

6

The Clinton Administration's
Japan Policy

Following President Bush's visit to Tokyo in January 1992, many Japanese feared that their country and the U.S.-Japan relationship would be drawn inexorably into our presidential election campaign. The Japanese government consequently made what appeared to be a conscious effort to avoid injecting itself into the political cross fire in the United States.

The Japanese were reassured to see Democratic contenders whom they considered protectionist—e.g., Tom Harkin and Jerry Brown—fade quickly. They were relieved when Bob Kerrey's experimental television spots featuring what the press in Tokyo characterized as "Japan bashing" backfired and were quickly canceled. And they were pleased as well as surprised when U.S.-Japan trade issues slipped onto the back burner in the general election campaign.

Throughout 1992 Bill Clinton's views of Japan remained largely a mystery to the average Japanese. To be sure, as governor he had made several visits to solicit trade and investment for Arkansas, and he had left a favorable impression among those he met. But the focus of his campaign was mainly on promoting change in the United States. His speeches on foreign and security policy fell broadly within the internationalist tradition of the Democratic Party. His equivocations on trade issues like NAFTA and GATT did not seem to excite special apprehensions. They did, however, confirm what most Japanese officials

The Clinton Administration's Japan Policy

173

believed: Democrats were more inclined to economic nationalism than Republicans were.

Clinton's endorsement of an extension of Super 301 to prod Japan into opening its market further reinforced that impression. So did the fact that during the campaign the Democrats trashed the SII process in favor of what they characterized as results-oriented trade negotiations. His emphasis, moreover, on a more aggressive pursuit of human rights in China and the provision of larger subventions to reformers in Russia aroused concerns that a Clinton victory might put the United States and Japan at odds with respect to our relations both with Moscow and Beijing. Finally, memories of Jimmy Carter's plan to withdraw troops from Korea tended to reinforce doubts about the steadiness of a Democratic administration's approach to the Korean Peninsula.

By contrast, President Bush's views on foreign policy issues were well known. He played down the Japan issue during the campaign—presumably because of the unfortunate political fallout at home after his Tokyo visit. I was perhaps an inadvertent beneficiary of this. As a career foreign service officer, I expected my tenure in Tokyo to end after three years, in May 1992. I was exempted, however, from a routine transfer largely, I suspect, because the confirmation hearings for a new ambassador might have provoked a partisan struggle over Japan policy.

Most of my Japanese friends and acquaintances appeared to assume that President Bush would be reelected and gave the impression that such an outcome would suit them fine. I encountered openly acknowledged hopes for a Clinton victory only sporadically among a smattering of senior Japanese bureaucrats and journalists. This group reasoned that Republican control of the White House would guarantee further executive-legislative gridlock in the United States and that the consequent inability to tackle pressing domestic problems would fuel the search for foreign scapegoats—with Japan the leading candidate.

But if the Japanese establishment appeared to prefer President Bush's reelection, it did little to extend tangible help. There were opportunities. A more expansive budget to stimulate domestic demand could have increased U.S. export possibilities and helped to accelerate our economic recovery. Diplomatic assistance in bringing the GATT negotiations to a successful conclusion would have added luster to the Bush administration's foreign policy record. Announcement of Japan's

intention to purchase the AWACS aircraft might have bolstered support for the president in states where Boeing and its suppliers had major production facilities.

In fact, initiatives were contemplated (for reasons related to Japanese interests rather than U.S. politics), but they were stymied by internal opposition. Prime Minister Miyazawa promised a stimulative budget; however, the Finance Ministry managed to block it. Some senior officials in the Foreign Ministry hinted at efforts to move the GATT negotiations along, but the Ministry of Agriculture and Fisheries squelched any movement in that direction. And the Japanese government eventually decided to purchase four AWACS aircraft, though the announcement came only after the 1992 election was over—scant consolation for the president.

Interregnum

In accordance with custom, I filed my resignation with President Bush some weeks before the election, expecting it to be accepted shortly thereafter. I did not covet another post either in Washington or overseas and planned to leave the Foreign Service when my assignment in Tokyo was finished. Naturally, the Japanese press immediately began speculating about my successor. Some of those mentioned—such as Governor Booth Gardner of Washington and Dick Holbrooke, a former assistant secretary of state for East Asian affairs—were well qualified candidates whom I knew were interested. Others—for example, Speaker of the House of Representatives Thomas Foley—were unlikely to be available, and rumors about their interest reflected the Tokyo media's inclination to indulge in wishful thinking. I swiftly learned what it was to be a lame duck.

