

Chapter 1

European-Japanese Relations: Report on the Eighth Hakone Conference in Berlin

HANNS W. MAULL

ECONOMICS: STILL THE BACKBONE OF THE RELATIONSHIP

HALF empty or half full? One is still struck by how differently Europeans and Japanese tend to view our present predicament. So also at this conference—certainly where economics were concerned. The Japanese view tended to be much more optimistic, focusing on opportunities and positive changes; while the European attitude, as a rule, appeared rather more subdued, skeptical, and concerned with difficulties and persisting problems. This gulf seemed larger than would appear justified on the basis of objective economic growth rates. For 1986, at least, Japan's expectations of 2.7 percent real GNP growth in spring (although this was admittedly heavily affected later by the steep rise of the yen against the dollar) are not much different from those of West Germany (2.7 percent), Italy (2.3 percent), France (1.7 percent), or the U.K. (1.9 percent). But those statistics tell no more than the bare outline of the real situation—and there, Western Europe clearly has more to worry about than Japan.

Japan today finds itself with the (enviable?) problem of having become much too successful for the rest of the world. Its major problem is the external and world economic imbalances created by

this simple fact; and it is understandable that Japan should resent the pressure being put on it by the other industrialized countries. Without those imbalances, the future for Japan could be rosy indeed. Having overcome—at least temporarily—the twin afflictions of oil price explosions and inflation that so plagued the world economy during the 1970s, it now appears poised for a new period of growth, with Japan in an excellent position to benefit from this. Yet, there are those external trade imbalances, particularly—but not only—with the United States and the European Community. This has involved Japan in an ever more entangling series of bilateral trade problems. By exporting more effectively and importing less than others, Japan has also exported the problem of how to adjust to differences in competitiveness; and those problems have flown back into Japan's face with a vengeance.

The reasons for Japan's persistent trade surpluses have by now been thoroughly researched and are variously attributed to Japan's trade policies, lack of macroeconomic stimuli at home, liberalization of foreign capital markets at a time when Japan's own still held many interest rates at low levels (thus encouraging tremendous capital outflow resulting in an undervalued yen), and a host of other economic factors. There is fairly widespread consensus now that Japan's trade surpluses are not primarily the result of tariff and non-tariff barriers, unfair competition, or industrial targeting; they are rooted in the country's superior economic organization and performance. Ultimately, this probably reflects deep social and cultural differences, differences in preferences and values (work ethics versus the leisure society, industrialism versus postindustrialism, or even productive vigor versus reflective decadence?). It has therefore been clear for some time that those frictions can only be managed with the active help of Japan.

One of the surprises of the discussions at the Eighth European-Japanese Conference was the absence of serious divergencies over European-Japanese trade problems. There were, to be sure, differences of views, but no one showed much enthusiasm for going through all the old, well-known arguments again. On the one hand, this was probably because of the general agreement on the fundamental causes of the problem. On the other hand, the discussions also produced some reasons for optimism about the future evolution of trade imbalances, which convinced even some of the skeptical Euro-

peans. Roughly speaking, these reasons for optimism can be grouped under three headings: (1) the Japanese government now recognizes the need to shift its economic orientation towards domestically-led growth; (2) Japanese attitudes toward imports are beginning to change; and (3) trade imbalances have produced self-correcting mechanisms that will reduce and contain frictions.

(1) One area where there has been a marked change in the quality of discussions during the Hakone Conference series is the Japanese attitude towards trade imbalances. From a hurt defense, which pointed out the valid—and sometimes the less valid—arguments that supported Japan's behavior, the emphasis has now shifted to a clear consensus that Japan would have to contribute to a reduction of trade problems. The 1986 Maekawa Report recommends that Japan shift the emphasis of its sources for future growth to the domestic economy (it is as yet uncertain to what extent there exists the political will to translate those general recommendations into specific political actions). Infrastructure, in the broadest sense, was seen by several participants as a particularly interesting and relevant area in this connection; although it is also clear that there are serious constraints, such as the price of land. The exploration and development of space technologies was seen as another promising focus for Japan's creative energies. In both areas, Europe could also offer something, with possibly helpful implications for the trade imbalance. The most serious constraints in effecting the fundamental change in orientation suggested by the Maekawa Report (long on analysis and broad directions but short on specific policy proposals) are the considerable fiscal problems facing the Japanese government and deeply rooted cultural attitudes favoring exporting over importing.

