

THE MIT JAPAN PROGRAM

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Science, Technology,
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科学・技術・経営



FINAL ADJUDICATION AND ANALYSIS
OF THE SECOND BIENNIAL
MIT ASIA-PACIFIC CRISIS SIMULATION

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About the MIT Japan Program
and its Working Paper Series

The MIT Japan Program was founded in 1981 to create a new generation of technologically sophisticated "Japan-aware" scientists, engineers, and managers in the United States. The Program's corporate sponsors, as well as support from the government and from private foundations, have made it the largest, most comprehensive, and most widely emulated center of applied Japanese studies in the world.

The intellectual focus of the Program is to integrate the research methodologies of the social sciences, the humanities, and technology to approach issues confronting the United States and Japan in their relations involving science and technology. The Program is uniquely positioned to make use of MIT's extensive network of Japan-related resources, which include faculty, researchers, and library collections, as well as a Tokyo-based office. Through its three core activities, namely, education, research, and public awareness, the Program disseminates both to its sponsors and to the interested public its expertise on Japanese science and technology and on how that science and technology is managed.

The MIT Japan Program Working Paper Series provides an important means to achieving these ends.

I. THE GAME

The second biannual Asia-Pacific Political Crisis Simulation was held at the Massachusetts Institute of Technology on 5-7 May 1995. The exercise brought together scholars and practitioners from seven nations in the region, and was the culmination of a graduate seminar entitled "Japan and the New World Order" taught by Professor Richard J. Samuels, Head of the MIT Department of Political Science and Director of the MIT Japan Program.

The principal goal of this exercise was to examine Japan's future international role in light of recent domestic, regional, and global changes and to trace possible paths along which this role might develop. In addition, careful attention was paid to the foreign policy choices and domestic political dynamics in China, Korea, and the United States. The time frame under study was 1998 to 2010. Participants were assigned to teams representing constituencies and leaders from a number of regional actors including Japan, the United States, the People's Republic of China, (a unified) Korea, Indonesia, Taiwan, Vietnam, Malaysia, and Australia.

Through role playing and negotiations, each team developed national plans and policies over the course of three four-year "moves." A central control team guided the game and played the role of countries, regions, and other actors not represented by an independent team. Principal players, drawn from among former government officials, business executives, and academics, were assigned roles as key policy makers of each of the country teams. MIT graduate students enrolled in the seminar served as "aides-de-camp" for the game's principal players. Japanese

citizens residing in the Cambridge area played the role of a “Japanese public,” and voted in three national elections and one constitutional referendum during the twelve year period.

II. *WHAT HAPPENED?*

The game began in a fictional 1998 by positing two major crises for the region and especially for Japanese foreign policy. *It is important to note that the baseline and crisis scenarios developed for the game were entirely fictional and were intended solely for the educational use of MIT students and the participants in the MIT Asian Political Crisis Simulation.*

The first crisis concerned a revolt underway in Indonesia. Under this first “baseline scenario,” a fundamentalist Islamic revolution erupted in Indonesia after months of tensions. Revolutionaries targeted Japan and Japanese businesses as scapegoats for a number of social and economic problems. They presented Japan directly with several thorny policy problems, including: a) Taking a number of Japanese citizens hostage, b) Threatening to cut off Japanese supplies of vital raw materials and fuels, and c) Possible nationalization of Japanese assets. The Japanese government had to decide whether or not to support the remaining elements of the Indonesian government or to placate the rebels-- either way without the open and effective support of the United States.

The second crisis concerned Korean refugees seeking asylum in Japan. In this “baseline scenario,” the economic collapse of the DPRK in 1997 led to the reunification of Korea, and Japan was faced with two difficult issues: a) More than one hundred thousand Korean refugees,

many with relatives living in Japan, were fleeing a difficult economic situation on the Peninsula and were heading toward Honshu. In addition, a few thousand political and military leaders of the former DPRK also sought refuge in Japan. Moreover, b) Seoul discovered a small number of nuclear devices left by the former DPRK.

