



U.S.-Japan Relations: Not Bad for Auto-Pilot

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The U.S.-Japan Alliance continues to hum along. During the last quarter there were irritants and problems, as usual, but also unexpected signs of strength. One of the most surprising sources of good news came from the U.S. presidential primary campaigns. Usually Japanese diplomats grit their teeth and brace for a shellacking from the new crop of contenders, but in the current contest, Japan has thus far heard nothing but sweet music. Meanwhile, things were still hot between the U.S. Trade Representative and the Ministry of International Trade and Industry over steel, dumping, telecommunications, and insurance, and Japan's ballooning trade deficit in October set the stage for more contentious dialogue on trade. So far none of these issues has become a significant political problem however, largely due to the strength of the U.S. economy and Japan's difficulty restarting a sustainable recovery. It is hard to kick Japan when the economy is down -- unless, of course, the U.S. economy is also down. And that is one important variable that could change.

First the Good News...The U.S. Presidential Race and Public Opinion

One of the most surprising sources of good news about the future of the U.S.-Japan alliance came from the presidential primary campaigns. Usually this is the season for Japanese diplomats to grit their teeth and brace for a shellacking from the new crop of presidential contenders. But in the current pre-primary contest, Japan heard nothing but sweet music. First, Republican candidate George W. Bush highlighted the importance of working with allies like Japan in his major address on foreign policy in mid-November. Several weeks later, Democratic contender Bill Bradley echoed similar themes in a speech at the Fletcher School of Law and Diplomacy. John McCain has also pushed the theme of being good to allies. The only candidates attacking Japan on trade are in the Reform Party, but Donald Trump and Pat Buchanan do not have officials in Tokyo losing much sleep.

The upbeat tone about Japan was reinforced in public opinion polls released by *Yomiuri Shimbun* and Gallup on December 19. In the poll 54 percent of Americans and 52 percent of Japanese said bilateral relations are good -- a five percent increase from last year and the first result over the 50 percent mark since 1987. For the security relationship the news was particularly good. 77 percent of Japanese said they were certain U.S. forces would come to Japan's help in a conflict and 67 percent of Americans felt the U.S. should do so. And the isolationism that supposedly puts U.S. forward presence at risk? Not a problem, if the Yomiuri/Gallup poll has any lasting meaning. 71 percent of Americans polled said that the United States should keep forces in Japan, and 40 percent said that U.S. bases in Japan are in U.S. strategic interests while only 24.7 percent said the bases were there to constrain Japanese militarism. Public support based on enlightened self-interest is the best bet for continued U.S. forward presence.

F-2 Troubles Again?

Of course, it would not be the U.S.-Japan Alliance if there were not some embarrassing revelations or unpleasant tensions. One piece of unfortunate, though not traumatic news for the alliance was the Japan Defense Agency's (JDA) announcement on December 20 that the F-2 fighter support project (formerly the FSX) would be delayed yet again, this time until June. The project was already 15 months late and the new technical complications over the stability of the jet's tale were not welcome by the Japanese press. The F-2 project is expected to cost \$2.78 billion, with each of the 130 fighters going for \$114 million. This delay will increase the cost. Aside from being embarrassing for the JDA, the F-2 problem is reinforcing the Japanese government and industry view that joint development projects with the United States are more expensive and time consuming than going it alone. With theater missile defense (TMD), Japan does not really have the option of indigenous development, and based on the lessons of FSX, both the U.S. and Japanese participants have already opted for cooperation at the subsystem level, which is more manageable. Still, the Japanese defense industry is small, and the setbacks with FSX could have a lasting effect on overall enthusiasm for joint development with the United States. That said, the U.S. government expressed no dissatisfaction with the F-2 project.

Host Nation Support and SMA

The Ministry of Finance (MOF) announcement in the annual December appropriations debate that it would push for a symbolic one percent cut in the amount of Host Nation Support (HNS) funds requested for U.S. Forces in Japan (USFJ) indicated that bilateral security relations could become complicated in the months ahead. This move anticipates an internal and bilateral budget struggle that will commence in the next few months over the renewal of the five-year Special Measures Agreement (SMA). Mid-level skirmishes between the U.S. and Japan and between JDA, the Ministry of Foreign Affairs (MOFA), and MOF have already started, but all sides are still sticking to their starting positions. USFJ, in particular, has warned about the potential congressional fallout from any decrease in Japanese support. Nevertheless, the Japanese budget deficit and sluggish economic growth -- coupled with a more assertive Diet and bureaucracy -- mean that the pressure could intensify for further decreases. This winter most of the Diet is too spooked by the prospect of elections to focus on the issue, but their attention will turn to what is known as the "sympathy budget" soon.