(2) There was also recognition by both sides that Japan would have to become more attuned towards imports. As one European suggested, this would presuppose a change in the Japanese character; and he seemed to imply that this was impossible, at least in the short and medium term. Against this, several other participants from Europe and Japan pointed toward Japan's outstanding ability to adjust to changing circumstances and reassured us that change, indeed, was underway and that Japan no longer wanted to be "a producer of everything."

(3) The pressures on Japan to internalize the burden of its superior competitiveness have, of course, already begun to operate, through

the dramatic revaluation of the yen against the dollar. The effects of this rather brutal change in exchange rates have been, as Professor Noguchi's paper argued, serious for some industries and somewhat deflationary for the whole economy. There was considerable disagreement about the consequences of the new yen/dollar parity for the Japanese trade surplus. While some argued that most of Japan's external trade was substantially price-inelastic, and that the surplus would therefore not change dramatically, others disagreed strongly. They certainly seem to have a good case if one includes the broader implications of Japan's persistent trade surpluses. The concomitant large outflow of capital has had very beneficial implications for the world economy. It could, as one European participant suggested, be put to even more productive use if it were channeled not into financing the American deficit but into developing the Third World, by linking Japan's capital surplus with the Baker Plan. This outflow of capital also includes a rapidly growing component of direct foreign investment. A shift to overseas production, which is also encouraged by another correcting force responding to large trade imbalances—protectionism—will eventually reduce Japan's trade surplus. The changing composition of international trade, with a growing emphasis on trade in intermediate goods, reflects the continuing internationalization of production; again, this might imply some correction of gross imbalances. The shift towards high technology could also dampen trade frictions, as it is less employment-sensitive and more internationally organized to start with.

Last but not least, the trade surplus will also be reduced, at least tendentially, by European efforts to become more competitive. Although, on that score, one participant reminded the meeting of how far Europe still had to go by pointing out the worrying deficits of Europe's high tech trade, application and capital investment; European industry clearly has been trying to fight back, at times quite successfully. It will need to be more competitive, for exchange rate developments have not improved Europe's trade position vis-à-vis Japan as much as that of the United States.

In sum, the discussion of European-Japanese trade problems was remarkably relaxed. The problems are by now familiar, the solutions reasonably clear, and there was some reason to assume that imbalances could at least be contained (in real terms) at present levels; or perhaps even reduced somewhat over the medium term. Political-

ly, this is probably more important than the absolute level of the deficit, for problems are then perceived as on the way towards being corrected. Good news, then—or is it? Some comments conveyed a feeling of uneasiness. Political fallout from the primarily economic, and rather fractious, European-Japanese relationship might well pollute future prospects for widening this relationship. Japanese interest in, and respect for, Europe at present show signs of strain. Some Japanese tend to write Europe off as decadent, quarrelsome and altogether useless (excluding, of course, its cultural achievements) and favor concentrating on the United States, a country ultimately much more important to Japan in economic, political, and security terms. If this “Japanese arrogance,” as one Japanese participant called it, gathered momentum, the result might be ironic. Japan might turn away from Europe at a time when Europe showed much greater interest in Japan than it had for a long time. Such Japanese dismissal of Europe could foreclose opportunities for mutually and globally constructive cooperation.

