U.S-Japan Relations:
Battling the "Koizumi Syndrome"

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This was supposed to be a triumphant quarter for Japan and its alliance with the United States. Prime Minister Koizumi Junichiro was going to retake the initiative in Japanese politics, after leading his party to a resounding win in July's Upper House elections. Then, he would use that mandate to push through an aggressive and ambitious economic reform program, running over the old guard within his own party who pose the chief obstacle to his efforts. Finally, the quarter would close as the United States and Japan joined together Sept. 8 to celebrate a half century of unprecedented cooperation and friendship and embarked on the next phase of their relationship.

Instead, this quarter has witnessed the emergence of what appears to be a troubling – if not dangerous – pattern in Japanese politics. It is still too early to make a definitive diagnosis, but let's call it the "Koizumi syndrome": bold announcements that launch high hopes that are then dashed by a combination of a failure to follow-up and the obstacles and inertia that are built into the Japanese political system. Signs of the "Koizumi syndrome" have been visible since the July Upper House election and in the aftermath to the terrorist blasts that occurred in New York City and Washington, D.C. on Sept. 11. This diagnosis could prove premature: the prime minister might yet confound his critics. But the terrorist attacks have altered Japan's domestic political terrain, forcing Koizumi to restructure his priorities. They put new pressure on the Japanese government to take decisive action to help its ally, but they simultaneously undermine the economic agenda that Koizumi had hoped to champion. If it derails attempts to reform the country's ailing economy and blocks substantive efforts to assist the United States in the fight against terrorism, the bilateral relationship could become a victim of the "Koizumi syndrome."

Seizing the Initiative

The quarter began with an electoral about-face. Japan's Liberal Democratic Party (LDP) rode the popular prime minister's coattails to a convincing win in the July Upper House ballot. Only three months earlier, the LDP was bracing for defeat. Support for the Cabinet of then-Prime Minister Mori Yoshiro had plunged to single digits. Fearing an electoral embarrassment, the party handed control of its fortunes to the "maverick" in an attempt to head off defeat.

The gambit worked. In the vote, LDP candidates won 64 of the 121 seats that were up for grabs in the July 29 ballot, losing just two constituencies and gaining four seats over

its previous showing in the legislature. His three-party coalition now holds a comfortable majority, with 140 places in the 247-seat House of Councilors. Koizumi was then re-elected president of the LDP by acclamation, guaranteeing him at least another two years in office and perhaps even longer.

For all his popularity, Koizumi is a weak prime minister. In fact, his popularity is his only asset. His calls for reform alienate many of his party's traditional constituencies and the politicians that have ridden them to power. In a political institution that has traditionally been governed by the power of numbers, Koizumi has been perilously isolated. In theory, then, the LDP election win provided the prime minister with the popular mandate he needed to face down the old guard within his own party, which is the chief obstacle to reform.

The prime minister's reluctance to detail the specifics of his economic rejuvenation program made sense: he did not want to alienate potential supporters both within his party, the government, and the public before he won his mandate. The United States bowed to the logic of that argument and did not press the prime minister on the details of his economic program even as the Japanese economy deteriorated. Just before the July vote, the stock market hit a 16-year low, industrial production fell for the fourth straight month, housing starts recorded their sixth straight drop, and Federal Reserve Chairman Alan Greenspan told the Senate Banking Committee that "the Japanese system is endeavoring to function without an operating financial intermediation system." Japanese newspapers commented that Koizumi's silence went beyond tactics: it reflected the absence of a plan.

That verdict seems to have been validated by subsequent events. As the summer stretched on, and the U.S. economy itself began to slow, Japanese policy makers remained silent. Fortunately, August is a slow month in Washington and grumblings about the silence in Tokyo were muted. But as the U.S. economy slowed and it became clear that the global economy needed more stimulus, Japan's inaction became more worrying.

The Gulf War Ghosts

A similar pattern of inaction appears to be emerging in the wake of the terrorist attacks on the World Trade Center and the Pentagon on Sept. 11. Upon hearing of the strikes, Prime Minister Koizumi stood firmly with the United States, condemning the attacks, pledging $10 million in aid, and saying he would stand beside President Bush when the U.S. retaliated. And then there was silence.

