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The Japanese-American dilemma: A comparison of their relationship within George Modelski's theoretical framework of long cycles

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University of Nevada, Las Vegas, 1992

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THE JAPANESE-AMERICAN DILEMMA: A COMPARISON OF THEIR
RELATIONSHIP WITHIN GEORGE MODELSKI'S THEORETICAL
FRAMEWORK OF LONG CYCLES

by

VALERIE J. PELTON

A thesis submitted in partial fulfillment
of the requirements for the degree of

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in

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Department of Political Science
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ABSTRACT

The objective of this thesis is to address the nature of Japanese-American bilateral relations in the twentieth century. An adaptation of George Modelski's theory of global long cycles is the tool used to analyze the relationship. This adaptation gives a broader evaluation of the relationship and provides a basis for predicting possible economic shifts. The focus of the analysis is an exploration of whether changes occurring in the post-1980s lay the ground work for a new stage of friction similar to that of the interwar period. Specifically, the argument is that the United States is in a period of decline and that Japan is vying for the role of Pacific leader in the twenty-first century. An examination is made of the relative decline of American power in the Pacific and the challenge posed by other actors, specifically Japan, to the United States' governments role as the Pacific's leader and its main power. The nature of a possible struggle is taking shape. Therefore, it is imperative that one examine the current period of instability and the

last period of instability to determine the possible roots of the next cycle's conflict. Whether Japan emerges as the next Pacific leader or the cyclical pattern of world leadership holds true at the bilateral level, for the coming century, a period of change, instability and challenge is underway in Japanese-American relations.

INTRODUCTION

The purpose of this thesis is to determine the nature of a possible reemergence of change, friction, and instability in United States-Japan bilateral relations. An examination of the United States-Japan relationship in the twentieth century with respect to the Pacific is made according to an adaptation of George Modelski's theory of long cycles in global politics. By adapting Modelski's theory of global long cycles to explore bilateral relations, one is able to broadly evaluate bilateral relationships by accounting for economic shifts and their effect. It is also one possible approach to explaining the relationship. The rationale for comparing the interwar period to the post-1980s is this: if one can understand the causes of the last United States-Japan conflict, one can determine the possible basis for the next such conflict.

According to Modelski, every century experiences a cycle of four distinct stages: conflict, hegemonic leadership, delegitimation, and deconcentration. Because

the bilateral relationship of the United States' government with the Japanese government has parallels to the theory of global long cycles, one can use an adaptation of the theory to determine if it will explain the relationship and its changing nature. Explanations of these stages are in terms of the United States' government's role. The instability which characterized the interwar period of the 1920s and 1930s epitomizes the last fourth stage. In this stage, the United States and Japan are Pacific powers, struggling to clarify their leadership roles. In the second stage, the United States' government's role as the unquestioned leader of the Pacific typifies hegemonic leadership and stability (1946-1968). The emerging instability of the late 1960s to early 1980s is an illustration of the third stage, delegitimation. The Vietnam War, the collapse of Cambodia and Laos, and the emergence of Japan as an economic rival in the Pacific, as well as the growing inability of the United States' government to deal with the needs of the region denote this instability. The economic and political collapse of the status quo and the decline of the United States as the Pacific's leader (1980s to the present) characterize the fourth stage, deconcentration. Specifically, this stage addresses the changing nature of

the power system from that of military power to economic power within the Pacific.

Given these time frames, stage four of the first long cycle in United States-Japan relations deals with the emergence of the United States as a new Pacific power and Japan as cocontender for recognition as the Pacific's leader. The first stage of the current cycle is that of conflict, World War II. Stages two and three concern the periods when: (1) the United States is the unquestioned regional leader and Japan its compliant ally, (2) states in the region begin to rebel against the status quo, and (3) Japan emerges as a trade giant. Finally, stage four covers the collapse of the status quo and the open challenge posed by Japan to the United States' leadership in Pacific trade and finance. Because change, friction, and instability mark when cycles emerge and conclude, the emphasis of this thesis is on the fourth stage of the first and second long cycles in United States-Japan relations. However, stages two and three are briefly covered. Additionally, an exploration is made of the various scenarios for the end of the current long cycle.

Before elaborating upon Modelski's stages, it is best to clarify terms used throughout this thesis. "Power" is defined as possession of control, authority, or influence

over others; one having such power, specifically a sovereign state; implied possession or ability to wield force, permissive authority, or substantial influence. The definition of "supremacy" is that of absolute authority or power. National security interests are defined as the economic, market, or trade issues which affect national economic welfare of a sovereign state. Additionally, the unit of analysis by which actions are measured is that of a sovereign state responding to economic and market realities.

With respect to stage four of the first long cycle in United States-Japan relations, the premise is that economic and military needs precipitated the Washington Naval Conference (1922) and laid the groundwork for increased conflict between the United States' and Japanese governments. A review of the issues leading to the conference and its aftermath covers the effect economic and market forces had on foreign policy choices. Areas of emphasis are: (1) the degree to which national security considerations influenced American and Japanese positions at the Washington Naval Conference, and (2) the degree to which the Washington conference realized national interests.

As an integral part of this stage, the events which led to the London Naval Conference (1930), its goals, its problems, and its effect on Japan are addressed. Finally, the past fourth stage is compared to the current period of Japanese and American relations. This comparison is with respect to trade interests in the Pacific and each nation's pursuit of domestic economic survival to see if it supports the premise that a new fourth cycle is underway. The next possible option is that Japan could emerge as the new Pacific leader. A second option is that the United States could regain its ascendancy in the Pacific, much as Great Britain did at the global level in the nineteenth century. The third option is that a new world system could emerge which marks the end of the last 500 years of long cycles and which requires a new model.

CHAPTER 1

This chapter explains the premises and the theory used to examine the Japanese-American bilateral relationship. Additionally, one finds a brief review of the relevant literature with explanations of its contributions and limitations. Finally, an examination of George Modelski's theory of long cycles is made and an adaptation used to explore the changing nature of Japanese-American power relations. This adaptation amplifies the economic reasons for change in the relationship.

The basic premise of this thesis is : (1) there are dynamic changes in the Japanese-American relationship, (2) these changes concern the role of trade in determining the future course of the relationship, (3) these changes are cyclical in nature, (4) the Japanese-American relationship is in the final stage of deconcentration, and (5) an examination of the interwar period enables one to form certain assumptions concerning the nature of the Japanese-American governmental relationship prior to the last hegemonic conflict. Given these assumptions, it is

possible that the nature of Japanese-American governmental relations and each nation's role in the Pacific is changing. Furthermore, it possible that Japan may assume primacy in the Pacific, especially with respect to trade, and that the next long cycle's conflict stage may evolve around the issue of which nation controls Pacific trade.

To address the nature of the Japanese-American relationship, especially its economic nature, several of the leading theories in the field were considered. Although Hans Morgenthau's In Defense of the National Interest and Politics Among Nations, Robert Gilpin's Global Politics, and Paul Kennedy's The Rise and Fall of the Great Powers contributed various ways to analyze the relations among states, the theory of long cycles propounded by George Modelski in Exploring Long Cycles and Long Cycles in Global Politics allowed for a more thorough explanation of economic factors and the role of economics in bilateral relations. Beginning with Morgenthau, one finds an examination of these works to explain why the theory of long cycles best suited this thesis.

According to Morgenthau's vision of power politics and the balance of power, the United States' government improvises its policies as it goes along instead of determining what are its true foreign policy interests. It "[invokes] some abstract moral principle" instead of

marshalling "public opinion in support of war and warlike policies," thus leading to its own failures in foreign policy.¹ When it comes to American relations with the Pacific in the twentieth century, Morgenthau states they are: (1) neither "obvious nor clearly defined," (2) fail to express the national interest, and (3) overly moralistic.² American foreign policy in the Pacific is seen as still oriented toward the concept of the Open Door with China. It is basically a balance of power relationship whereby China balances American security interests against the former Soviet Union.³ Very simply, the United States relies on power politics, an inherently practical and simple way to achieve its goals, but couches its demands in a political and moralistic language.⁴ Morgenthau argues that "self-preservation is the first duty of a nation;" therefore, the United States must act in its best interests without regard to moral principles.

While these principles are correct insofar as they address the bipolar world of the Cold War, they do not allow room for changes to or the dissolution of the status quo. The Cold War Soviet-American governmental relationship shaped Morgenthau's argument. He did not foresee the rise of the Japanese nation as a possible contender for Pacific leadership. Everything is tied to balancing Soviet moves, especially in Europe. Even the

role of China, with nary a glance to Japan, is tied to how it can balance the Soviet government so that American security needs can be met. Morgenthau did not consider the possibility that the Japanese government could act independently of the United States or that it could eventually no longer need American protection. Morgenthau did not foresee the impact vast wealth, extensive industrialization, and burgeoning trade have on current state relations. There is also no accounting for the possibility that the Cold War equation could change or that economic conditions, especially with respect to trade, could cause a change in the existing order or contribute to instability in the Pacific.

Turning to Robert Gilpin's and Paul Kennedy's arguments, they are relevant and interesting. According to Gilpin's rational choice (economic) theory, individual actors are rational and try to achieve maximum satisfaction of their respective values and interests at minimum cost to themselves. The rationality of the actor is tied solely to the attempt to reach a goal, not to whether the goal is achieved. Thus, an actor will pursue an issue until costs and benefits are equalized. Drawing upon this explanation of what amounts to a marginal utility (Pareto) curve, Gilpin extrapolates this to form a general theory of social and political change. This

general theory is then applied to international political change and focuses on how technical and economic changes effect power and individual interests.

Bearing this in mind, a state attempts to change the political system to increase its relative power and to decrease the cost of its political arrangements until equilibrium is reached. Once it achieves equilibrium, the state will then try to change the existing political system.⁵ For a state to destabilize the bipolar system and lead to hegemonic conflict it must see: (1) the failure of one power to play its balancing role, (2) a third power arise and upset the bipolar balance of power, (3) the international political system break into two hostile camps, (4) the major powers become entangled in the ambitions and problems of (a) minor power(s), and (5) a loss of control over economic, political, and social developments.

Although Gilpin makes a cogent argument for economic determinism, there are some shortcomings to his theory. To begin with, actors do not always behave rationally or achieve equilibrium. Actors may accept trade-offs on maximizing their utility to achieve non-economic goals such as prestige, much as Japan did at the Washington and London Naval Conferences in the interwar period. There is also the inherent assumption, given the context of

Soviet-American relations in existence at the time Gilpin wrote Global Politics, that although one party may weaken, it will not collapse. Gilpin makes no allowance for the total dissolution of a state. While a third party could emerge, Japan did not upset the bipolar balance of power as Gilpin's theory states a third party would--Japan was a staunch ally of the United States against the Soviet Union. The international political system has not remained in two hostile ideological camps, communism is dead and multipolarity is more the rule. Finally, the degree and kind of loss of control over economic, political, and social developments is not really defined.

