

## U.S.-Japan Relations: A False Start?

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The administration of President George W. Bush took office with high hopes to revitalize and rejuvenate the U.S.-Japan alliance. Unfortunately, those hopes immediately clashed with political and economic reality in Japan, while a series of incidents forced supporters of the alliance back on the defensive. The tragic accident involving the nuclear submarine USS Greeneville and the Japanese fisheries training vessel Ehime Maru, which claimed nine lives, shifted American and Japanese priorities. The security alliance will survive this tragedy, but it underscored the need for continuing efforts by governments and friends of the alliance to build support for the bilateral relationship among the public on both sides of the Pacific.

### **Familiar Faces**

President George W. Bush took office promising a new approach to Asia. His foreign-policy team was made up of seasoned Asia-hands, savvy about regional affairs and sensitive to Asian concerns. The appointments of Richard Armitage, Paul Wolfowitz, and Pacific Forum CSIS alumni James Kelly and Torkel Patterson to key positions in the new administration were viewed in Japan as signs that the new president was serious about making Asia a U.S. priority.

Alliance watchers in Tokyo were particularly gladdened to hear the new administration's pledge to put Japan first, ending speculation that Beijing was supplanting Tokyo as the apple of Washington's eye. As far as Japan was concerned, former President Bill Clinton had shown a worrying tendency to accommodate China. There are still grumbles over his China visit and his willingness to fly over Tokyo without stopping when coming and going. When combined with Mr. Clinton's proclivity for shortening or canceling trips to Japan, Tokyo's fears that U.S. priorities were changing didn't seem unrealistic.

Mr. Bush's new team wanted to end those doubts. Governor and then President Bush ended the talk of a "strategic partnership" between the U.S. and China. Instead, the new administration made it clear that the U.S. would deal with Beijing as a potential competitor within the region, and would be relying on a strengthened bilateral relationship between the United States and Japan as the foundation of the U.S. presence in the region.

## **Be Careful What You Ask For**

The shift in perspective was welcome in Tokyo; the Japanese always welcome U.S. declarations of importance of the alliance. At the same time, however, Tokyo has two worries. First, there's the ever-present concern that the United States will become too bellicose toward Beijing, that its rhetoric would be too inflammatory. While Japan prefers that the U.S. have no illusions about China, it does not want to see relations between Washington and Beijing deteriorate to the point where conflict is a possibility.

Japan's second concern is that Washington will expect too much of Tokyo. The Nye-Armitage report, issued late last year and bearing the name of a key player in the new administration, seemed to do just that with its call for Japan to assume new responsibilities within the alliance. Japan's political class still prefers not to deal with security issues directly. The topic of security is too contentious and the political consensus that exists is fragile.

Rejuvenating the bilateral alliance will oblige Japanese decision makers to address that subject head-on. Given the domestic political environment (discussed below), there is little inclination to spend the political capital required to do just that. Some Japanese supporters of the alliance now worry that U.S. expectations will be dashed, which could be an equally devastating blow to the alliance.

## **Reality Does Its Damage**

Good intentions will only go so far. The administration's high hopes were quickly overtaken by events. From day one, the new administration was forced to abandon plans to address the U.S.-Japan relationship from on high, on a strategic level. Instead, the Bush team has been forced to focus on managing the alliance on a day-to-day level.

In January, U.S. service personnel were arrested and charged with setting fires in one case and for taking lewd photographs of a teenage girl in another. Those continuing run-ins with the law fueled Okinawan anger over the U.S. presence on the island. The local government has called again for review of the Status of Forces Agreement (SOFA) that governs procedure in the event of a crime involving U.S. service personnel. Although the U.S. has honored the terms of the SOFA, those terms are not satisfactory as far as the local government is concerned. Discussions over possible revisions to the SOFA are underway.

When the Okinawa Prefectural Assembly unanimously passed a resolution calling for reductions of U.S. forces on the island, Lieutenant General Earl Hailston, head of the U.S. Marine contingent on Okinawa, vented his frustrations with local politicians in a private e-mail to his troops that was subsequently leaked to the press. That provoked yet another storm, which General Hailston's apology was not able to quell. Ironically, Hailston's basic message, that the troops improve their behavior, was lost in the anger over his reference to local leaders as "wimps" and "nuts."

