

**STRUCTURE OR AGENCY?
JAPAN'S LEADERSHIP OPTIONS THROUGH AN OUTSIDER'S EYES**

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In late January 2020 I was honoured to participate in two conferences organized around Japanese diplomatic initiatives in the decade since the global financial crisis (GFC), roughly coincident with the tenure of Prime Minister Abe Shinzo (2012–present).¹ As a specialist in the international and comparative political economy of the global South, particularly South America and South Asia, I already had been thinking a great deal about how the growing rivalry between the United States and China, especially under President Donald Trump since January 2017, influenced the opportunities for emerging markets and developing countries (EMDCs). In principle, most EMDCs have wanted to become full participants in the global (mostly) liberal international order (LIO) of free trade, respect for international laws and rules, and multilateral problem solving.² The more expansive visions of LIO—as most clearly articulated in a piece by John Ikenberry written just prior to the GFC, and in which the world’s major powers together would promote democracy, human rights, and other quintessentially liberal values, including within the national borders of sovereign states³—of course have not come to pass. Even democratic emerging powers such as Brazil, India, and South Africa have excellent historical and present reasons to mistrust the incumbent leaders of the LIO, the major advanced industrial democracies, when the latter have decided to intervene in EMDCs. Most countries of the global South are committed sovereignty hawks, and have pushed back against doctrines such as the global community’s Responsibility to Protect (R2P), however attractive they sound on paper.⁴

This memo addresses two questions. First, what surprised me, as an outsider to scholarly and diplomatic/business discussions of East Asian regionalism, in how contemporary global challenges were conceptualized within this community? Second, how might a Latin Americanist perspective influence how one might parse the major themes, and fault lines, in the debates over Japan’s past leadership role and future strategic options? The East Asia/Latin America comparison is not simply of academic interest, and one concluding argument of this essay is that expansion of elements of the Free and Open Indo-Pacific (FOIP) concept to the entire Pacific Rim (perhaps creatively defined to reach from South Asia to all of South America⁵) might be a useful strategy for Japan going forward.

Conceptualization of Global Challenges

In response to the first question, I noted four significant differences in the tenor of these high-level scholarly-cum-policy discussions around East Asia as compared to the Latin American debates with which I am more familiar. First, the LIO as understood in East and Southeast Asian circles appears to refer principally to an open trading and foreign direct investment regime, which has allowed the growth of extensive and often trans-Pacific multi-country production networks (“global value chains”) and supported rapid economic growth in developing Asia, especially China and Southeast Asia.⁶ In discussions with Latin American academics and policy analysts, by contrast, “liberal” has a number of meanings, of which an open trading regime seldom makes the top three. Most Latin American states gained independence from Spain and Portugal in the 1820s, as a result of shifts in the European power structures during the

Napoleonic Wars, and this historical experience continues to shape regional associations with political and philosophical terms. Throughout the 19th century, and even into the 1950s in some countries, “Liberal” parties and movements thus stood for secular, republican, and often decentralized government, as against “Conservative,” or clerical, aristocratic, authoritarian, and centralized views of the state.⁷ More recently, the default association for most intellectuals has been “neo-liberalism,” originally applied to a set of fairly specific economic policy recommendations oriented toward macroeconomic stabilization and pro-market reforms, as in the Washington Consensus,⁸ but later morphing into a pejorative applied to those whom the speaker believed to be profoundly elitist and unconcerned for poverty and inequality alleviation, rather than simply in favour of smaller government economic policies.⁹ Against this background, international relations (IR) scholars have struggled to define and discuss the postwar LIO in ways that make sense within patterns of regional discourse. In so doing, IR scholars of and within Latin America typically emphasize the political and legal dimensions of the liberal tradition—international law, democracy, and human rights—while downplaying its economic dimensions.¹⁰

