

U.S.-Japan Relations

Security and Economic Ties Stabilize before the Okinawa Summit

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After a frustrating first quarter in U.S.-Japan relations--with officials on the security side bickering over host-nation support and garbage incinerators, and officials on the economic side banging heads over internet connection fees and macroeconomic policy--the bilateral agenda seems to have stabilized in time for the July G-8 summit in Okinawa. It is not that Washington and Tokyo have made dramatic breakthroughs on any of these issues. In fact, most remain unresolved. However, there is a quiet confidence in both capitals that enough can be done before the summit to establish a generally positive atmosphere. In part, this is because the Mori cabinet has survived June 25 elections and now recognizes that further intransigence on trade and security issues will only undermine the prime minister's already flagging credibility on policy issues. Meanwhile, Washington has taken its measure of the Mori coalition and has lowered its expectations accordingly. Finally, in Okinawa, the prospects for a political conflagration over bases seem to have subsided considerably. Overall, the relationship looks set for a steady course through the summit.

The Elections in Japan: From Political Uncertainty to Boring Familiarity

The inability of Tokyo to deliver on core parts of the U.S. security and economic agenda earlier this year had much to do with the ruling coalition's poor prospects for Lower House Diet elections expected in June. Liberal Democratic Party (LDP) internal polling back in March showed the opposition Democratic Party (DPJ) making huge gains and possibly wresting enough seats away from the ruling parties to dump the LDP and build a new coalition. With Prime Minister Yoshiro Mori's frequent gaffes and combative relationship with the press after he took over from the fallen Keizo Obuchi in early April, things looked even worse in April and May. But by June, the election outlook began to change as the DPJ squandered its position by building a campaign around Mori-bashing that grew tiring and a platform of fiscal conservatism that smelled of tax increases. The LDP-Komeito-Conservative Party coalition took huge hits in the June 25 election, but survived with a comfortable majority of 271 out of 480 seats. The DPJ gained 32 seats for a new total of 127 in the lower house. The result was just enough to make the coalition cautious about public opinion, but not enough to force bold new thinking on the economy and security policy. In other words, as the *Wall Street Journal* noted, they maintained just enough to make certain that nothing really changed.

At the same time, however, the election results did point to larger shifts in Japan's worldview that will affect relations with the United States. For one thing, the generation that managed Japanese politics and U.S.-Japan relations almost disappeared this quarter. Two giants in the largest Keiseikai faction --Noboru Takeshita and Seiroku Kajiyama -- both died shortly before the election, leaving only former prime minister Yasuhiro Nakasone as a guiding elder, or "genro" for the current generation of political leadership. The June election also saw the demise of a number of senior politicians who had played a central role in U.S.-Japan relations, including former Defense Agency director generals Kazuo Aichi and Tokuichiro Tamazawa, and former Minister of International Trade and Industry (MITI) minister Kaoru Yosano, who progressive thinkers in the Japanese government had hoped would be prime minister one day. The left also took a big hit, with the Communist Party and Komeito losing a chunk of their seats, further weakening the old pacifist obstructions to a more "normal" Japanese security policy. Of the newly elected politicians, the majority are younger, centrist, and internationalist (whether LDP or DPJ) --with the largest number of women in the Lower House of the Diet in five decades.

The Security Policy Agenda

The results of the election suggest that Japan's steady but incremental move towards a more robust security role will continue. Indeed, the Japan Defense Agency's (JDA) move to its new Ichigaya headquarters on May 1 symbolized this trend. Ichigaya, with its ultramodern and imposing architecture and its historic setting (it was the site of the Tokyo War Crimes Tribunal and Yukio Mishima's hara-kiri) is evocative of both times future and times past for the Japanese military.

Security policy was not a major theme for the election (indeed, there was almost no debate on any policy at all), but Mori did state in April that he would like to pass "contingency legislation" (*yuji hosei*) within the year, as well as relax some of the restrictions on Japanese participation in UN peacekeeping (allowing a broader range of missions, but still restricting the use of force). This formula was worked-out with the more pacifist Komeito members before the election, and is likely to be implemented. Polls also continue to demonstrate the Japanese public's changing perceptions of security policy. In mid-April the *Yomiuri Shimbun* released a poll showing that over 60% of respondents support proposals to revise the Constitution, with younger respondents more in favor of revision. A separate poll by *Yomiuri* in mid-May showed that over 30% of the Japanese public thinks there is a real danger of war in Northeast Asia, with a clear majority favoring continued security relations with the United States.