As for Kennedy, the historical perspective of The Rise and Fall of the Great Powers provided a wealth of historical data and closely paralleled long cycle theory on many points. However, his broad-brush approach of addressing the rise of the West as the broker of power internationally focuses almost exclusively on coalition warfare. Although it addresses the interaction of economics and military strength, it is mainly from a Western perspective. His main point, that

the relative strengths of the leading nations in world affairs never remain constant, . . . because of the uneven rate of growth among different societies and of the technological and organizational breakthroughs which bring a greater advantage to one society than to another,

is valid but Kennedy only used it to address Western powers. Kennedy himself acknowledges this limitation by stating:

the history of the rise and later fall of the leading countries in the Great Power system since the advance of western Europe in the sixteenth century -- that is, of nations such as Spain, the Netherlands, France, the British Empire, and currently the United States -- shows a very significant correlation over the longer term between production and revenue-raising capacities on the one hand and military strength on the other. 7

With this acknowledgment of his look at Western history in the modern era, he also admits he was "tempted from the historian's profession into the uncertain world of speculation upon the future, just as the nineteenth century historian Leopold von Ranke did in an essay on the great powers of his era."⁸ While Kennedy used his data effectively to present an historical account of modern world (i.e., Western) history, there was no scientific definition of what constitutes a state, what factors will influence a state's relationship to another state, how a state will act, and what kinds of policy decisions the state will make. The approach was also too far ranging to address Japanese-American trade relations in sufficient detail for this thesis. Kennedy's examination of the rise and fall of great powers is an historical perspective of the evolution and decline of powers. It does not use

scientific reasoning to test an hypothesis as a political scientist does.

While none of these works focused on economics to the extent necessary for an examination of twentieth century Japanese-American bilateral relations, they enabled me to choose the best tool for the job. Although the argument presented here concerns bilateral relations, an adaptation of long cycles theory is an intriguing way to explain the relationship.

According to Modelski, long cycles explain the rationale for world war and the nature of orderly succession.⁹ This thesis explores possible Japanese governmental succession of the United States as the Pacific's leader and its assumption of primacy in the bilateral relationship. According to Modelski, a long cycle is the "rhythm of global politics" and the social system.¹⁰ These cycles are dynamic occurrences which are part of modern society.¹¹ To qualify as such, a long cycle must go through four stages: global war, world power (leadership/stability), delegitimation (decline), and deconcentration (challenge/conflict).

During global war, the entire order is in chaos as the various powers use military and/or trade warfare to determine the global leader. In the victor's period as world power, there is a period of hegemonic stability

supplied and defined by the world leader for the entire world. During delegitimation, one hears the initial rumblings of instability as the states question and challenge the validity of the world power's leadership. During deconcentration, the world leader cannot meet the stability needs of the system it created. Other major powers challenge it for the role of world leader. This is the final stage before the entire system plunges into chaos in a new global war in the first stage of the next long cycle. The cycle can also exhibit one or a combination of three types of global politics: polarity, coalition, or macroconflict.¹²

During a long cycle, polarity occurs when the long cycle moves from low--to high--to low--power concentrations which correspond to sea power on the world level. Coalition occurs when a core alliance has a large group of affiliated states which follow its lead. The characteristics of this coalition are stability and continuity for the system (provided by the core alliance) until the next global war. Conflict occurs during deconcentration of the core alliance. Through long cycle analysis, one can foresee approximately when a conflict may occur and how it may impact the political and economic power of the major powers.¹³

During the modern period, five distinct global cycles occurred: Portugese, Dutch, British I, British II, and American. As one may argue, the current bilateral cycle may end and a third long cycle may occur in the next century. Within this modified framework, it is possible that the current period of bilateral instability reflects a possible challenge posed by Japan to the United States. The Pacific leader realizes that while it still possesses significant resources, problems occur because of the need to address changing economic dynamics.¹⁴ In other words, the Pacific economy (which is based on trade and multinational corporations) has functional difficulties under American leadership. Restrictive regulations and a paucity of capital available for local and Pacific investment account for part of the problem. The other problem is that of security and stability.

While an understanding of economics is critical to the concept of long cycles, comprehension of the affect the distribution of naval power has on states is just as important. According to Modelski, naval power is the key indicator of global reach and power status because sea power serves as the "stabilizer of the modern status quo."¹⁵ The world power is the leader of the global political system because it has the military superiority and the capacity for global reach necessary to secure

trade and shipping lanes. The critical factor permitting global reach and the ability to support a navy is the nation's wealth.

Because trade is the means by which wealth is brought into a country through the exchange of goods and services, it is also the component which requires naval protection. To ensure safe and free passage of goods, and of the merchant vessels carrying them, a state must possess some way to protect its trade. Logically, a state must have a navy with sufficient size and force to meet the safety needs of its mercantile interests, thus ensuring trade continues and expands. At the same time, a poor state cannot afford to protect its trade interests via a navy; therefore, a rich state with dynamic foreign trade is the state which provides the protection of a navy. The world leader is the sea power which emerges at the end of a global war (economic or military), with sea power as the key measure of its "capacity to lead, organize and support the global system."¹⁶

If the theory of long cycles holds true at the bilateral level, the next challenger and rival in a possible hegemonic war with the United States will be a maritime trading power. Japan is one state which meets this requirement. Japan has the largest maritime fleet in the Pacific as well as the third largest outlay on

military expenditures in the world. Following this approach, Japan is a possible contender for the role of Pacific leadership.

When viewed within the context of the long cycle of naval and economic power, the current bilateral Japanese-American relationship follows a pattern similar to the long cycles shown in the following table:

<u>CONFLICT</u>	<u>WORLD POWER</u>	<u>DELEGITIMATION</u>	<u>DECONCENTRATION</u>
1494-1516 ITALIAN- INDIAN OCEAN WARS	1516-1539 PORTUGAL	1540-1560 PORTUGUESE CYCLE	1560-1580 SPAIN
1580-1609 SPANISH- DUTCH WAR	1609-1639 HOLLAND	1640-1660 DUTCH CYCLE	1660-1688 FRANCE
1688-1713 LOUIS XIV WARS	1714-1739 BRITAIN I	1740-1763 FIRST BRITISH CYCLE	1764-1792 FRANCE
1792-1815 FRENCH REVOLUTION- NAPOLEONIC WARS	1815-1849 BRITAIN II	1850-1873 SECOND BRITISH CYCLE	1874-1914 GERMANY
1917-1945 WORLD WAR I/II	1945-1968 UNITED STATES	1968-1982 AMERICAN CYCLE	1983-2013(?) JAPAN

Viewed within this theoretical context, the conclusion of World War II catapulted the United States to the position of Pacific leader. The height of the American era was 1947-68. The beginnings of decline and delegitimation

occurred in 1968 with the escalation of the Vietnam War, the change in the United Nations to a Third World forum, the 1973 Arab oil embargo, and the communist challenge (up through the collapse of the Soviet Union in 1989). The current period, that of the onset of deconcentration and conflict, is marked by trade and political tensions the United States and other states and the European Community at the global level.

Translated to the bilateral context of United States-Japan relations, the first and second cycle look something like this:

<u>CONFLICT</u>	<u>HEGEMONY</u>	<u>DELEGITIMATION</u>	<u>DECONCENTRATION</u>
1846-1873	1873-1890	1890-1914	1914-1931
MANIFEST DESTINY/ TRADE WAR	UNITED STATES I	FIRST AMERICAN CYCLE	JAPAN
1931-1945	1945-1968	1968-1982	1982-2013(?)
WORLD WAR I	UNITED STATES II	SECOND AMERICAN CYCLE	JAPAN

In the first long cycle, American efforts to dominate Pacific trade with Japan (to the exclusion of British merchants) prompted a fierce struggle in the Japanese government over American access and influence in Japan. American naval, trade, and security interests under Manifest Destiny prompted continued efforts to breach Japanese isolationism. In stage two, the American navy and businesses had free reign in Japan. In stage

three, the Japanese government and industry reasserted themselves via a program of rapid modernization and territorial expansion. In stage four, the Japanese military, business community, and government openly challenged the American navy and business interests in the Pacific.

During the current cycle, World War II marked stage one. Stages two and three parallel the global stages of Modelski's American cycle. Finally, trade and political tensions between the United States' and Japanese governments characterize stage four of the current bilateral relationship.

While conflict is generally in the form of global military warfare, the breakdown of the global system can take the form of trade warfare or trade friction.¹⁸ While the military element is important in the overall equation of leadership, it is primarily the economic strength of the state which enables it to have the protection of a strong navy. Therefore, if a state is in decline due to diminishment of its market share and weakening of its economic health, it will fight to protect its resources. Specifically, it will engage in trade warfare to preserve its markets domestically and abroad. It will use restrictive taxes, import barriers, and unfair trade practices (dumping, selling below cost, etc.).

Prior to this phase, the emerging power (Japan) clarifies and consolidates its position during the stages of delegitimation and deconcentration through exploitation of the very means which brought the old power (the United States) to its position of leadership. During this period of consolidation, the emerging state relies on the protective mantle of the reigning power's navy to protect its own interests without going to the expense of building a large, strong navy. It relies on that state's ability to keep trade lanes and ports open to take advantage of markets.

Applied to the Pacific, the Japanese government took advantage of American naval hegemony to further its trade interests much as the United States' government did with respect to Great Britain's navy through the nineteenth and early twentieth centuries. In this period, the American navy was fairly weak while the British navy was the largest and strongest in the world as well as in the Pacific. By depending upon the British navy to police Pacific waters, American businesses traded in areas the British navy controlled. The Open Door policy of equal access to the China trade typified this symbiotic relationship between American businesses and British naval power in the Pacific.

In this transitional stage of deconcentration, the international order becomes volatile, social unrest occurs, the GNP falls, unemployment and inflation escalate, and new economic and politico-military powers arise to form a multi-polar system.¹⁹ Because hegemonic stability lasts only as long as power rests in the hands of one state, the international system and economic order remain legitimate and stable only as long as that state maintains its economic and military capacity and will to act. Once the state loses its capacity, whether through technology transfer, over-commitment to policies and principles, or lack of dynamic action, power deconcentrates, free markets collapse, and closed economic zones emerge.²⁰

In the United States-Japan context, one can see this occurring by examining the scaling down of the American military, the Japanese technology advantage, the inability of the United States' government to act unilaterally to enforce its will, the Japanese government's expanding diplomatic overtures in the Pacific, and the relative closing of Pacific markets to American goods. For example, the drawdown of American military personnel to a smaller force in both the active and reserve sectors points to a fundamental inability to support the continued economic drain of a large military on the national

treasury. The technological edge of Japan in fields such as robotics, bio-technology, semi-conductors, and electro-optics enables them to make inroads into existing markets such as consumer electronics (televisions, computers, games) and create new ones without much competition.

Additionally, the fact that the United States' government had to ask for money from coalition countries in order to wage war against Iraq further underscores its weakening control and inability to act unilaterally. Finally, the Japanese government's increasing role in the Association of Southeast Asian Nations (ASEAN) and the Cambodian peace accords, as well as the ability of Japanese businesses to penetrate and dominate Pacific markets, further accents the current deconcentration of American military, political, and economic power. This fourth stage of increased instability and deconcentration is laying the foundation for the first stage of the next long cycle.