Trade frictions are far from being confined to European-Japanese relations, of course. All three sides of the triangle—North America, Europe, and Japan—are at present buzzing with trade confrontations. European-Japanese frictions at present certainly take a back seat, as both sides are presently preoccupied with management of trade frictions with the United States. This transforms the whole issue into one of fundamental importance for the international trading system. The frictions accumulating there could well spell the destruction of the present GATT system, as governments, under severe pressure to protect their domestic credibility and legitimacy, proceed down the path of unilateral protectionism. The new GATT round, which should include trade in services, agriculture, trade-related investments, and intellectual property rights, would be one important way to strengthen the present system. Another would be the already-mentioned changes in the Japanese and European economies, although one might still legitimately ask whether this alone will suffice.

In the final analysis, the trade conundrum might represent just one example of major structural changes that affect several other important segments of the world economy, as well: the international oil market, the monetary system, agricultural markets. The erosion of the hegemonic role of the United States; the declining ability

of governments to resist domestic pressures demanding, in effect, an international redistribution of costs and benefits from economic interdependence; and the growing scope and depth of this interdependence itself have all weakened the elements of political control and coordination in the world economy, while market forces have gained in importance. While this might imply additional impetus for economic growth through efficiency gains, the lack of political coordination and control in the framework within which market forces unfold carries a heavy price tag: nation-states will not accept the implicit adjustment burdens easily; they will fight back under the pressure of domestic interests—they already do, as in the case of protectionism. Macroeconomic policy coordination between industrialized countries thus seems to be a key challenge. New initiatives at monetary coordination could be considered to respond to this challenge, yet there are at least two problems that cloud its chances of success. First, it is doubtful whether politically-induced intervention really could rein in market forces, if those happened to pull the other way. Second, it seems worrying that coordination had to resort to instruments that are rather blunt, have large side effects, and are as far removed as possible from the interplay of political forces (which probably explains why they were chosen, but also suggests a certain abdication of economic policy making).

CHINA: ASSET OR PROBLEM FOR THE TRILATERAL WORLD?

Perhaps no single other development will be as important for the future direction of world politics and economics as the process of modernization in China. The present leadership's desire to push China's economy ahead with the four great modernizations (agriculture, light industry, science and technology, and defense) has led it to seek close ties with the trilateral world and to abandon any policy of equidistance between the blocs. This has benefited the West and Japan politically and economically, and these strategic benefits have so far not been qualified by the more recent "normalization" of Chinese-Soviet relations. If China's economic modernization succeeds, the Asia-Pacific region would receive a tremendous additional push as the world economy's powerhouse. If it fails, the political implications could be equally dramatic.

There can be no doubt that the challenges facing China are

tremendous: a very low level of development as a starting point; a gross domestic product that corresponds to no more than Soviet military expenditure; and a political system that still suffers from the rigidities and constraints of a Marxist-Leninist single-party structure. The present leadership and its successors are still not unanimously behind the present policy. Opposition continues and has perhaps even gained in strength as a result of recent hiccups in the economy—a large trade deficit, particularly with Japan, poor harvests, etc. Rapid growth inherently tends to produce disequilibria and tensions that could add up to major social and political strains. Moreover, it is uncertain whether the transformation of the economy along present lines will remain controllable. It seems that certain economic developments, such as prices and the evolution of foreign trade have acquired such momentum that the leadership finds it increasingly difficult to keep market forces under control.

But China also has a number of assets: the pragmatism of its current leadership, its entrepreneurial spirit, and the opportunities associated with economic relations with Japan and the West, which China has been skillfully manipulating to maximize benefits. Still, the discussion showed that several participants had serious doubts about whether the enormous economic transformation envisaged by China could be achieved without major political dislocations and instability. But stability is an elusive term. As one Japanese participant suggested, there does appear to be a shift towards stability within the Communist party, with a move from individual to collective and ideological to professional decision making. This does not preclude, however, a growing tension between the political structure and society at large. The real issue, then, will be whether China can succeed in containing the destabilizing, disequilibrating aspects of development. Japanese firms might unwittingly contribute to those strains. The trade imbalance between the two countries has now reached alarming proportions, and the eagerness of Japanese firms to exploit to the hilt opportunities offered by the Chinese market could produce a powerful political backlash (as it did in Southeast Asia in the early 1970s).

