



**U.S.-Japan Relations:  
Working through Tough Issues**

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Japanese domestic politics was in turmoil this quarter due to a divided legislature and the opposition's efforts to block several key pieces of legislation in an attempt to force Prime Minister Fukuda Yasuo out of office. The deadlock centered almost exclusively on economic issues, much to the dismay of U.S. investors who have increasingly begun to question the ability of the political leadership in Japan to manage the economy. The Fukuda administration signaled Japan's sustained commitment to the U.S.-Japan alliance and a leadership role in international security by passing a bill re-authorizing Maritime Self Defense Force (MSDF) refueling operations in the Indian Ocean. But a collision between an MSDF *Aegis*-equipped destroyer and a fishing boat near Tokyo in February, coupled with continued fallout from a bribery scandal last fall, forced the government to focus more on structural reform at the Defense Ministry at the expense of new policy initiatives. Rape allegations against a U.S. soldier stationed in Okinawa and the detainment of another as a murder suspect sparked demonstrations against the U.S. military presence in Japan, though the two governments worked closely to prevent a crisis. Bilateral coordination on the Six-Party Talks continued and there were hints of renewed interest in a trilateral consultation framework with South Korea. Several events in Washington were dedicated to the U.S.-Japan alliance and brought public attention to pressing issues and ideas that might inform a bilateral agenda going forward.

**The “twisted Diet”**

Both the ruling Liberal Democratic Party (LDP) and the opposition led by the Democratic Party of Japan (DPJ) refused to budge on major legislation and the prolonged deadlock in the Diet has now become a matter of domestic and international concern. The impasse began when the opposition parties used their majority in the Upper House to block tabling of the Replenishment Support Special Measures Bill, which was necessary to renew MSDF refueling operations in the Indian Ocean that were suspended last November after a previous measure was allowed to expire. Fukuda used the government coalition's supermajority in the Lower House to ram through the legislation last year and that bill was officially enacted on Jan. 11, with the MSDF refueling operations resuming in late February.

Next, the opposition targeted budgetary legislation that initiated a spirited debate over several tax measures, including the renewal of a provisional gasoline tax earmarked for

road construction. Critics argued that the revenue should either be used for discretionary spending or abolished altogether to benefit consumers, while proponents cited the need for such revenue in the face of a budget deficit over 150 percent of GDP. Fukuda offered to shift revenues to discretionary spending after one year, but failed to reach a compromise with opposition parties. Bitter partisanship also affected important personnel decisions; opposition leader Ozawa Ichiro rejected two government nominees to head the Bank of Japan, forcing the appointment of an interim governor amid turmoil in global financial markets and leadership expectations of Japan as host of this year's G-8 summit. Western publications including *The Economist* and the *Washington Post* ran feature stories expressing concerns that the stalemate in the Diet reflected a Japan in decline and could cause foreign investors to flee the Japanese market.

Policy paralysis led the media to mock the legislature as the *nejire kokkai* or "twisted Diet" that cannot function when divided. Machimura Nobutaka, Fukuda's chief Cabinet secretary, even commented that the Diet looked to be on the verge of collapse. This caused a decline in Fukuda's approval rating, which stood at 31 percent according to a *Nikkei* poll released on March 24, but that same poll also revealed – as did many others over the course of the quarter – that support for the opposition was lukewarm at best as 40 percent of respondents favored the LDP and 30 percent supported the DPJ.

Speculation on the future has begun focusing on three scenarios: a Lower House election sometime in the next year that triggers political realignment and breaks the impasse; a "grand coalition" between the LDP and DPJ to pass key legislation on taxes and security before going to elections; or an election result that changes nothing, meaning months if not years of further stalemate. Elections could come as soon as May, though most bets were on a dissolution of the Lower House for elections timed to coincide with municipal Tokyo elections in the summer of 2009. Odds are that the "twisted Diet" will again figure in the next quarter's report.

