U.S.-Japan Relations:
Koizumi Steals the Spotlight

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The surprise victory of maverick Koizumi Junichiro in the Liberal Democratic Party (LDP) election in April has transformed Japanese politics – or so it seems. It is still unclear whether the new prime minister's tenure marks the beginning of a new era in Japanese politics or whether he is benefiting from collective relief after the resignation of his successor, the gaffe-prone Mori Yoshiro. It may not matter. Koizumi's stratospheric approval ratings have given Japan a confidence and an image that has transformed domestic and international perceptions of his government.

The U.S.-Japan relationship is a prime beneficiary of the new dynamism in Tokyo. There is renewed hope that the Japanese government will now be able to tackle the structural problems that have dogged its economy for a decade, allowing Japan to resume its role as an engine of the global economy as the U.S. slows down. Fears that Japan would prove to be a reluctant partner as Washington tried to strengthen the mutual security alliance have largely vanished amid Koizumi's talk of leading his nation toward a more "normal" role in international affairs.

And yet … doubts persist. For all the talk of reform, Koizumi has been short on deeds – or even concrete proposals. The Koizumi "*boomu*" is reminiscent of the fever that surrounded the rise to power of telegenic Prime Minister Hosokawa Morihiro in 1993; those hopes for a new era were soon dashed. The real test of the new prime minister will come after July's Upper House elections, when the government has to put flesh on the bones of its policies. At that time, real opposition to Koizumi – both within his party and beyond – will galvanize. Only then will Japanese voters and policymakers in the U.S. discover if Japan has entered a new era.

A Surprise for the Dinosaurs

Mori Yoshiro did Koizumi two favors. First, his appalling performance as prime minister guaranteed that his successor would look good by comparison. Second, his selection to serve in the place of the bed-ridden Obuchi Keizo at a late-night meeting by a clutch of senior party officials so enraged the party faithful that the leadership was obliged to open the election process. A new election policy gave local chapters unprecedented weight in the ballot and they confounded the LDP *modus operandi*. They voted almost unanimously for Koizumi, making it impossible for former Prime Minister Hashimoto

Ryutaro to use his muscle – he heads the Keiseikai, the largest faction in the LDP – to win the election as anticipated.

Koizumi has made the most of his mandate. He chose his Cabinet without the usual bargaining among faction heads, has voiced support for policies that threaten many of the LDP's traditional power bases, and has played up his image as maverick and populist candidate at every turn. His energy and distance from "politics as usual" have rewarded him with historically high public approval ratings: at the end of the quarter, his Cabinet had the support of 84.5 percent of the public. And Koizumi has coattails: in Tokyo Assembly elections held on June 24, the LDP won 53 seats, a gain of five, and lost only two races.

That support guarantees that Koizumi will not be challenged until after the party capitalizes on his popularity in Upper House elections that will be held in late July. But once the campaign is over, the old guard will reassert itself with a vengeance. The prime minister's reform plans – if they are as implied – threaten their constituencies. That assumes that Koizumi has concrete ideas and plans about what should be done and how. Some informed observers argue that the prime minister has instincts, but little more. (Two months is too little time to know for sure, especially with an election approaching. It is fair to ask whether he has a real vision for reform, however.) Finally, there is a very real question about how much pain the Japanese are willing to endure. When asked, they voice support for reform and the inevitable hardships that will follow. But accepting job losses, bankruptcies, and the end to cherished social institutions and corporate norms of behavior is another thing altogether.

The Economic Challenges Ahead

Unfortunately for Japan, the country has little choice. The economy continues to worsen. Gross domestic product contracted 0.2 percent over the previous quarter in the first three months of 2001. The word "recession" is now used in official forecasts, and the government has downgraded its evaluation of the economy for five consecutive months. Chief among its economic ills is the twin debt burdens. The load of non-performing loans held by Japanese banks continues to grow. Earlier this spring, the opposition Democratic Party of Japan revealed that the Financial Services Agency (FSA) put the amount of non-performing loans at 150 trillion yen, a figure that was 85 percent higher than its official estimate. (The following day, the FSA argued the statistics were misinterpreted, but most economists conceded they were correct.) Equally threatening is the country's national debt, which has swollen under a decade of unrestrained fiscal stimulus and now equals some 130 percent of Japanese GDP.

