

Book Review: Beyond Bilateralism, edited by Krauss and Pempel
Reviewer: Yibing Wu, yibing.wu@gmail.com

This book contains some of most insightful articles I've read so far this quarter. Not only every essay has focus and depth, but the whole book reads like a lively debate carrying on among the authors. I felt like I was brought to the front center seat facing the lecturer, and finished the book with a rich mine of ideas to absorb.

I am so intrigued by this book that I'd like to change to a new format. Instead of writing a summary for the whole book, I will summarize and comment on each essay.

Pempel, "Challenges to Bilateralism"

Distinctive argument: In today's world, there is no such a thing as a stand-alone bilateralism. The gravitational force from regional and global events, geopolitical as well as economic, will increasingly alter the orbit of a bilateral system. U.S.-Japan relation is probably the best case to illustrate this point, because of its archetypical bilateral character and the fluid developments in the region.

Observations, Questions and Comments:

1. The author distinguishes the role of state institutions (e.g. Ministries, Agencies) from that of political leaders in shaping U.S.-Japan relationship.
2. The author endorses "democracies rarely if ever go to war with one another". I am not sure democracy *innately* bears pacifism. India was no less hostile towards Pakistan when the latter was under civilian democracy. Both Turkey and Columbia have the penchant of using violence against its own people. It is the "liberalism" that makes the difference.
3. Unlike some other authors, Pempel seems to think bilateralism and multilateralism are in a zero-sum game, at least in U.S.-Japan relation.
4. "a la carte multilateralism". Reminded me of another term "capability-based defense strategy". Both use words to describe something that is anything but.

Ikenberry, "America in East Asia"

Distinctive arguments: Open up, tie down and bind together strategies.

Observations, Questions and Comments:

1. The only essay that touches upon the missile defense issue. Is it not important to China's plan on Taiwan? If so, will it become a more prominent issue in the near future?
2. By assigning multilateralism to the "binding together" category, the author seems to contradict the notion that U.S. is not interested in, or only passively reacting to, regional multilateralism (Pempel and Ashizawa).

Hughes and Fukushima, "U.S.-Japan Security Relations"

Distinctive arguments: "Understanding Japan's Predilection for (Security) Bilateralism". The authors present a realist's review of the motivation and historical context of Japan's attachment to the U.S. During the biographical narrative of this relation, the authors

further analyze the entrapment-abandonment conflict Japan has as a junior partner and how it has devised policies to hedge risks.

Observations, Questions and Comments:

1. The authors emphasize the symbiotic relationship as exclusively a security/defense phenomenon.
2. “Division of labor” in security operations. This is like another case of *keiretsu*!
3. A fascinating discussion on Japanese defense specialties: mine sweeping and anti-submarine, etc. ---and their implications: it was perhaps an expedient decision during the Cold War. Now it is an entrapment mistress the Japanese can't seem to get rid of (or have to learn to live with).
4. Although Japanese has veto power in collective defense decisions, when to invoke it or by what justification is far from clear. Already there is a shift of emphasis from Article 9 of the constitution to its Preamble. Plus the nuance between “collective defenses” vs. the “collective security”, which could be one and the same under the “Preemptive Defense” doctrine. The conclusion seems to be that the so-called constitutional deterrence against entrapping military alliance is actually pretty weak.
5. Factual question: Who do SDF swear their allegiance to? The Emperor or the State? If the State, which branch?
6. Still not clear: when Japan considers “normalize” its defense, is there a consensus of what the “norm” is? Could there be a split between the masses and the elite? In popular media, “normalization” has a strong “independent defense” sentiment but after reading the book, it seems the elite are probably more accustomed to the existing “embedded” model.
7. Now I can understand why U.S. almost unconditionally supports Japan's UNSC permanent seat bid (but strongly opposes that of Germany): another automatic vote and reliable ally? But what if the Japanese will use UN as another venue in their counterweight strategy (Katada)? If so, today's unconditional support can backfire tomorrow, or am I missing something obvious?