As it turned out, the Clinton administration displayed little urgency in filling ambassadorial posts. And by the end of 1992, I had received informal word that I should plan to stay on in Tokyo for a few months while the administration made its choice. This was agreeable to me, for I had no desire to leave before a successor was designated. But I encouraged the new team at the State Department to have a new ambassador in place well before the G-7 summit convened in Tokyo in mid-July 1993. This would enable Washington's new representative to benefit from visible association with the president and gain a swift immersion in the bilateral and multilateral dimensions of our relation-

The Clinton Administration's Japan Policy

175

ship. The top people in the department acknowledged these advantages but were unable to confirm that such a timetable was achievable.

During this period, I busied myself urging Japanese officials and politicians to take early action to preempt problems with the incoming administration. The bilateral trade imbalance had begun to surge upward again in 1992, and that trend was destined to continue as the United States entered a period of even stronger economic recovery in 1993. This guaranteed that the trade issue would be near the top of the new administration's agenda. I therefore counseled all who would listen to consider stronger measures to stimulate domestic demand in Japan as well as initiatives to facilitate an early conclusion of the GATT negotiations.

The response of Japanese officials and key Japanese politicians was surprisingly complacent. I encountered little soul-searching about Japan's rapidly accumulating global current account surplus and a diminished sense of urgency about reducing it. There were perhaps several explanations. U.S.-Japan trade issues had not been a central feature of the presidential campaign. Neither had Tokyo confronted concerted G-7 pressures for remedial action at the Bonn summit in July 1992. Besides, the Miyazawa cabinet had formulated, though not yet implemented, a sizable domestic demand stimulus package, which it could contend would result in a major expansion of imports in 1993.

The business community was receptive to the call for domestic demand stimulus. The major economic federations—Keidanren, Keizai Doyukai, Nikkeiren, the Chamber of Commerce—all encouraged corporate and personal tax cuts to stimulate demand. And the Policy Research Council of the LDP, led by Hiroshi Mitzuzuka, jumped aboard the bandwagon. Tax cuts also had an undeniable political appeal. The Miyazawa government was at the time working on a five-year budget proposal designed ostensibly to transform Japan into a "lifestyle" superpower. From 1988 to 1992 the percentage of the Japanese GDP that went to personal consumption had declined from 62 percent to roughly 58 percent. Merely restoring consumption to 1988 levels would have unleashed enormous demand, consistent with the structural changes heralded in the Maekawa Report of the mid-1980s.

The Ministry of Finance had a different agenda, however. It continued to assign priority to fiscal reconstruction, i.e., reducing the public debt incurred in the late 1970s and early 1980s. And once it articulated its opposition to tax cuts, it was amazing how quickly the busi-

ness community and LDP dropped the issue. Indeed, many began parroting the ministry's arguments for why it was such a bad idea. On the trade issues, moreover, the Japanese preferred to play a waiting game. Why offer preemptive concessions before it knew what to expect from the new administration?

The Clinton Administration: Trade Policy

Eager to obtain a better feel for the new administration's thinking, I returned to Washington for consultations in mid-February 1993 and made the rounds of new cabinet members interested in the U.S.-Japan relationship. I met with Warren Christopher, Lloyd Bentsen, Laura Tyson, Ron Brown, Mickey Kantor, and Tony Lake. All expressed a determination to press for greater reciprocity on trade matters with the Japanese, and though none appeared firmly committed to a particular approach, all were clearly interested in differentiating the new team's negotiating strategy from that of the Bush administration.

I encountered much talk about a results-oriented approach but little evidence that a newly reconstructed interagency policy-making process would swiftly hammer out a new strategy. A process was planned, to be reconfigured through the creation of a new National Economic Council to coordinate the formulation of domestic and international economic policy. Whether trade policy toward Japan would fall principally under the NEC or NSC was resolved in favor of the former. But it took some time to get both councils up and running. Lengthy delays in getting key officials confirmed further slowed the process of policy formulation. The locus for policy making eventually came to rest with the interagency deputies committee, chaired by Bo Cutter, Bob Rubin's deputy at the NEC, and composed of senior officials from all relevant agencies. The subcabinet officials with responsibility for formulating policy toward Japan—Joan Spero (State), Roger Altman and Larry Summers (Treasury), Alan Blinder (CEA), Charleen Barshefsky (U.S. trade representative's office), Jeff Garten (Commerce), and Cutter—were all highly intelligent and pragmatic individuals. Each had some prior experience with Japan, mostly in the private sector, and several bore the scars of previous business negotiations with the Japanese.

In January 1992 my economic minister, Joe Winder, and I had collaborated on a cable to Washington expressing our views on trade pol-

The Clinton Administration's Japan Policy

177

icy. We warned that there was “no silver bullet, no quick fix.” We observed that progress in reducing the imbalance was pick-and-shovel work. We urged the new administration to concentrate on coordinating macroeconomic policies, pursuing further sectoral agreements, attempting to remove more structural impediments to open trade, and improving multilateral rules for trade by wrapping up the Uruguay round.

