

U.S.-Japan Relations:

## All is Good, If You Don't Look Too Close

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It has been a relatively quiet quarter for United States-Japan relations. Political, economic, and security relations have continued on a positive course. The absence of any key event – read “crisis” – has allowed both governments to focus their attentions elsewhere.

Yet if the trajectory is good, there has been a big change in a critical element of the U.S.-Japan relationship: the popularity of Japanese Prime Minister Koizumi Junichiro has suffered a precipitous drop. Since public support was the prime minister's only card in his battles with the old guard of his Liberal Democratic Party (LDP), the plunge in public approval ratings threatens to undermine his entire legislative program. Mr. Koizumi's weakness will also be felt in relations with the United States. The failure to pursue aggressive economic reform could damage his credibility in Washington's eyes. The prime minister has already been forced to give up on the passage of legislation that would allow the Japanese government to respond to crises – an indicator of Japan's “new” seriousness in security affairs.

### No News is Good News

When viewed from afar, relations between Washington and Tokyo look very good. The United States continues to express its support for the Koizumi government and its reform agenda. In their June 25 meeting before the Group of Eight (G-8) summit in Kananaskis, Canada, U.S. President George W. Bush endorsed Japan's efforts to get its economy back on track. For his part, Mr. Koizumi continues to support the U.S. antiterrorism effort and the U.S. initiative in the Middle East. Japan's participation in the war against Afghanistan has been extended, although the naval presence has been slightly reduced. In early June, Tokyo dispatched two more vessels to the Indian Ocean as part of that effort. The two governments are also cooperating at lower-level meetings, such as the Trilateral Coordinating and Oversight Group (TCOG), which includes the U.S., South Korea, and Japan.

Japan Defense Agency (JDA) chief Nakatani Gen highlighted the importance of the U.S. security role in the region at the Shangri-la Defense Dialogue that convened in Singapore in early June and was hosted by the London-based International Institute for Strategic Studies. Mr. Nakatani toed the party line when he noted that the U.S. commitment to Asia is “vital not only for the defense of my country, but also for the stability of the

region.” He had ventured into more risky territory with an earlier remark: Mr. Nakatani called for regular meetings of a multilateral security framework of defense authorities, in which every country in the region would participate on an equal footing. He took some of the sting out of that proposal by arguing that it would “complement and reinforce” current bilateral alliances in the region, a line that seemed to parallel Secretary of State Colin Powell’s reasoning in his June Asia Society speech. Then, Powell said that the U.S.-Japan alliance is the “framework within which Japan can contribute more to its own defense as well as peace and security worldwide.”

There were some hiccups, however. Japan, along with other nations, protested the U.S. decision to impose tariffs on imported steel products and has filed notice with the World Trade Organization of its intention to impose its own tariff on U.S. exports. The U.S. has been backtracking on its original decision by offering a growing number of exemptions to foreign steel producers. By the end of June, over 250,000 tons of Japanese steel have been exempted from the tax. Japan’s rising steel exports to Asia have softened the impact of the tariff and it is reported that Japan may not retaliate after all.

### **A Smorgasbord of Scandals**

The biggest issue for the bilateral relationship concerns domestic political developments in Japan. Scandal and the prime minister’s own political weakness – the two are related – pose the biggest challenges for the alliance in the months ahead.

In late May, it was revealed that the JDA had been keeping tabs on individuals who requested information under Japan’s freedom of information act. Not only is keeping such lists illegal, but the JDA denied that it was keeping track of the individuals making the requests when word of the lists leaked. The government issued a series of misleading and incorrect statements that only increased concern about its credibility. Finally, officials tried to withhold the full report on the investigation into the scandal – despite promises to release the findings – but the media furor forced them to honor the original pledge.

The timing could not have been worse. The government had four priorities in the current Diet session: a bill to commence privatization of the postal savings system, another to reform health insurance, a law to limit information disclosure (considered a privacy bill to give it the right “spin”), and emergency legislation that would give the government special powers if a foreign country attacked Japan (*yuji hosei*). Because the defense scandal concerns the Defense Agency and information collection, it has effectively forced the government to take the latter two bills off the table. (The logic is that no legislation can be discussed without addressing the scandals and that would take too much time and be too divisive; moreover, the debate could cripple chances of getting the bills approved.)

That scandal followed revelations that Japanese defense officials had pressed the U.S. to request that Tokyo dispatch Aegis-equipped destroyers to the Indian Ocean as part of Japan’s contribution to the war against terror. While the U.S. had wanted the destroyers as part of the flotilla, there is no indication that the U.S. request reflected anything other

than its own assessment of U.S. needs. Nonetheless, there were suspicions in Japan that the military was using the Sept. 11 crisis to make an end-run around the country's normal policy process.

