

U.S. Policy toward Japan from Nixon to Clinton: An Assessment

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The chapters in this volume analyze some of the most important issues in contemporary U.S.-Japan relations. Fully half the chapters, those by Robert Bullock, Jennifer Dwyer, Kato Junko, and Kojo Yoshiko, focus on economic matters, which is indicative of the central position occupied by issues related to government deregulation and fiscal and monetary policy in the research agendas of political scientists today, and in the policy agendas of those responsible for managing foreign policy. The chapters by Tadokoro Masayuki and Robert Uriu focus less on specific policies and more on the dominant ideas and assumptions of policymakers, and on the ways those ideas and assumptions are transmitted by the mass media and influence policymakers' choice of strategies. The chapters by Michael Green and Tanaka Akihiko discuss the security dimension of the U.S.-Japan relationship and the way security relations have been adapted to, and continue to be challenged by, momentous changes in the regional and global international system.

The purpose of this chapter is to provide an overview of U.S. policy toward Japan and a kind of backdrop for the following chapters. I do so by focusing my attention on two issues that have been matters of perennial concern in postwar U.S.-Japan relations, that have been sources of tension in the relationship across many administrations, that in many ways illustrate important general features of U.S. policy toward Japan, and that raise important questions about the future. The two issues are U.S.-Japan trade relations and the impact of China policy on the U.S.-Japan bilateral relationship.

In considering the implications of this history for the future of U.S.-Japan relations, I am cognizant of the dangers involved in making forecasts that are based upon projecting our knowledge of the past into the future. Few people in the years following the end of World War II, when the United States and Japan took the first steps to forge a new political, economic, and security relationship, imagined just how successful that effort would prove to be. Nor did American leaders in those days anticipate how quickly a prostrate Japan would rise from the ashes of defeat to resume at an accelerated pace its goal to catch up with the West economically. It is at least as difficult today to predict the impact on the United States

and Japan, and on their bilateral relationship, of new forces unleashed by economic globalization and the information technology revolution or by the end of the cold war and China's emergence as a major power.

Nonetheless, looking back over the way the U.S. government has dealt with Japan over trade and China is useful for contemplating the future. An analysis of these issues draws our attention first of all to important continuities in postwar U.S. policy toward Japan. The assumptions with which American political leaders, Republican and Democrat, approach Japan have remained remarkably constant throughout the period under review. This fundamental continuity in policy toward Japan has threaded its way through changes in governments, in economic and social conditions, in public opinion, and in the international political system.

An analysis of U.S.-Japan trade relations and of the impact of China policy on relations between Washington and Tokyo also sets in sharp relief the profound changes that have occurred in the variables that constitute the context for U.S.-Japan relations. The end of the cold war and the emergence of a far more fluid and potentially unstable international situation in East Asia, the uncertainties about China's economic prospects and future foreign policy, and the United States' economic renaissance and Japan's economic troubles amidst a rapidly changing global economic and financial system raise important questions about whether long established continuities in U.S. policy toward Japan can be, or should be, sustained into the twenty-first century.

This chapter concludes on a note of cautious optimism about U.S. relations with Japan. The optimism is anchored in the reality, recognized by every postwar U.S. president, that a positive relationship with Japan serves American political, economic, and security interests. The caution is rooted in the equally important reality that many of the past assumptions that guided U.S. policy toward Japan are no longer operative. Continuity in U.S.-Japan relations should not be simply taken for granted. A changed context for U.S. relations with Japan means that U.S. policymakers have to pay greater attention to the way U.S. policies in East Asia will impact on Japanese foreign policy and how policy toward Japan can contribute to realizing U.S. goals in the region. The challenge is not to fundamentally change the U.S. relationship with Japan but to design a strategy to sustain that relationship in the changed world of the twenty-first century.

THE NEW BEGINNING

The story that I tell in these pages begins in the late 1960s when Richard Nixon became president. In many important ways, Nixon's election in 1968 marked the "end of the postwar" in U.S.-Japan relations and the beginning of a new era in the relationship, many features of which have characterized U.S. policy toward Japan ever since. The "textile wrangle" with Japan during the Nixon years was the first of countless bitter and highly politicized bilateral trade disputes. Nixon's "China shock" initiated a style of dealing with Japan over China that has continued to characterize subsequent administrations, including that of Bill Clinton. Suspension of the convertibility of the U.S. dollar into gold ended the postwar Bretton Woods system of fixed exchange rates. The return of Okinawa to Japanese control in 1972 set the basis for the development of an expanded security relationship.

President Nixon and his national security advisor, Henry Kissinger, established patterns of policy making toward Japan that marked a sharp departure from earlier practices and that would prove to have a profound influence on later administrations. Indeed, much of what we now think of as typical features of U.S. policy making concerning Japan had their genesis in the Nixon presidency.

One of these features has been the absence of consultation with Japan over policy toward China. This pattern of policy making got off to a dramatic start with Kissinger's secret visit to Beijing in 1971. President Jimmy Carter and his national security advisor, Zbigniew Brzezinski, followed the path laid down by Nixon and Kissinger, bypassing Japan on the way to China. This pattern of "going over the head" of Japan to pursue relations with China moderated somewhat under President Ronald Reagan and George Bush, as discussed below, but was very much in evidence once again in the Clinton administration.

The Nixon presidency also marked the beginning of a new and contentious period with respect to U.S.-Japan trade and economic relations. Ever since the Nixon-period textile dispute, U.S.-Japan trade relations have been marked by a pattern of recurring confrontations, intense congressional pressure on the administration to get tough with Japan, and grudging minimal concessions by Japan in response to these pressures.

Every administration since Nixon's has been characterized by a kind of thrashing about for an effective approach to dealing with Japan over trade. This has led U.S. policy through import surcharges, antidumping sanctions, voluntary export restraints, "market oriented

sector specific” negotiations (the MOSS talks), a Structural Impediments Initiative (the SII negotiations), and various efforts to secure guaranteed market share for American and other foreign businesses in Japan. The last effort culminated in the Clinton administration’s spectacularly unsuccessful effort to establish a “results oriented” trade policy toward Japan.

If improvisation in terms of tactics in the face of congressional pressure to do something about the trade problem has been a continuing feature of U.S. policy toward Japan since Nixon, so too has been the steadfast determination by every U.S. president to maintain a high fire wall to separate trade conflict from the two countries’ security relations. No matter how heated trade and economic frictions have become, no president has sought to use the threat of withdrawal of the U.S. security commitment to Japan as a lever to extract trade concessions. Even the Clinton administration, which went further than any earlier administration in emphasizing the importance of economic factors in foreign policy, in the end kept the fire wall between the trade and security dimensions of the U.S.-Japan relationship high.

For Nixon and for his successors in the 1970s, Gerald Ford and Carter, this separation of economic and security issues in U.S.-Japan relations may have been partly a matter of luck. In those days, unlike our own now, trade and international economic relations were viewed as entirely distinct from national security concerns. Nixon, Ford, and Carter, and most especially their chief foreign affairs advisors, Kissinger and Brzezinski, were not particularly interested in or knowledgeable about trade and international economic matters. Their foreign-policy strategies were rooted in conceptions of geopolitics that gave scant room to trade and economic considerations. One reason there was no linkage of trade and defense relations was that the key foreign-policy makers did not tend to think in terms that crossed the security-economy divide.

Luck, however, could not have been more than a minor factor in accounting for this determination not to let trade disputes adversely affect the security relationship. Nixon must have been sorely tempted to hold back on Okinawan reversion in order to extract concessions from Japan on textiles, and he was furious when his expectations that Prime Minister Sato Eisaku would deliver important concessions were betrayed. Neither Nixon nor any subsequent president, however, was about to make the U.S.-Japan security relationship hostage to the satisfactory resolution of trade and economic differences. Every president since the end of World War II has recognized that maintaining a strong security alliance with Japan

is in the vital national interest of the United States.

One might assume that the end of the cold war would cause U.S. leaders to reconsider that assessment of the importance of the Japan alliance. The evidence so far is that to the extent that a careful reassessment has been made, it has led to the conclusion that alliance with Japan remains just as important in the post-cold war world as it was when the cold war was raging. In April 1996, President Clinton and Prime Minister Hashimoto Ryutaro issued a Joint Declaration on Security that emphasized the importance of the U.S.-Japan Security Treaty for maintaining peace and stability in the post-cold war Asia Pacific region, and they agreed to revise the Guidelines for U.S.-Japan Defense Cooperation that had been adopted in the late 1970s in order to strengthen military cooperation in the event of contingencies in the region. These developments suggest that both the United States and Japan are seeking ways to strengthen rather than loosen their security relationship.

Nixon's and Kissinger's style of foreign-policy making had an important effect in accelerating and reinforcing pressures that were already at work to shift control over political relations with Japan, and major foreign-policy decision making more generally, away from the Department of State and into the National Security Council. Nixon was secretive and confident of his own abilities when it came to foreign policy, and Kissinger was determined to wrest control over foreign policy away from the State Department and into his own hands. Together Nixon and Kissinger managed to shut out Secretary of State William Rogers from important decisions, the most dramatic example of course being the process by which Nixon and Kissinger engineered the administration's opening to China.

The decline of the State Department's control over Japan policy, however, was only partly due to Nixon's and Kissinger's determination to handle important foreign-policy issues themselves. By the early 1970s, the U.S.-Japan relationship, due in large part to Japan's rapid economic growth, had deepened and broadened considerably. This had the effect of changing the bureaucratic politics of Japan policy in Washington. The growing importance of trade and monetary issues created important stakes for the Departments of Commerce and the Treasury in relations with Japan and brought the Council of Economic Advisers, not just the National Security Council, into the Japan picture. It also made Congressional pressure a much more potent force in the formulation of Japan policy than ever before. Well into the 1960s, the assistant secretary of state for East Asia and the chief of the Japan desk dominated the formulation of Japan policy in the U.S. government. That was no longer the case after Nixon

came to power and Kissinger came to the White House. It was no longer possible, and it is not possible today, to talk of a single “Japan policy” in the U.S. government in the sense of a coherent, comprehensive, bureaucratically well-coordinated strategy for dealing with Japan.

