

**U.S.-Japan Relations:
Preparing for New Teams in Tokyo and Washington
...and a Muddy Field in Both Capitals**

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There was not much drama in the U.S.-Japan alliance this past quarter, but some bold (if old) faces re-appeared in both Tokyo and Washington as new cabinets were being formed. The eventual victory of George W. Bush in the U.S. presidential election brought to the fore a group of veteran security policy hands with a clear agenda to strengthen the strategic partnership with Japan. In Tokyo, Prime Minister Mori Yoshiro had a worse November than Al Gore, but the prime minister somehow survived his numerous travails and formed a high-caliber new cabinet that includes two former prime ministers and a score of political heavyweights. The new teams taking the field have proven records--but, oh, the field. In Washington, President-elect George W. Bush takes power with the most divided electorate and Congress in a century and Mr. Mori is still hobbled by stunningly low approval ratings and an unwieldy coalition. Meanwhile, this quarter served as a reminder that Tokyo and Washington will have to move the ball forward on some tough issues--ranging from Okinawan bases and Defense Guidelines implementation to trade and deregulation talks.

Mori Survives but No Big Promises on Security Policy

Prime Minister Mori had a tough quarter. It started out with his only loyal lieutenant and Chief Cabinet Secretary, Nakagawa Hideo, resigning on October 26 after he appeared in a weekly gossip magazine photo with the boss of a notorious ultra-rightist group. Despite grumbling in the Liberal Democratic Party (LDP) and calls for Mori's resignation from the opposition parties, the prime minister held on. Then in early November, a group of Young Turks within the LDP formed a new club with the avowed aim of dumping him. That group eventually fizzled, but not before a November 6 poll showed Mr. Mori with a dizzying disapproval rate of 71.5%. That, in turn, emboldened rival LDP faction-leader Kato Koichi to announce his own plans to support the opposition parties' no-confidence resolution against Mori. Things again looked bad for the Prime Minister, but on November 20 Kato's insurgency also fizzled and he backed-down.

Mori survived, but the impact on U.S.-Japan security relations of this high-wire survival act was not good. The coalition held together because the real power behind the throne, LDP strongman Nonaka Hiromu, skillfully dissected the prime minister's opponents with

a combination of threats, promises, and charm (well...threats and promises). Nonaka himself is a minimalist on security policy and, more important, is determined to keep the pacifist-leaning Komeito Party in the coalition. And that means avoiding high-profile actions on security policy. The only real movement in the alliance agenda this quarter was at the lower and mid-levels of the bureaucracy.

The exceptions proved the rule. The Diet passage of a watered-down law on November 30 giving the Japanese Maritime Self Defense Forces the authority to stop and search non-military vessels was a case in point. Such "Maritime Interdiction Operations" (MIO) were the most conspicuous piece of the new 1997 Defense Guidelines that did not make it into law, but under the new law Japanese ships can only act under UN sanction or with the consent of the ship being boarded. On November 19, the Diet also passed the new five-year Host Nation Support Agreement for U.S. bases, which was settled back in September. The agreement takes effect next April 1 and cuts Japanese spending by about \$1.35 billion for FY 2001. That was a relief, though all the political heavy-lifting had already been done.

Still, some hope did emerge for more movement on both Japanese security and economic reform policy. Having survived numerous threats to his rule, Mr. Mori was finally free in December to form a new cabinet. His previous cabinet had been set-up as a temporary arrangement and therefore each faction forwarded their back-benchers so they could have their tickets punched in government. With the reshuffling announcement on December 5, Mori was able to put some heavyweights back into the cabinet. These include former Prime Minister Hashimoto Ryutaro as a special minister in charge of Okinawa and the Northern Territories issue with Russia and former Prime Minister Miyazawa Kiichi back at Finance. Mr. Mori's approval rating inched-up only slightly with this stronger team, but that was enough to increase his odds of surviving until the scheduled Upper House elections this summer--where a defeat would force him out (and defeat seems likely given the state of the economy). Whether or not the new team will take bolder steps on security policy remains to be seen, since the LDP still depends on the Komeito to stay in power. But Hashimoto did get off to an energetic start on the Okinawa problem. Meanwhile, changes of leadership in Washington suggest that Tokyo will be asked to do more.

Washington's New Team Gets Ready to Reassert "the Most Important Alliance"

Prime Minister Mori said he was "heartened" after Bush officially won on December 13. Early cabinet appointments in Washington were also reassuring to Tokyo. Secretary of State-designate Colin Powell highlighted the need to strengthen U.S. alliances in his comments after being named to the post. Secretary of Defense-designate Donald Rumsfeld worked closely with Japanese defense officials when he was in that job for President Gerald Ford. Still, Tokyo watched carefully to see what other positions would be filled below the cabinet level--and how ambitious the new administration would, in fact, become on the twin issues of bases and defense cooperation.