Finally, several Japanese politicians have made comments about the continuing relevance of Japan's three nonnuclear principles. (According to that policy, Japan will not manufacture, possess, or introduce nuclear weapons.) In April, Liberal Party leader Ozawa Ichiro warned that China's heavy-handedness could prompt a Japanese nuclear backlash. A few weeks later, Chief Cabinet Secretary Fukuda Yasuo declared that "depending upon the world situation, circumstances, and public opinion could require Japan to possess nuclear weapons." Fukuda's remarks were triggered by comments by his deputy Abe Shinzo to college students (thought to be off-the-record) that called for a rigorous examination of the legal restraints on Japan's defense policies.

When put in context, the three statements make sense. But for many Japanese – and many others – the timing is suspect. Coming on the heels of the Maritime Self-Defense Forces deployment to the Indian Ocean and the tabling of legislation to extend government power in the case of an emergency, it looks like the government is trying to radically alter defense policy and the constraints in which it has been formulated. (see "Trust Japanese Democracy," *PacNet* 26)

### **The Koizumi Slide**

Those incidents are trouble enough for a reform-minded administration. But Mr. Koizumi's popularity has also taken a big hit. His decision in late January to dismiss Foreign Minister Tanaka Makiko has cost the prime minister his reformist image. The subsequent scandal that erupted in the Foreign Ministry and the mounting difficulties he has encountered have disillusioned the public. Mr. Koizumi's public approval ratings have been halved since he took office. Recent polls show his favorable ratings are now in the high 30s and 40s (depending on the poll). While that is several times higher than his hapless predecessor, it is less than half his stratospheric ratings of a year ago. More damaging still is the fact that more respondents now give his Cabinet unfavorable marks than favorable ones.

That tumble signals much more than a politician's return to earth. Since public support is Mr. Koizumi's only real weapon in his battle against the LDP old guard, the drop in the polls undercuts his ability to fight the dinosaurs. That, in turn, will further erode his image as a reformer. And the opposition within the party smells blood. The old boys have been increasingly obstructionist in the Diet; to add insult to injury they have renewed calls for a Cabinet reshuffle to give the government "a fresh start." That would give the faction leaders, who were excluded from the original Cabinet selection, a chance to reassert their power. It would effectively end Mr. Koizumi's claim to be a new-style politician and could cost him his office.

While the U.S. has not put all its money on the prime minister, there is little chance that his replacement could establish the rapport with Mr. Bush that Mr. Koizumi has

developed. Few Japanese politicians have Mr. Koizumi's charisma and political sense. And even if they could create the same personal relationship with the U.S. president, it is extremely unlikely that his replacement would have the same reform agenda – after all, that program is what got the prime minister into trouble with his own party. Worse, it will take time for the new government to be established and to get down to business; that is time Japan does not have given its economic troubles.

### **Silence is Golden**

“Troubles” is a polite term. Japan's economic situation doesn't seem to be improving. Despite government claims that the economy has bottomed out, the statistics don't offer much reason for hope. Unemployment has started to rise again, hitting 5.4 percent in May, a tenth of a percentage point below the postwar record set last December. Employment has fallen to 63.56 million; 14 months of decline have brought that number to the lowest level since 1954. Yet there is still no sense of urgency in Japan. The new recovery plan unveiled at the G-8 summit was greeted with indifference. The Bank of Japan has intervened five times in the last few months to keep the yen from appreciating too strongly against the dollar, which would crush prospects for exports, the only bright spot in the Japanese economy. Despite the Bush administration's free market leanings, the U.S. has kept silent about Japanese attempts to manipulate the value of their currency.

This silence reflects growing disillusionment in Washington about Japanese economic prospects. With one exception – Glenn Hubbard, the chairman of the president's Council of Economic Advisors – the Bush administration has apparently decided that there is no point in beating a dead horse. In Secretary of State Colin Powell's Asia Society speech in June, he merely listed Japan's economic ills and called on the government to fix them. President Bush was largely silent on the subject when he met Mr. Koizumi in Canada in late June. U.S. thinking is that Japan will act when it is ready, and U.S. attempts to prod, push, or pull Tokyo will only generate ill will.