As Joachim Glaubitz pointed out in his paper, recent problems of the Chinese economy may not be unrelated to the improvement in Chinese-Soviet relations. As China's trade deficit exploded, the country had to search for new export opportunities, and trade with

Comecon offered one interesting possibility. But this process of normalization has other roots, as well: (1) a desire by Beijing to drive a wedge between the U.S.S.R. and Vietnam, (2) to enhance Chinese influence in Eastern Europe, and above all (3) to demonstrate its independence from both superpowers. The relationship between economic difficulties and Chinese willingness to move closer to the Soviet Union should therefore not be exaggerated. There are serious limits to this improvement that are independent from the present leadership. Even if the Soviet Union met the three preconditions laid down by China for a genuine normalization (the reduction of Soviet military presence along the Chinese-Soviet border; the renunciation of military support for Vietnam; and an end to the Soviet occupation of Afghanistan), this would probably still not result in an end to China's tilt towards the West, or even a return to the alliance with the U.S.S.R. that prevailed in the 1940s. The costs to China's economic policies would simply be too high. The future of Sino-Soviet relations thus appears likely to be unexciting: some expansion in trade and economic—perhaps even political—cooperation on secondary issues, but no qualitative change.

If true, this assessment suggests continued benefits for Asian security and for the trilateral world. China's role in Asia has contributed to a situation much less clearly defined and much more fluid than the one in Europe, with its clear polarization and sharp division. There was a certain "Asian camaraderie," as one Japanese participant suggested, which helps regional and world security. Yet China's ability to pursue an independent line in Asia ultimately depends on a U.S. presence in this region. Superpower competition in the Asian region was growing, and the fact that the Soviet Union had not reaped any major benefits from its enhanced military presence was, as a European participant suggested, essentially due to the United States' security presence. One European participant, perhaps with Europe's present difficulties with Washington in mind, suggested that the U.S. presence might be withdrawn in the future; and if it were, China would have to sacrifice some of its traditional insistence on independence to ensure greater regional cooperation as a counterweight to the Soviet Union. From the Japanese point of view, this would present an important concern. Only the U.S. could ultimately guarantee the security of the East Asian region; Japan could not play a substantive role in this context; and China

perhaps should not. Moreover, China finds itself in direct economic competition with several Asian countries—something that would impede political cooperation.

A second question mark concerns the evolution of China's military power. Although "defense" is only the fourth and last of the four modernization drives, and although China's military capabilities will take a long time to develop, in the long run it cannot be excluded. China also has been willing, as Masahide Shibusawa pointed out in his paper, to use military force if it considered this politically useful. The prospects of a militarily strong China produced a distinct uneasiness among several Japanese participants, while most Europeans seemed to feel that this could only serve as a counterweight to the Soviet Union and, thus, benefit the West. Could China cast a worrying shadow of military power over the Asian region? Today, this seems a remote question, but it might well be worth keeping in mind.

If China does significantly strengthen its military capability, one disquieting implication would be that Japan could be overshadowed by this new great military power, something that certainly would go against the interests of all trilateral regions. This possibility would also seem to be one factor limiting the degree of cooperation between China and Japan, a cooperation that has developed in leaps and bounds over the past few years. Today, there is no such shadow. Political relations are good, economic cooperation intensive, if not dangerously lopsided. The two economies are at first glance attractively complementary in their strengths and weaknesses, thus offering, theoretically, huge opportunities for mutually beneficial cooperation. In reality, however, this complementarity is rather limited. China does not have much to offer in trade (its natural resources are still not sufficiently developed and presently are in low demand; its light industries compete directly with those of many other developing countries; and its cautious borrowing policy has also limited the availability of foreign exchange). The Japanese have still been reluctant to invest much in China (a reluctance that must be explained, at least in part, by continuing bureaucratic red tape in China). The relationship thus largely consists of Japanese exports to China; it has already been noted that this is not without its problems. Japan's fascination with China also appears to be somewhat one-sided. As one European participant pointed out, China sees Japan as a

