expanding operation in the Indian market. Korean products, especially white goods and autos, are now well recognised in the Indian market. Trade between India and China is also booming. But trade and investment from Japan remained static for many years. Some Japanese companies have now recognised the missed opportunities and are keen to move forward with new commercial arrangements, given much brighter future prospects. Japanese businesses are also looking at portfolio investments in India and the inflow of Japanese investment increased substantially (Chellaney 2005; Yamashita 2006).

But perhaps most crucially here, once again, is the China factor. For Japan, strategic reasons are paramount in building relations with India. Japan has replaced China with India as the largest beneficiary of Japan's foreign aid, a move that appears to be influenced by the strength of anti-Japanese sentiments in China (Chellaney 2005). Furthermore, the geo-strategic transformation now under way in the region is forcing Japan out of centre stage in Northeast and Southeast Asia, where China appears preponderant. South Asia, or more particularly India, is therefore an arena where Japan can explore strategic coalition and other possibilities without offending the US.[5] As noted above, the US envisions India as a strategic balance to China on the Asian mainland, and Japan's new assessment of its preference for closer relations with India appears to be consistent with this vision.[6]

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[5] Some Japanese analysts see commercial opportunities. For example, see Kojima 2002; Shimada, 2005: Sakakibara and Yoshikoshi 2005; Takemura and Sakakibara 2005.

[6] There are clear indications that India is now on the Japanese diplomatic radar as never before. The National Institute for Defence Studies (NIDS), a Defence Agency-funded government think tank in Tokyo included a report for the first time on India in its *East Asian Strategic Review* in 2002. The September 2006 *Gaiko Forum*, a semi-official publication carries a special feature on India covering a range of issues. Although nowhere near the number of publications on China,

It is quite clear that Japan faces a number of serious 'challenges' in managing relations across Asia-Pacific. The central challenge is Japan's need to manage diplomatic relations with close-neighbour China and the nations that appear to be moving closer to China economically and strategically, while maintaining its closest diplomatic and security links with the US. Actions and outright statements from American government authorities indicate that they view China's rapid economic rise, and all that it entails, as a threat to US interests in Asia-Pacific and to US pre-eminence internationally. The Japanese government appears to have similar concerns about what China's rise means for Japan and its place in the region and the world.

Assessing Japan's Choices and Options

What can we usefully construe from the above developments that may be useful for forecasting and planning the future? Several key points are central to understanding Japan's choices and responses to these challenges, especially in the context of the newly significant place of India on this strategic landscape.

First concerns how Japan considers it engagement in the world, in the Asia-Pacific region, and in its East Asian neighbourhood. As mentioned above, current policy vision is of a more comprehensive role for Japan in international affairs. This will move Japan beyond the narrow financial response typical of earlier times and the more recent contributions of expertise and other 'soft' responses to solving international problems that threaten the wellbeing of citizens and their physical environment. This vision sees Japan with political will, and most importantly with constitutional legitimacy, using international military engagement as a means of conflict resolution. One of the greatest costs for Japan of this shift to a 'hard' approach is the resultant perception of potential threat to others that a militarily proactive Japan will inevitably yield, especially in the East Asian region. Yet, some Asian regional players, like the US are pleased to have Japan prepared for military engagement, as a counter balance to China in the regional power stakes.

Second, Japan and China are undeniably rivals and competitors – economically and politico-strategically. Given their geographic proximity, China and Japan compete with each other for markets and resources. Geo-strategically, both are very strong nations with capacities and interests in contributing to the strength of the region at large, moves which will also enhance their own capacity for influence.

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now Japanese book stores have wide-ranging titles on India, a case so different even a couple of years ago when publications on India were non-existent in Japan.

And their influence reaches not just regionally, but also globally. The crucial adjunct here is Japan's move towards ever-closer strategic alignment with a United States administration which perceives and in many ways operates as if China is already a strategic threat. Such alignment inevitably fuels Japan's Asia challenge. It confronts Japan with the dilemma of how to not alienate those nations that are linked ever closer economically and strategically with China, but whose economic and political support Japan wants to retain or strengthen further given its new place as one of several Asian powers.

