

# Changing Determinants of Foreign Policy in East Asian Countries

edited by  
Karol Żakowski



Contemporary Asian Studies Series



WYDAWNICTWO  
UNIwersYTETU  
ŁÓDZKIEGO

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## CONTEMPORARY ASIAN STUDIES SERIES

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## **Introduction**

# **Determinants of International Relations in the East Asian Context**

The aim of this monograph is to analyze the evolution of various kinds of determinants of foreign policy in selected East Asian countries. IR scholars are not unanimous regarding the impact of domestic and external factors on foreign policy making. While the supporters of the liberal school perceive the international system as an aggregate of various determinants stemming from internal institutional arrangements in each country (Moravcsik 1997, pp. 516–520), the partisans of realist and neorealist theories tend to perceive each state as a “black box” that acts according to objectively definable national interests (Morgenthau 1960; Waltz 1990, p. 29).

Without denying the salience of international factors, the authors of this book try to provide knowledge on the complex nature of both external and internal determinants influencing foreign policies of East Asian countries. For that reason, equal attention is attributed to international factors, such as contradicting national interests, geopolitical position, or relative economic potential of main powers, and domestic determinants such as societal and institutional transformations in each country or even leadership skills of top decision makers. This approach is similar to the analysis framework proposed by Ryszard Zięba (2005, pp. 17–36) who distinguished four types of determinants of state foreign policy: external objective (such as international law, position of a country in international system or evolution of the nearest international environment), external subjective (such as the international perception of a state and its nation or foreign policy concepts and quality of diplomacy of foreign governments),

internal objective (such as geographic, demographic, economic potentials or sociopolitical system of a given country) and internal subjective (such as foreign policy concepts, quality of diplomacy or attitude of the society towards the international environment in a particular state).

In order to illustrate the complexity of the domestic–international affairs nexus, the authors take advantage of a range of case studies on Japan, China, Taiwan and North Korea. Starting from the most external, the examined determinants of international relations may be divided into external political pressure, economic interdependence, societal factors, internal institutional arrangements and personal determinants in a given country.

## 1. External Political Pressure

All chapters to some extent touch upon the problem of political pressure exerted by external powers on the foreign policies of the countries in question. For instance, Krzysztof Kozłowski mentions how the People's Republic of China's (PRC) one–China policy has hindered the plans of Democratic Progressive Party (DPP) politicians in Taiwan to announce the independence of the island. Cross–strait relations constitute perhaps the best example of how the national interests of one country may constantly constrain diplomatic activities of another government. In the past, China used a plethora of controversial measures to warn Taiwan against declaring independence – from conducting “missile diplomacy” in 1995–1996 to issuing the Anti–Secession Law in 2005. The overwhelming superiority of the PRC's military potential successfully prevented even such critics of the one–China policy as President Chen Shui–bian (2000–2008) from challenging the status quo in this matter.

Interestingly, small countries or middle–sized powers are sometimes limited in their international endeavors not only by the governments that are considered as rivals, but also by close allies. Beata Bochorodycz analyzes the dependence of Japan in the security sphere on the United States (US). Focusing on the special status of American forces in Okinawa, she unveils the unequal nature of the alliance between both countries. In fact, during Cold War the US often used its position as the main guarantor of Japan's security to exert political pressure on the Japanese government, for example by imposing “voluntary” export restrictions on Japanese cars in the 1980s. While the alliance has become more equal since the 1990s, Americans have still been able to influence Japan's for-

eign policy making, as evidenced by Prime Minister Hatoyama's failed attempt at renegotiating the Futenma military base relocation agreement in 2009–2010.

## 2. Economic Interdependence

In an increasingly globalized world, economies of all countries are dependent on the domestic situation of other states. This tendency has been intentionally used by Chinese decision makers to draw Taiwan closer to the PRC. As described by Krzysztof Kozłowski, the Economic Cooperation Framework Agreement (ECFA) signed in 2010 by the Ma Ying-jeou Administration met with decisive protests from the DPP. The Pan-Green Coalition claimed that reduction of commercial barriers between the PRC and Taiwan would lead to the gradual incorporation of the island into the mainland. Indeed, more and more Taiwanese companies have been investing on the continent, while workers from the PRC have been coming to the island to pursue their professional careers. Analogically, as described by Miloš Procházka, China has used economic cooperation to exert influence on North Korea. By providing food, crude oil and other commodities amounting to 1 billion USD per year, China has been maintaining the North Korean regime that plays a significant role as a buffer against American influences.

Also economic relations between China and the US are underwritten by strong political interests. Przemysław Furgacz emphasizes in his article that the US has been increasingly worried about the rising financial importance of the PRC on the global level. Not only is the role of the yuan steadily strengthening in the world financial system, but also Chinese companies are gradually replacing their American counterparts as the biggest investors in foreign markets. This revolutionary shift in balance of economic power compelled Washington to promote the Trans-Pacific Partnership trade agreement as a way of preserving influence in the region. China answered with its own initiatives, such as establishment of the Asian Infrastructure Investment Bank (AIIB). Creation of the AIIB is an attempt at becoming more independent from US-controlled world financial institutions. While it remains to be seen which side wins the competition over economic integration in the Asia-Pacific, the astounding pace of China's economic growth will continue constituting a serious challenge to American domination in the region.

### 3. Societal Factors

Both international and economic factors often exert strong influence on the social situation in an independent state. As described by Miloš Procházka, after the collapse of the Soviet Union, the North Korean society experienced dramatic changes. Suspension of economic subsidies from Moscow contributed to the disintegration of the Public Distribution System and famine in the 1990s. Erosion of the centralized economic system forced people in provincial regions to rely on themselves, which led to the development of illegal small businesses and local markets. All these factors opened the way for non-governmental organizations' (NGOs) involvement in humanitarian assistance to North Korea, which, in turn, indirectly helps to trigger further evolution of this isolated society.

In return, domestic social conditions may constitute an important factor influencing foreign policy making. Beata Bochorodycz stresses that popular outrage after the rape committed by three American servicemen on a 12-year old Japanese schoolgirl in September 1995 constituted a crucial stimulus that compelled the Japanese government to initiate for the first time in the postwar period a serious dialogue with the US government on the status of US forces in Japan. Under public pressure, both sides eventually agreed to relocate Marine Corps Air Station Futenma from Ginowan City to Henoko Bay. This example indicates that under certain conditions broad civic movements may force governments to undertake difficult decisions in diplomacy.

### 4. Internal Institutional Arrangements

Foreign policy is influenced not only by international, economic or societal circumstances, but also by institutional settings and decision-making patterns characteristic of each country. Beata Bochorodycz underscores that the dispute over the status of American military bases in Japan actually ran along the institutional, not the national lines. Whilst the Japanese Ministry of Foreign Affairs and the US Department of State were strongly against tackling the base problem, the Japanese Defense Agency and the US Department of Defense acknowledged the need for amending the concentration of military bases in Okinawa. It is, among other determinants, due to the popular outrage after the aforementioned rape on a Japanese schoolgirl that eventually the latter camp prevailed.

Marcin Socha, in turn, examines how the opposition from the Japanese Trade Union Confederation, Ministry of Economy, Trade and Industry as well as business circles represented by the Nippon Keidanren contributed to the Hatoyama government's failure in realizing its ambitious greenhouse gas emissions reduction goal.

Karol Żakowski analyzes more comprehensively the factors that limited Japanese statespersons' ability to exert influence on foreign policy making or actively participate in diplomatic activities. Before the central government reform of 2001, Japanese prime ministers were severely constrained in their political initiatives by the existence of strong veto players among bureaucracy and influential backbenchers. The necessity of pleasing the representatives of all ministries in the government and all interest groups in the ruling party often led to the watering down of decisions in foreign affairs. This tendency was most pronounced whenever prime ministers could not count on support from experienced chief cabinet secretaries or foreign ministers, which often happened due to the distribution of governmental portfolios according to seniority rules rather than expertise and policy skills. All these institutional factors rendered Japanese diplomacy passive and unwilling to change the status quo even in a rapidly evolving international environment.

## 5. Personal Determinants

Institutional constraints of foreign policy making, however, may be overcome by influential statespersons. Beata Bochorodycz stresses that thanks to the political will to solve the problem, political resources, managerial skills, experience needed to cooperate with bureaucrats, and ability to take advantage of formal and informal institutions, Prime Minister Hashimoto Ryūtarō was one of few politicians capable of successfully negotiating the relocation of Futenma with the US. Karol Żakowski provides even more examples of heads of government, chief cabinet secretaries or ministers of foreign affairs in Japan who were able to exert a strong influence on foreign policy making. It is thanks to connections with the bureaucrats and LDP backbenchers, public support, interministerial coordination abilities, extensive knowledge and expertise in foreign affairs, and, most importantly, coherence of the activities of all main political actors in the government that Japanese statespersons sometimes could overcome institutional constraints and actively shape diplomatic endeavors.

## 6. Conclusion

The case studies presented in this monograph indicate that the international reality cannot be easily reduced to one single dimension. Each IR theory provides only a partial truth on the factors influencing foreign policy making. International relations in East Asia resemble a mosaic of intertwining processes of globalization and regionalization, interests of global and regional powers, local social and economic conditions, national institutional arrangements, and even personal factors. Sometimes a sudden change of one small element in this mosaic suffices to influence the whole system. Instead of providing a simplified interpretation of these processes, the proposed monograph tries to illustrate them in their entire complexity.

## Note on Conventions

Original spelling of Chinese, Japanese and Korean names is preserved in the book – with family names preceding given names. The only exception is made for the Asian authors of English-language titles – in that case the version that appeared in the cited publication is used.

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# **The Taiwanese Dimension of the Cross–Strait Equation after the Sunflower Movement**

*For over five decades Taiwan was predominantly perceived by the international community as a function of regional balance of power network in East Asia and of the United States and People’s Republic of China relations. However, after almost 30 years of democratic change, Taiwanese internal politics is slowly growing out of the diplomatic cross–strait framework and Beijing–Taipei economic rapprochement scenarios. The Sunflower Movement protests and November 29<sup>th</sup>, 2014 defeat of ruling Kuomintang in local elections indicate an introduction of a new variable – Taiwanese society – in cross–strait formula.*

**Keywords:** *Taiwan, People’s Republic of China, Cross–Strait Relations, Sunflower Movement*

## **1. Introduction**

Cross–strait as well as internal Taiwanese politics developments during the second half of the last term of Taiwan’s President Ma Ying–jeou show that both the Peoples’ Republic of China (PRC) and Republic of China (ROC) relations are getting close to a political turning point. On one hand, Taiwan policymakers have to answer the question concerning the framework of future talks with the Mainland. The answer may jeopardize their political position in the years to come. On the other hand, PRC authorities understand that the full potential of Taiwan – Chinese relations based on the economic and political *status quo* has already been reached. In the coming years Chi-

na's preferences may not be as (relatively) easily taken into consideration as they were during Ma Ying-jeou Presidency. The future of PRC–ROC relations will require substantial political decisions of both parties.

The goal of the article is to analyze and present the importance of developments in Taiwanese internal politics in the abovementioned context. ROC's part of the cross–strait puzzle will be reconstructed on the basis of discussions with experts in Taiwan (in particular Soochow University Political Sciences Department, but also politicians and social activists), of analysis of social and political attitudes of the Taiwanese public opinion (the research was conducted (1) during and right after the occupation of Legislative Yuan in March 2014, (2) during the Russian–Ukraine Crimea crisis, (3) 25 years after the Tiananmen Square protests – thus scientific discussions on China's political reforms were abundant) and of document analysis. As the Taiwanese internal politics dimension of cross–strait relations seems to be often overlooked in Europe, the research is also an introduction case study of relations between the young Asian democracy and the PRC.

On the basis of the field work conducted in the first half of 2014, despite, in tactical terms, an almost certain increase of electoral dynamics in coming months, in strategic terms, the political scenario for the coming years concerning ROC–PRC relations is to a large extent set. The key to the political developments on the Taiwanese side of the cross–strait equation is the ruling Kuomintang's (KMT's) ability to take a step back, reassess the situation and reorganize. It still possesses the biggest political (and financial) potential as well as a relatively stable social base and enough popular political personalities to substitute the unpopular ruling president and to win with the opposition Democratic Progressive Party (DPP), which is still perceived by a significant part of the society as too bellicose to govern vis-à-vis Mainland China. The possible instability involves two critical junctures, partly beyond the control of the actors involved: possible conflict of ambitions between President Ma and the KMT or possible regional security crisis involving the PRC.

## **2. Taiwanese Socio–Economic Background of the Cross–Strait Relations**

Peaceful rapprochement between Taiwan and the PRC observed throughout the first and a part of the second term of President Ma Ying-jeou in office was founded on two pillars: deepening economic cooperation

and high level diplomacy. The KMT Government based its strategy mostly on building closer economic ties with the Mainland while claiming that no political consequences were involved. The strategy was realized mostly in the public dimension with the apparent intention to limit popular involvement in obviously complex negotiations. This suited both the PRC's preference for top–down approach to international politics and President Ma's ambitions to be an architect of a new chapter in Taiwan–PRC relations' history. It seems that such a political practice has reached its limits, though. The first and the most obvious sign was the Sunflower Movement and occupation of Legislative Yuan in March 2014. Regardless of how debatable the Sunflower Movement remains (compare Hengjun 2014; Chen 2014), the social discontent behind it highlighted three major characteristics of Taiwanese political reality which were earlier underestimated in political talks with the Mainland.

First, the Taiwanese democracy is too strong not to be taken into account in high level diplomacy between Taiwan and the PRC. Taiwanese citizens seem not to accept any form of “managed democracy” anymore. It does not mean Taiwan's democracy is perfect. It does not even mean it is mature. While walking around Legislative Yuan sit–ins in March 2014 it was sometimes hard not to have the impression of witnessing a naïvely idealistic political happening. However, it was beyond discussion that the Taiwanese civic consciousness and democratic attitude became more than just instruments of local politics. In particular, the young generations raised in a post–martial law democratic environment perceive their right to participate in the political process as natural. They are independent elements of political reality that have to be taken into account by all the actors involved in Taiwanese politics or cross–strait dialogue.

Second, modes of thought of most of the established Taiwanese politicians have been changing too slowly since the end of the Martial Law (1949–1987) to fully match the modern social reality of the island. Just as the KMT under President Ma seems to have come back to an autocratic approach in managing the affairs of the state, so the DPP still has not rearranged its political tactics and too often depends on drastic, bellicose measures remembered from the first sessions of the free elected Legislative Yuan. The best proofs were the KMT's temptation to turn Legislative Yuan into a rubber stamp parliament in case of the Economic Cooperation Framework Agreement (ECFA) related regulations or explanations of DPP officials, that radical attitude is the only way to

win the attention of the public – just like it was in the first democratic years in the 1990s. Meanwhile, both dominant Taiwanese political parties did not prevent the growing part of the society from losing trust in politicians and turning its back on official channels of political communication.

Finally, regardless how paradox this may sound, the Taiwanese political scene lacked effective opposition. The DPP electoral win was a consequence of KMT failure rather than of DPP success. Obviously, the DPP remained the only force able to confront the KMT on the national political scene. However, it had no clear image of itself other than opposing the KMT far beyond the extent justified by the disproportion of political, social and financial assets between them. Despite an increase of popularity in opinion polls it seemed to be satisfied with being a label for opposition movements rather than a fully developed political alternative to the KMT (Decision Making Research 2015; *Liberty Times* 2015; Taiwan Indicator Survey Research 2015; TVBS Poll Center 2015). This led to a situation when the political scene was dominated by one party – the KMT – with a still strong organization and financial support, while the role of the opposition was to highlight potential problems not taken into account by the ruling party. At the same moment the opposition had no viable program how to actually deal with these problems, leaving the decision to the ruling party, which is particularly visible in the context of policies regarding economic cooperation with the PRC.<sup>1</sup>

These developments influence not just Taiwanese internal politics. PRC central authorities understand that the opportunities for active cooperation with Taipei are dropping down. Although the Sunflower Movement did not become the central element of the recent electoral campaigns in Taiwan, the social tensions that exploded in March 2014 translated into the worse ever results of the KMT in local elections (*The Economist* 2014) and eventually into a loss in the parliamentary and presidential elections in 2015, making future Taiwanese authorities less conciliatory to Beijing than under President Ma. The Mainland authorities have to look beyond ongoing political changes in Taipei and notice fundamental processes that have taken place in the Island over the last twenty years.

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1 For example, during meetings with the diplomatic corps, DPP representatives did not present alternative policies and limited themselves to criticizing the KMT and working on their PR skills. For a thorough analysis of DPP development and strategies that still shape the public image of the party see: Rigger 2011.

First, China has to find the way to counteract the slow but steady changes in dynamics of the Taiwanese economy. As the PRC's economy slows down and labor prices go up, Taiwanese enterprises, especially big ones, may slowly start to relocate their assets and naturally turn to other more attractive venues in East and Southeast Asia. If one takes into consideration that it is mostly big businesses that represent Taiwan in the PRC, the decrease of the PRC's political leverage on Taiwan may be noticeable. Of course it is impossible to absolutely substitute the Mainland by other destinations but economic diversification is not out of the question. After all, the Taiwanese economy had been developing before China's rise and Taiwanese businessmen have years of experience in entrepreneurship in the challenging international environment. Such developments may work against PRC interests by weakening the strongest incentive for closer cooperation with the Mainland.

Second, the Mainland has to manage the mounting negative social perceptions of Chinese investment in Taiwan. March 2014 highlighted the fact that for the Taiwanese public it is obvious that the Chinese economic expansion has a political background. A population of 20 million with an enormous export sector and high domestic saturation of services obviously is not a promised land for the PRC. Basing on purely economic analysis it may be assumed that Taiwan will not be flooded with Chinese business, if deals concerning free trade and free services will be accepted. Such an argument has one hidden flaw, though. If Taiwan is a relatively unattractive market for Chinese expansion and in the same moment is a political problem for the PRC, why would the Mainland push for closer economic cooperation. Thus, large scale Mainland investment is most often explained by an assumed political (and hostile to Taiwan) agenda. And it is hard to call such a stance of Taiwanese business circles exaggerated as Taiwanese businessmen have already expanded to the Mainland and have practical experience of the business reality in China. This also translates into a failure of the Mainland's soft power.

Third, China has to notice the socio-economic evolution of Taiwanese society. When the policy of economic engagement was introduced, the Taiwanese were still relatively coherent and egalitarian. These times are over, though. There is a growing gap between big business elites able to invest in the Mainland and the rest of the society. Thus, for the first time in Taiwanese modern history economic disparity becomes a social issue dividing the small and medium entrepreneurs, who form the majority

of the society and are afraid of competition with their counterparts from the Mainland, and big business representatives, who, thanks to economic assets, were closer to the KMT government, are interested in increasing service and trade mobility, and are far less dependent on the Taiwanese internal market. The interests of these two groups are different, sometimes contradictory, which generates a potential for new political divisions in the future. Taiwan has witnessed the first wave of alter-globalist discontent with modern capitalist system, which, because of the above-mentioned nature and consequences of investment in China, becomes naturally associated with integration with the PRC.

Despite the fact that the Deng Xiaoping's "two systems one country" approach introduced in the case of Hong Kong was originally designed for unification with Taiwan, it does not seem to be applicable in the cross-strait reality. The policy of "the Mainland buying out Taiwan" had run into obstacles requiring a change in the nature of the Taiwan-PRC dialogue. The Taiwanese economy is largely dependent on the Chinese market but diversification of Taiwanese investment is already slowly taking place. It is worth emphasizing that while the process is not entirely politically driven – Taiwan is a free market economy and Taiwanese businessmen realize the consequences of the Chinese economy slowing down – the Chinese economic expansion is politically motivated, which was already no longer possible to camouflage behind the high level diplomatic rapprochement of the Xi Jinping and Ma Ying-jeou administrations. The Taiwanese-PRC economic integration changed the Taiwanese reality not always in a way that is accepted by the society of the island. It seems that both the China and Taiwan administrations have to realize that the economic venue of closing the political gap between actors on the both sides of the strait is not entirely under their control. In some aspects it even seems to be working against them.

### **3. Taiwanese Political Background of the Cross-Strait Relations**

The most obvious sign of changes going under the radar of the high level diplomatic rapprochement between Taiwan and China was the Sunflower Movement. To the politicians' surprise students for almost a month peacefully occupied the Taiwanese legislature – Legislative Yuan. Although

the protests in March 2014 were organized against the ratification of the Cross–Strait Service Trade Agreement, negotiated between ROC and PRC authorities under the ECFA umbrella, in the broader perspective they should be interpreted as an emanation of political, economic and social changes going on unnoticed by the institutions of the political system.<sup>2</sup> All the undesired consequences of President Ma’s strategy suddenly resurfaced and turned out to be beyond the control of any political actor.

In the described circumstances, the key issue in terms of possible trajectories of development of Taiwan–PRC political relations was the political attitude of President Ma Ying–jeou. President Ma faced a problem whether to approach the modified model of “one China” proposed by the Mainland in a friendly manner. On one hand, it may have led to the acceleration of the unification process. On the other hand, it would not have been accepted easily by all Taiwanese citizens, most of whom seemed to prefer retaining the possible maximum of available sovereignty from China. The state of relations between Taiwan and the PRC seemed to be greatly influenced by his personal ambitions making the future to a relatively large extent dependent on his political decisions (excluding the possibility of regional security crisis involving the PRC). As far as formulating the answers to both questions is concerned, it seemed that his personal views and preferences may have been as important as political and economic calculations. It has to be emphasized, that he was the head of the strongest political party in Taiwan and the head of the public administration – what had put him in the very center of both Taiwanese politics and the cross–strait dialogue. Thus, to a large extent the way he tackled these problems had determined the outcome of the ROC 2016 electoral puzzle and the future of relations with the PRC.

Throughout the 25 years after lifting martial law the approach of both dominating political parties, the KMT and DPP, to relations with the PRC in Taiwan became much more balanced.<sup>3</sup> Actually both have resigned from the most radical propositions concerning declaring independence or unification. Despite the fact that the DPP and KMT still largely perceive each other in a 20<sup>th</sup> century context,<sup>4</sup> the most radical stances: full unifi-

2 For thorough economic and political analysis of the ECFA see: Chow (ed.) 2012.

3 For an exquisite analysis of the evolution of party politics in Taiwan see: Fell 2012, especially: pp. 84–112.

4 It seems that the demographic situation plays an important role here. The Taiwanese society experiences a demographic decline with an overrepresentation of older generations. From the political competition perspective, it creates a situation when the expe-

cation or outright independence, slowly became marginal. There seems to be three major historical reasons for that.

First, both major Taiwanese parties had largely eliminated the competition and broadened their electoral platforms. This process, just like in the case of any maturing democracy, leads the dominant parties to moderate their approaches to fit the broader range of followers. For example, terms “Blue” or “Green” are more and more often associated with the KMT and DPP respectively, and less with Pan-blue and Pan-green coalitions of political parties. Another example is the relatively low support for the Taiwan Solidarity Union, which is the most radical party advocating Taiwan’s full independence present in Legislative Yuan.<sup>5</sup> The same fate was met by the New Party, which was created as a result of a departure of the right wing pro-unification KMT members from the KMT in the 1990s (Central Election Commission; “Frozen Garlic”). It seems that both the DPP and KMT try to control its radical members not to lose its steady and wide pools of supporters.

Second, even the short history of democratic Taiwan shows that radical propositions raise the risk of party splits, which in turn lead without an exception to worse electoral performance. The best example is the split in the KMT at the beginning of the 21<sup>st</sup> century, which resulted in the first victory of DPP candidate Chen Shui-bian in presidential elections. Despite the fact that the KMT originating candidates, James Soong and Lien Chan, together had more supporters than the DPP candidate, none of them were able to beat Chen Shui-bian individually (Fell 2012, p. 60). Another example is the People First Party, created as a result of James Soong’s split with the KMT, which slowly loses social support (Central Election Commission; “Frozen Garlic”). One may conclude that Taiwanese politicians have learned to avoid radical forms of disputes between party factions.

Finally, one should not forget about the deterioration of relations with the PRC during the first and second term of DPP presidency. It was largely an effect of Chinese hostile reactions toward Chen Shui-bian’s real and alleged moves toward Taiwanese full independence. Despite the fact that in the short run Taiwanese business found ways to go around PRC

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riences of people still remembering the end of martial law may dominate the younger generations, which are naturally less inclined to perceive the political situation through historical lenses and still further away from political decision-making circles.

5 For survey results since 2000 check: Central Election Commission; “Frozen Garlic.”

restrictions and continue investment in the Mainland, lack of developments in the public dimension of international relations created space for closer Korean–PRC economic ties, what in the long run translated into the deterioration of the competitiveness of Taiwanese economy.<sup>6</sup> These developments seem to have made both dominant political parties and the Taiwanese society as a whole less prone to radicalism and more conciliatory towards the PRC, as well as made radicals in both parties reconsider their stances. The limits of this conciliatory attitude was shown by the Sunflower Movement, though.

When it comes to contemporary relations with the PRC, their picture is strongly influenced by President's Ma Ying-jeou personal ambitions. The president became an icon of pro–Chinese policies and his increasingly autocratic approach in enforcing them has led him to a one digit support in the polls (Muynard 2010). This situation provided the DPP with political ammunition as well as led to visible tensions within the KMT. If one analyses the president's biography more closely however, the scope of his autocratic ambitions is far less surprising. In the beginning of the 1990s, he was serving for a period of time (1991–1993) as a deputy of the Mainland Affairs Council (MAC), a cabinet–level body in charge of cross–strait relations. He was also showing a predilection to look for some sort of unifying agreement with the PRC. It is remarkable that many observers of Taiwanese politics expected him then to join the New Party – representing a radically pro–unification political stance (Ming–sho 2010). It is also worth remembering that as a Justice Minister he opposed some initiatives to cancel the remains of martial law in the penal code (Wang 2011). At the early stage of his career he was sometimes even labeled as opposing democratic reforms.