The U.S.-Japan alliance benefited somewhat from a more confident coalition and continued public concern about the security environment. After months of idling, the two governments began to put together a plan to establish a consultative mechanism to link Japanese civilian agencies to the bilateral planning process started with the Defense Guidelines review in June. Progress was also made on bilateral cooperation for non-combatant evacuation operations (NEO) from troubled areas, although the Japanese press and politicians remained frustrated that a public agreement could not be signed to demonstrate the U.S. commitment domestically in Japan (the problem being that such agreements are never public). On host nation support (HNS), the

acrimony of the spring gave way to steadier progress toward a compromise, although the Japanese Ministry of Finance (MOF) still remains opposed to anything other than a cut in funding equal to the cuts in other budget areas. The Mori coalition could have cut through the interagency squabbling to settle HNS before the G-8 summit, but deferred to advisors who said that any substantial decisions on bases should wait until after the prime minister and president have left the controversial setting of Okinawa. Across the board, frustration and stagnation gave way to some forward movement, with the prospect of most issues being settled before autumn.

Okinawa – Letting Sleeping Dogs Lie

Fears of a political crisis over the Okinawan base problem also subsided this quarter. For months Washington and Tokyo had been dreading a collapse of the 1996 Special Advisory Committee on Okinawa (SACO) agreement to move the Marines' controversial helicopter base from Futenma to a new offshore facility near Nago because Governor Keiichi Inamine refused to accept the new facility unless it came with a fifteen year time-limit. Secretary of Defense William Cohen had refused in March, arguing that there can be no "time-limit on security." Stalemate threatened to give way to crisis as the G-8 Okinawa summit approached. But by May, it appeared that everything would work out in the end. How? As the playhouse owner in *Shakespeare in Love* would say, "I don't know... it's a miracle." First, the effort in the local Nago City Assembly to recall Mayor Kishimoto for his support of the new base fizzled. Then in Okinawan prefectural elections in mid-June, the LDP candidates held steady while Komeito (also in the coalition, of course) won seats. Meanwhile, Governor Inamine's own popular support steadied, reinforcing his natural pragmatism. The governor cancelled an earlier announced trip to speak at the Council on Foreign Relations in April, removing pressure on him and the U.S. Government to show results. When the governor's chief advisor, Yoshihiko Higa, traveled to the United States instead, he brought a message of moderation, suggesting that the time-limit issue might be handled as a quiet arrangement between Tokyo and Naha. The offshore base issue and the larger problem of the U.S. military presence on Okinawa were not resolved this quarter, but the heat was lowered enough that a political crisis can be avoided at the summit, and there might be room for steadier progress by the end of the year.

Economic Relations – Sound but No Fury

Economic relations also threatened to poison the G-8 Summit at the beginning of this quarter, although things now seem manageable. Tokyo was put on the defensive by reports in mid-April that the U.S. trade gap with Japan soared to \$6.7 billion in February, a 20% leap from the previous month. On the macroeconomic side, this led Treasury Secretary Lawrence Summers to slap Japan for relying on the U.S. as a market of last resort and to then deny Japan the usual communiqué language about "sharing concern over the strong Yen" when G-7 Finance Ministers and Central Bankers held their summit on April 15. On the trade side, U.S. Trade Representative (USTR) threatened Japan with action in the annual Super 301 list on May 2, singling out flat glass and construction. The U.S. and Japan also failed to make headway on whether or not to renew the 1995 U.S.-Japan Auto Agreement, which expires on December 31 (the United Auto

Workers union is pushing for numerical indicators, but Tokyo thinks a broader statement will suffice).

But the real focus of U.S. trade strategy and U.S. frustration this quarter was Tokyo's unwillingness to reduce the fees that NTT charges for access to the internet. From the U.S. side and most of Japanese industry, it appears obvious that NTT's monopolistic behavior is obstructing the growth of new internet industries in Japan, but the Ministry of Posts and Telecommunications (NPT) would not budge (in part because NTT is still only semi-private and the government needs the extra income from high internet connection fees to keep the corporate stock afloat). After the June 25 elections, however, signs emerged that Tokyo might yield. First, reports that NTT made higher than expected profits undermined the MPT's position on the interconnection fees within Japan. Then Mori's own advisors began to see the danger of promoting the G-8 meeting as an "information technology" and "globalization" summit at a time when Japan was refusing to remove an obvious impediment to both. The issue was still unresolved at the end of June, but with hints of compromise.