### **The POW Wild Card**

There is one sleeping issue on the bilateral agenda that has potentially serious implications: compensation for POWs that did forced labor during World War II. U.S. soldiers have filed suit in a California court for redress and the court continues to assert jurisdiction despite arguments by the U.S. State Department that the issue was settled in the 1951 San Francisco peace treaty. Earlier this year, a Japanese court ruled that Japanese companies owed Chinese POWs compensation. That ruling could influence the U.S. court: A U.S. judge would be hard pressed to deny there is a grievance when a Japanese court has already awarded plaintiffs in a similar action.

Yet even if the case does not go forward in the U.S., Japan could lose in the court of public opinion. After the high-profile lawsuits against Swiss banks, lawyers are eager to take on new territory. The claims against South African companies for their behavior during the apartheid years are only the latest manifestation of these suit-happy attorneys. It will be extremely difficult for Japanese companies to argue for exemptions, especially when the plaintiffs are former U.S. soldiers.

## **Another Hot Summer**

In other words, appearances are deceiving. The positive course in U.S.-Japan relations could abruptly shift. Much depends on developments in Japan: an economic shock or another blow to the Koizumi administration would oblige the Japanese political world to focus its energies inward. That might not be a bad thing, given the need for bold action in Tokyo. But turmoil in Tokyo would be problematic for the alliance if events elsewhere in the world force Washington to call on its ally for support. All in all, it promises to be a hot summer in Tokyo as political maneuvering picks up speed.

## **Chronology of U.S.-Japan Relations April – June 2002**

**April 2, 2002:** U.S. Trade Representative (USTR) report urges Japan to promote liberalization efforts in the fields of telecommunications, agriculture, and automobiles in the 2002 National Trade Estimate Report on Foreign Trade Barriers.

**April 3, 2002:** Secretary of Cabinet Chief Fukuda Yasuo responds to USTR report saying, “the trade report contains inaccurate descriptions of Japan.”

**April 3, 2002:** U.S. Navy agrees to pay \$11.47 million compensation to Ehime Prefecture for the damage caused to the Ehime Maru by USS *Greenville*. Compensation for victims of the incident is not included.

**April 3, 2002:** The *Asahi Shimbun* reports that Koizumi Cabinet support rate hits a record low of 40 percent, dropping below its disapproval rate of 44 percent.

**April 6, 2002:** Liberal Party leader Ozawa Ichiro suggests Japan could “produce nuclear warheads” if threatened by Chinese “arrogance.”

**April 9, 2002:** Trilateral Coordination and Oversight Group (TCOG) meeting in Tokyo.

**April 10, 2002:** JDA head Nakatani Gen announces JDA plan to withdraw a destroyer and a fleet oiler from the supporting mission for the war in Afghanistan.

**April 11, 2002:** USTR Robert Zoellick meets with Minister of Economy, Trade, and Industry (METI) Hiranuma Takeo and Foreign Minister Kawaguchi Yoriko in Tokyo.

**April 11, 2002:** Two hundred more SDF personnel arrive in East Timor, bringing total deployment to 700.

**April 15, 2002:** Standard & Poor’s downgrades Japan’s long-term sovereign credit rating for the second time in six months.

**April 16, 2002:** Japanese Cabinet endorses *yuji hosei* (“emergency legislation”).

**April 16, 2002:** FM Kawaguchi expresses Japan’s full support for U.S. Secretary of State Colin Powell’s mediation effort in Middle East.

**April 16, 2002:** U.S.-Japan working-level security meetings held in Washington, D.C., with both defense and foreign ministry officials. *Asahi* reports that U.S. officials informally request Japan dispatch Aegis-equipped warship in the case of a U.S. attack on Iraq.

**April 17, 2002:** *Yuji hosei* submitted to the Diet.

**April 20-21, 2002:** Finance Minister Shiokawa Masajuro pledges tax cuts and maintenance of easy monetary policy to boost Japanese economy at G-7 meeting in Washington.

**April 23, 2002:** *Yomiuri Shimbun* poll shows Koizumi support rate at 51 percent, disapproval rate at 47 percent.

**April 26, 2002:** *Tokyo Shimbun* reports that U.S. National Security Council indicates that U.S. intends to participate in the process of identifying the alleged North Korean spy boat that sank in the East China Sea.

**April 28-29, 2002:** Chairman of the Joint Chiefs of Staff Gen. Richard Myers meets with JDA head Nakatani in Tokyo.

**April 29, 2002:** Deputy Defense Secretary Paul Wolfowitz says Washington wants Japan to deploy an Aegis-equipped destroyer to the Indian Ocean at a meeting with Liberal Democratic Party (LDP) Secretary General Yamasaki Taku in Washington.