While the modern world system is composed of global political, global economic, and cultural subsystems, the global political system is the most important and is closely intertwined with the global economic system.²¹ This is true because the world leader shapes the global political system through economic means. This is possible

only if it can afford to provide for the public good at its own expense and in accordance with its guiding ideology or principles. On the bilateral level, with the United States' government in serious financial difficulties, it is no longer able to provide the stability necessary to Japan's (or the Pacific's) security and economic needs. It can neither fund a large navy nor grant large loans to the Japanese government and industry (or to developing nations). This ability to underwrite the region is crucial to maintaining hegemony because the leading state requires international (regional) stability in order for its political and economic needs to be met.

According to Modelski, if a state cannot buy stability through the use of its navy or the promise of financial aid to other states, the international peace begins to crumble. States dissolve alliances and shipping becomes endangered. If this is the case, the United States' government must rely upon the Japanese government to step forward and lend support to shape the Pacific's political system. This is typical during stage four of long cycle analysis. It again points to the possible nature of the next cycle's initial conflict--a struggle for control and leadership.

Viewed from the context of long cycles, each cycle occurs every 100 to 120 years after some form of global

conflict. Based on the regional context of the United States-Japan relationship, this conflict could take the form of trade warfare. Each phase of the cycle--conflict, leadership, decline, and challenge--lasts 25 to 30 years and the United States' government appears to be in the fourth stage of this cycle.²² When the current or old leader no longer has a strong economy, its leadership is weakened and delegitimized. This appears to be what is happening now to the United States' position in the Pacific. A specific example of this weakness is the recent trade talks failure. Despite President George Bush and the chairmen of Ford, General Motors, and Chrysler going to Japan to try and coerce the Japanese government and business leaders into granting concessions, nothing concrete happened. The only thing that became clear from the visit was that the United States' President, arguably the most powerful man in the world, could not get his demands met by an erstwhile ally--his power and prestige were insufficient.

Based on long cycle theory, if Japan succeeds the United States as the Pacific leader in the next long cycle, it must have similar characteristics. If regional powers have the same characteristics as world powers, they must have: (1) stable domestic politics and be open to the world, (2) a strong, dynamic economy, (3) some form of

politico-strategic organization capable of exerting global power (a strong navy), and (4) the characteristics of an island or a peninsular state.

While air power is an important part of modern military force projection, naval power is still the most flexible as it is self-supporting. Naval power also has the added benefit of having submarines and aircraft carriers, assets capable of operating autonomously. Air power by itself is not as responsive as naval power. It requires a massive support base and long supply lines if it is to operate in forward deployed areas. Nuclear forces are not viable in this equation either, as they are impractical to use, warheads would have to be reprogrammed, and assets would have to be within striking distance of the target area. Nuclear weapons have the drawback of irradiating and rendering useless the area one wants to control and economically exploit. Additionally, the new power is an ally of the existing leader, despite challenging that leadership.

If one transfers world leadership characteristics to bilateral leadership ones, the Japanese government becomes a logical contender for leadership. Japan has a homogeneous, stable governmental system and is increasingly participatory in Pacific economic and political forums such as the Association of Southeast

Asian Nations (ASEAN). There is no doubt as to its economic viability or dynamism and, through the Ministry for International Trade and Industry(MITI), the Japanese government exerts its financial power throughout the Pacific. Japan is also a seafaring island nation and the United States' government's closest ally in the Pacific.

With these power characteristics applied to Japan, it is not difficult to cast it as the United States' potential successor. Conversely, opposing or rival powers are generally continental states, have significant political and social divisions, a large economic capacity (though not as large as the existing world power), an inconsistent politico-strategic organization, and lack the knowledge and ability to manage a world system.²³ These characteristics are applicable to the former Soviet Union (the new Commonwealth of Independent States) in its quest for the role of global and European leader.

Returning to Modelski, yet another factor in long cycles is the direction in which power moves. Power shifts to an area where global actors and organizations concentrate to form an environment favorable to high levels of investment and innovation.²⁴ In the case of modern history, leadership and power shift from one naval and trading power to the next. This pattern of following capital and technology from one state to the next points

all the more directly to the Pacific and Japan. The region is both economically and technologically dynamic, especially Japan. The economic and technological base of the United States appears to be lagging behind that of Japan.

While one can use the analytical framework of long cycles to explain Japanese-American bilateral relationship, there are some limits to this theory. According to Modelski, the four phases fall within a 100 to 120 year long cycle and last 25 to 30 years. However, it seems these phases occur closer together and are more concentrated. Despite this drawing together or compression of time allotted to phases, Modelski tries to account for it by allowing phases to overlap with no clear break. Allowing cycles to overlap makes it difficult to logically trace periodic developments within cycles. Another problem is the shifting of patterns of stability and instability seem to occur much more rapidly. While this may in fact be happening, the phases of long cycles are still applicable to the Japanese-American equation as the root causes for stability or instability are still valid. Bearing these limitations in mind, long cycle analysis is the most comprehensive strategy for evaluating twentieth century Japanese-American relations.

Given the nature of long cycles and of the transition from delegitimation to deconcentration, it is possible the United States' government may experience another period of bilateral leadership much as Great Britain did at the global level in the nineteenth century. If the United States' government is to enter a second phase of hegemonic leadership in the Pacific it must meet two challenges. These challenges are: (1) Can the United States preserve the balance between its defined requirements and the means available to meet these self-defined goals? and (2) Can the United States preserve its technological and economic power bases as regional production patterns shift?²⁵

By reviewing the relevant literature and selecting the theory of long cycles, one established the premise that the current American cycle is in its fourth stage. One reviewed the four phases of a long cycle, the preceding four long cycles in global history, and the last bilateral long cycle. An examination of the nature of hegemonic leadership and stability, the origins of delegitimation and deconcentration, and the effect of economic factors on all of these followed. Additionally, one explored the characteristics of a world leader and the nature of conflict with respect to Japanese-American relations.

The main points of this chapter are: (1) one can adapt global long cycle analysis to explore bilateral relations, (2) parallels exist between the fourth stage of the first long cycle in Japanese-American relations and the current such cycle, and (3) long cycle analysis provides the best means of defining the changing nature of Japanese-American relations.

CHAPTER 2

In this chapter, the initial phase of the Japanese-American relationship is examined within the context of the interwar period. Emphasis is on the nature of conflicting national interests. The 1922 Washington and 1930 London Naval Conferences highlight the first bilateral cycle of American deconcentration. This fourth stage of deconcentration demonstrates the degree to which economic interests dictated military positions. An examination of the increasing impact of economic problems at home and abroad demonstrate the degree to which economic considerations heightened friction between the Japanese and United States' governments. Territorial expansion, trade practices, the Great Depression, and national interests define the basis of deconcentration.

According to Modelski, the fourth stage of every cycle exhibits some form of challenge. Within the context of Japanese-American trade relations, the interwar period demonstrates this fourth stage of deconcentration. With the advent of World War I, the United States and Japan emerged as new Pacific powers. Both nations had strong

economies, vibrant economic growth rates, sizeable navies, a growing international trade, and long-term interests in the Pacific. For example, by 1929 Japanese export trade totaled Y2.604 trillion compared to just Y213 billion in 1900.²⁶ Japanese steel manufacturing alone grew from 225,000 tons in 1913 to 2,034,000 tons in 1929.²⁷ The manufacturing sector virtually doubled its production between 1925 and 1938 from 313 to 600 percent of capacity.²⁸ Additionally, Japanese banks such the Industrial Bank of Japan invested in China and the South Pacific, especially in "enterprises deemed to be of national importance."²⁹ As for the United States' business sector, accounted for 31.4 percent of the world's manufacturing by 1938.³⁰ It spent approximately \$1.131 trillion on defense in 1938 alone and functioned at 528 percent of its industrial potential.³¹ Both nations were also allies of Great Britain, the leader of the nineteenth century world, and both strove to replace Great Britain as the Pacific's leader. To do so, economic growth, market access, and trade expansion were paramount. Under a protective wall of tariffs in place since the 1850s, the American economy expanded to where American productivity rivaled the combined capacity of Great Britain, France, and Germany; necessitating its further expansion in the

region. The United States also took over Pacific markets Great Britain dominated for a century.³²

Basically, anything the United States' government wished to achieve in the Pacific could not happen without considering the Japanese government's response. Conversely, the Japanese government could not act in the Pacific without considering the American government's reaction.³³ In 1922, the Pacific experienced tensions brought about by a naval armaments race and a period of economic downturn. The major cause of these tensions was the evolution of the United States and Japan as Pacific naval and economic powers, coupled with the disintegration of Great Britain's naval and economic supremacy in the Pacific at the end of World War I. The Pacific region's trade and security were of particular importance, especially as they pertained to the American and Japanese governments' respective foreign policy actions.

Therefore, an examination of the Washington Naval Conference is necessary to determine the degree to which national security considerations influenced the American and Japanese governments' positions. Different notions of security were the essential cause of friction and of failure for the Washington Naval Conference.³⁴ The security interests of the United States' government were quite different from those of the Japanese government. As

the preeminent trading nation in the world, the United States' government's concerns centered around trade. That trade required a naval component capable of defending global commerce, supporting the Monroe Doctrine, and upholding American sovereignty in the Pacific.³⁵ The United States had to achieve naval parity with Great Britain and to maintain its naval and economic superiority over Japan to defend its Pacific trade interests. Naval expansion was the primary way to ensure continued American control over Philippine and Southeast Asian trade lanes.

Although strategic and technological advantages were the United States' delegation's stated reasons for attending the Washington Naval Conference, economic issues were the true rationale. Additionally, the United States' Navy needed to break the existing British-Japanese naval alliance in order to eliminate an unfavorable military balance in the Pacific. Unless it broke the alliance, the British and Japanese navies could potentially exclude the United States' merchant marine from participating in the lucrative Pacific trade.³⁶ As long as the Anglo-Japanese alliance held, the United States' Commonwealth of the Philippines could be attacked and seized by either by the British navy from Singapore and Hong Kong or by the Japanese navy from islands seized from Germany during World War I.³⁷

While these issues necessitated prompt action, the American government's official goals were: (1) the limitation of naval armaments, (2) the establishment of rules governing the use of new weapons, and (3) the limitation of land armaments.³⁸ By limiting naval armaments, the relatively undeveloped American navy effectively halted expansion by the British and Japanese navies in areas where the American navy was weak. This gave the American navy a chance to catch up and, most importantly, the ability to protect its Pacific territories. Rules governing the usage of new weapons also gave the American navy time to formulate plans for the defeat or rebuff of any potential aggressive actions against its important commercial holdings in the Pacific. The same applied for the land armaments' limitations. The added impetus of the United States' Army's long line of supplies dictated requirements for the protection of the Philippines and the Hawaiian Islands. The unstated purpose for the United States' government convening the conference was to: (1) cancel the British-Japanese military alliance, (2) resolve the question of what to do with the Pacific islands seized by the Japanese military from the German government during World War I, and (3) halt the Japanese military's imperialist aspirations in

China and Siberia.³⁹ The rationale behind these goals was simple.