Japan must escape from these two shadows if the economy is to recover. That assignment has become more pressing as the U.S. economy slows down and has become the focus of concern of policymakers in Washington. The world's two major economic engines cannot be in recession simultaneously. Thus, at the June 30 summit between U.S. President George Bush and Prime Minister Koizumi, the focus of attention was on Japan's economic policy. Bush "heartily endorsed and embraced" Koizumi's reforms

while nudging the prime minister to do more, faster. Bush noted that "it's in our interests that the Japanese economy flourish, that it's strong and vibrant." While the president called Koizumi "the leader that Japan needs for this moment in her history," the U.S. has acknowledged that there will be no action before the July Upper House vote.

This kinder, gentler, more patient tone typifies the new U.S.-Japan economic dialogue. There is perhaps more agreement than ever before between the two governments on what needs to be done. Trade negotiations continue – and on April 31 the Office of the U.S. Trade Representative added automobile flat glass, agricultural products, and public works to its Super 301 watch list. Yet the two governments are trying to move their economic dialogue away from the confrontational setting toward broader discussions. At the summit, the two men agreed to set up a series of committees to pursue economic growth in the two countries. A decade of stagnation combined with record U.S. growth has taken the sting out of Japanese exports. There is fear that a U.S. recession could change that, however, and revive old trade frictions.

Alliance on the Rise

If patience is the key word in economic relations between the two countries, expectation is in the air when attention focuses on the security dimension of the relationship. Koizumi has stressed his desire to move the country away from its traditionally passive stance on international security issues, telling the Diet on May 10 that Article 9 of the Japanese Constitution could be revised to permit the exercise of the right of collective self-defense.

The prime minister's forthright advocacy of a more assertive national security posture – assertive, relative to Japan's traditional postwar behavior – fits neatly into U.S. preferences for a strengthened U.S.-Japan security alliance. At the beginning of the year, there were concerns that the U.S. would be disappointed with Tokyo's response to Bush administration calls for a revitalized security partnership (see "A False Start?" *Comparative Connections*, Vol. 3 No. 1), but they seem to have dissipated in recent weeks. The momentum has shifted, and there is a sense that there will be legislation in some form that will permit Japan to assume a more active role in regional security. U.S. officials have voiced support for this shift, but they have also stressed at every opportunity that the decision is for Japan to make and the United States will stand behind Tokyo no matter what it chooses to do.

Washington has had good reasons to applaud the prime minister this quarter. In early June, Koizumi told a Tokyo audience that he wants to build friendly relations with Asia "based on the Japan-U.S. alliance." He has also expressed support for missile defense, telling the Diet in early June that the project deserves further study, although he did distinguish such research from development and deployment. Under questioning, Koizumi also said that definitions of "rear areas" were flexible, implying that Japan might be able to provide more support for U.S. forces in a contingency than has been thought. And in late May, Chief Cabinet Secretary Fukuda Yasuo ordered studies on ways to lift restraints on Japanese soldiers participating in UN peacekeeping operations.

Be Careful What You Ask for

While supporters of the U.S.-Japan alliance are heartened by Koizumi's upright approach, there are still potential pitfalls. The first of course is the fear that such forthright assertions of Japanese national interests raise among its neighbors. Those reactions – compounded by controversies over the history textbook and Koizumi's announced intention to visit Yasukuni Shrine – are discussed in detail in other contributions of this issue. The anger and the angst these issues have provoked are proof that this concern is not mere speculation.

