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Regional States: Japan and Asia, Germany in Europe

Peter J. Katzenstein

Jean Monnet Centre for European Studies (CEuS)
University of Bremen
SFG, Enrique-Schmidt-Strasse 7
D – 28359 Bremen
Phone +49 - 421 - 218-9037
Fax +49 - 421 - 218-9143



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Peter J. Katzenstein is the Walter S. Carpenter Professor, Jr. of International Studies,
Government Department, Cornell University

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After the end of the Cold War the central concept for organizing world politics is not strategic bipolarity or economic globalism. It is regionalism. One could think of a world of regions as multipolar. In this view regions are the poles of power around which international conflict and cooperation is organized. One could think of a world of regions as global markets. From this perspective corporations and other actors are linked through exchange to each other and a triadic international political economy linking North America, Asia and Europe. Or one could think of a world of regions, as this paper does, as the different political connections between national polities and the regions of which they are a part. The character of core polities and the different connections to their regional environments is consequential for the kind of regionalism that emerges. Specifically this paper argues that Germany and Japan are important regional states that are central to the evolution of European and Asian and thus global politics.

The comparative political economy of German and Japanese capitalism at the end of this century is to some extent shaped by the international dismemberment of protective national cocoons. But the pressures of international markets do not simply oppose national forms of capitalism. Instead distinctive of world politics after the end of the Cold War is the blending of national and international elements in distinct world regions across different issues that extend far beyond the field of political economy. For example, international liberalization opens borders for economic exchanges, including the smuggling of drugs and illegal immigrants, that prompt states to reposition police at borders that have been liberalized. Rather than thinking of one prevailing over the other, it is more productive to analyze the re-calibration of national and international factors in regional settings that connect both realms. Contemporary regionalism can both strip away and mend the social fabric that embeds patient capitalism.

ⁱ This paper was presented and discussed on occasion of the joint Cornell-Bremen workshop "Europeanization in Transatlantic Perspective", University of Bremen/Germany, Jean Monnet Centre for European Studies, December 8-9, 2000

In contrast to the 1990s, in the 1950s both Germany and Japan were linked much more closely to the United States and the global system rather than to their regional environments (Schmidt and Doran, 1996. Lehmkuhl, 1999). Europe and Asia were destroyed physically and psychologically. And American and Soviet power loomed large in European and Asian affairs. Germany and Japan were clients that depended militarily on the United States for their national security and economically for easy access to international markets. This client status permitted both countries to spend less resources on national defense than might otherwise have been the case and concentrate attention instead on export-led growth.

For the early postwar period a focus on global military and economic constraints and opportunities emphasizes quite correctly the similarities in Germany's and Japan's position in the international system and underlines the similarity in their political responses to the novel conditions of the *Pax Americana*. This analysis can be complemented easily by arguments that focus on the gradual and, by American standards, incomplete democratization of their domestic political institutions and practices.

Part 1 of this paper discusses this plausible and parsimonious argument for the initial two decades after the end of World War II. The argument is less compelling when applied to subsequent decades. For it assumes that we can analyze Germany and Japan at different historical break points, for example 1945, 1970 or 1990, without the political effects that a variety of experiences have had on both countries during the last three decades. These effects have created very different regional and national structures and identities that help explain why Germany and Japan are following different paths in a world of regions in the 1990s.

Their anomalous character as militarily incomplete states with formidable economic strengths and politically soft shells is this paper's justification for focusing on Germany and Japan as regional states. For Germany building a European Union (EU) has become a natural response to both the terrible memories of unilateral power politics and the challenges that global and international changes are creating for all European states. In sharp contrast, Japan seeks to avoid past mistakes and meet current challenges primarily through informal initiatives and arrangements that are typically linked closely to economic transactions in regional and global markets.

Are Germany's and Japan's different domestic structures reflected in different policy choices at home and abroad or are these choices broadly speaking similar? How do Japan and Germany respond to the external pressures and transnational influences to which they are exposed in Asia and Europe? What is at the root of a contemporary regionalism in world politics that is open to global and international developments in both Europe and Asia but that tends to bilateralism and informality in Asia and multilateralism and formal arrangements in Europe?

Sections 2-4 offer answers to these three questions. First, Germany's and Japan's different domestic structures lead to very different policy choices at home and abroad. Japan's developmental state relies more on national and Germany's welfare state more on international means to achieve national purposes. And in contrast to Germany's "industrial democracy," Japan's "productivity democracy" typically relies on informal ties rather than formal legal rules. Secondly, Japan yields to external pressures (gaiatsu) when Tokyo's game of money politics grinds to a halt and seeks influence abroad through low-key lobbying and a strategy of cultivating a favorable climate of public opinion. By contrast, Germany is open to transnational influences and embraces the world with an institutionalization of what is called societal foreign policy (gesellschaftliche Aussenpolitik). Finally, although both Asian and European regionalism are open, the source for their openness differs. The scope of Japan's global economic influence and its heavy dependence on the US for its national security and for export markets create an accumulation of global and dyadic vulnerabilities that strengthens an open regionalism as well as bilateral and informal policy arrangements in Asia. In the case of Germany a far-reaching transformation of domestic structures and policies and the process of Europeanization have created domestic conditions for a European regionalism that is open, multilateral and formal. A brief conclusion underlines the political and analytical importance of regionalism and regional states in contemporary world affairs.

1. German and Japanese Similarities: Global Constraints and Opportunities

Germany and Japan were relative late-comers to the Industrial Revolution and the game of international power politics. Germany's belated unification and the Meiji Restoration set the stage for a process of delayed, rapid industrialization and the growth of militant nationalism. As the

various chapters in the Origins volume illustrate (citation needed), each country found distinctive responses to large historical challenges such as the domestic incorporation of the working class or international competition in an era of imperialism. In the late 19th century Prussia and Germany served often as an institutional model for Japan (Martin, 1987, 1995. Akira, 1998. Pyle, 1984. Baring and Sase, 1977. Eisenstadt, 1996). The military alliance that linked Germany and Japan during World War II thus reflected common historical trajectories in which authoritarian politics prevailed at home over democratic politics and power politics dominated abroad over commercial expansion (Japanisch-Deutsches Zentrum Berlin, 1992).

In the thirty-years war that marked world politics between 1914 and 1945, Japan and Germany were revisionist powers. In a multipolar international system their military and fascist regimes adopted autarchic policies, prepared for and waged imperialist wars, and conducted brutally violent campaigns of ethnic cleansing which, in the case of Germany, included genocide. Surprise attack was the military strategy with which both countries hoped to reach their political objectives.