Worse was yet to come. On the very next day, the nuclear submarine USS Greenville collided with the Ehime Maru, a Japanese fisheries training vessel off the coast of Hawaii. Nine members of the Japanese crew, high school students and instructors, went missing in the accident and are presumed dead.

The subsequent investigation into the causes of the accident has stirred the controversy. It was revealed that the submarine had 16 civilian guests aboard as part of a Navy public relations program. The “emergency ballast blow,” a rapid ascent to the surface that the sub was performing when it hit the Ehime Maru, was not an essential training maneuver, but was designed to give the guests a more exciting experience. It was also revealed that two of the civilians had their hands on controls at the time of the accident.

Despite a reflexive tendency on the part of the Navy to make damage control a priority, wiser heads prevailed. U.S. government officials, from President Bush to Secretary of State Colin Powell, immediately expressed remorse and apologies for the accident. U.S. Ambassador to Japan Thomas Foley also expressed his sympathy to the families of the victims and the Japanese government. Ambassador Foley also postponed his intended departure to help deal with the accident and its aftermath.

Unfortunately, tensions still mounted. Information surrounding the accident trickled out slowly--for good reasons (the legal and procedural restraints imposed by the ongoing investigation) and bad (an attempt to control the damage). Many Japanese wanted a direct apology from the captain of the submarine, which was for legal reasons inadvisable. In addition, there was a perception that the United States was too quick to suspend the search for the missing nine sailors, as well as the belief that the United States was insufficiently concerned with raising the boat from the sea floor.

Some in the United States then expressed their own frustration with Japan. Several opinion pieces appeared in prominent U.S. newspapers suggesting that Japan's fixation with a U.S. apology was hypocritical and unfair. That prompted a Japanese response and threatened to unleash a downward spiral in relations between the two countries.

Fortunately, a crisis seems to have been averted. The timely U.S. response and its sincerity seems to have made an impression on the Japanese. The dispatch of a special envoy from the United States to Japan signaled a sensitivity to Japanese concerns that has been much appreciated in the country. In addition, the Navy Court of Inquiry has been open and transparent, allaying Japanese suspicions of a cover-up. Finally, Captain Scott Waddle, the commander of the submarine, spoke directly to the families of the victims during the inquiry and impressed them with his seriousness and remorse. His words and the impressions that they made upon those family members were widely reported in the Japanese press.

It is important to understand the significance of the Ehime Maru accident. First, the fact that high school students were among the victims touches a nerve in a society that is rapidly graying. Second, an accident involving military forces goes right to the heart of

Japanese concerns and uncertainties about the role of the armed forces in society. Third, the controversy surrounding the appropriate apologies and the efforts that should be made to recover the bodies involves cultural sensitivity. The U.S. willingness to respond to Japanese concerns demonstrated precisely the sort of sensitivity to which the Japanese are keenly attuned.

### **The Political Vacuum Makes Things Worse**

The difficulties in handling these various crises have been compounded by the leadership vacuum in Japan. Prime Minister Mori Yoshiro is one of the most unpopular prime ministers in the postwar era. As a result of a series of gaffes, opinion polls now put his popularity at less than ten percent. (The three-party coalition government itself is only slightly more popular than the prime minister.) For example, at the time of the Ehime Maru incident, Mr. Mori was playing golf and did not conclude his game even after being informed of the accident. Reporters later discovered that the prime minister's membership in the club had been paid for by a political supporter and had not been disclosed. Some observers argue that some of the anger expressed by the Japanese public in the wake of the accident is an attempt to vent the frustrations felt toward the Japanese government.

The government's weakness has serious implications for the alliance. Given the sensitivity that surrounds national security issues, there has been a reluctance on the part of leading politicians to voice support for the Japan-U.S. alliance after the Ehime Maru accident. At the time of dwindling public confidence in the government, politicians are even more hesitant to spend precious political capital drawing attention to the continuing need for the bilateral security alliance. It is easier to ride public discontent than say unpleasant truths.

In addition, Japan has an upper house election scheduled for July. That is absorbing the attention of politicians who are unwilling in the best of times to make bold moves. The chief concern of members of the Liberal Democratic Party (LDP), the largest party and the leader of the coalition government, is replacing the prime minister and finding someone who is not such an obvious liability to lead the party in the election. Unfortunately, picking a successor is difficult, as the LDP remains as divided as ever and has been unable to agree on a replacement for Mr. Mori.