If the United States' government could cancel the Anglo-Japanese alliance, it could consolidate and gradually expand its mercantile interests in the Pacific. By resolving whether Japan could keep islands seized in World War I from Germany, the United States' government hoped to contain Japanese territorial and economic expansion in the region by giving the Japanese government a non-threatening outlet for territorial and trade expansion. This outlet would also help to curb Japanese industrial and territorial expansion into China, and benefit American business interests. Finally, by ending further Japanese expansion in China and Siberia, the American business community had continued access to the potentially huge Chinese market. Furthermore, to continue to pursue its Open Door policy in China, the United States' government had to have a navy capable of defeating both the British and Japanese navies simultaneously.⁴⁰

For the Japanese government, security interests were more complicated. The Japanese government faced a rapidly increasing population and insufficient arable land to support its population's food requirements. The Japanese government looked to the Asian mainland for continued growth and survival.⁴¹ The Japanese government believed

it needed land to ease growing population strains, to provide sufficient food to support a burgeoning population, and to provide raw materials to fuel its industrial growth. The Japanese government saw colonization of Siberia and Manchuria as the way to do so.⁴² The Japanese government and Army also saw mainland possessions, Korea (acquired in 1894 from China) and the Shantung Peninsula (acquired in during World War I from Germany), as critical to Japan's external defense and long-term economic interests as they provided markets for its goods⁴³. This was especially true after American Congressional tariff restrictions virtually killed off Japanese business' important North American trade.⁴⁴ The Japanese government also worried about the presence of American military bases in the Philippines, Guam, and Hawaii as well as British military bases in Hong Kong and Singapore. The Japanese government and military leadership saw arms negotiations as a way to prevent the American and British military forces from challenging Japan's position in the Pacific.⁴⁵

Thus the Japanese delegation had several objectives. The Japanese government sought: (1) guaranteed international security and peace, (2) mandatory arms limitations, (3) settlement of the Far East question, (4) recognition of racial equality, and (5) augmentation of its

national prestige.⁴⁶ The Japanese government hoped negotiations with the United States' government would break its alliance with Great Britain and forestall expansion of the British mercantile and naval presence in the Pacific. The continued British military and mercantile presence in the Pacific was detrimental to the Japanese government's long-term economic and military goals.

During the conference, the Japanese government agreed to return the Shantung Peninsula to the Chinese government.⁴⁷ The Japanese delegation also promised to evacuate Japanese troops and civilians from Russian territory seized in the Russo-Japanese War. Additionally, the delegation agreed to prevent the further territorial disintegration of China and to limit military armaments. These concessions were significant in that the Japanese government virtually agreed to expand no further in China, thus curtailing its access to the Chinese market. This meant that Japanese businesses would have to look elsewhere for both supplies and consumers. By agreeing to the armament limitations, the Japanese government also accepted a relatively inferior position in the Pacific as its navy would only have local hegemony in Japanese territorial waters.

In the armaments limitations treaty, capital ships (i.e. battleships) were limited to a 5:5:3 ratio (five for Great Britain, five for the United States, and three for Japan) with the guarantee to the Japanese government that no islands held by the American or British governments would be fortified. In effect, the American navy received tacit permission to replace the British navy as the regional peace keeper and master of the southern Pacific trade lanes. At the same time, the Japanese navy received de facto control of the northern Pacific trade lanes. Additionally, the United States' and Japanese governments achieved a better working relationship.⁴⁸

Despite these achievements, no limitations were set on auxiliary vessels, land, or air forces.⁴⁹ This left the door open for possible aggression and continued expansion in the region by all parties. Anti-Japanese trade and immigration policies were not revised by the United States' government. This allowed room among the Japanese military and people for resentment and the need for future expansion on the Chinese mainland to ease population strains. The arms race shifted from capital ships to cruisers. The United States' government was still unable to protect its territories in the Pacific as it could not build defenses under the treaty. There was also no way to force the British navy to maintain parity with the

American navy, further fueling doubts about the United States' government's peaceful intentions in the region.⁵⁰ This also antagonized the Japanese business community by implying the American navy would ensure American businesses' access to ports which were equally essential to Japanese business interests. This loophole left the issue of which nation's navy would control the Pacific trade lanes open to continued debate. These failures provided friction in Japanese-American relations and necessitated the London Naval Conference.

Eight years after the Washington Naval Conference, isolationist sentiment in the United States was stronger than ever due to the Depression and the unsettling influence of the Japanese military's and government's territorial and political aggression.⁵¹ Most importantly, Nationalist turmoil in China threatened Japanese trade interests at a time when the Japanese business community could ill afford to lose markets.⁵² It is important to note that approximately 25 percent of Japan's exports went to China at the time; therefore, disruption of trade with China devastated the Japanese economy.⁵³

Additionally, social and political lines were sharply dislocated in Japan.⁵⁴ According to Modelski's model, these dislocations characterize Japan as a rival power during the interwar period. The Japanese people and navy

also felt angry about the inferior position the nation was assigned by the Washington Naval Treaty.⁵⁵ To improve its standing at home the Japanese government agreed to cooperate with British and the United States' governments and attend a new conference.⁵⁶ The Japanese government hoped a new treaty would result in better terms and alleviate some of the pressure it was under. It also hoped for improved American trade relations and a freer hand in China.

Further fueling the growing air of conflict, the balance of naval power shifted from a situation where there was no predominant naval power to one where the Japanese navy was clearly in control of the Pacific. Because of the loopholes in the Washington Naval Treaty, the Japanese navy expanded until had the ability to defeat the British and American navies. This shift precipitated a new American naval build-up directed at the Japanese navy. It also sent notice to the Japanese government that the American government would act to defend American business interests in the region.

Furthermore, the American and Japanese governments' perceptions of security needs were at odds once more and the Philippines was at the heart of the debate.⁵⁷ The Philippines was a rich source of raw resources and the archipelago formed a strategic choke point across the

trade lanes to the Dutch territory of Java (Indonesia). This choke point posed a critical problem for the Japanese government as oil from Royal Dutch Shell wells in the Javanese archipelago and via tanker from the Arabian peninsula were the only known alternative to American crude oil. In the event of war or further disintegration of Japanese-American diplomatic relations, the Japanese government had to have access to Dutch oil or face the collapse of Japanese industry. Access to Philippine waters was the only way to guarantee the oil supply.

Despite the failure of the Washington Naval Conference to resolve previous regional frictions, the Japanese and the United States' governments tried to avert conflict in stage four of their relationship by attending the 1930 London Naval Conference. This conference failed because it tried to solve bilateral economic problems by resorting to naval disarmament instead of addressing the economic factor of conflicting Pacific trade interests. The Japanese delegation's goals were: (1) the acknowledgment of the Japanese government's right to the Shantung peninsula, (2) the legal transfer of German territories north of the Equator to the Japanese government, and (3) the recognition of racial equality. These points were part of the Japanese government's Twenty-one Demands. These demands solidified Japanese political, economic, and

military control over Northern China, Inner Mongolia, and Manchuria and extended Japanese political and commercial influence in China.⁵⁸

Aside from the Japanese delegation's goals, the conference's goals were to: (1) repudiate colonial imperialism, (2) limit all combat vessels, and (3) establish a balance of power.⁵⁹ By repudiating colonial imperialism, the American and British governments hoped to keep the Japanese government from any military adventures in China. By limiting naval vessels, those governments also hoped to preserve their navies' respective spheres of influence. By establishing a balance of power, the British and American governments hoped to maintain their economic and naval positions in the Pacific and to prevent the Japanese government from attempting to augment its position in the region. Finally, by curbing military expenditures, all of the governments hoped to free capital to support economies suffering from the Great Depression.

While the overall conference goals were clear-cut, the resolution of national goals was difficult. The Japanese government and navy wanted 70-percent parity in auxiliary vessels (i. e. destroyers, cruisers, submarines) to secure continued Japanese access to the Pacific trade lanes and markets.⁶⁰ The Japanese delegation discounted submarines as their role was defensive.

Although workable on the surface, the negotiations faltered. Conflicting Japanese and American economic interests fueled this failure. The Japanese government had a vested interest in Philippine neutrality. Trade in vital food stuffs and natural resources exported by the Philippines was necessary to support the flagging Japanese economy. Future Japanese economic hegemony also depended on the dismemberment of American and British naval bases in the Pacific. The Japanese Navy also saw the United States' naval building program as a direct threat aimed at Japanese regional economic interests, especially those in China.⁶¹ This perception was probably correct given the continued interest in China by American business and the subsequent need to support access to the China trade by means of forcibly keeping open American trade concessions over both Japanese business and Chinese Nationalist objections.

As for the United States' government, its position as a Pacific power greatly determined the American delegation's demands. The concentration of American trade interests in the Philippines and recent economic ties in China and in Korea made it imperative for the United States' Navy to have preeminence in the Pacific.⁶² Adding to the dilemma was the United States' government's policy toward China. Its desire to maintain the Open Door trade

policy with the Nationalist government of China put the United States' government in direct opposition to future Japanese economic and territorial expansion in China.

Upon completion of the treaty, the Japanese government faced the problems of increased militarism, a discredited parliament, and growing expansionist sentiment in the military and business sectors. Underlying these problems was the economic condition of the Japanese people. Because Japanese business depended upon British and American trade, the Japanese delegation could not openly refuse to sign the treaty, no matter how detrimental it seemed to Japan's national interests.⁶³ The worldwide Depression accounted for major economic, social, and political dislocations in Japan and caused the per capita income in Japan to fall over fifty percent when the United States' market for rice and silk collapsed.⁶⁴

By signing the treaty, Japanese government negotiators hoped for better business and economic treatment.⁶⁵ However, the perception by the Japanese military and public that the treaty did not address Japanese needs weakened the government's credibility. The Japanese press also alleged advantages were not exploited by the Japanese delegation during the Conference. Finally, the Japanese civilian government collapsed. The Japanese military invaded Manchuria in 1931.⁶⁶

Before its 1902 war with Russia and its acquisition of German Pacific island territories during World War I, the Japanese government saw expansion as a way to further its economic interests and to lessen the tremendous overcrowding occasioned by the doubling of its population between 1890 and 1913.⁶⁷ Military and business circles believed expansion could avert national catastrophe; therefore, Japanese intervention in Manchuria would strengthen Japan economically and provide an outlet for its booming population growth.⁶⁸

In short, the London Naval Conference failed because it addressed naval versus trade interests. One has only to compare statistics to see just how far Japanese industrialization and economic growth came since the 1890s:

TOTAL POPULATION

	1890	1938
U. S.	62.6	138.3
JAPAN	39.9	72.2
		(millions)

URBAN POPULATION

	1890	1938
U. S.	15.3	32.8
JAPAN	6.3	28.6
		(millions)

During this period, both countries' populations doubled. Within a fifty year span, the degree of urbanization in

Japan quintupled compared to the United States' urban population.

INDUSTRIALIZATION

8

	1880	1938
U. S.	38	167
JAPAN	10	38
		(capacity)

IRON & STEEL PRODUCTION

	1880	1938
U. S.	9.3	28.8
JAPAN	0.2	7.0
		(% world market)

70

Here again Japanese industry made great strides, despite its virtual lack of natural resources.

ENERGY CONSUMPTION

	1890	1938
U. S.	147	697
JAPAN	4.6	96.5
		(million metric tons)

INDUSTRIAL POTENTIAL

	1880	1938
U. S.	46.9	528
JAPAN	7.6	88
		(% realized)

71

Compared to the United States' admitted industrial lead, Japanese business came out of the Dark Ages to the

twentieth century at an astonishing rate, much faster than American business in the nineteenth century.