Unconditional surrender in 1945 turned a multipolar into a bipolar international system to which, broadly speaking, Germany and Japan responded similarly. Japanese and German national security depended largely on the protective umbrella that the United States has extended for the last half century over the Pacific Rim and Western Europe. Both states depended greatly in their security on America's nuclear umbrella and conventional military forces. Neither Germany nor Japan provided fully for their national security. Both relied on the American deterrent as their security guarantee. Among the advanced industrial states the principle of liberal commercial exchange rather than national autarchy organized the international economy. Here too, Germany and Japan reacted similarly. Both became supporters that developed strong interests in maintaining an open international economy (Lake, 1988). In brief, during the Cold War Germany and Japan have acted like prosperous, civilian powers or trading states, that responded similarly to a bipolar system of states and a liberal international economy (Mauil, 1990/91. Rosecrance, 1986. Kurth, 1989).

Emphasizing some broad similarities in structural constraints and strategic response offers a plausible explanation of the initial two postwar decades (Lieberman, 1998. Grieco, forthcoming).

For subsequent decades, however, it leaves empirical anomalies suggesting the need for an alternative conceptualization that pays more attention to regional factors.

The doctrine of Realpolitik, for example, analyzes the balancing and bandwagoning of states in the international system. >From the perspective of power politics, because they lack independent nuclear deterrents, Germany and Japan are woefully "incomplete states." Furthermore, Germany's formidable army remains today fully integrated into NATO, a supranational military security arrangement that leaves the German government without national control over its armed forces. Japan's long-standing commitment of limiting defense spending to less than one percent of GNP, broken only on rare occasions, has left it with military forces inadequately prepared to guarantee fully its security.

The emasculation of Germany's and Japan's military strength after total defeat is not surprising; but the institutionalization of incomplete statehood half a century after the end of war is. This anomaly prompts T.V. Paul (1996, 2), for example, to explain Germany's and Japan's non-nuclear policy as the result of "the regional dynamics arising out of security interdependence that these states entered into in the aftermath of World War II." In the case of Germany and Japan the acquisition of offensive weapons would have destabilized greatly the security of neighboring states to which they were closely linked politically. Regional considerations dictated a policy that sought to minimize the risk of creating regional security dilemmas.

After the failures of the command economies of the 1930s and 1940s and war-time destruction brought about by the defeat of heavy-handed states, the rise of market-based economies in Germany and Japan came as no surprise. Germany has consistently adhered to a liberal approach in product markets while developing the institutions of its vaunted "social market economy" in labor markets. Competition in Japanese product markets is tougher than in most other OECD states and enterprise unionism furthered in the 1960s and 1970s what Pempel and Tsunekawa (1979) have called "corporatism without labor." For an argument that emphasizes similarities, the institutionalization of differently organized political economies rather than similar market-based economies is an anomaly. In contrast to Japan, Germany's approach to international liberalization has been much more forthcoming in recent decades.

Regionalism has much to do with that difference. The U.S.-led drive for international liberalization after 1945 made provisions for customs unions operating under GATT auspices. In 1957 six West European states, Germany among them, formed such a union with strong U.S. support. No such union emerged in Asia which helps explain less far-reaching processes of regional market integration in subsequent decades. The US market thus looms large for Japan, the European market for Germany. This difference in regional market integration has left Germany and Japan with different types of "soft-shell" political economies, open to different forms of external political influence.

The importance of regionalism make historical analogies questionable that simply interpolate from 1990 back to 1945 or earlier historical periods, and simply assume away the effects that the intervening decades had on Germany, Japan, and their regional environments. At the end of the Cold War authors titled their books on Germany and Japan as "the new superpowers," thus evoking the 1950s (Bergner, 1991) or a "struggle for supremacy" thus referring to the 1930s (Garten, 1992). Pitting the United States against Japan and Germany made for excellent copy. But these books relied on analytical categories that neglected altogether how the exercise and experience of German and Japanese power has been altered during the last three decades. Thus they overlook the novel ways in which regional states operate at the end of the 20th century.

Historians are not immune from adopting an ahistorical perspective. With all the appropriate qualifications, historian Arthur Schlesinger (1989) made this mistake. "Japan is well on its way to achieving the Greater East Asia Co-Prosperity Sphere for which it fought in vain half a century ago. A united Germany . . . will be the most powerful country in Europe and well on its way to the continental hegemony for which it fought in vain half a century ago" (Schlesinger, 1989). Shorn of misleading historical analogies William Schneider (1989, 22) was much closer to the truth when he argued that "the 'natural' inclination of both the FRG and Japanese international interest is regional in character."

Structural effects are the result of prior choices. The difference between the trilateral relations among the United States, Japan and Germany in 1991, compared to their relations in 1945 or 1914 is the result of past policies. After 1945 American diplomacy set in motion processes by which the projection of German or Japanese power across national boundaries has been altered

(Moulton, 1944. Montgomery, 1957. Herz, 1983). Neglecting this fact amounts to neglecting change in history. Newtonian metaphors of recurrent equilibria and time-reversible processes of political change are not helpful in understanding the disequilibria and pathdependent processes that have defined Germany and Japan as regional states. How do Germany's and Japan's different domestic structures shape their policies at home and abroad in Europe and Asia? How do external pressures and transnational influences shape the domestic politics and foreign affairs of these two states? And how have these regional states become the creatures of different kinds of regions which in turn they also help shape?

2. Domestic Structures and Political Strategies

Different types of democratic capitalism follow different logics. Applied to Germany and Japan labels like corporatist and statist or the Rhine model and the Japanese model (Katzenstein, 1978 and 1985. Albert, 1993) unavoidably conceal complex, evolving relations that blend domestic and foreign elements and state and society. Japan and Germany take different stances towards the international system that I have dubbed elsewhere "Hobbesian" in the case of Japan and "Grotian" in the case of Germany (Katzenstein, 1996, 153-54). For Japan the world beyond is fundamentally hostile, and Japanese actors must cope on their own. For Germany, the larger world beyond is a community -- European, Atlantic, or global -- to which Germany belongs. Japanese politicians act with a mixture of guile and goodwill in developing long-term, interest-based relations. Political and economic asymmetries are, from the Japanese perspective, a source of both power and community. But a clearly defined national sense of self is never in doubt. In the case of Germany collective identity has a more international cast than in Japan. Germany is part of an international community of states whose conduct is defined by legal rules. And it is that community that helps inform the definition of interests that Germany pursues. As a prominent Krupp executive told Isaac Deutscher in 1946 "now . . . everything depends on whether we are in a position to find the right, great solutions on a European scale. Only a European scale, gentlemen, isn't that so?" (Kramer, 1991, 158-9 as quoted in Cronin, 1998, 12). This difference between the national and international purpose of the Japanese and German state is central to our understanding of many of Asia's and Europe's most important political problems.

