



## U.S.-Japan Relations: Strong, but Stay Tuned

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In the first three months of Japan's new fiscal year, relations with the United States were comparatively positive. While Prime Minister Keizo Obuchi's official state visit to the United States in early May (the first by a Japanese prime minister since Nakasone) was not exactly sizzling with excitement, it was characterized by a show of warmth and confidence from President Clinton. In the weeks after the summit, Obuchi's domestic and international standing was further strengthened by the surprising news that Japan's economy grew by 1.9% in the first quarter of the fiscal year and by the passage of the Defense Guidelines in both houses of the Diet -- not a bad showing for a man earlier dismissed by the U.S. media as "cold pizza."

Still, U.S.-Japan relations were not risk-free in this period. Surging Japanese steel exports to the United States sparked a host of anti-dumping cases and tough legislation in the U.S. Congress that would have imposed import quotas had it passed. Washington and Tokyo also treaded delicately around the issue of Japan's new indigenous spy satellite program. Moreover, Obuchi's announcement that next year's G-7 Summit would be held in Okinawa refocused attention on the fact that the two governments have not yet figured out where to move the Futenma Marine Corps Air Station as pledged in April 1996.

The state of the alliance is good, but these issues could become more contentious depending on the relative health of the U.S. and Japanese economies and the ability of the two administrations to maintain cooperation while being sucked into the vortex of U.S. presidential politics.

### **The U.S.-Japan Alliance and China**

For several years now, U.S.-Japan relations have been colored by developments between the United States and China. President Clinton's June 1998 visit to China and the overblown rhetoric of "strategic partnership" between Beijing and Washington prayed on Japanese fears about a new trend towards "Japan passing" in favor of China. This insecurity was evident in the anonymous comments of a senior Ministry of Foreign Affairs official that a failure in Chinese Premier Zhu Rongji's visit to Washington in April would help U.S.-Japan relations. Not only did Zhu's summit fail, of course, but the state of U.S.-China relations plummeted with the subsequent publication of the Cox Report and the accidental bombing of the Chinese Embassy in Belgrade during Operation Allied Force in Kosovo. After the embassy bombing, Japanese concerns shifted in the

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opposite direction. Now the contentious U.S.-China relationship puts at risk Tokyo's desire to see China enter the WTO as early as possible and has further intensified Chinese opposition to the U.S.-Japan Defense Guidelines and theater missile defense (TMD).

### **The U.S.-Japan Alliance and Korea**

After North Korea's launch of the Taepodong missile last August, U.S.-Japan cooperation on the Peninsula appeared in some jeopardy. Japanese officials were furious that several days after the launch the United States agreed with North Korea to "accelerate" the construction of the light water reactors promised under the 1994 Agreed Framework. Throughout the fall senior Japanese politicians began speaking publicly about the need for Japan to develop its own independent "counterstrike capability" (*hangekiryoku*) and younger politicians asked in the Diet whether Japan had the constitutional right to conduct preemptive strikes. LDP criticism of Japan's \$1 billion burden in the Korean Peninsula Energy Development Organization (KEDO) intensified and the Obuchi government began pushing in speeches for the creation of four or six power talks in Northeast Asia to compensate for Japan's exclusion from the Four-Party Talks on the Peninsula. Had North Korea launched a second Taepodong in this period, Japanese support for KEDO may well have evaporated and the U.S.-Japan alliance might have faced a major crisis of confidence.

Over the past three months, however, dramatic changes have occurred in this area. Under former Secretary of Defense William Perry's review of US. policy toward North Korea, the United States, Japan, and South Korea have established a standing consultative group that will now meet each quarter. At meetings held in April and early May, Perry worked-out a comprehensive and integrated package of inducements for North Korea to change its behavior, including the possibility of billions of dollars in reparations from Japan. Perry also carried a letter from Prime Minister Obuchi to North Korean leader Kim Jong Il when he traveled to Pyongyang in early May.

Through the trilateral sessions --in which MOFA Director-General Ryozo Kato and ROK National Security Advisor Lim Dong Wong joined Perry -- the three countries also formulated a common message of opposition to North Korea's missile program. While this robust new trilateral coordination does not guarantee that Japanese political support for KEDO would survive another Taepodong launch, it has strengthened the carrots and implicit sticks that Perry was able to take to Pyongyang. The trilateral coordination mechanism has also reassured members of the Diet that both Seoul and Washington are not complacent about the evolving North Korean missile threat to Japan. This eased the way for passage of KEDO spending authorization legislation in the Diet.