Mochizuki, “Terms of Engagement”

This is a cursory review of mostly China-Japan relationship. Full of bookkeeping of who did or said what to whom. They are all fair points but the author apparently did not break away from “A did this because B did that first”. In the case of how Japan and China are dealing with the past between them, I think it is only fair to criticize both as more unscrupulous and irresponsible to itself than to the other.

Observations and Questions:

1. I did not realize Jiang Zemin was expecting but did not receive a formal written apology when he visited Japan. But the author did not explain why?
2. I did not know that Chinese leadership made a conscious effort not to offend the Japanese Emperor during his visit. But I am not surprised.

MacIntyre, “American and Japanese Strategies in Asia”

Distinctive arguments: “Everybody Loves ASEAN”. The author assumes ASEAN as a “swing states” bloc, as well as a “convention center” for major players to socialize.

Observations, Questions and Comments:

1. Not sure ASEAN can be seen as one bloc. Thailand and Philippine being traditional U.S. allies will be more receptive to U.S. influences. Their support of Iraq War is one such case.
2. Compared to the economic relations U.S. has with ASEAN, especially during AFC, the security aspect seems to be so banal and insignificant.

Hamilton-Hart, “Capital Flows and Financial Markets in Asia”

I am afraid I have to say this is my least favorite essay in the book. The author only makes a complex topic more confusing. There may be too many issues to be covered in one place. The policy implication discussion seems to be an afterthought to shoehorn the essay into this book.

Hatch, “When Strong Ties Fail”

Distinctive arguments: Japanese economic integration with its Asian neighbors follows a drastically different model from that of American. The larger issue is an explicit criticism of the *keiretsu* structure: it pursues efficiency at the cost of flexibility (or as he calls it, information sharing). According to the author, the difference manifests itself most strikingly in automobile manufacture and computer industry.

Observations, Questions and Comments:

1. I needed a reason to keep reading the book after Hamilton-Hart. This essay did just that. The author makes clear his major points, picks two easy, contrasting examples and hammers home his arguments.
2. Besides his main themes, the author is careful to consider other related factors to complete his argument: macroeconomic decisions, trade policies, inherent differences in the two industries, etc.
3. The author has a distinctive journalistic prose that made me feel like reading an ESPN article: who is the winner and how the victory becomes inevitable after star player made this play at that critical juncture. I just have a nagging feeling that the reality was more complicated than the author’s depiction here.

Katada, “Japan’s Counterweight Strategy”

Distinctive arguments: Japan has an inferior anxiety in its bilateral relation with the U.S. The ill feeling may have had long history, but it culminated during AFC. In response, Japan is exploring two ways to leverage against American dominance: One is investing in regional multilateral institutions in Asia, such as APEC and ARF. The other is finding sympathetic partners in Europe.

Observations, Questions and Comments:

1. I am surprised how many times the word “resentment” shows up in this essay.

2. The argument that U.S. forced upon Japan to adopt low interest rate, thus created a “bubble economy”, is questionable in macroeconomic terms. Given the high trade deficit and the over-reliance on export, I’d speculate it was Japanese central bank that had more incentive to keep interest rate low.
3. Details reflect Japan’s tentativeness (or lack of confidence) in reacting to AFC: at the early stage, Japan actively urged the leaders of the AFC countries to turn to IMF first. Also, it never outlined AMF details in 1997. It is significant because the binding conditions of such loans would have shown exactly how the Japanese defined the crisis and how to resolve it.
4. Overall, excellent argument for later more solidified Japanese view on the nature of AFC. I started out with a different conviction but this essay helped me to change my mind: it was capital liquidity that caused AFC.
 - a. For example, in 1996, the current account to GDP ratio in South Korea, Indonesia and Philippine were all under 5%¹. Compared that to the U.S. ratio in Q3 2005, which was markedly higher at 6.5%².
 - b. Even if we look at the flow, today’s Brazil has a debt *interest* to GDP ratio at 10%³. I don’t have the numbers but just can’t imagine ROK was in the same league debt-wise.
 - c. My argument is, regardless what structural deficiencies within each AFC countries, the most likely direct cause of the AFC was the high turnover and the speculative nature of “hot money”. Why?
 - d. In countries where the capital speculation was nonexistent or was in-check, as in Japan and Malaysia, the same type of structural issues may have stagnated their economies but did not trigger *crisis*.
 - e. In this regard, the conditions imposed by IMF to AFC countries were heavy-handed and intrusive.
 - f. The author also refers to dissenting voices within IMF and the U.S. In recent days, the concern over the negative effect of “hot money” is only growing stronger. The contrarians include Warren Buffet, Bill Donaldson (former FEC Chairman) and John C. Bogle (founder of Vanguard Group). See also my comment in the Amyx entry.