All the aforementioned issues seemed to be covered by his popular anti–corruption campaign and successful mayoral rule in Taipei (1998–2006). Throughout his first presidential term he was also perceived in sharp contrast with the unfolding and unprecedented political scandal concerning his predecessor – Chen Shui–bian (*The Guardian* 2009). This has certainly worked in favor of Ma's more positive picture. However, already then he was obviously eager to ameliorate the relations with the PRC. After Ma Ying–jeou formally took office, his policies have been largely pro–PRC and have been seen by critics as part of a long–run scheme to

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6 For example, advances in Republic of Korea (ROK) – PRC Free Trade Agreement talks – ROK is the major competitor for Taiwanese IT industry.

steer Taiwan to eventual unification. Already in 2008 Ma stated that he hopes that a cross-strait peace accord could be reached during his term in office. Some critics even argue that Ma, rather than follow his campaign promise (“no reunification, no independence, and no war”), has been following his father’s will instead, Ma Ho-ling (a Director at Youth Supervision Committee of the Executive Yuan and Vice Chairman of Performance Committee of KMT) whose final words were “Repress independence supporters; Lead (Taiwan) to unification” (*The Wall Street Journal* 2015). His ambitions have even brought common jokes about his will to be the first Taiwanese president to shake hands with the president of the PRC, which turned out to be true in last months of his presidency.<sup>7</sup>

One may put a general statement that while a more resolute stance toward China has been more popular in Taiwan, President Ma has shown increasing fondness to reach out to the PRC. In effect, he was one of the least popular Taiwanese politicians, representing the KMT’s old guard’s rather than society’s views on cross-strait relations. However, as the head of the public administration he was still able to enforce his will regardless of public criticism. As the chairman of the KMT he kept pushing the party toward a more pro-Chinese stance than actually the majority of KMT officials enjoy. This even led to KMT infighting, highlighted by the Ma Ying-jeou – Wang Jin-pyng (the President of Legislative Yuan, KMT member) conflict during the Sunflower Movement protests (*The South China Morning Post* 2013).

According to political logic, it seems that with the end of Ma Ying-jeou’s second presidential term the KMT should go back to a more balanced approach to PRC-Taiwan relation related issues. Such calculation is based on the fact that the KMT as a political party should care about

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7 For many observers Ma’s increasingly conciliatory approach toward the PRC is particularly visible in terms of evolution of his attitude toward the Tiananmen Square Protests. Prior to his election as ROC President, Ma was known to be a very vocal supporter of the Chinese democratic movement and had stated that unless Beijing admitted their wrongdoings at the Tiananmen Square Protests, there would be no talks about reunification. This changed dramatically after he won the presidential race. Especially DPP officials and followers criticize him for praising the PRC on human rights and his steady departure from his mayoral times’ critical view of the Communists’ handling of the 1989 protests. This was vividly apparent in June 2009, during the anniversary of Tiananmen Square, when a leader of the Chinese democracy movement and then student leader Wang Dan visited Taiwan, as in previous years, to meet with Ma to discuss about human rights and democracy in China. Ma postponed the appointment several times and eventually cancelled it. In a press meeting with DPP Chairwoman Tsai Ing-wen, Wang Dan remarkably noticed how different from “Mayor Ma of Taipei City” has “President Ma” become.

building a stable electoral base, which requires adapting a less pro–unification approach than the one represented by the present president. Unfortunately for KMT too much depended on how Ma Ying–jeou would exercise power, though. He had proven to be ready to use it to push his view forward (the service–pact case being the most evident example) and to use exclusion from KMT membership as a tool to subordinate inner party opposition (Ma–Wang conflict during Legislative Yuan occupation, reshuffling in the public administration in the middle of the 2014). Months before parliamentary elections the KMT candidates seemed to be caught in between the president’s ambitions and society’s electoral preferences. As Ma had enforced his will and kept on promoting pro–unification members with a long political history, he created an unfavorable image of the party petrified in the past and lose a lot of electoral appeal. In the future however, if KMT members manage to distance the party from Ma’s stance and push forward younger and more popular representatives, they will be able to capitalize on the strong electoral base and unparalleled financial and administrative support to rebuild the earlier, dominant political position.

#### 4. What Comes Next

November 29, 2014, proved to be a shocking day for the KMT. After a decade of dominance in local government and Parliament, it suffered the worst defeat in the island’s electoral history. It kept hold of just 6 of the 22 municipalities and counties, while the opposition – the DPP – scored 13 for its side (Huang 2014). Many foreign observers attribute the results to a setback in cross–strait talks between Taiwan and China caused by the Sunflower Movement and to the Hong Kong protests that came a few months later. However, while the Sunflower Movement and Grand Central sit–ins have been catching the foreign media’s attention, in Taiwan they were in a background rather than in the fore of the political campaign. From the local perspective, the November elections’ results were yet another proof that the leading Taiwanese politicians’ ambitions cloud the aspirations of the society they represent (Glaser & Vitello 2014). The Parliamentary and Presidential elections’ results were just a mere confirmation of this fact.

The loss creates a space for soul–searching and correcting the political course. In the longer run, according to electoral logic it seems that with the end of Ma Ying–jeou’s second presidential term the KMT should develop

an approach more centered on Taiwanese issues and go back to more balanced approach to PRC–Taiwan relations. Such calculation is based on the fact that the KMT as a political party should respond to the electorate’s preferences and adapt more socially conscious policies emphasizing a less pro–unification approach than one represented by the present president and KMT old–timers. Middle level KMT candidates seemed to be caught in between the president’s ambitions and society’s electoral preferences. The question of central importance concerns the KMT’s approach to the challenge. It seems that the key problem is to find new impulses for economic development as the limits of socially acceptable economic and cultural integration within the existing framework of contacts with the PRC have been reached. The inability of the KMT to make Taiwan business and society to overcome limitations in regard to international, non–Chinese competition, remains the most important issue here. From a social perspective the 2010 ECFA and one–sided Taiwanese concessions are not entirely functional for Taiwan. This generates growing social frustration which can no longer remain not addressed.

However, it is worth noting that such a state of facts is not functional also for the PRC. The fundamental goal of the Mainland is to further accelerate the cross–strait dialogue. PRC leaders are conscious that they urgently need to begin the political dialogue with Taiwan, as the term of Ma Ying–jeou comes to an end in 2015 (presidential elections will take place in January 2016) and many political forecasts show a growing possibility of a victory of his political opposition.<sup>8</sup> This in turn may slow down and limit Beijing’s opportunities to peacefully exercise influence on Taiwanese politics. However, if the political dialogue is to accelerate within the today’s framework of ROC–PRC relationships, the framework itself is insufficient to develop a sustainable political dialogue with Taiwan.<sup>9</sup> Thus, from the Mainland’s perspective the goal for the coming years is to develop together with Taiwan a common understanding of the “one China” policy, which may allow to accelerate the political dialogue.

The goals of Beijing’s policies toward Taiwan seem to be concentrated on the development of a positive image of the PRC based on soft power rather than economic omnipotence. This is confirmed by readiness to

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8 Editor’s note: presidential election was won by DPP Chairperson Tsai Ing–wen.

9 The 1992 consensus assumes a wider scope of Taiwan international space, development of military trust and finally peace agreement.

sign the ECFA agreement and to erect trade offices on both sides of the strait. One may form a conclusion that the PRC is somehow ready to acknowledge the administrative jurisdiction of Taipei on Taiwan. Accepting Taiwan administrative competencies has its limits, like not accepting “two Chinas” in practice of international organizations, though. Taiwan’s activity in some international organizations as a non–state and de–sovereignized entity was accepted by the PRC. Thus, one may state that Taiwan’s pressure on broadening the scope of international organizations it is active in, is a sort of a confirmation to the international community that Taiwan acknowledges such a status. This leads to a conclusion that the consequences of President Ma’s political success in 2008 were: (a) strengthening the administrative independence at the cost of limiting sovereignty, and (b) strengthening Taiwanese consciousness of the society at the expense of more passive approach to the unification scenarios. However, after several years these processes are conflicting with one another, as the Sunflower Movement has showcased.<sup>10</sup>

The changes in Taiwanese internal politics raise a more general question about the nature of the Taiwan’s future international behavior. The strategy of the KMT–PRC getting closer was possible in context of the PRC’s economic rise and the PRC’s growing soft power. It was realized on the basis of high level diplomatic involvement. It seems that the strategy grew too old to match the 2016 Taiwanese reality. The PRC’s economy slowed down, which slowly makes Taiwanese business to look for other markets. The PRC’s soft power suffered due to the Hong Kong protests. The high level talks without consulting the public were one of the reasons of the Sunflower Movement formation. It seems that Taiwanese democracy is simply too strong to be managed the way it was before.

From the foreign perspective it is important to emphasize that the cross–strait relations actually played a secondary role in the 2015 parliamentary and presidential campaign. It is also important to notice that

10 One should also take into account a potential international crisis involving the PRC – especially in the vicinity of Taiwan, which may generate an electoral swing against the KMT. The way the PRC has been dealing with the Crimea crisis seems to point out that China is still able to exercise a balanced and sublime international strategy to appease international society. The East China and South China Seas are a different problem, though. Taiwanese society after March 2014, especially young voters, may be more afraid of the PRC’s ambitions regarding Taiwan (Beijing’s soft power definitely suffered because of the Sunflower Movement, not to mention occasional setbacks, like the academic scandal during the Confucius Institute conference in Portugal in August 2014).

the results did not cause significant changes in relations with the Mainland. Throughout the campaign the DPP candidates pledged to keep good relations with PRC sister cities and not to rock the boat in case they win. Numerous candidates promised to continue and facilitate business with the Mainland. In fact, the DPP representatives active in local government prior to the elections already have a good record in that respect. The local population is obviously weary of excessive rapprochement and the way the Mainland managed the Hong Kong protests tarnished the image of the PRC even further. However, opposite to foreign assessments the cross-strait dialogue was never a dominant element of the campaign.

The possibility of changes in Taiwanese politics, both in terms of change of guard within the KMT and of DPP electoral wins in 2016, requires to maintain a higher than before level of attention to the domestic developments in Taiwan. It also requires to further monitor the PRC policy toward Taiwan as it may become a swing factor in the island's internal affairs. President Xi's harder approach with no apparent new incentives for Taiwanese to continue along the PRC-ROC course under Ma will definitely play against the interests of advocates of further rapprochement. It may also work against the PRC's interest in the context of the United States (US) presidential elections in 2016, when relations between the US and PRC may be exposed to many tests. Nevertheless, if China is planning to keep what it has already gained, it needs to depend more on encouragement than threat.

It is also high time for the Western countries to notice the social consensus around the democratic system in Taiwan. Taiwan belongs to the democratic world. It corresponds to something more than just formal institutions. It refers to common democratic values remarkably implemented in Taiwan. As the electoral dust settled the most important aspect in Taiwanese politics proved to be, both in internal and international terms, the growing identification of the local population as Taiwanese rather than Chinese, especially among the young generation. In the future this involves a possibility of growing aspirations of the islanders for recognition on terms at odds with Beijing. Those who more closely follow the cross-strait dialogue may point out, that it is not the first time when Taiwanese identity resurfaces in regional politics. One of accusations against Chen Shui-bian was to play this card in the DPP political campaign, with no regards for the stability of relations with the

Mainland. This time however, it started to develop genuinely outside of the formal political establishment. By all means it is a factor that should not be underestimated in the complex geopolitical reality of the South and East China Sea.

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# **The Economic Relations of the United States and China over the Years 2005–2015**

*The author concentrates in the paper on the trade and financial relations between the United States of America and People's Republic of China over the period 2005–2015. The growing interdependence of the two leading economies on the Western (the US) and Eastern (China) hemispheres undoubtedly is a salient factor in global economy that needs to be scrupulously studied. The geoeconomic competition between the two states overlaps the concomitant geopolitical rivalry. It is one of the most germane phenomenon in the global economic and political relations of the contemporary world.*

**Keywords:** *US, China, US–China trade relations, US–China financial relations, US–China economic relations, trade, finances, US economy, Chinese economy*

## **1. Introduction**

Over the last decade extraordinarily important and substantial changes took place in the global economy. Many of them were related to occurrences, developments and processes happening within the Peoples' Republic of China (PRC), the United States (US) and between these two biggest world economies. According to the experts of the International Monetary Fund, China in 2014 overtook the US as the world's largest economy measured in overall GDP adjusted for power purchase parity. This is an occurrence of giant economic and political significance. It would not be an exaggeration to state that the economic relations of China and the United States are nowadays the most important for economic prosperity of the whole globe. In the paper the author is going to focus on

the US and China's economic relations in the last 10 years with particular attention to trade and financial matters.

The author tries to answer briefly for the following research questions in the paper: what are the main tendencies in the bilateral US–China economic relations; what are the most disputable issues in economic relations of these two powers as well as in what direction are both countries' economic relations evolving. The main thesis of the article is that the US leaders are increasingly worried about the augmenting financial weight of China in the world that, from their perspective, might constitute a serious threat for the primacy of the US dollar and, more broadly, the US economy in the world.

The article, except for introduction and conclusion, consists of three parts dedicated in sequence to: the US–China trade relations, the US–China disputations over the yuan's currency rate, and the US–China rivalry for global financial dominance in the world.

## 2. The US–China Trade Relations

The US routinely has huge trade imbalances in its trade with the PRC. Even worse for the US government, these trade imbalances present a clear tendency to grow over time. As Table 1 evidently displays, the US's exports to China increases year by year, nonetheless China's exports to the US grows every year in even higher numbers. Only in 2009 – the year of global economic depression did the trade between two powers temporarily drop. In the remaining years of the last decade it always grew.

**Table 1. US trade in goods with China 2005–2015**

Year	Export	Import	Balance
<b>2005</b>	41,192.0	243,470.1	-202,278.1
<b>2006</b>	53,673.0	287,774.4	-234,101.3
<b>2007</b>	62,936.9	321,442.9	-258,506.0
<b>2008</b>	69,732.8	337,772.6	-268,039.8
<b>2009</b>	69,496.7	296,373.9	-226,877.2
<b>2010</b>	91,911.1	364,952.6	-273,041.6
<b>2011</b>	104,121.5	399,371.2	-295,249.7
<b>2012</b>	110,515.6	425,619.1	-315,102.5
<b>2013</b>	121,746.2	440,430.0	-318,683.8
<b>2014</b>	123,620.7	468,483.9	-344,863.2
<b>2015</b>	116,071.8	483,244.7	-367,172.9

Source: U.S. Census Bureau, viewed September 20, 2016, <https://www.census.gov/foreign-trade/balance/c5700.html>.

As Tables 2 and 3 unequivocally show, excluding Hong Kong, the US is the main destination of exports from China and China is the main source of the US imports. It should be underlined that a large part of China's exports to the US is the so-called processing trade. That means that China's economy imports many goods from other, mostly Asian, states, processes them and then exports new, processed goods to the US. As a consequence a relatively large portion of the Chinese exports to the US has a low value added or, in other words, is not very profitable (Kastner 2015, p. 117).

**Table 2. Main destinations of China and the US's merchandise exports in 2014**

Main destinations of China's merchandise exports	Percentage of total China's merchandise exports	Main destinations of US merchandise exports	Percentage of total US merchandise exports
1. United States	17.0	1. Canada	19.3
2. European Union (28)	15.9	2. European Union	17.1
3. Hong Kong	15.5	3. Mexico	14.8
4. Japan	6.4	4. China	7.7
5. Republic of Korea	4.3	5. Japan	4.1

Source: World Trade Organization, viewed September 20, 2016, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=CN%2cUS>.

**Table 3. Main destinations of China and the US's merchandise imports in 2014**

Main destinations of China's merchandise imports	Percentage of total China's merchandise imports	Main destinations of US merchandise imports	Percentage of total US merchandise imports
1. European Union	12,4	1. China	19.9
2. Republic of Korea	9.7	2. European Union (28)	17.8
3. Japan	8.3	3. Canada	14.8
4. United States	8.2	4. Mexico	12.5
5. Taiwan	7.8	5. Japan	5.7

Source: World Trade Organization, viewed September 20, 2016, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=CN%2cUS>.

Over the last decade many trade disputes have emerged between the US and China. As of March 2015 China and the US were engaged in 16 trade disputations in the World Trade Organization (WTO) (Morri-

son 2015, p. 46). During the period 2005–2014 the US government sued China 13 times for not complying with the WTO's regulations. These disputations concerned the following issues: auto–industry (World Trade Organization 2015a, 2015d), export of broilers (World Trade Organization 2015b), wind power equipment (World Trade Organization 2015l), flat–rolled electrical steel (World Trade Organization 2015f), electronic payment services (World Trade Organization 2015c), restriction on exports of different raw materials (World Trade Organization 2015n), grants and loans given to Chinese firms on privileged conditions (World Trade Organization 2015g), financial information services and foreign financial information suppliers (World Trade Organization 2015h), audiovisual entertainment products (World Trade Organization 2015k), inadequate protection and enforcement of intellectual property rights in general (World Trade Organization 2015j), unfair granting of refunds, reductions and exemptions from taxes for Chinese companies (World Trade Organization 2015e), automobile parts (World Trade Organization 2015i) and the ban of exports of rare earth minerals implemented by Beijing (World Trade Organization 2015m).

In particular, the last case is worth a closer look due to the publicity it attracted and its importance for the global economy. Rare earth minerals is a group of 17 elements that can be found in the Earth's crust in relatively small amounts. Concurrently, these elements are crucial to a number of salient high–tech industries. China in its latest decades gained an overwhelming monopoly on the exploitation and processing of these minerals to the point where it accounts for 97% of global production. Chinese authorities at the breakthrough of the first and the second decade of the 21st century began gradually restricting the exports of rare earth minerals. The principal objective of this policy was to stimulate the development of the high–tech industry within China. China's moves on that subject were very unfavorable to major rare earth minerals importers, including the US (Morrison & Tang 2012, p. 2). As a response the US government together with Japan and the European Union initiated a dispute settlement case against the PRC within the frameworks of the WTO. In 2015 China lost the case in the WTO and had to lift most of its export restrictions to rare minerals, molybdenum and tungsten (World Trade Organization 2015m).

On its part China also took the US to WTO's tribunals for illegal trade practices six times. China initiated dispute settlements against the US as to the following matters: some questionable anti–dumping proceedings

involving China (World Trade Organization 2015q), undue duties on some products from China (World Trade Organization 2015r, 2015s), anti-dumping measures on shrimp and diamond sawblades from China (World Trade Organization 20150), certain passenger vehicles and light truck tires (World Trade Organization 2015t), poultry (World Trade Organization 2015p) as well as coated free-sheet paper (World Trade Organization 2015u). As we can see from these examples, the range of bilateral trade arguments between two major economies is quite wide.

The analysis of bilateral trade disputes between the US and the PRC in the WTO shows that the US twice more often sued China for violation of the WTO' rules than China sued the US. It is characteristic that a great deal of the trade disputes between the PRC and the US resulted either from the protectionist policies of China or the industrial espionage (especially cyberespionage) widely practiced by Chinese entrepreneurships. As well, a very liberal, to say the least, approach to the protection of intellectual property rights of foreign companies, is a constant motive in the US–China trade arguments (Dumbaugh 2009, pp. 1–2). Though sometimes the US experts opine that a growing concern among American consumers about the safety of the Chinese products is one of the main reasons for the bilateral trade disputations, a closer examination of the matter leads to the conclusion that it is more often a pretext to restrict China's quite competitive imports than a real threat for American consumers. In spite of setting up special bodies like the US–China Joint Commission on Commerce and Trade (JCCT) aimed, among other things, at alleviating trade disputes, it seems unlikely that in the nearest future the frequency of trade disputes between the US and China will diminish more than symbolically.

### **3. The US–China Disputations over the Yuan's Currency Rate**

Over the period subjected to the studies the US government almost constantly pressed China to let its currency revalue against the dollar. A good deal of rhetorical and verbal battles between China and the US on the "appropriate," "normal," "correct" and "fair" exchange rate between the yuan and dollar took place in the last decennary, particularly in the US Congress – US politicians tried to show their voters how much they care

for jobs in their states. The main reason for that pressure was the giant and still increasing deficits that the US economy had in bilateral trade with China. Overall, China was quite resistant to this pressure, despite the fact that from time to time the People's Bank of China (PBoC) made decisions to correct the yuan's peg to the dollar up. There were two rounds of the yuan's revaluation since 2005. The first round occurred in July 2005 when the PBoC raised the exchange rate of the renminbi to dollar from 8.28 to 8.11. This revaluation was widely unexpected and surprised the markets. From that moment on, over the course of the next three years the yuan gradually was revalued against the dollar to reach the level of 6.82 in July 2008, just before the financial crisis erupted. The second stage of revaluation occurred between June 2010 and August 2011. The yuan peg to the dollar was set at the higher level of 6.40 (Rickards 2012, p. 98). In the summer of 2015 it is salient to note that these revaluations were always conducted after scrupulous analysis of its effects. It ought to be emphasized that the Chinese central bank did not hesitate to depreciate the yuan in relation to the dollar, whenever it considered such a step to be right. For example, in the summer 2015 the PBoC unexpectedly appreciated the yuan to the consternation of US's authorities (Jackson 2015, pp. 1–2). With this move the PRC proved that it could refute the US's pressure when vital economic interests of China go into force. Diagram 1 presents how the yuan fluctuated against the dollar in the period subjected to analysis.

For the short period of time after the global financial crisis of 2008 it even seemed that the world was entering into a period of a real currency war between major economies, with China and the US as the major players. Fortunately, this did not happen, to a certain degree thanks to China's mild, responsible, and prudent conduct after a series of American unconventional steps in monetary policy that were to some extent oriented towards the devaluation of the US dollar. For China this Federal Reserve System's ultraloose monetary policy was unfavorable for two principal reasons. First of all, it made China's huge dollar-denominated holdings worth less. Even worse was importing the inflation from the US to China's economy. Due to the fact that China's currency was pegged to the dollar, any depreciation of the US dollar resulted in a quite proportional depreciation of the yuan. To maintain this peg between the renminbi and the dollar the PBoC had to buy dollars for newly printed currency. The more yuans it printed, the higher the inflation emerged in China.

**Diagram 1. USD/CNY over the last decade**

Source: Stooq, viewed September 20, 2016, <http://stooq.pl/q/?s=usdcny&c=10y&t=1&a=lg&b=1>.

The American politicians (particularly the Republicans) and some economists argue that the undervalued yuan had a considerable negative effect for the US economy, especially for the manufacturing sector. These people claim that if China's currency had not been undervalued, the US industrial firms would not move their manufacturing activities abroad. Despite these arguments, it must be stressed that the decline of job positions in the manufacturing sector of the US economy is a result of many various factors – the yuan's undervaluation is merely one of a multitude of them and, on top of that, it is definitely not the most important factor (Morrison & Labonte 2008, pp. 30–31).

As well, it must be highlighted that at least after 2008 not only China manipulated its currency. The US did it even more. Many economists believe that one of the main, although undeclared publically, reasons of quantitative easing policy carried out by the Federal Reserve was to weaken the dollar against other currencies (Rubin 2010). In this light it would be hypocrisy on the side of the US political and financial leaders to reproach China for notorious currency manipulation.

**Table 4. Basic economic indicators of the US and the PRC (2015)**

Economic indicator	US	China
GDP (PPP) [trillions of \$]	17.95	19.39
GDP (official exchange rate) [trillions of \$]	17.95	10.98
GDP per capita (PPP) [\$]	55,800	14,100
Gross national saving [% of GDP]	18.7	46.0
Labor force [millions]	156	804
Unemployment rate [%]	5.2	4.2
Inflation rate [%]	0.1	1.4
Gini index	45	47
Public debt [% of GDP]	73.6	16.7
Taxes [% of GDP]	18.1	21.3
Reserves of foreign exchange and gold [trillions of \$]	0.130	3.217
Exports [billions of \$]	1.598	2.270
Imports [billions of \$]	2.347	1.596
Current account balance [billions of \$]	-484.1	293.2
External debt [trillions of \$]	1.726	0.950
Stock of direct foreign investment at home [trillions of \$]	3.116	1.723
Stock of direct foreign investment abroad [trillions of \$]	5.191	1.111
Share in world total merchandise exports in 2014 [%]	8.53	12.33
Share in world total merchandise imports in 2014 [%]	12.64	10.26

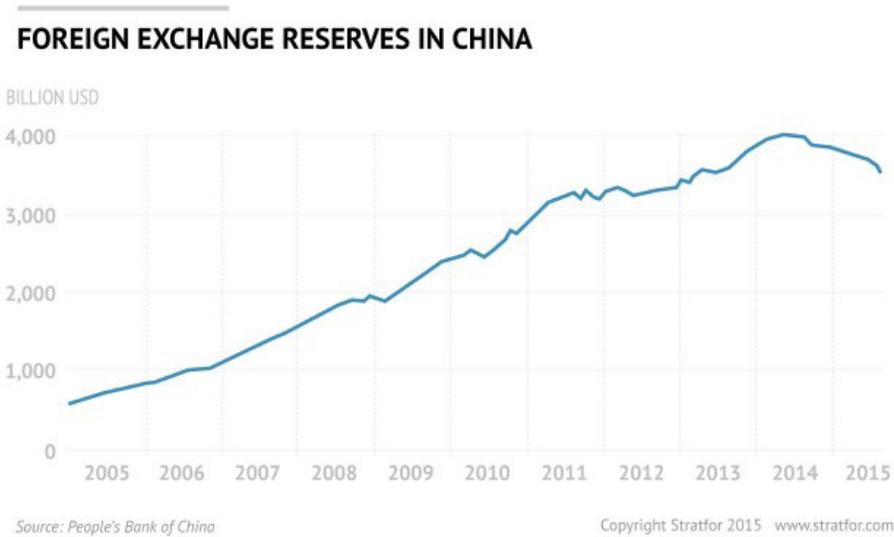
Source: CIA – The World Factbook, viewed September 20, 2016, <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> and <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>.

## 4. The US–China Financial Relations

Both the US and the PRC are heavily financially interdependent. Their financial relations is similar to the relation of a creditor (China) and debtor (the US). It is estimated that currently approximately one-third of the PRC's total foreign currency reserves is allocated in US Treasury securities alone, not including other dollar-denominated assets (Stratfor 2015a). The PRC, without a shadow of a doubt, is the biggest foreign holder of US Treasury securities. The constant huge Chinese trade surpluses enabled the PRC to gather gigantic foreign exchange reserves. Nowadays, China

undoubtedly could boast the biggest foreign exchange reserves in world. Diagram 2 shows how the reserves mentioned above increased over the last decade.