Another characteristic of U.S. policy making with respect to Japan that can be traced back to Kissinger and other key players in the Nixon administration, such as Secretary of the Treasury John Connally, is the widespread acceptance of the idea that Japan is somehow unique, that its economic institutions and basic cultural characteristics make it an outlier among trading nations, and that this uniqueness requires and justifies tailor-made approaches and policies. This view grew stronger and wider over time as the Japanese economy boomed, Japan’s trade surplus with the United States became ever larger, and the view that Japan posed an economic threat to the United States perhaps greater in its long-term implications than the Soviet military threat became increasingly popular. The notion that Japan’s competitive edge was rooted in unique cultural features that made it impossible for other countries to engage with Japan on a “level playing field” gave rise to the popularity of so-called revisionist thinking in the United States, thinking that was to become the ideational basis for the Clinton administration’s trade policy toward Japan. Although revisionism became a buzzword only in the late 1980s, the roots of this kind of thinking about Japan can be traced back to the attitudes of the men who made Japan policy in the Nixon administration.

THE CHINA ISSUE

It has become rather fashionable to speak of a U.S.-Japan-China “triangle,” but the notion that these three countries have some kind of triangular relationship has far less analytical utility or historical relevance than the constant invocation of the triangular metaphor might lead one to suspect. It is true of course that relations among the United States, Japan, and China involve three countries and that the policies that one of those countries pursues toward another one will be of concern to the third. But if implicit in the idea of a U.S.-Japan-China triangle is the assumption that each country in the triangle formulates its policies toward another on the basis of a careful consideration of the way it will affect relations with the third, then the triangular imagery is quite misleading.

Until Nixon initiated an opening to China in 1971, the singular goal of postwar

American East Asian policy was to balance Soviet power and contain communist influence. Japan was incorporated into the U.S. military alliance structure, a junior partner of the United States in the cold war whose role was to facilitate the projection of American power into East Asia as provided for by the Security Treaty. China was regarded as a member of a unified communist bloc, and continued to be so regarded even in the face of evidence of a serious Sino-Soviet split. U.S. policymakers saw the world in bipolar, not multipolar, terms. There was no room for a U.S.-Japan-China triangle in this worldview; indeed, the United States firmly rejected Japanese efforts to break out of the rigid bipolar mold in developing Japan's policy toward China.

Prime Minister Yoshida Shigeru, the Japanese architect of the postwar peace settlement that Japan made with the United States and most of the Allied powers, had a quite different view of China from that of the American architect of that settlement, John Foster Dulles. Yoshida believed that nationalism was stronger than communism in China, and he also assumed that access to the China market would have to be an important element in Japan's economic recovery. Yoshida was anxious to recognize the new People's Republic of China government, quickly resume trade relations with Beijing, and possibly gain some diplomatic maneuvering room vis-à-vis the United States by developing ties with China. The U.S. government spared no effort to dissuade Yoshida from pursuing this course, including a threat issued by key U.S. senators at Dulles's request that Japan's failure to recognize Chiang Kai-shek's government on Taiwan as the legitimate government of all China might cause the Senate to fail to ratify the San Francisco Peace Treaty. Until the Nixon administration's "China shock" freed Japan from the constraints on its China policy that the United States had imposed, the Japanese government pursued a policy known as "separation of politics and economics" (*seikei bunri*), namely, the development of rather low levels of trade relations with China through private and semiofficial channels and support for the U.S. policy of diplomatically isolating China.

There was of course a triangular relationship involved in President Nixon's decision to send his national security advisor, Kissinger, on his famed secret mission to Beijing in July 1971, but the triangle was a U.S.-Chinese-Soviet one. The United States hoped to use its new relationship with China to nudge Moscow toward acceptance of the concept of *détente*, and China hoped to use its new relationship with the United States to strengthen its power position vis-à-vis its communist-camp adversary.

That the U.S. decision to end China's isolation had everything to do with the Soviet Union and nothing to do with Japan was made all too obvious to the Japanese by the manner in which the opening was accomplished. It may have been unrealistic to expect that Kissinger would consult with the Japanese about a shift in China policy—after all, Kissinger did not even consult with Nixon's own secretary of state—but Prime Minister Sato was embarrassed nonetheless that his government was not given advance notice of the public announcement of the opening of U.S.-China normalization talks. Kissinger has admitted in his memoirs to a “serious error in manners” in not finding a way to moderate the shock that his secret mission to Beijing caused in Tokyo (1979, 762). He has not admitted to any error in strategy, however, for the perfectly good reason that he believed then and later that Japan had no option but to adjust to the new American line on China.

Others took quite a different view at the time. U. Alexis Johnson, the U.S. ambassador to Japan just prior to Nixon's coming to office and one of the most influential Japan hands in the State Department, drew a much more severe conclusion in his memoirs, noting that Kissinger's “passion for secrecy, combined with his contempt for the [State] Department and disdain for the Japanese, threw a devastating wrench into our relations with Japan on the question of China” (Schaller 1997, 225).

In the light of developments in U.S.-Japan-China relations over the three decades since Kissinger's first trip to Beijing in 1971, it would be difficult to make a convincing case that the Nixon administration's secret diplomacy with the Chinese had a “devastating” impact on U.S.-Japan relations with respect to China. No doubt it sowed seeds of suspicion in Tokyo about U.S. policy and established a pattern of playing down the importance of consultations with the Japanese on China policy. Embarrassed and angry as they were at Nixon for his failure to notify the United States' key ally in East Asia about his new China policy, however, Japanese government leaders, who had suspected for months before Kissinger's visit that U.S. China policy was going to change, quickly made their adjustment to the new situation. They moved with remarkable speed to catch up with the United States and then moved out ahead of it by establishing formal diplomatic relations with China in 1972, seven years before the United States did so.

The historical record suggests that we should not make too much of the adverse impact of the Nixon administration's failure to give advance warning to the Japanese about the U.S. opening to China. Far more important than not giving prior notice to Japan about the U.S.

shift in China policy is what Nixon and Kissinger said about Japan in their meetings with Mao Zedong and Zhou Enlai. Nixon and Kissinger did not try to convince the Chinese leaders that postwar democratic Japan was determined to pursue a peaceful foreign policy and prevent a resurgence of military power. The thrust of their remarks was that the best way to prevent Japan from once again becoming an important military factor in the region was to keep it allied with and subordinated to the United States.

In Nixon's and Kissinger's geopolitical perspective, it was imperative that the United States remain a military power in East Asia and that it continue to be able to forward deploy its forces on bases in Japan. Thus, Nixon and Kissinger saw as one of their most important tasks convincing the Chinese leaders that it was in China's vital national interest to have the Security Treaty remain in force and to have U.S. military forces continue to be stationed in Japan. They did so by playing on Chinese fears of a revival of Japanese militarism.

Kissinger notes in his memoirs that he stressed to Mao that "China's fear of Japan could best be assuaged by a continuing U.S.-Japanese alliance" (1979, 756). Both Kissinger and Nixon stressed the role that the U.S.-Japan alliance played in keeping a lid on Japanese military power, as serving as a "rein on Japanese unilateralism," as Kissinger put it (1979, 1089). Here is Nixon, for example, talking to Zhou: "[T]he United States can get out of Japanese waters, but others will still fish there. If we were to leave Japan naked and defenseless, they would have to turn to others for help [a warning that the Japanese would look to the Soviets?] or build the capability to defend themselves. If we had no defense arrangement with Japan, we would have no influence where they were concerned." Since a Japanese-Soviet military alliance was too far fetched for Zhou or anyone else to take seriously, this was a thinly veiled warning that the only alternative to a U.S.-Japan alliance was an independently militarily powerful Japan. Nixon went on to drive the point home: "If the United States is gone from Asia, gone from Japan, our protests, no matter how loud, would be like firing an empty cannon. We would have no effect, because thousands of miles away is just too far to be heard" (Nixon 1978, 567).

Nixon and Kissinger, in other words, worked hard to convince the Chinese leadership that it was in China's interest to avoid a U.S.-Japan-China triangular relationship in East Asia. It would be far better to keep Japan in the snug embrace of the United States, which would delay for a considerable time if not avoid altogether Japan's revival as a military power. They no doubt took this posture in part for opportunistic reasons, seeing it as a

persuasive argument to use with the Chinese to gain their acquiescence to the continuation of the Security Treaty and the presence of U.S. forces in the region. It was easy for them to do so, however, because both Nixon and Kissinger viewed Japan in ways that were remarkably compatible with Mao's and Zhou's views.

Nixon and Kissinger prided themselves on being realists in international affairs, and realist theory demanded that as Japan became economically stronger it would seek to become more powerful in its region and in the world in political and military terms, as well. Realists have argued for years that Japan was about to become a "normal" country. Kissinger did so when he was in public office, and he has continued ever since to adhere to the view that Japan will soon decide to develop a military posture commensurate with its economic capabilities. That may happen one day, and if it does realists will be quick to claim that their theory has been confirmed. One has to wonder, however, about the utility of a theory that has been so spectacularly wrong with respect to Japan for at least the past thirty years. It is not enough to say, as its defenders do, that the theory seeks to explain general characteristics of the international system rather than the policies of any particular country. Given its economic power and its military potential, Japan is too important a case to be dismissed as simply an exception to the rule.

Both Nixon and Kissinger believed that pressures emanating at the international level would overwhelm pacifist opinion in Japan and drive it in the direction of major rearmament. They may not have shared the Chinese fear of the Japanese as being somehow inherently militaristic, but their penchant for realist thinking gave them a perspective on Japan that was far more compatible with views they heard in China than any they heard in Tokyo.

In February 1970, shortly after agreeing to return control over Okinawa to Japan, Nixon predicted that Japan would no longer be reluctant to involve itself in world affairs and that he "wouldn't be surprised if in five years we didn't have to restrain them" (Schaller 1997, 220). This was a rather astounding statement for someone who had gained a reputation for being a brilliant analyst of international affairs. Nixon later boasted that he was tough with the Chinese, telling them that if they did not agree to strategic cooperation against the Soviets on American terms, the United States would encourage Japan to develop nuclear weapons. "We told them that if you try to keep us from protecting the Japanese, we would let them go nuclear" (Schaller 1997, 230), as if the only thing holding the Japanese back from becoming a nuclear power and a menace to the region was the United States and its Security Treaty with

Japan.

The popularity of the idea that the Security Treaty is the “cap in the bottle” of Japanese militarism is a legacy of the Nixon-Kissinger era, even if the phrase itself is not. (It was coined in March 1990 by Major General Henry Stackpole III, the commander of Marine Corps bases in Japan). The Chinese accepted this interpretation and gave passive if not open support for the Security Treaty until the mid-1990s. Their views turned decidedly more negative with the issuance of the 1996 Joint Declaration on Security by President Clinton and Prime Minister Hashimoto and a subsequent revision of the Guidelines for U.S.-Japan Defense Cooperation that called on Japan to play an expanded role in supporting U.S. forces engaged in hostilities in “areas surrounding Japan.” Chinese leaders appear to have viewed these developments as an attempt to pull the cap at least partway off the Japanese military bottle.