One vital key for Japan is to come to terms with history, to accommodate the perceptions of neighbours that resent Japan's head-in-the-sand approach to its wartime past, and thus fails to provide suitable grounds on which strong relationships of trust can be built. Yet even with Koizumi successors, who have shown less rigidity towards China and South Korea, it seems unlikely that Japan will yield to its neighbours' demands while such demands offer little in the way of domestic support among key Japanese publics.

For Japan, the importance of the Sino-Japanese relationship helps to steer its relations elsewhere in the region. This is evident in Japan's recent moves towards India, which is about strategic positioning in relation to China as well as about economic and other relations. Japan is also keen to keep and develop goodwill with other major and minor players in Asia-Pacific. This is particularly so while its principal security partner, the US, is losing capacity to influence diplomatically, if not militarily, and as a number of observers around the world have noted, may already be embarking on its own quite dramatic descent from hegemonic power. This is surely an important consideration for Japan as it comes to grip with a new Asian order.

Another factor to note here is Japan's strategy for broader alliance building and further strengthening of institutional arrangements to bolster its position, particularly within the region. Japan has years of experience through regional institutional frameworks, in Southeast Asia in particular. Regional institutional arrangements and coalitions provide the valuable diplomatic space in which primary diplomacy is conducted. Japan now has years of experiencing the value that multilateral institutions provide – such as in APEC, ARF, ASEAN plus Three, and, further expected through the East Asian Summit. Japan's insistence for India, Australia and New Zealand to be admitted to the new initiative and for the new members to participate in debating and drafting proposals toward forming an Asian community shows Japan's preference for an inclusive approach to regional organisations, in contrast with the Chinese approach that pushed for a 'closed' process comprising members of ASEAN plus Three only.

Conclusion

Today Japan stands at a major crossroads in its relations with Asian nations. As rapid change in the economic and security environments dislocates the status of this powerful nation from that of the key Asian leader to merely one of several– and perhaps in the near future, to not even the most powerful among them, Japan therefore faces unprecedented foreign policy dilemmas. Japan's firm strategic alliance with the US alienates possible partners that do not support US foreign policy stances and prefer some other arrangements, possibly side-by-side with China whose capacity for influence in the region is building apace. Now India has joined the regional fray, as its greater economic strength enhances its capacity for leverage in the region.

Japan is in the throes of taking a more comprehensive approach to its involvement in world affairs, expanding its geographic reach and range of engagement. Limited military involvement is already part of this approach. Diplomacy, particularly through regional and multilateral institutional frameworks, appears set to become all the more strategically important for Japan while its capacity to use economic might to achieve leverage is on the wane. As the Asia-Pacific region is being stretched to incorporate more of 'Asia' with two rising giants Japan faces difficult choices in the regional political arena. It is little wonder that Japan has begun to warm to India and to build relations with its distant Asian neighbour as it proceeds carefully to manage this new Asian order.

Postscript

Since the acceptance of this paper in July 2009, there has been a historic political shift in Japanese politics which is likely to bring about some changes in Japan's foreign policy directions. In the general elections held on the 30th August 2009, the long-ruling Liberal Democratic Party of Japan lost its majority in the lower house of parliament and the opposition Democratic Party of Japan won 308 of the 480 seats. The new government under Prime Minister Hatoyama Yukio is seeking to readjust its relationship with the US by making the partnership 'more equal' and has proposed to recommit Japan's engagement with Asia through a reconciliatory approach to China and working closely with Southeast Asian nations in forming an East Asian community. The new government, on the other hand, has not given any indications of its engagement with India, a country that became the focus of Japan's Asia diplomacy under the previous administrations especially since Koizumi became prime minister. It is, however, certain that India will remain crucial to Japan, even if the new government has said very little about India in its initial policy statements. It is too early to make a firm assessment of

Japan's Asia policy under the new government, but it is highly likely that the major conclusions drawn in this paper will remain largely valid with regards to Japan's engagement with Asia.

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