Second, although there exists a spectrum of policy opinions in both regions, East Asian opinion leaders across the political spectrum have on average more favourable views of an open trade regime than do their Latin American counterparts. This may be due to the fact that most EMDCs in East Asia liberalized their trade regimes much faster and further than their external financial accounts, retaining (and re-imposing after the Asian financial crisis of the late 1990s) capital controls governing the more volatile forms of international financial flows. Conversely, many Latin American economies chose the reverse route, liberalizing finance faster and further than trade, which arguably was a poor choice.¹¹ More recently, the Pacific Alliance countries (Chile, Colombia, Mexico, and Peru) have, since the group’s formation in 2011, moved decisively toward free trade, particularly with China and East Asia. However, these countries’ choices for international economic liberalism remain contentious, even within their own countries. It also has contributed to regional disunity in South America, despite a positive effect on economic growth in the three South American Pacific Rim countries. In Mexico, by contrast, deep trade and investment integration with the United States under the North American Free Trade Agreement (NAFTA, now USMCA) since 1995 has not brought economic growth, especially during the decade following the GFC. Moreover, the modest diversification of Mexican export markets away from total dominance by the United States and toward Asia is as yet too small to register in the aggregate.

Third, the relative rise of China on the global stage is significantly more apparent to observers in Asia than in Latin America. The reasons follow from geographic proximity and the consequent military-security threat experienced by all of China’s many neighbours, but perhaps cheered by only one: Russia, on which more below. Latin America and the Caribbean have been subject to military-security domination, and periodic neocolonial intervention, by the United States for over a century, including during the postwar liberal era—which coincided with the Cold War.¹²

Because extra-hemispheric threats to the Americas during the entire 20th century have been mostly imaginary, excepting the Cuban missile crisis of the early 1960s, many Latin American intellectuals and leaders naturally view U.S. (neo)imperialism itself as the most potent external security threat to their sovereignty. Thus, they have not recognized any collateral benefits to themselves from the nuclear and conventional shield the United States has also provided to the region, *de jure* and *de facto*. The United States remains the external power that opinion leaders worry about and chafe against, even in the absence of an aggressive and bombastic leader such as President Trump. Consequently, although five of the six largest countries in South America today have Asia, mostly China, as their largest trading partner, and the majority of South America has experienced 21st century processes of deindustrialization associated with the China-driven early 21st century commodity boom, the presence of China as an important, possibly problematic, rising external political power seems hardly to register. One might compare the situation to that of East Asia in the 1970s and 1980s, a time during which Japan had begun to worry about the rapid economic and political rise of China, but most policy-makers in Southeast Asia were focused on other concerns, including their conflicting positions in the Cold War. Although founded in the mid-1960s, only in the 1990s did the Association of Southeast Asian Nations (ASEAN) begin to act at least somewhat collectively in negotiating with the many larger powers—including the United States, Japan, and China—in its neighbourhood. My prediction is that the future may hold more ASEAN-like behaviour for South America, as the latter continues its rapid economic decoupling from the U.S., although much depends on the future choices of the United States and the EU, the third significant external influence in the region.

A fourth surprise to this writer has been the strong government-business-academic consensus on pragmatism, in a context of accepting the reality of global power politics, across both the Asia-focused conferences. Thus economics and frankly accepted power realities characterized most of the discussions across both conferences (despite their considerable differences in tone), each of which featured speakers attempting to understand the record of Japanese diplomatic initiatives in the “region,” which in recent years has been redefined (at least in the FOIP initiative) to reach all the way to South Asia. In contrast, within Latin American and Latin Americanist academic and diplomatic circles, other approaches to understanding international relations—for example, focused on international law, the construction of norms, and transnationalism, on the one hand, and enduring political and economic dependencies created by global capitalism, on the other—appear to dominate. (Meanwhile Latin American international business venues are overwhelmingly about commerce, and apparently unconcerned with international politics, although, as everywhere, sprinkled with worries about the next wave of new government policies.) The characteristic East Asian melding of liberal internationalist commerce, and this mix then combined with an explicit recognition of the central role played by the interstate distribution of hard power capabilities,¹³ seems to be less common in either Latin American IR or international business discourse, as compared to their East Asian counterparts.¹⁴