% WORLD MANUFACTURING

	1938
U. S.	31.4
JAPAN	2.0

MANUFACTURING PRODUCTION

MANUFACTURING PRODUCTION

	1938	
U. S.	143	
JAPAN	552	72
	(rate of production)	

The astounding productivity of Japanese business, although accounting for a small share of world production, gave the American business community pause.

DEFENSE SPENDING

	1938
U. S.	1131
JAPAN	2489
	(million \$)

WAR MAKING POTENTIAL

	1937	
U. S.	41.7	
JAPAN	31.5	73
	(relative capacity)	

AIRCRAFT PRODUCTION

	1937
U. S.	2195
JAPAN	4467
	(thousands/year)

GNP & % SPENT ON DEFENSE

	1937		
U. S.	68	1.5	
JAPAN	4	28.2	74
	(\$billions)	(%GNP)	

Japanese industrial capacity grew tremendously between 1890 and 1939. The United States was the only other Pacific nation which experienced such rapid population growth and industrial production. Japanese and American industry produced such a volume goods that they required greater shares of foreign markets to handle their excess industrial capacity. Neither countries' markets could absorb the abundance of cheap, mass-produced goods.

Furthermore, by spending so much on its defense sector, the Japanese government virtually bankrupted itself. Without access to more markets and a continued high growth rate, the Japanese government faced disaster. Japanese business had no choice but to move into American business enclaves. This necessitated virtual trade warfare. Because of the emergence of Japan as an industrial power in the Pacific and its ability to challenge American interests in the region, the question of discriminatory trade practices emerged as yet another source of friction between the Japanese and the United States' governments.

Because the continued access to Pacific markets depended on internal security and international peace, the

Japanese government interfered in turbulent Chinese domestic politics.⁷⁵ By doing so, it challenged American leadership and the American government's political and economic policies as advocated by Secretary of State John Hay in 1900.

Although the Japanese government originally proposed that if "the United States would not challenge Japan's position in Manchuria; Japan would permit American investment in the region," this challenge to the status quo was another sign of regional instability and of the existing tensions.⁷⁶ A joint statement by Secretary of State Lansing and Viscount Ishii on November 2, 1927 "affirmed the 'Open Door' principle and respect for Chinese 'integrity,' and agreed that Japan has special interests in China, particularly in the part to which her possessions are contiguous."⁷⁷

With its growing reliance on lucrative trade generated by shipping raw and finished goods from the Philippines to America, the United States' Congress passed laws which favored Philippine imports and were detrimental to Japanese businesses. The Congress increased taxes on major Japanese exports such as "camphor, pottery, cotton textiles, furniture, . . . silk textiles and toys", virtually killing the American import trade with Japan.⁷⁸

Consequently, while the Depression preoccupied the United States' government with the problems of massive unemployment and economic paralysis, Pacific region trade interests became critical to American economic health. Accompanying the United States' economic collapse, the worldwide depression hit Japan and created great hardship. To shore up its economic health, the Japanese government turned to expansionist policies.⁷⁹

The Depression caused massive dislocations in all areas related to Japan's commercial interests. The price of Japanese goods in 1930 fell 35 percent, decreasing business profits greatly.⁸⁰ "The chief source of the economic difficulties . . . was the fall in raw silk prices . . . by 50 percent and silk exports . . . were only 53 percent in value (although 82 percent in weight) of those in 1929."⁸¹ To counter the effects of the collapse, Japanese business aggressively exported finished goods (roughly 43 percent to the United States alone in 1929.)⁸² The Japanese government placed a 25 percent tax on imported textiles, gave subsidies to the sugar, shipping, shipbuilding, and railroad industries, and exempted iron and steel producers from taxes.⁸³ Additionally, the Japanese government played an active role by aiding industry in exporting to foreign markets.⁸⁴

Economic rivalry and the use of trade as an instrument of Japanese economic policy became established practices.⁸⁵

With mainland concessions seemingly imperiled, domestic Japanese economic needs were threatened by the potential loss of foreign trade from areas where the Japanese government exercised political control.⁸⁶ Japan felt it could neither maintain the right to nor the ideal of the coprosperity sphere unless it fought the United States for mercantile hegemony in the Pacific.⁸⁷

Ultimately, the Japanese government's policies of trade, military, and territorial expansionism led to conflict (World War II) because of several key economic factors. These factors were: (1) high American tariffs against Japanese products, (2) the Japanese government's need to acquire territory in order to ease population problems, (3) the need to ensure a continued flow of raw resources (i.e., oil and steel) to Japan to support its continued industrial expansion and high growth rate, and (4) the need to ensure access to markets for its finished products.

By examining the nature of Japanese and American national interests and the degree to which economic concerns influenced these interests, one explained the fourth phase of Modelski's long cycle. The use of the 1922 Washington Naval Conference to highlight the impact

of economic interests upon policy choices further underscored the economic nature of Pacific conflict. The economic impact of the Depression and the importance of Pacific markets to the Japanese and American governments highlighted the military and economic tensions in this stage of deconcentration. The key to this chapter is territorial expansion, trade practices, and national economic interests contributed to the Japanese economic challenge. The Washington and London Naval Conferences indicated the depth the economic environment affected policy positions and outcomes. The economic origins of conflict in stage four of the last bilateral long cycle contributed to World War II. Because one now knows the factors which caused deconcentration in the preceding fourth long cycle, one can now examine the current fourth cycle to see if similar factors exist.

CHAPTER 3

This chapter examines the impact of economic changes on the post World War II Japanese-American relationship. Specifically, it covers the economic origins of stability and delegitimation. The current stage of the relationship is also compared to the interwar period to see if parallels exist. Because of these economic considerations, it is possible the Japanese government may challenge and try to replace the United States' government as the leader in the Pacific in the current stage of deconcentration. The economic indicators used to support this premise are GNP, GDP, volume of trade, export levels, productivity, balance of trade, and investment.

While the United States-Japan relationship was tense in the interwar period, it ended in war during the first stage of the current long cycle. After World War II, stage two of the current long cycle saw the United States' government emerge as the unquestioned economic, military, and political leader. The Japanese government, although defeated during stage one of the current bilateral cycle, became the United States' government's staunchest ally in

the Pacific during stage two. This alliance mirrors the American government's pre-World War II relationship with the British government.

During the second stage of the American cycle, Japanese businessmen and the Japanese government again adopted American economic policies and practices. They adapted them to meet Japanese manufacturing sector needs. The Japanese government also retained its turn of the century and interwar period practice of extensive governmental involvement in trade and manufacturing. This involvement included export, shipping, and industrial subsidies plus extensive intervention in "heavy industry, iron, steel and shipbuilding".⁸⁸ Japan became one of the most advanced countries in the world due to its industrial infrastructure and literate, nationalistic, cohesive populace.⁸⁹ It also had the added impetus of available capital and protection of its trade lanes courtesy of the United States' Navy.

During this second stage, Japanese industry experienced fantastic growth fueled by the rapid influx of American capital. This is important because, in long cycle theory, the leader must co-opt other powers by economic incentives as well as military power. During this stage of hegemonic leadership, American industry and the American government had the resources necessary to

co-opt the Japanese government and industry. One has only to look at the following figures to see just how quickly Japanese industry recovered from the devastation of American bombing in World War II:

GROSS SHARE OF WORLD PRODUCTION

U. S.	25.9% (1960)
21.5% (1980)	
JAPAN	4.5% (1960) 9.0% (1980)

1950 GNP

	PER CAPITA	TOTAL
U. S.		\$2,536
\$381		
JAPAN	\$382	\$32
		(billion)

1980 GNP

	PER CAPITA	TOTAL	
U. S.		\$11,360	
\$2,590			
JAPAN	\$9,890	\$1,157	90
		(billion)	

These figures are important as they underscore the United States' relative industrial decline and Japanese industry's climb. While American industry's share of world production declined between 1960 and 1980, Japanese industry's doubled. Where Japanese GNP was only 10% of American GNP in 1950, it was almost 50% of American GNP in 1980. This reflects the exceptional strides Japanese industry made during phases two and three of the current

cycle and the degree to which the American government's position switched from unrivaled to seriously challenged. Part of the reason for this challenge is the impact American capital investment had on Japanese business.

Between the 1950s and mid-1970s, orders for goods made in Japan to supply American troops in Korea, Vietnam, and Japan poured in. Toyota is one example of the effect this spending had on Japan. Toyota "was in danger of foundering when it was rescued by the first of the U. S. Defense Department's orders for its trucks".⁹¹ Now, Toyota is one of the largest, most modern, most competitive automobile manufacturers in the world.

Additionally, Japanese exports in 1951 almost tripled over their 1949 level and production increased 70 percent.⁹² The dollars generated by U. S. Army purchases soared from \$590 million in 1951 to over \$800 million in both 1952 and 1953 enabling Japan to purchase "\$2 billion in imports [to] . . . key industries [to] . . .virtually double their scale of production."⁹³ "From the Vietnam War . . . increases in America's dollar outflows accelerated."⁹⁴

During this second stage of bilateral stability, Japanese trade with the United States flourished. American military protection and capital ensured peace and security needs. Gradually, Japanese business shifted from

supplying cheap consumer goods like textiles to supplying inexpensive electronics. Japanese industry upgraded products to meet American market needs and invested in technology and long-term growth. The demands of the Korean War and the reinstatement of the zaibatsu occasioned much of this growth in industrial goods.⁹⁵

With a centralized production system provided by zaibatsu, the ability to produce trucks and equipment for the U. S. Army accelerated. Additionally, the revenues generated by U. S. Army purchases encouraged further investment in plant, equipment, and technology.⁹⁶ While the electronics and nuclear technology fields developed during World War II; Japanese business integrated imported technologies into those industries as well as into the engineering, industrial machinery, and shipbuilding industries.⁹⁷ The combination of imported technologies created low-cost mass production systems. This furthered Japanese industry's transfer to advanced product marketing.⁹⁸ Thus, Japanese industry flourished under American military protection, with American investment, and because of the American government's attempts to maintain stability in the Pacific.

Although the United States was the region's economic, political, and military leader from the end of World War II to the mid 1960s, the late 1960s saw the era of

American political and military hegemony end. A third stage in the cycle occurred, that of delegitimation. The United Nations, long an American forum, became the voice of the Third World. The United States' government faced political challenge from the Soviet Union in Vietnam and economically by the 1973 Arab oil embargo. What was good for the United States' government was no longer accepted by the majority of the region's nations. Even the Japanese government, the American government's major Pacific ally, changed.

While the nature of the change was not violent or sudden, it challenged American business views of the Pacific market. During this period Japanese business rapidly expanded trade by producing for both the regional and the American markets. It averaged an unmatched 10.5% growth rate in its domestic product.⁹⁹ The Japanese business community discarded free market trade propounded by the United States business community and government as invalid and insufficient to meet its needs. The Japanese practices of protected trade, economic planning, and continuous reinvestment in plants, equipment, and technology worked for Japanese industry.