Nixon’s and Kissinger’s readiness to reinforce Chinese fears of revived Japanese militarism as a means of getting the Chinese to accept the Security Treaty drew sharp criticism from U.S. officials responsible for managing relations with Japan. The U.S. ambassador to Tokyo at the time, Armin Meyer, warned Nixon and Kissinger against trying to “persuade the Chinese that the United States–Japan security relationship had a restraining effect on Japanese ‘militarism.’ This would inevitably get back to Japan, undermining Japanese confidence in the U.S. and weakening the U.S.-Japan relationship just as Beijing desired” (Schaller 1997, 242).

It must be emphasized that Nixon and Kissinger, who understood that the Japanese did not have much choice but to acquiesce to American policy toward China, were more realistic about the short-term consequences of their position than were the U.S. ambassador and the Japan hands in the State Department. Nixon and Kissinger were not inclined to pay much attention to Japanese sensitivities when there was little Japan could do to upset U.S. China policy and when the United States was engaged in a historic effort to mobilize China to create a new balance of power with the Soviet Union.

It should also be noted that if Nixon and Kissinger had opted for a strategy that involved close consultation with Japan, they almost certainly would have been frustrated by the Japanese government’s reluctance to engage in such consultations. It is difficult to imagine that Japanese political leaders, if Kissinger had solicited their views, would not have voiced the concerns of the ruling party’s powerful Taiwan lobby or that they would not have

leaked information about an impending U.S. opening to China to protect themselves from attack by this lobby. Whatever their embarrassment at being ignored, Japanese political leaders surely found it easier to break relations with Taiwan and establish them with Beijing once they were faced with the *fait accompli* of the new U.S. China policy.

U.S. unilateralism proved to be convenient for Japanese political leaders with respect to China and many other foreign-policy issues as well during the cold-war years. By claiming that the United States had acted without consulting Japan and that as a result Japan had no choice but to adjust its own policies to the new situation, Japanese political leaders were able to shift the burden of responsibility for politically controversial decisions off their own shoulders and onto those of the U.S. government. It is doubtful that senior officials in Washington ever understood this dynamic or grasped the point that consultations are not simply an issue of etiquette but also a way to get Japan to take positions on important issues, and to assume public responsibility for the positions taken.

FROM KISSINGER TO BRZEZINSKI

The election of Carter as president in 1976 and his appointment of Brzezinski as his national security advisor, even though it meant a shift from a Republican to a Democratic administration, did not alter the basic lines of U.S. policy toward Japan with respect to China that had been established by Nixon and Kissinger. Brzezinski was intent on pushing the U.S.-China strategic relationship further than Kissinger had been able to take it. Japanese leaders for the most part were ignored by the new leaders of the U.S. government on China matters, as they had been by the administrations of Nixon and Ford. Kissinger's success when he was national security advisor in grasping control over China policy and cutting out the State Department set a precedent that Brzezinski was all too eager to continue. It was not long before he and Secretary of State Cyrus Vance were engaged in a struggle for influence with the president on a range of foreign-policy issues, including China.

“Consultations” with Japan about China amounted to little more than Brzezinski's stopping in Tokyo on his way back from Beijing to urge Prime Minister Fukuda Takeo to get on with signing a formal peace and friendship treaty with China and to accept China's demand for the inclusion of an “antihegemony” clause aimed at the Soviet Union if that is what it would take to bring the negotiations to a successful conclusion. The Carter

administration was pushing hard to establish formal diplomatic relations with China, and Brzezinski wanted Japan to be fully in line with U.S. strategy in East Asia.

The Japanese government, concerned about aggravating its relations with the Soviet Union, hesitated to accept the antihegemony language that the Chinese proposed. By August 1978, however, anxious that it might miss the latest bus to China if its own negotiations for a peace and friendship treaty remained stalled while U.S.-China normalization moved forward, the Japanese government reached agreement on a treaty that included an antihegemony clause. The treaty language made a concession to Japanese sensibilities by referring to hegemony “by any country,” which supposedly enabled the Japanese government to tell the Soviets that it was not aimed against them.

Brzezinski’s lack of attention to the Japan relationship during the time he served in the Carter administration is somewhat surprising. He had written a book about Japan (Brzezinski 1972), and before entering the government he had been a key figure in establishing and providing the intellectual leadership for the Trilateral Commission, which was created in the belief that there needed to be a broader dialogue and closer consultations between Americans and Europeans on the one hand and Japanese on the other. Perhaps all that this neglect of Japan indicates is that policymakers, unlike university professors, become preoccupied with immediate issues that need resolution. The Carter administration had decided to make an all-out effort to establish formal diplomatic relations with China, and it saw little reason to involve Japan in that effort. Japan, after all, had established diplomatic relations with China several years earlier.

To the extent that there was a difference in U.S.-Japan relations with respect to security issues in the Carter-Brzezinski years from what they were when Nixon and Ford were in power and Kissinger was in charge of foreign policy, it was a difference that grew out of the Carter administration’s skepticism about détente. Kissinger tried to play a China card to draw the Soviets into accepting the premises of détente. Brzezinski was a severe critic of détente and saw his China card as a way to maximize the power of forces opposed to Soviet expansionism.

Because of this concern about containing Soviet power, the Carter administration put more emphasis on the importance of Japan’s strengthening its own military capabilities and taking over more of the burden of its own defense. Pressures to strengthen the military component of the alliance resulted in a Japanese proposal that the two countries establish

clear guidelines for U.S.-Japan defense cooperation. The U.S. responded positively to this initiative, seeing the adoption of the guidelines as a way to integrate Japanese defense forces more closely with U.S. forces. Japan saw them as a way to specify the limits on its own security role. The guidelines did not change Japan's "defensive defense" strategy but they did consolidate an evolving change in relations between the U.S. and Japanese militaries. Instead of Japanese forces supplementing U.S. power in the event of an attack on Japan, now Japan was to take primary responsibility for its own defense, while American military actions would focus on threats to regional security. The guidelines agreed to by the Carter administration remained in effect until they were revised by the next Democratic president, Clinton, nearly twenty years later.

Unlike their surprise at the "China shock" in 1971, Japanese leaders were well aware in 1978 that the new president would press forward to complete the task of normalizing relations with China. They were far more nervous about other aspects of the new administration's policy in East Asia than its China policy. Japanese looked on with alarm as candidate Carter staked out a position during the presidential campaign in favor of removing U.S. troops from South Korea. After coming into office, Carter did not consult with Japan on his troop-withdrawal plan, even though it struck at the heart of Japanese security concerns, nor did he consult with Japan when he decided to reverse himself and keep U.S. troops there.

On top of the uneasiness the Korean troop-withdrawal issue created in Tokyo, the United States and Japan found themselves in a heated argument because of Carter's nuclear nonproliferation policies. As the only country ever to suffer a nuclear attack, Japan was particularly sensitive to anything having to do with nuclear weapons. As a country almost totally bereft of natural energy sources, it also had a major peaceful nuclear energy program in place. Carter believed that Japanese plans to build a nuclear fuel reprocessing plant at Tokaimura (which became the site of a nuclear accident, and near nuclear disaster, in September 1999) raised proliferation dangers, and he sought to get the Japanese government to suspend construction. This issue sparked a great deal of hostility among Japanese leaders toward the Carter administration. The U.S. policy was seen as reflecting a lack of trust in the Japanese commitment not to develop nuclear weapons and as an effort to restrict the development of peaceful nuclear energy production in a country that had few alternatives. The matter was eventually resolved, but President Carter's one term in office, far from ameliorating the tensions that had resulted from the China policies pursued by Nixon and

Ford, generated further difficulties in relations with Japan due to the Korean troop-withdrawal issue and the flap over nuclear reprocessing.

THE RON-YASU RELATIONSHIP

Reagan's election as president produced important changes in the Japan policy line that had been laid down by Nixon and Kissinger and that had been continued by Carter and Brzezinski. Reagan was not enthralled with China, as Nixon and Carter and their national security advisors had been, and he did not have to deal with the problems of opening a dialogue or establishing formal diplomatic relations with China, since his predecessors had accomplished those tasks. Unlike Nixon, the conservative practitioner of Realpolitik, Reagan was an ideologue whose sympathies for Taiwan made him less than enthusiastic about embracing the Chinese to fight the "evil empire" of the Soviet Union.

Reagan was more inclined to embrace Japan, and he found himself dealing with a kindred soul in the person of Prime Minister Nakasone Yasuhiro. Nakasone was a well-known nationalist who took pride in his knowledge of international affairs and in his ability to think in global and strategic terms. The two leaders established a "Ron-Yasu" relationship that seems to have been genuinely warm, based on a common view of the Soviet threat, and rooted in an understanding of the importance of their two countries having the closest possible relationship.

Few observers would have guessed, when they first came to power, that Reagan and Nakasone would get along so well. Reagan and his secretary of defense, Caspar Weinberger, believed in confronting the Soviet Union with overwhelming military power and, at least in Reagan's first term, in strengthening ties with Taiwan. It would have been reasonable to expect that Reagan would pressure the Japanese government to increase its defense budget and take a larger security role and to move closer to the Reagan administration's position on Taiwan. Nakasone, for his part, came into office with a reputation of being something of a Japanese-style Gaullist. He had worn a black tie to every National Diet session during the Allied Occupation because he believed the nation was in mourning until the U.S. occupying army left Japan. Many people both in Japan and in the United States believed that he wanted to see a loosening of Japan's bonds with the United States in favor of a more "autonomous" defense.

Reagan's and Nakasone's behavior confounded these expectations. The Reagan administration fundamentally shifted U.S. strategy toward Japan on defense matters. Rather than try to negotiate how much the Japanese government should increase its defense budget, it focused its attention and its negotiations with Japan on missions and roles. The idea was that if agreement could be reached with Japan on defining new roles and missions for Japan's Self-Defense Forces, then the Japanese themselves would decide how much it would cost to live up to the terms of the agreement. The earlier emphasis on budgetary expenditures had been a carryover from the Occupation, involving American officials in a domestic decision-making process in ways that were highly inappropriate. The "roles and missions" approach quickly produced positive results, the first being the decision by the short-lived Suzuki Zenko government that preceded Nakasone's selection as prime minister in 1982 to expand Japan's defense perimeter to sea lanes extending a thousand miles southeast and southwest from Japanese shores.

