



The U.S-Japan Partnership and the Future of an Asian Regional Union

Sakakibara Eisuke

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Sakakibara Eisuke interviewed by Hara Manabu

As the region's economy grows, a common Asian currency will gain favor, says Mr. Yen. 'The current calm Japan-U.S. economic relationship basically means Tokyo is no longer seen as an economic threat to Washington.'

Sakakibara Eisuke, the man known internationally as Mr. Yen from his time as head of international monetary affairs at the Ministry of Finance, believes that Washington's unilateral action in Iraq has triggered the beginning of the decline of the 'Pax Americana.' He foresees that in the mid- to long term, creation of an Asian version of NATO and a common Asian Monetary Unit could become a reality.

Q: What's happening in the world economy?

A: After World War II, there emerged the Pax Americana, an era in which the United States enjoyed overwhelming economic power, not unlike that experienced during the Pax Britannica that dominated the world scene up to the end of World War I. If you look at the world economy in the light of such history, I think that the center of gravity for the world's economy will clearly shift to Asia in this century.

Long before the emergence of the British empire, in fact, the economic balance favored Asia. The region's gross domestic product, including that of China and India, was much greater than the West's total. The current shift in the economic gravity indicates in a sense that the world's economy is returning to where it was before the Pax Britannica.

Q: What is your assessment of Washington's foreign policy in the context of a waning Pax Americana?

A: Ignoring the shift of the economic center of gravity to Asia, Washington intensified its unilateral actions and made pre-emptive strikes on Afghanistan and Iraq, actions that seemed meant to show off its military hegemony. I can understand the tragedy of Sept. 11, but nonetheless, the U.S. military actions have undermined American leadership around the globe. Its allies France and Germany openly defied the United States' unilateral actions in Iraq—they even sided with Russia to oppose Washington policy.

As some U.S. Democrats have pointed out, it is highly likely that these actions could trigger the start of the decline and fall of the United States' empire.

While the country still holds formidable military and economic might, its unilateralism adversely affects its power.

Q: It appears that the Bush administration is becoming bogged down in Iraq. But the government led by Prime Minister Koizumi Junichiro faithfully follows the Washington lead. Do you think such a policy is in Japan's national interest?

A: I think that an alliance with Washington should and will be the axis of Japan's foreign policy. But the current situation is no alliance—it's a dependency under which Tokyo just follows Washington. I think that as long as the two countries are allies, Japan should argue and at times oppose, if necessary, U.S. actions. In Iraq, for instance, Japan should not have gone along with the Bush administration. Japan should have taken concerted action with France and Germany to prevent Washington from going on a rampage. It should still try to do that. Sending the Self-Defense Forces to Iraq was politically a bad move, but more importantly, it was against the Constitution.

Although I favor revision of the Constitution's Article 9, which prohibits possession of military power, the existing Constitution clearly bans Japan from dispatching Self-Defense Forces to Iraq where combat between the U.S.-led allied forces and terrorist groups continues. The Koizumi administration insists that it has sent troops to a noncombat zone. But that is pure fiction.

Q: At present, the economic relationship between the two countries seems to be very stable. What is the reason for this windless calm?

A: I think the current calm Japan-U.S. economic relationship basically means Tokyo is no longer seen as an economic threat to Washington. The Bush administration regards China and India as more formidable competition. China poses a menace to American unemployment, while India presents an outsourcing challenge to U.S. workers.

The Japan-U.S. economic relationship has changed substantially and will not fall into serious bilateral confrontation again. Now, both Tokyo and Washington are puzzling out how to manage their triangular economic relationship with China. Tokyo and Washington may have to cooperate together with Beijing. They will have to confront each other within the framework of this three-way relationship. I am certain China will be a member of the G-7 group within two or three years. So, the overall economic picture in Asia is now completely different.

Q: In a recent symposium, you mentioned the importance of Japan standing on its own feet rather than relying on the United States. What goal should Japan pursue in its diplomacy? What imminent task should the two countries address?

A: Standing on its own feet while maintaining an alliance is not incompatible. Without undermining its alliance with Washington, Japan should try to develop much closer ties with Asia. It won't be easy because it's a delicate issue for Washington. But Japan should set this as its diplomatic target.

The key countries are China and South Korea. Japan has to make its best efforts to improve relationships with them. Koizumi has ruined the relationship with Beijing by visiting Yasukuni Shrine, which Beijing regards as the symbol of Japan's past militarism. Only a handful of people in Japan visit the shrine on Aug. 15, the anniversary of the end of the Pacific War. Koizumi should stop going there, and the government also should scrap its system of screening history textbooks-frequently a contentious issue with the Chinese government.

Meanwhile, what Tokyo and Washington have to do soon is cooperate to bring Beijing more into the international framework.

Q: What economic and political challenges do Japan and the United States face in the mid- to long term?

A: In 10 to 20 years, a movement will emerge to create in Asia a multilateral security arrangement that includes the United States, China and Russia-sort of an Asian version of the North Atlantic Treaty Organization. I am certain this question will become very important. The Bush administration may oppose the idea, but a Democrat administration, if elected, may accept it.

In the economy, the currency cooperation issue will gain importance. Now regional economic integration in Asia has been rapidly progressing and trade and investment increasing. In the international economic environment, the stability of currencies in the region will be in the forefront. Like the European Monetary Unit, creating an Asian Monetary Unit is in sight.

As the first step toward such a goal, Asian nations with huge foreign reserves, especially Japan and China, should set up a kind of Asian Monetary Fund to stabilize the currency market. At present, their total reserves amounted to \$2 trillion (220 trillion yen). I think they should earmark 10 percent, roughly \$200 billion, for such a fund.

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