It was strikingly reminiscent of previous Japanese responses to crises. In fact, the memory of the Persian Gulf War weighed heavily over Japanese deliberations in the wake of the terrorist bombings. In an off-the-record meeting, Richard Armitage, the No. 2 man in the State Department, met with Yanai Shunji, Japanese ambassador to the United States, to express his concern. Supporters of the bilateral alliance knew that Tokyo had to take action or risk severe criticism in Washington and perhaps even a rupture in the relationship.

Within a week, the Japanese government had cobbled together a seven-point program to respond to the crisis. It included measures allowing the Self-Defense Forces to provide logistical support to the U.S. military in the event of a retaliatory strike; strengthening security measures at important facilities in Japan; dispatching Japanese ships to gather information; strengthening international cooperation over immigration control; providing humanitarian and economic aid to affected countries, including emergency assistance to Pakistan and India; assisting refugees fleeing areas that might be hit by U.S. retaliation; and cooperating with other countries to ensure stability in the international economic system. Pursuant to that plan, Japan provided $40 million in emergency assistance to Pakistan and dispatched envoys to Iran and Pakistan to help build support for the U.S.-led coalition against terrorism.

In addition, the Japanese government announced that it would send warships to collect intelligence in the Indian Ocean and would provide support for U.S. vessels heading for battle stations. The prime minister also promised to push enabling legislation through the Japanese Diet that would allow the government to implement that package in its entirety.

Koizumi Takes a Stand

Nearly two weeks after the attacks, Koizumi went to the United States to meet President Bush and pay his respects to the victims. Some advisers were concerned about the delay; the prime minister was one of the last U.S. allies to visit Washington and support the U.S. in its time of grief. Nonetheless, his meeting with President Bush went extremely well. Koizumi said, "we Japanese firmly stand behind the United States to fight terrorism." To emphasize the point, he spoke in English. In a statement designed to banish the ghosts of the Gulf War, the prime minister was explicit: "It will no longer hold that the Self-Defense Forces should not be sent to danger spots. There is no such thing as a safe place."

At the same time, however, the prime minister was careful to insure that there would be no misunderstanding about what Japan would do for its ally. Mr. Koizumi made it clear that Japan would be bound by its constitutional limits. According to the prime minister, "we are making preparations for a new law that will enable Japan to make all possible contributions on the condition that they do not require the use of force."

President Bush acknowledged the limits and restraints under which the Japanese operate. He applauded the Japanese contribution and noted "people contribute in different ways to this coalition ... resources will be deployed in different ways – intelligence gathering, diplomacy, humanitarian aid, as well as cutting off resources" to terrorists.

And yet even here, the prime minister's pronouncements may prove to be too ambitious. There is public support for Japanese assistance to the U.S. in the fight against terrorism. An opinion poll conducted by the *Yomiuri Shimbun* newspaper showed that 87 percent of respondents said Japan should cooperate either "actively" or "to some extent" with the U.S. in efforts to militarily eradicate terrorist organizations responsible for the Sept. 11

attacks. Yet 87 percent of those who favored Japanese cooperation prefer rear-area logistical support such as medical services, transportation, and supply missions. Another survey taken a week later by the more left-leaning *Asahi Shimbun* showed that 62 percent of Japanese favor support for the U.S., but nearly half – 46 percent – oppose plans to dispatch Self-Defense Forces to provide logistical support for the U.S. military.

Hatoyama Yukio, head of the chief opposition Democratic Party of Japan (DPJ), has warned the prime minister about rushing recklessly ahead. While saying that his party was prepared to discuss new legislation as long is it was within the bounds of the constitution, he called for caution. But opposition is not confined to the opposition. The prime minister's own Liberal Democratic Party has a powerful pacifist wing and it is growing more vocal about Japanese action that might erode support for the Peace Constitution. These groups were initially silent in the aftermath of the attack, but they have become more assertive as time has passed, as have other pacifist groups around the world and within the United States. The opposition of senior party officials, including for example former Secretary General Nonaka Hiromu, has kept the government from sending a top-of-the-line Aegis destroyer to the Indian Ocean as planned.