As we go to press, the two leading contenders are Koizumi Junichiro, former minister of posts and telecommunications, and Nonaka Hiromu, former LDP secretary-general and the man generally thought to be the real power holder these days. The party will have difficulty rallying behind either man. Mr. Koizumi is too young and too much of a reformer for many party conservatives. Mr. Nonaka is one of the five men who put Mr. Mori in the prime minister's office when Obuchi Keizo was incapacitated by a stroke. Many worry that he is viewed as the personification of the old order at a time when new blood is most required. Mr. Nonaka has repeatedly denied that he wants the top slot; he has been quoted as saying that there was a "200 percent chance" that he would not take the job if it was offered, a declaration that many consider meaningless. But while neither

man is an attractive alternative to Mr. Mori, there aren't many other contenders for the post since he or she is likely to have to resign after the upper house vote to take responsibility for the shellacking the party is expected to receive.

The significance of the vacuum was evident in the days before the March 19 Bush-Mori summit. A senior U.S. official was quoted as saying that given the prime minister's lame duck status, a meeting was "a waste of time," but protocol demanded it. That comment stung some Japanese, but most admitted that the meeting was hard to justify given the political situation in Japan.

### **Economic Worries Intensify**

The political situation is only part of Japan's problems. Despite a decade of stagnation--annual growth averaged a sickly 1.4 percent during the 1990s--the economy shows no signs of recovery. Record fiscal stimulation packages have yielded the largest national debt of any G-7 country but little else. Stock markets are experiencing 15-year lows. In mid-March, the Nikkei 225 index had lost 66 percent of its value from its all-time high, and 33 percent in a year. The Topix index, a wider index that is probably more representative of overall share value, was down 23 percent over the year, and 53 percent from its all-time high. Economists now use the "R word" when talking about the country's prospects. In late March, the cabinet office would admit that the economy is experiencing deflation. In an abrupt about-face, the Bank of Japan returned to its zero interest rate policy, while throwing down the gauntlet to the government to take active measures to head off a financial crisis and kick start reform. Few observers anticipate any meaningful action before the July Upper House election.

This was too much for the Bush administration to overlook. Bush came to office promising a new approach to Japan's economic problems. Senior administration officials from White House economic adviser Larry Lindsay to Secretary of the Treasury Paul O'Neill pledged to stop the hectoring that the Clinton administration had used.

Japanese officials breathed a sigh of relief... and then reality intervened. The downturn in the U.S. economy has forced U.S. policy makers to rethink their hands-off approach. The U.S. and Japan account for some 30 percent of the world economy; with both economies in recession, the global outlook is grim.

At the March summit, President Bush told Prime Minister Mori of his concerns about Japan's unwillingness to take more aggressive economic measures. Mr. Bush pressed Japan to take action to deal with the huge amount of non-performing loans that burden Japan's banks and threaten another financial crisis. He also expressed concern that Japan might attempt to export its way out of its economic difficulties rather than adopt the economic reforms that would unleash domestic demand. Both governments have subsequently denied rumors that they agreed to a weakening of the Japanese yen in exchange for a pledge to clean up the books of Japanese banks.

Tokyo is unlikely to take serious measures to deal with the economic crisis before the July election. Any attempt to clear bad loans off bank books would force a considerable number of bankruptcies--and increase unemployment--which no government would risk before an election. Nor would it be willing to go to taxpayers for funds to bail out the banks.

Although Mr. Yanagisawa Hakuo, chairman of the Financial Reconstruction Commission, supported forceful measures to clean up the financial sector, he backed away from that position after the summit; according to newspaper reports, he has been threatened with a loss of his cabinet post if he persists. The day after the summit, the prime minister's spokesman denied that Mr. Mori had promised the president that he would clean up the bank mess within six months; instead, said the spokesman, the prime minister had been referring to the national debt and there was no time limit.