The second danger is that Japan may ultimately chose a more independent foreign policy, one that strains the alliance. Koizumi's comment that relations with the United States will form the basis of Japan's relations with Asia would seem to put such fears to rest, but strains could re-emerge. A revitalized and more equal alliance will require a re-calibration of roles and responsibilities; that will create tensions as bureaucracies and services re-examine standard operating procedures and assumptions. Careful dialogue will be essential to ensure that there are no misunderstandings. The sub-Cabinet-level dialogue that the two governments established at their Camp David summit in June is a good start.

There will be ample opportunities for practice. The first test concerns U.S. plans to pursue its missile defense program. Japan has expressed its "understanding" of the U.S. proposal and continues to support research on theater missile defense (TMD). While some complain that Tokyo's support is lukewarm, U.S. officials have said that they are satisfied with Japan's position and expect no more.

Missile defense draws attention to another potential point of friction: China. Beijing's chief objection to TMD is its deployment in Taiwan (although any plan that threatens China's nuclear deterrent is anathema). But Beijing will try to use the issue to drive a wedge between Washington and Tokyo. Thus far, any hopes of dividing the two partners have been frustrated. Indeed, alliance supporters were heartened by Japan's response to the EP-3 downing on April 1. Even though the plane departed from Kadena Air Force Base in Okinawa, revealing the ease with which Japan could be drawn into a confrontation between Washington and Beijing, there were no complaints from Japan about U.S. actions. Japan's support was unwavering (even if it wasn't very loud). Reportedly, following the accident AWACS aircraft and F-16 fighters stationed at Kadena practiced protecting reconnaissance flights, a move that would have been virtually impossible if Japan had protested.

Another potentially nettlesome issue concerns the Kyoto Protocol on global warming. President Bush has made clear his opposition to the treaty, a move that enraged environmentalists throughout the world, and was considered a snub by some in Japan, given Tokyo's efforts in support of the protocol. Nonetheless, at their summit, Bush and Koizumi agreed on the need to rework the treaty. Koizumi even noted that Japan would

not go forward on its own without U.S. participation, a comment that further enraged supporters of the protocol.

Then there is the problem of personalities. While Koizumi seems to have established a good rapport with President Bush, others in his team have been less successful at making friends across the Pacific. The chief target has been Foreign Minister Tanaka Makiko, whose war with her ministry's bureaucrats has provided daily fare for the news media. She raised eyebrows in early May when she refused to meet U.S. Deputy Secretary of State Richard Armitage during his visit to Tokyo to explain Washington's missile defense program and reportedly tried to block him from meeting the prime minister. Her subsequent explanations and justifications only raised more doubts. (She may have had protocol grounds for questioning whether a deputy secretary should meet Koizumi, but she picked the wrong person to make her case: Armitage is a long-time friend of Japan, one of the alliance's strongest supporters, and was reported to be carrying a personal letter from the president.)

After the visit, Tanaka alleged voiced her own doubts about the feasibility of missile defense to the foreign ministers of Italy and Australia, and much to her dismay – and most of the government in Tokyo – those comments were leaked to the press. She denied the accuracy of the remarks, as did her interlocutors, and U.S. officials said they were only concerned with official statements. While such slips of the tongue are not uncommon, the public embarrassment is the result of the foreign minister's war against her own bureaucracy. Her credibility is suffering as a result. Eventually her effectiveness will be called into question if this continues. But for the time being, the prime minister is still behind her – despite a couple of dressing downs – and so is the Japanese public. Tanaka remains one of Japan's most popular politicians.

Later, Tanaka visited Washington in advance of Koizumi and seemed to acquit herself well. She called the U.S.-Japan relationship the "axis" of Tokyo's foreign policy. At the same time, she also noted that after 50 years, "it may be time to reevaluate the benefits and burdens of the relationship." While the foreign minister only executes policy, Tanaka harbors bigger ambitions. She is said to have requested the foreign minister's portfolio because she sees it as a stepping stone to the prime minister's office. And as Koizumi's climb to power has made clear, personalities do matter.