The game also posited a United States that faced severe budgetary constraints imposed by a “Balanced Budget Amendment” and a highly isolationist populace. While its nominal commitment to Japan (and Western Europe) remained intact, its ability to project military power had declined dramatically by 1998, the start of the game. The situation in Eastern Europe, combined with a nationalist Russia, was designed to distract U.S. strategists. In general, a conservative, isolationist Congress and the election of an economics-minded President contributed to a domestically focused American government.

Finally, China was modeled as potentially fragmented, subject to the centrifugal forces of regionalism and popular unrest.

III. THE MAJOR CRISES

Twelve years of domestic political dynamics, included the replacement of one American president and of two Japanese Prime Ministers, the creation of two new Japanese political parties, and two coups d’etat in China (resulting finally in martial law). During this same period, each team was forced to focus on and grapple with five major foreign policy problems. Two of these problems were resolved early and rather convincingly. A third was partially solved, while two others proved intractable. These were:

1. Korean refugees

The Japanese team, with US help, quickly found an effective solution to the Korean refugee problem, by providing large sums of money to Korea to assist refugee repatriation. Japan also asked the Korean navy to halt the refugee flow as the price for this aid. Despite the persistence of small numbers of refugees in Japanese camps, and despite the best efforts of some within Japan (both Japanese citizens and Korean residents) to force the government to accept Korean refugees into Japanese society, none were resettled permanently on Japanese soil.

2. The Korean bomb

The Korean team quickly conceded on the problem of orphaned North Korean nuclear weapons, offering to dismantle them without hesitation. Despite initial IAEA doubts about the transparency of this response, Korea's neighbors seemed satisfied and the problem melted away.

3. Indonesian Revolution and Hostage Seizure

The Japan team could not solve the hostage crisis. While the Japanese government deliberated, several hostages were executed. In an effort to boost his chances for election as Prime Minister, one Japanese opposition party leader tried unsuccessfully to buy the release of the Japanese hostages for \$50 million in exchange for being able to take credit as their liberator. He failed, and although he later became Prime Minister, he fell from power after news of his secret effort led to Diet hearings. The Taiwanese secured the release of the surviving Japanese hostages,

earning the gratitude of the Japanese public and significant economic rewards from the new Indonesian government. \$20 billion in Japanese assets were transferred to Taiwanese control.

4. Indonesian Muslim Expansionism and Threats to the Sea Lanes

The rebels seized power easily, due in part to the Japanese government's unwillingness to support the Indonesian government and defend its economic interests there. The new Islamic Republic quickly proclaimed jurisdiction over a "Green Crescent" that included the southern Philippines, Malaysia, the Spratley Islands and the sea lanes adjacent to those locations. Regional efforts to contain this expansionism showed mixed results. ASEAN, under Malaysian leadership tried, but failed to create a credible military deterrent to Indonesian expansion. The Japanese dispatched warships to Indonesian waters in order to protect their interests. However, this engendered significant opposition at home and abroad. The Japanese government was forced to withdraw temporarily and was unable to take these kinds of measures again until Article Nine of the Japanese Constitution was revised to accommodate this significant de facto shift in Japanese defense policy.

A Japan-led, anti-Indonesian defensive alliance called the "Joint Organization of Defense by Asian Nations" (JODAN) was one answer to Indonesian expansion. It failed due to the lack of support among nations in the region. The United States, moved to retain leadership in the region despite its limited resources and formed an "Unoffensive Security Organization" (USO) that received broad support. Despite China's catcalls from the sidelines, this seemed effective. However, USO could not avert or reverse Indonesia's Serb-style stirring of Muslim rebellion in Asia. Mindanao fell away from the control of the Philippine Government, and Malaysia was close

to collapse by the end of the game. Indonesia made gains, and neither JODAN nor USO offered a fully effective response.