"younger, but very rich, brother," and tries to manipulate Japan to maximize its own benefits. Finally, the scope for much closer political cooperation also seems confined by the ultimately quite different perceptions and fundamental political assumptions and orientations of the two countries. The participants' prognosis for Sino-Japanese relations thus seemed to be more economic interaction but only limited political alignment.

China is also interested in developing its relations with Europe. Several participants deplored the fact that Europe's interest in China was still underdeveloped. Europe could and should learn from Japan about China, it was suggested, while China was keen to develop alternative channels for technology and trade. On the other hand, one European with practical experience in dealing with China, reported some practical difficulties. The Chinese are tough negotiators, and it was difficult and time-consuming to make profits in China. This European also found Chinese interlocutors quite reticent on such political topics as Sino-Soviet or Sino-U.S. relations. China's political attitude to Western Europe has also undergone some changes recently. While a few years ago, China was keen to have a strong Western Europe firmly allied with the U.S. as a counterweight against "Soviet imperialism," at present, the support for a strong and unified Western Europe really was support for another middle power, but not for one firmly linked to the United States. There were thus limits to how far Europe could improve its relations with China.

BETWEEN THE EAGLE AND THE BEAR: LIVING WITH THE SUPERPOWERS

Discussions on East-West relations today normally start, interestingly enough, by considering economic issues. Hakone VIII was no exception, taking as its starting point evident Soviet economic weaknesses and problems. This has greatly reduced the attractiveness of the "Soviet model" in the Third World. Although the new leadership in Moscow clearly intends to reverse the trend towards a growing East-West economic gap, its chances to succeed were considered "less than even." In the process of putting the economy back into shape, the Kremlin would have to face tough decisions about appropriate resource allocations; and the new team might therefore be interested in (though not desperate for) arms control.

In spite of these obvious weaknesses and problems, the Soviet Union remains a military superpower and continues to pose threats to both Europe and Japan. However, the quality of the conflict with the Soviet Union differs importantly between Western Europe and Japan. The Soviet threat to Japan essentially would arise in a situation of general East-West confrontation. Other military or political threats, such as an attempted conquest of Hokkaido or the "Finlandization" of Japan were not considered plausible by Japanese participants. Although the U.S.S.R. has increased its military presence in Asia over the last few years, this has produced few tangible results. In the case of Japan, it even has stimulated greater attention to defense and security issues. Japan has responded to the greater Soviet presence by cautiously enhancing its military capabilities. While Japanese participants admitted to some remaining problems, Japan's military efforts were judged sufficient to provide a deterrent.

Politically, the bilateral conflict between the Soviet Union and Japan essentially consists of the northern territories issue; it is, thus, in fact, very narrow. The new Soviet leadership has embarked on a change in style in its approach towards Japan, but there has not yet been any change in substance. Moscow is also keen to separate economics from politics in order to get Japanese assistance in developing Siberian resources. Japan, on the other hand, intends to keep politics linked to economic issues, a stance facilitated by the much declined interest of Japanese business in Siberia's resources. Soviet-Japanese relations thus appear, as one Japanese participant observed, "quite simple" and probably easier to manage than Japanese-U.S. relations.

The conflict between Europe and the Soviet Union, on the other hand, is complex. Apart from the military threat, there are intense political differences related to the division of Europe (and of Germany). The two halves of the European continent (to which the Soviet Union is, in many ways, an outsider) have a long history of economic, social, and political interaction; Western Europe cannot sacrifice these ties to the strictures of the East-West conflict. But changes in superpower relations tend to affect the relationship between the two Europes, intertwining Western Europe's relationships with both Washington and Moscow.