Quite contrary to his image as a proponent of autonomous defense who wanted to put greater distance between Japan and the United States on security matters, Nakasone sought every opportunity to demonstrate to the Japanese public that Japan's security was ineluctably linked to U.S. power and that U.S. and Japanese policies must be formulated in the context of a global, not simply a regional, balance of power. Nakasone succeeded in convincing Reagan that it was essential that an agreement with the Soviet Union to remove SS-20 missiles aimed at Western Europe should also prohibit their redeployment to East Asia. Nakasone declared that Japan was an "immovable aircraft carrier" in the cause of free-world security and openly criticized the pacifism-in-one-country mentality so dominant in Japan. The sharp differences over China policy and tensions in defense relations that had characterized U.S.-Japan relations in the 1970s were muted during the years that Ron and Yasu were in charge.

Another reason for the positive turn in U.S.-Japan relations during the Reagan years was the role played by George Shultz. Shultz succeeded Alexander Haig as Reagan's secretary of state in 1982 and remained in that post until the end of the Reagan era. He was a professional economist whose worldview seemed to be formed more by considerations of relative economic power than by the kind of geopolitical thinking that Kissinger and Brzezinski favored. Shultz was skeptical about China's importance to the United States, arguing that fascination with China "has tended to make U.S. foreign policy in Asia Sinocentric. . . . For me, the centerpiece has always been Japan. By far the largest economy in

Asia, Japan is a key strategic partner and a dramatic example of successful democratic governance in an area where that is scarce” (Shultz 1993, 173). Shultz insisted that his first trip as secretary of state to Asia should be to Japan rather than to China, and he made a point of stopping off in Tokyo, as his predecessors had not done and as his successors would not do either, after visiting China to report to Japanese government leaders on his discussions there (Shultz 1993, 185).

Shultz, his economist view of the world driving his views on Japan, was against Japan becoming a major military power. “America must ensure that Japan is not tempted, because of Western neglect, shortsightedness, or hostility, to build an economic and military zone of its own in Asia. A strong Japan severed from America would be unnerving to Asia and the rest of the world. The other side of the coin is that Japan, through its intense competitive challenge, can help keep the massive potential and achievements of the American economy from declining through our own complacency” (Shultz 1993, 174). Together Reagan and Shultz, with their close working relationship with Nakasone and his minister for foreign affairs, Abe Shintaro, repaired some of the damage that had been done to U.S. relations with Japan by the preceding administrations. But they were unable to stem the tide of anti-Japanese sentiment that was rising in the country because of the gross imbalance in trade, as we shall see later in this chapter, and they were no longer in office when the Tiananmen Square Incident posed new challenges to the U.S.-Japan relationship with respect to China.

THE IMPACT OF TIANANMEN SQUARE

The Tiananmen Square Incident of 1989 played out in a curious way in terms of U.S.-Japan relations. Bush, who succeeded Reagan as president in 1989, had been ambassador to China and, unlike Reagan, was enthusiastic about developing closer ties with China. The Tiananmen Square Incident upset his plans because of the intense criticism in Congress and among the general public provoked by the Chinese government’s brutal suppression of prodemocracy demonstrations. The Japanese imposed sanctions on China, along with the United States and European countries, but they did so reluctantly and looked for the first opportunity to remove them.

Japan’s seeming lack of outrage over the actions of the Chinese government, and its alleged indifference to human-rights issues in China, produced a chorus of criticism in

Congress and the American media, but Bush did not join in this criticism. The Japanese prime minister at the time, Kaifu Toshiki, found himself in a politically rather advantageous position. He was able to pursue a China policy that at one and the same time served Japanese economic interests, made Kaifu look like a leader who would stand up to the Americans for Japanese interests, and enjoyed the quiet blessing of President Bush. When Kaifu proclaimed at the July 1990 Houston Group of Seven (G7) summit Japan's intention to resume loans to China, he was announcing the kind of policy that Bush would have liked to pursue if domestic political pressures in the United States had not prevented him from doing so. Kaifu had discussed China with Bush on the phone before traveling to Houston,¹ and I remember him telling me at the time that he had secured Bush's blessing for his policy, the assumption being that Japan would ease the way for the United States to resume normal relations with Beijing, as well. Bush's public comment on Kaifu's announcement that Japan would move forward with a US\$5.6 billion package for China was more supportive than a lot of Americans wanted. Japan "is a sovereign nation," Bush remarked, "that can make up its own mind on a lot of questions" (Mann 1999, 240). Kaifu almost certainly would not have been the first leader from a G7 country to visit China after Tiananmen Square without the implicit support of the U.S. government. What appeared to be a breaking of ranks with the West (Mann 1999, 247) was rather the consequence of close if not exactly public consultations with the United States.

It was unavoidable that U.S. leaders from Nixon to Bush would give far more attention to China than to Japan. The president, national security advisor, and secretary of state, with the singular exception of Shultz, saw foreign policy almost exclusively in political and military terms. Economics was a second-order issue. Japan was a given in the context of the cold-war struggle with the Soviet Union, while China offered an opportunity for innovative diplomacy. Strategists could design a China policy that could be expected to strengthen the U.S. position vis-à-vis the Soviet Union. Major changes in relations with Japan, however, could only cause problems, domestically in Japan and in U.S. relations with China and with South Korea and Southeast Asia, as well. Thus, a great deal of thought and energy went into designing a new China policy. There was no comparable incentive for innovative thinking about relations with Japan.

Moreover, in the 1970s in particular, American leaders were not concerned about Japan's taking actions that would complicate their relations with China. Given Japan's weak

power position, Nixon and Kissinger, and later Carter and Brzezinski, could safely assume that Japan, which after all had wanted to normalize relations with Beijing back in 1950, would follow in the tracks the Americans laid down, grumbling about not being consulted but accommodating itself to the new U.S. position.

Another factor, whose importance is impossible to measure, was that strategists like Kissinger and Brzezinski obviously enjoyed discussing global issues with the Chinese and were bored to tears by discussions with the Japanese. Kissinger had enormous difficulty engaging with the Japanese and chalked it up to Japan's being "a society whose structures, habits, and forms of decision making are so unique as to insulate Japan from all other cultures" (Kissinger 1979, 322). Since there was little worry that Japan would do anything to upset the United States' evolving China policy and little to be learned from listening to Japanese leaders' views, there was little incentive for busy officials to take the time to discuss China policy with Japanese leaders, even if they did represent the United States' most important ally in East Asia.

THE CLINTON ADMINISTRATION AND "JAPAN PASSING"

The Clinton administration came into office with one set of policies toward China and went out with another entirely different one. Clinton criticized the Bush administration in the 1992 presidential campaign for coddling the "butchers of Beijing" and committed himself to make most-favored-nation (MFN) treatment of China conditional on improvement in its human-rights policy. Within a year, he had discarded that policy and pushed for unconditional MFN treatment of China and a policy of "engagement." By Clinton's second term, engagement had been expanded to a substantively vague but rhetorically robust emphasis on a "strategic partnership" with China. Like its predecessors, the Clinton administration paid scant attention to consultations with Japan in developing its policies toward China or in assessing the way each twist and turn in U.S. policy might affect U.S. relations with Japan or Japan's relations with China.

Bypassing Japan on the way to China was hardly a feature of U.S. diplomacy new to the Clinton administration. But its consequences for U.S.-Japan relations were considerably different from what they had been during earlier administrations. For one thing, it produced for the first time sharp divergence in U.S. and Japanese policies and strategies for dealing

with China. In the 1970s, when Nixon opened relations with China and Carter normalized them, Japan made sure to stay in step with U.S. policy. Then for most of the 1980s China policy did not impinge directly on U.S.-Japan relations. The differences that did emerge in U.S. and Japanese responses to the Tiananmen Square Incident were more apparent than real, Kaifu's show of independence from the United States in ending sanctions against Beijing actually having been carefully orchestrated with President Bush, as mentioned earlier.

U.S.-Japan relations with respect to China during the Clinton years were another matter. When Clinton came to power, then-Prime Minister Miyazawa Kiichi urged him to avoid a confrontational stance with regard to human-rights issues in China and to accord China unconditional MFN treatment. Later the Japanese reacted with caution to the Clinton administration's embrace of a new policy of strategic partnership with China, concerned that Clinton seemed to be playing down the importance of the one truly meaningful strategic partnership that the United States had in East Asia, the one with Japan, in favor of developing a new one with China.

Chinese President Jiang Zemin received a warm welcome when he visited Washington in October 1997 after making a stop at Pearl Harbor that was full of intended symbolism about the old friendship between the United States and China and old enmities between the United States and Japan. He received anything but a warm welcome when he visited Japan in November 1998. Jiang went back to Beijing from that Tokyo trip without the written apology for Japanese wartime behavior that he had asked for. The Japanese government seemed determined to teach him the lesson that China could not simply make demands on Japan but would have to give something in return, as South Korean President Kim Dae Jung had done in a visit to Tokyo a month earlier, when he had received the kind of written apology that the Chinese wanted and in turn stressed the importance of looking forward rather than continuing to dwell on the past. The Japanese were taking a hard line toward China when the Clinton administration was pursuing a soft one, just as earlier they had taken a soft line when the Clinton administration had taken a hard one on human rights.

By the time the Clinton administration came to power the cold war had ended, Sino-Japanese economic ties had grown strong, and the Japanese were no longer worried about missing the bus to China, as they had been in the 1970s. Now they seemed determined to avoid having Japanese policy whiplashed by Washington's erratic steering of U.S. China policy. As the 1990s unfolded, U.S.-Japan-China relations began to evince a "triangular"

quality that had been missing in earlier years. With the United States' and Japan's China policy no longer being designed with the Soviet Union in mind, the relations among the three countries took on a new dynamic. China viewed the Clinton-Hashimoto Joint Declaration on Security of April 1996 and the decision to revise the Guidelines for U.S.-Japan Defense Cooperation with suspicion. It demanded unsuccessfully that the United States and Japan publicly state that Taiwan lay outside the area to which the guidelines applied and expressed concern that the security declaration was intended to encourage Japan to play a regional military role.

After the Asian financial crisis broke out in the summer of 1997, the Clinton administration became increasingly agitated at Japan's failure to take the drastic actions the administration believed were necessary to restore soundness to Japan's banking system and to get its economy back on the road to growth. In a joint press conference with Jiang in Beijing on June 27, 1998, President Clinton applauded China for its "great statesmanship and strength in making a strong contribution to the stability . . . of the entire region by maintaining the value of its currency." He then went on to publicly point an accusing finger at Japan and to imply that Japan was a common problem for the United States and China. "The United States, as you know," Clinton remarked, "has worked hard to try to support the stability of the Japanese yen and to help growth resume in Japan. . . . The key here, I believe, is for the plans to reform the financial institutions in Japan and take other steps that will get growth going and get investments going in Japan to be made." He then added, "I think that ultimately while President Jiang and I would give anything to be able to just wave a wand and have all of this go away, we are not the only actors in this drama. And a lot of this must be done by the Japanese government and the Japanese people. And we can be supportive but they have to make the right decisions." The imagery of Clinton and Jiang hand in hand with a magic wand that they wished they could use to deal with Japan caused considerable consternation in Tokyo, where it was interpreted as further evidence of the U.S. "passing" Japan in its China policy. Clinton was the first president in the postwar period to raise serious doubts in Tokyo about the objectives of U.S. China policy.