Diagram 2. Foreign Exchange reserves in China 2005–2015



Source: Stratfor, viewed September 20, 2016, [https://www.stratfor.com/sites/default/files/styles/stratfor\\_large\\_s\\_public/main/images/foreign-exchange-reserves-in-china.jpg?itok=omOnskKQ](https://www.stratfor.com/sites/default/files/styles/stratfor_large_s_public/main/images/foreign-exchange-reserves-in-china.jpg?itok=omOnskKQ).

Theoretically, the PRC at any moment could dump all the US Treasury securities on the global market bringing about a crisis of the US economy and giant turbulences in the global economy. If China ever did that, by that it would deal a very dire blow to the American economy. Nevertheless, such a highly hypothetical action would also be very harmful for China's economy. Beijing is not interested in the serious depreciation of the US dollar, because such a depreciation would entail the significant and undesirable real drop of value of China's foreign currency holdings. Even worse is the fact that such a move would certainly decrease the demand for China's goods in the US as well as other important markets and in consequence slow down the dynamics of China's GDP, concurrently raising unemployment in the Middle Kingdom (Morrison 2015, p. 30).

For the US, China is increasingly important as the largest holder of US Treasury securities. Its percentage of total US treasury securities hold-

ings raised clearly since 2005 from the level of 11.5% to 19.5% as can be seen in Table 5. It means that the US augmented its financial dependence on China in this period of time. Paradoxically, China has been financing and supporting the ailing economy of its main global adversary. This situation of mutual interdependence and interaction restrains both global powers. The US leaders are well aware of it. Perhaps the best proof for such a claim was revealed in an confidential US diplomatic cable. Namely, the former Secretary of State Hillary Clinton during her talk with the then Australian Prime Minister Kevin Rudd asked him rhetorically: *How do you deal toughly with your banker?* (Guardian 2009). By the “banker” she meant China.

**Table 5. China as a holder of US treasury securities**

Month and year	Grand total of US treasury securities [billions of \$]	Treasury securities held by Mainland China [billions of \$]	Percentage of total US treasury securities held by Mainland China
March 2005	1952.2	223.7	11.5
March 2008	2505.8	490.6	19.6
March 2015	6175.9	1261.0	20.4
July 2016	6247.9	1218.8	19,5

Source: U.S. Treasury Department, viewed September 20, 2016, <http://ticdata.treasury.gov/Publish/mfh.txt> and <http://ticdata.treasury.gov/Publish/mfhhis01.txt>.

There are some signs that within its broader aim of replacing the dollar with the yuan as the world main reserve and trade currency the PRC is covertly hoarding huge amounts of gold. In July 2015 the PBoC announced that it had amassed 1,658 tons of gold – 604 tons of gold more than the last time it released an announcement or update on that matter (Saefong 2015). Yet, most pundits do not believe that this data correspond to the truth. They claim that in reality China possesses much more gold in its reserves than it officially declares. The bulk of estimations waver between 2,700 and 5,000 tons of gold (Saefong 2015; Nielson 2015; Holland 2014), however sometimes much higher assessments are also given. There is much evidence and indirect proofs supporting this assertion. For example, the Middle Kingdom is the biggest producer of gold all over the world, yet it does not export the gold abroad at all. The demand from Chinese individual and institutional investors does not explain the gap. Furthermore, it

is not in China's interest to publicly admit that it is discreetly purchasing substantial amounts of gold because such a step would result in the rise in the price of this metal. Therefore, it is better to inconspicuously buy the gold at lower prices. Interestingly, it is probable that the PRC is doing this because in the future huge gold reserves in its possession would make the yuan much more attractive and credible as a reserve currency. It cannot be even excluded that in the long term the PRC will try to make the renminbi a currency backed by gold as was the dollar in 1971. Such a move would be an enormous challenge to the dollar's dominance as the leading world reserve currency.

One of the most important features of China's economic policy in the last decennium is its direction toward the gradual internationalization of the renminbi. This, in fact, directly binds China with the US, because the dominant standing of the American currency in the global trade and financial system is a direct obstacle in the realization of this ambitious Chinese objective. At the moment about 81% of global trade settlements is carried out in the US dollar, whereas merely 9% is conducted in Chinese currency (Nye 2015, p. 51). The long-term Chinese goal is to substitute the dollar as the dominant global currency. To attain this purpose China needs to essentially do three things:

- vastly increase the use of the yuan in global trade transactions (and at the same time decrease the use of the dollar);
- make the yuan fully and freely convertible in both domestic and international markets;
- make China's capital market very deep, favorable and attractive for investors from all over the globe.

Neither of these aims can be achieved in the short term. But as an ancient Chinese saying goes: "a journey of a thousand miles begins with a single step." Over the last 10 years China undoubtedly made the first relevant steps to reach this overarching distant purpose. Chinese authorities are by certain degrees letting more and more domestic companies settle their international transactions with the yuan instead of the dollar, yen or euro. In recent years Beijing struck several deals with many, mostly developing, states that determined to settle their mutual transactions in the yuan or through barter trade (Shambaugh 2013, p. 127).

Right now, at least by Western standards, capital control in China is very restrictive. For instance, Chinese citizens are not allowed to transfer more than 50,000 USD a year out of their motherland (Rickards 2015,

chapter 4). The yuan bond market is very small in comparison to the dollar bond market. Although it is quite likely that over time the dollar's weight in the Special Drawing Rights (SDR) basket will be diminished in favor of China's currency, the US seems to be hell-bent on inhibiting and extending this inescapable process for as long as it can.

The US on its part intends to keep the privileged position of the US dollar in the world and to preclude China from undermining its dominance by the yuan. The US has been blocking for years reforms of voting rights in key financial institutions like the World Bank and the International Monetary Fund that would increase the standing of China at its cost. The US government inhibits efforts toward the yuan's entrance into the SDR basket. Currently, this basket is not composed of the yuan at all. Moreover, the structure of China's economy is also disadvantageous for the substitution of the US as the main pivot of the global economy supplying the rest of the world with primary reserve currency. In order to do that, China should have a much bigger domestic consumption and imports than it has today. Bearing this in mind, one need to accentuate that Xi Jinping lately has made meaningful efforts to transform the PRC's economy toward that direction.

The Obama Administration overtly criticized China for its foundation of the Asian Infrastructure Investment Bank (AIIB). This bank was created from scratch from China's initiative. The prevalent opinion in financial circles is that the AIIB is a competition for both the Japan-dominated Asia Development Bank and the US-dominated World Bank. China's government seeing how the US (especially the US Congress) obstructed and hampered the voting right reforms in the International Monetary Fund and the World Bank Group, which would enhance China's influence and significance in global economic governance, decided to create the AIIB. Nonetheless, recently the US suffered a considerable defeat in its efforts. American diplomacy put a considerable pressure on its allies, particularly on Japan, the United Kingdom and Australia not to join the Chinese initiative. But to the US government's dissatisfaction only Japan decided not to accede the AIIB. The White House was especially angry after the British prime minister made the decision to join the AIIB. This move initiated a kind of a domino effect in Europe, because in the wake of the United Kingdom's government other European governments took the same decision. Of course, every government silently counted on gaining some big contracts for their firms from the AIIB and China. To put it simply, Eu-

rope preferred its own economic interests over the interests of the US and Japan. This case proves the thesis that though the US can slow down and prolong China's rise in global finance it cannot impede it entirely. This trend seems to be inevitable.

A paramount element of the US–China financial relations in regards to China's sovereign wealth fund's investments in the US. In 2007 China set up the enormous state-owned China Investment Corporation (CIC). At the outset Beijing granted the CIC 200 billion USD of initial capital. Since its foundation the fund invested much of its capital in the US financial sector. In 2007 the CIC bought a 9.9% share in Morgan Stanley – one of the biggest and most famous American investment banks (Martin 2008, p. 2). Some American policymakers did not welcome this and similar purchases. They argued that the CIC's investments were often politically-motivated and the fund was fully controlled by China's authorities which could be potentially dangerous for US national security. Some influential American politicians appealed for a painstaking revision of the US law in such a way as to obstruct or even entirely forbid China's sovereign wealth fund's investments in crucial US companies, especially financial ones. Others opted for enactment of the special limits on Chinese firms and funds as for the ownership of American entrepreneurships. In spite of such voices, the Bush Administration did not express its discontent with the CIC's purchases (Martin 2008, p. 21). The US did not push through very restrictive limits on China's sovereign wealth fund partly due to an apprehension that Beijing could respond with implementation of similar protectionist regulations that would largely impede the access of US financial corporations to the lucrative China's market.

## 5. Conclusion

China undeniably in the last decade has become a global economic center. Today its significance for the world economy almost equals the US position. The US in many respects is losing to China in economic competition. The role of the yuan in the global financial system is slowly but gradually rising. This process is inescapable. Chinese companies are becoming the biggest investors in foreign markets and a very relevant source of capital inflows for many states. The US corporations feel increasingly the competition of their China's equivalents. The Middle Kingdom's financial might is rarely disputed. The American policymakers are increasingly

worried that China sooner or later may successfully undermine the US dominant position in the world financial system. The PRC appears to be determined to expand the role of yuan in global trade and finances as well as to enhance its economic influence in major financial institutions. Some specialists claim that the Trans-Pacific Partnership (TPP) trade agreement that had been finally agreed upon is nothing else but a try on the side of the US to preserve the American hegemonic position in the face of a vividly rising Chinese economic power in the world (Stratfor 2015b). Even though the TPP was not originally an American idea, it was furthered and supported by the White House as a response to China's economic expansion in the Pacific basin. Many commentators assert that, as a matter of fact, the TPP is to a certain degree an anti-China trade bloc. US President Barack Obama aptly expressed purpose of the US foreign economic policy with the following words: "If we don't write the rules for trade around the world, guess what? China will" (Schuman 2015). One may only add to these words that not only the trade rules but also financial rules come into play. A contest between two world powers for control of global trade, finances and economy is not by any means a pure fabrication, but an obvious fact.

These hard facts, beyond any doubt, point out that China's government pursues more influence and power in running the global trade and financial systems. In contrast to Beijing's expectations, the US authorities attempt to diminish and maximally slow down the shift of financial power from the US to China. The US political and financial leadership with undisguised unease and concern looks at these Chinese ambitions and aspirations to more actively participate in shaping the world economic system in its favor and to its advantage. Notwithstanding this rivalry, one should bear in mind that both powers are restricted in their actions by the plain truth that they are economically interdependent to a considerable extent. That is why they cannot push through their economic interests and desires too aggressively without taking into account the interests and wishes of the second partner as well as the third parties. Integrated and independent global markets are an additional factor that restrains China and the US in their moves.

It seems that the US will have no other option but to eventually recognize the augmenting Chinese financial might and allow it to have a more serious say in leading world financial institutions. The US someday will have to come to terms with strengthening the Chinese position in the global economy. Any desperate steps aimed at either reversing or sup-

pressing this unavoidable trend are simply doomed to failure, even if some American policymakers may still delude themselves that they will be able to do it. China intends to be more active in managing the world economic system and no power, regardless how determined it is, will be able to obstruct it in the long run.

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# Changes Within the Democratic People's Republic of Korea's Society: Involvement of the Non-Governmental Actors

*Non-Governmental Organizations (NGO) activities in the Democratic People's Republic of Korea (DPRK) are specified by missing mutual diplomatic representation between the two Koreas, and also between the DPRK and the US. This fact helps to increase the importance and prestige of NGOs, the role of individuals and groups in cultural, sport and civic exchanges when participating in mediation of humanitarian and development aid to the DPRK. The entrepreneurs, who are willing to invest in DPRK (despite the adverse conditions) and employ North Korean workers, play an irreplaceable role as well. A summary of these activities provides an overall picture of the presence and impact of non-governmental actors.*

**Keywords:** *Democratic People's Republic of Korea, North Korean society, non-governmental actors, famine, Juche, sanctions*

## 1. Introduction

When the hard grip of the Soviet Union weakened in the second half of 1980s, the Eastern European nations lost their "center of gravity" and they were left for themselves. After four decades they could encounter a new wind of changes. It was right after the fall of the Berlin Wall in 1989, when other East European regimes<sup>1</sup> started to fall like "leaves from a dead tree." People in the Eastern European region had a dream that oth-

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<sup>1</sup> Poland, Czechoslovakia, Hungary, Romania, Bulgaria.

er communist countries around the world as well could be freed from the shackles of communism. But reality was somehow different. Few of the remaining communist countries underwent some form of transformation (China, Vietnam), while the others did not at all (Cuba and North Korea). The hope that came from Eastern Europe was unfounded for North Korea at that time. Simply said, the situation in North Korea was not ripe for change yet (Frank 2010, p. 6).

For the past 25 or so years we have been witnesses to a periodical recurring phenomenon of the DPRK's collapse predictions. There are numerous scholars, "Pyongyang watchers," former advisors on North Korea and even North Korean defectors who predicted a collapse of the North Korean regime over and over again (Rosen 2012). On the contrary, there are also those who oppose that idea (Lynn 2012). Nonetheless, even after 70 years the Korean Peninsula is still divided and for external observers it seems that the North Korean regime remains stable today (partially seen from the perspective of successful power inheritance from Kim I to Kim II and finally to Kim III).<sup>2</sup> We observe that the changes in the international environment together with sanctions against the regime have not contributed to its collapse. We could have concluded that the predictions of the North Korean collapse expected to happen right after the end of the Cold War were made on wrong assumptions and, very likely, the North Korean regime is going to survive another decade or two. But it is essential not to make the same mistake in predicting the future when the surge of changes within North Korean society happens now.

What is the probability that the North Korean regime will survive another decade? Many experts tend to believe that the regime under Kim Jong-un has embarked on the path of reforms and this will enable him (with support of regime friendly China) to ensure the continued persistence for a long time (Ulfelder 2012). But the "reforms" are more ideological proclamations of the regime with an intention to hide structural problems of society targeting the vulnerable population. And there is no guarantee that China will continue to provide subsidies (food, crude oil or other commodities) worth 1 billion USD per year (Manyin 2014, p. 15) in the next future without no return value (except quasi stability on the Korean Peninsula) and to have a protective hand over North Korea (Babson 2013, p. 163). If not, the fate of North Korean collapse is inevitable. Despite of proclaimed stability there are certain signs that the

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2 Kim I refers to Kim Il-sung, Kim II to Kim Jong-il and Kim III to Kim Jong-un.

North Korean regime is gradually declining. It could be perceived from various perspectives – economic, political, strategic, military, societal etc. As Bruce Bennett (2013, p. 6) said outspokenly “A collapse would clearly be the more challenging case, and thus it makes an appropriate focus for planning.” It is better to be prepared in this non predictable environment.

In fact, this paper is not focusing on counting the probability of the North's collapse. It is rather an account of possible implications of non-governmental activities that have been present in DPRK for the past twenty years, and how are they connected to a change within North Korean society that could undergo in the near future.

## 2. A Picture of North Korean Society

Historically, Korean society (regardless whether in the North or in the South) has always been highly stratified where place of birth, inborn social status, family origin, etc. determined the value and valence (proximity to the center of power) of an individual (Collins 2012, p. 6). Communism did not change this characteristic, only regrouped it. North Korea's geographical conditions, namely mountainous terrain, richness in natural resources, scarcity of arable land,<sup>3</sup> relatively higher concentration of industry compared to the southern part of the Korean Peninsula are essential in explaining the structure of North Korean society (Noland 2004, p. 19). These left deep imprints in the overall structure of the society in the North even before the peninsula's division.

Another aspect that predestined the character of North Korean society was ideological foundations of North Korea. In short, the ideology<sup>4</sup> evolved over time and developed into a mixture of remains of Confucianism, anti-imperialism and colonialism, North Korean nationalism, strong sectarianism (regionalism, origin of birth etc.), Marxism (only minor), Stalinism and self-reliance (Myers 2010). It is referred to as “Kimilsungism” or Juche ideology (in Korean: *Juche sasang*). This in turn conditioned the creation of societal structure which perfectly reflects these ideological predispositions.

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3 In fact, one of the reasons why Kim Il-sung started the Korean War was to gain access to arable land rich South, in order for Korea to be independent of external powers.

4 Kim Il-sung is officially the author of the Juche ideology, but in reality it was a team of his ideologists.

The last, but not least, aspect when looking at North Korean society is the relatively high degree of urbanization (compared to other Asian countries – China, Vietnam, Philippines etc.) that raised over decades. So, currently around 70 percent of the population in North Korea lives in cities. Unlike the Chinese who are still living mostly in the countryside and who can sustain themselves due to their farming lifestyle, the North Korean urban population have no such a choice. They are heavily dependent on food subsidies from farmers.<sup>5</sup>

It was this reasoning based on which the North Korean regime developed its Public Distribution System (this concerns not only food, but extends also to daily necessities such as clothes, shoes, radios, home appliances and TV sets – actually given as incentives during public holidays, in order to maintain a gratitude of the people to the Great Leader who was said to be the donor in person of these gifts) in the 1950s and 1960s and the central government used it very wisely as a tool for manipulating the whole population (Lankov 2013, p. 107). The regime did not choose money as the sole means of expressing labor value.<sup>6</sup> The easiest way to control the ordinary people is through the very basic needs – food and shelter. The government promised to supply people with their basic necessities as far as the people were loyal to the government. If not, they were cut off from food, kicked out of their homes, moved to the countryside or eventually sent to a labor camp (for re-education). In this way, the whole population was not only under strict control but they were deprived of the desire to live in an oppression-free society.<sup>7</sup> In this way people became passive in relation to the state, expecting nothing more than meeting their basic physiological needs. Even farmers working in collective farms, technically owned by state, were not allowed to possess private plots exceeding 100 m<sup>2</sup> (many times even not that much). Whereas farmers in other communist countries who were able to sustain themselves or even help other family members, their North Korean counterparts were heavily dependent on rations, even if they themselves produced food for the whole state (Frank 2010, p. 6).

Gradually a “3-tiered” structure of North Korean society, based on proximity to the center of power, evolved over time (Lankov 2013, p. 122).

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5 This phenomenon is vital during the whole history of North Korea, not only for a specific period as it was in the case of China or other Communist countries.

6 Wages are a mixture of salary expressed in money, combined with rations and different kinds of subsidies.

7 That they have never experienced – 40 years of Japanese colonialism turned to Kim’s despotic regime right after liberation.

The highest in ranking is a privileged group composed mainly of members of the Kim family loyal to the Leader, Kim Il-song's comrades in arms from guerilla fighting times and their descendants, highest party cadres and army generals. The second and largest group, which is located in the middle of the social standing, are common people striving to survive every day, together with the vast group of middle and low level officers, bureaucrats and party members (who were even under stronger surveillance from power forces). There is also a third group – politically “untouchables” who lost their social status due to adversity of the regime or sometimes caused by external conditions (a family member accused of treason). Transferring from one group to another (from lower to higher) is almost impossible (Lankov 2013, p. 124). This is the reality of “classless” society formally proclaimed by the regime. North Korea from its inception imposed the system of total control, widening its range and depth after the end of the Korean War. So, virtually every North Korean citizen has been thrust into a system of surveillance and ideological indoctrination – the “organizational life” in a workplace<sup>8</sup> along with the “inminban”<sup>9</sup> system in a neighborhood (Lankov 2013, p. 118). Army and police have an irreplaceable position in this system. The regime tries to control people's activities (at work or at home) through not letting them have a private life, but live and concentrate their thoughts solely on work for the “socialist paradise” and central ideology. The magnitude of subjugation exceeded even that of Stalinist Soviet Union. If compared to other socialist systems around the world, the North Korean regime resembles much more Soviet style (known also in Central and Eastern Europe) than Asian style (in China or Vietnam) (Myers 2010).

### 3. Structural Changes Within North Korean Society

Everything would go well and the regime would have persisted in an unchanged form until today if not the turning point at end of the 1980s and beginning of the 1990s. Until the 1990s there was no internal source, or a driving force of reforms that could have initiated possible changes of North Korean society – no civil society, no opposition (either political,

8 Everyone belonged to one of five organizations: Party Youth organization, Korean Workers Party, Trade Union, Agricultural Union, or Women's Union.

9 “Inminban” means local community in the neighborhood – one block of flats, near houses etc.

ideological or economic), not to speak about dissent.<sup>10</sup> But 25 years ago the international system suddenly underwent a substantial shift, getting rid of decades long Cold War divisions. North Korea found itself in unenviable position, isolated and unable to reflect changes in the international community. With cutting off the subsidies from “brother nations” (the Soviet Union, China, Central and Eastern Europe), the difficulties with sustaining its own population became even more visible. The North Korean regime, that was seeking more its own immediate survival than pursuing long-term solutions, showed a low ability to adopt to the new circumstances in the international environment which led to the sequence of unfortunate (but in advance easily anticipated) events that stimulated structural changes (Cha 2012, p. 12).

It was 1994 when the Public Distribution System (PDS) after years of difficulties to fulfill its basic functions finally collapsed across the board. In the coming years North Korea experienced the worst famine in modern history of a developed nation (Haggard 2007, p. 1). Not only that, a collapse of the PDS was only the first step, the others followed soon leading to an erosion of North Korean societal structure that brought about a disruption of the whole system at all levels. Self-reliance of the people in the means of income and food sustenance became the first objective of their everyday life. Since then North Korean society has changed and it will never be the same as prior to the famine. Even though the regime attempted to reverse that status (to return to the “good old days”) it was never successful. With the gradual, but inevitable collapse of the PDS in North Korea at the beginning of the 1990s, and the central government’s abandonment of its own people, the center of gravity shifted more and more to the heads of the people who were trying to feed themselves. The regime left no space for the people – they are caught in a trap. While the majority of men are involved in state collapsed economy (state-owned companies, government agencies, army, police), North Korean women embarked on a difficult path to provide income for their families. Currently more than 70 percent of household income comes from female entrepreneurial activities (Lankov 2013, p. 188). People rely on themselves, and not anymore on rations given by the government. It gave rise not only to dozens but hundreds of local markets (in Korean called *jangmadang*) that recently appeared all across the country where people (women above all) exchange goods, do barter or sell things to get hard currency – normally illegal in

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 10 Due to constant purges from the very beginning of the DPRK’s existence.

North Korea (to do private business and possess foreign currency). People involved in business have less time for ideological indoctrination that has actually weakened over two decades. They give bribes to local authorities who are responsible for regular ideology sessions in order to avoid them. Brian R. Myers's (2010) account on the current ideological situation in North Korea may be true but only for North Korean elites. Ordinary people are not bound to ideology anymore, they are more independent than ever before and the peoples' trust toward Juche has withered. Ordinary people can feel that the regime has nothing to offer to them and thus a gap between the government and people has grown even bigger.

Even though consequences of these structural changes are not met with physical reality immediately, rather they are steady and long run, these changes are unavoidable and what is more important, irreversible. The contrast is even bigger in North Korea where individual activity, private business or even farming for oneself was eradicated already in the 1960s and Kim's social experiment of a "classless" society appeared (Collins 2012, p. 9). It is therefore fascinating that mushrooming *jangmadang* markets gave way to the marketization and, as explained earlier, the politically stratified society of North Korea is gradually disappearing. On the other hand, another aspect of the polarization of North Korean society starts to prevail – wealth. But we cannot forget that a substantial part of the society is still marginalized, not only in the form of income, but also in access to resources (not only material, but also to education etc.).

But not everyone is able (or wants) to adapt to new circumstances. Some chose a different path – defection. Many escaped to China in the second half of the 1990s, never returning back. But there were also those who were able to earn some money and then came back to their families whom they left behind. Many started businesses, based on these experiences, illegally crossing the border with China and bringing back valuable and scarce goods. But for high officials to escape the system, they must have found a very good reason for it (as was the case of Hwang Jang Yop<sup>11</sup> and others). It is this condition that prevents elites from escaping from the North. And that is why defectors from the North in general have a lower educational background<sup>12</sup>.

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11 North Korea's main ideologist, marked as an original author of Juche.

12 If social stratification would be compared to a chemical bond then the closer an electron is to the nucleus, the stronger bond they have. And vice-versa, the more distant, the easier way out of the influence of an atom. The same characteristic could be applied to the society in North Korea.

When the East Asian nations were hit by “Hallyu” (Korean Wave) in the 2000s, North Korea was not an exception. At the end of the 1990s there were videos, in 2000 DVDs and currently USBs are being brought to North Korea (of course illegally) in droves causing ideological “pollution.” Those who defected to the South (and can afford them) make trans-border financial transactions to support left behinds (in the past Japanese Koreans supported their relatives in North Korea until the 1980s). The society that has been cut of any contacts with the outside world is now “online” (Lee 2013, p. 195).<sup>13</sup>

Rising economic polarization due to increasing wealth of the new business class together with political inequalities has brought about not only a break of equitable society but this has accumulated “free” money that their owners could spend on whatever they want. It was not in accordance with the classless society concept propagated by the government during the past 50 years. While the regime before could simply lie about the situation outside North Korea because the people had no idea what the external world looked like, currently no one is going to believe empty slogans that are easily confronted with reality. And it creates a huge gap between the people and their government.

Those three factors, namely disposable money, loosening ideological pressure and a picture of the outside world brought about another natural consequence – perception that the system has become a burden. Evidence of that is the widespread corruption, economic criminality (bribery), together with still existing food shortages present in everyday life. This leads to ever rising inequalities of living standards. As Eastern Europeans experienced in the 1970s and 1980s, skepticism and cynicism arouse as a natural fruit of an eroding socialist society. Now people in North Korea are becoming less willing to believe that this is the foreigners’ fault and they start to blame the government (Haggard & Noland 2011b, p. 29).<sup>14</sup> With the disintegration of the army and forces, people feel more confident to stand up against power.

Besides an overall development there are still huge regional differences and disparities. Pyongyang takes the central and somehow peculiar position. As a capital, Pyongyang has always been preferential over

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13 Of course not in absolute terms, but people have a relatively better picture of the outside world than ever before.