The government has promised to submit emergency legislation that would allow it to implement Koizumi's seven-point plan, but the timetable already seems to be slipping. An extraordinary Diet session was convened on Sept. 27 but the legislation will not be submitted to the legislature until it wins Cabinet approval, which is slated for early October. Debate and deal-making will take time; there's no guarantee that the United States will wait. The risk, of course, is that the U.S. will strike and Japan will not be prepared to participate.

Grim Reports from the Economic Front …

The United States is expecting Japan to respond on a second front as well: the economic front. The U.S. economy was slowing even before the Sept. 11 attacks. The strike at the heart of the U.S. financial industry and the blow to the nation's confidence, as well as that of consumers, will magnify recessionary pressures. The world needs Japanese growth now more than ever. The Japanese government has promised to ensure stability: immediately after the attack, the Bank of Japan, the United States Federal Reserve, and the European Central Bank pumped extra liquidity into markets and worked together to ensure financial stability and security. That is not going to be enough.

The world economy needs a boost – it needs Japan to regain its footing and to become an engine of growth. There is little likelihood of that in the near future. The economic statistics in the last quarter are grim. Officially, gross domestic product dropped 0.8 percent in the second quarter of this year. Unemployment remains at a record high 5 percent with 3.18 million people officially unemployed. However, Japan's Ministry of Public Management has conceded that the real unemployment rate may be as high as 10.4 percent, or more than twice the official figure. In its World Economic Report released two weeks after the Sept. 11 attacks, the International Monetary Fund forecast that the

Japanese economy would shrink 0.5 percent in 2001 and return to growth of 0.8 percent next year.

U.S. officials have become increasingly concerned about Japan's unwillingness to tackle its bad debt problem, which threatens to overwhelm its banking sectors. Washington is becoming more vocal in its criticism of Japanese inaction and is concerned that vulnerability in Japan's financial system could become a global weakness as well.

At this point, the outlook for Koizumi is grim. The prime minister had promised to end the government's reliance on massive public works spending to try to stimulate the economy, and coincidentally provide money for his party's traditional constituencies. One of his few concrete electoral pledges was a ¥30 trillion ($250 billion) cap on government bond issuance. The terrorist attacks make such restraint look unlikely with the call for stimulation coming from virtually every quarter.

Moreover, reform as envisioned by the prime minister – or at least as many think it would be envisioned – would necessitate restructuring, including the closure of unprofitable businesses and inefficient public sector organizations. In other words, there would be significantly more unemployment. That is unlikely after Sept. 11.

That day changed Japanese domestic political priorities. Until then, the prime minister's agenda was dominated by economic issues; he was only going to play the security card if he was stalemated on that front and needed to rally support from parts of his party alienated by those measures. Now, however, the security card dominates political considerations and Koizumi needs those votes up front; pursuing them is no longer an option, it is a necessity. In other words, he can no longer afford to alienate the old guard. As a result, he must abandon for awhile the more ambitious elements of his reform program to ensure support for the security package. No doubt, the dinosaurs are smiling.

Japan must act and must be ahead of events if it is to avoid another embarrassment like that of the decade ago. Koizumi seems cognizant of that, but in this, as in his economic reform program, he does not seem to have the wherewithal, the energy, or the support to push his program through as designed. It is essential that the gap between Koizumi's intentions and the program as delivered be as narrow as possible. Unfortunately, it appears to be growing.

No Resting on the SOFA

Amid the spectacular events of this quarter, there are more mundane, but equally pressing developments. Last quarter closed with reports of a U.S. serviceman in Okinawa being charged with rape. After some initial skirmishing between the two governments, airman Timothy Woodland was turned over to the Japanese authorities. The four-day delay, caused by U.S. concerns about the U.S. serviceman's rights, triggered angry debate in the Diet over the Status of Forces Agreement (SOFA). The Lower House Foreign Affairs Committee passed a resolution that called for "radical review" of the pact. Later, U.S. Secretary of State Colin Powell and Japanese Foreign Minister Tanaka Makiko agreed,

when meeting in Rome, to work on ways to improve implementation of the SOFA. Prime Minister Koizumi threw his weight behind the talks, warning Powell that a lack of progress could force him to reopen the agreement. His tough stand may have been influenced by recent comments by Kan Naoto, secretary general of the opposition DPJ: Kan said that if he was running the country, the goal would be to close all the U.S. bases on Okinawa and the marines would be sent home immediately.