### **Challenges for the Ministry of Defense**

Soon after the Indian Ocean bill passed, Defense Minister Ishiba Shigeru announced a reorganization initiative for the ministry designed to enhance coordination by integrating civilian staff and uniformed officers under three joint bureaus. The plan did not progress very far before the ministry had to focus on other aspects of reform in the wake of a collision between an MSDF *Aegis*-equipped destroyer, the *Atago*, and a fishing boat off the coast of Chiba Prefecture on Feb. 19. The fishing boat sank and the crew is presumed dead, though still officially listed as missing. An investigation uncovered various protocol violations and communication mishaps, prompting Ishiba to dismiss the head of the MSDF, discipline several dozen civilian staff, and cut his own pay temporarily to take responsibility. (The "rules of the road" in post war Japanese seamanship put far more of a responsibility on the heavy and slow moving naval vessels, which leaves little room for error by their skippers.) In response to public outrage over the incident, Prime Minister Fukuda called for structural reforms to improve management and coordination. The timing was most unfortunate in that the ministry had just begun to recover from a bribery

scandal last fall involving a former vice minister and was poised to concentrate on exploring new Self-Defense Force missions.

### **Consultations on North Korea**

Bilateral consultations on the Six-Party Talks occurred frequently in the first few months of the year. Persistent concerns in Japan about a softening of the U.S. position on abductees – whether North Korea would be removed from the state sponsors of terrorism list before progress on the matter – and the degree to which the Bush administration may have shifted its emphasis from complete denuclearization to disablement and nonproliferation contributed to the frequency of dialogue on this issue. Assistant Secretary of State Christopher Hill noted in testimony before the Senate Foreign Relations Committee on Feb. 6 that while the decision to recommend removing North Korea from the list is not linked directly to progress on the abduction issue, the U.S. would not do so absent movement in discussions between Japan and the DPRK. Hill met with his Japanese counterparts several times to discuss North Korea's failure to meet a Dec. 31, 2007 deadline to issue a complete declaration of all its nuclear programs and how to move things forward. Media reports suggested that the trilateral U.S.-Japan-ROK framework might be revived to prevent North Korea from driving wedges between the parties. Secretary of State Condoleezza Rice met with Prime Minister Fukuda, Foreign Minister Komura Masahiko, and Defense Minister Ishiba in Tokyo on Feb. 27 and publicly stressed the importance of receiving a complete declaration from the North Koreans and supporting Japan's commitment to the abductees. Pyongyang's short-range missile launches on March 28 seemed to suggest that cooperation was not imminent.

### **Incidents involving U.S. military personnel**

On Feb. 10 police in Okinawa arrested a U.S. marine alleged to have raped a 14 year-old girl. This evoked painful memories of a rape incident in 1995 that precipitated a crisis in the U.S.-Japan alliance, but 12 years later the two governments used measures in place to coordinate closely on the matter and prevent any escalation in tensions. The police ended up not pressing charges and released the marine. But this episode did revive public concerns about the U.S. military presence in Japan, which were reinforced in March when a taxi driver was found stabbed to death in his cab near Yokosuka and authorities found a credit card belonging to a U.S. sailor in the back seat. The suspect was soon found and placed in U.S. military custody, and the U.S. Navy pledged its full cooperation with the investigation by Japanese police. This development led to demonstrations in Okinawa and calls for a revision of the bilateral Status of Forces Agreement (SOFA). The government stopped short of taking such action, but these incidents could complicate efforts to implement a realignment plan for U.S. forces announced in 2006 and negotiate Japan's financial contribution to costs associated with keeping U.S. forces in Japan, or host nation support.

### **Japan and the U.S. presidential campaign**

On Jan. 21 the Hillary Clinton campaign issued a statement regarding the U.S.-Japan alliance in response to widespread criticism in Japan that the Asia section of her foreign policy blueprint in the November/December 2007 issue of *Foreign Affairs* focused solely on the U.S.-China relationship. While the article mentioned U.S.-Japan collaboration in the context of engaging China on energy issues, the failure to discuss Japan separately as a close ally revived anxieties about “Japan passing,” or the notion that the U.S. would develop a relationship with China and marginalize Japan. The Jan. 21 statement stressed that the U.S.-Japan alliance “must continue to provide the foundation for America’s policy in the Asia-Pacific region,” and Amb. Richard Holbrooke, a Clinton adviser, met with the Japanese media in New York that day to alleviate any concerns about Clinton’s views toward Japan.

The future of the U.S.-Japan alliance under a new administration was a hot topic in Washington and several organizations including CSIS held seminars on the subject. These seminars suggested there is a fairly robust bipartisan consensus on the importance of the U.S.-Japan alliance in addressing regional and global issues, though priorities may differ among the candidates. Tending to fundamental alliance matters such as realignment or host nation support while considering a broader framework for bilateral cooperation will remain a great challenge and require senior-level attention from any new administration.

