Friends or Rivals?

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The Insider's Account of U.S.-Japan Relations

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Preface

U.S.-Japan relations are in transition. The East-West struggle supplied the motive and context for the U.S.-Japan alliance for more than forty years. The end of the cold war consequently has had a profound effect. The alliance could, of course, evolve into a more balanced and durable partnership. Alternatively, increasingly intense commercial competition could fuel renewed geopolitical rivalry. The future is not predetermined. Things could go either way.

This is a book about the efforts of the United States to adapt its relationship with Japan to the changing circumstances of the post–cold war era. It is neither a personal memoir nor an academic monograph, but an attempt to reflect analytically on the events that have been transforming that relationship. In it, I try to assess what went right, what went wrong, and how we can put this critical relationship on a sounder footing for the future.

As the U.S. ambassador to Japan from May 1989 to July 1993, I had a ringside seat from which to observe the transformation. Indeed, since I was responsible for the day-to-day management in Tokyo of our relations with Japan during this singular and fascinating period, I participated directly in implementing the key decisions. While I am not what the academics would consider a "Japan hand," neither was I without experience in dealing with the Japanese when I took up my duties in Tokyo. I taught for a year at International Christian University in Mitaka, Japan, in the 1960s. In the 1970s I served in the U.S. embassy

in Tokyo as a special assistant to Ambassador Robert Ingersoll. Most of my subsequent work in Washington on the State Department's policy-planning staff, the National Security Council staff, the Pentagon's International Security Affairs Division, and the State Department's East Asia and Pacific Bureau was devoted to Asian matters. As ambassador to the Philippines from 1982 to 1984 I observed the intersection of American and Japanese interests in Southeast Asia. And as undersecretary of state for political affairs from 1984 to 1989 I exercised oversight over our policies in Asia, including, of course, Japan. Hence I had a wide range of acquaintances in Japanese policy-making circles and a substantial familiarity with the nuances of the most sensitive issues.

The late 1980s and early 1990s were a period of remarkable change in Japan. When I arrived in Tokyo, Japan was at the top of its bubble economy; by the time I left, it was experiencing one of its most prolonged and damaging recessions. Shortly after I took up my office, the Liberal Democratic Party, which had governed the country without interruption since the mid-1950s, lost its majority in the Upper House; the day before I completed my tour of duty, it lost its majority in the Lower House and was forced into the opposition. When the Kuwait crisis erupted in August 1990, the Japanese government engaged in protracted hand-wringing, unable for weeks to define a response that accommodated both the expectations of its allies and the anxieties of its own people. Three years later, a Self-Defense Force engineering battalion had completed its performance of peacekeeping duties in Cambodia as a member of the UN Transitional Authority there—the first deployment of Japanese military personnel overseas since 1945.

Some pundits claim that Japan never changes. I consider these big-time changes. They were inspired by dramatic adjustments in the underlying strategic, economic, and political realities in the world and corresponding changes in the domestic underpinnings of the governments in both countries. The end of the cold war reshuffled the cards in the great power game and raised questions about the efficacy of and necessity for the U.S.-Japan alliance. It invited officials on both sides of the Pacific to explore the wider diplomatic maneuverability that an end to East-West rivalry would afford both Japan and America. And without necessarily increasing Tokyo's readiness to reduce or eliminate the visible asymmetries that marked our bilateral economic relationship, it diminished Washington's willingness to indulge them.

The world economic system was also in the throes of a major trans-

formation. The liberalization of financial markets accelerated international capital flows and undermined the ability of governments to control the value of their own currencies. The globalization of the production process transformed the meaning of trade. The vastly increased power and mobility of multinational firms altered the traditional links between governments and these major corporations. And if states were losing power to the private sector, they were also forced to contend with the emergence of regional trading arrangements in Europe, North America, and Asia as well. All these factors complicated the management of a complex and highly interdependent bilateral economic relationship.

Coming to grips with these changes in the strategic and economic foundations of world politics would have been challenging even in the most normal of times. The difficulty of adjusting U.S.-Japan relations to them was compounded by a basic shift in the relative strength of the two countries that then seemed under way. Nor was the precise extent and meaning of this shift self-evident. In 1989 Japan's economy was up and America's was down. By 1993 the tables appeared to be turning. The leaders and publics of both countries were uncomfortable with what they perceived to be the terms of interdependence.