If differences over dealing with China had arisen in the context of otherwise positive relations between the United States and Japan, the issue might not have seemed so important. But it emerged in what was perhaps the most bitter confrontation between the United States and Japan in the postwar period over trade policy and Japan's financial and economic

policies.

THE TRADE CONUNDRUM

It hardly seems necessary to note that the most difficult and contentious issue in U.S.-Japan relations over the past three decades has been trade. Japanese trade surpluses were on an inexorable climb throughout the 1970s and 1980s. Japanese economic power grew while the United States confronted mounting budget and trade deficits. No administration, whatever its ideological inclination, could afford to ignore intense domestic pressures that it “do something” about the United States’ ballooning trade deficit with Japan and about what was widely believed to be Japan’s unfair trade practices.

Yet as politically controversial as trade relations with Japan were, it was not until the Clinton administration, or arguably until the last year of the Bush government, that the president and his top foreign-policy advisors put trade with Japan high on their foreign-policy priority list. Pressures to do something about Japan traditionally came from Congress and from agencies within the executive branch such as the Commerce Department and the Office of the U.S. Trade Representative (USTR), for which doing something about trade was an important part of their bureaucratic mission. There is no evidence to suggest that any of the presidents prior to Clinton thought about trade as a vital national security concern or that any of their chief foreign-policy advisors—Kissinger, Brzezinski, Richard Allen, Robert McFarlane, Colin Powell, Brent Scowcroft, and others—or secretaries of state other than Shultz thought of trade policy, or international economic relations more generally, as a necessary part of a comprehensive foreign-policy strategy.

Trade relations were to a considerable extent more a matter of relations between the administration and Congress than between the U.S. government and Japan. The Japanese understood this situation quite accurately and did what they could to support the administration in fighting off Congressional demands for action against Japan while keeping their concessions to the United States to a minimum. This caused intense frustration, to put it mildly, among many U.S. trade negotiators. Clyde Prestowitz, who was involved in trade negotiations with Japan in the 1980s, emerged from the trenches of U.S.-Japan trade battles to complain that “[t]he negotiation thus changed direction: originally a matter of U.S. government requests, it became one of mutually calibrating just how much action would be

necessary to keep Congress leashed. Instead of a negotiator, the U.S. trade team became an adviser to the government of Japan on how to handle the U.S. Congress” (1988, 281). The consequence was increased hostility toward Japan and growing frustration with the state of bilateral economic relations in the Congress and in public opinion.

Neither Nixon nor Kissinger was much interested in trade, except in Nixon’s case to the degree that it affected his domestic political power base. International economic relations did not figure in the calculus of the United States’ top strategic thinkers. Kissinger in his memoirs makes light of his ignorance of trade issues, but the fact that the president’s senior advisor on international affairs had little interest in or knowledge of international economics was particularly unfortunate with respect to U.S.-Japan relations. Little attention was paid to thinking about ways to manage trade relations or to deal with the tensions being produced by important structural changes that were then taking place in the world economy.

Nixon’s “textile wrangle” with Japan was the most politically charged trade dispute up to that point in postwar U.S.-Japanese history. It was not, however, the first time that the United States and Japan had had to deal with a serious bilateral trade problem, nor was it the first time that the United States had sought a solution to a trade problem by asking for Japanese voluntary export restraints. What made the textile case significantly different from earlier trade disputes was that it came in the context of a fundamental change in the U.S. position in the world economy. In 1971, the United States experienced its first overall merchandise trade deficit—US\$2.27 billion—in nearly a century. The deficit with Japan swelled to US\$3.2 billion on two-way trade of almost US\$11.5 billion. Ten years later, the U.S. bilateral trade deficit with Japan was US\$16 billion. In 1987, it reached a staggering US\$59 billion.

The appearance of red ink on the current account of the U.S. balance of payments led to the second “Nixon shock” (the first being the rapprochement with China), the New Economic Policy announced on August 15, 1971. Among other things, it imposed a 10 percent surcharge on all imports and suspended the convertibility of the dollar into gold. The failure of the Smithsonian agreement that was signed three months later (and that pegged the dollar at ¥308 instead of ¥360) to stabilize exchange rates produced a new regime of floating exchange rates. It also produced a new phase in U.S.-Japan economic relations in which the U.S. administration tried to use macroeconomic measures, multilateral trade negotiations, sector-specific trade agreements, results-oriented managed-trade agreements, and other

strategies in an effort to contain the growing, and increasingly politically explosive, Japan trade problem.

Through the 1970s, that is, through the Nixon, Ford, and Carter presidencies, congressional hostility toward Japan over trade issues grew at an exponential rate. All three administrations tried to deal with it in essentially the same manner. They strong-armed Japan to adopt voluntary export restraints, they threatened to unleash Congress and impose harsh protectionist measures against Japan if it did not comply with U.S. demands, and they kept a high fire wall between trade and the security dimensions of the U.S.-Japan alliance.

This was still an age when trade was considered to be a matter that could be left to the trade specialists in the government, and to those in the White House who were responsible for managing relations with Congress. The State Department had not emphasized economic expertise in training its foreign service officers and, whether under Rogers, Kissinger, or Vance, it did not aggressively seek to exert influence over trade policy. The National Security Council did not consider economic relations to fall under the rubric of national security. Given the exigencies of the cold war and the critical role the Japan alliance played in U.S. strategy in Asia, there was no enthusiasm among the president's foreign-policy advisors for supporting a policy toward Japan that would put that alliance at risk in order to achieve a better balance in the flow of imports and exports between the United States and Japan.

Yet Nixon, Ford, and Carter did little to try to reduce the growing hostility toward Japan that was being generated by trade relations. In rhetoric, if not in real policy terms, the presidents during the 1970s echoed the criticisms of Japanese trade practices that were being voiced in the Congress. They did not develop coherent strategies to engage Japan over trade conflicts, and they did not contest the popular view that the villain of the piece was the Japanese government's trade policies. The result was a pattern of piecemeal protectionist measures adopted in order to avoid Congressional imposition of harsher measures.

Presidential rhetoric changed when Reagan came into office. He was a committed free-trader, and just as important, so were the key people in his administration, none more so than Shultz. Shultz's equanimity in the face of the growing U.S. trade deficit reflected his training in modern economic theory, but his views were far from those that were gaining strength in the Congress and in the business community and mass media: "As an economist and a believer in the benefits of free trade, I worried less about such developments [Japan's trade surplus and overseas investment] than did most people in Washington. If the Japanese, as a

producer-dominated and protected society, want to pay astronomical prices for goods that are cheaper elsewhere, that is more their problem than ours. . . . If we are worried about foreign financing of investment in the United States, let us increase our own savings to finance our own investment. In other words, I felt, if we wanted to see our real problems, we should look in the mirror” (Shultz 1993, 190).

But precisely because Reagan and Shultz did not see the bilateral trade imbalance with Japan as the burning issue so many others believed it to be, they came into office without any strategy for dealing with it. So they found themselves in much the same position as their predecessors: They had no strategy for dealing with Japan over trade, but they had to improvise one to deal with a Congress that was threatening protectionist measures to contain Japanese imports. A failure to head off Congress over the Japan trade problem would not only produce congressional action that Reagan considered unwise but also demonstrate the Democrat-controlled Congress’s power over the Republican administration and thus weaken the president politically.

The result was that the Reagan administration’s inclination to treat the trade problem with Japan with benign neglect produced policies toward Congress that resulted in demands on Japan for further voluntary export restraints. Within months of coming into office, Reagan sought voluntary export restraints on Japanese automobiles. Later in his first term, he did the same with respect to steel. In the meantime, the politics of U.S.-Japan trade relations escalated and became ever more bitter.

THE MOSS TALKS

However much he might have agreed with Shultz that trade-account imbalances are a symptom rather than a cause of economic problems, politically Reagan could not afford not to try to get out in front of the trade problem with Japan. In 1985, the Reagan administration announced that it was initiating a new round of negotiations with Japan over trade that were called the MOSS talks. MOSS involved an enormous commitment of time on the part of high-ranking officials to negotiate with the Japanese the removal of barriers to foreign access to the Japanese market in electronics, telecommunications equipment and services, medical equipment and pharmaceuticals, and forest products.

The MOSS talks produced some modest progress, but the talks themselves did not

accomplish their goal of relieving tensions in bilateral trade relations. Shultz evaluated them as having “produced positive results in a painful, tooth-pulling effort that left everyone a little ragged and frustrated” (Shultz 1993, 190). A strategy that required intense involvement by senior officials over an extended period for modest results could not be sustained, given the structure of the U.S. government. By contrast, it could be sustained by the Japanese government because it had many senior officials to deploy whose entire *raison d’être* was to deal with trade issues.

Whatever modest success the MOSS talks had, they did not accomplish the task of reducing Congressional criticism of Japan. They did, however, have an important impact on, or at least reflected a shift in, the focus of that criticism. Through the administrations of Nixon, Ford, and Carter, the major objective of trade negotiations with Japan had been to restrain Japanese imports into the U.S. market. Complaints had been voiced about the difficulties foreign companies faced in exporting to or investing in the Japanese market, but the policy emphasis had been on getting Japan to restrain exports rather than to encourage imports. The MOSS talks shifted the focus of concern to Japanese market access. In the MOSS negotiations, the United States emphasized the importance of Japan’s changing rules and procedures that created structural barriers to foreign firms seeking to enter the Japanese market. MOSS represented an important turning point in U.S. trade policy toward Japan, and was a kind of leading indicator of a basic change in emphasis in U.S. trade policy more generally. Reagan and Bush (and Clinton as well) argued that the core challenge in U.S.-Japan trade relations was not how to protect U.S. companies against Japanese (or other foreign) competition in the U.S. market but how to give U.S. and other foreign companies a fair chance to compete in the Japanese and other foreign markets. Market access became the key objective, and threats to restrict Japanese access to the U.S. market were used as leverage to pry open Japanese markets.