U.S. Politics and Japan Policy

For Tokyo, this may just be the calm before the storm. It is often noted that current U.S. policy toward Japan does not receive high-level attention, but already groups are forming to make certain that the next U.S. administration does elevate its Japan policy to a more strategic level. On the macroeconomic side, former Council of Economic Advisors Chief Laura Tyson is leading a Task Force at the Council on Foreign Relations in New York to consider new approaches to dealing with Japan. On the microeconomic side, Bruce Stokes of the Council will soon publish the findings of a Washington-based experts group on trade relations with Japan. Meanwhile, Richard Armitage and Joseph Nye are spearheading a bipartisan team that is reviewing Japan policy across the board, but with a particular focus on political and security relations. That report will be out later in the summer. None of these groups is adopting an adversarial role. "Japan-bashing" offers little political advantage in the current U.S. political environment (a June 7 MOFA/Gallup poll shows 61% of "average" Americans consider Japan a good ally, while 87% of "informed" Americans feel that way). However, whoever wins the U.S. presidential election, there is a good chance that the new administration will begin by taking another look at Japan. It's agenda may prove considerably more ambitious than the current approach, and the Mori coalition's capacity for problem solving may be taxed far more than it is today.

Chronology of U.S.-Japan Relations April-June 2000

Apr. 2, 2000: Japanese Prime Minister Keizo Obuchi collapses, secretary-general of the Liberal Democratic Party Aoki takes over as acting-Prime Minister.

Apr. 5, 2000: Yoshiro Mori is selected as Prime Minister by Parliament.

Apr. 14, 2000: *Yomiuri* polls shows over 60% of public favors Constitutional revision.

Apr. 15, 2000: At G-7 Finance Ministers and Central Bankers meeting U.S. leans on Japan to stimulate economy.

Apr. 18, 2000: Commerce Department announces that the U.S. trade deficit with Japan jumped \$6.7 billion in February.

Apr. 25, 2000: Prime Minister Mori tells the Upper House Budget Committee that he wants to go ahead with contingency legislation.

May 1, 2000: Yoshihiko Higa, Advisor to Okinawan Governor Inamine, discusses alternatives to 15-year time limit during Washington visit.

May 1, 2000: Japan Defense Agency (JDA) moves into new headquarters at Ichigaya.

May 2, 2000: U.S. Trade Representative Super 301 target list sites Japan for flat glass and construction.

May 3, 2000: President Clinton meets Prime Minister Mori for a brief “get-to-know-you” session in Washington.

May 10, 2000: JDA officials reveal that the theme for the next five-year defense plan (2001-2005) will be cyberterrorism and C4I.

May 12, 2000: Trilateral Coordination Oversight Group (TCOG) meets in Tokyo.

May 16, 2000: *Yomiuri* poll shows 30% of Japanese fear danger of war in Northeast Asia.

Jun. 8, 2000: Clinton attends former Prime Minister Obuchi’s funeral in Tokyo and meets with Prime Minister Mori and ROK President Kim Dae-jung.

Jun. 11, 2000: LDP and Komeito coalition partners hold their own in Okinawan Prefectural Assembly elections.

Jun. 12, 2000: Okinawan Prefectural Government asks for civilian aircraft maintenance facility for new U.S. “dual-use” base near Nago.

Jun. 13, 2000: Coalition parties hold their own in Okinawan Prefectural elections.

Jun. 16, 2000: U.S.-Japan sub-cabinet committee meeting held in San Francisco to discuss G-8 agenda. Contentious issues remain unresolved, but diplomats are pleased with the positive atmosphere in this unprecedented interagency exercise.

Jun. 19, 2000: JDA officials reveal that the new five year defense plan will also contain more traditional indigenous aircraft programs for transport and maritime patrol.

Jun. 25, 2000: Lower House Diet elections. Ruling Coalition keeps a comfortable majority with 271 out of 480 seats, but the opposition DPJ picks up an impressive 32 seats.

Jun. 29-30, 2000: Trilateral Coordination and Oversight Group meets in Honolulu.