Amy Gurowitz (1998, chapter 2) has developed analytical categories that specify further this distinction. She identifies four different dimensions of a state's international identity. First, is the state strongly or weakly committed to the principle of multilateralism, as indicated by both how it pursues its objectives internationally and the extent of its involvement in international institutions and organizations? Secondly, is the state active or passive in its international activities? Does the government tend to lead in international initiatives and participate in global problem solving or does it tend to lag behind? Thirdly, does the state identify itself, both in terms of material and cultural attributes, and is it viewed by other states, as part of the core of a Western international society of states; does it see itself as related to the core but not part of it; or does it see itself as marginal? Finally, how does the state respond to and view its relationship with the dominant state in the system, currently the United States? Is it strongly in favor of the United States; dependent on the United States but not necessarily in the same camp with the United States; or actively resistant to the United States? Germany and Japan vary along these dimensions quite consistently, with Germany tending more towards the international and Japan more towards the national pole along each of these four dimensions. As Erica Gould and Stephen Krasner in this volume and Joseph Grieco (1997) argue, the difference between Germany and Japan amounts to the difference between binding and autonomy.

The difference between a primarily national and a primarily international orientation is a matter of degree not kind. For Japan internationalization was both a process that Japan experienced in the last two decades and the subject of a political debate fundamentally shaped by national purposes. And the Europeanization of Germany is intimately linked to the Germanization of Europe (Katzenstein, 1997a. Gloanec, 1994. Bouissou, 1994).

This difference in degree is important for both Japanese and German foreign policy and the nature of Asian and European regionalism. It is illustrated by how these two countries have internationalized domestic sectors and institutions that were central to their domestic political economy. Since the early 1970s Japan has been affected by internationalization. Until recently agriculture was the one notable exception. Yet unrestricted trade in agriculture would have done much more to correct the persistent imbalances in international trade than elaborate, complex and fragile international negotiations on exchange rates. For it could have affected profoundly the Japanese prices for food, real estate and housing. The political realities of Japanese domestic

politics, however, prevented the liberalization of agriculture during the last three decades. Only in the early 1990s during the conclusion to the Uruguay round of tariff negotiations did Japan make important concessions that will, eventually, have substantial consequences for Japanese agriculture.

In Germany the analogous example is the Europeanization of the Bundesbank. It is an enormously powerful institution in German politics. It enjoys a very strong political position of independence from the federal government. With the possible exception of the Constitutional Court its prestige overshadows that of all other political institutions. European monetary integration was Germany's preferred form of regional European integration. It thus stands in striking contrast to the reluctance with which Japan's LDP-led government finally made concessions on free trade in agriculture during the latest GATT-sponsored round of tariff cutting.

Beyond the degree and kind of national and international orientation, as the essay in this volume richly illustrate, Japan and Germany also differ in the structural arrangements of their distinctive types of capitalism. In Japan's developmental state business plays the central role in what T. J. Pempel has called a system of "creative conservatism" (Pempel, 1982, 1998. Woo-Cumings, 1999. Weiss, 1998. Gao, 1997). Business, especially big business, is at the center of the political coalition which sustained the LDP in power for four decades before it was toppled in 1995 by the excesses of money politics that the bubble of the late 1980s had brought. Despite new electoral rules, the LDP retains its leading position in Japanese politics. Political change in the 1990s has led to a dramatic weakening of leftist parties while leaving the LDP in a leading position. After a brief period of explosive growth in the immediate post-war years, Japan's labor movement did not succeed in escaping from the relative political isolation in which the political and economic Left in post-war Japan found itself. Ikuo Kume (1998. Knoke et al., 1996) argues, however, that reorganization of the labor movement during the last two decades has given it a stronger voice in influencing some of the issues that matter most.

Government and bureaucracy have been the central actors in the evolution of Japan's post-war society and economy. The network linking the different actors in Japan's political economy is relatively tight. Traditionally, Japan's financial system was based not on autonomous capital

markets but on a system of administered credit which accorded the state a prominent role in influencing investment flows in the economy. The chummy relations between government and the financial sector are at the root of the mountain of bad debt that has become a serious drag on the economy in the 1990s.

Distinctive of German politics is the relative equality in the distribution of power among different actors. No great disparities exist, by the standards of Japanese politics, between business and labor or between the two major parties. In Germany business and labor are politically so well entrenched that they can accommodate themselves with relative ease to changes in government control by center-right or center-left coalition governments. The organizational strength and institutional presence of both business and labor is variable though always impressive by Japanese standards. In Germany's political economy they are, as in Japan, relatively closely linked though, unlike Japan, at more nodes. The relation between industry and banks is close, based on a system of competitive bargaining, rather than of private capital markets or credits administered by the state. Tight links between interest groups, political parties and state bureaucracies create an inclusionary politics. The Constitutional Court and the Bundesbank act as watchdogs and institutional restraints. Political issues that appear to be too hot to handle for party politicians are left to judges and bankers.

In Japan policy revolves around the interaction between party politicians and the state bureaucracy which is endowed amply with the instruments and institutions for shaping policy. Government policy relies on information, moral suasion, financial incentives and political muscle rather than on legal instruments. This generates a symbiotic relation between business and government that puts little store in transparency. Informal connections rather than formal institutional rules are a defining characteristic of Japanese politics. In Germany policy centers on the relations between party politicians, powerful interest groups, the federal and state bureaucracy and a variety of parapublic institutions. A consensual style of politics prevails and is typically cast in legal terms. In times of rapid political and economic change the legalization of politics creates rigidities that Germany's way of conducting political business is having a difficult time shedding, as developments in the 1990s have illustrated.

These thumbnail descriptions of "productivity democracy" in Japan and "industrial democracy" in Germany illustrate that we should avoid mistaking the liberal Anglo-American tree for the capitalist forest. In Germany a wide variety of parastatal organizations open the state to group influences while at the same time providing state officials with channels reaching deep into society. Law offers the normative context for the formulation and implementation of public policies. By contrast, in Japan that normative context is defined by informal ties rather than by public law. A large number of formal and informal consultative mechanisms make Japan, even more than Germany, into a structure geared to the creation and recreation of social consensus. The extension of legal rules into Europe and of informal political arrangements into Asia reflect ways of conducting political business that Germany and its European partners and Japan and its Asian partners consider normal.

3. External Pressures and Transnational Influences

When the outside world impinges on Japanese politics politicians and bureaucrats experience it as external pressure (gaiatsu) at the hands of the United States, the sole occupation power after 1945. In contrast the transnational influences affecting Germany emanate not so much from Washington D.C. as from Brussels, reflecting a history of Allied rather than American occupation. Japan and Germany also seek to exercise, in different ways, informal international influence beyond national borders. Japan typically works through markets, money and middlemen. Germany relies instead on its "societal foreign policy" which, beyond government ministries, accords important roles in foreign affairs to many of Germany's major private and parapublic institutions.