By emphasizing expanding trade through increased market access rather than restricting it through voluntary or coercive restraints on Japanese exports, the policies of the USTR and the Commerce Department came into somewhat better sync with the macroeconomic policies that were being pursued by the Treasury Department and that were supported by the Council of Economic Advisers. The coordinated intervention to force a depreciation of the dollar vis-à-vis the yen and other major currencies that was achieved by the Plaza Accord in 1985 removed the handicap that an overvalued dollar put on American manufacturers in the world

market. It sought to drive policy in the same direction that “market access” advocates in the USTR wanted to take it: toward an expansion of U.S. exports rather than a contraction of U.S. imports.

Neither the MOSS talks nor the Plaza Accord were sufficient to calm the roiled waters of anti-Japanese opinion in Congress and in the business community, however. Demands for more and tougher measures against Japan continued to mount at roughly the same pace as the increase in the U.S. trade deficit with Japan. In March 1985, the Senate passed by a vote of ninety-two to zero a resolution condemning Japan for unfair trade practices and urging retaliation if U.S. exports there did not increase significantly. In Reagan’s last year in office, 1988, the Senate passed the Omnibus Trade and Competitiveness Act, which included the so-called Super 301 provision, compelling the administration to compile a list of countries maintaining a consistent pattern of unfair trade practices and requiring it to negotiate the removal of barriers within a set period of time.

In the midst of these growing pressures, the Reagan administration forged an agreement with Japan that violated its own strictures about free trade and provided a model for the kind of “results oriented” trade agreements that the Clinton administration would later make the heart of its strategy for dealing with Japan over trade. This was the 1986 Semiconductor Agreement.

The agreement sought to prevent dumping of Japanese semiconductors abroad and to facilitate increased sales of foreign semiconductor firms in Japan through Japanese government efforts to promote relationships between Japanese firms and foreign semiconductor manufacturers. The most important provision of the agreement came in the form of a confidential side letter (that was quickly leaked) that committed Japan to seek to increase the share of foreign semiconductor sales in Japan from 10 percent to more than 20 percent of the market by 1991. Although the Japanese government denied that the agreement amounted to a government guarantee of market share, the United States insisted that there was a firm commitment on the Japanese part to see that the goal was attained. The Japanese failure to live up to what the United States thought Japan had agreed to do led to the imposition of economic sanctions in 1987, when the U.S. government determined that dumping had not ceased and that access to the Japanese market continued to be restricted. The dumping portion of the sanctions was lifted the same year, but the market-access portion of the sanctions was suspended only in 1991, when the Bush administration revised and

extended the agreement.

Supporters of the Semiconductor Agreement argued that trying to get Japan to change its rules and procedures would be time consuming and would produce little to benefit American exporters. A new “revisionist” theory now became a prominent part of the debate over trade relations with Japan. Japan should be free to organize its economy any way it prefers, these critics argued. What matters to the United States is results, not how Japan achieves them. Simply sticking to the mantra of free trade will get the United States nowhere in terms of access to the Japanese market. The only sensible strategy for dealing with a mercantilist country like Japan that stacks the deck against foreign competitors in its domestic market through methods both formal and informal is to set targets industry by industry, identify measurable indicators of progress, and demand results. The Reagan administration, with its ideological commitment to free trade, did not accept this revisionist theory. But in its efforts to manage the domestic political problems generated by trade tensions with Japan, it ended up forging a semiconductor agreement that became the darling of the revisionist community and the model invoked by those who advocated managed-trade deals with Japan.

FROM MOSS TO SII

The Bush administration’s trade policy toward Japan, like that of its predecessors, reflected the tensions between the White House and Congress, between the trade-specialized agencies and the macroeconomic-oriented Treasury Department and Council of Economic Advisers, and between the State Department, with its concern about keeping political relations on an even keel, and the administration’s trade hawks. The public debate over Japan trade relations during the Bush administration became polarized. On one side were those who adopted the revisionist position that the organization of the Japanese political economy was so fundamentally different from that of every other country that special results-oriented measures were imperative. On the other were those, derided by some as members of a “Chrysanthemum Club,” who argued either that bilateral trade imbalances were unimportant or that the relevant issue was the lack of competitiveness of U.S. companies rather than Japanese barriers to imports, and that trade relations should not be permitted to threaten the all-important U.S.-Japan political and security relationship.

Japanese trade relations posed a difficult domestic political issue for the Bush administration, and it responded by trying to accommodate all these conflicting pressures. It came to evince the same pattern as earlier administrations of tough rhetoric toward Japan combined with a concerted attempt to derail strongly protectionist measures in Congress, by an emphasis on multilateral trade negotiations to reduce barriers to trade globally along with the pursuit of bilateral sector-specific agreements.

Multilateral negotiations to reduce barriers to market access through the Uruguay Round of the General Agreement in Tariffs and Trade was at the top of the Bush administration's list of trade priorities, the goal being to conclude an agreement by December 1990. The Japanese government joined European countries in opposing U.S. proposals for agricultural liberalization since farmers made up the core constituency for the ruling Liberal Democratic Party (LDP). Where it "chose to be vocal on specific issues," as the deputy assistant U.S. trade representative during the Bush years put it, "it took positions that were either opposed to outcomes sought by the United States or less ambitious than those hoped for by the United States (Janow 1994, 59). The negotiating parties eventually compromised, leading to the successful conclusion of the Uruguay Round in 1994 when neither Bush nor the LDP was in power.

The Japanese government's performance in the Uruguay Round reinforced its image as being determinedly protectionist. Japan was not primarily responsible for the slow progress of the Uruguay Round, and in the end, once the Americans and the Europeans had cut a deal, Japan quickly got on board with the concessions needed to conclude an agreement. But Japan took no initiatives to hasten the round's successful conclusion. Consequently, its performance in those talks did nothing to weaken the anti-Japanese sentiment that was growing ever stronger on Capitol Hill.

In terms of dealing bilaterally with Japan on trade, the Bush administration introduced a new approach, and one that signaled how far U.S. trade policy had evolved since the Nixon administration's "textile wrangle" with Japan. Specifically, the Bush administration sought to get Japan to implement reforms in policies and institutional arrangements that the United States believed posed structural barriers to the expansion of foreign penetration of the Japanese market. This included macroeconomic policies, the organization of the distribution system, bidding practices for public works projects, relations among group firms (*keiretsu*) and other issues. This was the SII negotiations.

SII was based on an optimistic assumption, quite contrary to the views of the revisionist school, that changes in Japanese practices and institutions could level the playing field of trade relations. It was also rooted in the belief that simply negotiating sector-specific agreements, as Reagan's MOSS talks had sought to do, would just wear out the American negotiators and could never get to the nub of the problem. Accomplishing the latter meant attacking the entire panoply of Japanese economic practices that had created a system that produced trade policies the world economy could not sustain and the American political system would not tolerate. So the USTR set out with a limited staff but with unlimited energy and enthusiasm to do just that. At one point in the SII process the Japanese media countered 240 separate American demands for change in Japan (Schoppa 1997, 11).

SII had mixed results in achieving its stated goals, but it had a positive longer-term impact that was generally underestimated at the time. A key assumption behind the SII strategy was that the United States had to go over the head of the Japanese government and appeal directly to the Japanese public if it hoped to create a domestic constituency in Japan that would press for the kinds of changes the United States wanted to see Japan adopt. As Lynn Williams, the chief U.S. negotiator in the SII talks, put it, "The only way we were going to succeed was if we could appeal to the [Japanese] public interest (Schoppa 1997, 82).

Through the coverage it received in the Japanese media, SII educated the Japanese public about outrageous pricing practices that made it cheaper to buy some Japanese goods in New York than to buy them in Tokyo. It provided graphic examples of how much more expensive it was to live in Tokyo than in other major metropolitan cities and how inferior Tokyo living conditions were in terms of public infrastructure and housing. And it revealed patterns of oligopolistic practices and government-business collusion that not only were disadvantageous to foreigners but also penalized the Japanese people themselves. SII had a great deal more to do with triggering a debate in the 1990s about the need for structural reform in the Japanese economy than it is usually given credit for.

If, however, one of the purposes of SII was to significantly reduce political demands emanating from Congress and elsewhere in the United States for tougher action against Japan, it must be judged a failure. Because of the domestic pressure he faced, President Bush, while pursuing SII, also pressed hard for agreements that he could use to show the business community and Congress that he was able to get "results" from Japan. This led to his ill-fated trip to Tokyo in January 1992 with a score of American businessmen in his wake, where he

became ill and threw up in Prime Minister Miyazawa's lap.

The Bush administration scored some success in opening the Japanese market to further U.S. exports. Exports in the sectors covered by the thirteen bilateral sectoral agreements that the United States and Japan signed increased about twice as fast as exports to Japan overall, according to some estimates (Janow 1994, 68). But the Bush administration, despite its rhetorical emphasis on results, remained committed to a process-oriented approach. Its modest achievements did little to stem the rising revisionist demand for a results-oriented, managed-market approach to dealing with Japan.

Even former Secretaries of State Kissinger and Vance, neither of whom had exercised any leadership over or even evinced much interest in international economic relations when they were in the government, jumped onto what was now a rolling revisionist bandwagon. In a 1988 *Foreign Affairs* article, they declared that the United States and Japan should seek to “establish an overall trade balance the United States would find tolerable; within that balance, Japan would have the choice of either reducing its exports or increasing its imports, thus removing the need for sector-by-sector industrial negotiations (913). They did not spell out what the United States should do if Japan did not agree to go along with this scheme. Nor did they explain why they considered a reduction of Japanese exports to the United States equivalent to an increase of U.S. exports to Japan in terms of the impact on the U.S. economy. Indeed, they seemed to be unaware of the significance of the shift in U.S. trade policy in the 1980s from import protection to export expansion.

In February 1989, the Advisory Committee on Trade Policy and Negotiations, the USTR's most senior private-sector advisory committee, issued a report calling on the government to adopt a “results oriented trade strategy.” The advisory committee recommended that the United States identify those sectors where “an increase in U.S. exports could be expected if Japan were to act like other industrial countries with similar economic attributes” and “insist on appropriate sectoral import levels that properly reflect the international competitiveness of U.S.” and other foreign suppliers (Advisory Committee on Trade Policy and Negotiations 1989, 5). This report was issued near the end of the Bush presidency. Bush did not act on it, but Clinton did, leading to the most contentious and least productive period in postwar U.S.-Japan trade relations.

The Reagan administration's Semiconductor Agreement embodied what was to be the guiding spirit of the Clinton approach. In an extension of that agreement negotiated by the

Bush administration in 1991, the Japanese government explicitly recognized the U.S. industry “expectation” that foreign semiconductors would secure more than 20 percent of the Japanese market by the end of 1992. The Japanese added that it “considers that this can be realized,” which was all but a promise that the government would make sure it was realized.