**May 1, 2002:** METI Minister Hiranuma meets USTR Zoellick.

**May 2, 2002:** *Kyodo News Agency* poll shows Koizumi Cabinet’s approval rate drops to 43.4 percent and disapproval rate is 45.1 percent; 80.2 percent of respondents speculate Koizumi Cabinet will not last more than one year.

**May 2, 2002:** U.S. Treasury Secretary Paul O’Neill urges Japan to use the WTO to settle steel dispute with the U.S. instead of taking “unilateral trade actions.”

**May 2, 2002:** U.S. Marine is arrested on suspicion of assaulting two Japanese women in Yamaguchi Prefecture.

**May 4, 2002:** FM Kawaguchi visits Teheran and urges Iran to repair its bilateral relationship with the U.S.

**May 4, 2002:** Japanese Defense White Paper expresses support for plan to upgrade the JDA to a ministry.

**May 5, 2002:** Secretary Powell suggests the U.S. might request Japan's help with the Middle East peace process.

**May 7, 2002:** U.S. Energy Secretary Spencer Abraham meets METI Minister Hiranuma on the sidelines of the G-8 meeting. Abraham says the U.S. intends to rejoin the International Thermonuclear Experimental Reactor project.

**May 7, 2002:** *Asahi* reveals that Japanese MSDF officials asked Commander of U.S. Naval Staff Adm. Robert Chaplin on April 10 to suggest that Washington request Japan dispatch Aegis-equipped destroyers and P-3C anti-submarine patrol aircraft.

**May 7, 2002:** Japanese Diet begins debate on *yuji hosei*.

**May 13, 2002:** OECD announces that the U.S. has replaced Japan as the top donor of Official Development Assistance.

**May 15, 2002:** Thirtieth anniversary of Okinawa's return to Japan from U.S. occupation.

**May 17, 2002:** Japan notifies the WTO of intent to retaliate against U.S. tariffs on steel imports.

**May 21, 2002:** *The Japan Times* reports that 28 U.S. nuclear-powered submarines have made port calls without notification, due to security concerns, since Sept. 11 attacks.

**May 22, 2002:** Okinawa Prefecture police and U.S. Forces Japan hold annual meetings to discuss crime issues around the U.S. bases in Okinawa.

**May 22, 2002:** The U.S. Navy cancels demo flights at Atsugi base.

**May 23, 2002:** Council of Economic Advisers Chairman Glenn Hubbard says Japan should promote personal and corporate tax cuts, indicating disapproval of Koizumi's reluctance to make tax cuts.

**May 30, 2002:** Tokyo District Court rules that the Japanese government pay ¥ 2.4 billion in damages to 4,763 residents for noise caused by U.S. military aircraft at Yokota Air Force base.

**May 31, 2002:** Moody's downgrades Japan sovereign debt.

**May 31, 2002:** Cabinet Secretary Fukuda comments on Japan's nonnuclear principles, widely interpreted to mean change is possible.

**June 4, 2002:** Japan ratifies Kyoto Protocol on climate control.

**June 5, 2002:** U.S. Commerce Department announces that Japanese direct investment in the U.S. fell 85.4 percent in FY 2001.

**June 8, 2002:** JDA dispatches destroyer Satogiri and oiler Hamana to Indian Ocean.

**June 9, 2002:** Crew member of USS Curtis Wilbur arrested in Nagasaki for allegedly injuring bar employee.

**June 10, 2002:** City assembly of Naha, Okinawa Prefecture, adopts a resolution to protest Ambassador Howard Baker's May 19 remark expressing gratitude to Okinawa for hosting the bulk of the U.S. military presence in Japan.

**June 10, 2002:** Okinawa Gov. Inamine protests U.S. nuclear test on June 7.

**June 13, 2002:** METI Minister Hiranuma announces delay of retaliation plan against U.S. steel tariffs.

**June 22-23, 2002:** *Asahi* poll shows Koizumi support rate at 37 percent and disapproval rate at 47 percent.

**June 23, 2002:** PM Koizumi promises that he will speed negotiations on relocation of the U.S. Futenma heliport in Okinawa.

**June 24, 2002:** U.S.-based CNBC buys \$15 million a stake, about 3 percent, in TV Tokyo.

**June 24, 2002:** Amb. Baker says Japan has withdrawn opposition to U.S. indigenous people's whaling rights, which was denied in IWC meeting in May.

**June 26, 2002:** PM Koizumi meets President Bush on the sidelines of G-8 meeting in Canada.