Okinawa Drama

The drama over the relocation of the Futenma Marine Corps Air Station also moved into a new act this quarter. Okinawan Governor Keiichi Inamine's reluctance to announce the site for the new base (promised by the U.S. and Japanese governments in 1996) finally convinced Foreign Minister Yohei Kono and Chief Cabinet Secretary Mikio Aoki to fly to Naha at the end of October to put pressure on the Governor for a decision so that the issue could be settled in advance of the July 2000 G-7 Summit in Nago. Inamine obliged on November 22, when he announced -- to no one's surprise -- that the base would be relocated to the Nago area. The next week, Nago Mayor Tateo Kishimoto announced that he would consider resigning in order to force an election, and therefore a referendum, on the issue. While this seemed a bold stroke, it was really a careful calculation. Anti-base members of the City

Assembly were mobilizing to have the Mayor recalled for accepting the Marines. Rather than wait to see if they could muster the votes against him, Kishimoto gambled that his current majority was enough to win the election. He could lose, of course, but his opponents are still disorganized, so now was the time to strike. In any case, most observers in Okinawa expect Kishimoto to win. Tokyo did its part by announcing on December 14 a 10 billion yen down payment on the Okinawa development plan requested by Inamine. Sticking to the script, on December 27, the Nago City Council accepted the base.

There are still plenty of nagging problems, though. First, Inamine has been calling for a 15-year time line for the return of the facility to Okinawa. Aoki has agreed to bring that proposal up with the U.S. side. Understandably, the Pentagon wants nothing to do with an agreement to return facilities, no matter how long the time line, since that would establish a contagious precedent for other controversial bases abroad. There may be enough momentum behind the move to Nago that U.S. inaction on the 15-year request may not matter. Still, it is a wildcard. Another problem is Kishimoto's call for a new agreement that would severely curtail operations at the base (limited night flying, etc.). This demand is even more difficult for the U.S. side to accept. Even Tokyo is not pressing hard for that one. Still, the movement towards greater local control over operations at U.S. bases is irreversible. This was demonstrated in November when the Japanese government requested that the U.S. Air Force turn over air traffic control around Kadena Air Force Base, after trouble with the U.S. radar delayed commercial flights into Naha earlier that month.

Finally, even with successful resolution of the Futenma transfer issue before the July G-7 Summit (which now seems much more likely than not), Washington and Tokyo will have to decide what kind of facility to build. The options are either a megafloat base or a hybrid landfill option. While Kishimoto has a narrow majority in Nago in favor of accepting the base, that majority could quickly become a minority if it is specified what kind of facility would be introduced. Some want the megafloat because it can't be seen. Others want the hybrid because it represents more work for local construction companies. It is unlikely that the U.S. or Japanese governments will drive either group out of the pro-base camp by announcing a decision before President Clinton goes to Okinawa in July. But sooner or later a decision has to be made, and few are focusing on it at present.

Nuclear Weapons?

For drama this quarter, not even Okinawa could match newly appointed parliamentary vice minister of defense Shingo Nishimura's bombshell on nuclear weapons. Nishimura was appointed from Ichiro Ozawa's Liberal Party to be the new Obuchi cabinet's defense chief because of his expertise on defense preparedness legislation. That legislation is supposed to be priority for the coming year. Unfortunately, Nishimura had given an interview to *Playboy Weekly Japan*, published shortly after his appointment, that called for Diet consideration of nuclear weapons. Japanese politicians have probably lost some of their fear about discussing nuclear weapons over the past few years, but the allergy against advocating possession is still very strong. Nishimura lasted a few weeks before being forced to retire (with full military honors) on November 21. He was replaced by Tsutomu Kawara, a leader in the LDP defense caucus who also has expertise on the upcoming defense legislation. Kawara will have a steady hand on defense policy. Perhaps more importantly, Kawara was JDA chief ten years before

being forced to resign because of the tragic collision of a JMSDF submarine with a cruise boat. In contrast to Nishimura, he can be counted on to be cautious with the press.