The economic crisis is more than embarrassing; it has a direct effect on Japanese foreign policy and regional affairs. In testimony before the U.S. Congress, Secretary of State Powell acknowledged that Japan's economic problems were a national security issue for the United States. Concern over exchange rates is not just academic. Some economists have pointed out that the situation looks a lot like Asia prior to the 1997 financial crisis. They worry that an attempt by Japan to export its way back to growth could trigger a round of competitive devaluations. Trade frictions within Asia are growing. A rising number of complaints about cheap Chinese imports have prompted concern that China will supplant the United States as Japan's chief trade problem.

The huge national debt has some officials calling for new budgetary priorities. The Foreign Ministry seems to have headed off calls to slash spending on overseas development assistance, a move that targeted China, but those pressures will increase. Funds for regional initiatives could get the ax. Spending on defense, and the U.S.-Japan alliance, is not immune. There has already been debate in Japan about the proper level of host nation support. Some claim that Japan's economic troubles give it justification for reducing its outlays.

### **Beyond the Bilateral Focus**

While Japan's economic problems focus attention on the regional dimension of the security alliance, regional considerations color Tokyo's views of U.S. policy. As mentioned at the outset, Japan welcomes the new U.S. line toward China--as long as it is not too inflammatory and does not create unnecessary tension or conflict.

U.S. policy toward the Korean Peninsula is framed by a similar set of constraints. Japan's diplomacy has lagged behind that of all other Northeast Asian countries. Attempts to resume normalization talks with North Korea have been frustrated and Japan fears that it will be marginalized in regional diplomacy. Moreover, there is the fear--not without foundation--that Tokyo would get stuck with the bill for North Korean reconstruction.

As a result, Tokyo welcomes the skepticism shown by the new U.S. administration toward Pyongyang. Washington's hard line makes it easier for Tokyo to go slow, which seems to be the preferred policy, given outstanding issues such as the fate of Japanese who were allegedly abducted by North Koreans.

At the same time, however, U.S. skepticism should not needlessly fuel tension on the peninsula. Japan does not want a security crisis. Nor does it want to see rising anti-American sentiment in South Korea that could open debate about the U.S. military presence there, and could trigger a similar debate in Japan.

Although the events of the last three months are no doubt disappointing to the new administration, they are unlikely to have done any serious long-lasting damage to the alliance. The long-term forces at work are another matter. If nothing else, the prompt and culturally attuned reaction by the U.S. government to the Ehime Maru accident has proven that the Bush administration's talk of new priorities in Asia was not just rhetoric. The questions now are what sort of expectations the United States has for Japan and whether the government in Tokyo is capable of meeting them.

### **Chronology of U.S.-Japan Relations January-March 2001**

**Jan. 5, 2001:** U.S. lifts midnight curfew for military personnel in Okinawa.

**Jan. 5, 2001:** Okinawa prosecutors file papers charging three U.S. Marines based in Sasebo with molesting two high school girls.

**Jan. 10, 2001:** U.S. Marine arrested for lifting skirt of Okinawan high school girl and videotaping her.

**Jan. 10, 2001:** U.S. Transportation Secretary Norman Mineta meets Japanese Economy Minister Hiranuma Takeo to discuss auto parts agreement. Mineta and Agriculture, Forestry and Fisheries Minister Yatsu Yoshio jointly propose a workshop on Japan's research whaling.

**Jan. 11, 2001:** Three U.S. steelmakers file antidumping suit against Japanese steel makers at the U.S. International Trade Commission and the Dept. of Commerce.

**Jan. 12, 2001:** Assembly of town of Kin, where Camp Hansen is located, passes resolution urging the U.S. to tighten discipline among military personnel.

**Jan. 12, 2001:** U.S. Commerce Dept. issues preliminary ruling in favor of antidumping complaint filed by U.S. steel makers last year against Japanese steel makers.

**Jan. 17, 2001:** Okinawa Expropriation Commission holds first public hearing on central government's continued leasing of land for U.S. military facilities.

**Jan. 17, 2001:** President Clinton grants national monument status to one of ten WWII-era internment camps for the Japanese.

**Jan. 19, 2001:** Okinawa Prefectural Assembly unanimously passes resolution calling for reduction in U.S. Marine presence.

**Jan. 20, 2001:** City of Tomakomai in Hokkaido refuses to let USS Blue Ridge make a port call.

**Jan. 22, 2001:** World Trade Organization interim panel report supports Japanese claim that a 1999 U.S. dumping ruling against Japanese steel products is not objective.