Amyx, “Japan and Evolution of ...”

The author presents the evolution of Japan’s regional monetary policy in a comprehensive and balanced study. She successfully links up a series of events, along a common timeline, into one cohesive narration. The story begins with the Mexico peso crisis in 1994-5, follows by the American rescue package, inspired Japanese Ministers, IMF, AMF, CCL and CMI/BSA, and ends with the prospect of AMU.

Comments:

The moral hazard argument: the same theory exists in Health Insurance industry. Some economists are strongly challenging such a premise⁴.

¹ Congressional report quoted in the article: <http://www.house.gov/jec/imf/roth.htm>

² BEA data quoted in http://www.epi.org/content.cfm/webfeat_econindicators_capict_20050923

³ Economist article: http://www.economist.com/business/displayStory.cfm?story_id=3715779

⁴ For more details, see my blog entry: <http://wuyibing.com/index.php?s=moral+hazard>

Ashizawa, “Japan, the United States, and Multilateral ...”

Distinctive arguments: The author uses the case studies of APEC and ARF to compare behavior patterns and *raison d'état* of the U.S. and Japan. The focus is mainly on security issues. Unlike some others, Ashizawa pays greater attentions to domestic politics and policy makers when analyzing changes in foreign policies. Ultimately, the author seems to agree with the “counterweight” approach, and sees multilateral relations with Asian countries as Japan’s leverage in its bilateral relationship with the U.S.

Observations, Questions and Comments:

1. What does the author mean by saying, “MITI officials ... thought that a regional ... framework, ... might offer a buffer against the increasing bilateral pressures from the United States.” (p255) How is that so?
2. The author keeps referring to “role-sharing” in the region, but I can’t find a clear definition of it. Is it the economic division of labor that Hatch discussed earlier?
3. The author portrays the U.S.’s Asia policies, in general, as reactive, lack of vision or cohesion, and easily subject to domestic politics. What struck me, however, is the strenuousness of the objection.
4. On page 268, the author states, “[Japan] came to see such a rigid bilateral system as inherently contradictory to Japan’s particular status in the long run.” This is an obviously polemic assertion. I doubt this is the consensus of the ruling elite.

Kraus, “The United States and Japan ...”

Distinctive arguments: the intricate relationship between regional and global organizations: EVSL vs. WTO. His article also echoes similar sentiment in Amyx’s essay on IMF and AMF/CCL/ABS.

Observations, Questions and Comments:

1. The author’s contention that APEC trade is very much a “nested game” of WTO is perhaps only true in this specific case. I am not sure if there is an established or inherent relationship between regional and global trade regimes.
2. Critically, this essay is relatively light on substance. Nevertheless, I had an incredibly good time reading it. The author’s jovial accounts of the Rashomon-like interpretations of “voluntary”, of the ambush of the Japanese diplomats during APEC meetings, all make it befitting for a featured article in the New Yorker. However, by placing this article after those from Ashizawa and Katada, is the editor-author playing mischief too?