The 1991 accord emphasized that the 20 percent figure was not a floor, a ceiling, or a guaranteed market share, and that other “quantitative and qualitative factors” would be taken into account in measuring progress under the agreement. Given the decided lack of enthusiasm for this agreement later expressed by Carla Hills, the U.S. trade representative responsible for negotiating it (Hills 1993), it seems quite clear that it reflected not the Bush administration’s view of what was desirable in terms of trade policy but its view of what was politically unavoidable or expedient. It was left to Clinton and to his trade representative, Mickey Kantor, to design a managed-trade strategy for dealing with Japan that took its inspiration from the Semiconductor Agreement.

THE PLUSES AND MINUSES OF TRADE FRICTIONS

Before examining the Clinton years, it is important to look back over the rocky road of U.S.-Japan trade relations in the 1970s and 1980s and recognize that the Japan trade problem had significant salutary effects on the United States. Japanese economic success truly scared American business leaders and forced them to focus hard on issues of productivity and competitiveness. American managers became avid students of just-in-time inventory systems and other Japanese management techniques. Corporate boards of directors became more concerned about what management was doing to improve quality to compete with high-quality Japanese goods. Competition from Japanese automobile companies forced the U.S. Big Three to take decisive steps to improve the quality of the cars they produced. Little did anyone suspect at the time that Japanese competition would strengthen American industry but that continued Japanese restrictions on foreign competition in its markets would contribute to weakening both Japan’s manufacturing and its financial industries.

Japanese success and the opportunities that SII in particular provided to the Japanese to tell Americans what was wrong with their economy also had a positive impact. SII gave both governments the opportunity to raise issues of concern regarding structural issues in the other country. The Japanese harped on the importance of the United States’ reducing its budget

deficit if it hoped to enjoy economic growth and a declining trade deficit. Japanese lectures about the way the United States should run its economy, which were often delivered with the same kind of hubris that Americans now exhibit when they deliver their advice to Japanese on the way they should rebuild their economy, were not responsible for, but surely contributed to, the determined American effort to get the budget deficit under control.

Another positive effect of the Japan trade problem emerged from the complicated domestic politics that trade disputes engendered. Each administration wanted to avoid protectionism, and yet each felt the congressional pressure to do something about Japan. The response that became dominant by the mid-1980s was to emphasize market access to Japan, channeling protectionist pressures so that they became a wedge, or a crowbar in Trade Representative Hills's apt phrase, in breaking down barriers to access to the Japanese market.

Through MOSS and SII, the United States could plausibly claim to be pressing for an expansion of a rules-based liberal trading regime while insisting to those sectors of the U.S. economy most intensely concerned about Japanese competition that it had their interests at heart. Through SII, moreover, the United States was able to strengthen domestic constituencies in Japan in support of market-liberalizing measures. In the end, despite popular assumptions about Japan's responsiveness to *gaiatsu*—foreign, namely U.S., pressure—if exercised intensely and long enough, SII demonstrated quite persuasively that the way for the United States to elicit meaningful change in Japanese commercial and economic policies was to ally with domestic constituencies in Japan strong enough to demand it.

The negative side of the ledger of two decades of trade wars hardly needs elaboration. U.S.-Japan trade disputes exacted a heavy price in terms of American attitudes about Japan, especially among the policy elite. By the time the Clinton administration came into office, the revisionist view of Japan as an unfair trader and a threat to the United States had become the dominant view in Washington, and it was to have a substantial impact on the thinking of top officials in the new government. Persistent trade tensions with Japan and the resort to ad hoc bilateral agreements and unilateral actions to deal with those tensions also weakened support in the United States for a rules-based multilateral trade regime. In terms of its impact on the overall tenor of the U.S.-Japan relationship, the trade conflict produced no winners. Although not much is to be gained by constructing counterfactual arguments about what might have been if trade disputes had been handled differently, there is no doubt in my mind that many opportunities for cooperative action on a range of issues of common interest were lost

because of the animosity generated by the failure of the two governments to manage trade relations more effectively.

THE CLINTON ADMINISTRATION'S "JAPAN PROBLEM"

In Tokyo on July 10, 1993, Prime Minister Miyazawa and President Clinton announced the successful conclusion of a new agreement, officially called the United States–Japan Framework for New Economic Partnership that, according to Miyazawa, would “improve the bilateral relationship and benefit the world economy (Finkle 1993). What it provided was a framework for the most bitter and ultimately the most unsuccessful period in the entire postwar history of U.S.-Japan trade negotiations.

Clinton had gone to Tokyo determined to come home with nothing less than an agreement that would provide a framework for results-oriented trade negotiations. Miyazawa was intent on finding some language that would allow the U.S. president to leave Japan with an agreement but without Japan's accepting the U.S. demand that there be “qualitative and quantitative measurements” to be used in setting targets and evaluating Japan's market-opening actions.

Clinton believed that the Japanese had agreed to do what he wanted them to do, and Japanese leaders were relieved that they had sent him home with a face-saving agreement that enabled them to avoid a nasty confrontation. Clinton had no sooner claimed success in getting Japan to agree to using measurable indicators than the chairman of Keidanren (Japan Federation of Economic Organizations) praised the accord for not including numerical targets. While the Clinton administration claimed victory in obtaining Japanese concessions on matters related to autos and auto parts, high technology, and medical equipment, the Japanese government claimed success for having avoided making any commitments that went much beyond the “series of seminars to encourage automakers to purchase U.S. auto parts” that Ministry of International Trade and Industry (MITI) officials had offered to set up (Finkle 1993).

For years, the United States and Japan had been engaged in trade “wars” that actually amounted to elaborate war “games” in which the goal was to contain Congressional pressures for protectionist measures and avoid a serious rupture in the relationship.² In the course of developing the games' rules, and as part of the more general phenomenon of economic

globalization, the two countries had moved from an emphasis on restricting Japanese access to the U.S. market in the 1970s to expanding U.S. access to the Japanese market in the 1980s. Although market access remained the goal of the Clinton administration, the Japanese were slow to realize that Clinton had decided to change the rules of the game. Rather than work with the Japanese to contain Congress, Clinton was eager to enlist Congress to contain the much talked about Japanese economic threat.

The negotiations were led on the American side by Kantor, the trade representative, and on the Japanese side by Hashimoto, the minister of international trade and industry. Having decided to follow the revisionists' script, Kantor insisted that Japan agree to quantitative targets, as it had done in the earlier Semiconductor Agreement. He seemed to be convinced that Japan would eventually cave in under American pressure despite strong statements by Hashimoto and other Japanese officials that the Japanese government would never again sign an agreement that would guarantee market share to foreign companies. They had learned their lesson in the Semiconductor Agreement, and they were not about to repeat the mistake.

Trade officials in the Clinton administration, and the president himself, had become so captivated by the revisionist view of Japan that they refused to heed warnings that U.S. policy was likely to fail and that the effort itself would prove to be counterproductive. They ended up giving the Japanese government a kind of public relations bonanza, enabling it to make what otherwise would surely have been viewed as a ludicrous claim that Japan was defending the principles of free trade against a U.S. government intent on imposing managed-trade agreements. U.S. policy with respect to trade with Japan provoked a strongly negative reaction around the world, and especially in Asia, where leaders worried that if the U.S. effort to establish a results-oriented trade regime with Japan succeeded, the United States would use the same approach to strike bilateral deals with other countries in the region that were much less powerful than Japan. It also proved to be a boon to Hashimoto, whose toughness in Japanese eyes in staring down Kantor and standing up for Japan helped build the political support that took him from MITI minister to prime minister.

Clinton was unlike any earlier president in the importance he attached to international economic issues. Convinced that the United States' future well-being depended on its being the leader of a global economy, he seemed far more interested in economic issues than in the geopolitical ones that were the staple of the foreign-policy establishment. He was the first president who seemed to understand instinctively that economic relations were an integral

component of national security. But he was woefully ill informed about Japan and surrounded himself with advisors who believed that Japan would do what they demanded and who had prepared no fallback position if their demands were rejected.

Clinton personally and aggressively advanced the administration's revisionist agenda with Japan. When Prime Minister Hosokawa Morihiro, the leader of the governing coalition that had replaced the long ruling LDP in August 1993, visited Washington in February 1994, Clinton greeted him with demands that Japan accept quantitative indicators and market-sharing guarantees. Hosokawa refused and went back to Japan with a new reputation as the first prime minister who could say no to the United States. Although he remained in office only a couple of months longer, other Japanese political leaders and senior bureaucrats in MITI and the Ministry of Foreign Affairs continued to resist U.S. demands and to insist that trade negotiations focus on multilateral agreements rather than bilateral deals. Clinton had tried unilaterally to change the rules of the game, and the Japanese had refused to play.

The Clinton administration approached the end of its first term with the effort to pursue a results-oriented trade policy toward Japan having produced little more than frustration, disappointment, and bitter feelings all around. By this point, however, Japan was no longer the perceived threat that it had been when Clinton came to office. The stock market and real estate bubble of the late 1980s had collapsed, leaving Japan with economic problems that grew only more serious as the new decade unfolded. The revisionist assumption that Japanese global economic dominance could not be stopped unless the United States departed from the normal rules of international trade and imposed a managed-trade regime on Japan looked rather silly in the face of America's economic renaissance and Japan's financial and economic mess. After spending his first four years trying to use a misguided trade policy to restrain Japan's global economic "hegemony," President Clinton and Treasury Secretary Robert Rubin spent most of the next four years badgering Japanese leaders to change their economic and financial systems to avoid precipitating a worldwide depression.

FACING THE FUTURE

The U.S.-Japan relationship has survived remarkable changes in economic circumstances in the two countries, foreign-policy shocks, bitter bilateral trade disputes, and at times inept diplomacy. Security relations have grown closer, even with the loss of the "glue" of the cold-

war confrontation with the Soviet Union. Every American president has understood that vital U.S. national interests are at stake in the relationship with Japan, and every Japanese prime minister has viewed the U.S. alliance as the cornerstone of Japanese foreign policy.

Economic interdependence has increased dramatically, and seems certain to grow deeper faster in the coming years than in the past. The marked decline in the political salience of bilateral trade disputes in the second half of the 1990s no doubt owes a lot to the fact that the U.S. economy was booming. However, it was also the consequence of changes in Japanese economic policies that led to significant increases in foreign direct capital investment in Japan. There is every reason to believe that this trend will continue and probably accelerate in coming years.