Japan's Past Leadership Role and Future Strategic Options

How do these cross-regional comparative observations inform possible responses to this memo's second question, and also the key debate of both conferences: what are Japan's best foreign policy options going forward? Here one must consider both structure and agency. There is wide agreement among the scholars participating in this project on three initial components of the problem statement. First, rising China-U.S. political rivalry and global economic decoupling between possible (although not inevitable) Sino-centric and America-centric production and trading blocs¹⁵ are distinct yet mutually reinforcing trends: economic decoupling exacerbates political rivalries; political rivalries beget trade wars; and leaders' words and actions fuel both. Second, both trends are bad, for Japan, for China and the United States, and for the world in general. Third, encouraging both China and the United States to remain engaged with existing multilateral governance institutions, and to operate within them whenever possible, is strongly to be encouraged.¹⁶ Thus there is no representation among the participating scholars of the currently dominant position in Washington, DC, that of the so-called China hawks such as Commerce Secretary Peter Navarro, who argue in favour of checking China politically at each opportunity, including by raising tariffs and unilaterally imposing other sanctions for China's presumed illiberal behaviour, reshoring American supply chains, and dramatically increasing military spending.¹⁷

What is to be done? Aggarwal and Pempel are the most pessimistic that economic decoupling can be reversed, with the former emphasizing underlying structural shifts that have turned the Democratic party in the United States against open trade since the 1980s, while the latter gives greater causal weight to the nativist, America-first world view of the Trump administration in fanning the flames of political rivalry.¹⁸ Jaramillo and Takeuchi suggest that free trade creates its own reward, as it increases national wealth and/or, in Kantian fashion, promotes peace among trading partners,¹⁹ while Solís details the recent deviations from agreed rules committed by the United States, including employing the WTO's national security exemption to slap tariffs on steel and aluminum exported by close and faithful U.S. allies, including Japan and Brazil.²⁰ Most of the papers assume some agency for major powers, such as Japan, even in the absence of a change of course from China or the United States, considering the binding power of existing multilateral institutions and rules²¹ and ambitious diplomatic initiatives,²² such as the Trans-Pacific Partnership (TPP) and, reacting to the United States' abrupt withdrawal with remarkable speed, the restarted Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Japan in the past decade has maintained good relations with both the declining and the rising superpower, like Canada sometimes swallowing pride for the sake of saving face. Prime Minister Abe has made personal overtures to South Korea, Australia and New Zealand, and India, and Japan has strengthened both economic and political ties to the very cautious members of ASEAN, who in turn have helped Japan push back against an increasingly and worryingly bipartisan impulse in Washington to define FOIP as overtly anti-China. It is unfortunate for Japan that India withdrew from the Regional Comprehensive Economic Partnership (RCEP)

negotiations in late 2019, although Prime Minister Modi made it clear that his government laid the onus on China for its unwillingness to permit India to negotiate sufficient safeguards against an anticipated surge of imports.²³

Conclusions

I close with two intentionally provocative thoughts. First, Japan's activist diplomacy over the past decade might be compared to that of another state eager to influence the conditions of future international relations. Although Russia is not a liberal state, its peripatetic and arguably skilful diplomacy under Vladimir Putin has been remarkably successful in furthering the Russian leader's goals of opening cracks within the Atlantic alliance and preventing what Russia perceives as Western gains throughout Eurasia. Without endorsing either the goals or the results, one may admire the clever persistence with which the cards have been played. Many or most of Russia's tactics are, of course, unavailable to a liberal democracy, but some, such as its steadfast promotion of the BRICS group and underwriting of much of the organizational and communications costs, have paid outsize dividends and are in principle available to rule-governed international actors.²⁴ Perhaps Japan's large and sometimes frustrating investments in good relations with South Korea, the 10 members of ASEAN, and the other countries in FOIP and the CPTPP may be an illustration of the achievements possible with the exercise of rule-governed but activist diplomatic agency.

Second, Japan and other liberal major powers such as Canada might wish to attend more to Latin America going forward, especially to South America, whose leaders and intellectuals arguably have only really begun to conceptualize themselves as viable members of a "region" since the late 1990s. As noted, Latin America has a long liberal tradition (or traditions), and overwhelmingly consists of middle-income democracies, which remains true despite some democratic backsliding since the mid-2010s. Moreover, the novel coronavirus is hitting Latin America hard, most especially in the two largest countries, Brazil and Mexico, whose presidents, like the U.S. leader, have been culpably slow to take the threat seriously. The difficulties of building deeper trans-Pacific links between Japan and South America thus should not be underestimated: the EU has been trying to cultivate "regional" relations with South America, or with the MERCOSUR sub-region within it, since the late 1990s, thus far without great success, at least if measured by new trade deals signed. Serbín and Serbín Pont detail some of the difficulties, which arguably boil down to a failure of regionalism, as yet, to catch and hold the imagination of the larger South American public.²⁵ However, and to return to the larger themes of this essay, countries' foreign policies, and larger shifts in international relations, are propelled by both structure and agency. The structural shift since the end of the Cold War in South America's economic insertion into the global economy has been quite profound, although most analysts' habituation to the long-standing reality of the United States' economic and military dominance has rendered this shift somewhat invisible thus far.²⁶ Yet much greater room for collaborative, joint South American agency, including for regional (or sub-regional) collaboration, possibly

after the manner of ASEAN, lies ahead. There may be useful opportunities for Japanese diplomacy to engage more deeply with South America as a Pacific Rim partner in this circumstance going forward.