### **What lies ahead?**

The turmoil in Japanese domestic politics could raise expectations of an election in the Lower House, though this might not occur until after the G-8 summit in July or even 2009, as noted above. The Fukuda administration has an active diplomatic agenda on tap as host of the Tokyo International Conference on African Development (TICAD) in May which will address boosting economic growth on the continent, achieving the UN Millennium Development Goals (MDG), consolidating peace and democratization, and addressing environmental issues and climate change. Climate change will also figure prominently at the G-8 summit in Hokkaido; Japan has already joined the U.S. and Great Britain in promoting clean technologies for the developing world and will seek to form a consensus on greenhouse gas emissions reduction targets. Fukuda will also lead discussions on the world economy, nonproliferation, and African development as a follow-up to TICAD.

Japan announced its intention to continue a human resource development program in Asia for peacekeeping operations and Prime Minister Fukuda said he will submit to the Diet a permanent dispatch law for the Self-Defense Forces, both positive signs that Japan continues to contemplate its global leadership role. North Korea’s continued defiance will require an even greater degree of bilateral coordination to ensure common understandings on denuclearization and the abductees. The U.S.-Japan alliance will enter a new era in the maritime domain when the aircraft carrier *USS Kitty Hawk* will be swapped out this summer for the *USS George Washington*, a nuclear-propelled carrier. The wild cards for the alliance are Okinawa and the overall U.S. force realignment plan.

Securing the funds necessary to implement the agreement will prove most challenging in Japan's partisan political environment.

Finally, events in Tibet – which are certain to color U.S.-China relations over the next quarter – may put China back at the center of U.S.-Japan coordination next quarter.

## **Chronology of U.S.-Japan Relations January-March 2008**

**Jan. 1, 2008:** Prime Minister Fukuda delivers a new year's address and posts it on YouTube in English and Japanese.

**Jan. 4, 2008:** PM Fukuda holds his first press conference of 2008 and states that Japan would be a world leader in sharing environmental technologies and a more open state with strong connections to the international community. He also reiterates his commitment to reauthorizing the refueling operations in the Indian Ocean.

**Jan. 7, 2008:** U.S. Assistant Secretary of State Christopher Hill and Sasae Kenichiro, Japan's top negotiator in the Six-Party Talks, agree to keep requiring North Korea to submit a complete and correct declaration of its nuclear activities after missing the Dec. 31 deadline.

**Jan. 10, 2008:** Former PM Mori Yoshiro of the LDP meets President-elect Lee Myung-bak in Seoul. Lee and Mori agree on the need for strong cooperation between the U.S., Japan, and South Korea.

**Jan. 11, 2008:** The Replenishment Support Special Measures Bill becomes law, reauthorizing refueling operations in the Indian Ocean in support of Operation Enduring Freedom.

**Jan. 11, 2008:** According to a public opinion poll by *Nikkei Shimbun*, 43 percent supported Fukuda's decision to pass the new Indian Ocean bill by voting a second time in the Lower House, and 38 percent did not support it. The approval rating of the Fukuda Cabinet is 42 percent.

**Jan. 17, 2007:** Defense Minister Ishiba orders the MSDF to resume its naval refueling mission in the Indian Ocean based on the new special measures law.

**Jan. 18, 2008:** In Tokyo, PACOM Commander Adm. Timothy Keating exchanges views with Foreign Minister Komura Masahiko on U.S.-Japan defense cooperation and relations with China.

**Jan. 18, 2008:** PM Fukuda addresses the Diet and declares that Japan would play a responsible role on global issues like terrorism and global warming. He also promises to advance debate on a permanent dispatch law for the Self-Defense Forces and calls the

U.S.-Japan alliance the foundation of Japan's diplomacy. As for the realignment of U.S. forces in Japan, he promises to decrease the burden on the people and listen to public opinion in Okinawa.

**Jan. 21, 2008:** Amb. Richard Holbrooke delivers a statement from Senator Hillary Clinton in which she called Japan an “indispensable ally,” stressing that in the years ahead, Japan and the U.S. must “work to preserve peace, stability and prosperity in the Asia-Pacific.”

**Jan. 26, 2008:** Prime Minister Fukuda speaks on the occasion of the annual meeting of the World Economic Forum in Davos and proposes his "Cool Earth Promotion Programme" in order to take initiative as the chair of the G8 Summit in July.