It seems self-evident that the United States has nothing to gain, and potentially a great deal to lose, from a weakening of security or economic ties with Japan and from an increase in tensions between the countries that would reduce their willingness to cooperate in a variety of multilateral settings. It is one thing, however, to recognize that maintaining strong and positive relations with Japan is in the U.S. national interest and quite another to design a coherent strategy that serves that goal in the changed international and domestic contexts of the early twenty-first century.

We have seen from our discussion of U.S. interactions with Japan over China how changes in the international political system have undermined some of the key assumptions that U.S. policymakers virtually took for granted for decades in dealing with Japan. President Nixon's "China shock" in the early 1970s was embarrassing to the Japanese government and left it scampering not to miss the China bus. There is no doubt that Japanese leaders were irritated that Nixon and Kissinger played up the Japanese militarist threat with the Chinese. Precisely because there was not a hint of a U.S.-Japan-China triangle in U.S. strategy, however, Nixon's China initiative and Carter's formal recognition of China did not create fear in Japan of abandonment by the United States. Quite to the contrary, Nixon and Kissinger, and then Carter and Brzezinski, emphasized to the Chinese the critical importance of the U.S.-Japan Security Treaty. Japanese may have found the rationale not entirely pleasing, but because of it they obtained credible assurance that this key prop of postwar Japanese security policy would remain in place.

The nervousness created in Tokyo by Clinton's China policy is an important indicator of how much the dynamics of the China issue in U.S.-Japan relations has changed. Without

the cold war to hold the U.S.-Japan alliance together, with China's economic rise and growing political influence, and with what many Japanese perceive as an American romanticized exaggeration of China's economic and political importance, the possibility not so much of outright abandonment as of a kind of drifting away from Japan by the United States seems far more real to Japanese today than it did before 1990.

Thus, actions that might have been just irritating in earlier years, such as not stopping in Japan on the way to or from China, now raise uneasy questions in Tokyo about U.S. intentions. When the president of the United States stresses the importance of a "strategic partnership" with China instead of the one the United States enjoys with Japan, and uses the opportunity of a joint press conference with the president of China to reflect on their common problem of Japan's inadequate economic performance, it is hardly surprising that Japanese speculation about a shift in U.S. strategy in East Asia should result.

The manner in which the United States from Nixon to Bush conducted its China policy set a pattern of bypassing Japan that the Clinton administration all too readily adopted as its own. If the United States had developed habits of consultation with Japan over China policy instead of habits of unilateralism, the two countries might have been better prepared to avoid frictions as they developed their respective China policies in the aftermath of the cold war and to maximize their combined leverage over China. In any case, the United States can no longer take it for granted that Japan will adjust its China policy to keep it in line with U.S. policy. Enhanced consultations and far greater attention among U.S. policymakers as to the way policies toward China might affect Japanese policy seem to be more urgent now than in the past. The triangular metaphor is becoming a more realistic image of relations among the United States, Japan, and China, and it is important that the United States and Japan consciously seek to keep their two corners of that triangle close.

We have seen how every administration has kept a high fire wall between economic and security affairs, refusing to let anger with Japan over trade issues spill over to adversely affect security ties. I do not believe that there is much danger that this fire wall will be breached in the foreseeable future. Trade disputes no doubt will arise in coming years, but unless one posits a disastrous collapse of the U.S. economy, there is every reason to believe that the United States will keep its markets open and that Japanese markets will also become increasingly open. Rather than shake the foundation of the bilateral relationship, as they sometimes threatened to do in the past, trade disputes in the future are likely to become a

normal if unpleasant part of the relationship, as they are between the United States and Europe, to be dealt with in a pragmatic manner and contained from threatening broader national interests. It is difficult to imagine a scenario in which U.S. anger with Japan over matters of economic policy would translate into confrontation over security policies.

It is not so difficult, however, to imagine scenarios in which friction arises between the United States and Japan over issues that lie on the security side of the fire wall. The U.S.-Japan security relationship is sustained by a Japanese belief that the U.S. commitment to Japanese security is credible, and by an American belief that alliance with Japan serves vital U.S. national interests. Both these convictions could come under unprecedented challenge in the coming years.

The United States and Japan have to manage their alliance in a context in which it is no longer an entirely safe assumption, as it was during the cold war, that any external threat to Japan would necessarily be perceived as a threat to the United States. This new reality is reflected in the fact that Japanese confidence in the U.S. commitment to Japan's defense and to sustaining a regional balance of power seems to be more tentative than before. The North Korean launch in August 1998 of a missile that passed over Japanese territory, and what was perceived in Japan as a too-tepid U.S. response to that missile launch, raised new security concerns in Japan. Fortunately, subsequent efforts to coordinate U.S., Japanese, and South Korean policy with respect to North Korea, led largely by President Clinton's special emissary, former Secretary of Defense William Perry, were successful in ameliorating Japanese concerns and in ensuring that U.S., Japanese, and South Korean policy toward the North proceeded on the same track. Perry's consultations with Japan and South Korea constitute an approach to dealing with regional problems, and with regional allies, that is different from traditional bilateral approaches and different again from traditional multilateral approaches. Close U.S.-Japan-South Korean consultations on North Korea amount to a kind of "enhanced bilateralism" that may well offer a new model for regional dialogue and cooperation in a setting in which there is unlikely to be the development of regional multilateral security institutions such as exist in Europe.

The dangers posed by such issues as Taiwanese independence, conflicting claims among countries in the region to the Spratly Islands, competing Chinese and Japanese claims over the Senkaku, or Diaoyutai, Islands, and the division of the Korean peninsula underscore the importance of a strong U.S.-Japan security alliance. It is an alliance, however, that is

inherently and unavoidably asymmetrical. It commits the United States to defend Japan, and it limits Japan's role to self-defense and to facilitating the projection of U.S. power into the region by giving it the right to maintain military bases in Japan.

A key challenge to effective alliance management results from the reality that it is not possible to eliminate the asymmetry in rights and obligations under the Security Treaty in a manner that would satisfy both American and Japanese views of what is in their country's national interest. As long as the U.S. commitment to remain the predominant military power in the East Asian region remains credible, Japan's own military commitments will remain highly restricted. A decline in confidence in the U.S. commitment to remain a military power in East Asia and in the essential commonality of U.S. and Japanese interests in the region might produce a more robust Japanese military effort. But it is not in the United States' interest to encourage doubts about its commitments in order to build political support in Japan that does not now exist for a Japanese military role in the region.

It is also questionable whether the American public would support a security arrangement with Japan that involved an open-ended U.S. commitment to Japanese defense but did not provide the United States with the military-base structure in Japan that has made possible the timely projection of U.S. power into the region and beyond. At the moment it seems highly unlikely that Japan will elect a government that will demand U.S. withdrawal from bases in Japan. But there are important Japanese political leaders who argue for a "Security Treaty without bases" arrangement under which U.S. forces would have access to Japanese bases only when the two governments concluded that it was necessary. If a government committed to carrying out such a policy were to come to power in Japan, a crisis in relations with the United States would result. But such a political development in Japan in the foreseeable future seems improbable in the extreme.

The possibility of a major clash between the United States and Japan over the nature of the security alliance must be judged to be extremely low. Far more dangerous is the possibility that the dynamic and ambiguous international political situation in East Asia will produce misperceptions, misunderstandings, and differences in priorities and political strategies between the United States and Japan. The challenge to American and Japanese leaders in this post-cold war era is to figure out how to minimize the risk that differences of this kind will emerge and produce friction between the two countries over regional issues and how to maximize the opportunities to mobilize their combined strengths to serve what are

overwhelmingly common interests in the region.

The economic issues that pose the most serious challenges to U.S.-Japan relations in the future are far more likely to be regional than bilateral in scope and to be as political as they are economic. The Japanese government's unsuccessful, and indeed rather halfhearted, effort in 1998 to create an Asian Monetary Fund (AMF) may have offered a preview of the kind of issue that will challenge U.S.-Japan cooperation over issues related to the regional economy.

The Japanese Ministry of Finance floated the idea for an AMF to help Asian countries recover from the financial crisis that broke out in the late summer of 1997. It was vigorously opposed by the U.S. government. One reason was concern that it would provide a "soft" alternative to the tough conditionality the International Monetary Fund (IMF) imposed in giving loans and thus undermine the IMF's authority. Another was that it was seen as a gambit by Japan to seek a more powerful political voice in East Asia by means of a policy agenda that conflicted with U.S. policy goals.

U.S. opposition, and the fact that the AMF idea was floated before a strong consensus had been secured in Japan, led to its rather quick abandonment. But Japan does aspire to play more of a leadership role in East Asia, especially with respect to regional economic affairs. There is no necessary reason why it should not be able to do so in a manner that is consistent with U.S. interests in the region and that contributes to greater regional economic integration and growth. What needs to be avoided are U.S. government actions that support a Japanese perception that the United States is determined to block Japan from taking regional initiatives except when asked to by the U.S. government, and Japanese actions that support an American perception that the goal of Japanese diplomatic activity in the region is to wrest "autonomy" from the United States. There are enormous opportunities for complementary if not always coordinated policies between the United States and Japan to strengthen the regional as well as the global economy and to build stronger regional economic institutions.

The U.S.-Japan alliance has proved enormously valuable to both countries. There are no compelling reasons for the United States to want to change it fundamentally. While there is more vigorous debate in Japan today than at any time since the early 1950s about what course its foreign and defense policies should take in the future, there is a broad consensus among both its leadership elite and the public that alliance with the United States should be maintained as the centerpiece of its foreign policy. The challenge to U.S. leaders is not to devise policies or employ an antagonistic rhetoric that suggests that the United States is less

committed to sustaining this relationship than is in fact the case.

American national interests will best be served by continuity rather than radical change in U.S.-Japan relations. A close and positive relationship with Japan is of critical importance in dealing with a host of regional and global issues. But given the changed economic and political context of U.S.-Japan relations, sustaining and strengthening this relationship will require innovative thinking and leadership by the president and the senior members of the administration. More has to be done to involve people with expertise about Japan when making important decisions with respect to East Asia. Greater attention needs to be paid to engaging top Japanese policymakers in consultations about regional issues. The United States needs to think strategically about East Asia and place Japan at the center of that strategic thinking.

The U.S.-Japan relationship is not in crisis, and it does not have to be “fixed” in some basic or far-reaching manner. What it needs is the sustained attention of top policymakers and a better understanding among the American public as well as political leaders of how relations with Japan can serve U.S. vital national interests in the twenty-first century as well as they did in the last half of the century just concluded.

Notes

1. Kaifu apparently consulted so often with Bush that the joke in Tokyo at the time was that instead of a “push phone” (a push-button telephone) Kaifu had a “Bush phone.”
2. On U.S.-Japan trade relations as a well-structured game, see Campbell (1994).

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