

unless there is significant instability on the Korean peninsula.<sup>19</sup>

## JAPAN

The Japanese appear to be at something of an economic, political (both in the domestic and foreign policy sense) and military cross-roads. Having thought that they could defy the laws of economic gravity in the late 1980's, the Japanese have gone from blitzkrieg to sitzkrieg; their economy crippled by huge debt overhangs and the impact of the global recession. A great many of the leading financial institutions are saddled with vast portfolios of non-performing loans. They are desperate to liquidate those loans but are reluctant to call them in because of loyalty to their creditors and because they are afraid that liquidation would accelerate the number of bankruptcies, deflate assets, and endanger the Nikkei.<sup>20</sup> Stimulus packages have had little discernible impact on the economy and unemployment--hitherto almost unthinkable--has become a part of the landscape as major Konzerns, faced with plummeting profits and sluggish demand, curtail overtime, lay off casual labour, and terminate long-time employees.

It is hard to imagine that the remarkable concatenation of circumstances which underlay Japan's breathtaking growth in the 1960's, 70's and 80's will be replicated again in the future. Instead, the Japanese will have to content themselves with managing a powerful but mature economy where growth rates -- after the current recession ends sometime beyond mid-decade -- will probably be in the 4-4.5 percent range. The aging of the Japanese population, the inadequacy of the welfare infrastructure, the demands that younger workers are making on society, and the limitations of the education system will increasingly offset those features of Japanese culture that contributed to rapid economic performance.<sup>21</sup>