### **Defense Guidelines Legislation**

The revised U.S.-Japan Defense Guidelines were announced in September 1997 and the relevant legislation prepared for the Diet shortly thereafter, but it took over a year

for the legislation to finally pass through both houses of the Diet this past May 24. Despite the delay, the outcome of the legislative debate augurs well for future U.S.-Japan defense cooperation. The three Guidelines-related bills were:

- Amendment of the Acquisition and Cross Servicing Agreement (ACSA) to include regional contingencies;
- Amendment of the Self Defense Forces Law to permit certain rear area support missions for U.S. forces during regional contingencies;
- Regional Contingency Law (*shuhenjintaiho*) to permit non-military rear area support in Japan for U.S. forces during regional contingencies.

Debate over the legislation focused on three issues: prior Diet approval for cooperation with U.S. forces, the definition of the geographic scope of the Guidelines, and ship inspections. The opposition Democratic Party of Japan (DPJ) championed the issue of prior Diet approval, in keeping with its theme of greater transparency and Diet oversight of government policy. In the end, the government agreed to a process in which either house of the Diet retains the right to disapprove of government cooperation in a regional crisis, but the government retains the right to act first and ask permission later. This was not enough for the internally divided DPJ, however, which voted against the *Shuhenjintaiho*, while supporting the other legislation. The question of the geographic scope of the Guidelines was also pushed initially by the DPJ, but was dropped before the vote because of the intractable problem of clarifying whether a Taiwan contingency would or would not be covered. Ambiguity triumphed as it usually does with Taiwan policy. The issue of ship inspections eventually went down in defeat --an ironic casualty since U.S. interest in revising the original 1978 Defense Guidelines was largely sparked by Japan's inability to commit blockade ships during the 1994 North Korean nuclear crisis. Nevertheless, the LDP has already begun preparations for new legislation to restore the ship inspection mission for the SDF.

Commentators have noted that the Guidelines legislation passed with over 70% support from the Diet. While the DPJ opposed one piece of the legislation, this reflected the paralysis caused by internal bickering between former socialists and conservatives in the party, rather than a party position against defense cooperation with the United States. In fact, on June 22 the DPJ announced its new unified security policy in a document that the conservative *Yomiuri* praised for its "realistic steps toward the establishment of legislation to allow a prompt response to national emergencies." Emergency legislation will be the next big piece of legislation in the implementation of the Guidelines, and the DPJ's conversion now leaves only the Communists and diminished Socialists in possible opposition.

## **Spy Satellites**

At the end of March the Japanese Cabinet announced its decision to proceed with plans to develop a system of four indigenous reconnaissance satellites by the year 2002. While some U.S. officials expressed skepticism when the idea was first broached in the

wake of last year's Taepodong launch, the subsequent backlash from Japanese politicians caused the U.S. Government to soften its tone and promise through Secretary of Defense Cohen to "cooperate" with Japan's effort. Veterans of the FSX confrontation in both governments are wary of the potential for technological and strategic tensions over the program, but the framework of cooperation still guides bilateral discussions as the Japanese side puts its plans in place.

In May a proposal that Japan purchase the first satellite from the United States was generated from a group of officials in both governments, but the Japanese side remained wary of abandoning its goal of complete indigenous development, and turned down the proposal. However, as Japanese Government officials have learned of their own industry's inability to build certain key components, this same proposal resurfaced in Tokyo in late June. Chief Cabinet Secretary Nonaka Hiromu, who oversees the program, remained committed to indigenous development, but the JDA and other parts of the government (including Nonaka's deputy) announced that they would only proceed with the program in cooperation with the United States.

Underlying the satellite program is a growing desire in the LDP and the Ministry of Foreign Affairs for a more independent and assertive Japanese foreign policy. Industry lobbying has also been critical, particularly from Mitsubishi Electric Corporation (MELCO), which needs national technology projects like satellites to buoy sagging profits and engineers' morale.

### **Okinawa Bases**

The problem created by the high concentration of U.S. military bases in Okinawa came back into sharp focus this quarter when Prime Minister Obuchi announced shortly before his visit to the United States that Japan would host the 2000 G-7 Summit in the central Okinawan town of Nago. The decision was a bold gesture from Tokyo to Okinawa that the central government had not forgotten its joint pledge with the United States to consolidate and relocate U.S. bases under the 1996 Special Action Committee on Okinawa (SACO). For just that reason, many in the Foreign Ministry were nervous about the decision. The SACO process has returned large areas to Japan, but the final agreement on the centerpiece of the deal – relocation of the Marine Corps Air Station at Futenma to a new offshore facility—has been stalled since it was announced three years ago. At one point the problem was the opposition of then-Governor Ota Masahide, but little progress has been made even with the election of a new conservative governor, Inamine Keichi, last year. Tokyo decided to let Inamine spend some time building internal consensus on the Futenma issue, but Inamine has been using the time to address Okinawa's difficult economic situation instead.