Finally, there is Okinawa, a perennial trouble spot for the alliance. In May, Okinawa Gov. Inamine Keiichi visited Washington, repeating his request that there be a 15-year limit on the use of the new heliport to be built off Nago City. He was politely rebuffed.

And on the eve of Koizumi's departure for his U.S. visit, another U.S. serviceman was accused of raping a Okinawan citizen. U.S. officials, from the president on down, expressed outrage at the crime, and it did not seem to cast a shadow over the summit. As the quarter ended, Japanese prosecutors had handed down an indictment and were waiting for the U.S. to hand the suspect over.

The alleged rape and the U.S. handling of Japanese demands for justice are sure to dominate analysis in the next quarter. Okinawan anger has been stoked and tensions are likely to increase throughout the summer, especially in late August when the U.S. begins the salvage operations on the Ehime Maru, the Japanese fisheries training vessel that sunk off the coast of Hawaii after a collision with a U.S. nuclear submarine. Fortunately for the alliance, the Ehime Maru tragedy seems to have been surmounted. Although some Japanese were upset that Capt. Scott Waddle, the commander of the USS Greeneville, the submarine that sank the vessel, was not court-martialed, the U.S. Navy's handling of the inquiry and the punishment have gone a long way to defuse the anger created by the accident. Some of it will be rekindled later this summer, but U.S. sensitivity to Japanese concerns should help to ensure that the tragedy does not claim another victim: the U.S.-Japan security alliance.

As we go on-line, Prime Minister Koizumi's popularity continues to climb, despite the uncertainties that swirl around his policies. He will need every bit of that support to see that U.S.-Japan relations aren't derailed during the hot summer months ahead.

Chronology of U.S.-Japan Relations
April - June 2001

Apr. 1, 2001: Collision between U.S. Navy EP-3 surveillance aircraft and Chinese fighter jet.

Apr. 2, 2001: Japan opens Cabinet Satellite Information Center with initial staff of 185, which will expand to 300. Japan is scheduled to launch four satellites by March 2003.

Apr. 2, 2001: Nuclear submarine USS Chicago makes unannounced port call at Sasebo without customary 24 hours notice.

Apr. 2, 2001: ANA orders 9 Boeing 767-300 airliners worth more than $1 billion.

Apr. 3, 2001: U.S. Embassy apologizes for miscommunication of data regarding the sub visit to Sasebo.

Apr. 4, 2001: Federal Reserve Chairman Alan Greenspan warns the Senate Finance Committee that "Japan's economic stagnation hurts the U.S. and the world economy."

Apr. 5, 2001: Prime Minister Mori Yoshiro announces his intention to resign and schedules party elections to replace him on April 24.

Apr. 9, 2001: U.S. resumes F-16 night flight training in Aomori Prefecture following suspension after the crash of an F-16 on April 3.

Apr. 13, 2001: Japan downgrades economic outlook for the third consecutive month.

Apr. 13, 2001: PM Mori approves continued expropriation of Okinawan land for U.S. bases.

Apr. 17, 2001: U.S. signs agreement to allow emergency vehicles to pass through U.S. bases on Okinawa during emergencies.

Apr. 18, 2001: U.S. announces cancellation of air show at Atsugi out of consideration for nearby residents.

Apr. 19, 2001: Operator of incinerator that is alleged to spew dioxin on U.S. base at Atsugi agrees to move facility.

Apr. 20, 2001: Rear Adm. Robert Chaplin, command of U.S. Navy Japan, meets relatives of Ehime Maru victims to explain the decision not to court martial USS Greeneville Commander Scott Waddle.

Apr. 20, 2001: Environment Agency head Yoriko Yamaguchi urges her U.S. counterpart to commit to the Kyoto Protocol.