14 These facts are brought to light by many refugees escaping DPRK not only to China but also to South Korea.

the rest of the country. Not everyone was allowed to reside in and even visit the city. Changes in North Korea are primarily reflected here and could be seen just walking its streets (billboards, mobile phones, cars, restaurants, hair styles, the latest fashion etc.). Another important city, Kaesong, sitting just on the border with South Korea, was the best suitable place for opening an industrial zone for South Korean companies (already running for more than ten years) (Manyin 2011). A presence of capitalist companies has a direct impact not only on the circa 50,000 North Korean employees working here, but it is felt also in the whole region. With “Choco pies” – South Korean sweets that became an unofficial “currency” – people can pay for the goods or barter them. The situation of citizens living in big industrial cities (Hamhung, Nampo) differs from those who live in the countryside. On the other side of the country lie the regions bordering with China that have a very special position. They develop under the rising influence of Chinese businesses – mostly mining.

One of the famine's most severe consequences was the brutal reduction of the North Korean population in the second half of the 1990s (Haggard & Noland 2007, p. 1), thus causing essential changes in age structure, namely an aging population. In order to feed themselves North Korean farmers have no other choice than divert some portion of their food production (Hassig & Oh 2000, p. 51) and not to give everything to the government. In fact, selling these diverted portions in the market bring a needed income to their decrepit households (Bennett 2013, p. 33). Famine brought about a change in family structure and family bonds. Thousands of children lost their parents (or even worst the whole family) leaving them vulnerable.

The society frozen in the 1960s has finally started to thaw. Not every aspect of these changes promises a better future for its inhabitants. On the other hand, we cannot forget about today's new reality – North Korean elites are helplessly staring at the changes within North Korean society perceiving that a power center has shifted from the central government to the masses. The government has realized that structural changes are threatening the very existence of regime but they are indispensable (Lankov 2013, p. 119). Currently elites are more and more separated from the people. A rising number of recent executions (Kwon & Whiteman 2015) of the highest level officials is evidence of Kim Jong-un's fear and despair about the rising North Korean society's awareness

(at all levels) of the regime's weaknesses. One thing we can be pretty sure of – there is no will to further any political or economic reforms in the North, unless a certain pro-reformist clique would come to power. But that scenario is less probable due to frequent purges among political and military elites.

#### **4. Changes in North Korean Society and What Superpowers Have to Do with It**

Looking at the changing environment within North Korea the question arises what was the impact on North Korean society caused by the changes in the international environment and what role the major powers played in it.

During the Cold War North Korea used divisions within the Communist camp and shifted its preferences alternately from the Soviet Union to China. North Korea during four decades learnt how to use others for its own benefit (Michishita 2010, p. 6). With the fall of Eastern European socialist countries (the Soviet Union followed soon after) and with the transformation of China these advantages suddenly ended. But acquired "skills" were not forgotten. North Korea adjusted to the changed international situation in their own way. The regime used its developing nuclear program for deterrence. In this way the first nuclear crisis emerged (Armstrong 2013, p. 25). The United States (US), with help of international community (at the beginning with non-state actor mediation), got involved and resolved the crisis (Wit, Poneman & Gallucci 2004). But North Korea was already on its way to famine that hit the country while superpowers were helplessly sitting by. The first response came only in 1995 when the famine broke on a grand scale. Massive aid from international donors flowed into the country until 2001 (Manyin 2014).

Another shift came in 2002 when US President George W. Bush described North Korea as a "rogue regime" (Becker 2005, p. 1), placing her among the "axis of evil" countries (countries supporting international terrorism) and pushing other countries to play the same game. North Korea responded with the traditional approach – deterring others with nukes. As a natural consequence, sanctions followed soon. The second nuclear crisis developed on a large scale (Joo & Kwak 2007, p. 29).

Six-party talks were only a lifeline thrown to save the situation. But participating countries (China, the US, Russia, Japan and South Korea) tried to meet unrealistic expectations with respect to North Korean transformation. Seen from the perspective of superpowers' effort during the past two decades to compel North Korea to change, we can see that the North Korean regime wants not to be reformed (under pressure from the outside). The gradual transformation caused by the transformation of the regime is pure illusion. Unless the change would come from inside (society). Moreover, within the past 25 years we have witnessed how diplomacy with regard to North Korea failed across the board. The Korean Peninsula is nor safer (North Korea did not give up its nuclear endeavor) nor is it more stable (economic downfall seems to be unstoppable).

Despite many proclamations, the Great Powers play this (egoistic) game – they are willing to keep benefits for themselves, thus maintaining the status quo (powers do not concern themselves about North Korea's welfare). Powers are more likely to donate humanitarian aid than letting the free flow of changes with an uncertain end. On the other hand, the North Korean regime is unable to fully consolidate its power (not only political, but also economic, ideological and in no less degree also prestige). Apart from the superpowers, it is principally South Korea that should care about a common solution. But the South Korean society's interest in unification faded substantially, reaching the lowest levels ever (Lankov 2013, p. 158). This disinterest is spreading mainly among the younger generation who would be a potential bearer of unification and who would take upon their shoulders the burdens of a unified state (not only economic). South Korean elites (political and economic) should show their readiness (or goodwill?) to backup costs of unification economically, but the reality is different. So far, South Korean "unification policy" has only been a pile of verbal expressions not followed by substantial action. So the real intentions of the government are thus dubious.

On top of that, in recent years we are witnessing major shift in Chinese military power. China is no more third-class player. To the contrary, China became local military and political dominant leader that no one will dare to challenge.<sup>15</sup> Along with the US, China plays the premium position in international trade and according to GDP (in purchasing pow-

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15 Chinese dominance over South China Sea (conflict with Vietnam), with the Philippines etc.

er parity) is also the biggest economy of the world (Knoema 2015). Thus China plays a decisive role in the Northeast Asian region and no measure could be done without Chinese approval. Especially if China shares a 1600 km long common border with an unstable neighbor that could be a source of streams of refugees in the case of North Korean collapse (Vox 2015). China is the last of superpowers that would wish dramatic changes in its neighborhood. This is the primary reason why China is currently so involved (in the North Korean problem) and supports North Korea directly (food, heavy oil subsidies) and indirectly (investment in mining, industrial parks).

To sum up the facts, we can expect with a high degree of probability that the main actors in East Asia, namely the US, China, Japan, Russia and South Korea (even though the US together with South Korea worked on a contingency plan for North Korea (Feffer 2014)), are not well prepared for a possible collapse of North Korea. There is no common approach toward North Korea because every player defends their own interests, often contradictory. On the accounts of foreign-imposed regime change (FIRC) research (Downes & Monten 2013, pp. 90–131) it has been proven that regime change caused by an external force did not bring about regime democratization in most cases. It is therefore naïve to think that in the case of North Korea the process of change caused by e.g. military intervention (as was the case of Iraq) would result in the adoption of democratic principles by North Korea.

Maybe those scholars who oppose a viewpoint that North Korea will (sooner or later) collapse are right. But we have to consider the consequences of their ratio. Does it mean that there is no need to be ready for a possible collapse? If powers would follow their opinion the negative impact of such actions could possibly cause a greater damage to the people of North Korea. It is better to be ready and to create in advance a roadmap for actions after North Korea's collapse in case this scenario would come true.<sup>16</sup> We need to embark on the exploration of twofold change – one is a fundamental change in the approach of US and China towards North Korea and the other is a change in North Korean society itself. For now, there is no political alternative for the people, so we cannot expect political change in coming months.

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16 There is a greater degree of susceptibility to collapse in the near future according to some researchers. Among them are Bruce Bennet, Andrei Lankov and Paul French.

## 5. Changes in North Korean Society and What Non-State Actors Have to Do with It

### The Role of Non-Governmental Organizations (NGOs)

International relations theories (neo-realism in particular) show us that the main role in North Korean issue is played by nation states – notably superpowers involved in the six-party talks (South Korea, the US, Japan, China and Russia), imposing sanctions or providing humanitarian assistance to the DPRK. But the six-party talks led to the stalemate, sanctions just worsen the everyday lives of millions in North Korea (while the top elite still live in luxury) and their humanitarian assistance is weakening. Even though superpowers have “power” to change the situation on the Korean Peninsula in a jiffy, relations between North Korea and them have not changed substantially.

On the other hand, NGO involvement, as a part of what is called “soft power” (Merickova 2014, pp. 187–197) is basically a long distance race. We cannot expect immediate results when looking at the society. In fact, the prime objective of NGO activities in a certain country (maybe except for Human Rights advocacy NGOs) is not to bring about the collapse of that country's regime (Feffer 2012). Looking at the role of NGOs in general, we can take as an example a document listed in “Principles and good practice of humanitarian donorship” endorsed in Stockholm on June 17, 2003, in the part titled “Objectives and definition of humanitarian action” where the primary objective is defined as: “The objectives of humanitarian action are to save lives, alleviate suffering and maintain human dignity during and in the aftermath of man-made crises and natural disasters, as well as to prevent and strengthen preparedness for the occurrence.” (Lewis & Kanji 2009, p. 188).

Besides that, NGOs are primarily “implementers” (mobilization of resources to provide goods and services to people who need them), “catalysts” (ability to inspire, facilitate or contribute to improved thinking and action to promote change) and “partners” (work together with another and share the risk or benefit from a joint venture) (Lewis & Kanji 2009, p. 12). So NGOs can bring about a change in the society, but only indirectly through a process of the society's involvement in many projects initiated by NGOs in an environment of “complex political emergencies.”<sup>17</sup>

17 The term means multi-casual humanitarian crises as stated in “There is broad agreement that complex humanitarian emergencies can be generally defined by: the

## Structure of Assistance to the DPRK

We can look at the structure of assistance from the donor perspective and recipient perspective. If seen from the recipient perspective, basically, we can categorize a three-fold approach to the DPRK based on the target group within (3-tiered) North Korean society (Foley 2013, p. 3). The widest group – the middle class (of course in North Korean terms) is targeted by humanitarian (lower part of that group) or developmental (upper part) assistance from international organizations, NGOs or governments aiming to help the most needed (by aiding them with basic necessities like food, medicine, water sanitation projects) or to recover its decimated agriculture (irrigation, farms, seeding plants, reforestation, greenhouses etc.) and industry (mining, Kaesong Industrial Complex, Pyonghwa Motors), respectively. Businessmen focus on an emerging entrepreneurial class that rose among the current political elite. On the opposite side of the societal spectrum is a group of gulag prisoners, a focus of human rights advocacy groups. They did not choose engagement, but confrontation as a means of approach toward North Korea (Feffer 2012).<sup>18</sup>

The structure of donorship, that is international assistance (engagement approach) to the DPRK, differs substantially according to each donor's (the US, China, South Korea, Japan and EU) preferences. To a greater degree the aid is under heavy constraints of each nation's foreign policy.

## Overview of Assistance to the DPRK (1995~2014)

Soon after North Korea asked for humanitarian aid from the international community in 1995, South Korea (the government in fact) responded as first donating 150,000 metric tons of rice worth 232,000 USD (Snyder 2004, pp. 272–275). And the South Korean government remained as South Korea's sole donor of humanitarian aid to the North

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deterioration or collapse of central government authority, conflict and widespread human rights abuses, food insecurity, macroeconomic collapse, and mass forced displacement of people. Humanitarian action in such situations requires managing an extremely sensitive linkage with a number of security agendas, the most basic of which involves the security of the humanitarian actors themselves and their ability to obtain access to affected populations." (Foley 2013, p. 4–5)

18 Along with South Korean fanatic Christian groups sending leaflets in balloons across the borders.

until 1997.<sup>19</sup> South Korean NGOs were among the first to respond to famine in North Korea, but it was not until 1998, after Kim Dae-Jung took power, when they were granted a more independent approach from the South Korean government. Since then they acted independently and supplemented the government's aid. South Korean NGOs played a significant role in activating South Korean society for support to pro-North attitudes (Lee & Kim 2014, pp. 121–143). Since then the situation has become slightly better allowing some South Korean NGOs to take initiative (Snyder 2007, pp. 423–430), but the government still plays a major role. The disadvantage of such a system is that aid donations and development projects are heavily dependent on current political preferences of the ruling party. The shift was particularly notable when the sunshine policy of Kim Dae-Jung and No Moo-Hyun changed to Lee Myung-Bak's confrontational policy (Paik 2013, p. 245).<sup>20</sup>

The US in a very similar manner (as South Korea) was a major donor to UN Agencies and almost an exclusive donor to KEDO<sup>21</sup> (Calder 2004). In 1998 the US government initiated the US Private Voluntary Organization Consortium that roofed US based NGOs working in North Korea as a way to transfer the help of NGOs and private donors. The Consortium operated in North Korea between 1997 and 2000. Then it dissolved and each NGO played on its own. The total amount of assistance coming from the US (between 1995 and 2014) was 1.2 billion USD (Manyin 2014, p. 1) which is 40 percent of overall assistance to the DPRK. After North Korea withdrew from the six-party talks in 2009 and fired missiles in 2012, the US has halted all support to North Korea (Lankov 2013, p. 164).

China's trade with North Korea dropped radically in the first half of 1990s, but after 2000 the mutual trade shows steady growth reaching nearly 1 billion USD in 2014 (Haggard & Noland 2011, p. 17). If we look at the trade deficit of North Korea with China it is evident that China is

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19 There was no possibility for anyone (individual, business, or organization) from South Korea to be directly involved in aid for North Korea until 1997 according to South Korean law.

20 Government not only completely stopped the aid sent to the North, but on top of that they did not allow the South Korean NGOs to bring it instead.

21 KEDO (Korean Peninsula Energy Development Organization) is an organization founded by South Korea, Japan and the US in 1995 in order to implement 1994 US–North Korea Agreed Framework to stop the North Korea's nuclear power development in Yongbyon in exchange for light water reactor built in North Korea and supply of fuel oil until a new power plant is constructed.

trying to tie North Korea to itself. China is not providing food and other commodities to North Korea based on internationally acclaimed principles of humanitarian aid but China is providing food either as direct subsidies or at subsidized prices (Kim 2011, pp. 257–271).

Other international organizations and international NGOs joined soon after and they played a major role in assisting to overcome famine in the North from 1996. Among those organizations involved in aid were major UN agencies<sup>22</sup>, regional branches of the Red Cross<sup>23</sup>, Government Organizations<sup>24</sup>, International NGOs<sup>25</sup>, European NGOs with residential status<sup>26</sup>, US<sup>27</sup> and South Korean NGOs (Lee 2009)<sup>28</sup>.

Europe has quite a different approach to North Korea compared with its American, South Korean or Chinese counterparts (Lee 2010, pp. 45–51). At first, Europe is a multinational union of states (and thus a mixture of often competing interests) (Park 2010, p. 35). European NGOs participation in North Korean restoration is somehow inferior in scope but they are quite successful in the stability they offer. Out of many NGOs who were present in North Korea over the past two decades

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22 UN Development Program (UNDP), World Food Program (WFP), United Nations Children's Fund (UNICEF), World Health Organization (WHO), UN Population Fund (UNFPA), Food and Agriculture Organization (FAO), UN Office for the Coordination of Humanitarian Affairs (UNOCHA).

23 International Red Cross/International Federation of Red Cross (IFRC), International Committee of the Red Cross (ICRC).

24 EU Food Security Unit, EU ECHO, Swiss Agency for Development and Cooperation, Italian Development and Cooperation Office, French Cooperation Bureau, Centre for Agricultural Bioscience International.

25 Action Contra La Faim, Adventist Development and Relief Agency, Associazione con I Fatebenfratelli per i Malati Lontani, Children's Aid Direct, Cap Anamu, Cooperazione e Sviluppo, Campus fuer Christus, German Agro Action, Help Age International, Medicines du Monde, Mediciens Sans Frontieres, Oxfam, PMU Interlife, Gesellschaft für Nachhaltige Entwicklung (Association for Sustainable Development), Global Resource Services, Mennonite Central Committee (MCC), Mission East.

26 Premiere Urgence, Save the Children, Concern Worldwide, Deutsche Welthungerhilfe, Triangle Generation Humanitaire, Handicap International.

27 American Friends Service Committee, Mercy Corps, Samaritan's Purse, Global Resource Services, Christian Friends of Korea, World Vision International, Eugene Bell Foundation.

28 Korean Sharing Movement, Okedongmu Children in Korea, Join Together Society of Korea, Eugene Bell Foundation, The Presbyterian Church of Korea, Lighthouse Foundation, World Vision Korea, Good Neighbors International, Korean Welfare Foundation, Food for the Hungry International, Green Doctors, Korean Medical Association, Unification Agricultural Production Forum, Korea Maranatha Foundation, Agape International, Chosun Exchange.

six European NGOs still have resident status. Others left the country due to different reasons – either willingly (lack of accountability and transparency on the North Korean part) or by force (loss of credibility in North Korean eyes).

### **Current Situation**

Looking back to the beginning of the 2000s, the sharp decline has been recorded in overall funding of aid to the DPRK (Manyin 2014) (maybe only with the Chinese exception that is providing food to North Korea not on humanitarian principles). UN Agencies are not an exception. Between 2004 and 2014 there was reduction from around 300 million USD to some 50 million USD of aid per year (Reliefweb 2015). It is far less than what millions of North Koreans need in order not to stunt or die.

Recent surveys show that out of the total population (24.62 million), almost 18 million North Koreans do not consume an adequately diverse diet (WFP 2015) and they are marked as “food insecure” (they lack nutritional diversity). Out of them, 1.8 million people (notably children up to 5 years, pregnant and lactating women, and elderly) are in need of specialized nutritious foods to combat malnutrition. Still, the general population cannot afford basic necessities of life – food, clothing, medication, healthcare. Even though global chronic malnutrition (stunting) decreased over the past 15 years (Reliefweb 2015), still 27.9 percent are severely hit (UNICEF 2012). The even more urgent thing is that 4 percent suffer global acute malnutrition (wasting). This is a stunning fact. Agricultural production, despite of few developmental projects aiming to grow outputs and modernize vintage agriculture in North Korea, is vulnerable due to impending natural disasters – either floods or droughts. Climate vulnerability is high due to the plundering style of agriculture over the past decades (large-scale use of fertilizers, neglecting care for irrigation, deforestation etc.) causing reduction in soil quality. This has led to a decrease of food production on one hand and on the other, it led to environmental instability (which is a full circle). Together with outdated water pipes it shows us an overall picture of the sanitation situation and health care needs. As a result, around seven million North Koreans lack access to clean water and over six million people need basic health care which they do not get. The only natural result is the spreading of infectious diseases – tuberculosis, diarrhea, pneumonia (Reliefweb 2015).

## Pros & Cons

Like with any other human endeavor, there are certain controversies connected to humanitarian and developmental assistance. Scholars do not agree on the same interpretation of assistance impacts. Some scholars blame aid activists to be naïve and idealistic, reckoning numerous negative consequences that their operations brought to the society. Let us mention a few of them.

### Regime's survival

Hardliners like to stress that humanitarian aid policy did not contribute to regime change – either reforms, giving up of nuclear development etc. But this stance is likable only to the voters' ears, not to the affected people (North Koreans). The North Korean government knew very well already at the beginning of the 1990s that the food situation was unsustainable. They took no steps to correct the situation. On the contrary, they used millions of dollars for nuclear development instead. They let the situation come to a state where famine had already come. If hardliners suggest that in 1995 the international community should not have intervened (and stopped food aid to North Korea), then we must reckon with the consequences – not only in North Korea (much wider population would be affected by famine), but implications would affect probably South Korea, if not the whole region (see what a hard-line stance did in Iraq, Afghanistan, Libya and Syria).

### Lacking reliable information about the situation of the society

The changes occurring within North Korean society are for the (majority of) outside observers obscure. The changes within do not hit the headlines of newspapers and television news. In a similar way that the changes in Eastern Europe at the end of the 1980s took place underneath, something alike happens in North Korea now (Frank 2010, p. 6). The only thing is to capture and interpret them in the right way.

The secretive character of the regime makes us subjected to scarce information flowing out of the North Korea. Even though some of the high representatives of the state escaped (and this could be seen as a precious source of information) and the rising number of North Korean defectors

in South Korea can bear witness to the present situation in the North, it is risky to be dependent only on them. The reliability of data and its accuracy is lowered by a small number of samples and inaccessibility to (or simply missing) surveys.

UN agencies and NGO workers that stayed in North Korea over the years following the famine are another valuable source of information. Even though their help was limited in scope and outreach, basically, they could gather some data on North Korean society otherwise inaccessible for external research.

### Diversion of food aid

During 20 years of aid to North Korea it often happened that some organizations withdrew their help due to different reasons. One of them was the suspicion of humanitarian aid diversion to the military and loyal subjects (Haggard & Noland 2007, p. 117). The withdrawal was justified, partially, based on true facts. What is more striking is that the government diverted rations from the PDS (normally given to ordinary people) to the military to a much greater extent (compared to a diversion of rations from food aid). But the government would have done it anyway, so it is a better choice to bring food to the needy (and not let them die) even if it means indirect support for the government. Some part of the food aid has been diverted to local markets, too. This at least contributed to the marketization of society and raised pressure to cut food prices (Haggard & Noland 2007, p. 121). Anyway, accountability in North Korean conditions is a great challenge.

### Limited scope of influence

Unlike UN Agencies, NGOs focus mainly on small scale projects helping to restore irrigation, sanitation, hospitals, kindergartens, build greenhouses, farms etc. Such projects in their scopes do not hit a huge crowd of millions, but try to improve the lifestyles of those directly connected to project areas. In this way, NGOs try to build personal connections and bonds with local people (common citizens and authorities as well). It helps to build trust that is a base for sustainability of projects (and accountability as well).

## Black hole

The PDS has collapsed many years ago and today's youngest generation has never lived in a functioning PDS system. Opponents accuse humanitarian and developmental assistance supporters of trying to fill the "black hole," pouring tons of food into the system that is diverting and misusing the aid for keeping itself alive. Opponents try to discourage aid donors to continue their help hoping that the discontinuation of "gifts for free" would result in regime collapse. This concept is somehow naïve because you cannot isolate the country absolutely, there will always exist a way the regime could illegally trade with other states or non-state actors (international drug dealers, terrorist organizations, arms dealers etc.) and receive much needed money to sustain its power.

## Incoordination

Despite of the great efforts of parties involved in international donorship to North Korea, coordination is actually a great challenge to all. Actions of humanitarian and development aid that are not coordinated can lead to chaos. On the other hand, the only counterpart of aid is the North Korean government (and local officials as an extended arm of government). So the government is in the more advantageous position, able to select those donors who "play their game."

## Benefits of NGO Involvement

### Lessons learnt

The non-state actors have an irreplaceable role in this process (even though there is a split view on the role of non-state actors as relevant players in international relations). During their 20 years of presence and active participation in North Korean society's issues, NGOs could learn certain "lessons" that can help them understand North Korean society and make their assistance even more effective (Reed 2005, pp. 51–72).

NGOs could accumulate valuable experience working with North Koreans (ordinary people and officials). The response of North Korean professional counterparts was positive and enthusiastic. Specifically, they

received not only physical help (technology), but also participated in lectures and training programs at home or abroad. With time passing by, even officials have become more open and cooperative (to the degree of their capacity). NGOs could focus on respective project areas over a longer period of time. So they could build relationships with local people, understand them and help them in a more responsive way.

### Positive attitudes

Giving the ratio to Wendy Sherman, an adviser to Madeleine Albright and a special adviser to US President Bill Clinton on North Korea, who described the dilemma:

"I have no illusions about Kim ... he is a leader who has left his people with no freedom, no choices, no food, no future. People are executed. There are labor camps. But the decision we have to make is whether to try to deal with him to open the country so that the people of North Korea do have freedom, do have choices, do have food. Do I think it would be preferable to not deal with him? Yes, but the consequences are horrible, so you have to deal with him." (Park 2015)

We can just agree with such an opinion. Moreover, we cannot expect that during turmoil in North Korea, the Korean Workers Party<sup>29</sup> or military would change and help people. They would be caught in self-indulgence, taking care of nothing else but their own well-being. In this case NGO workers would be the only actors ready to help – and what is more important that North Korea would be fully aware of that. North Koreans cannot rely on the state, party, military, police – old regime structures – but on foreigners (Americans, South Koreans, Germans, etc.).

### Necessity of aid

Without the help of international donors there would be hardly enough food for North Korean citizens (Dalton & Jung. 2009). The behavior of the North Korean regime, particularly over the past three decades, is a living proof of such a statement. Challenging this fact would only lead to the worsening of an already bad situation of millions of North Koreans.

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29 Leading party in North Korea, with a secured position in constitution.

## Preparedness

If current situation in North Korea looks threatening, what about a situation of North Korean society during collapse? It would be many times worse than today. In order not to get into such a state, it is necessary to explore the two aspects of involvement of non-state actors in the collapse of the DPRK (with respect to two decades of experience in helping North Korean society). One is the role that non-state actors could play in the (indirect) preparation for North Korean collapse and the other is the role in the course of probable collapse itself (a massive flow humanitarian aid). A part of such a strategy is to target North Korea with involvement of non-state actors that can participate in specific fields of activities. This is a real way that NGOs in general could be even more involved.

## 6. Conclusion

The purpose of this paper was not to predict the collapse of the North Korean regime. Instead, analyzing structural changes of North Korean society show us possible ways of future development. We have to put aside naivety and idealism dealing with the North Korean regime. Assessing the real situation, we can surmise that superpowers (or any other state that would be involved) are incapable to do any substantial progress on the Korean Peninsula with the current approach, rather to the contrary, they have no real plan or roadmap created (peaceful, not a military one). The only real thing that we can count on are NGOs, UN Agencies, optimistic businessmen and a bulk of other engaged supportive people. In this sense, this paper is rather a careful outline of the way that North Korean society could be heading in the near future based on previous experience with the work of humanitarian organizations.

For over 20 years many people have been watching North Korea as closely as they could, but scarce information flowing out of the country makes it even more difficult to outline any future development. Still there are much more unknown variables than those we can say are known. They wish that North Korea would be changed for the better, but there are no signs of such a peaceful top-down change. Rather to the contrary, there is more and more evidence of social change from the bottom that can eventually lead to unrest.