Japan. In the case of Japan external pressure emanates largely from Washington. In the interest of gaining better access to Japanese markets American actors tend to pressure directly the Japanese bureaucracy and its ancillary political and social interests (Katzenstein and Tsujinaka, 1995. Schoppa, 1997). Foreign actors are included either directly or indirectly into domestic policy coalitions in which "nationalists" and "internationalists" seek to find compromises acceptable to both as well as impatient Americans who insist on changes in traditional ways of doing business.

Japan's persistent export surplus and cautious defense policy have been the two issues that have fueled this external pressure. The negotiation of voluntary export restraint agreements since 1955 and the Structural Impediment Initiatives (SII) Talks designed in the late 1980s to open the Japanese economy are both examples of a repetitive political process that at times takes on ritualistic and predictable forms.

This external pressure has to some extent become institutionalized in Japanese decisionmaking as American interests are activated in the domestic political arena. The American lobby in Japan has a predominantly public character with the embassy, the representatives of 39 American states and the American military supporting the activities of individual American corporations. Although a substantial amount of lobbying takes place indirectly through what is known as the "old-boy network" and influential middlemen, the system is fundamentally driven by the political pressure that is exerted by the U.S. government on the networks linking the Japanese government, state bureaucracy and business community. While American corporations seek to play the political game in Tokyo by Japanese rules, they rely also on pressure tactics. For it is heavy pressure, especially heavy political pressure exerted by the government rather than by American business leaders, that makes the system of external pressure politics function.

The distinctive aspect of gaiatsu is to overcome the immobilism that inheres in the Japanese policy system with its bottom-up consensus decisionmaking style (Stockwin et al., 1988). Because self-persuasion is so difficult, naiatsu or internal pressure, is a rare commodity in Japan's political system. In the words of John Dower (1988, 26) gaiatsu, or "small violence," is often invited by the government or business "to put pressure on the bureaucracy. Or, in certain circumstances, the bureaucracy itself may desire gaiatsu to strengthen its case against recalcitrant politicians or rival ministries. Whatever the case, it is apparent that a complex political dance is taking place." The end of the Cold War has changed the nature of that dance. For a variety of reasons Japan has become less deferential to U.S. trade demands, and the success rate of US pressure politics has declined (Schoppa, 1999)

In sum, external pressure has become an integral part of the shifting coalition of political forces that has led to the opening of Japanese markets during the last three decades, particularly when it supported a growing domestic coalition favoring a change in existing policy (Calder, 1982. Fukai, 1992. Woodall, 1992).

In contrast to U.S. pressure on Japan, Japanese influence in the United States takes unobtrusive forms. The Japan lobby in the United States is largely private in character with individual corporations, business associations and JETRO as central actors. Japan's lobbying in American politics received in the early 1990s much attention and became the subject of a number of studies by American authors who stressed its size, breadth, and effectiveness (Choate, 1990. Morse, 1989). A knowledgeable and well-known lobbyist himself, Ira Wolf (quoted in A. Pempel, 1991, 43), argues that "there is little doubt that the Japan lobby in the United States is the largest and most effective foreign effort to influence legislation, policy making, and public attitudes in this country." In contrast an older Japanese literature has pointed to the weaknesses and failures of the Japanese lobby in American politics (Howe and Trott, 1977).

Japan engages in unobtrusive political activity in the United States. The Japan lobby in the United States has a relatively long history of steady growth. Starting with only one lobbyist in 1951, by 1957 Japan had joined other client states such as West Germany, Taiwan and Israel, as well as France, in the number of lobbyists it deployed in Washington. By 1962 it had moved into the number one position among the Western powers, a position which it has not relinquished since. For historical reasons Japanese lobbying maintained a low profile for many years and recorded very few successes in the legislative realm. In the words of one well-known lobbyist, William Tanaka, "my office does not lobby either for private companies or the Japanese government. For Japanese corporations simply cannot exert any influence on the process of policy formulation in the federal bureaucracy or legislative debate in Congress" (Kusano, 1992, 123). The Japan lobby gathers instead information and gives advice. It has avoided making any substantial contributions to Political Action Committees. It invests instead in "old boys," that is, in well-placed officials, many of them former members of the U.S. government, who enjoy excellent access to key decision makers. This unobtrusive style is in line with the networking and buying of access that is so important in Japanese politics.

This explains why in the early 1990s the Japan lobby spent so much money on a low-profile set of activities, specifically to create a favorable public climate in the United States. Japan's fifteen consulates in the United States, for example, regularly hire local public relations firms to advise them on how to create on a regional basis a favorable public climate for Japan's political objectives (Lee, 1988, 142). Furthermore, *Business Week* estimated that in the late 1980s Japanese corporations spent annually 45 million dollars on public relations, 140 million on corporate philanthropy, and 30 million on academic research grants (Farnsworth, 1989, F6).ⁱⁱ Academic research proved particularly vulnerable to a potential overdependence on Japanese funds. Up to 80 percent of the studies on U.S.-Japan relations conducted at American universities and research institutes in the late 1980s were estimated to have been financed at least partly by Japanese corporations, foundations or government agencies (Farnsworth, 1989, F6).

In a book written before Ross Perot selected him as his running-mate in the 1992 U.S. Presidential election, Pat Choate (1990, xx) writes that the "Japanese penetration of the American political system is now so deep that its integrity is threatened. In their own country the Japanese call this sort of money politics 'structural corruption.' In this case, it means that so many advocates of Japan's position are involved in decision making that the ultimate outcome is structurally biased in Japan's favor." This is overstating the case. But the attention to image building and the creation of a favorable public climate is a distinctive feature of Japan's transnational relations with the United States. It reflects the importance attached to the media and the creation of a favorable public climate in Japan's domestic politics.

Germany. In contrast to Japan Germany experiences external pressure as a less intrusive and more pervasive process of transnational, and especially European, influence. Shaped by the political experience and sensibilities of post-war Germany, it was a German political scientist who in the late 1960s coined the term "transnational relations," subsequently elaborated and more fully developed by U.S. and German scholars of international relations (Kaiser 1970, 1971. Keohane and Nye, 1977. Risse-Kappen, 1995). The political experience of the Federal Republic made this a natural category of analysis. With its unconditional surrender in May 1945 the German state ceased to exist. It was partitioned and occupied. And it participated in a variety of innovative

ⁱⁱAt about \$300 million Choate's (1990, xviii) estimate is considerably higher. Suzanne Alexander (1991) reports that Japanese philanthropy increased from \$30 million in 1986, to \$300 million in 1990, and \$500 million in 1991.

international institutions designed primarily to constrain a possible resurgence of Germany's autonomous national power.

In the late 1940s and early 1950s, in the form of the European Coal and Steel Community (ECSC) European states put their, and Germany's, coal and steel industries under supranational supervision. This amounted to an internationalization of the economic core of a possibly resurgent military-industrial complex of the Federal Republic. A few years later Euratom sought to accomplish the same for the nuclear industry as the high-tech industry of the future. These institutions gave expression to an innovative and successful political strategy, a European answer to the continent's traditional German question.