**Jan. 23, 2001:** Lt. Gen Earl Hailston, the top U.S. Marine in Okinawa, calls Okinawa officials "nuts" and "wimps" in email to fellow officers that is leaked to the press on Feb. 7.

**Jan. 24, 2001:** Secretary Mineta says U.S. will seek to open Japan's Haneda airport to U.S. carriers.

**Jan. 24, 2001:** White House denies that the U.S. is ready to tolerate a weaker yen.

**Jan. 26, 2001:** Japanese Foreign Minister Kono Yohei has separate meetings with Secretary of State Colin Powell and National Security Adviser Condoleezza Rice. Commerce Secretary Donald Evans meets Economy Minister Hiranuma.

**Jan. 26, 2001:** Tokyo Gov. Ishihara Shintaro, speaking at the World Economic Forum in Davos, Switzerland, warns that "the global standard" is not the U.S. standard.

**Jan. 29, 2001:** Mayors of cities hosting U.S. bases agree to call for halt to night landing exercises.

**Feb. 1, 2001:** Mayor of Tomakomai drops opposition to visit by USS Blue Ridge.

**Feb. 5, 2001:** Treasury Secretary O'Neill says he will press for economic reform through industry contacts rather than government pressure.

**Feb. 8, 2001:** Lt. Gen Hailston issues direct apology to Okinawa Gov. Inamine Keiichi and the Okinawa Prefectural assembly.

**Feb. 9, 2001:** Nuclear-powered submarine USS Greeneville hits Ehime Maru, a Japanese fisheries training ship off the coast of Hawaii. Nine Japanese are missing and presumed dead.

**Feb. 12, 2001:** President Bush offers prayer for victims of Ehime Maru accident. U.S. officials promise complete and transparent investigation into the accident.

**Feb. 15, 2001:** Town assembly in Chatan in Okinawa unanimously adopts resolutions calling for withdrawal of all U.S. Marines.

**Feb. 16, 2001:** Okinawa Prefectural Assembly unanimously passes resolution calling for revision of Status of Forces Agreement.

**Feb. 16, 2001:** A U.S. Marine Lance Cpl. is indicted by Okinawan prosecutors on charges of setting a series of fires in January.

**Feb. 22, 2001:** Opening of Navy Court of Inquiry into the sinking of the Ehime Maru postponed.

**Feb. 21, 2001:** U.S. and Japan hold civil aviation talks.

**Feb. 26, 2001:** Relatives of Japanese nationals allegedly abducted by North Korea ask President Bush to press Pyongyang to account for the missing.

**Feb. 27, 2001:** Capt. Scott Waddle, commander of the USS Greeneville, visits Japanese consulate in Honolulu to apologize for the accidental sinking of the Ehime Maru.

**Feb. 27, 2001:** Former Korean slave laborers file class action suit in California against Japanese firms demanding compensation for unpaid labor during World War II and damages for suffering.

**Feb. 28, 2001:** WTO panel rules that U.S. acted illegally in increasing duties on Japanese steel imports.

**Feb. 28, 2001:** Adm. William Fallon, special envoy of President Bush, apologizes to families of missing Ehime Maru crew.

**Mar. 2, 2001:** U.S. National Transportation Safety Board releases report on Ehime Maru accident.

**Mar. 5, 2001:** U.S. Navy Court of Inquiry into sinking of Ehime Maru begins in Hawaii.

**Mar. 8, 2001:** U.S. and Japan agree to discuss revision of Status of Forces Agreement.

**Mar. 13, 2001:** PM Mori tells Liberal Democratic Party convention that he plans to move up the date of party presidential election, effectively announcing plans to retire, without using the r-word.

**Mar. 13, 2001:** PM Mori sets up panel to boost stock exchange.

**Mar. 16, 2001:** Cabinet office report admits that Japanese economy is in the grip of deflation.

**Mar. 16, 2001:** Secretary Powell tells U.S. Congress that Japanese economic woes are a security threat to the U.S.

**Mar. 19, 2001:** Summit between President Bush and PM Mori.

**Mar. 19, 2001:** Bank of Japan returns to zero-interest rate policy.

**Mar. 20, 2001:** PM Mori visits Hawaii and scene of Ehime Maru accident.