Notes

¹ The first conference covered the Free and Open Indo-Pacific (FOIP) initiative, an expansive regional grouping of coastal powers reaching from Japan, through Southeast Asia and also Australia and New Zealand, over to India, and explicitly including the U.S. but not China. The FOIP conference was organized by Canada's Asia Pacific Foundation, and the majority of the attendees appeared to be from government, including the Vancouver-based diplomatic corps, and the business community. The second conference, immediately following the first, convened at the University of British Columbia. It brought together academic experts on East Asia from around North America and Japan to discuss Japan's leadership in the liberal international order.

² Leslie Elliott Armijo, "Latin America and the Future of the Liberal International Order" (2020). Revision of paper prepared for Workshop on "Latin America in the Liberal International Order," Johns Hopkins University Homewood Campus, November 15–16, 2019. This version May 17.

³ G. John Ikenberry, "Liberal Internationalism 3.0: America and the Dilemmas of Liberal World Order," *Perspectives on Politics* 7, no. 1 (March 2009): 71–87.

⁴ Cynthia Roberts, Saori N. Katada, and Leslie Elliott Armijo, *The BRICS and Collective Financial Statecraft* (New York: Oxford University Press, 2018).

⁵ For a precedent, see Carol Wise, Leslie Elliott Armijo, and Saori N. Katada, eds., *Unexpected Outcomes: How Emerging Economies Survived the Global Financial Crisis* (Washington, DC: The Brookings Institution Press, 2015).

⁶ See for example Hiroki Takeuchi, "Is the Liberal International Order Dead? Global Value Chains and CPTPP" (2020). Revision of paper prepared for Conference on "Japan's Leadership in the Liberal International Order," University of British Columbia, January 24–25, 2020. This version May.

⁷ João M.E. Maia and Matthew M. Taylor, "The Brazilian Liberal Tradition and the Global Liberal Order," in *Brazil on the Global Stage: Power, Ideas, and the Liberal International Order*, eds. Oliver Stuenkel and Matthew M. Taylor (New York: Palgrave Macmillan, 2015); Howard J. Wiarda and Harvey F. Klein. "The Pattern of Historical Development," in *Latin American Politics and Development*, 4th ed., eds. H.J. Wiarda and H.F. Klein (Boulder, CO: Westview Press, 1985): 1–26.

⁸ John Williamson, "What Washington Means by Policy Reform," in *Latin American Adjustment: How Much Has Happened?*, ed. John Williamson (Washington, DC: Peterson Institute for International Economics, 1989); John Williamson, "A Short History of the Washington Consensus," (2004). Paper presented at Conference "From the Washington Consensus Towards a New Global Governance," September 24–25, 2004, Barcelona.

⁹ Christopher Wylde, "The Concept and Practice of Post-Neoliberal Governance in South America," in *Handbook of South American Governance*, eds. P. Ruggirozzi and C. Wylde (London: Routledge, 2017).

¹⁰ See for example Tom Long, "Latin America and the Liberal International Order: An Agenda for Research," *International Affairs* 94, no. 6 (2018): 1371–90; Tom Long, "Historical Antecedents and Post-World War II Regionalism in the Americas," *World Politics* 72, no. 2 (April 2020): 1–40; Juan Pablo Scarfi, "Denaturalizing the Monroe Doctrine: The Rise of Latin American Legal Anti-Imperialism in the Face of the Modern and Hemispheric Redefinition of the Monroe Doctrine," *Leiden Journal of International Law* (2020): 1–15, doi:10.1017/S092215652000031X.