Compared to the Soviet Union, the United States appears as a superpower full of zest and energy. Ronald Reagan has clearly

managed to imbue America with a new self-confidence and has pulled off a remarkable economic revival (or is it, as one participant suggested, a "confidence trick"?). With the "Reagan Doctrine," he has formulated a policy designed to roll back Soviet influence in the Third World by supporting "freedom fighters" in Moscow-aligned developing countries. This has led Washington to make new demands on its allies and has resulted in a new wave of U.S.-European disagreements. Many of these differences turned around the so-called "out-of-areas" issues in the Middle East, North Africa and Latin America, where American and European analyses and policy prescriptions sometimes differ widely. One European participant described these differences as the "most serious and difficult" problem within the Western Alliance; he pointed out that such events as the American raid against Libya had divided not only governments but also people across the Atlantic, and he expected that the negative spillover could ultimately lead to a decrease in U.S. military presence in Europe. Western Europe, therefore, has to prepare for this eventuality. Several Europeans thought it unlikely that the U.S. commitment to Europe would remain unchanged over the long run. They therefore all supported a stronger European security cooperation, as part of an attempt to repair and strengthen the Alliance, but also as an insurance policy.

This thrust of the European analysis worried several Japanese participants. One seasoned member of the Hakone group observed that the Europeans were becoming more and more critical of the U.S. and expressed his concern that an autonomous Western Europe was perhaps in the Soviet Union's interest, but certainly not in Japan's. Another Japanese participant criticized Europe's attitude as selfish. Yet several admitted that the management of U.S.-Japanese relations presented Japan with big problems, too. In fact, European and Japanese views on how to cope with the Soviet Union and on out-of-area issues closely coincided; but so far, Europe, rather than Japan, has had to bear the brunt of American criticism. There are several reasons for this. First, Ronald Reagan has been much more popular in Japan than in Europe. He is seen as firmly committed to Asia (the Carter *shokku*, with its suggestion of a U.S. withdrawal from South Korea, still reverberates) and bravely fighting U.S. protectionists. Second, the contentious out-of-area issues so far have arisen close to Europe, while there have been none in the

vicinity of Japan. Third, Japan probably is more willing to accept U.S. leadership; at times, it can, in fact, take shelter behind Europe's opposition to U.S. policies.

Europe and Japan thus have rather similar problems with the United States, but the impact of these problems on their respective relationships with Washington has differed widely. To some extent, Japan has perhaps just been lucky to have been spared the tensions. If that were true, this might change. Moreover, Japan's growing economic weight and self-confidence will also make disagreements with U.S. leadership more likely. And future technological developments—such as the evolution of strategic defense options and the concomitant reallocation of U.S. defense resources—could reduce America's military presence in Asia. Yet there is another difference between Europe and Japan. Europe has a feasible, if difficult, alternative security option in closer cooperation between European countries, while such an alternative simply does not exist for Japan. On the other hand, Japan's geographic location might be considered enough protection against a rather low-level threat.

Could Japan help in Eastern Europe? Several people addressed this issue, noting that Japan's economic relations with Eastern Europe had developed rapidly in recent years. But the conclusions drawn were modest. Although Japan could make a contribution to Eastern Europe's margin of maneuver and autonomy (and has been consulting closely with West Germany, e.g., when negotiating with the GDR), the possibilities are closely circumscribed.

In sum, European and Japanese relations with the United States could well become more troublesome in the future, as the United States steps up its demands on the allies. Some participants also saw a serious risk of the United States turning not only more unilateralist, but also isolationist. This would pose extremely difficult problems for Europe, which would have to develop an indigenous security safety net. For Japan, the difficulties would be even more pronounced. To avoid those nightmares, the management of Europe's and Japan's relationships with Washington require great care and attention. Closer cooperation and coordination between Europe and Japan might be helpful in this.