Apr. 23, 2001: Navy Capt. Scott Waddle gets letter of reprimand for collision of USS Greeneville and Ehime Maru, effectively ending his Navy career. Six other officers punished as well.

Apr. 23, 2001: Koizumi Junichiro wins upset victory to become Liberal Democratic Party president.

Apr. 26, 2001: New Cabinet sworn in. In a break with tradition, PM Koizumi picks the members himself, without bargaining with faction bosses.

Apr. 28, 2001: U.S. Treasury Secretary Paul O'Neill presses Japanese Finance Minister Shiokawa Masajuro to clean up bad debt burden of Japanese banks.

Apr. 28, 2001: G-7 Finance officials urge Japan to increase its growth.

Apr. 30, 2001: IMF urges Japan to accelerate structural reform in the banking and corporate sectors and to stimulate the economy.

Apr. 31, 2001: USTR adds automobile flat glass, agricultural products and public works to the Super 301 watch list.

May 3, 2001: U.S. Commerce Dept. lifts duties on Japanese supercomputers imposed in 1997.

May 7, 2001: PM Koizumi presents his policy speech to the Diet in which he pledges to pursue economic reform and reduce the national debt.

May 8, 2001: U.S. Deputy Secretary of State Richard Armitage visits Tokyo to meet with Japanese government officials and explain U.S. missile defense program. Tokyo offers its "understanding" of the program and expresses its intention to continue work on joint research for theater missile defense. Armitage confirms importance of U.S.-Japan relationship. He does not meet with FM Tanaka, which causes a stir.

May 9, 2001: Japanese nationals Serizawa Hiroaki and Okamoto Takashi are charged with stealing genetic material linked to Alzheimer's Disease research from Cleveland Clinic, the first time that the 1996 Economic Espionage Act is invoked.

May 9, 2001: Armitage quoted that that Japan's lack of consensus on defense is the chief obstacle to increasing U.S.-Japan security ties.

May 15, 2001: Imperial Household Agency announces the Crown Princess Masako is three months pregnant.

May 15, 2001: U.S. Secretary of State Colin Powell criticizes Japanese aid to Myanmar at Senate Appropriations Subcommittee hearing.

May 15, 2001: U.S.-Japan bilateral experts committee meets to discuss what crimes warrant hand over of U.S. soldiers to Japanese authorities.

May 15, 2001: Okinawa Gov. Inamine Keiichi meets Armitage to request a 15-year limit on the use of the proposed Marine heliport off the coast of Nago town and for better neighborliness by U.S. forces.

May 19, 2001: Seattle Mariners outfielder Suzuki Ichiro ends 27-game hitting streak, the longest in baseball this season and one game short of the club record.

May 22, 2001: Defense Agency panel submits report to Director General Nakatani Gen calling for a reinterpretation of the Japanese Constitution regarding the right to collective self-defense.

May 23, 2001: Koizumi Cabinet records 85 percent public approval rating.

May 25, 2001: METI Minister Hiranuma Takeo unveils 15-point plan to boost jobs and markets, increase patents, increase employment flexibility and open the health services and child care industries.

May 29, 2001: U.S. Navy announces that it wants Japanese MSDF divers to assist in efforts to raise the Ehime Maru from the seafloor.

June 17, 2001: Japanese government concedes that economy is "deteriorating," the fifth consecutive monthly downgrade of economic conditions.

June 18, 2001: FM Tanaka meets with U.S. officials including President Bush and Vice President Cheney. During talks she reaffirms centrality of U.S.-Japan ties as the axis of its foreign policy, but says that it is time to reassess security ties.

June 22, 2001: Diet passes law opening door to 401(k) like savings plans.

June 24, 2001: LDP wins 53 seats in Tokyo Prefectural Assembly elections (out of 55 candidates), signaling that Prime Minister Koizumi has long coattails.

June 29, 2001: U.S. serviceman is accused of rape of an Okinawa resident.

June 30, 2001: President Bush and PM Koizumi meet at Camp David.