In short, American business practices and the role of American capital faced a challenge from Japanese business and capital because the American business community was

unable to provide economic and military security. The Vietnam War was too large a drain on available resources and the Japanese government and business community had to step in to fill the gap. Trade protectionism sheltered fledgling electronics and automotive industries, enabling them to grow, improve, and sell free of competition. Another sign of the onset of delegitimation was the creation of the Ministry of International Trade and Industry (MITI) as an agency for channeling capital, facilitating trade, and promoting the needs of Japanese industry. MITI encouraged and coordinated industrial and technological change and advancement. MITI became necessary to Japanese industry's economic well-being.¹⁰⁰

With the advent of the MITI in the 1950s, the Japanese government began to operate independently of the American government's trade policies. Japanese industry became a Pacific trade contender. Japanese industry's challenge to the American government's position as the Pacific's economic leader is most pronounced in the areas of high technology goods market share.

Within a decade, Japan's shipyards were producing over half of the world's tonnage of launchings. By the 1970s, its . . . steelworks were turning out as much as the American steel industry. [And] between 1960 and 1984 its share of world car production rose from 1 percent to 23 percent . . . the country moved . . . to high technology products -- to computers,

telecommunications, aerospace, robotics, and biotechnology . . . By the late 1970s the Japanese GNP was . . . more than half the size of America's. Within one generation, its share of world manufacturing output, and of GNP, had risen from around 2-3 percent to around 10 percent.

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At the same time, the United States' industrial lead steadily slipped.

The purpose of this chapter was to demonstrate the origins of stability and delegitimation. By concentrating on these stages, the shift from military to economic leadership as the critical measure of stability is apparent. This economic element is the main factor in rising instability in the current long cycle.

CHAPTER FOUR

In the early 1980s, the United States' government entered upon the final stage of this long cycle, deconcentration. No longer is the United States' government and business community the unquestioned political and economic leader. There is no longer a communist threat around which to rally the American government's client states or to serve as the focus of its foreign policy. The Japanese government now acts independently of the United States' government and challenges it for a greater leadership role in the Pacific.

Underscoring this potential challenge to the leader, one has only to look at the importance of Pacific trade to see which way the balance leans. Non-American Pacific GDP increased from 7.8 percent in 1960 to 16.4 percent in 1982.¹⁰² IN 1960, American trade with the Pacific equated to only 48 percent of its trade with Europe.¹⁰³ By 1983, American trade with the Pacific escalated to approximately 122 percent of its business with Europe.¹⁰⁴ By 1987, the

region accounted for 43 percent of the entire world's GNP.¹⁰⁵

While stage two of the current long cycle indicated the United States' government was the senior partner in the relationship, the contemporary period indicates a change in the relationship. In the current situation, the Japanese government may become the senior partner by virtue of its favorable balance of trade and its control of investment capital available to finance the United States' government's enormous debt.

With the changes currently underway in this period of deconcentration, one must start with the assumption that Japan may become the predominant partner in Japanese-American trade relations. For proof of this premise, one has only to look at current trade surpluses in Japan and with the Four Tigers. The United States' government is dealing with them from a position of debtor. The unwillingness of Japanese businesses and the Japanese government to accede to the trade demands of President Bush and the Big Three auto makers (Chrysler, General Motors and Ford) during their February 1992 visit to Japan underscores this tenet.

Finally, this assumption highlights the fact that the issues of trade and economics in Japan and the United States are ever more important to policy makers. Because

economic considerations drive the ability of a state to become a leader, it is imperative one examine these issues. Among these concerns are: (1) How did this situation evolve? (2) Will it remain the same? (3) Can the United States regain its past position of preeminence? (4) To what extent does American economic malaise affect Japan? The answers to these questions point to the interdependence which exists and to a probable gradual decline in Japan's trade advantage as the American economy continues to deteriorate. This is important because, if the Japanese government is to replace the United States' government as the leader, it must either wean itself from the American market, or work to reinvigorate the American economy. The relationship and its potential course are relevant from a contemporary policy standpoint as future American and Japanese foreign policy may be based on similar questions. Additionally, because trade and economic conditions occasioned the last Japanese-American conflict in the Pacific, one must determine the extent of current economic frictions.

One must outline how competition, trade practices, trade surpluses, and the Japanese government's outlook on trade with the United States may impact the next cycle. First, competition is the means of ensuring Japan's economic survival. The key aspect of competition is the

pursuit of what is good for Japanese business and, ultimately, the Japanese nation. For example, American car manufacturers accused Japanese car manufacturers of dumping cars on the American market to unfairly gain market share.

Despite the success of this practice, Japanese car manufacturers curbed exports to the European market. They did this to secure a potentially larger quota share in the unified European market.¹⁰⁶ Although this move helped the Europeans during the 1991 recession, the intent was to gain and maintain market access necessary for continued Japanese expansion and economic well-being. It was a well thought-out market strategy.

While the American business community deems Japanese business practices invalid, the Japanese approach to competition effectively ensured Japanese business' viability. Closely linked to the issue of competition is that of Japanese trade practices. Formal and informal barriers are among the most persistent means of controlling access to domestic and foreign markets. A close examination of keiretsu, a modern day version of zaibatsu, give a good idea of how these barriers work. Keiretsu are "large, financially linked groups of companies" which form the backbone of the Japanese economy.¹⁰⁷ These firms buy from their subsidiaries and

from each other before turning to outside agencies for material or equipment. This practice precludes external trade and inhibits access to the Japanese market. The resulting profits remain in country and further encourage huge trade surpluses. These practices mirror the role of Japanese industry and government during the last period of deconcentration.

During the interwar period, the Japanese government and business community engaged in similar practices in China and Manchuria. Zaibatsu, the predecessor of keiretsu, performed the same function in the interwar period. Zaibatsu were "certain great Japanese business houses with extremely widespread interests. The four major [ones] were Mitsui, Mitsubishi, Sumitomo and Yasuda. These concerns played a vital part in the economic rise of Japan. . . [and] their importance was not limited to the economic sphere, for they made their influence felt in politics. . . [as they] became agents for the execution of the Government's economic policy" and economic power was concentrated in them.¹⁰⁸ In stage one of the current cycle, these practices led to increased economic, political and military tensions between the Japanese and American governments. While attempts to allay these tensions took the form of the Washington and London Naval Conferences, they were directly tied to trade frictions.

While the Japanese and American governments engaged in a trade war of tariffs, barriers, rhetoric, currency manipulation, and conflicting economic needs in the previous fourth stage, this led to open warfare. The current fourth stage exhibits some of the same economic frictions. Today, Japanese markets which appear tightly closed against American goods while American markets are full of Japanese products. In stage four, Japanese business expanded trade aggressively into South Korea, Thailand, China, Indonesia, Malaysia, and the Philippines. These were traditional American markets in stage two. Today the Japanese government bars American agricultural products by stiff tariffs. This is because of political agitation by Japanese rice and beef lobbies. In the interwar period, the American government barred Japanese rice and silk exports with prohibitive tariffs.

While the United States' Navy has naval supremacy and control of Pacific trade lanes, Japanese business has the economic power to forestall American moves. In stage four of the last bilateral cycle, the Japanese Navy had regional control and the United States' government had economic control. American economic power steadily declined relative to Japan's rapid economic advancement in stage three. The Japanese government's ability to conduct yen diplomacy parallels the United States' government's

pre-World War II ability to conduct dollar diplomacy. Contrary to the American government's interwar period interest in promoting disarmament, the United States' government now wants the Japanese government to assume some of the Pacific's defense burden.

If the United States' government pursues a policy of self-interest and self-preservation to counter the possible Japanese challenge, a trade war may occur. The pursuit of bilateral leadership in this period of deconcentration and challenge could lead the Japanese government to act out of its own trade interests. Such action could prevent the United States' government from achieving its own security (i.e., economic) needs.¹⁰⁹ If this occurs, a Japanese government that can say no could destabilize the region. It could undermine American Pacific leadership to the extent that a new leader would replace the faltering American leadership in a new cycle of conflict, stability, delegitimation, and deconcentration.

Contributing regional instability and deconcentration, Japanese trade practices weaken the American government's economic and political influence by eating away at American trade. Keiretsu discourage imports and hurt other exporting nations because of unequal access. Within the context of Modelski's long

cycles, one can argue that an examination of trade interests and their military and economic ramifications, may enable one to forecast the path an emerging conflict may take.

For an example of just how successfully Japanese trade dominates markets, one has only to look at trade figures. Japan's trade surpluses grew 35.3 percent in May 1991 to US\$4.18 billion, the United States absorbed massive deficits of US\$1.95 billion.¹¹⁰ The more durable goods an industrialized nation exports, the better off it is. Conversely, the more durable goods an industrialized nation imports, the less well off it is. Imports are drains on domestic capital. When a nation imports more than it exports, "tension and a dangerous situation [arise]" for the exporting country.¹¹¹ Within Modelski's framework, one sees these tensions as the basis of conflict during the period of deconcentration immediately preceding a new long cycle.

Despite the current tendency of Japanese industry to build factories outside of Japan to off-set production costs, trade surpluses still exist. Keiretsu enable companies to manufacture goods cheaply, sell them at competitive prices, and still not have to purchase components from non-Japanese companies. Keiretsu deepens trade imbalances by expanding Japan's trade surplus. They

also add to the air of instability.

Aside from these considerations, the Japanese people's view of the United States' government and citizenry must be taken into account.

This view is an indicator of power or perceived power shifts. In the past, the Japanese government saw the United States' business community as a role model in manufacturing, technology, and trade practices. The United States' government was a friend and a potential rival in the Pacific (previous stage four). Japanese industry impressed the United States citizenry by its transformation of Japan from a backward, feudal, insular nation to a modern military and economic power capable of threatening American interests in the Pacific (previous stage four). These perceptions reflected the nature of the power relationship in the interwar period.

Then as now, the United States was Japanese industry's primary trade partner and extremely important to its continued economic growth and well-being. Today, as Japanese industry's target market and primary trade partner, the United States' market plays an equally critical role in the Japanese economy. As the Japanese government sees things, the United States' government has to "resolve fundamental economic . . . problems and to pay its debts" if it wants to be competitive.¹¹² The existing

American national deficit is a function of the United States' government's status as the world's largest debtor nation and its "propensity to spend beyond its means" versus Japanese business competition.¹¹³ This attitude indicates there is a fundamental change underway in the relationship.

According to Japanese government and business leaders, if American businesses want to be competitive, they have to invest in more plants and equipment. The American government must undertake rigorous educational reform and get the political system to work more effectively. The root of the United States' government's economic problem is the basic need for the United States' government to act responsibly at home. The trade surplus is not Japanese business' fault, but that of a soft, decadent American government and industries which lack the moral fiber to enact tough reforms.

Today, Japan sees itself as a nation of sharp businessmen who pursued advantages, while American business failed to accept the challenge of market development due to sloth, complacency, and a dulled sense of competition.¹¹⁴ Japanese businessmen blame the trade deficit on the American cost structure, low savings rate, lack of long-term investment, declining industrial production, and Congressional unwillingness to reduce the

budget deficit.¹¹⁵ These stereotypes highlight the growing perception among the Japanese people that the United States is in decline and that Japan is resurgent and assuming superiority in the relationship.