By hindsight we know that the direct effects of either of these institutions on Germany's economic potential has not mattered greatly. Much more consequential was the unforeseen indirect influence of a custom's union, the European Economic Community (EEC) which matured eventually into today's EU. The gradual growth of a European polity with emerging political properties shaped German politics quite profoundly. In the 1990s German and European scholars talk of a "multi-tiered" or "multi-level" European governance system in which Germany is deeply enmeshed (Katzenstein, 1997a).

A growing number of policy issues and many features of German politics are increasingly affected by the process of Europeanization (Risse, Cowles and Caporaso, under review). At times that process is publicly visible and creates political debates. German subsidies to ailing firms in the former GDR and the size of Germany's financial contribution to the EU budget are examples in the 1990s. But this is not the core of the Europeanization process. The Council, Commission and the European Parliament together affect thousands of issues, most of them minute, that touch all aspects of German economic and social life. External pressure does not capture the dynamics of this process. For Germany is generally speaking an active proponent of Europeanization. And when it lags on specific issues in implementing the directives, regulations and decisions that emanate from a variety of European bodies, the self-understanding of Germany as a European state is an important barrier to the notion, harbored in some political quarters and by groups disadvantaged by specific decisions, that Germany is caving in to external pressure.

The importance of Europeanization is most clearly evident in the politically delicate relations between two core German and European institutions. Since the 1960s the European Court of Justice has argued successfully that European law supersedes national law. Innovative legal procedures have guaranteed individuals access to the court on specific issues. And they have assured that national and European courts do not work at cross-purpose. Although with some reluctance, Germany's powerful Constitutional Court has, with brief intermissions, acknowledged the primacy of the European Court and European law over the Constitutional Court and German law.

Politically more significant in the 1990s is the creation of the EMU. De facto Germany's powerful Bundesbank had run Europe's monetary policy since 1979. But at the behest of the German government in the 1990s the Bundesbank has been reduced to the status of an important regional bank of a newly created European Central Bank (ECB) that has opened its doors in Frankfurt.

In its policies the ECB is designed to imitate the Bundesbank. Yet it represents as much a French as a German political victory. Since the 1960s successive German governments have supported monetary integration as the culmination of a gradual process of political unification that would guarantee the coordination of national economic policies. French governments pushed for monetary integration without political unification. German unification and the "stability pact" that was part of the EMU provided the political issues that made a compromise between Germany and France finally possible. German public opinion has remained about relinquishing the deutschmark, perhaps the country's politically most salient source of collective political identity and economic pride. But in the broad center of German politics the surrender of monetary sovereignty from a position of great economic and political strength has received strong support. Outside of Bavaria, running for office on a cautiously anti-European platform has proved to be a recipe of failure in the 1990s.

Throughout the Cold War Germany's participation in NATO was also a very important conduit of transnational influence. Germany's controversial rearmament was made palatable to a hostile public and suspicious European neighbors only through a full integration of the armed forces under NATO command. Besides keeping the Americans "in" and the Russians "out,"

keeping the Germans "down" was how Lord Ismay described NATO's three main purposes. Things turned out differently. As the first alliance in history with a peace-time, integrated, standing defense force, NATO kept Germany "in" not "down." Across all of the practical aspects of military policy, including nuclear targeting, German defense officials became partners, and eventually were asked to assume leading positions in the Western Alliance. Professional contacts between Germany's military and those of its European partners and the United States have created links that, over time, have transformed Europe and the North-Atlantic region into a security community, defined by the dependable expectation of peaceful change (Deutsch et al, 1957). Many Germans regarded NATO as a nuisance and an environmental hazard in the 1970s and 1980s. And a significant minority, especially in the early 1980s, objected to both Germany and NATO as dangerous and destabilizing. But since Germany was an integral part of NATO, external pressure is not how the public perceived NATO influence. In the 1990s this is illustrated by Germany's active support of NATO's enlargement, bombing campaign of Serbia, and peace keeping operation in Kosovo.

Projected abroad, Germany's transnational relations appears in the form of a societal foreign policy. Most of the important institutions in Germany typically engage partner organizations in other countries in conducting their own foreign relations. Created after 1949 to help democratize Germany and attached to each of the major parties, political foundations are the nucleus of this unusual system. With the passing of time, and the growth of funding, these foundations have opened up offices all over the world while engaging their ideological allies, from Right to Left, and initiating projects on a global scale.

Similarly many of Germany's most important institutions also conduct their own foreign relations, among others: unions, such as the IG Metall, the largest industrial union in the world; employer and business associations; scientific organizations and cultural foundations; publicly funded research institutes and think tanks of all ideological stripes; and the churches. In contrast to Japan, the visible presence of these institutions engages their partner organizations in other countries. It is Germany's distinctive contribution to the growing importance of transnational relations.

This brief discussion illustrates systematic differences between Germany and Japan. In sharp contrast to Germany's exposure to a pervasive process of Europeanization, Japan's involvement in Asian regional organizations has left hardly a trace. And while there is a substantial amount of journalistic and scholarly debate on the external pressure that is brought to bear on Japan by the United States, a shelf of books and monographs on the US-German relationship does not contain a single chapter devoted to the same subject (Knapp, 1975). With the exception of Marxist writings that interpret the relationship in the language of neo-imperialism, the literature focuses on interdependence and transnational relations, not external US pressures on Germany or unobtrusive German influence in the United States. Germany's and Japan's terms of engaging international and regional influences thus differ greatly.

4. Open Regionalism – Informal Arrangements in Asia and Formal Institutions in Europe

Open Regionalism. In the last decade the weight of regional forces in world politics has increased (Ohmae, 1995). During the Cold War regional factors had often been overshadowed by superpower confrontation. In the 1990s they have become more visible and consequential. The beginning and the stalling in the peace process in the Middle East, for example, was fueled largely by regional and national pressures, not by the intervention of the United States, Russia or any other major power. The Russian project of reconstructing a sphere of influence in the "near abroad" of the Commonwealth of Independent States was driven by regional factors, as was the formation of NAFTA. And in Latin America a substantial decrease in political tensions and military expenditures cleared the ground for sharp increases in regional economic cooperation. But in all of these instances regionalism has remained linked to the larger international system.

In Europe, for example, developments in international capital markets were decisive in spurring a change in French policy in the mid-1980s that permitted the adoption of the Single European Act in 1987 and the acceleration of the European integration process. The end of the Cold War and German unification was important in furthering the acceleration of that process,

most visibly in the Treaty of Maastricht and the simultaneous move towards both a deepening and widening of European integration at the beginning of the 1990s. Its most important achievement at the end of the 1990s is the formation of the EMU.