5. Third World Bombmaking, Bombwaving & Bombselling

Indonesian manufacture and export of nuclear weapons was largely unsolved. Control's assumption that U.S. air strikes would work was, in retrospect, optimistic. More likely, a large invasion was probably necessary, with sizable US, Japanese, and USO losses. This would certainly be harder to sell to the American people in the real world than it was in the game. In the end, then, no answer short of force was found for the Indonesian nuclear program, and force was, as always, a poor answer.

IV. THE MAJOR TEAMS

1. Japan

As noted above, between 1998-2010 Japan grew markedly more assertive than in 1995. Japan reacted to threats to its interest by mobilizing its own military and political resources when compelled by circumstances. It acted militarily outside a peacekeeping format when it deployed warships to Indonesian waters. Even before revising its "war renouncing" Constitution, Japan acquired long-range blue water naval forces and amphibious forces, and it attempted to assume regional leadership through formation of JODAN. The reason for this Japanese assertiveness lay clearly in the rising tide of threats to Japanese interests. But, Japan ultimately foresaw the "security dilemma" consequences of its new assertiveness, e.g. the risk of scaring Korea and

China by its anti-Indonesian build-up and deployment measures, and it wisely took steps to reassure both neighboring powers. Nonetheless, by the last round, China and Korea had found common cause in balancing against resurgent Japanese power.

Although external challenges caused political turmoil and turbulence in Japan, with each cycle of elections and realignment, the Japanese leadership became more active on the world stage. Between 1998-2002, a great many conventional impediments to autonomous Japanese foreign policy were evident on the Japanese side, including differences between the conservative and progressive parties, dependence on the United States, bureaucratic inertia, and policy discussions short on specifics. Over time, however, domestic impediments to independent Japanese foreign policy were overcome. For a short time after 2002, the Shinshinto won public support and demonstrated an ability to lead a conservative governing coalition.

In foreign affairs, the Shinshinto government repeatedly stressed within the Cabinet Room that Japan must make security policy decisions unilaterally, and then explain its decisions to the United States. Thus, despite the Japanese government's public insistence on the importance of the US-Japan alliance, the government was not driven by an imperative to secure U.S. support for its initiatives abroad. In addition, while there *were* formal consultations with neighboring states, the new government did not thoroughly discuss and debate reactions to its new assertiveness in the rest of Asia. It should not have been a surprise, then, that anxious Korea shifted away from Japan and towards China.

The replacement of the Shinshinto government by a broader coalition in 2007 brought together an effective crisis management team. But, this confounded the Japanese public, which felt that it had once again lost the voice of organized opposition in the democratic polity. The

public grew disaffected with the machinations of politicians and with their willingness to make deals without thorough consultation and public debate.

From the perspective of 1995, the option of such a grand coalition is pregnant with possibilities for a future Japanese response to regional or global crises. In a sense it is also a throwback to the 1930s. This time, however, the grand coalition politicians controlled the bureaucrats. The demise of the Socialists and the rise of an alternative Citizens' Party helped to consolidate a consensus that enabled Japan to act rapidly and effectively. The new government corrected for the earlier unilateralism and replaced it with an approach that combined a proactive security role in the US-Japan alliance and greater cooperation and consultations with Asian countries.

There was no support for a reorientation of Japan's economic policy orientation despite U.S. pressure. The government's judgment, which proved correct, was that the United States would ultimately disregard economic issues because of their perception of acute security challenges in the region.

The Japanese public made a great difference by asking sensible, yet irritating questions of the politicians. Once the grand coalition was formed and the public perceived that they had been betrayed by politicians who ignored their views, they formed their own grass-roots party, and a new political confrontation was brewing as the simulation ended.

2. China

China pursued parochial policies that betrayed a great-power-outsider attitude. Aloof from the common problems of Asia, the Chinese made little effort to help solve them in a cooperative manner.