Whether these generalizations are valid or not, they fail to address the reality of market interdependence and the possible affect this may have on determining the future leader. Because of the extensive interdependence of the Japanese and American markets, the Japanese economy is vulnerable to the continued weakness of the American economy. Just as the American stock market crash and subsequent Depression in the interwar period devastated the Japanese economy, a collapse of the American economy would affect it again. For example, in 1983 alone American direct investment in Japan amounted to US\$8.059 billion and US\$20.67 billion in the Pacific as a whole.¹¹⁶ Of that amount, fully US\$4.071 billion was invested in Japanese industry and US\$2.011 was invested in petroleum.¹¹⁷ Additionally, 1983 Japanese investment in the United States accounted for US\$8.878 billion in industry, US\$4.856 billion in services, and US\$2.056 billion in manufacturing.¹¹⁸ If the American economy collapsed, even as early as 1983, the effects would spread to the most important sectors of the Japanese and American economies.

For a complete view of the United States' decline as regional leader, one has to consider the American popular view of Japan. The rationale is simple: it reflects the uneasiness in American public opinion about the role of Japan and the ability of the United States' government to remain the dominant partner in the relationship. The Japanese government's unwillingness to grant trade concessions fuels the popular American perception of Japan as a spoiler out to destroy American trade interests.¹¹⁹ The need for trade concessions reflects the belief that the United States is losing control. The closed nature of Japanese markets heightens what American businesses see as an arcane distribution system which precludes efficient distribution of goods.¹²⁰ Fear of potential Japanese control of American domestic capital investment fuels American attitudes.¹²¹ At the heart of American criticism of Japan is the trade deficit and the fear of Japanese domination in world markets.

For example, a Department of Defense report hailed the Japanese as " 'amoral, manipulative and controlling' . . . [people] . . . motivated by economic concerns" and looked with fear on possible Japanese world economic domination.¹²² This report reflected a basic concern over possible Japanese acquisition and denial of critical advanced technologies, and their denial to the United

States. Politicians view proposed acquisitions of American high technology firms by the Japanese as a threat to American national interests.¹²³ Politicians even blame the Japanese government for the capital shortage along with the inability to wage war without Japanese financial backing.¹²⁴

Conflicting national trade interests in the high technology arena are a major source of clashes as the United States struggles to maintain domestic and foreign market shares. For example, the recent semi-conductor pact between the United States' and Japanese governments agrees in principle that American businesses receive access to twenty percent of the Japanese market. It does not guarantee achievement of this quota--despite the American government's agreement to dissolve its anti-dumping price and cost monitor system.¹²⁵

In addition to these conflicting interests, another problem contributing to the current tensions is the continued import imbalance. While the American monthly trade deficit "was only US\$4.05 billion [for] March 1991 . . . and just 0.9 percent of the GNP", the April 1991 figures reflected a 5.9 percent growth in imports to raise the deficit another US\$4.78 billion.¹²⁶ Exports increased up 4.5 percent for a total of US\$35.56 billion for the same periods.¹²⁷ This deficit means the United States'

government must borrow more capital, something increasingly difficult to do. Less capital means tougher times for businesses. This is because businesses must compete with the federal government for funds. One example of this problem is the jump in government borrowing from US\$247 billion in fiscal 1990 to US\$328 billion at the end of the fiscal year, and a decline in private loans from US\$541 billion to US\$232.¹²⁸ What this means is slow private sector growth and lower productivity.

While not a major problem, the impact of the Japanese stock market on the American economy is also a factor in current economic tensions. With the impact of the June 1991 Recruit Corporation stock scandal in Japan on stock share prices, a minor run on the American stock market occurred sending prices plummeting.¹²⁹ Jitters in the American market indicate its close ties to the Japanese market. For example, Japanese direct investment in the United States totaled US\$16.124 billion in 1983.¹³⁰ If Japanese banks withdrew investments in the United States to shore up Japanese industry, it could be disastrous for American manufacturing, industry, and services sectors.

Through the use of Modelski's phases of hegemony , delegitimation, and decline, one possible explanation of the Japanese-American relationship in the post World War

II to the early 1980's'. One key point was that the United States' government is no longer an unchallenged hegemonic power in the Pacific. One possibility was that the Japanese government may assume predominance in the relationship. Another possibility was that the United States' government may regain its supremacy. The extent to which economic positions shaped Japanese and American popular opinion augmented the perception of change in the relationship.

CONCLUSION

In this chapter, one finds a summary of the preceding chapters and of their main points. The main argument made is that the United States' position as leader is ending and that a new long cycle is shaping up. It is possible Pacific trade may shape the next conflict and determine which nation will assume leadership. Some corrective actions are offered with the hope they will be used to start another American long cycle. It is also possible that changes in this final stage of deconcentration may bring about a new regional system independent of long cycle theory.

Briefly, this thesis concerned change, friction, and instability in United States-Japan bilateral relations. The apparent decline of and challenge to the American government's regional leadership by the Japanese government led to the use of long cycle analysis to explain this phenomena. Chapter One presented a review of relevant international relations and foreign policy literature. An explanation of George Modelski's long cycle theory included the rationale for the choice and a

summary of the theory. The premise of the chapter was that parallels in the United States-Japan relationship to global long cycle relationships allow one to use a modified version of long cycle analysis to explore the relationship.

In Chapter Two, one examined of the fourth stage of the first bilateral long cycle. A review of the Washington and London Naval Conferences emphasized the effect of economic forces on policy choices and the United States-Japan governmental relationship. Chapter Three covered the second and third stages of the current long cycle. The key points in Chapter Three were: (1) the United States' government was the hegemonic leader of the Pacific after World War II until the late 1960s, (2) the stability provided by American military and economic assistance allowed Japanese business to flourish and met security needs, (3) in the late 1960s to early 1980s the American government's concept of regional security began to fall short of regional needs and the Japanese government and business community began to act independently, (4) the growing inability of the United States' government to supply capital required to support Japanese and regional growth and development forced the Japanese government and business community to fill leadership gaps in the Pacific, (5) the nature of

leadership in the region no longer rests on naval and economic power, but on trade, investment, capital, and technology, (6) the Japanese government challenged the United States' government for the role of regional leader and may assume predominance in the relationship because of its economic power, and (7) economic elements which destabilized the United States-Japan relationship in stage four of the previous bilateral long cycle are very similar to those which exist in the current fourth stage.

While the Japanese government may replace the United States' government as the regional leader, there is the possibility that a new American cycle may occur if American industry and government alter their practices. Modelski's model allows this possibility. The resurgence of Great Britain in the nineteenth century age of industrialization is an example of resurgence. As part of a possible shift in economic matters, United States' industry is changing.

For example, Illinois Tool Works (ITW), a precision engineering firm, shifted to a "clearly defined corporate strategy [of] . . . innovation and decentralized factories that customize products on demand" in 1989.¹³¹ This enabled it to go from an uncompetitive stance to a "record profit of US\$182 million last year" in just one year's time.¹³² On a larger scale, Motorola learned to compete

in Japan. "By plowing massive funds into research and development and capital investments" to the tune of over 20 percent of its 1991 revenues, Motorola improved its product.¹³³ Motorola's efforts at product improvement worked well. Motorola's microchips are now in everything from "Canon cameras to Sony camcorders. . . [and its voice coder is] . . . the standard for Japan's . . . digital telephone service." ¹³⁴ While ITW and Motorola implemented changes, they are not representative of a possible American success at redress of the United States' declining status in Pacific trade and power relations. Despite American business turning to Japanese business for management, marketing, and production techniques, the situation is uncertain.¹³⁵

Because their markets are mutually dependent, continued weakness in the American economy may affect the Japanese economy and Pacific economic stability. Because of their interdependence, the Japanese and American governments must cooperate on trade to ensure regional stability. The United States must reform its banking system, business practices, and trade policies to remain competitive and to maintain its standard of living. If it does no, it may become like Great Britain. Because of repeated currency devaluations between 1960 and 1988, Great Britain fell from the richest to the poorest major

nation in Europe, despite lowering its deficit to 0.3 percent of its GNP.¹³⁶

If the American and Japanese economies are interdependent and if the American economy drags down the Japanese economy, the effect could spill over and upset Pacific trade and stability. If one looks deeper than Japan's soaring 11.2 percent economic growth rate, there are some soft spots.¹³⁷ Japanese businesses do not produce goods in large quantities, but work out of existing inventories. One reason for this is a decreased amount of exports to the United States due to American economic problems. Japanese investment also shifted.

Over the past decade, Japanese industry invested plant and capital in Southeast Asia as well as China. In Thailand, for example, Japanese business investment amounted to US\$1.52 billion for 1986 to 1988, surpassing its investment in the United States!¹³⁸ In 1989, Japanese business invested US\$270 billion in Asia versus US\$206 billion in North America.¹³⁹ The weakness of the American dollar and the sluggish American economy forced Japanese industry to develop and expand markets in the Pacific.

Aside from these effects, less obvious ones are present. The most alarming effect is the resurgence of anti-American sentiment among the Japanese right-wing. This harkens back to the militarism of the interwar

period. If Shintaro Ishihara's The Japan That Can Say No is truly representative, then Japan may become a political and strategic risk to American security interests in the Pacific just as it was in the interwar period. Ishihara argues for an independent Japanese economic and foreign policy. The Japanese government is urged to stand up to the United States' government and to act in its own best interests, regardless of what the American government wants it to do. Ishihara also touts Japan as the new world economic leader with a right to demand the Americans take notice of its wishes. This overtly militant stance is yet one more indication of the change occurring in the Japanese-American relationship and of the belief in Japan that the United States is a declining power. It also indicates that popular opinion in Japan paints Japan as the United States' successor in the Pacific.¹⁴⁰

Whether the Japanese government becomes the new leader or the United States' government regains its hegemonic position, Pacific rim trade may determine the outcome. Based on changes in the Japanese-American relationship, it is possible trade replaced naval power as the key agent of leadership in the fourth stage of the current cycle. If this is true, whoever holds sway over Pacific trade may be the next leader. In the current cycle's stage of deconcentration, Pacific trade may become

the source of challenge necessary to end American leadership and to precipitate the next leadership conflict. An examination of trade and investment patterns points to the importance of the Pacific trade as the new measure for determining regional leadership.

In 1987, Japan exported US\$154.1 trillion of finished goods to the Pacific region and imported just over half that figure from its Pacific neighbors.¹⁴¹ By 1989, almost thirty percent of all Japanese exports went to Pacific nations.¹⁴² For example, iron and steel went to Korea, tape recorders and ships to Singapore, power plants to Thailand and Taiwan and metal processing machinery to Thailand and Korea.¹⁴³

Coinciding with increased level of exports to Pacific nations, the Japanese government exported capital through direct investment. In the Pacific as a whole, the Japanese government increased its 1988 investment by 14.4 percent over what it spent in 1987 for a total value of US\$5.569 billion.¹⁴⁴ By far the greatest share of investment capital went to Thailand. Japanese business investment in Thailand soared 243.6 percent over its 1987 level, while Hong Kong and Singapore saw 55 and 51.2 percent increases for the same period respectively.¹⁴⁵ This kind of investment indicates an immense interest in the Pacific market and points to the possibility of the

Japanese government and industry staking a claim to leadership.