In the case of social or political unrest (civil war) in a particular, usually help from NGOs for the country comes after such unrest occurs (Bennett 2013, p. 147).<sup>30</sup> The international community usually has difficulties to anticipate coming crises even though we capture some signs of impending disaster in advance. But if we suppose that a crisis on the Korean Peninsula is an inevitable result of past decades we can much more easily anticipate the coming events with a certain probability and thus prepare concrete steps for appeasing tough times that could come.

In every society women, children (especially those at a very young age) and elderly are the most vulnerable and marginalized social groups when social unrest is a viable form of change. A collapse of the regime inevitably brings such unrest into account. Unless they stay at home, some form of aid can come to them. But if the situation is unbearable and they decide to leave their homes in multitudes (see refugees all around the globe), access to help becomes difficult.

The recent involvement of NGOs could prove that the most important result of their activities is a creation of bonds and connections all across North Korea. If rampant changes occur in North Korea this could be a viable alternative for the country's citizens that can substantially help people to overcome crisis. People can stay at home where living conditions are more bearable compared to those in refugee camps.

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## Politicians' Role in Foreign Policy Making in Japan before the Central Government Reform

*The decision-making process in Japan has been characterized by extensive powers possessed by the bureaucrats who often overshadowed their political superiors. Foreign policy making was not an exception. The Ministry of Foreign Affairs (MOFA) boasted strong control over Japan's diplomacy. While the role of civil servants was theoretically limited to the implementation of the decisions made by politicians, in reality the administrative staff used a range of informal sources of power to act as arbiters of state matters. Only after the entry into force of Hashimoto's administrative reform in 2001 did top-level decision makers gain new institutional tools that helped them to conduct an independent foreign policy on a more regular basis. Without denying this conventional wisdom, I argue that the politicians could occasionally play a significant role in Japan's diplomacy even before implementation of institutional changes at the beginning of the 21<sup>st</sup> century. Under special circumstances, prime ministers, chief cabinet secretaries and foreign ministers were able to exert a considerable influence on the course of foreign policy, sometimes even changing its direction. Up to the 1990s the most influential figures in the government had enough authority to overcome the domination of the bureaucrats and impose their own will on MOFA.*

**Keywords:** *Japan, foreign policy, decision-making process, prime minister's leadership*

## 1. Introduction

The topic of Japanese politicians' role in foreign policy making has been seldom explored by researchers. Up to the 1990s the heads of government and their closest entourages were considered as largely passive in this area, which explains why scholars preferred to focus on the activity of MOFA bureaucrats or simply perceive Japan as a country subservient to the interests of the United States (US). Foreign media used to even mock that before participating in summit meetings Japanese premiers received only three instructions from MOFA: not to say anything, to smile in front of cameras, and not to be late for the flight home (Shima 2000, p. 168). Only when the central government reform entered into force in 2001 did it shed new light on the prime minister's prerogatives in all legislative spheres. The head of government gained the right to independently announce new policies during cabinet meetings, the Cabinet Secretariat was allowed to lead drafting of important national policies, and the Cabinet Office (Naikakufu) was established to support the endeavors of frontbenchers of the ruling party. As a result, the first comprehensive analyses on the head of government's role in diplomacy and security issues started appearing in Japan (for example: Shinoda 2007).

I argue that while the central government reform indeed enabled the prime minister to play an active role in foreign policy making more easily, under special conditions Japanese politicians had already been able to exert a considerable influence on diplomacy even before the revolutionary institutional changes.

The approach of veto players has often been used to explain informal constraints to the role played by cabinet members in decision making in Japan. As defined by George Tsebelis, a veto player is "an individual or collective actor whose agreement is required for a policy decision." (Tsebelis 1995, p. 293) In the Cold War era both bureaucracy and interest groups connected with influential figures in the ruling party often hindered governmental plans regarding foreign policy. Nevertheless, prime ministers, chief cabinet secretaries and foreign ministers could use a range of strategies to overcome the resistance against new policies. Thanks to the strong position as faction bosses, cordial relations with the bureaucrats, interministerial coordination skills or vast experience in international affairs, the frontbenchers were occasionally able to bend the institutional constraints and direct Japan's diplomacy to new paths. In the article I give

short examples of prime ministers, chief cabinet secretaries and foreign ministers who managed to exceed the traditional framework of foreign policy making despite the lack of institutional tools introduced by the central government reform.

## **2. Prime Ministers as Supreme Decision Makers in Foreign Policy**

On paper, Japanese prime ministers enjoyed broad prerogatives. As the heads of government they nominated and dismissed cabinet members and acted as superior decision makers in all legislative fields. Serving concurrently as presidents of the ruling party, they theoretically had a majority of lawmakers in the Diet under their control. Additionally, they possessed the right to dissolve the House of Representatives, which gave them a formidable tool to exert pressure on opposition parties. Despite these formal prerogatives, however, Japanese prime ministers rarely were able to display a strong top-down leadership. After all, they had to cater for maintaining harmony between various factions in the ruling party and keep balance between distinct ministries that were actually ruled by the bureaucrats. As pointed out by Hayao (1993, pp. 184–210), Japanese prime ministers could be called reactive leaders, because instead of imposing their own policy vision on other political actors, they usually merely supervised the enactment of issues decided upon by their subordinates in the bureaucracy or ruling party. Foreign policy left little more space for the prime ministers' individual initiatives than other legislative fields, but in reality it was subject to the same constraints as domestic policy making.

Nevertheless, prime ministers could use two sources of power that enabled them to play a more active role in formulating foreign policy than the institutional constraints would normally allow. Thanks to extensive personal connections in the bureaucracy and ruling party they were sometimes able to overcome the resistance of both veto players. Equally effective was relying by the prime ministers on popular support in promotion of their initiatives. Figures who were powerful enough to take advantage of any of these two tactics rarely became heads of government, but when they did, they enjoyed more freedom in foreign policy making than other prime ministers. Prime Minister Tanaka Kakuei effectively used the former strategy in 1972–1974, and Prime Minister Nakasone Yasuhiro the latter in 1982–1987.

When Tanaka Kakuei assumed office in 1972, he declared that one of the main goals of his government would be to normalize diplomatic relations with the People's Republic of China. Despite US President Richard Nixon's visit to Beijing in February 1972, it was a difficult task to achieve. Not only did influential pro-Taiwan groups in the Liberal Democratic Party (LDP) object to abandoning official recognition of the Guomintang regime, but also MOFA bureaucrats were extremely reluctant to agree to such a sudden policy shift. As a result, Tanaka had to impose his will on both veto players.

Because Japan had maintained official diplomatic contacts with the government in Taipei for two decades, MOFA civil servants were determined to protect the status quo. However, Tanaka Kakuei boasted strong influences among the bureaucrats. He was famous for the fact that he ordered his secretaries to constantly gather personal data on the administrative staff. This extensive database enabled Tanaka to send gifts to bureaucrats on different occasions, for example to congratulate them on the birth of a child (Fukuoka 2011, pp. 58–59). Tanaka found an ally in MOFA particularly in the person of China Division Director-General Hashimoto Hiroshi. Soon after the Nixon shock Tanaka, who was the LDP secretary general at that time, entrusted to Hashimoto the task to prepare a report on the feasibility of normalizing diplomatic relations with Beijing. Thanks to Hashimoto's full support, the prime minister managed to force MOFA to cooperate (Hayasaka 1993, pp. 401–409).

As the leader of one of the biggest LDP factions, Tanaka Kakuei boasted as strong connections in the ruling party as among bureaucrats. In order to discuss the problem in the LDP, he established the Conference on the Normalization of Japan–China Relations (Nitchū Kokkō Seijōka Kyōgikai). It was attended by 249 out of 431 LDP lawmakers (Hayasaka 1993, p. 415). Thanks to this move the prime minister bypassed the jurisdiction of other LDP decision-making bodies (Zhao 1999, p. 99). The proceedings of the Conference were violent, but through backstage persuasion Tanaka mitigated the right wing's resistance to some extent (Hayasaka 1993, p. 419; Huang 2006, pp. 74–75). Eventually, the Conference authorized the normalization of diplomatic relations with Mainland China upon the condition of the continuation of hitherto relations with Taiwan (Tamura, Tomashima & Koeda 2000, pp. 161–162; Hayasaka 1993, pp. 419–420). The ambiguous term “hitherto relations” (*jūrai no kankei*) was coined by the Tanaka camp in order to maintain intraparty

harmony despite a lack of consensus on the China issue. According to the pro-Taiwan faction, it meant the maintenance of diplomatic relations with Taipei, but the prime minister later claimed it only obliged the government to pursue unofficial contacts with Taiwan. Lulled by this equivocal expression, the pro-Taiwan lawmakers eased their protests against Tanaka's visit to Beijing until it was too late.

Thanks to the skilful pacification of both MOFA bureaucrats and anti-mainstream politicians of the ruling party, Tanaka Kakuei achieved a breakthrough in Japanese foreign policy that would have been otherwise impossible in such a short period of time. After only three months in office, Tanaka visited Beijing at the end of September 1972. Together with Chinese Prime Minister Zhou Enlai, he signed a Joint Communiqué that regulated bilateral relations after the normalization of official contacts. Both sides exchanged ambassadors, Japan expressed deep remorse for war atrocities as well as recognized the People's Republic of China (PRC) as the sole legal government of China, and China, in return, renounced its right for war indemnities (Ministry of Foreign Affairs of Japan 1972).

While Tanaka relied on extensive connections with the bureaucrats and backbenchers, Nakasone Yasuhiro managed to exert strong influence on foreign policy thanks to maintaining a high popularity among the public. When he became prime minister in 1982, he served as a leader of one of smaller factions in the LDP and would not have had a chance to win the LDP presidential election without the support from Tanaka. As a result, Nakasone was initially perceived as Tanaka's "puppet." Despite this fact, he gradually strengthened his position as a supreme decision maker by appealing directly to the public and distancing himself from Tanaka.

According to *Yomiuri Shinbun* opinion polls, Nakasone started his premiership in 1982 with a 40.1 percent support rate, and he ended his long tenure in 1987 with the support of 48.8 percent of respondents (*Yomiuri Shinbunsha Yoron Chōsabu* 2002, pp. 488–489). Nakasone's popularity explains why he gained leverage over both the ruling party and bureaucrats. He used his position to conduct the privatization of Japan Railway, but also to strengthen an alliance with the US. By emphasizing the military aspect of cooperation with the US government, Nakasone went one step further in interpreting the security policy of Japan than had been allowed by the Yoshida Doctrine.<sup>1</sup> After assuming office he an-

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1 The Yoshida Doctrine referred to a set of policies pursued by Prime Minister Yoshida Shigeru (1946–1947, 1948–1954). They encompassed the renunciation of immediate

nounced “general settlement of post-war politics” (*sengo seiji no sōkeshan*), which meant a “revision of hitherto basic systems and mechanisms without treating them as taboos.” (Nakasone 2004, p. 171) In January 1983 Nakasone paid a visit to Washington, where he told President Ronald Reagan that Japan and the US were “a community of fate” and that Japan could be called “an unsinkable aircraft carrier” against the Soviet invasion (Nakasone 2004, p. 174). These words were much more far-going than the balanced stance of MOFA bureaucrats. In order to strengthen position of Japan in the alliance with the US, Nakasone used his high rates of support to impose on the bureaucrats and the ruling party a decision to exceed a one-percent GNP limit on military expenses as well as allow export of military technology to the US. Moreover, Nakasone played an active role in the investigation of the Korean Air Lines Flight 007 crash in 1983. A Japanese listening post intercepted communications of Soviet fighter pilots with a command centre on Sakhalin Island, which proved that the airliner was shot down by the Soviets. As the release of this recording would compromise the Japanese secret security outpost, it was vehemently opposed by MOFA, Defense Agency and the Ministry of Justice. Nevertheless, Nakasone did not bend to the pressure from the bureaucrats, and he independently decided to disclose the transcripts at an emergency session of the UN Security Council (Nakasone 2004, pp. 165–185).

Nevertheless, even without Tanaka-like connections or Nakasone-like popularity, the prime ministers were sometimes able to exert some influence on foreign policy if they only were determined enough to promote their ideals. For example, Prime Minister Murayama Tomiichi (1994–1996) managed to leave as his legacy a statement in which he apologized to East Asian countries for war atrocities. Though Murayama had the support from MOFA in this regard, he had to break the resistance from conservative LDP politicians. When the Japanese Socialist Party (JSP) formed a government together with the LDP in 1994, issuing explicit apologies on the occasion of the 50<sup>th</sup> anniversary of Japan’s surrender that ended the Second World War on August 15, 1945, became one of the points of the coalition agreement. Nevertheless, a parliamentary resolution on this issue was watered down due to pressure from rightist organizations. Ig-

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remilitarization of Japan after the Second World War, maintenance of alliance with the US as protector of Japanese territory and focus on achieving a high rate of economic growth.

noring the protests from nationalists, Murayama decided to make up for this failure by issuing a separate statement. Seeing the determination of the prime minister, none of right-wing ministers dared to object, and the statement was adopted unanimously as a cabinet decision on August 15, 1995 (Murayama & Sataka 2009, pp. 30–32).

The examples of Tanaka, Nakasone and, to a lesser extent, Murayama, confirm that under special circumstances Japanese prime ministers were able to impose their will on the bureaucrats and ruling parties even before the enactment of the central government reform. It is connections with the two kinds of veto players, high popularity among the public and determination in being faithful to one's ideological convictions that helped the heads of government to overcome the institutional constraints to foreign policy making.

### **3. Chief Cabinet Secretaries as Crucial Interministerial Coordination Actors**

Chief cabinet secretaries were often dubbed as “wives” of heads of the government (Bochorodycz 2010, p. 31), because they usually recruited from among the most trusted associates of the prime minister. They served as spokespersons of the cabinet, supervised the activity of the Cabinet Secretariat as well as oversaw a general policy coordination between all ministries and between the government and the ruling party. Despite a relatively broad range of responsibilities, chief cabinet secretaries usually stayed not only in the shadow of the prime ministers they served, but also in the shadow of their bureaucratic subordinates. In reality it were administrative deputy chief cabinet secretaries who played the crucial role of seeking a consensus on difficult policy matters between all the involved ministries.

Nevertheless, chief cabinet secretaries could still play an important role in foreign policy making, provided they possessed enough experience in conducting consensus-seeking activities, both in bureaucracy and the ruling party. The most exemplary was Gotōda Masaharu who served as chief cabinet secretary under the Nakasone cabinet in 1982–1983 and 1985–1987. As a former bureaucrat and a former administrative deputy chief cabinet secretary, Gotōda boasted vast knowledge of bureaucratic procedures and strong connections with the administrative staff of many ministries. At the same time, he was an influential politician of the Tanaka faction that remained the largest group in the LDP throughout the

1980s. Thanks to his extensive connections among the bureaucrats and politicians, Gotōda was dubbed “razor” (*kamisori*) by the media (Kikuchi 2013, pp. 116–120).

In order to enable a more active policy coordination by the prime minister and his closest entourage, Gotōda reorganized the structure of the Cabinet Secretariat. He created five offices in charge of public relations, information and research, security affairs, internal affairs, and external affairs. MOFA bureaucrats were opposed to the establishment of the Cabinet Counsellors’ Office on External Affairs (Gaisei Shingishitsu), as they perceived it as a potential back channel for diplomacy. Eventually, however, Gotōda managed to force MOFA to cooperate (Shinoda 2007, pp. 33–36). The influential chief cabinet secretary skillfully used the new institutional tools to strengthen the prime minister’s control over foreign policy making, especially in the areas that required extensive interministerial coordination.

Gotōda Masaharu faithfully supported Nakasone’s initiatives to strengthen the alliance with the US, but as a moderate politician he reacted whenever he thought that the prime minister exaggerated in his right-wing endeavors. For example, in 1987 he adamantly opposed MOFA’s plans to send patrol vessels and minesweepers to the Persian Gulf. Despite the fact that tankers transporting oil to Japan were endangered by hostilities between Iraq and Iran, Gotōda was determined to maintain a neutral stance in the conflict. He argued that sending Maritime Self-Defense Forces to a war zone would lead to an infringement of Article 9 of the constitution which prohibited Japan from waging wars. When Nakasone tried to forcefully submit this issue for cabinet’s approval, Gotōda warned that he would not put his signature under a decision to send military ships abroad. Eventually, the prime minister listened to the advice from the chief cabinet secretary. Instead of sending forces to the Persian Gulf, Japan provided money for the creation of a navigation system that informed ships about dangers in the region (Gotōda 1989, pp. 104–108).

Although Gotōda can be considered as the most powerful chief cabinet secretary before the implementation of the central government reform, also other politicians who assumed this office managed to occasionally exert influence on diplomacy, especially if they had considerable experience in foreign policy making. For example, Miyazawa Kiichi, who served as chief cabinet secretary in the Suzuki government from 1980 to 1982, had earlier been foreign minister under the Miki administration in 1974–1976.

Thanks to his vast knowledge of international matters and proficiency in English, Miyazawa enjoyed a special position vis-à-vis MOFA bureaucrats. In the summer of 1982 Japanese media reported that the Ministry of Education recommended replacing expressions referring to the Sino-Japanese war in history textbooks with milder versions, which met with accusations from China and South Korea that Japan tried to whitewash its difficult history (Rose 1999, pp. 205–207). In order to solve this diplomatic crisis, Miyazawa issued a statement in August 1982, in which he promised that during textbook screenings in the future, the government would give consideration to “building friendship and goodwill with neighboring countries” (Ministry of Foreign Affairs of Japan 1982). Thanks to this declaration he managed to alleviate protests by China and South Korea, but this intervention in foreign policy making was criticized by LDP right-wing politicians, who argued that the Miyazawa statement infringed upon the principle of non-interference by other countries into Japan’s domestic affairs.

Another example of an influential chief cabinet secretary who left an important statement as his legacy was Kōno Yōhei under the Miyazawa cabinet in 1992–1993. In August 1993 Kōno, who would later become LDP leader and foreign minister, decided to issue a statement in which he apologized to the “comfort women” for the harm done by the Japanese Imperial Army. “Comfort women” (*jūgun ianfu*) signified women, mainly Koreans, who served as sexual slaves for Japanese soldiers during the Second World War. When the truth about their difficult past started emerging as a serious problem in relations between Japan and South Korea at the beginning of the 1990s, the government in Tokyo ordered to conduct a comprehensive investigation on this issue. The documents that were found in ministerial archives confirmed that the army had been involved in the establishment and maintenance of “comfort stations,” though there were no written proofs that the military directly recruited women against their own will. Under these circumstances, LDP right-wing politicians adamantly opposed issuing any form of apologies. However, Kōno Yōhei was determined to redress the wrongdoings of Japan. He decided to accept the testimonies of former “comfort women” as decisive evidence and convinced Prime Minister Miyazawa Kiichi about the need for explicit apologies. In August 1993 he issued a statement, in which he extended “sincere apologies and remorse to all those, irrespective of place of origin, who suffered immeasurable pain and incurable physical and psychological wounds as comfort women.” (Ministry of Foreign Affairs of Japan 1993)

The examples of Gotōda, Miyazawa and Kōno indicate that, depending on the situation, chief cabinet secretaries occasionally became important decision makers in the sphere of external affairs. Especially in the case of matters that necessitated coordinated efforts by several ministries, ideological leanings of chief cabinet secretaries could tip the scales in favor of one decision or another, sometimes even contrary to the stance of the head of government or MOFA bureaucrats.

#### 4. Foreign Ministers as MOFA Bureaucrats' Bosses

Ministers of foreign affairs were, obviously, key persons in charge of Japanese diplomacy – just as prime ministers and chief cabinet secretaries. However, their decision-making competences were subject to severe informal constraints. Due to the logic of frequent cabinet reshuffles, foreign ministers usually exchanged too frequently to be able to grasp full control over the issues dealt with by MOFA before stepping down from office. As a result, they often ended up being only passive executors of the plans instituted by their administrative staff.

The most powerful weapon that could be used by foreign ministers to gain leverage over MOFA bureaucrats was extensive experience in diplomacy and knowledge of international affairs. As this area of policy making could hardly assist politicians in gaining votes in their constituencies, the lawmakers were seldom interested in specializing in foreign affairs. Nevertheless, some of politicians served as foreign ministers long enough to gain much authority over their administrative subordinates. Among the most prominent examples one must mention Ōhira Masayoshi in 1962–1964 and 1972–1974, Abe Shintarō in 1982–1986, as well as Kōno Yōhei in 1994–1996 and 1999–2001.

Thanks to his deep knowledge of international affairs, Ōhira Masayoshi played a crucial role in supporting Prime Minister Tanaka's efforts to normalize diplomatic relations with China in 1972. What helped him greatly was the fact that he had already served as foreign minister eight years earlier, and thus understood the vested interests of MOFA bureaucrats. In 1962–1964 Ōhira supported Prime Minister Ikeda Hayato's plans to establish semi-official exchange with the communist China. Thanks to Ikeda and Ōhira's efforts, in 1962 Japan entered into the Liao-Takasaka agreement, which enabled initiating trade on a limited scale with the PRC (Sun 2007, pp. 57–59).

Ōhira's first attempt at rapprochement with Beijing eventually ended in failure due to the Cultural Revolution in China. Nevertheless, when Ōhira once again assumed the office of foreign minister in 1972, the international environment was much more favorable to the idea of normalizing diplomatic relations with the PRC. Even though Ōhira constantly received threat letters and was afraid of an assassination attempt by right-wing extremists, he was determined to overcome opposition by veto players (Tamura, Tomashima & Koeda 2000, pp. 168–169; Morita & Arai 1982, p. 186). Before leaving for China, he wrote his last will and told his closest associates that in case of failure in the negotiations he would probably be unable to return to Japan (Wang 1996, p. 73). During talks in Beijing Prime Minister Tanaka, afraid of the reaction by nationalists in the LDP, tried to promote a weak version of apologies for war atrocities, by mentioning “causing troubles” to China during the war. This behavior, however, was harshly criticized by Mao Zedong. Eventually, it was Ōhira Masayoshi who in the last moment added words “deep remorse” to the treaty, thus exposing himself to protests from the Japanese right-wing radicals (Okada 2008, pp. 19–63).

Another foreign minister who managed to exert considerable influence on Japan's diplomacy was Abe Shintarō. The mere fact that he served as foreign minister as long as four years, from 1982 to 1986, was exceptional. Thanks to his stable position in the government, Abe had enough time to build an extensive experience in international affairs and grasp control over MOFA bureaucrats. Moreover, Abe was a leader of the second largest faction in the LDP that had been established by his father, Prime Minister Kishi Nobusuke. Thanks to Abe's strong position in the ruling party, Prime Minister Nakasone had no choice but to treat the foreign minister's initiatives seriously.

Taking advantage of his extensive knowledge of foreign affairs, Abe Shintarō coined his own concept of a “creative diplomacy” (*sōzōteki gai-kō*). As he explained, “creative diplomacy” was based on five principles:

- 1) Strengthening of cooperation with the free world;
- 2) Promotion of friendly relations with the neighboring countries in the Asia–Pacific region;
- 3) Development of mutual trust with the Eastern block;
- 4) Invigoration of the developing countries through economic exchange;
- 5) Initiatives for demilitarization and detente (Abe 1984a, p. 52).

Abe explained that, while preserving basic rules of a non-military power, Japan should become more active on the international arena. He emphasized that Japan had to try to shape the international environment to its liking – that is promote peace and prosperity as well as defend democracy and freedom, without imposing forcefully these values on the others (Abe 1984a, pp. 26–44). In order to realize his vision, Abe intensified visits abroad to the level that had not been achieved before by any Japanese foreign minister. While his efforts did not bring any spectacular results, the extent of Abe’s personal engagement in diplomacy was extraordinary. Staying in line with his principles, the Japanese foreign minister decisively condemned both the Vietnamese invasion of Cambodia in 1978 and the Soviet invasion of Afghanistan in 1979. Moreover, Abe used his extensive connections with foreign diplomats to appeal for peace in the Middle East during visits to both Iraq and Iran in 1983. Additionally, he actively participated in the Conference on Disarmament in Geneva, held in 1984, where he strongly appealed for the renunciation of all nuclear bomb tests (Abe 1984b, pp. 8–206).

Kōno Yōhei held the post of foreign minister as long as Abe, though his term in office was divided into two parts – from 1994 to 1996 and from 1999 to 2001. Due to the fact that in 1993–1995 Kōno was concurrently the LDP leader (the first one who never became prime minister), and in 1994–1995 he additionally served as vice-premier, the extent of his power in the government and the largest ruling party was considerable. As a moderate politician, he fully supported Prime Minister Murayama’s efforts to apologize East Asian countries for war atrocities on the occasion of the 50<sup>th</sup> anniversary of Japan’s surrender in 1995.

While under the Murayama cabinet Kōno’s political convictions matched the ideological leaning of the head of government, under the Mori cabinet (2000–2001) Kōno became conflicted over diplomatic strategy with the prime minister. The most exemplary was his opposition to the visit to Japan by former Taiwanese President Lee Teng-hui. Kōno Yōhei belonged to a pro-Beijing group in the LDP and was determined to avoid any decisions that could jeopardize relations with the PRC. The Japanese foreign minister argued that despite the fact that Lee was no longer head of the state, his visit would be inevitably accompanied by a political context. Kōno Yōhei admitted, however, that it was extremely difficult to block this initiative, because it was Prime Minister Mori who personally

insisted on issuing a Japanese visa to the former Taiwanese president<sup>2</sup>. Nevertheless, Kōno used all of his influence to prevent the visit. Lee Teng-hui wanted to participate in a Japan–Taiwan symposium in Nagano in October 2000, but MOFA refused to give permission for this plan.

The situation changed in the last weeks of Mori's term in office. Having nothing to lose after announcing his resignation in the nearest future, the prime minister was determined to invite Lee Teng-hui to Japan in April 2001. Kōno Yōhei tried to convince Mori against this idea together with another pro–Beijing politician, Chief Cabinet Secretary Fukuda Yasuo. Nevertheless, MOFA bent to pressure from the pro–Taiwan faction and issued a Japanese visa to the former Taiwanese president. In the last moment, however, Kōno Yōhei warned Mori that he would step down from office if the visit took place. Eventually, due to Kōno's protest, Mori agreed to severely restrain Lee Teng-hui's activities in Japan. The former Taiwanese president was prohibited from delivering policy speeches and from leaving the region that he planned to visit. As a result, Lee Teng-hui was only allowed to be subjected to heart treatment in a hospital in Kurashiki (Żakowski 2012, pp. 296–297).