On October 11, the Institute for National Strategic Studies at the National Defense University in Washington published a report that gave the outlines of what a more activist U.S. security policy with Japan might look like. The report was drafted by a bipartisan team of experts led by Republican Richard Armitage and Democrat Joseph Nye (and--for purposes of full disclosure--included this correspondent). Though bipartisan, the report was interpreted in Tokyo as a "Republican" plan and generated considerable debate on the airwaves and in the newspapers--particularly after it appeared evident Governor Bush would win. The report called for "excellence without arrogance" from the United States, suggesting a more open door in Washington for Japanese ideas and initiatives, while at the same time encouraging Tokyo to expand its security and diplomatic responsibilities in Asia. The most controversial aspect of the report was the observation that Japan's decision not to exercise the right of collective defense is an obstacle to alliance cooperation. This was interpreted by many in Tokyo as a subtle endorsement of Constitutional revision, which is now under study in the Diet. However, the report was careful to emphasize that decisions on the Constitution must be thoroughly considered by the Japanese people themselves. For the most part, the report was well received in Japan, though many questioned whether the Japanese political system was up to the task. Foreign Minister Kono Yohei was asked in the Diet how Japan would respond to specific U.S. requests that touch on the Constitution. Kono, who is considered dovish, answered that "this would touch on a very fundamental part of Japan and we would have to make it clear what our position is."

JDA Completes Two Important Reports

While not an alliance issue *per se*, it was significant that the Japanese Cabinet approved a new five-year, 25 trillion yen Mid-Term Defense Program (2001-2005) on December 15. The new program included several new systems that give Japan more "reach" in the region. These include two 13,500 ton destroyers with flat-tops for helicopter operations, four aerial refueling tankers, and indigenous programs for maritime patrol and transport aircraft. Actual defense spending will only increase at about 0.7% per year, however, so this is hardly the beginning of an arms race. Some critics noted that the program is too ambitious--particularly the plans for two indigenous aircraft programs--and that eventually something must go.

The Japan Defense Agency (JDA) also released an important report on the Revolution in Military Affairs (RMA) at the end of September and completed an advisory panel report on the technology and industrial base in November. Both suggested a growing interest in the impact of information technology on military policy and a recognition of the opportunities and challenges Japan will face keeping abreast of the United States in the years ahead. Defense requirement planning and the impact of the RMA are both areas that are likely to feature more prominently as alliance cooperation issues in the months and years ahead.

Okinawan Base Discussions Bump Along without Crashing or Landing

On October 23, the U.S. and Japanese governments took another serious crack at solving the impasse over how to move the U.S. Marine Corps Air Station from crowded Futenma, Okinawa to a new offshore facility near the quieter town of Nago in the northern part of the island. The meeting of the U.S.-Japan Futenma Implementation Group could not resolve the Okinawan demand that there be a 15-year time limit on the use of the new base. On November 29, the Japanese government briefed Okinawan Governor Inamine Keiichi and Nago mayor Kishimoto Tateo on the options for the new structure when they visited Prime Minister Mori in Tokyo. Again, however, the 15-year problem was not resolved. The good news is that Inamine and Kishimoto are still meeting with the Japanese government and searching for progress. In addition, there does not appear to be increased political pressure in Okinawa. One good sign for Tokyo was the easy victory of a conservative candidate in the mayoral election in the capital city of Naha in mid-November. In fact, Naha had been controlled by anti-base mayors for 32 years before that and the new mayor is refreshingly pragmatic about the base problem. Moreover, the appointment of Hashimoto as the senior cabinet official responsible for Okinawa also increased the prospects for a breakthrough. Even though the U.S. government is waiting for Tokyo to solve the various political obstacles to promised base realignment in Okinawa, the fact is that all players are waiting to see what the new Bush administration will do.

Sleeping Dogs Still Lie as the Trade Deficit Increases

The past year has been eerily quiet on the U.S.-Japan trade front. A long New Year's article in the *Washington Post* on the new administration's trade challenges did not even mention Japan--imagine that ten years ago! But veteran observers of the U.S.-Japan alliance did watch with keen interest the slowing U.S. economy and the news that the U.S. trade deficit is running at an annual rate of \$363 billion, far above the 1999 record of \$265 billion. The trade deficit with Japan jumped \$8.42 billion in October, a 38.1% increase from the year before. None of this has woken sleeping dogs in the Congress, but with a more sharply divided House and Senate, it could.

The Clinton administration came away from trade negotiations with Japan this quarter with a half-empty basket. Talks to restart a bilateral auto agreement broke down, and aviation talks in mid-November yielded no agreements. The Ministry of International Trade and Industry (MITI) did reach some agreements on the deregulation initiative in talks in late October, with progress on information technology and Japan's commercial code most satisfying for the U.S. side.