Despite efforts to maintain a centralized Chinese state, foreign policy crises caused severe political turmoil in China. The Chinese leadership was humiliated by Taiwan's success in Indonesia, and as a direct consequence, the head of the Chinese Communist Party fell victim to a coup d'état. The Chinese team presented this coup to world opinion as a matter of "democratic centralism." Later, a weak Chinese response to U.S. military initiatives in the region was used as a pretext by some Politburo members to strengthen their hand vis-à-vis the PLA by staging demonstrations in Beijing and other major cities. This attempt backfired, however, and the military seized control, crushing popular opposition. This time the tanks did not stop at the gates of Zhongnanhai, and martial law was declared. The majority of the Politburo, including its most progressive elements, was purged and arrested.

China found itself trapped in a downward spiral of misperception. China was perceived as more aggressive than its actions warranted. Perceptions of Chinese expansionist designs provided a pretext for China's neighbors to exclude it from evolving regional security arrangements, and China found itself isolated. These misperceptions remained uncorrected, as China repeatedly forswore opportunities to increase its influence in the region through confidence building measures. Despite its engorged resources, China failed to assume a leadership role.

3. The United States

Throughout the period 1998-2010, the United States remained committed to Asian regional security and, despite the Soviet demise, remained active in the region. The US repeatedly reaffirmed the US-Japan alliance and refused adamantly to link Japanese trade and economic problems to its political and military concerns. The United States neither questioned its Cold War security and trade commitments, nor did it ever articulate a “grand strategy” commensurate with the political and economic challenges of the “New World Order.” Typical of its past proclivities-- the United States continued to act unilaterally, albeit after limited consultations with Korea and Japan. The U.S. seemed to be “in denial” regarding the need to make tradeoffs in a post-Cold War era of limited resources and domestic political pressures. Despite Control’s best efforts to highlight the limits of U.S. capabilities, Washington ignored its relative economic decline and continued to project force unilaterally without regard for public opinion.

In short, some states were better able to cope with the “New World Disorder” than were others. Some, such as Japan and China, succeeded in simultaneously pursuing short and long-term interests. Others, like the United States, were unable to redress the strategic imbalance in the construction of their foreign policies. In particular, the U.S. team sacrificed long term economic interests in order to sustain a leadership role in regional political military affairs. Japan, which entered the game as “an economic giant and a political pygmy,” became a “normal nation,” with the capability to unilaterally commit military forces to defend its interests. The long-term rise of China, the biggest story in Asia (and perhaps the world), is an event for which states

should have been preparing. Although East Asia's regional *status quo* powers did join in concert to contain one aggressor's expansion, China's rise went unremarked upon and unprepared for.

V. *THE MAJOR LESSONS*

1. International Institutions Matter, Sometimes in Unexpected Ways

Throughout the simulation, U.S. decisions were informed by Cold War-era alliance commitments-- even though the original precipitant of these alliances (a Soviet threat) was long gone. U.S. policy makers repeatedly asked "What are we committed to do, and for whom?" They then did what they were committed to do, and they were leery of doing more. In short, an institution (the Cold War alliance network) persisted and conditioned U.S. conduct long after the conditions that produced it had disappeared. Similarly, the Association of Southeast Asian Nations (ASEAN) served as the central forum for coordinating a regional response to security crises, despite its original charter limiting its role to trade and economic issues. We observe that institutions live longer than the conditions that created them, and that they may evolve to meet new needs.

2. East Asia is Institution-Poor

East Asia is not endowed with robust security institutions. During the twelve year period 1998-2010, Japan and the U.S. had to improvise a collective response to Indonesian aggression and bomb-waving. This process took time and was pursued unevenly, e.g. JODAN first, then USO. China remains outside even the most nascent multilateral organizations. Similarly, Japan's

leadership is inhibited by the general distrust of neighboring states. In Europe, by contrast, the major status quo powers would have used NATO, WEU, or CSCE to initiate a collective response to similar security crises. The case of Bosnia, of course, instructs us that the availability of such institutions cannot guarantee the successful resolution of all crises. Nonetheless, the Asia-Pacific region can only benefit from a thicker network of international institutions.