¹¹ Barbara Stallings with Rogerio Studart, *Finance for Development: Latin America in Comparative Perspective* (Washington, DC: Brookings, 2006); Leslie Elliott Armijo, "The Political Economy of Development Finance in Latin America," in *Oxford Research Encyclopedia of Latin American Politics* (Oxford University Press, 2020), doi:10.1093/acrefore/9780190228637.013.ORE_POL-01520.R1.

¹² Lars Schoultz, *National Security and United States Policy Toward Latin America* (Princeton: Princeton University Press, 1987).

¹³ As in the more chastened Ikenberry: G. John Ikenberry, "The End of Liberal International Order?" *International Affairs* 24, no. 1 (2018): 7–23.

¹⁴ In the absence of quantitative, empirical evidence to support this claim, the author recognizes that this is merely her subjective impression.

¹⁵ See McKinsey Global Institute (MGI), “Globalization in Transition: The Future of Trade and Value Chains” (January 2019).

¹⁶ See Martin Wolf, “China-US Rivalry and Threats to Globalization Recall Ominous Past,” *Financial Times* (May 26, 2020).

¹⁷ On the strategic folly of expanding U.S. economic and financial sanctions, especially against China and Russia, see Henry Farrell and Abraham Newman, “The Twilight of America’s Financial Empire: America’s Bullying Will Erode Its Power,” *Foreign Affairs* (January 24, 2020).

¹⁸ Vinod K. Aggarwal, “Toward a Bipolar Economic Order? US Trade Strategy in the 21st Century” (2020). Revision of paper prepared for Conference on “Japan’s Leadership in the Liberal International Order,” University of British Columbia, January 24–25, 2020. This version May 4; T.J. Pempel, “Japan Caught in the Economic-Security Dilemma” (2020). Revision of paper prepared for Conference on “Japan’s Leadership in the Liberal International Order,” University of British Columbia, January 24–25, 2020. This version May.

¹⁹ Grace Jaramillo, “The CPTPP, a Key Strategic Advantage for Japan to Advance its Leadership in the Pacific” (2020). Revision of paper prepared for Conference on “Japan’s Leadership in the Liberal International Order,” University of British Columbia, January 24–25, 2020. This version May; Hiroki Takeuchi, “Is the Liberal International Order Dead? Global Value Chains and the CPTPP” (2020). Revision of paper prepared for Conference on “Japan’s Leadership in the Liberal International Order,” University of British Columbia, January 24–25, 2020. This version May.

²⁰ Mireya Solís, “Rescuing Trade Multilateralism: Japan’s Mission Impossible” (2020). Revision of paper prepared for Conference on “Japan’s Leadership in the Liberal International Order,” University of British Columbia, January 24–25, 2020. This version May 5.

²¹ Philip Y. Lipsy, “Japan and International Organizations in the Liberal International Order” (2020). Revision of paper prepared for Conference on “Japan’s Leadership in the Liberal International Order,” University of British Columbia, January 24–25, 2020. This version May; Saori N. Katada, “Partnership for Quality Infrastructure: Developmental Atavism or New Liberal Order?” (2020). Paper prepared for Conference on “Japan’s Leadership in the Liberal International Order,” University of British Columbia, January 24–25, 2020. This version February 16; Solís, “Rescuing Trade Multilateralism: Japan’s Mission Impossible”; Pempel, “Japan Caught in the Economic-Security Dilemma.”

²² Especially Yves Tiberghien, “Rules and Order as National Interest: Explaining Japan’s Leadership in the CPTPP and other Trade Initiatives” (2020). Paper prepared for Conference on “Japan’s Leadership in the Liberal International Order,” University of British Columbia, January 24–25, 2020.

²³ India’s extreme economic fragility today is illustrated by the likely economic effects of the COVID-19 lockdown, which a much-cited Goldman Sachs estimate on May 17 estimated as likely to generate a 45 percent annualized drop in GDP (“The Great Reversal: Covid-19 Is Undoing Years of Progress in Curbing Global Poverty,” *The Economist* 435, no. 9195 (May 23, 2020).)

²⁴ Roberts, Armijo, and Katada, *BRICS*.

²⁵ Andrés Serbín and Andrei Serbín Pont, eds., *Why Should the European Union Have Any Relevance for Latin America and the Caribbean?* (Hamburg: EU-LAC Foundation, 2018).

²⁶ Armijo, “Latin America and the Future of the Liberal International Order.”