Trade Irritants

While trade issues were underplayed in the U.S. presidential primaries, things were still hot between the U.S. Trade Representative (USTR) and the Ministry of International Trade and Industry (MITI) over steel, dumping, telecommunications, and insurance. Japan's ballooning trade deficit in October (\$7.2 billion, an 8.1 percent increase from the month before) set the context for more contentious bilateral dialogue on trade. On November 18, Japan formally filed a WTO complaint against the United States after a series of judgments led to duties on Japanese cold rolled steel, pipes, and steel plate. In the early December WTO session in Seattle, U.S. and Japanese officials squared-off over Japan's attempt to strengthen WTO leverage against U.S. anti-dumping practices and U.S. efforts to force open agriculture markets. Senior USTR officials called Japan the "world's greatest dumping nation" and even President Clinton blamed Tokyo for the failure of the Seattle meeting, because of Japan's intransigence on agriculture. Overall, though, the fiery rhetoric failed to spark a major bilateral problem. For one thing, Japan is not alone in criticizing U.S. trade policy, the EU, South Korea, and other nations having similar views. For another, every participant knows that this WTO round is attempting to address the most intractable and political areas of trade policy (agriculture, labor laws, etc.) and that the process will not yield results anytime soon. This was not, in other words, an *accute* crisis in U.S.-Japan relations, though tensions will continue as the WTO moves forward.

Other areas of the trade relationship also became testy this last quarter. Frustrated with NTT's high access fees in Japan's telecommunications sector, the Clinton administration has been calling for a "Telecom Big Bang" to parallel the deregulation of the Japanese stock market. USTR has also pressed Japan to live-up to unfulfilled commitments in previous insurance agreements.

So far none of these trade issues have become significant political problems -- as evidenced by the generous tone of the major presidential candidates toward Japan. A lot of this has to do with the relative strength of the U.S. economy and Japan's difficulty restarting a sustainable recovery. The Obuchi cabinet's announcement of a \$172 billion stimulus package in October showed that Japan is trying, but Japan is still down. Initial good news of 2.5 percent GDP growth rates in the January to June period have given way to less exciting news of only 1.5 percent growth rates in the July to September period. It is hard to kick Japan when the economy is down -- unless, of course, the U.S. economy is also down. And that is one important variable that could change.

Japan Going Asian?

Finally, about the time that *Yomiuri* and Gallup announced the good news about how much Americans and Japanese like each other, Japan participated in its third Asians-only summit. The meeting took place in Manila over the Thanksgiving holidays, which may explain why so few American experts took notice. Still, it was striking how much the summit of ASEAN Plus Three (Japan, China, South Korea) looks like the controversial East Asian

Economic Caucus proposed as an anti-Western move by Malaysia's Mahathir at the beginning of the 1990's. Certainly, Japan shares with these Asian countries some disagreements with the United States over U.S. trade policy. But the Manila meeting was not really a threat to the U.S.-Japan Alliance. For one thing, the EAEC seemed threatening in the early 1990's when people thought that multilateral meetings in Asia would have real teeth. Now that it is apparent they do not, there is a proliferation of forums. In addition, Japan's motivation was not to isolate the United States. In fact, the main agenda item Tokyo tried to push in its sidebar trilateral with South Korea and China was controlling North Korean missiles. China refused, so the three discussed trade and economic issues instead. But it is understandable that Japan is diversifying its diplomatic tools in this way. With Asia Pacific Economic Cooperation (APEC), ASEAN Regional Forum (ARF), and a host of other forums that do include the United States -- and with a healthy U.S.-Japan Alliance -- there is little danger of this developing into a break with the United States.

Chronology of U.S.-Japan Relations October - December 1999

Nov 18: Japan files a World Trade Organization (WTO) complaint about U.S. anti-dumping policy.

Nov 21: Parliamentary vice minister of defense Shingo Nishimura resigns over nuclear weapons interview and is replaced by Tsutomu Kawara.

Nov 22: Okinawa designates Nago as the site for the relocation of Futenma Marine Corps Air Station.

Nov 27- 28: Manila Meeting of ASEAN Plus Three with Japan, China, and the ROK.

Dec 2: Japanese Foreign Minister Kono and U.S. Secretary of State Albright meet on the wings of the Seattle WTO session, focusing on bilateral WTO disagreements.

Dec 19: *Yomiuri* publishes a Gallup poll demonstrating the strength of U.S.-Japan relations.

Dec 20: The Japan Defense Agency announces a delay in the F-2 program.

Dec 27: Nago announces it will accept the new Marine Corps Air Station.