3. Power is Balanced

Even in East Asia, a region largely unprepared to deal with a regional aggressor, the balance of power dynamics operated. Regional states moved to contain Indonesian expansion. However, the several coalitions formed in response to Indonesian power could not contain Indonesia's expansion into Muslim areas abroad (part of southern Philippines & Malaysia). As noted above, China remained apart from these efforts.

Also, each time Japan enhanced its military capabilities in order to confront threats to its citizens and economic interests abroad, alarms went off in China and Korea. This led to a series of discussions between these continental states and, ultimately, to a tacit understanding that Japanese power ought to be balanced.

4. Successful Crisis Management Requires Preparation, but Preparation Does not Guarantee Success

Japan and the United States quickly solved one problem that their strategists had long thought about, e.g. the Korean crises, but they (and other states) failed to solve unanticipated

crises, such as Indonesian expansionism. Unfortunately, the problems associated with nuclear arms proliferation which have been the object of exhaustive study for decades, proved intractable. Important potential crises that loom on the horizon, such as China's military build-up, were left unaddressed altogether.

5. There is no Easy Solution to Proliferation of Weapons of Mass Destruction (WMD)

Three points emerge here:

- a. WMD proliferation alarmed nearly every player. Realist arguments for the benefits of nuclear proliferation-- viz., that their diffusion is a stabilizing factor in world politics-- found few adherents in this game.
- b. Neither great nor medium powers found easy answers to Indonesian bombmaking and bombselling. This reflects the absence of easy answers to such problems. There are none, short of accepting the spread of WMD and relying on deterrence to prevent WMD use.
- c. Technologically advanced countries, when faced with aggressive nuclear armed neighbors without a credible external security guarantee, will feel pressure to acquire nuclear weapons. By 2008, Australia had withdrawn from the nuclear Non-Proliferation Treaty when it became clear that its defense partners could not protect it from an implacably aggressive Indonesian neighbor.

6. Domestic Politics Matters (Second Image)

Domestic politics affects foreign policy decisions:

- a. Before the Japanese government could undertake effective unilateral action abroad, politicians had to placate public opinion which had become distrustful and alienated. In fact, public opinion was remarkably influential in all the democratic states.
- b. Japan's ability to act was sharply constrained by its inability to reach decisions. The Japanese government found many international changes hard to cope with, because policy adjustments required decisions, and in Japan decisions required consensus which was difficult to achieve.
- c. The U.S. government was pushed to make quick decisions by the press and public opinion. The Democratic President (1998-2002) moved deliberately and refused to let decisions be driven by premature commitments made in response to public opinion. He was roundly defeated in the next election and demoted to a role as House Minority Leader. His Republican successor played to the press and public opinion more effectively, but at the expense of deliberate and consistent US policy. In neither case did the United States ever articulate its national interests or its grand strategy.

d. In China leaders were forced to act so as to accommodate historically motivated, popular concerns about China's sovereignty and independence.

7. Global Events have Domestic Ramifications (Second Image Reversed)

While domestic politics may constrain foreign policy options, the more dramatic lesson is that global events may cause major structural changes in the dynamics of domestic politics.

a. In China, inadequate responses to crises in the Asia-Pacific region led directly to two coups d'etat that ultimately delivered power to conservative military leaders. Chinese power was "reengineered" by foreign events.

b. In Japan, foreign crises led to demands by Japanese citizens for greater political accountability. The government was forced to bring its constitution into line with its de facto military program.

8. The "Nixon to China" Effect

Major policy shifts may require those groups traditionally associated with the status quo to assume leadership in initiating change. We observe that when "hard-line" opponents of change soften their position and actively advocate reform, change can be both complete and enduring. For example, successful constitutional revision required leadership by the remnants of the Japan Socialist Party on this issue. Traditional conservatives could not have achieved such a dramatic change alone.