Despite limited progress in these areas and the growing trade deficit, there has been little speculation that the new Bush administration will set a tough tone on trade. In fact, Bush's top economic advisor, Larry Lindsey, argued in an address at the American Enterprise Institute on December 1 that Washington should tolerate trade deficits if they buy Japan time for restructuring.

Tokyo also attempted to initiate a new tone in economic relations this quarter. MITI Minister Hiranuma Takeo proposed a new bilateral forum on "the New Economy" in late

November. MITI officials had been taken by proposals for free trade agreements (FTA) that would parallel the proliferation of such dialogues between Japan and Singapore, Mexico, and South Korea. But the obstacle of agricultural liberalization (which would be required under a real FTA), led MITI to the simpler idea of a bilateral forum. Whether or not that forward-looking idea can withstand the political winds of growing trade deficits remains to be seen.

Tokyo and Washington Each Grow a Bit Nervous about the Other's "Foreign Affairs"

On the diplomatic front the U.S. and Japanese governments watched each other with some apprehension as new friendships blossomed with old enemies. Tokyo officially supported Secretary of State Madeline Albright's visit to North Korea in late October, but privately there was deep apprehension that a deal might be cut with Pyongyang on missiles that left Japan out. There was a collective sigh of relief in Japan when President Clinton announced at the end of the year that he would not go to North Korea himself. Tokyo also raised eyebrows in Washington as Japanese ties warmed with Iran this quarter. Iranian President Khatami visited Tokyo October 31-November 3. The warmer relationship was cemented with 60 billion yen in trade insurance from Japan and a negotiating preference for Japanese firms on the new Azadegan oil field. Japanese business leaders and MITI officials also made quiet moves to begin distancing themselves from the United States and Britain in policy toward Iraq. None of these developments created a crisis in U.S.-Japan relations, but they highlighted the challenges of coordinating diplomacy for the new teams in Tokyo and Washington.

Chronology of U.S.-Japan Relations October-December 2000

Oct. 2, 2000: U.S., Japan, ROK, and Singapore begin 13-day Pacific Reach combined submarine rescue exercise.

Oct. 7, 2000: Trilateral Coordination and Oversight Group (TCOG) meets in Washington in preparation for DPRK envoy's U.S. visit.

Oct. 11, 2000: Institute for National Strategic Studies Armitage-Nye report is released, sparking debate in Tokyo.

Oct. 23, 2000: Bilateral Futenma Implementation Group meets.

Oct. 24, 2000: Okinawan Mayor of Urasoe City withdraws his offer to let the U.S. Navy use his town as a home port.

Oct. 25, 2000: Foreign Ministers from the U.S., Japan, and South Korea meet in Seoul and pledge to “strengthen teamwork” in dealing with North Korea immediately following U.S. State Secretary’s trip to Pyongyang.

Oct. 26, 2000: Chief Cabinet Secretary Nakagawa Hideo resigns.

Oct. 27-28, 2000: TCOG meets in Nara, Japan.

Oct. 31-Nov. 3, 2000: Iranian President Khatami visits Tokyo.

Nov. 3, 2000: U.S. and Japan begin 17-day large-scale military maneuvers near Japan.

Nov. 6, 2000: Japan files a formal WTO complaint over U.S. anti-dumping legislation.

Nov. 6, 2000: Polls show Prime Minister Mori’s disapproval rating at 71.5%.

Nov. 15, 2000: Clinton and Mori meet on the sidelines of the APEC Leaders’ Meeting in Brunei.

Nov. 19, 2000: Japanese Diet approves new U.S. Host Nation Support budget.

Nov. 20, 2000: Kato Koichi’s rebellion against Mori fizzles-out.

Nov. 29, 2000: Okinawan Governor Inamine and Nago Mayor Kishimoto meet with Prime Minister Mori to discuss Futenma base relocation.

Nov. 30, 2000: Japanese Diet passes maritime interdiction law to complete a gap in the U.S.-Japan Defense Guidelines, but the law is almost toothless.

Dec. 1, 2000: Hiromu Nonaka, secretary-general of ruling Liberal Democratic Party in Japan, resigns.

Dec. 1, 2000: President-elect Bush’s top economic advisor, Larry Lindsey, argues in an address at the American Enterprise Institute that Washington should tolerate trade deficits if it buys Japan time for restructuring.

Dec. 5, 2000: Prime Minister Mori announces new Japanese cabinet, former Prime Minister Hashimoto is appointed as special minister in charge of Okinawa.

Dec. 14, 2000: Prime Minister Mori is “heartened” at Bush victory.

Dec. 15, 2000: Japanese Cabinet approves new Mid-term Defense Plan.