Asia is no exception to the growth of regional forces in world politics. A frequently used measure of regional integration, intra-Asian trade, has increased greatly in the 1980s. Japan's backing of South Korean trade minister Kim Chul Su as the "Asian" candidate, running against a "European" and a "North American" candidate, made the selection of the first director general of the new World Trade Organization (WTO) an exercise in inter-regional politics that reappeared when Mike Moore, former Prime Minister of New Zealand, and Supachai Panitchpakdj, Thailand's deputy premier, were deadlocked for many months as the WTO sought to find a successor to director-general Renato Ruggiero. And Japan's financial crisis is linked closely to the financial crisis that has engulfed Thailand, South Korea, and especially Indonesia since 1997.

Global and regional factors are closely intertwined. The increasing globalization and deregulation of markets describes an erosion of national economic control that industrial states in the North seek to compensate for in part through regional integration schemes. Regional integration can occur *de jure* (as in Europe) or *de facto* (as in Asia). And it occurs also in subregional groupings within and between states, as for example in Southeast Asia and along the South China coast, and in some border-spanning "Euro-regions." In the words of François Gipouloux (1994, 40. See also Dollfus, 1994 and Pape, 1994) "the integration scheme, in Europe as well as in North America, favors territorial integration, the Asian one emphasizes a kind of integration through networks. Two different sets of logic or conclusions are at work. One is negotiation by intergovernmental agreements (the international approach). The other approach is transnational whereby comparative advantage is more important than national borders. In the American as well as the European cases, approaches are political, led by governments. Integration proceeds in Asia through informal linkages."

Regionalism thus is not only an attempt to increase economic growth or achieve other objectives. It is also an effort to regain some measure of political control over processes of globalization that have impinged on national policy. The economic effects of *de facto* or *de jure* regionalism can either help or hinder market competition and liberalization. By and large, the

existing evidence points to the prevalence of trade creation and open forms of regionalism between the late 1960s and the early 1990s (O'Loughlin and Anselin, 1996).

For national governments regional integration is attractive for a number of reasons. First, neighborhood effects encourage intensive trade and investment relations. Secondly, economic regionalization processes often do not require the reciprocity that WTO insists on. Thirdly, at the regional level efficiency and competitiveness are often strengthened through internationalized forms of deregulation, thus weakening directly the attraction of traditional, global approaches to liberalization while strengthening them indirectly. In addition, the effects of regional economies of scale and savings in transportation costs can create dynamic effects that also accelerate economic growth.

Furthermore, geographic proximity and the functional interdependencies and transborder externalities that it creates have favorable implications for regional economic growth. Geographic concentration of production is increasingly driven by the emergence of technology complexes and networks of innovation and production that offer important advantages for regional agglomeration. Technological development paths are contingent upon the actions of and interactions between developers, producers and users who hold different positions and make different choices in the national and the global economy. Technological innovation thus is a discontinuous process establishing different trajectories in different parts of the world that cluster both nationally and regionally. The supply base of a national economy, the parts, components, subsystems, materials and equipment technologies, as well as the interrelation among the firms that make all of these available to world markets, also cluster regionally (Borras and Zysman, 1992).

In an era of increasing turbulence in global capital markets monetary and financial integration at a regional level appears to many European governments as a form of protection in an uncertain world. The European Monetary System (EMS) was created in 1979 to reduce European dependence on an unpredictable U.S. monetary policy. With the onset of the global financial crisis in Asia in the summer of 1997 the political commitment to the EMU has grown further throughout Europe. For the EMU promises to be a shield against the adverse consequences of global liberalization in capital markets that has been a prime objective of U.S. policy during the last decade.

For a variety of reasons financial and monetary integration in Asia has not been a political option. When Japan, in August 1997, floated a proposal for the creation of an Asian fund to deal with the consequences of the Asian financial crisis, the U.S. government and the International Monetary Fund had little difficulty in brushing aside that proposal. Since for decades the Japanese government had been adamant in refusing an international role for the Yen, it simply lacked the political clout, and financial resources, to offer a compelling rallying point for other Asian states. U.S. officials conceded only a year later, that Japan's proposal probably deserved a serious hearing and possibly might have dealt with the crisis more effectively than did the IMF (Kristof, 1998, A6).

The openness of Asian regionalism thus has two different, closely intertwined sources, dyadic and systemic vulnerability. First, Japan is embedded in a relationship of dyadic dependence on the United States in particular that creates three extraordinary military and economic vulnerabilities. Japan depends on the US navy to patrol the sealanes through which its exports and imports flow; even after diversifying away from the US market for the last two decades, 30 percent of Japanese exports are still destined for the US market; and it remains extraordinarily dependent on the import of raw materials. Military, economic and political dependence thus constrains any Japanese inclination to build an inward-looking Asia.

Secondly, Japan's systemic vulnerability derives from what Kato (1998) calls "global-scope" interdependence that also constrains the emergence of an Asian bloc. Along numerous dimensions of trade, aid, investment and technology transfer, among others, Japan has a more broadly diversified set of economic and political links to both rich and poor countries, than does, for example, Germany which lives internationally, inside a European cocoon (Lincoln, 1993, 135. Wan, 1995, 98). The Asian financial crisis illustrates Japan's strong commitment to contribute to the continued functioning of the international system on which its economic prosperity depends so heavily. By September 1998 Japan's level of contribution to the solution of the Asian financial crisis stood at \$43 billion dollars, about a third of the total, compared to \$12 billion for the United States and \$ 7 billion for European states, even though the exposure of European banks was comparable to those of Japanese banks (Kristof, 1998, A6). About half of the Japanese credit was committed to credit lines to be disbursed under IMF bail-out plans over which Japan had little influence (Kato, 1998, 2).

Asia. Japan's growing role in the member states of The Association of Southeast Asian Nations (ASEAN) can be easily traced in the areas of trade, aid, investment and technology transfer. In the two decades preceding the Plaza Accord of 1985, Japan accounted for close to half of the total aid and direct foreign investment which the region received. The dramatic appreciation of the Yen after 1985 led to a veritable explosion of Japanese investment which between 1985 and 1989 was twice as large as between 1951 and 1984. And the flow of aid has continued to be strong as Japan seeks to recycle its trade surplus with the region. All governments in Southeast Asia are bidding for Japanese capital as is illustrated by the massive deregulation of their economies as well as the lucrative incentives which they are willing to grant to foreign investors. More importantly, Japan's "developmental state" became in the 1970s and 1980s a model of emulation in both the public and private sector. The establishment of private trading companies and a general commitment of governments throughout the region to vigorous policies of export promotion give testimony to the wide-spread appeal of the Japanese model.