**Feb. 6, 2008:** Assistant Secretary Hill testifies before the Senate Foreign Relations Committee that removing North Korea from the state sponsors of terrorism list and progress on the Japanese abductee issue are not directly linked.

**Feb. 11, 2008:** U.S. Marine is arrested on suspicion of raping a junior high school girl in Okinawa Prefecture.

**Feb. 13, 2008:** Foreign Minister Komura summons U.S. Ambassador to Japan Thomas Schieffer to the Foreign Ministry in response to a case involving the alleged rape of a 14 year-old middle school girl in Okinawa Prefecture. The foreign minister also asks Schieffer to ensure the U.S. government strictly enforces military discipline.

**Feb. 14, 2008:** PM Fukuda tells Okinawa Gov. Nakaima Hirokazu in a meeting in Tokyo that he would increase pressure on the U.S. to tighten military discipline. Nakaima conveyed the anger of local citizens and expressed deep concern regarding the realignment of U.S. forces in Japan, including the relocation of Futenma Air Station.

**Feb. 19, 2008:** An MSDF *Aegis*-equipped destroyer collides with a fishing boat off the coast of Chiba prefecture, sinking the fishing boat and leaving the crew missing.

**Feb. 20, 2008:** U.S. Forces Japan imposes tight restrictions on all military personnel, dependents, and Defense Department civilians in Okinawa, and at Marine Corps Air Station Iwakuni and Camp Fuji in mainland Japan. Military personnel are restricted from leaving their bases except for official business, work, worship or travel to and from housing, essentially banning troops from off-base bars, restaurants, and nightclubs.

**Feb. 21, 2008:** The MSDF supply vessel *Omi* resumes its refueling mission in the Indian Ocean after a four-month hiatus to continue the fight against international terrorism in cooperation with other countries.

**Feb. 21, 2008:** Assistant Secretary Hill visits the Ministry of Foreign Affairs and agrees to continue close cooperation for the development of the Six-Party Talks.

**Feb. 22, 2008:** PM Fukuda directs Defense Minister Ishiba to conduct an organizational review of the Ministry amid mounting criticism of its handling of a collision between its most advanced naval destroyer and a small fishing boat.

**Feb. 27, 2008:** Secretary of State Condoleezza Rice meets with PM Fukuda, Foreign Minister Komura, and Defense Minister Ishiba to discuss North Korea, U.S. support for the abductees, and U.S.-Japan ROK cooperation. She also expresses her deep regret over the incident of alleged rape.

**Feb. 29, 2008:** U.S. Marine arrested on suspicion of raping a 14 year-old girl is released by Japanese authorities after the girl drops the accusation against him.

**March 3, 2008:** In a government panel on Defense Ministry reform, the government decides to begin work on a full-scale reorganization of the ministry following a series of scandals and accidents.

**March 11, 2008:** A group of Japanese prefectural governors conveys to the central government their request to review the Japan-U.S. Status of Forces Agreement (SOFA).

**March 17, 2008:** According to a *Kyodo News* poll, Prime Minister Fukuda's public approval rating decreases to 33 percent and his disapproval rating is 50 percent. As for political parties, 23 percent support the DPJ and 31 percent the favor the LDP.

**March 17, 2008:** Assistant Secretary Hill and Saiki Akitaka meet and confirm that North Korea must provide a complete and correct declaration of its nuclear programs.

**March 19, 2008:** Assistant Secretary Hill states that a trilateral dialogue among the U.S, Japan, and the ROK could take place before the next round of the Six-Party Talks.

**March 19, 2008:** A taxi driver is found dead in his cab near Yokosuka Naval Base in Kanagawa Prefecture. Police find a credit card belonging to a U.S. sailor in the back seat and begin searching for the suspect.

**March 23, 2008:** Over 6,000 people participate in demonstrations in Okinawa protesting the U.S. military presence there. They demand the government implement fundamental changes to the Japan-U.S. SOFA, and that the U.S. military presence be reduced.

**March 24, 2008:** Prime Minister Fukuda states in an appearance before the Upper House Budget Committee that he does not intend to revise the Japan-U.S. SOFA.

**March 27, 2008:** Prime Minister Fukuda announces several compromise proposals regarding tax legislation, but they are rejected by the opposition parties.

**March 31, 2008:** The provisional gasoline tax, an issue emblematic of the partisanship in the Diet, expires after opposition parties refused to renew related legislation.