As a result of this tremendous influx of capital into the Pacific, Japanese industrial development became ubiquitous. This capital boom helped lift standards of living, create jobs, and turn nations such as Taiwan, Hong Kong, Thailand, Malaysia, Singapore, and Indonesia into export-oriented manufacturing nations.¹⁴⁶ The economic growth generated in the region in 1990 by Yen-diplomacy surpassed that of North America for the first time in history.¹⁴⁷

Along with the spread of industrial growth, Japanese economic might also increased in the region. For example, Japanese direct investment accounted for US\$35.95 billion invested in the Pacific in 1983 versus US\$20.67 billion by the United States.¹⁴⁸ These two are closely linked as a vibrant manufacturing sector denotes an expanding economy and further strengthens it. Where American industry dominated Pacific development in stage two, it is the role of Japanese finance agencies in stage four. Japanese business is the new leading economic power in the Pacific and may tilt the balance of power sharply toward the Japanese government.

For the past fourteen years, the Japanese government consistently spent more than the United States' government

and business community in terms of total investment and shows no signs of weakening its commitment to the region.¹⁴⁹ In the last two years alone, the Japanese government spent US\$17.6 billion in the Pacific compared with the United States' government's paltry US\$4.6 billion.¹⁵⁰ With no real military threat and the limited withdrawal of American forces from the region, the United States' government's economic weakness is most apparent.

In 1990, the United States' standard of living fell. The top six industrialized nations closed the gap separating them from what was once the world's highest standard of living.¹⁵¹ The American economy grew slowly since 1972, while the Japanese standard of living grew 80 percent during the same period.¹⁵² Measured in terms of gross domestic product (GDP), the average American GDP fell to US\$14,070 per capita from US\$14,080 in 1989 and capital investment formed only 12.6% of American GDP versus 23.4% of Japanese GDP.¹⁵³ While the cost of living is higher in Japan, the Japanese standard of living improved in 1989, while the United States' standard of living fell.

Because the levels for GDP and the creation of new businesses are both low, exports are a potential source of continued growth. This situation is reminiscent of both the Japanese government's and the United States'

government's positions in the 1930s.¹⁵⁴ For this formula to work, orders for durable goods must increase. However, orders for durable goods dropped 1.6 percent in June 1991 to US\$116.52 billion as orders to defense contractors fell US\$1.5 billion.¹⁵⁵ Unlike the 1960s to 1970s where exports increased eight percent a year, export growth fell to only five percent a year after 1980.¹⁵⁶ In short, the United States' government's gross national product (GNP) is stagnant.

Since the GDP is based in part on export sales, any decrease in exports adversely affects it. When the GDP falls, poverty rates go up. Corresponding to the 0.5 percent decline in the GDP, the number of poor in America increased roughly six percent to just over two million people in 1991.¹⁵⁷ Additionally, the jobless rate rose from 433,000 to 439,000 for the same period.¹⁵⁸ One must bear in mind the basis for statistics are unemployment applications. There is no allowance for those people who either did not file for unemployment or who are working part-time or on temporary jobs until a full-time job becomes available. Therefore, the actual numbers may be greater than reported.

While American exports affect the United States' economy directly, foreign exports have an indirect impact on it too. By supplying investment capital in the

Pacific, the Japanese government virtually ensured a cycle of increased Pacific exports to America. These exports are necessary to fuel the import of industrial supplies and equipment from the Japanese government to its client states.¹⁵⁹ In essence, the Japanese government's efforts to expand trade in the Pacific and to diversify clientele resulted in a virtual closing of Pacific markets to American products by tying regional growth and well-being to the availability of Japanese capital and investment.

Although exports are critically important to the economic well-being of a country, competitiveness is just as crucial. To define competitiveness, the "1990 World Competitiveness Report" focused on factors which make a country attractive to investors and which highlight the aggressiveness exhibited by its corporations world-wide.¹⁶⁰ The factors highlighted in the report are "domestic economic strength, [the degree of] internationalization, [the stability and the kind of] government, [available] finances, [the level of] infrastructure, [the type of] management [techniques utilized], [the ability to exploit] science and technology, and [the nature and caliber of its] people".¹⁶¹ These determinants are then applied to industrialized and newly industrialized economies.

When applied to the Japanese government, the report found it to be the best in all but two areas. The large degree of industrialization, superior business management, a strong economy and first-rate use of science and technology indicate the Japanese government's predominance in Pacific competition.¹⁶² While the United States' government is the best for infrastructure (natural resources, transportation, communications) and second to the Japanese government in the quality of its labor force and use of science and technology, it lacks business confidence and is held back by its enormous budget and trade deficits.¹⁶³ Based on this report, the United States' government has a precarious position as second best to the Japanese government.

Underscoring this alarming proposition, is Japan's US\$32 billion surplus and the United States' government's US\$110 billion deficit.¹⁶⁴ The United States' government is the world's largest debtor (US\$660 billion). It no longer leads in production of goods and services or standard of living, and it has a virtually imperceptible one percent yearly growth rate.¹⁶⁵ Japan has a higher growth rate than the United States. Japan also has the world's highest standard of living. Japan is the world's industrial and financial leader, the position the United States' government assumed from Great Britain in 1930.

Another key factor ensuring continued Japanese growth and economic strength is the investment in and utilization of research and development.¹⁶⁶

While the United States' government is in trouble economically and its market share and influence in the Pacific face erosion, it is possible it can begin a second period of Pacific leadership. This is compatible with long cycle theory as a power can reemerge after experiencing a stage of challenge and decline. In the American case, this depends on its ability to preclude further market losses in the Pacific. For this to occur, the United States' government must define and focus its business and economic interests and adapt its products to meet local market needs. American businesses must be competitive with Japanese businesses within the Pacific market.

To define and focus its economic interests, the United States' government must look to the long term. The United States' government invests less than one percent of its GNP per year in infrastructure compared to the five percent rate of the Japanese government.¹⁶⁷ Investment in infrastructure creates roughly 41,000 new jobs for every US\$1 billion spent on development and maintenance of infrastructure.¹⁶⁸ In short, the American government must

invest at home and abroad. It must correct the research and development dilemma.

Where the Japanese government and industry fund large-scale basic research and further industrial exploitation and marketing of research findings, United States' government and business do not. American firms must follow the lead of the Pall Corporation and IBM. By capitalizing on superior technology gained through aggressive research, engineering, and specialization, Pall outsells Asahi and Tenimo corporations' blood filter products.¹⁶⁹ IBM did the same thing: created technologically superior personal computers and made in-roads in the Japanese computer market.¹⁷⁰

For a third American cycle to occur, American business must adapt just as Japanese business did in stages two through four of the current long cycle. The Japanese auto industry came a long way by using adaptability to its advantage. For example, Honda turned to the American love and vision of the automobile to create a solid, marketable product. American manufacturers must do the same thing. Right-hand drive automobiles, smaller bodies for narrow Pacific roads, metric-convertible parts, etc. must be adopted. The product must fit the environment, not the other way around.

Aside from adapting to meet market needs, American companies must compete with Japanese industries at home and in the Pacific. Currently, the United States fills as almost colonial position of "exporting raw materials and importing manufactured goods" to and from Japan and the Pacific respectively.¹⁷¹ If the United States is to retain economic leadership, it must export more than unfinished goods. Looking back at American history, both Alexander Hamilton and nineteenth century American industrialists understood the importance of developing an industrial base if the country was to remain strong and independent. By switching from an agricultural to an industrial society, the United States' government became a rich, powerful, Pacific player in the late nineteenth and the twentieth centuries. If one applies this test to the newly industrialized nations of the Pacific, the same holds true with their relation to the Japanese government. The switch from agriculture to industry transformed these countries to prosperous, vibrant ones capable of taking on not only the United States but Japan as well.

Additionally, the United States' government and industry must invest in new plants, equipment, technology, and research. The key to this renaissance is the aggressive pursuit of quality, superior design, reliability, affordability, and sound marketing. This

must be followed by investment of American capital in both the Pacific and in the United States. This follows Modelski's tenet that the nation which controls capital is the economic leader and it can control the actions of other states.

If trade friction or trade warfare is the conflict necessary to bring about the next long cycle, then Japan and the United States should continue to be fiercely competitive over trade in the current long cycle. If long cycle analysis continues to be applicable in the next century, then it is possible a trade conflict could occur in the form of regional trade warfare. If this conflict does occur, Japan may emerge as the next leader. If this is the case, the Japanese government may achieve regional control through its telecommunications technology (satellite and space surveillance) and its vast financial empire. The Japanese government will have to develop a regional view independent of its domestic interests if it is to assume the mantle of leadership in the next long cycle.

It is possible a "Pax Niponnica" will occur. The Japanese government will assume the role of global economic leader. This will be brought about by the superpowers bankrupting themselves in an arms race. Once this occurs, Japanese industry and trade will shape how

the world develops as the strength of Japan in those areas will allow it to dictate non-military solutions to world problems.¹⁷² Japan has the same characteristics which allowed the United States to dominate the twentieth century: (1) a large export surplus, (2) vast amounts of capital, (3) industrial leadership, (4) technological supremacy, and (5) military strength.¹⁷³

Additionally, Japanese Prime Minister Nakasone even admitted "the Pacific is an inevitability" and Japanese newspaper editorials discussed internationalizing as early as 1987.¹⁷⁴ Even a Nomura report compared the United States-Japanese relationship to the United States-Great Britain relationship of the early twentieth century, with Japan emerging as the global intellectual and moral leader.¹⁷⁵

Given the nature of Japan's Pacific trade and the evidence of prolonged decline and continued economic malaise, the United States' government is no longer the first rate power in the Pacific. By failing to invest time and capital in the Pacific to ensure its market access, the United States' government faces a challenge for the role of leader. The Japanese government is filling the void created by the United States' government's economic decline in the Pacific. Of course, if the nature of change digresses from Modelski's

model, another leader will emerge and a new model have to be developed.

Based on economic factors, it is possible the Japanese government may assume leadership in a new long cycle. The Pacific may be the next arena of hegemonic conflict. The winner of this possible conflict may assume the role of Pacific leader. Investment, trade, technology, and spending patterns shore up this point.

While it is also possible that the United States could halt its decline and reemerge as the next leader in the coming long cycle, evidence seems to indicate this will not happen. Finally, it is also possible that the changes occurring at present may lead to the replacement of the existing pattern of long cycles with a new pattern of relationships.

GLOSSARY

balance of trade--the value of imports and exports which exists between two or more countries; when trade is balanced it is in equilibrium; when trade is unbalanced a surplus or a deficit will occur in the respective state(s).

deconcentration--the fourth stage of Modelski's theory of long cycles involving the breakdown of the hegemonic power and the challenge posed by other states for assumption of the leadership role still provided, although less and less efficiently, by the declining hegemonic power.

delegitimation--the third stage of Modelski's theory of long cycles involving the appearance of reemerging instability after a period of hegemonic peace and stability; occurs due to the hegemonic power's inability to meet world security and stability needs; invalidates previous formula for providing stability.

global war--trade and/or military conflict between states which affects the world's political, economic, and/or military security.

GNP--gross national product; the total value of the goods and services produced by the residents of a state during a specific period of time, usually a year; used interchangeably with GDP (gross domestic product).

world power--a state which, by virtue of its economic, technological, and/or military power is able to influence the political actions and decisions of other states without actually using that power.

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