The examples of Ōhira, Abe and Kōno confirm that not all foreign ministers were ignorant of the affairs of their ministry. At the moment of assuming this important office some of politicians had already boasted extensive skills and knowledge of international matters, or they served as foreign ministers long enough to grasp considerable command over their administrative staff. As a result, they were able to occasionally exert a strong influence on the direction of foreign policy of Japan.

## 5. Conclusion

Cabinet members in Japan have been often depicted as mere puppets in the hands of the bureaucrats and influential ruling party figures. Without denying strong influence of veto players on decision–making, I tried to give several examples that even under the old system before the central government reform, prime ministers, chief cabinet secretaries and foreign ministers were occasionally able to succeed in conducting relatively independent foreign policy making. The heads of government could take advantage of their connections with the bureaucrats and LDP backbenchers,

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2 Author's interview with Kōno Yōhei, Tokyo, March 13, 2009.

or they could force both veto players to cooperate through appealing for public support. The chief cabinet secretaries' main instrument of power were their interministerial coordination abilities. The foreign ministers, in turn, could exert considerable influence on decision making if they possessed extensive knowledge and expertise in foreign affairs.

Perhaps the most important factor, however, was coherence of the activities of all three main political actors. As shown by Gotōda's opposition to sending Self-Defense Forces to the Persian Gulf and by Kōno's protest against issuing a visa to Lee Teng-hui, difference of opinions between the prime minister and chief cabinet secretary or foreign minister could cause postponement or even renunciation of controversial diplomatic initiatives. In this light, determination in pursuing harmonized policy goals by the three political decision makers seemed to be a necessary prerequisite for the success of all difficult foreign policy endeavors.

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## **Political Leadership and the Security Policy: Negotiations on the US Military Bases in Okinawa under the Murayama and Hashimoto Cabinets**

*The problem of the US military bases, including the relocation of the Futenma military air station and a construction of a Futenma replacement facility (FRF) in Okinawa, has been a difficult and contested issue in Japanese domestic and foreign affairs for decades. In November 1995 Prime Minister Murayama and Vice President Al Gore established a Special Action Committee on Okinawa for deliberation on the reduction and realignment of the military bases. In April 1996 President Clinton and PM Hashimoto decided on the relocation and construction of the FRF in the prefecture within five to seven years. As of 2015 the prospects for implementation seem dim, especially after the electoral victory of the anti-base governor Onaga Takeshi in November 2014. This article focuses on the decision-making process under two consecutive prime ministers, Murayama and Hashimoto, since it was during their premiership that the issue was set on the agenda and decided upon. The article argues that on one hand PM Murayama made several important decisions, but lacking enough experience and power as a minor coalition member, as well as due to short term in office, was not able to supervise implementation of his decisions. On the other hand, PM Hashimoto did exercise strong leadership in regard to Futenma Air Base, but as the LDP president his decisions run along the general policy of Ministry of Foreign Affairs, who is in charge of the foreign policy formation on daily base. Furthermore, the American side agreed to the relocation since the benefits – a new and technologically advanced facility for the US army, entirely paid by the Japanese government, outweighed the hardship of the transfer. In the entire process, the Okinawan community,*

*demanding removal of the bases outside the prefecture, was not consulted and hence the ongoing opposition to the US bases and FRF.*

**Keywords:** *Foreign and defense policy, Futenma, military bases, decision making, prime minister role*

## 1. Introduction

With the election of the new Okinawa governor in November 2014, Onaga Takeshi, who opposes the construction of a new American military base in Henoko to replace the existing US Marine Corps Air Station Futenma (MCAS Futenma), the issue of military bases in Okinawa once again surfaced in Japanese politics, antagonizing local–central relations. The new prefectural government and local citizens stage protests and block national government’s decisions, preventing construction of the new base, the Futenma replacement facility (FTR). On Sunday May 17, 2015, which marked 43<sup>rd</sup> anniversary of the Okinawa reversion to Japan, 35,000 people gathered in Naha to express opposition to the national government’s policies toward Okinawa (*Okinawa Times*, 2015.5.18). The situation, with the anti-base governor and mass protests, bring back memories of the events in 1995–1996, which resulted in the establishment of the Special Action Committee on Okinawa (SACO) and decision to relocate the Futenma airbase. The consequences of the present situation are to be seen, but in order to deepen the understanding of the problem, as well as to allow some predicaments for the future, this article aims to analyze the decision–making process on the US military bases and the return of the Futenma Air Station under the Murayama and Hashimoto cabinets in 1995 and 1996, since it was during their premierships that the issue was set on the agenda and decided upon. Furthermore, the analysis might shed some light on later developments on the same issue under Hatoyama and following cabinets. This historical analysis is to allow answers to following research questions: Who are the main actors and factors influencing the decision–making process? What is the role of prime ministers, who historically have shown leadership in foreign policy, and what institutional tools have prime ministers used in the process under investigation? And furthermore, what was the role of other actors (coalition partners, bureaucrats)? The main focus is placed on the domestic institutions and practices, while the American influence is analyzed through specific effects it had on Japanese actors.

## 2. Outline of the Problem

The problem of the US military bases in Okinawa, including the Futenma Air Station, located in the densely populated area in Ginowan city, has been a difficult and contested issue in Japanese domestic and foreign affairs for decades, but in September 1995 it gained a new momentum. On September 4, a 12-year old schoolgirl was abducted on her way back from school and raped by three US servicemen, who escaped later back into their base. The news about the rape and later reports about problems of the Japanese police to get a hold of custody of the suspects led to an outburst of protests by local citizens, escalating into demands not only to revise the Status of Forces Agreement (SOFA), the second most important document after the Japan–US Security Treaty, which stipulates conditions of operation of the American military bases and the army on Japanese territory, but also to close and move the US military bases outside Okinawa. The scale and intensity of the protests made both governments, political commentators and the media fear that the alliance itself might be at stake, as epitomized by such expressions as “alliance adrift” (*dōmei hyōryū*).

For both governments, the Okinawa situation was of the utmost importance because the prefecture hosts close to 74% of the exclusive-use US military bases, which occupy over 18% of the main island of Okinawa, and 70% of the American forces (Okinawa Ken 2013, pp. 1–3), while at the same time Okinawa constitutes only 0.6% of Japanese territory. The density of the military facilities and personnel have posed serious dangers to local citizens, resulting in accidents, noise and environmental pollution, assaults, rapes and other problems, and most importantly to the perception of discrimination in comparison to the rest of the country.

When the rape happened in September 1995, the national government was led by Socialist Prime Minister Murayama Tomiichi (April 30, 1994 – November 1, 1996), the first head of the Socialist Party of Japan (SPJ, renamed in January 1996 to Social Democratic Party of Japan, SDPJ) to hold this position since 1948. What was more remarkable is the fact that the Socialists created the cabinet in coalition with their long-standing archrival, the Liberal Democratic Party, presided over at that time by Kōno Yōhei, and since October 1995 by Hashimoto Ryūtarō. On the other hand, on the local level the government of Okinawa was in the hands of the progressive and anti-base governor Ōta Masahide (December 10,

1990 – December 9, 1998), who after the rape began a legal battle with central government by refusing to sign a land lease for the American bases (Bochorodycz 2010, pp. 93–97).

Under the pressure of local protests, Vice-President Al Gore on behalf of President Bill Clinton and Prime Minister Murayama announced the establishment of the Special Action Committee on Okinawa (SACO) in November 1995, which by April the following year prepared the interim report with proposals of realignment, reduction and closure of US bases in Okinawa. Along the lines President Bill Clinton and Prime Minister (PM) Hashimoto Ryūtarō, who replaced Murayama in January 1996 (in office till July 30, 1998), announced in April of that year the relocation of the Futenma base within five to seven years. Later, to the surprise of local citizens, it was clarified that the construction of the Futenma Replacement Facility (FRF) was to be located within the prefecture.<sup>1</sup> After more deliberation the site was selected in Henoko, located in the north-western part of the main island of Okinawa. The situation got further complicated when in December 1997 citizens of Nago city voted against the FRF construction in a non-binding referendum, after which the city mayor Higa Tetsuya decided nevertheless to accept the governmental proposal and resigned soon after. Thousands of millions of yen in subsidies were poured subsequently into the northern area of the Okinawa island for economic development to compensate for the construction of the base, while the newly elected mayor in February 1998, agreed to the FTR construction under certain conditions. In February 1998, almost two years after the agreement on the Futenma relocation, governor Ōta announced his objection to the relocation within the prefecture, and in November 1998, lost the election to Inamine Keiichi, who gave his consent for the construction, although again under certain conditions. In the end, the local community was split even deeper between the proponents (beneficiaries of subsidies, political and business elites, construction companies) and opponents of the bases. In 2010 anti-base mayor Inamine Susumu was elected in Nago city and in 2014 reelected, while in national elections in the same year all seats from the Okinawa district to the Upper House were taken by candidates opposing the bases. Finally, in November 2014 the anti-base candidate Onaga Takeshi became a governor and the stalemate continues still. As of Autumn 2015, all Okinawa related municipal

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1 Ota supposedly knew about the transfer within the prefecture from the beginning (Funabashi 1999, p. 3).

and prefectural governments are in the hands of people opposing the construction of new military bases in the prefecture. Summing up, over the period of almost twenty years, the overall resistance against the bases remained strong among the general public, while the local authorities, both prefectural and municipal, have been changing their stance, depending on the outcomes of the election, which became a battlefield between the opponents and proponents, the latter strongly supported by the central government.

### 3. Main Actors

Let us begin with the analysis of the main actors involved and their interests. There are basically three groups on the Japanese side that should be considered in relation to foreign and defense policy: the Ministry of Foreign Affairs (MOFA), Ministry of Defense (MOD, Defense Agency, DA, till 2007), and PM with his entourage referred to in Japanese usually as Kantei. The fourth external actor in the case of Okinawa is the US. Each of these actors can further be subdivided into subgroups, representing different structures, priorities and interests.

#### The Prime Minister and Kantei

It has been assumed that generally Japanese PMs, with some exceptions, have played a limited role in policy making, including foreign affairs, which was dominated by the bureaucracy, as epitomized by such term as “bureaucracy cabinet system” (Iio 2008, pp. 29–34; Hayao 1993, pp. 3–27; Shinoda 2004, p. 5; Zakowski 2015, pp. 16–21). One of the reasons was a lack of institutional tools, namely the limited number of staff working directly under the PM and personally loyal to him<sup>2</sup>, and furthermore, relatively small impact of international issues on electoral results and weak interest groups domestically in this area. Nevertheless, PMs did exercise a leadership in regard to chosen issues, such as the often quoted PM Tanaka Kakuei in 1972 in the case of the normalization of diplomatic relations with the People’s Republic of China, or PM Koizumi Jun’ichirō in case of North Korea. The administrative reforms initiated by PM Hashimoto under a slogan of increased efficiency of the public admin-

2 All prime ministers in Japan have been men so far, and hence the use of a pronoun “he.”

istration to be achieved through a decrease of its size and cost, was among other aims also to strengthen the position of the PM, and particularly of the Kantei vis-à-vis the bureaucrats and their ministries. Kantei is an abbreviation of the “Prime Minister’s Residence” (Naikaku Sōri Daijin Kantei), which includes the PM’s personal office and the Cabinet Secretariat (Naikaku Kanbō). Formally the PM’s Office (Sōrifu) and the Cabinet Secretariat had approximately 200 staff, although the problem was that a great majority of them were dispatched from other ministries, to which they usually stayed loyal<sup>3</sup>. International affairs were handled by the Cabinet Office on External Affairs (Gaisei Shingishitsu)<sup>4</sup> in the Cabinet Secretariat, which personnel again were dispatched from MOFA. A great majority of Kantei’s staff were therefore bureaucrats. Under PM Murayama, the post of the Chief Cabinet Secretary was held by Nosaka Kōken (1924–2004), while under PM Hashimoto, by Kajiyama Seiroku<sup>5</sup>. At the same time, the post of the administrative deputy chief cabinet secretary was in hands of Furukawa Teijirō, who remained there for eight years and seven months between February 1995 and September 2003, much longer than that of any of the political appointees, which is quite symbolic for the power and influence the bureaucrats exercise in Japan. Furukawa was in touch with the Vice-Governor Yoshimoto Masanori, who was the main channel of communication between Ota and the central government (Funabashi 1999, pp. 134–136).

PM Hashimoto was perceived as a strong leader and a skillful player both within his own party, the LDP, and in dealing with bureaucrats, having held the most important ministerial and party positions (Tamura, ed. 1998; Funabashi 1999, p. 8; Takenaka 2006, pp. 45–46). In June 1996, PM Hashimoto created three posts of special advisors to the PM (*naikaku sōri daijin hosakan*)<sup>6</sup> for support in policymaking (which in 2001 was increased to five). In the period discussed, Okamoto Yukio was formally

3 The PM was supported directly by a small number of assistants, including the (a) chief cabinet secretary (*naikaku kanbō chōkan*), (b) deputy chief cabinet secretaries: one administrative (*jimu fukuchōkan*) and one politically nominated (*seimu fukuchōkan*), and (c) five prime minister’s private secretaries (*naikaku sōri daijin hishokan*), of which only one was political and four administrative, which means that the four were bureaucrats.

4 Under the 2001 administrative reforms it was incorporated under the Assistant Chief Cabinet Secretary (Naikaku Kanbō Fukuchōkanho).

5 According to Moriya, Kajiyama was the key player in negotiations with the US on the return of Futenma, although he does not specify in what regard (Moriya 2010, p. 5).

6 The function actually existed informally since 1993, created by PM Hosokawa.

appointed a special advisor on Okinawa to PM Hashimoto in November 1996, a post he held till March 10, 1998. Okamoto was an ex-bureaucrat, who served in MOFA's North American Bureau before becoming an independent political commentator and an analyst. Interestingly, even before the formal establishment of the post, PM Hashimoto used another person as his special envoy to Okinawa, who without any formal powers served as a mediator and coordinator between the PM and local government (*Ryūkyū Shinpō*, 1996.9.11, 1996.11.2). It was Shimokōbe Atsushi, the high ranking ex-bureaucrat, who at the end of the 1970s served as the administrative vice minister (*kokudo jimujikan*), the highest bureaucratic post in the National Land Agency (NLA), and was involved not only in the formulation of national land development plans (*Zensō*),<sup>7</sup> but also in the Okinawa Promotion and Development Plans, having thereby broad connections in Okinawa. Shimokōbe was asked by the PM to become his advisor as soon as in February 1996, soon after the formation of the Hashimoto Cabinet, but he refused on the grounds that he wanted to participate in the process taking "the perspective of the Okinawan side" and not the national government (Shimokōbe Ākaibusu 2014, p. 29). He visited Okinawa on several occasions to meet with Governor Ōta Masahide, Vice Governor Yoshimoto Masanori, and other persons. At the same time, the chief cabinet secretary, Kajiyama Seiroku, although trusted by PM Hashimoto, was not the closest aid but rather a strategically appointed party member (Mikuriya and Makihara, eds. 2012, p. 204; Funabashi 1999, p. 133). For the specific tasks and negotiations, Hashimoto used his private advisors.

On the other hand, PM Murayama also appointed three special advisors (*shushō tokubetsu hosa*) in October 1994 without any legal basis, all of whom were members of parliament (MPs): Hayakawa Masaru (SPJ), Nishikōri Atsushi (Shintō Sakigake), and Nakagawa Hidenao (LDP), who resigned in September 1995 and was replaced by Toida Saburō (LDP). None of them, however, served as a mediator in regard to Okinawa policy, and as can be seen by the party affiliation, they were chosen to balance the coalition partners' influence on the PM.

It is important to note that in spite of the lack of formal tools such as the posts of special advisors, both PMs were able to use the informal means to influence the process. And it is not certainly a coincidence that

7 Abbreviation of Zenkoku Sōgō Kaihatsu Keikaku (All-Japan Comprehensive Development Plans), which were formulated between 1962 and 2005.

both special advisors of PM Hashimoto were former ex-bureaucrats. Furthermore, both PMs were very much interested in the Okinawa issue, having strong personal ties, and “deep sentiments” (*atsui omoi*) toward Okinawa, as in fact many of the cabinet and party members had at that time.<sup>8</sup> Murayama, the Socialist PM, was also an old friend of Vice Governor Yoshimoto Masanori, the policy brain of Governor Ōta, from the Jichirō, shared the critical stance toward the US–Japan security treaty and the stationing of the US military on Japan’s territory. Hashimoto on the other hand, was deeply engaged in the Okinawa problem, partly due to his political mentor, former PM Satō Eisaku, who negotiated the return of Okinawa to Japan in 1972,<sup>9</sup> and other reasons, including his general interest in security issues (Okimoto and Miyagi, eds. 2013). As the PM and party president, he declared the resolution of the so-called “Okinawa problem” as a “mission” not only for himself but also for the LDP during a ceremony, commemorating the party’s 40<sup>th</sup> anniversary (Tamura, ed. 1998, pp. 118–119).

### The Ministry of Foreign Affairs

MOFA has been pointed out as the key actor responsible for foreign policy formulation (Yakushiji 2003, pp. 197–207), characterized, as all other ministries, by a strong sectionalism, secretiveness, protection of its privileges, and loyalty toward their home ministry. MOFA bureaucrats, both from the elite and non-elite tracks, recruited from graduates of Japan’s top universities, and usually continued working in the ministry till their retirement, with the ultimate goal of obtaining the ambassadorial position (Imazato 2002, p. 211). MOFA officials are said to be characterized by high self-esteem, coming from their proficiency in foreign languages, as well as their division into separate schools, representing different countries, strategic for Japanese diplomacy. The most important has been the American school due to the relevance of the Japan–US alliance, others include the China and Soviet/Russian schools, the latter more influential

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8 The Okinawa sympathizers (*Okinawa shinpa*) or Okinawa experts (*Okinawa tsū*), including Hashimoto Ryūtarō, Kajiyama Seiroku, Nonaka Hiromu, Yamanaka Sadanori etc., referred to as persons with a long history of involvement with the Okinawan issues, with a deep understanding of local characteristics, and positive attitude towards the prefecture (Bochorodycz 2010, pp. 36–37).

9 Hashimoto supposedly even kept a photograph of Satō Eisaku on his desk (Tamura ed. 1998, p. 118).

during the Cold War. The bureaucrats in charge of those areas not only spoke the language, knew the culture, history and political system, but also personally sympathized with those countries as well as their political ideologies (Imazato 2002, pp. 187–189).

Due to the importance of the US for Japan, it is not surprising that among MOFA's ten bureaus, five in charge of different regions (Asia, North America etc.), and five divided functionally: Foreign Policy, Economic Affairs, International Cooperation, Treaties (International Legal Affairs from 2001), and the Intelligence and Analysis Service, until the administrative reforms in 2001 the most influential were the North American Affairs Bureau (Hokubei Kyoku) and the Treaties Bureau (Jōyaku Kyoku). The former was in charge of relations with the US, while the latter with legal issues related to all diplomatic relations of Japan. During PM Murayama, the post of foreign minister went to Kōno Yōhei, the LDP president, who also acted as the deputy prime minister, while under PM Hashimoto to Ikeda Yukihiko (1937–2004). During that period of the two cabinets, the post of the administrative vice minister (*gaimu jimujikan*) was in the hands of Hayashi Sadayuki, and the North American Bureau, Orita Masaki, while the North American Bureau was led by Tanaka Hitoshi (1996–1998), one of the best known diplomats in Japan, particularly in regard to the relations with North Korea.<sup>10</sup>

## The Ministry of Defense

The situation of MOD was quite different from MOFA and other administrative units. Until 2007, it was not a full-fledged ministry, but an agency, the DA under the PM's Office, staffed mostly with civil servants dispatched from other ministries, Ministry of Finance (MOF) and Ministry of International Trade and Industry (MITI, later METI). The situation of the DA, regarded as the "management agency" rather than the "policy agency," started changing after the Cold War, and particularly after the Gulf War and increased demands for Japan's participation in international military operations. The most important unit within MOD is the Defense Policy Bureau with the Defense Policy Division (the Japan-US Defense Cooperation Division was separated from the Defense Policy Di-

10 According to Yakushiji, Tanaka played the major role in the negotiations on the Futenma return (Yakushiji 2003, p. 15), although Funabashi, not denying his skills, shows his role differently (Funabashi 1999, pp. 39–42).

vision a few months after the ministry upgrading). Compared with other ministries and agencies, it is relatively low in esteem and staffed with junior personnel.

In the discussions on Japan's defense policy, for a long time the role of the bureaucrats from the DA/MOD was mentioned only slightly, while the focus was placed on the role of MOFA, PMs or the international environment (Blais 2010, loc. 404).<sup>11</sup> During the period discussed in this paper, the ministry was still an agency, and the important posts of DA director-general was held by Etō Seishirō (August 1995 – January 1996), Usui Hideo (January 1996 – November 1996), and Kyūma Fumio (November 1996 – July 1998), who played a relatively small role in the decision-making process on Futenma. On the other hand, the negotiations were greatly influenced by the DA director general of Defense Bureau, Akiyama Masahiro (1995–1997) and the director of the Defense Policy division, Moriya Takemasa (1994–1995), both of whom continued their activities related to Futenma on different posts, Akiyama as the administrative vice minister in the DA, and Moriya as a counselor in the Cabinet Secretariat. Moriya, the DA/MOD administrative vice minister from 2003 to 2007, who was eventually found guilty by the court of a bribery, wrote several books disclosing information on the behind the scene negotiations on military bases, shading some light on the process (Moriya 2010).<sup>12</sup>

#### **4. Institutional Arrangements for Decision Making Over the US Bases in Japan**

Until the end of the Cold War the issue of the US military bases in Japan was predominantly in the hands of the US government. The situation started to change with the end of the Cold War. In 1990, the US side agreed to upgrade the “unequal” level of participants of the Security Consultative Committee (SCC, Nichibeī Anzen Hoshō Kyōgi Iinkai) on the American side<sup>13</sup>, which is established under the Article IV of the US–Ja-

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11 (loc.) refers to the location in a Kindle edition of books.

12 Moriya writes about a period between 2004 and 2007, but his references and description of processes and mechanism of the decision making on the Futenma issue, can be regarded as representative for a much longer period of time.

13 The proposition came from Abe Shintarō, former Japanese Foreign Minister in June 1990, but was ignored until the new administration of Bill Clinton picked it up in March 1994 (Sunohara 2011, pp. 111–114).

pan Security Treaty, as the highest inter-governmental organ on the US–Japan security issues (Armacost 1996, p. 95; Yoshida 2012, pp. 298–303). The new members were to include the Secretaries of Defense and State, instead of the US Pacific Commander and US Ambassador to Japan. The first meeting took place in 1994, and since then the Committee has been also known as 2+2 Meeting due to the fact that it consists of four top representatives, two from each country, Foreign and Defense Ministers on the Japanese side, and the Secretaries of State and Defense on the American side. The four members are elected politicians, making the final decisions, but on the day to day basis, since the 1990s the negotiations and decisions are made by two sub-committees: Security Sub-Committee (SSC, Nichibeï Anzen Hoshō Kōkyū Jimu Reberu Kyōgi) and Sub-Defense Committee (SDC, Bōei Kyōryoku Shoiinkai), which comprise high-level officials from both governments, the former of vice-ministers and under-secretaries, the latter of chiefs of bureaus and deputy assistant secretaries.

Formally though, problems induced by the bases and the implementation of the Status of Forces Agreement (SOFA) falls under the jurisdiction the US–Japan Joint Committee (Nichibeï Gōdō Iinkai), established under the Article XXV of SOFA, while on the day to day basis it was the Defense Facilities Agency (DFA), the outer bureau of the Defense Agency that handled matters related to the American army facilities, land, Japanese base workers, noise reduction countermeasures, accidents and incidents caused by the US Army service members and their families. The US–Japan Joint Committee manages the widest range of problems and comprises several permanent sub-committees created for a specific purpose.<sup>14</sup> At present the committee includes a large group of participants from the directors' general rank on the Japanese side, with the Director General of the North American Affairs Bureau in MOFA, and not MOD, as should be noticed, supervising the committee.

The big institutional changes came again in November 1995, when under the Murayama Tomiichi Cabinet, two new bodies were established: on November 17, Okinawa Base Problem Council (Okinawa Kichi Mondai Kyōgikai), and two days later on November 19, the Special Action Committee on Okinawa (SACO). The latter was the result of the inter-governmental agreement between PM Murayama on his initiative and Vice President Al Gore during their meeting in Tokyo. On the other hand,

14 The subcommittees include: the Facilities Sub-Committee (FSC), Joint Planning Committee (JPC), and Joint Interoperability Coordinating Committee (JICC).

the Okinawa Base Problem Council, composed of the Chief Cabinet Secretary, Foreign Minister, Director General of the DA, and the Governor of Okinawa, was to create a forum for the local government to deliver opinions and requests, and for the central government to grasp the reality of bases in order to reflect them in the national policy. The council was the first ever such arrangement to include local representatives, and in that sense was revolutionary. At the same time, however, the council was not meant as a forum for discussions on plans for base closures and relocations, had no discretionary powers over the bases or included administrative representatives from the important ministries, such as MOFA and DA bureaucrats, nor the American side.

On the other hand, SACO was the intergovernmental institution, established with the purpose to develop recommendations on ways to realign and reduce US facilities in Okinawa after the outburst of protests against the rape of a schoolgirl by the US Army servicemen. The agenda of SACO was to include: “planning for realigning, consolidating, and down-scaling the facilities and areas in Okinawa; second, problems, such as training, noise, safety and the environment, relating to the facilities and the areas of United States Forces stationed on Okinawa” (MOFA 1995). Importantly, SACO was established directly under the competence of the Security Consultative Committee (SCC, 2+2), and not the US–Japan Joint Committee, that is under political leadership, and not the routine bureaucratic management, due to the significance of the issue at the time. SACO was the first of such committees ever established outside the existing framework. Nevertheless, the representatives of the local government were not included, and all the other members were in fact bureaucrats.