Rethinking the Constitution

Even before the terrorist attacks made it a real issue, there has been talk about the need for reinterpretation or revision of the Japanese Constitution. In an interview, new U.S. Ambassador Howard Baker noted that "reality" would push Japan to modify its stand on the limits imposed by the Peace Constitution.

More surprising were the comments of former Prime Minister Miyazawa Kiichi at the 50th anniversary of the signing of the peace treaty that ended World War II. Miyazawa, a noted "dove," conceded that the country should reinterpret the constitution to allow Japan to be a better alliance partner. He said, "I propose that Japan should define the right of collective security as a logical extension of the right of self-defense. This, in my view, does not require revision of Article 9 of the Japanese Constitution. The Japanese government, if necessary, should clarify the interpretation of Article 9 with regards to the right of collective defense." Little did he know how prophetic those words would sound. [Pacific Forum CSIS has addressed the debate in "United States-Japan Strategic Dialogue: Beyond the Defense Guidelines," Issues & Insights series, May 2001.]

Muted Celebrations

This new test for the U.S.-Japan alliance comes only days after the two countries celebrated 50 years of peace and their bilateral security treaty. On Sept. 8, high-ranking officials from both countries returned to the San Francisco Opera House where 50 years before their leaders had signed a document that officially ended the state of war that existed between the two governments. There was much to celebrate in San Francisco. The bilateral security treaty and the U.S.-Japan alliance are remarkable accomplishments. It is easy to forget how different the two countries are and how little there is that binds them – apart from the will to create a successful relationship.

Once again the relationship is under strain. This time however both governments know precisely what the danger is and what they must do to avoid it. There are bright, intelligent, and hardworking individuals in both capitals working hard to see that the mistakes of the decade ago are not repeated, and that the alliance survives another half century. In the weeks ahead, we will discover whether their efforts are enough to overcome the inertia that seems to be built into the Japanese political system and that it brings to the alliance. We will also see how virulent the "Koizumi syndrome" really is.

Chronology of U.S.-Japan Relations
July-September 2001[1]

July 3, 2001: Okinawa police obtain arrest warrant for U.S. Air Force Staff Sergeant Timothy Woodland for the alleged rape of a Japanese woman.

July 9, 2001: Foreign Affairs Committee of Japan's House of Representatives adopts a resolution calling for a review of the Status of Forces Agreement (SOFA).

July 18, 2001: Japanese FM Tanaka Makiko and U.S. Secretary of State Colin Powell meet at G-8 Ministers' Meeting and discuss review of SOFA for handling criminal cases in Rome.

July 23, 2001: Secretary Powell meets PM Koizumi in Tokyo.

July 23, 2001: Okinawa Gov. Nakasone Masakazu urges Brig. Gen. Gary North, commander of Kadena AFB, to put curfews on U.S. military personnel.

July 29, 2001: LDP wins 78 percent of the contested seats, 64 seats, in Upper House elections.

Aug. 7, 2001: Tokyo announces it will tolerate weaker yen to fight deflation.

Aug 10, 2001: PM Koizumi re-elected head of LDP.

Aug. 17, 2001: Tokyo Gov. Ishihara Shintaro secures the use of Yokota Air Base for disaster drill.

Aug. 22, 2001: First attempt to raise the Ehime Maru fails.

Aug. 27, 2001: Japan's official unemployment rate reached 5 percent in July, the highest level in 50 years.

Aug. 26, 2001: Financial Services Minister Yanagisawa Hakuo announces his plan to cut Japanese major banks' bad loans from ¥17 trillion ($142 billion) to ¥7 trillion ($58 billion) by FY 2007, banks write-off all their bad loans in two or three years.

Aug. 27, 2001: The Massachusetts Institute of Technology files lawsuit against SONY Electronics Inc. of New Jersey for digital TV patent infringement.

Aug. 28, 2001: PM Koizumi limits supplementary budget to ¥2-3 trillion ($16.7 billion-$25 billion), while other ministers claims more funds are needed Minister of Economy, Trade, and Industry (METI) Hiranuma Takeo said that the supplementary budget should be ¥5 trillion ($42 billion).