The massive inflow of Japanese investments in the 1980s and early 1990s created severe bottlenecks in the public sector infrastructures of countries like Indonesia and Thailand. And these bottlenecks created serious impediments for the future growth of Japanese investment. Roads and ports were insufficient and needed to be expanded and modernized. The same was true of national systems of communications and the public services more generally. The New AID Plan (New Asian Industries Development Plan) that Japan revealed in 1987 signalled that Japan had serious, long-term interests in the region. The Plan addressed the needs of the public sector as they related to Japanese industrial investments, and the restructuring of the Japanese economy more generally. Broadly speaking the program offered investment incentives for selected Japanese industries to relocate to ASEAN countries. It made explicit Japan's hierarchical view of the international division of labor in Southeast Asia. To some extent this was also true of Japan's view of its relations with the Newly Industrialized Countries (NICs) in Northeast Asia. Here take-off into self-sustaining rapid growth occurred earlier than in Southeast Asia.

The sharp growth in Japan's economic presence in Asia has created widespread unease about the political consequences of intensifying economic relations in an emerging regional political economy. Japan's power is simply too large to be met in the foreseeable future by any coalition of Asian states. With the total GNP of ASEAN amounting to no more than about 15 percent of

Japan's GNP a world of self-contained regions in the Northern half of the globe would leave the ASEAN members at the mercy of a Japanese colossus. This fear is palpable also when good economic times turn to bad. Without a sustained solution to Japan's financial crisis, Asia's financial crisis cannot be solved.

In the view of most Asian countries only the United States and China can act as indispensable counterweights to Japan. A China that does not succumb to financial instabilities would be a welcome counterweight to an economically wobbly Japan. And with the American navy firmly committed to retain a strong position in Asia and with the consolidation of U.S.-Japanese security arrangements in the 1980s and 1990s the United States is likely to remain an Asian power. Furthermore, since virtually all Asian countries run a substantial trade deficit with Japan and a large surplus with the United States, the United States is essential for regional economic integration in Asia. An Asia that includes the United States diffuses the economic and political dependencies of the smaller Asian states away from Japan. And it provides Japan with the national security that makes unnecessary a major arms-build up, and the hostile political reaction it would engender among Japan's neighbors.

Europe. Regionalism in Europe is institutionally better defined than in Asia. This is mostly due to the presence of the EU. It has developed such a strong political momentum that formerly neutral states such as Sweden, Finland and Austria have joined in the 1990s. And as was true of Southern Europe in the late 1970s, the new democracies of central-eastern Europe look to the EU rather than any individual European state as the political and economic anchor during their difficult period of transition. A united Germany will figure prominently in an integrating Europe. But Germany is unlikely to want to build a "Fortress Europe", a concept the Nazis coined, and lacking all political and economic appeal in Germany.

Throughout the postwar era German foreign policy has always sought to avoid having to choose between France and the United States, between the European and the Atlantic option. There is little indication that in the coming years German foreign policy will deviate from this past line. Both Germany's economic and security interests are best served by a closer European integration that does not isolate itself from the United States. In economic terms it would be outright foolishness for one of the largest export economies in the world to favor building

economic barriers. The success of American corporations operating in Europe and the European investment strategy of Japanese firms in important industries such as automobiles show that trade protection is no longer an effective instrument for isolating national or regional markets.

Furthermore, the EC92 program and the Treaty of Maastricht excluded security policy. After the war in Kosovo British and French interests may eventually converge with German interests in building up one or several European options on questions of security policy. The political revival of the West European Union (WEU) and the growing importance of the European pillar in NATO reflect this fact. But German unification has also increased French and British resolve to retain a national nuclear option and to keep the United States involved in European affairs, both politically and militarily. While French and British policy differ in their emphasis, on this basic point they converge with German interests. NATO remains of fundamental importance in Germany's security policy. And so does an American presence in Europe, symbolically with ground forces, strategically with sea- and possibly air-based systems of conventional and nuclear deterrence, and logistically in a variety of ways for dealing with possible ethnic conflicts in the European periphery. The OSCE is in German eyes a useful instrument of diplomacy that supplements NATO and the EU because it avoids a narrow definition of Europe and keeps the United States as well as Canada and Russia involved in European and thus German security affairs.

Germany's weight in Europe and Europe's weight vis-a-vis the United States is, however, likely to increase both economically and politically. This redistribution in power is unlikely to find political articulation in military terms. Instead it will be fed by the compatibility between the German model of an efficient, capitalist, democratic welfare state and a political milieu of European states organized along similar lines and subscribing to similar political values. The compatibility between the German model and the European milieu is substantial and ranks high as one of the most important German foreign policy objectives. This was very evident in the mid- and late 1970s when Germany took a very active role in trying to shape the process of transition to democracy in Southern Europe. The Southern enlargement of the EC which contributed greatly to the success of that foreign policy provides something of a model with which Germany and its EC partners have approached the daunting task of assisting the much more difficult process of transition in central and eastern Europe. Similarly, in the 1980s the EMS has been a very important instrument for establishing a compatibility between Germany and Europe, largely

on German terms. The stability of the Deutschmark and Germany's low inflation policy, even at the cost of permanently high unemployment rates, became generalized throughout Europe. The early years of implementing the EMU thus are very important. They define the extent of compatibility between Germany and its European milieu.

Conclusion. European regionalism is better defined than Asian regionalism, and it is politically more easily constructed. The EU gives a well-institutionalized vision of European regionalism which is favored by the relative equality between Germany and the other major European powers. In Asia, by contrast, formal regional institutions are relatively weak and of recent origin, and Japan towers over all of its neighbors with whom it might want to cooperate in a regional framework. Although they are open, Asian and European regionalism differ substantially. Summarizing the findings of their edited volume Frankel and Kahler (1993, 4) talk of Asia's "soft" regionalism, closely integrated and centered on the Japanese economy, that differs from the "hard" European regionalism that is based on politically and juridically defined arrangements (See also Beeson and Jayasuriya, 1997. Kahler, 1997, 1-4, 15-24. Green, 1995, 725-34. Stubbs, 1998. Higgott, 1995).

Significantly, the United States will be part of both the emerging Asia and the new Europe, in economic terms no less than on security issues. Even more than for Japan, the growth trajectory of many Asian economies relies on free access to American markets. And the economic stake that U.S. corporations have built up over decades in their European subsidiaries makes the United States a silent beneficiary of the European integration process. In the 1990s world regions have been compatible with an integrating global economy. In security matters the U.S.-Japan security arrangement is an indispensable instrument for alleviating the worries of Japan's Asian neighbors about Japan's rising power. And in Europe, through NATO, the United States is retaining an important military and political voice which is welcomed by virtually all European states.