EUROPE AND JAPAN: OPPORTUNITIES FOR CLOSER COOPERATION

Clearly, trilateral relations are at present troubled. Perhaps this is not all such a remarkable occurrence. A look at the past quickly shows that they have never been like the idyllic pastures observers of present frictions often conjure up. Yet the psychological underpinnings of mutual interests do seem to undergo subtle changes. Americans and—perhaps as a reflection of their attitudes—Japanese often dismiss the “useless” Europeans; Americans display “the arrogance of power,” and Europeans the “arrogance of impotence.” Moreover, the patterns of domestic politics are also undergoing important changes. The influence of domestic forces and interests of foreign policy are growing as politics are “atomized” in the United States and “democratized” in Europe and Japan. The United States tends to go it alone. Yet, as one American participant assured the meeting, there were still many people in the United States who would like Europe and Japan to exercise more influence on U.S. decision making.

Will they be able to do it? Clearly, the chances will improve the closer the coordination between them. The past as prologue? Over the last few years, European-Japanese foreign policy and security cooperation has developed considerably. An “organic relationship” has begun to grow around regular and institutionalized consultations within the framework of European political cooperation and through bilateral channels. At the very least, the two sides “have become less irrelevant to each other,” as one European participant put it. Coordination and cooperation between Europe and Japan or within the trilateral framework have played useful roles in several Middle Eastern crises, such as Iran and Pakistan; in economic assistance to Turkey, Egypt, Pakistan; and with regard to Intermediate Nuclear Forces (INF) discussions. In the economic realm, there have been a number of high-tech joint ventures between European and Japanese firms, not to mention trilateral cooperation at the summits, within the Group of Five, and in several other fora.

Yet in spite of those reasons for satisfaction, there were nagging doubts. One Japanese participant was worried that the declining Japanese interest in Europe could turn the consultation process into an empty shell. A European felt that associating Japan with the EPC process had inherent limitations and argued for intensification

of both bilateral and multilateral dialogue. Another noted the absence of a "cooperative reflex" between Europe and Japan, in spite of the existing and expanding institutional structure. Perhaps those doubts reflected a general sense that present levels of international cooperation and coordination are far from satisfactory to cope with perceived risks and threats. This applies to the world economy, large segments of which have now been effectively abandoned to the play of market forces. Exchange rate management clearly is one area where Japan and Europe could intensify cooperation. North-South cleavages and the threats of political instability caused by economic and social strains in the Third World, and hence effective use of development aid are other areas where European-Japanese coordination could be much improved.

In the political and security realm, joint analysis of such issues as INF, South Africa, China, and the Korean Peninsula could certainly be helpful. And perhaps Japan and Europe could together take initiatives with respect to Washington in such areas of mutual concern as pressure for a nuclear test ban, as one European suggested. Yet in mustering their combined clout within the framework of a trilateral security alliance, Europe and Japan inevitably will also have to face issues of responsibility and burden-sharing. A crucial problem here is the role of military force. While all participants agreed that Europe's and Japan's roles in international relations should consist of—individually and jointly—pursuing policies that would reduce the necessity of using force, several Europeans felt that the "middle powers" must *in extremis* be prepared to use force to defend their vital interests even beyond legitimate self-defense. For Japan, this is inconceivable, although several Japanese participants made a sharp distinction between the use of peace-keeping forces (where they advocated at least a supportive Japanese role) and actual combat forces.

This debate about the role of force perhaps illuminated better than any other the ultimate dilemma of both Japan and countries of Europe. They are both middle powers, having grown up and now living under the tutelage of a benevolent imperial power—the United States. Yet not only the Soviet Union, but also the United States, are imperial powers in decline, which makes the security umbrella a bit flimsy at the edges and the world economic order rather less orderly than it used to be. This pushes both Japan and Europe into accepting new responsibilities, carrying additional burdens, and tak-

ing unfamiliar risks. They could usefully start doing that by exploring mutual analyses, approaches, and responses more clearly.