## 5. Murayama Cabinet

The issue of the US military bases in Okinawa surfaced during the term of Murayama Tomiichi, the Socialist PM, and hence one could expect strong initiative on the part of the PM in this regard. And initially it did seem as the case. Murayama declared that he would risk “the life of his cabinet to resolve the Okinawa problem” (*Ryūkyū Shimpō*, 1995.11.4), and even established two aforementioned important institutions for deliberation on the military bases. Murayama was also the one who brought up the issue of the US military bases in Okinawa during his first meeting with President Bill Clinton in January 1995, that is before the rape

incident, presenting several demands, including transfer of the live-fire artillery training over the Prefectural Route 104 and others (Yakushiji, ed. 2012, p. 244). However, lacking political resources in the coalition, as well as generally feeling uncomfortable with foreign affairs, as he confessed years later (Yakushiji, ed. 2012, pp. 248–249), Murayama left the matter of the Okinawa bases almost entirely to Foreign and Deputy Prime Minister Kōno Yōhei. Kōno, the LDP president at that time, was a strong supporter of the Japan–US alliance and hence his efforts concentrated on limiting adverse effects of local protests on the alliance. The Socialist Party of Japan (SPJ) soon after becoming the ruling party in 1994 changed its policy dramatically, accepting the Japan–US alliance, nuclear power, constitutionality of Self Defense Forces, and then altering its name to the Social–Democratic Party of Japan (SDPJ) in January 1996. The party supported the Okinawan claim to reduce and return the US military bases, but its position in the coalition government with 70 seats against 223 of the LDP in the Lower House was very weak. Furthermore, Murayama had never held any ministerial position before becoming PM, and hence his knowledge of and experience in dealing with bureaucrats was very limited.

### SOFA Revision

The rape of the schoolgirl took place on September 4, 1995, but the Police did not want to go public to protect the girl's identity, and it was not until September 8, when the *Ryukyu Shinpō*, one of two influential local newspapers, ran the story about the rape. The newspaper informed that the three men were held in custody by the US's Naval Criminal Investigation Service (NCIS), while the prefectural police had requested the Americans to be handed over to Okinawan custody. Further news about the refusal to hand over the suspects due to Article 17 of SOFA led to criticism of the "unequal" provision, which stipulates that the accused person should remain under the US authorities, if it is in the hands of the US, until the person is charged by Japan. The protest against the rape and the military bases continued escalating from demands for a complete review of SOFA, through demands for the reduction and closure of the bases up to demands for withdrawal of the Marines.

From the beginning, US authorities, and particularly the Department of Defense, were alarmed of possible adverse consequences of the protests. The US position (the Defense and State Departments, the US Embassy in

Japan) was firmly against SOFA revision, as expressed by Professor Joseph Nye, the Assistant Secretary for Defense, in the words: "We will not touch one letter of the text. We will deal with it as a question of Article 17 interpretation and implementation" (in Funabashi 1999, p. 306). The US side argued that in fact SOFA was not disadvantageous to Japan, fearing that in case of revision the question of balance with other countries, especially South Korea, already voicing their dissatisfaction with SOFA, would become an issue. To handle the situation apologies were offered on different levels, and later a stand-down of the Marines announced for a day of reflection. On September 11, the US Consul-General in Okinawa, Aloysius O'Neill visited Governor Ota Masahide at the prefectural office to offer an apology for the incident. On September 21, Ambassador Walter Mondale met the Governor in Tokyo, and apologized to the victim, her family, and the Okinawan people, while on the same day in the US, President Clinton expressed deep regret in a radio address (*Ryūkyū Shinpō* 1995.9.11, 21). Furthermore, upon complaints from Foreign Minister Kōno Yōhei, the Americans also agreed to late-night questioning of the suspects, which speeded up the process of evidence gathering. As a result, the three marines were charged by the Naha district court on September 29, eight days after the papers had been forwarded from the prefectural police, and on the same day the three marines were handed over into Japanese custody. The Americans showed that they were eager to cooperate but only as far as the problem of the SOFA Article 17 was treated as a question of "interpretation and implementation."

On the Japanese side, MOFA and the DA also expressed strong opposition to SOFA revision under a slogan of not opening Pandora's Box. Foreign Minister Kōno, with a sense of mission to save the bilateral relationship with the US, in the first meeting with Governor Ōta in Tokyo on September 19, obstinately refused revision, which led to a further escalation of protests in Okinawa. The same stance was also taken by the PM's closest aide, the Chief Cabinet Secretary, Nosaka Kōken (*Ryūkyū Shinpo*, 1995.9.20). Kōno was unmoved, fearing that revision of SOFA might lead to the withdrawal of US forces from Japan (Funabashi 1999, p. 304). MOFA bureaucrats supported Kōno's stance, while he faced opposition from the coalition partners, the SPJ and New Party Sakigake.<sup>15</sup> In the end, the Japanese government agreed not to revise SOFA. Prime Minister Mu-

15 Even some LDP members, such as Ono Yoshinori, chairperson of LDP's Defense Caucus, were in favor of the revision.

rayama himself refrained from commenting on the matter saying that it was under the foreign minister's jurisdiction. Within the ruling coalition, the demand for SOFA revision was voiced openly by Kubo Wataru, the secretary general of the SPJ, who argued that not doing it would complicate the base issue even more, while the leader of New Party Sakigake and Finance Minister, Takemura Masayoshi, posed a provocative but rather rhetorical question whether Japan was in fact independent. In Okinawa the protests escalated even further. On October 21, a crowd of 85,000 Okinawans gathered to protest against the rape and SOFA in Okinawa, the biggest such rally since the land struggle in the 1950s.

Nevertheless, the question of SOFA revision was settled down as an implementation review of SOFA, in accordance with the position of top decision makers on both sides, the US State and Defense Departments, and Japan's MOFA and DA. On October 25, in a US–Japan meeting in Tokyo, it was formally agreed that in case of violent crimes such as murder and rape, “the United States will give sympathetic consideration” to any request for the transfer of suspects into Japanese custody before indictment (*The New York Times*, 1995.10.26). As for the Japanese government, the internal conflict was mediated by Hashimoto Ryūtarō, elected the LDP president in October 1995, during a meeting of coalition party leaders on November 2, and so the Japanese government maintained the official stance of not revising SOFA in spite of the intra coalition disagreement.

## Bases

The second issue of military bases became particularly pertinent after Governor Ota announced his refusal to sign proxy for lease of land for US military bases on August 28 (Bochorodycz 2010, pp. 93–95). This time the conflict ran along ministerial and not national lines. From the start, the US Department of State and Japanese MOFA were strongly against handling the issue of the bases, while the US Defense Department and Japanese counter partners, the DA, strongly in favor, as were the political leaders PM Murayama and PM Hashimoto, not to mention the governor of Okinawa.

According to Funabashi (1999), the *Asahi Shinbun* journalist, who conducted extensive interviews with all major actors involved in the process, over a long period of time, it was actually two high level officials

from the DA, Akiyama Masahiro, director general of Defense Bureau, and Moriya Takemasa, a counselor (*shingikan*) for the Defense Bureau division, who took up the initiative in regard to the bases. Their main concern was the preservation of the alliance itself and limitation of the impact of the refusal for proxy signing over the land use by Governor Ōta. Akiyama contacted Nye directly proposing to set up a joint commission on returning the bases, and sent Hirasawa Katsuei, DA counselor (a parliament member from October 1996) to Washington, who discussed the situation with Curt Campbell, deputy assistant secretary of defense. Nye drafted a proposal about conveying a new forum for discussion and Secretary of Defense William Perry added requirements of bilateralism and involvement of both military and civilians, and preparation of a proposal with a specific deadline (Funabashi 1999, pp. 308–309).<sup>16</sup>

In the other camp, MOFA bureaucrats against SACO revision and handling of the bases, were arguing that there already was a forum to discuss such issues (the US–Japan Joint Committee), and furthermore that SOFA was under the jurisdiction of MOFA and not the DA. The DA top officials counter argued that MOFA had not been able to assess operational functions of the bases and incorporate them into demands toward the US, which was the reason the issue of the bases had been unresolved for years (Funabashi 1999, pp. 318–319).<sup>17</sup> The turf battle continued between ministries, while the political leaders of both institutions shared views of the bureaucrats under their jurisdiction. SACO became a chance to establish a new mechanism for the two institutions to cooperate on the base issue.

On November 1, 1995, DA Director–General Etō Seishirō and Defense Secretary William Perry, who arrived in Tokyo, in a joint press release announced the “realignment, consolidation and reduction” of the US bases, emphasizing at the same time that the overall US troop strength in the Asia–Pacific would remain at 100,000 with 47,000 in Japan, which was compatible with the US policy announced in January 1995, known as the Nye Initiative.<sup>18</sup> On November 20, Prime Minister Murayama and Vice President Al Gore, at the APEC meeting in Japan, announced the estab-

16 In the end, the proposal for inclusion of local representatives was not implemented.

17 On the other hand, some bureaucrats within JDA were reluctant to tackle the issue of bases, seeing it as new and difficult task, first of negotiating with landowners, and also finding new relocation sites.

18 It is a name of a report, officially known as *The United States Strategy for the East Asia Pacific Region*, prepared by the Assistant Secretary of Defense John Nye and released in February 1995.

ishment of SACO,<sup>19</sup> which was to investigate ways to reduce the impact of the US military bases in Okinawa. On the following day in Tokyo, the first meeting of SACO was held with Orita Masaki of the MOFA North American Bureau and Akiyama Masahiro of the DA Defense Policy Bureau, and their US counterparts, Winston Lord, the US Assistant Secretary of State for Asian and Pacific Affairs, and Joseph Nye, the US Assistant Secretary of Defense for International Affairs. The inaugural session was also attended exceptionally by Foreign Minister Kōno Yōhei, DA Director-General Etō Seishirō and the US Ambassador to Japan Walter Mondale, who were not formally members of SACO.<sup>20</sup> The SACO interim report was ready by April 1996, and the final report announced in December 1996. It proposed a return of 21% of the bases in 11 military facilities. The final report outlined the requirements of land return, adjustment of procedures for training and operational procedures, noise abatement and changes of SOFA. The changes looked substantial, but many of the items included were part of earlier petitions and agreements, and so the question was rather of the implementation than the planning (Funabashi 1999, pp. 24–25; Bochorodycz 2005; Moriya 2010, loc. 4214). The SACO deliberations took place and the reports were submitted under the next Hashimoto Cabinet. While leaving office Murayama supposedly said to Hashimoto that “Okinawa is my greatest regret. It’s the only thing I ask of you,” to which Hashimoto responded with assurance that it was also his greatest concern (in Funabashi 1999, p. 29). Both were probably indeed concerned about the issue, but both perceived the solutions most probably quite differently.

## 6. Hashimoto Cabinet

The cabinet of Hashimoto Ryūtarō was formed on January 11, 1996, still in coalition with the SPJ, renamed few days later to SDPJ, and New Party Sakigake (Shintō Sakigake). As a result of the Lower House election

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 19 The members were to include director-general of the Defense Bureau and the chairman of the Joint Staff Council from JDA, and North American Bureau director-general from MOFA, while US participants came from the State Department, the Defense Department, the Joint Chief of Staff, the Pacific Forces and the high command of the US forces in Japan.

20 The regular members included: Director-General of MOFA’s North American Bureau, JDA’s Director-General of the Bureau of Defense Policy, Director-General of the Defense Facilities Agency, and Chairman of the Joint Staff Council of the Japan Self-Defense Forces.

in October 1996, however, the position of the LDP in the coalition was strengthened even further, while the SDPJ's weakened to the point of marginalization: the SDPJ decreased its seats from 70 to 15, while the LDP increased its share from 223 to 239. By the time Hashimoto took up the post, the issue of SOFA and the bases was already set on the negotiation agenda, the SACO committee was preparing proposals, although the details were to be decided yet.

Before going into detailed analysis of the decision process under PM Hashimoto, it is instructive to look at an article from the *New York Times* titled "U.S. Will Return Base in Okinawa" published on April 13, 1996, one day after the public announcement of the Futenma return, which is representative of the understanding of the issue at the time by the public.

In a landmark move to scale back the intrusiveness of the American military presence in Japan, the United States agreed tonight to return a major American air base to Japan in five to seven years. [...]

"We will be relocating some critical defense capabilities, not only within Japan, but some back to the United States," the official said.

The announcements, just four days before President Clinton is to arrive in Tokyo for a state visit, are expected to ease the hostility among Okinawans to the American military bases, which now take up 20 percent of their island. [...]

The Futenma Air Base, the Marine base on Okinawa that was the subject of today's announcement, is a major American military installation and a symbol of the American presence on Okinawa.

The Defense Department apparently concluded that the gains it offered in security were outweighed by the antagonisms it bred among Okinawans who lived nearby.

Prime Minister Ryutaro Hashimoto and the American Ambassador to Japan, Walter F. Mondale, who made the announcement about Futenma in a joint news conference televised live across Japan, emphasized that virtually all of the functions of Futenma would be transferred to other bases in Japan. [...]

If it had not been for that rape, the agreement to return Futenma and other land on Okinawa almost certainly would not have happened. [...]

Mr. Hashimoto had asked President Clinton to return Futenma at their meeting in California in February, and today's announcement represents a major triumph for the Prime Minister's Administration. [...]

The United States presumably felt that Futenma is more dispensable than some other sites, in part because it is a smaller operation than other well-known American bases.

Summarizing the main points of the article, we could say that the Futenma return 1) was PM Hashimoto's initiative, who made the request towards the US president, 2) the decision was made under pressure of the local protests in Okinawa, 3) the US government agreed in order to a) lift the burden of the Okinawans, and because b) the base was strategically

of relatively small importance, and 4) Futenma's functions were to be transferred outside the prefecture. All of these points, at least partially, are subjected to debate.

The decision to return the Futenma Air Base was announced on April 12, 1996, at the joint press conference of PM Hashimoto and US Ambassador to Japan, Walter Mondale, as described above. The negotiations of the process obviously started much earlier. In preparation for the PM's official visit to the US and meeting with President Clinton, Hashimoto convened a meeting in regard to Futenma Air Station with all bureaucrats in charge of the issue, including Deputy Cabinet Secretary Furukawa Sadajiro, Hirabayashi Hiroshi – Chief Cabinet Counselor for Foreign Affairs, Tanaka Hitoshi – Deputy Director General of MOFA's North American Bureau, Akiyama Masahiro – Director General of the DA's Defense Policy Bureau. The officials were generally against the idea of the PM asking the US President for the Futenma return, arguing that the issue was too sensitive for the Americans, that it would undermine Hashimoto's authority as a leader (since he would be forwarding the demands of the Okinawans), and that it would have an adverse effect on future discussions on the military bases (Funabashi 1999, pp. 6–8).<sup>21</sup> Hashimoto agreed with them, although as he admitted later, he was hesitating until the very last (Iokibe & Miyagi, eds. 2013, pp. 63–66). During PM Hashimoto's meeting with President Clinton in Santa Monica in February 1996, Hashimoto nevertheless touched upon the issue of Futenma invited by the President, who initiated the topic. Hashimoto's statement in response to the President's question about Okinawa is worth quoting because it portrays his state of mind at that time:

To tell you the truth, I'm in an awkward position myself. Were I to pass on the demands of the Okinawan people, it would be for the complete return of Futenma. However, bearing in mind the importance of U.S.–Japan security and maintaining the functionality of the U.S. armed forces, I realize that that is extremely difficult. (Funabashi 1999, p. 21).

The statement greatly confused the Americans because of its vagueness, and so it was up to high-level officials, Tanaka Hitoshi and Moriya Takemasa, who stayed in the US longer, to clarify the statement after-

21 Some of the LDP "defense tribe" (*bōeizoku*) members were also against it, arguing that it is unreasonable under the unstable the situation on the Korean Peninsula (Tamura ed. 1998: 119).

wards in private talks with the US counter partners. The clarification was that the Japanese did ask in fact for the return of Futenma. In the end, it was concluded that the Futenma return was the result of Hashimoto's initiative. The main role of PM Hashimoto, as the initiator of the process was also emphasized by President Bill Clinton in his speech in the Japanese Diet on April 18, 1996.

The American people profoundly regret the horrible violence done to a young school girl there. [...]

In the months since this incident, we have worked with the government of Japan to minimize the burden of our military presence on the Japanese people. The Joint Action Plan we announced this week calls for the consolidation of our bases in Okinawa and a major reduction in inconveniences to the people who live there, like noise and training and exercises. [...]

I want to say again how much I appreciate the leadership of the Prime Minister and his government and the opportunity the United States has been given to do something we probably should have done some time ago. I thank you for that (MOFA 1996.4.18).

The “reluctant initiative” of PM Hashimoto was picked up by the American side. After the meeting with Hashimoto in California, President Clinton ordered the Secretary of Defense William Perry to explore the possibility of returning the base. A few days later Washington informed Tokyo secretly of such a possibility if only a replacement site could be found (Woodall 2014, p. 204).<sup>22</sup>

On April 15, 1996, that is three days after PM Hashimoto and US Ambassador Walter Mondale's press conference, the SACO interim report was approved at the meeting of the Security Consultative Committee (2+2), which confirmed the return of Futenma although the question of the relocation site was to appear in the final SACO report published in December of the same year. It stipulated that Futenma Air Base will be relocated to an off-shore facility in the northern part of Okinawa island. After years of negotiations, the FRF plan was agreed on and incorporated into the “United States–Japan Roadmap for Realignment Implementation,” announced and approved by PM Koizumi Jun'ichirō on May 1, 2006, which is the latest up to date (2015) official agreement on the issue. In the final version of the plan, the new base with the V-shape runways is planned to be built by a landfill method over the coral reef shallows of

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22 It is interesting to note that the first information about the possibility of the Futenma return appeared in local newspapers as early as November 1995 (*Ryūkyū Shinpō*, 1995.11.1, evening edition).

Henoko and the seafloor slopes in Ōura Bay, while 8,000 marines are to be relocated to Guam, and the cost of transfer entirely covered by Japanese government.

In the end, the blame for the failure of the negotiations on military bases and particularly on Futenma has been put by the ruling elites in Japan and the US on “the Head of the Ryūkū Kingdom” (*Ryūkyū Ōkoku no shuseki*), as phrased by Nonaka Hiromu (Miokuriya and Makihara, eds. 2012, pp. 234–235), namely on Governor Ōta, who announced his objection to the idea of relocation within the prefecture in February 1998, almost two years after the agreement on the return (Tamura ed. 1998, p. 121, 134; Funabashi 1999, p. 319). In the meantime, PM Hashimoto made several decisions, which were to show his determination to solve the Okinawa problem. First of all, Hashimoto met in person with Governor Ōta 16 times, which was unprecedented in itself for the PM to meet in person with a governor of one prefecture, of which the first time was just 12 days after taking up the premiership. Hashimoto prepared also a complex institutional framework for the realization of the Futenma relocation, including establishment of several institutions: (a) Countermeasures Headquarters for All Futenma Air Station Return (Futenma Hikōjō Zenmen Henkan Tō Mondai Taisaku Honbu) in DFA on May 1, (b) Task Force for Resolution of Issues Related to Futenma Air Base Return (Futenma Hikōjō Tō no Henkan ni Kakawaru Shomondai no Kaiketsu no Tame no Sagyō Iinkai), known as the Task Force for the deliberations on Futenma between the government and the prefecture on May 8, (c) Special Investigative Committee on Comprehensive Development Countermeasures for Okinawa Prefecture (Okinawa Ken Sōgō Shinkō Taisaku ni Kan Suru Tokubetsu Chōsa Kai) within the LDP directly under his jurisdiction as the LDP president, chaired by an influential LDP member Katō Kōichi on June 18, (d) Discussion Group on Okinawa Municipalities with US Military Bases (Okinawa Beigun Kichi Shozai ni Kan Suru Kondan Kai) in the form of the Chief Cabinet Secretary’s (Kajiyama Seiroku) private advisor committee on August 19. On behalf of the PM, Director General of the DA, Usui, negotiated the transfer of the live-fire artillery training over Prefectural Route 104 to other municipalities outside Okinawa with heads of local governments. Furthermore, Hashimoto announced the “Prime Minister’s Statement on Okinawa Problem” on September 10, in which he promised several special measures for Okinawa’s development, and what is more important, secured a budget for the Futenma reloca-

tion and the economic policies demanded by Governor Ōta under the Okinawa Cosmopolitan Formation Concept, which included all Okinawa Free Trade Zone (Okinawa Kokusai Toshi Keisei Kōsō). And finally he established the Okinawa Policy Council (Okinawa Seisaku Kyōgikai) on September 17, which was to include local representatives and supervise the implementation of economic plans.

The long list of Hashimoto's decisions clearly demonstrated his involvement in the issue, and at the same time his knowledge of the functioning of different bodies of the government, and also the ability to push and coordinate the actors for the implementation of those decisions. In other words, he used all formal and informal institutional tools by setting up various bodies, which gathered representatives of all agencies involved, as well as his party members. Importantly, as should be stressed anew, he also secured the budget for all those decisions by closely working with the Ministry of Finance.<sup>23</sup> Both private advisors to PM Hashimoto, Okamoto and Shimokōbe, participated in negotiations with the Okinawan government officials on specific economic and military issues. Nevertheless, in spite of all those arrangements, Hashimoto took up the initiative and made the decision to relocate Futenma, which followed the general lines of MOFA's and the DA's policy, that is, the prioritization of the Japan–US alliance and the maintenance of the “operational readiness” of the US army, while the local demand for the relocation outside the prefecture was not even set on the deliberation agenda.

The question as to why Governor Ōta decided to announce opposition to the FRF construction so late is complex. While opposing relocation and construction of military bases within the prefecture, Ōta tried to use the issue of military bases as a bargaining card vis-à-vis the central government to implement local economic policies (Okinawa Cosmopolitan City Concept, FTZ), which were to make Okinawa economically independent from the central government (Bochorodycz 2010). The local community has been deeply divided over the issue of the military bases, the gap, which widened especially after financial and other benefits were poured in by the national government (Inoue 2007, pp. 186–193). Nevertheless, the opposition among local citizens to any solution involving relocation

23 Funabashi reports that one of the first calls after the decision on the Futenma relocation was made by Hashimoto and Komura Takeshi, general director of the Budget Bureau at the Ministry of Finance to secure the budget for his decision (Funabashi 1999, p. 5).

within the prefecture or a construction of new bases has been strong. For the Okinawans, the Futenma problem is just a part of the bigger problem of the military bases, while both governments present it as *the* problem, putting the blame for the stalemate on the local side. Interestingly, in the discourse, Ōta and the local groups are criticized for being “ungrateful” for all the efforts done by the central government (Funabashi 1999, p. 154).

## 7. Conclusion

Prime Minister Murayama although initially showed strong initiative in regard to a solution of the US military bases (SACO etc.), devolved almost all responsibility to Foreign Minister Kōno Yōhei, the president of the LDP (till October 1995). Murayama was lacking experience with ministerial posts and interest in foreign relations, as well as political resources as the minor coalition partner. The issue of SOFA revision was handled according to the stance of Kōno–MOFA policy, namely of no revision, only interpretation and implementation of the agreement. Both sides, foreign minister and MOFA’s top officials shared the same stance toward the issue. This ran along the policy lines of the US Department of Defense and State.

On the other hand, the issue of the bases presented a different case, and the conflict ran along the institutional, and not the national lines. Japanese MOFA and US Department of State were strongly against tackling the base issue. The initiative actually came from DA bureaucrats (Akiyama, Moriya) with strong support from the US Department of Defense (Nye, Perry), who acknowledged the problematic aspect of the military base concentration in Okinawa. The Department of Defense was fully aware of the necessity to redefine the US–Japan alliance after the end of the Cold War, and the deliberations in this regard were undertaken, but due to Japanese MOFA’s negative stance, the US State Department followed the line. For MOFA, the US bases in Japan were the strongest bargaining card in bilateral security discussions (Funabashi 1999, p. 316). Nye took up the initiative preparing a policy proposal to be known as the Nye Initiative in January 1995, but not until the rape incident and domestic upheavals surfaced would the MOFA–US State Department’s inertia be overcome. The rape incident provided the US Department of Defense and Japanese DA with a window of opportunity for a policy change. The issue of the “American factor” in the decision–

making process has been analyzed in this article only selectively as far as it was necessary for explaining the actions of the Japanese actors. It would be therefore also enlightening to see the political dynamics on the US side, while remembering that the “American factor” or “foreign pressure,” referred to in Japanese as *gaistsu*, has been used by Japanese political actors (e.g., MOFA vs. DA/MOD) to justify and push the policies against which objections are expected.

Summing up, PM Hashimoto, who took the post in the midst of the ongoing negotiations on the US military bases, showed strong initiative in regard to Futenma, picking up the issue from the fixed agenda, and under conditions that were satisfactory to DA officials and the US counter partners from the Pentagon – that is, the transfer within the prefecture that would not actually alter the situation of the US bases but rather enhance it by providing a new and upgraded facility, paid entirely by the Japanese government. But the solution was not satisfactory for the local government or the majority of local citizens. In negotiations between central and local governments, PM Hashimoto relied strongly on formal and informal tools, such as special advisors (Shimokōbe, Okimoto), but only to determine the specifics of the agreement, which the general agenda (Futenma relocation within the prefecture) had already been set up. Moreover, the local protests seem to have had effects only on the rhetorical aspect and finances. The bigger the protest, the more often officials expressed their remorse and gratitude to Okinawa and larger budgets were assigned for Okinawa development. Nevertheless, Hashimoto seems to have come the closest to the ideal type of a leader capable of solving the problem of Okinawa military bases, possessing: first, political will to solve the problem; second, political resources (his own position within the LDP, and the LDP’s position in the coalition and the Diet); third, managerial skills and experience to use and cooperate with bureaucrats; and fourth, ability to use formal and informal institutions for the realization of his decisions. The only missing element, which might have led to the resolution of the issue in a satisfactory manner also for the majority of Okinawans, was, as it seems at the moment, the will to move the bases outside Okinawa. One can assume, given the present international situation, that only a leader with similar skills and resources as Hashimoto, and in addition with the will to move the bases outside the prefecture, might be able to bring a solution to the long-standing deadlock.