This difference is tied to Germany's and Japan's domestic structures. Examples of this difference, reflected in the exercise of power at the regional level, are not difficult to find. For Germany's power must be harnessed by law, both domestically and internationally. Law defines in normative terms the conduct of Germany and its partner states. Equally importantly, it defines Germany's identity as a lawful member of an international community of states. Personalism and

informality plays a role, but only within a legal and political framework that is the objective of diplomacy. This approach to regional affairs is consistent across issue areas and time and, as in the case of Japan, it is deeply rooted in German domestic politics. Since the mid-1970s the Federal Republic, for example, has been persistent in trying to create, with the cooperation of a number of its European neighbors, a zone of monetary stability. The EMS and the EMU are the results of that persistence. They generalize West Germany's strong anti-inflationary preferences to its main trading partners.

Japan's approach to Asian regionalism is also an extension of its distinctive domestic experiences. Power is the exploitation of points of leverage carefully built up in a system of mutual vulnerabilities. Personal contacts, superior information and quiet middlemen working behind the scene do not confront issues head-on, but seek to influence them indirectly. This type of politics is embedded in a public climate that needs to be cultivated carefully. For without the support of a favorable public opinion, Japan's subtle game of politics cannot endure. These features of domestic politics shape Japan's approach to regional and global affairs. For example, the relatively unrestricted trade in textile and apparel between Japan and its new competitors in the Pacific Basin and Southeast Asia is in part the result of "friendly industry conversations" that characterize not only some of the practices of Japanese industries in domestic markets but also span across national borders. Germany and Japan thus project power differently across national borders.

5. Conclusion

The theoretical perspective informing this paper is sociological-institutional. It thus differs from the variants of realism and liberalism that typify other studies, including those dealing with the growth of regional forces in international and global politics. While realist and liberal perspectives capture important elements of the manifold relationships between Japan/Asia and Germany/Europe they tend to slight unduly the institutionalization of state power and market relations. To be sure both of these rationalist perspectives are often complementary in their insights. Liberalism's insights can make up for realism's discounting of the importance of domestic politics, transnational relations and international institutions. And liberalism's neglect of

the distributional consequences and power can be complemented by realist accounts. Yet in a comparative analysis of world regions neither perspective pays sufficient attention to institutional effects that often counteract relationships marked by great asymmetries in material power and bargaining positions (Katzenstein, 1996b). This paper's analytical stance is attuned to the analysis of institutional effects without insisting that they must always prevail.

The transformation of Japan and Germany from political and military challengers to trading states and civilian powers supporting the existing international order is a major factor stabilizing world politics in the late 20th century. The character of Japan and Germany makes it highly improbable that in the foreseeable future the leaders of these two countries will attempt to exchange the coinage of technological and economic power once again for military power, to transform themselves from trading to warfare states. The outcome of World War II and the history of postwar growth leaves both countries with a discrepancy between their economic and military power. With some justification both were described, Germany in the 1970s and Japan in the 1980s, as economic giants and political dwarfs. In both countries state and society have been realigned to conceal or transform state power. Japan relates state strength to market competition; West Germany combines state power with semi-corporatist arrangements. In both countries the convergence of political conservatism with economic liberalism characteristic of America has taken hold. Both thus cherish the American definition of what Charles Maier has called the "politics of productivity" (Maier, 1978). Both countries project their power onto other societies through economic means often refusing to acknowledge the new coinage. Since the late 1970s both were pushed, Germany a bit earlier than Japan, towards a more active definition of their role in global politics. In neither case does it appear likely that the power politics of the 1930s will reappear.

Differences in their domestic structures and international connections make Japan and Germany affect Asia and Europe differently. This paper has argued that these differences are not ephemeral but have deep domestic and international roots and are consequential for European and Asian regionalism.

In different ways Japan and Germany are likely to continue playing the role of supporters of the United States and, more importantly, of the international order that has evolved under U.S.

leadership during the last half century. Both are shouldering a growing burden of international responsibilities. But the lessons Germany and Japan learned from 1945, five decades of experience with their neighbors, and the structure of their states make it highly implausible that Japanese and German leaders and mass publics will rally to the task of international action with a forward looking, can-do attitude. Instead, both states prefer to play an important regional role and assume a relatively low profile in international politics that has a deeply ingrained preference for multilateral rather than unilateral action.

As the experiences of the last decades illustrate, Japan and Germany are increasingly being drawn to new tasks sometimes against their will. In the area of trade, for example, Germany has played the role of a broker between the different protectionist currents in Europe and the United States. Similarly, the Japanese government tries to take account of American domestic politics and the protectionist lobby in Tokyo in fashioning a diplomatic approach to trade and investment conflicts that maintains the essential pillars of a liberal international economy. In the future the international coordination of exchange rate policy is unthinkable without the active cooperation of the Bank of Japan and the European Central Bank with the German Bundesbank as a central actor. Japan has moved rapidly in the 1980s to become the largest aid-donor in the world. And both Germany and Japan have assumed positions of leadership in Europe and Asia which compensate at times for the economic or political weaknesses of the United States. Germany's Southern European policy in the 1970s aimed at smoothing the process of transition from authoritarianism to democracy in Spain, Portugal, Greece and Turkey. In the 1990s Germany's influence is pervasive as the central and east European democracies are moving toward Europe. In the 1980s and 1990s Japan has sought to play an analogous role in the Philippines, Korea, Vietnam and Cambodia. It remains to be seen whether and how, from a position of declining economic strength, Japan will seek to shape the political consequences of the Asian financial crisis in Indonesia, Malaysia and throughout Southeast and Northeast Asia.

Contemporary regionalism takes different forms in different world regions. Regionalism is institutionalized in networks that operate informally in Asian markets largely through corporate, ethnic and familial networks (Katzenstein and Shiraishi, 1997a. Hatch and Yamamura, 1996). The elites of many of Asia's developmental states remain deeply suspicious of relinquishing sovereignty to an international bureaucracy not easily held accountable. In contrast European

regionalism takes an explicitly political form in the emergence of distinctive transnational governance structures that are organized around the EU (Katzenstein, 1997b). Institutionalization of the relations between different states is Europe's most defining characteristic.

Finally, contemporary regionalism in Asia and Europe is open to developments in the global system. The main reason is the historical legacy of the American empire's worldwide quest for access to society and economy rather than territorial control. This has altered significantly the regional politics of Asia and Europe. Germany and Japan are the centers of a new regionalism in Europe and Asia that is increasingly supplanting the waning system of strategic bipolarity -- as long as Europe does not unite militarily and Japan forgoes the technological options it has for becoming a military superpower. This regionalism differs from Hitler's New Order and Japan's Co-Prosperity Sphere in the 1930s and 1940s as well as from George Orwell's (1949) nightmarish projection of a tripolar world in his novel 1984. After suffering total defeat in World War II Japan and Germany were compelled to adapt their domestic institutions and policies to new international arrangements expressing the world views and interests of the United States. As their power grew in subsequent decades Japan's and Germany's international exercise of power was similarly shaped by interactions with their regional settings in a new global system. In short, what separates Asia's and Europe's new regionalism from the old is the difference between autarchy and direct rule on the one hand and interdependence and indirect rule on the other.

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