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1. Chronology compiled by research assistant Nakagawa Yumiko.

Aug. 28, 2001: The Defense Agency selects Boeing AH64D Apache as next generation attack helicopter. Fuji Heavy Industries will build the Apache under license. Defense Agency plans to build 10 machines a year through FY 2005 at a cost of about $50 million a machine.

Aug. 28, 2001: Nikkei closes below 11,000 for the first time since Oct. 22, 1989.

Aug. 29, 2001: Japanese launches H-2A rocket.

Aug. 29, 2001: *Nihon Keizai* reports that the Defense Agency seeks a 1.8 percent increase in its FY 2002 appropriation, excluding support for U.S. bases in Okinawa. The Defense Agency is asking for a total of ¥5.02 trillion ($42 billion).

Aug. 31, 2001: Tokyo conducts first local disaster drill using a U.S. base (Yokota AFB).

Sept. 1, 2001: METI Minister Hiranuma and U.S. Trade Representative Robert Zoellick meet in Washington and agree to resume bilateral talks on automobiles.

Sept. 5, 2001: Minister Yanagisawa indicates Japan may accept IMF inspections of Japanese financial institutions. In Washington, he meets with Federal Reserve Chairman Alan Greenspan and Securities and Exchange Commission Chairman Harvey Pitt.

Sept. 5, 2001: U.S. Treasury Secretary Paul O'Neill calls for Japan to take "decisive action" to revive its economy.

Sept. 6, 2001: U.S. Embassy in Tokyo issues a terrorist warning.

Sept. 6, 2001: Senior officials of U.S., Japan, and the ROK hold Trilateral Coordination and Oversight Group (TCOG) meeting.

Sept. 6, 2001: *Asahi Shimbun* reports that the Defense Agency is planning to shift military priorities from large-scale military invasions to counter-guerrilla warfare, the defense of Okinawa and the southern seas, and coping with disaster in the next National Defense Program Outline.

Sept. 7, 2001: Government announces real GDP decreased by 0.8 percent in the April to June quarter, 3.2 percent annual rate. Nominal GDP shrank 2.7 percent, at a 10.3 percent annual rate.

Sept. 8, 2001: Fiftieth anniversary of San Francisco Treaty. Secretary Powell and FM Tanaka meet. Former PM Miyazawa Kiichi says Japan should reinterpret Article 9 to allow Japanese troops to assist U.S. forces.

Sept. 13, 2001: PM Koizumi supports U.S. retaliation for Sept. 11 terrorist strikes. "It's only natural for President Bush to take strong action." When asked if he support U.S. retaliation, he says "of course."

Sept. 13, 2001: U.S. declines Japan's offer of rescue team of 100 troops.

Sept. 15, 2001: Deputy Secretary of State Richard Armitage meets Japanese Ambassador to U.S. Yanai Shuji to discuss Japan's possible aid to U.S.

Sept. 17, 2001: PM Koizumi prepares to support possible U.S. retaliation by providing logistic support and intelligence, "strong support for U.S. fight against terrorism."

Sept. 18, 2001: Tokyo begins discussions on extending aid to the U.S. and financial support to refugees from Afghanistan.

Sept. 19, 2001: Koizumi pledges to make any needed legal changes to enable the Self-Defense Forces to provide logistic support. Koizumi rules out any use of military force. Koizumi meets U.S. Ambassador to Japan Howard Baker and offers $10 million to assist rescue work.

Sept. 19, 2001: Coalition agrees to write legislation that allows SDF to protect U.S. bases in Japan, Diet, PM residence, and nuclear power plants.

Sept. 19, 2001: Koizumi says Japanese ships would be sent to help U.S. in intelligence collection, shipment of supplies, medical services and humanitarian relief.

Sept. 25, 2001: PM Koizumi meets President Bush in Washington.

Sept. 27, 2001: Extraordinary session of Parliament opens.

Sept. 29, 2001: USTR Robert Zoellick criticizes Japan, "the country that disappointed me most," for pursuing its domestic interests and asks for it to take a more positive role in international trade talks.