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## **DPJ Government and Climate Change Policy**

*In 2009 election manifesto Democratic Party of Japan (DPJ) leaders voiced their decisive support for stronger engagement in international climate negotiations. The promises were realized by an ambitious climate mitigation proposal presented by Prime Minister Hatoyama Yukio at COP 15 in Copenhagen. 25% CO<sub>2</sub> levels reduction commitment was heavily criticized by Japanese opposition, METI bureaucrats and business circles. Despite strong domestic opposition Prime Minister Hatoyama decided to place climate mitigation among priorities of his foreign policy. Next DPJ administration quickly backtracked from the position of climate leader. The head of the Japanese delegation at COP 16 in Mexico stated that Japan would not be a part of new Kyoto Protocol commitment period. The aim of the article is to identify changing factors in decision-making process that led to quick change in DPJ's approach to international climate mitigation efforts.*

**Keywords:** *climate negotiations, Japan's environmental politics, Post-Kyoto Protocol negotiations, Democratic Party of Japan, Japan's foreign policy, DPJ decision making process*

### **1. Introduction**

Japanese diplomacy has actively engaged in climate change negotiations since the late 1980s. In the last 25 years one can observe a diverse approach of Japanese administration towards the issue. Japan was one of the leading countries in terms of energy efficiency and green assistance towards other countries. A large part of Japanese Official Development Assistance is dedicated to fighting environmental and climate challenges. After the initial success of the Kyoto Protocol conference, Japan tried to act as a leader in climate negotiations within the United Nations (UN), G8 and

other regional organizations. Unfortunately, the Liberal Democratic Party administration did not manage to play a decisive part in global climate cooperation. Although many Japanese initiatives received international appreciation and support, its position during negotiations had also attracted a substantial amount of criticism coming from international non-governmental organizations (NGOs) and European Union (EU) countries opting for more decisive actions. The government in Tokyo has consistently resisted committing to ambitious, obligatory Greenhouse Gas (GHG) reduction targets. Despite being a host country of the Kyoto Protocol Conference in 1997, Japan faced serious problems with establishing effective domestic GHG reduction policy. The Liberal Democratic Party (LDP) introduced various initiatives and legislations in order to meet its Kyoto target, but most of the actions were based on voluntary measures (Tiberghien & Shreurs 2010, p. 142). The lack of effective tools for GHG reduction like carbon tax, feed-in tariff mechanism or a working Cap and Trade system were the main sources of criticism towards LDP's climate policy coming from environmental NGOs and CO<sub>2</sub> reduction supporters.

According to many scholars (Pajon 2010, p. 88; Shreurs & Tiberghien 2010, p. 162) the situation was likely to change after the Democratic Party of Japan came to power in 2009. Advocates of introducing a more ambitious climate policy both on the Japanese and international political scene expected a major shift in energy and climate policymaking process (Fackler 2009). Their expectations seemed to come to fruition after Hatoyama Yukio's Government pledged 25% reduction of CO<sub>2</sub> levels during the Copenhagen Climate Summit. The window of opportunity for change in international and domestic climate policy was very short. Soon after the failure of climate negotiations in 2009, the DPJ drastically changed its stance towards international climate cooperation and domestic climate policy. The aim of this article is to identify the most important reasons for this shift and to offer a deeper look into the credibility of environmental image that the DPJ created during its election campaign.

## **2. Climate Change policy in DPJ Election Campaign**

Before election, DPJ leaders voiced their decisive support for stronger engagement in international climate negotiations. Okada Katsuya, the party's secretary general, promised that the "embarrassing reduction targets" presented by the LDP since the beginning of Japanese participation

in the UN climate negotiations will be revised. Kan Naoto expressed his plans of separating climate and environmental policy from the bureaucratic influence of the Ministry of Economy Trade and Industry. Their ideas found a place in the DPJ election manifesto which included the following promises:

- reducing carbon dioxide emissions by 25% (from 1990 levels) by 2020 and by more than 60% by 2050;
- playing a leading role in international climate negotiations with the aim of ensuring participation of major emitter nations like the United States and China;
- establishing effective domestic emission trading market;
- looking into the possibility of introducing global warming taxes and their effects on the Japanese economy;
- introduction of a fixed-price purchase system for renewable energy generated from all power sources;
- subsidies for purchase of solar panels, “green vehicles” and energy saving appliances;
- increasing the ratio of renewable energy production to 10% of total energy supply;
- promoting R&D and commercialization of environment friendly technologies (DPJ Manifesto 2009, p. 23–25).

One can easily observe that apart from ambitious GHG reduction commitment (25% reduction by 2020) and declarations of increasing efforts in international climate negotiations, DPJ politicians planned to pursue new policies and measures to reach their climate goals, including serious changes in domestic energy policy.

One of the most important DPJ election promises was to adopt a comprehensive feed-in tariff mechanism for all renewable energy sources including wind and geothermal facilities. Feed-in tariffs are one of the most effective tools of increasing the use of renewable energy in which the government offers to buy the energy produced from renewable sources at a profitable rate. The new system was supposed to serve as an expansion of feed-in tariff introduced in November 2009. LDP legislation drafted mostly by METI provided limited financial incentives for companies producing energy using only solar power. The main difference in the DPJ promise was the idea of buying all renewable energy produced by the providers (not only surplus power) (Iida & DeWit 2011, p. 6). Another important declaration was the plan to increase domestic production of

renewable energy up to 10% of total energy supply by 2020. This proposition stood in sharp contrast with previous governmental policy in which renewable sources contributed only to 1.6% of Japan's energy production in 2014. According to Iida and DeWit (2011, p. 7), compared to other developed countries like Germany (45% by 2030), Scotland (80% by 2020) or even China (16% by 2020) Japanese goal of increasing power generation from renewables was one of the lowest. Ambitious international declarations and changes in domestic energy policy were aimed at increasing Japanese competitiveness on the global energy and climate technology market. Hatoyama Yukio as well as other DPJ politicians stressed that investment in renewable energy and climate friendly technology is one of the ways to deal with Japanese energy security problems and to boost economic growth and exports (Iida & DeWit 2011, p. 7).

The DPJ tried to present a consistent climate and environment friendly image standing in opposition to previous LDP actions. The new climate approach can be interpreted through a broader strategy of distancing politics from Keidanren and an attempt to limit the influence of Japanese bureaucracy on the decision-making process. Many DPJ politicians have strong connections with environmental groups (Tiberghien & Shreurs 2010, p. 143). Even more interesting is the fact that both Okada Katsuya (Minister) and Fukuyama Tetsurō (Vice Minister) who have strong ties with environmental NGOs, worked as the heads of the Ministry of Foreign Affairs after the election. Some of the DPJ declarations, like the 25% GHG reduction target, were perceived as unrealistic and impossible to introduce by the Japanese industry and entire power generation sector. One needs to take into account that many DPJ members were former LDP politicians who were familiar with the policymaking process and the effects they can have on the entire Japanese economy. The question that arises, is why they had not opposed those overly ambitious propositions before the DPJ manifesto was created.

### 3. The DPJ Position in Copenhagen

Soon after the elections one could observe that the newly elected government was seriously interested in taking a lead during the upcoming UN climate summit in Copenhagen. 2009 was supposed to bring a breakthrough in international climate talks. After years of intensive dialogue within the UN and G8, the world's biggest economies intended to sign

a new global climate agreement which would replace the Kyoto Protocol. Voices coming from the public as well as countries vitally interested in strengthening climate cooperation were full of hope and high expectations of the upcoming summit. Conditions for reaching an agreement became even more favorable after Barrack Obama was elected as the new president of the United States. During his election campaign he frequently underlined the negative consequences of Washington's weak participation in international climate and environmental regime (Obama 2008). Those declarations pointed at the possibility of bringing back the United States to close climate cooperation within the UN after President George W. Bush decided to abandon the Kyoto Protocol.

Talks in Copenhagen began in the atmosphere of global enthusiasm and high expectations of signing a new global climate deal. Nearly 10,500 delegates from 120 countries participated in the summit. With them came more than 3,000 representatives of global media (UNFCCC 2009b). Unfortunately, the high expectations of the international community were not met after the conclusion of Copenhagen summit. The negotiations were slower and more difficult than expected. Only after the United States and China exerted strong pressure, the participating countries agreed to sign a document called the Copenhagen Accord (UNFCCC 2009a). The new agreement was soon criticized by international NGOs and deemed as ineffective and insufficient for reaching long term reduction goals. The accord did not include binding CO<sub>2</sub> reduction targets nor emission caps. Developed and developing economies did not reach a final agreement concerning the financial aid for climate mitigation processes (den Elzen, Andries, Mendoza, 2009, p. 29). The deal consisted of relatively ambitious declarations of developed countries concerning future actions towards reducing CO<sub>2</sub> emissions by the year 2020. The United States pledged a 17% reduction compared to 2005 emission levels. The EU promised reduction ranging from 20 to 30% compared to 1990 levels. One of the biggest successes during the conference was ensuring declarations coming from developed BRICS (Brazil, Russia, India, China, South Africa) countries. Chinese delegates promised a 40% reduction of CO<sub>2</sub> emissions per GDP unit by 2020 as well as increasing renewable energy production up to 15% of the country's total supply (UNFCCC 2009d). India agreed to a 25% reduction per GDP unit by 2020 (UNFCCC 2009e). Brazil pledged a 36–39% reduction and South Africa 34%, provided that they receive financial and technological support (den Elzen, Andries & Mendoza 2009,

p. 30). One has to note that all declarations were voluntary and not legally binding. Many of them included additional conditions and assumptions. Therefore, it is difficult to predict the real effect that they will have on global climate mitigation process (Morgan 2009).

One of the most ambitious declarations came from the new prime minister of Japan, Hatoyama Yukio, who promised a 25% reduction compared with 1990, providing that other major emitters would participate in global climate mitigation mechanisms (UNCCC 2009c). The pledge came as a surprise for the international community as well as domestic business groups and opposition parties. The previous administration led by Asō Tarō offered a 15% reduction based on 2005 levels. Since CO<sub>2</sub> emissions in Japan had substantially grown from 1990 to 2005, changing the baseline meant that the reduction offered by the last LDP government was not very ambitious. Opinion polls conducted across Japan showed that nearly 70% of respondents favored the idea of a 4% reduction from 2005 levels, due to similar declarations coming from EU countries and the United States (Michaelowa 2010, p. 7). One of the most distinct opinions discovered in the questionnaires was the strong conviction that Japan should not support a stronger reduction target than the United States and EU, since it is not beneficial for the Japanese economy. During the G8 summit in Toyako in 2008, it became clear that the pledge of a 15% reduction from 2005 levels was not sufficient to play a leading part in the negotiations. The LDP's failure to exert stronger influence during the Toyako Summit convinced the newly elected DPJ government to propose a much more ambitious target in Copenhagen in order to gain the upper hand at the negotiating table. What is more, the polls conducted just after the 2009 election showed that nearly 75% of respondents supported the DPJ's plan of ambitious CO<sub>2</sub> reduction. One should ask the question why Japanese society opposed a stronger reduction mechanisms proposed by the LDP and just after few months was eager to support an even more ambitious plan presented by the DPJ. According to Kiyooki Aburaki, the great disparity between the poll results stems from the fact that the Hatoyama Administration did not provide information about the costs of their reduction plans. On the opposite, the LDP government included estimated costs that each Japanese household would have to pay for CO<sub>2</sub> reduction (Aburaki 2010, p. 7). In the end, favorable poll results as well as Hatoyama's aspirations to play a leading role at Copenhagen convinced the DPJ administration to push through the controversial 25% reduction

target. DPJ leaders had to live up to ambitious climate promises included in the election manifesto (Peng Er 2009, p. 70). One should also not forget about the important role of Okada Katsuya, the DPJ's secretary general, who acted as a strong advocate of ambitious climate policy. Together with other representatives of the environmentalist camp he was responsible for shaping the fundamentals of DPJ's climate policy (Aburaki 2010, p. 7).

Another important result of the Copenhagen conference was establishing a 30 billion USD fund for climate mitigation projects in developing countries. Japan pledged 11 billion USD, the EU 10.6 billion USD and the United States 3.6 billion (Michaelova 2010, p. 2). The accord contained one of the highest aid pledges in the history of negotiations. Nevertheless, it received a lot of criticism from some developing nations which claimed the amount was insufficient (Vidal 2010). Apart from serious developments and ambitious pledges, the accord was not perceived as a satisfactory tool for solving long term climate goals. The parties did not reach agreement on pursuing goals included in the 2007 Bali Action Plan, therefore the negotiations did not pave a way for the post-Kyoto cooperation period.

Japanese environment minister Ozawa Sakihito made a positive comment after the accord had been signed as it was "noticed" by the greatest CO<sub>2</sub> emitters. He also urged other countries with substantial emissions to propose new reduction targets (Fujioka, Kubota & Norton, 2010). Mitarai Fujio, chairman of Nippon Keidanren, said that the conference managed to create a path that all other countries were likely to follow (Aburaki 2010, p. 14). Despite making one of the most ambitious reduction pledges, Tokyo delegation was not able to play decisive role during negotiations. Japan did not manage to convince other participants to accept its ideas towards future climate cooperation. The Japanese reduction plan did not change the position of the United States and China which offered much lower targets. The accord did not include long term reduction targets aimed at year 2050 which was one of Japan's propositions (Rogelj, Chen & Nabel 2010, p. 2). Negotiations in Copenhagen clearly showed that Japan, which was responsible for merely 4% of global CO<sub>2</sub> emissions, remained in the shadow of major emitters like China and the United States. The 15<sup>th</sup> Conference of Parties once again turned out to be a scene of conflict between developing and developed countries. For a very long time China and India were blocking negotiation progress. It was the influence of the United States, not Japan's, that led to finalizing the talks. Prime

Minister Hatoyama was criticized by Japanese media for his lack of political foresight. Minister of the Environment Ozawa Sakihito reached the conclusion that UN climate negotiations, where decisions were reached almost unanimously, were a difficult forum to promote stronger climate cooperation (Aburaki 2010, p. 16). Ozawa's view is similar to the opinion among many politicians involved in the climate and energy decision-making process in Japan. The negative experience of the Copenhagen summit as well as previous failures to play a leading role in international climate regime led to a deep disillusionment with the idea of establishing a global, binding GHG reduction agreement.

#### **4. Domestic Opposition to Hatoyama's Initiative**

Hatoyama's initiative received a huge amount of criticism from opposition parties, representatives of METI and Japanese business. Although the party's Secretary General Okada had informed Nippon Keidanren about the DPJ's ambitious CO<sub>2</sub> targets, information about the official 25% reduction pledge in Copenhagen caused a storm among business and industrial circles (Aburaki 2010, p. 12). It was also heavily criticized by part of the Japanese bureaucracy. According to Akira Sawa from METI, the new GHG reduction plan could not be implemented since it was not a subject to any kind of inter-ministerial or public consultations. He also claimed that Hatoyama's initiative was unrealistic since Japan had already faced serious problems with fulfilling the Kyoto Protocol target (Sawa 2009, p. 2). The only way to undermine the prime minister's declaration was by undermining the condition of equal participation of the international community. The DPJ's plan would only go into effect if other major emitters like China, the United States and India also participated in climate mitigation to a similar extent. Nippon Keidanren claimed that the government should conduct a thorough research on the influence that Hatoyama's initiative would have on the Japanese economy, before committing to any kind of reduction. Representatives of Japan's biggest corporations called for launching an open public debate on equal climate protection responsibilities among developed economies (Aburaki 2010, p. 12). Keidanren representatives openly voiced their concerns that Japan might end up paying the highest price for CO<sub>2</sub> reduction, since the Copenhagen Accord did not guarantee equal shares of burden and responsibilities on a global scale. This position received support from the Japanese

Trade Union Confederation, which provided strong support for the DPJ in the 2009 election (Aburaki 2010, p. 13).

Despite strong opposition from business circles and Japanese bureaucracy, the Hatoyama Government launched a national debate on the best means to achieve a 25% GHG reduction. The first initiatives discussed were the Cap and Trade emission trading system and global warming tax. Both tools had attracted a lot of criticism. The Japan Iron and Steel Association pointed out that domestic steel industry had very limited possibilities of introducing further emission cuts since it already was one of the most energy efficient in the world. Introducing the Cap and Trade system would force the Japanese government to buy additional emission permits from other countries (Aburaki 2010, p. 14). According to Nippon Keidanren, a new climate tax could have a negative influence on the Japanese economy. During the debate, organization representatives tried to convince public opinion that Japan did not need to resort to additional reduction mechanisms, since it managed to achieve Kyoto Protocol targets thanks to voluntary methods (Aburaki 2010, p. 14).

After the election, DPJ leaders believed that it was possible to initiate effective changes in Japanese energy policy and to alter the entire decision-making process. Their first moves were aimed at reducing the authority of bureaucrats, especially from the Ministry of Economy, Trade and Industry and business circles. It did not take long for party leaders to realize that introducing effective changes without the support from Kasumigaseki would not be as easy as initially believed. What is more, the DPJ consisted of many representatives of Japanese Trade Unions, former LDP members and politicians representing strong connections with business circles and bureaucracy. Thanks to those connections interest groups were able to use institutional resources and policymaking limitations to prevent a major transformation of Japanese energy and climate policy (Iida & DeWit 2011, p. 8).

The first obstacles that prevented the Hatoyama Administration from initiating reforms in energy policy were a lack of experienced staff and inadequate personnel in advisory committees and other governmental institutions. In order to avoid conflict between the ministries, the DPJ created a committee of cabinet members responsible for new climate policy. In October 2009 a new body formed a special task force responsible for identifying the best mechanisms for reaching a 25% reduction target (Iida & DeWit 2011, p. 8). Many experts in this task force had strong

connections with METI bureaucrats. The task force experts decided to base their discussion on the same projections and CO<sub>2</sub> reduction cost estimation data compiled by METI for the previous LDP administration. According to Iida and DeWit, using the same data was unrealistic, since it did not take into account changes in the Japanese economy and global climate technology market that took place in the decade of the 2000s. What is more, the LDP compiled this data using statistical models that emphasized the large costs of CO<sub>2</sub> reduction (2011, p. 8). Among personnel appointed to the new task force was a group of bureaucrats with strong connections to METI working in the Cabinet Secretariat in the Office of the Assistant Chief Cabinet Secretary. This office, which was supposed to provide assistance to cabinet members, had not been dismantled after the election. Most of the officials in this body were part of the bureaucratic camp that for a very long time opposed the Kyoto Protocol and any kind of CO<sub>2</sub> reduction policies (Iida & DeWit 2011, p. 8).

According to Aburaki, one of the main difficulties in developing an efficient and coherent climate protection policy by the Hatoyama Administration was lack of consensus among key politicians and groups of interest. Signs of a strong internal conflict between the DPJ administration on one side and bureaucracy and business groups on the other, became clear after Hatoyama tried to pass the Global Warming Bill in 2010. New legislation was supposed to regulate essential instruments in Hatoyama's climate policy like an emission trading system, climate tax and measures to introduce a 25% GHG reduction. Since the special task force responsible for compiling a roadmap for CO<sub>2</sub> reduction turned out to be ineffective, the task was given to the central environmental council run by the Ministry of Foreign Affairs (Iida & DeWit 2011, p. 9). In order to prevent Ministry of the Environment from introducing major changes in energy policy and protect vested interests, METI bureaucrats started to work on their own project of the bill. Both documents were presented to the cabinet in June 2010. Among all the tools of GHG reduction the Cap and Trade system received the biggest amount of criticism coming from METI and business groups. Out of 64 companies asked about their opinion on the mechanism, 61 opposed it and claimed it could be harmful for their competitiveness (Iida & DeWit 2011, p. 10). Another important promise before the election was the introduction of a feed-in tariff mechanism. In this case METI-related bureaucrats also managed to gain support in the working committee for feed-in tariff revision.

Strong opposition from the Japanese industry supported by METI became a major obstacle in the works related to the global warming bill. In the end, DPJ politicians associated with METI managed to substantially change the draft of the bill to postpone the introduction of CO<sub>2</sub> reduction mechanisms.

The bill was heavily criticized by the LDP as it did not provide any details on how those new instruments were supposed to work, what effect they should have on the Japanese economy and when would they be introduced. According to Prime Minister Hatoyama, the bill served as a confirmation of international pledges his government made in Copenhagen. The LDP was joined in its criticism by representatives of industrial circles and trade unions who accused the government of acting against Japanese economic interests without giving any tangible reasons to do so. Lower reduction targets in China and the United States may bring great losses for Japan's economy (Aburaki 2010, p. 18). At the beginning of June 2010, Hatoyama Yukio resigned and was replaced by Prime Minister Kan Naoto. In order to sum up Hatoyama's climate effects one has to notice that apart from making ambitious declarations in Copenhagen, his cabinet failed to introduce a single effective mechanism that could lead to real GHG reduction in the long term.

## **5. Kan Naoto and Change in Climate Policy Direction**

After diplomatic failure in Copenhagen one can observe the change in attitude of DPJ leaders towards climate negotiations. Despite making one of the most ambitious reduction commitments, Japanese representatives were not able to influence other parties. If one can agree that in spite of bold intentions the Hatoyama government failed to implement the ambitious measures, the next prime minister, Kan Naoto, tried to distance himself and his cabinet from the discussion on international and domestic climate policy. This shift became evident soon after the next climate summit in Cancún, Mexico in December 2010 where Japanese delegation refused to support the project of extending the Kyoto Protocol (Feldman 2010). Arima Jun from METI, who acted as the head of the Japanese delegation, stated that "our country would not inscribe its greenhouse gas emissions target under the Kyoto Protocol on any conditions or under

any circumstances" (Environmental News Service 2010). His statement was immediately picked up by representatives of the global media who understood it was abandoning not only the Kyoto Protocol but also other climate promises. One should note that Kan's government did not refuse to fulfill its obligation from the first phase of Kyoto Protocol nor did it reject Hatoyama's pledge of a 25% reduction. Nevertheless, Arima's statement came as a shock to other representatives participating in the conference in Cancún. Delegates from 20 countries led by Mexico, host of the conference, tried to convince Prime Minister Kan to change his position. His refusal to extend the agreement stood in a sharp contrast with the policy of his predecessors that for a very long time centered around the Kyoto Protocol, one of the first important climate agreements and a symbol of Japanese ambitions to lead global climate negotiations (Tiberghien & Shreurs 2007, p. 71).

According to Iida and DeWit, Arima's statement should be perceived as going back on election promises in which the DPJ underlined the importance of environmental policy as a foundation for Japan's sustainable growth. In their article titled "The 'Power Elite' and Environmental-Energy Policy in Japan" they claim that refusal to participate in the next phase of the Kyoto Protocol was a turning point in the entire climate policy promoted by Prime Minister Hatoyama (2011, p. 1). Scholars believe that Kan's decision to back out of UN climate negotiations was not surprising when one takes into account the overall objective of interest groups involved in Japanese energy policy. Kan Naoto was backtracking from almost all the climate and environmental promises that the DPJ made after it gained power (2011, p. 1). Soon after he assumed office his cabinet stopped working on the emission trading system, postponed the project of increasing the rate of renewable energy and refused to provide any details on the perspective of introducing a complex feed-in tariff mechanism. The authors claim that this 180-degree shift in international climate negotiations as well as freezing the progress of domestic reforms was not a result of objective cost and benefit analysis, but merely an attempt to protect particular, vested interests in Japanese energy sector (2011, p. 2). One can look at Kan's sudden lack of interest in climate policy as an attempt to partially reconcile with Japanese bureaucracy and other interest groups in order to gain their support for other policies.

## 6. Conclusion

One of the most influential groups of interest trying to prevent major changes in Japanese climate and energy policy are big energy companies, which try to protect their domination on the energy market and prevent smaller energy providers from entering it. The other group consists of the biggest Japanese companies working in the metal and cement industry and other branches of the economy. Those companies refuse to accept any kind of regulation that may increase their production costs. The last but probably the most influential group are Japanese bureaucrats, mostly from the Ministry of Economy, Trade and Industry which plays a role of a watchdog and protects the interests of Japanese business (Iida & DeWit 2011, p. 2).

Iida, DeWit and Aburaki agree that one of the main reasons for the DPJ's inability and later unwillingness to introduce coherent and effective climate policy was the strong opposition from Japanese bureaucrats and other interest groups. Soon after assuming power, DPJ leaders including Hatoyama Yukio and Kan Naoto had to realize that it was extremely difficult to introduce permanent changes in energy policy without the full support of the ministries and key business players. Although Hatoyama tried to cut off bureaucrats from the decision-making process they still managed to paralyze the DPJ's reform attempts. Especially in the case of energy and climate policy a large part of the personnel, structure and working system of advisory committees, as well as research and analysis methods were left unchanged. It is difficult to build a new policy using the same tools and methods.

Another reason for the DPJ's failure at introducing changes in the old system of vested interests was the lack of unity within the party. The DPJ was formed from the cooperation of smaller opposition parties and a large group of LDP politicians led by Ozawa Ichirō. Many of those politicians retained their connections with the Ministry of Economy, Trade and Industry, Japanese Trade Unions and business representatives. In difficult situations some of them became the agents of vested interests that tried to control the direction of DPJ policies. Differences in party organization and a lack of a firm and organized decision-making process within the party was one of the reasons that ambitious climate declarations were inserted into the DPJ election manifesto in the first place. Groups of interest and Japanese bureaucracy did not have much control over the Manifesto

formulation process. The manifesto did not undergo the process of inter-party debate but was rather a list of ideas of the most important DPJ leaders which was supposed to put as much distance between the Democrats and their LDP rivals. Only later it became apparent that it was not easy to introduce ideas that stand in complete opposition to the political system which had been dominated by the vested interests for a very long time. The part of the Manifesto devoted to climate and energy policy was formulated mostly by Okada Katsuya and his closest associates who actually believed in the necessity of changing the petrified system dominated by large companies and bureaucrats. Unfortunately, the window of opportunity for transformation was very short. The next such window was probably opened only after Fukushima crisis turned the entire national energy strategy upside down.

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