The geography of international political and economic competition was also in flux. The center of gravity in the world economy was moving toward the Pacific, enhancing the political clout of Asian nations and transforming the discussion of trilateralism from U.S.-Europe-Japan to EU-NAFTA-APEC. Japan saw in this an opportunity to assert its autonomy and leadership; American leaders paid lip service to Asia's heightened importance but were heavily preoccupied elsewhere tidying up the remnants of the cold war in Europe and fighting a shooting war in the Persian Gulf.

Domestic political considerations also exerted a powerful influence on efforts to adjust U.S.-Japan relations. Americans were beginning to turn inward, yet the gridlock between the executive and legislative branches, controlled by different parties, complicated efforts to get on top of long-neglected fiscal and social problems. The Japanese, meanwhile, sought increased international recognition of their impressive economic accomplishments yet found that their political process—geared to catch-up capitalism and accustomed to leaving many security and diplomatic problems to others—stymied efforts to define clear responses to new international challenges.

The interplay between these forces of change in the international environment and within our respective societies colored all the events recounted in this volume. I make no attempt to extract novel theoretical insights from them. My objective is to reconstruct the way our attempts to adjust the U.S.-Japan relationship to these post–cold war realities looked as they were taking shape. I have added here and there suggestions as to how we might do things better.

Chapter 1 recalls the ambivalence that our growing economic interdependence seemed to evoke among Americans and Japanese at the time I was preparing to take up my duties in Tokyo. Chapters 2 through 5 describe the Bush administration's efforts to inject greater balance into the bilateral economic relationship, adjust the alliance to a less threatening security setting, elicit Japan's support for the multinational coalition that turned back Saddam Hussein's aggression in Kuwait, and devise a diplomatic partnership with Japan that had global reach.

As my tenure in Japan extended only six months into President Clinton's term of office, my analysis of his administration's approach to Japan is perforce that of a reasonably experienced spectator watching closely from the sidelines. That commentary makes up chapter 6. In chapters 7 and 8, I have tried to judge where the trajectory of change is likely to carry Japan in the coming years and the challenges this will pose for American policy makers.

I am personally convinced that close ties between Tokyo and Washington are vital to our national interests. I have made no attempt to conceal that conviction. Even so, I have tried to preserve a certain analytic detachment throughout this book; I have not exaggerated the successes or hidden the disappointments that marked these years of transition. The title I have chosen for these reflections, *Friends or Rivals?*, mirrors my hope and belief that we will remain close friends. But it is undeniable that a greater spirit of rivalry has begun to reemerge.

While I labored in the diplomatic vineyard in Tokyo, my wife, Bonny, devoted much of her time to two worthy enterprises: making music and making friends. A number of her friends were artists, and she performed ensemble and duo piano music with many of them—including Reiko Nagase, Setsuko Iwasaki, and in recent years Hiroko Nakamura, one of Japan's most renowned artists—both for personal satisfaction and in occasional public concerts for charitable causes. I often thought that Bonny and her associates provided an appropriate metaphor for the

United States' relationship with Japan: successful performances required hard work, persistent practice, and attentiveness to partners even while performing one's own role. If our countries go about their business in a similar spirit, we need not worry that friendship will turn to rivalry.

Bonny and I acquired a new stake in the U.S.-Japan relationship on August 11, 1994, when our first granddaughter—Samantha Mie Armacost—was born to our son Scott and his wife, Miho. It is to Samantha—a felicitous result of U.S.-Japanese cooperation—that this book is dedicated.

Acknowledgments

During the final months of my tenure in Tokyo, I received a phone call from Dan Okimoto, professor of political science at Stanford, inviting me to spend a year at the Asia/Pacific Research Center writing and teaching about my experiences in Japan. A/PRC offered an ideal environment for preparing this manuscript. It was sufficiently distant from Washington and Tokyo to allow some perspective, yet I was surrounded by knowledgeable colleagues whose judgment and insight proved extraordinarily valuable.

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A special thanks is due Mike Mansfield. This great American, who has made many superlative contributions to our public life, served as ambassador to Japan from 1977 to 1988. His stature and the personal qualities that so endeared him to the Japanese people enlarged the job I was privileged to perform as his successor. He and his wife, Maureen, left very large shoes to fill and extended many personal kindnesses to Bonny and me as we sought to fill them.

My wife, Bonny, helped jog my memory on many of the events recounted in this book and encouraged me to undertake it—not least because it enabled us to enjoy two very pleasant years near family members in the San Francisco area.

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Potomac, Maryland