Now that the G-7 is scheduled for next summer, both Okinawa and Tokyo have been handed an implicit deadline that has shaken them out of their complacency. Both the Okinawan Prefectural Government and Tokyo want the other to take the first step. By late June, Tokyo was forced to make the first move, offering a menu of options for

relocation of Futenma in the hopes that Inamine will now begin narrowing them down to a final site by the end of this year. That site will most likely be a joint commercial-military landfill facility on the northeast side of the island. Tokyo hopes that Inamine can convince the local officials with plenty of time to spare for the inevitable backlash from the anti-base movement in Okinawa and Tokyo before President Clinton arrives in Okinawa.

One other potential windfall before the G-7 summit would be a formal decision to relocate the Naha military port to the town of Urasoe. The military port now occupies choice downtown real estate and Urasoe is showing signs that it will accept the port if it is gold-plated with plenty of civilian facilities. Neither government is eager to admit an *explicit* deadline for resolution of these issues, but President Clinton accidentally showed his hand when he told a TV Asahi reporter in late June that he “hoped everything would be resolved by the summit.”

Meanwhile, another potentially contentious base issue has turned out to be a real yawn. The Japanese media predicted trouble for the alliance when Shintaro Ishihara (author of “The Japan that Can Say NO”) was elected Governor of Tokyo on April 11, since Ishihara had pledged to demand the return of the U.S. air base at Yokota. When it became apparent to the Japanese press that most of the residents around Yokota preferred the U.S. base to Ishihara’s proposal for an even louder commercial airport, the Governor-elect backed-off. Still determined to set an agenda for national policy, Ishihara has focused instead on forming a coalition of governors in favor of decentralization – a far more productive use of his energy.

## **Trade Issues**

Management of the U.S.-Japan alliance, while not trouble free, has been blessed with a relative absence of contentious trade disputes over the past few years (though macroeconomic disputes characterized much of 1998). That began to change this last quarter when the U.S. steel industry began a political counteroffensive after a surge in cheap Japanese, Brazilian, Russian and other steel imports began to threaten corporate profits. Over a dozen anti-dumping cases were filed against Japanese and other cold rolled steel exporters in late May. The Congress got in on the act as Senate Majority leader Trent Lott announced his intention in mid June to complete a steel quota bill by the end of session. While not aimed solely at Japan, the legislation was a troubling hint of unilateralism that threatened to unravel the WTO-centered trade policy ostensibly preferred by Japan’s Ministry of International Trade and Industry. Softer steel bills that dropped quotas but tightened anti-dumping rules eventually replaced the quota legislation.

In June bilateral negotiations also picked up over flat glass, MITI’s revision of the large-scale retail store law (in ways that might obstruct market entry), and the question of whether the U.S.-Japan agreement on government procurement would apply after semi-privatization of Japan’s major telecommunications carrier, NTT. (U.S. and Japanese

governments resolved the dispute over NTT procurement issues in early July.) At the same time, a host of other lesser issues continues to boil within the framework of the bilateral Enhanced Deregulation Initiative. Steel was the most dangerous of all these sectoral trade issues, however, and Japan survived that near miss in the Senate. It helped that the U.S. economy is growing so strongly. Should the U.S. economy stumble, particularly in the context of a presidential election, trade disputes could become more contentious between the United States and Japan.

The other economic irritant between the two countries, Japan's slow growth, has been ameliorated by a surprising 1.9% growth for the quarter in Japan. While this growth largely reflects the impact of massive fiscal stimulus packages and could collapse in the next quarter or two, it does buy some political breathing room for Obuchi. Then again, many economists predict that the stimulus effect will run out by the time of the next quarterly report. Stay tuned!

## **Chronology of U.S.-Japan Relations**

### **April - June 1999**

**April 12, 1999:** Shintaro Ishihara wins Tokyo Gubernatorial election, demands return of Yokota air base.

**April 18, 1999:** U.S. Army paratroops conduct training drop in Kadena, causing concerns about Guidelines legislation.

**April 27, 1999:** Lower House of the Diet approves U.S.-Japan Defense Guidelines-related legislation.

**April 29, 1999:** Prime Minister Keizo Obuchi announces that the G-7 Summit in 2000 will be held in Okinawa.

**May 3, 1999:** Clinton-Obuchi summit in Washington. Japan pledges \$200 million in humanitarian aid to the Balkans and announces resolution of some trade disputes.

**May 23, 1999:** Foreign Minister Komura repeats Japan's desire to be included in talks with North Korea.

**May 24, 1999:** Guidelines legislation passes in the Upper House of the Diet.

**May 28, 1999:** Former U.S. Secretary of Defense William Perry conveys U.S.-Japan-ROK comprehensive and integrated proposal to Pyongyang.

**June 10, 1999:** Japanese Economic Planning Agency announces 1.9% growth in first quarter.