During my February 1993 visit, I was pleased to note that the cable had been widely read, but the prevailing consensus in Washington seemed to be moving well beyond our suggestions. What I found particularly noteworthy was the widespread supposition—particularly at the U.S. trade representative’s office and the White House—that the semiconductor agreements of 1986 and 1991 and the auto parts understandings of January 1992 were virtually the only bilateral trade agreements that had produced any noteworthy results. Since the Japanese trade bureaucracy repeatedly emphasized its resolve never again to replicate such agreements, it was clear that a major struggle loomed.

In fact, the administration got off to a favorable start on trade issues with the Japanese. The president’s first authoritative remarks on the subject, during a speech at American University on February 26, 1993, urged an early conclusion of the Uruguay round and indicated that the administration would utilize the tools at its disposal—multilaterally where possible, bilaterally when necessary—to achieve a rough equality of trade and investment opportunities with Japan. The administration also introduced an important tactical adjustment in the U.S. approach to the GATT negotiations, giving priority to market access issues rather than agriculture. This permitted us to find some common ground with the Japanese, leaving the tough rice issue until other details of an agreement had been filled in. Beyond this, Secretary of the Treasury Lloyd Bentsen made it clear that he would utilize the G-7 finance ministers for discreet consultations rather than high-profile communiqués—a stylistic change the Japanese welcomed. Most important, the president accorded top priority to reducing the fiscal deficit. By the time he visited Tokyo, the broad outlines of his deficit reduction plan had taken shape, and this lent credibility to his requests to Japan and Europe to make their own contributions to global growth.

By midspring the broad outlines of the administration’s trade strategy toward Japan began to surface. From the outset it was clear that it

would not be an easy sell in Tokyo. First, it rejected a quest for piecemeal agreements in favor of a comprehensive negotiation to include macroeconomic coordination as well as bargaining over sectoral and structural issues. The extensive agenda foreshadowed detailed discussions on the following subjects: (1) government procurement of computers, satellites, medical technology, and communications equipment and services; (2) regulatory reform and competitiveness (including financial services and insurance, as well as the distribution system and administrative guidance); (3) "other major sectors" (a general heading that served as a euphemism for autos and auto parts); (4) economic harmonization (a category that would extend to such subjects as foreign direct investment, intellectual property rights, and buyer-supplier relationships); and (5) a review of how existing bilateral agreements were being implemented. The premise underlying this last proposal was that Japan routinely violated or ignored most of its trade commitments—a difficult basis on which to enlist the cooperation of a negotiating partner. In fact, the distrust was mutual. If U.S. negotiators assumed that Japanese trade pledges were worthless unless they were reduced to quantitative targets, the Japanese team believed that even the vaguest promises made to Americans would be transformed into explicit pledges to accomplish a specific result within a fixed time frame.

The strategy proposed to assure effective results by creating agreed, visible, and quantifiable standards against which progress could be measured. Specifically, we would seek Japanese commitments to reduce the size of its current account surplus and increase the volume of its manufactured imports to explicit percentages of its GNP. In the various sectoral negotiations, moreover, we proposed to identify numerical targets or objective criteria against which Japan's performance could be judged.

Finally, the president would commit himself to meeting the Japanese prime minister at frequent, periodic intervals to review progress. Such meetings, initially contemplated at roughly six-month intervals, were envisaged as action-forcing events and were to be preceded by detailed preparatory negotiations between U.S. and Japanese subcabinet-level officials.

The administration appeared determined to resist a process that allowed the Japanese to table their own complaints about U.S. policies, as they could in the SII talks. It also sought to minimize the focus on

The Clinton Administration's Japan Policy

179

collaborative activities, evidently fearing that these would divert attention from Washington's central concerns. The Clinton economic team also hoped to dilute the influence of the Japanese bureaucracy in the negotiations by establishing a direct negotiating link with politicians in the prime minister's office. Bo Cutter was selected to lead the U.S. delegation to the framework talks, and he actively encouraged the Japanese to appoint the deputy chief cabinet secretary—a prominent LDP politician—as his counterpart. I regarded this element of the strategy as particularly problematic and expressed misgivings. The purpose of Washington's proposal—to work around or go over the heads of the bureaucracy—was transparent. Since power in Japan rested principally with the bureaucracy, such a proposal was destined to be rejected and would merely offend those who remained in charge of the negotiation. Despite my reservations, the proposal resurfaced in communications with the prime minister. Predictably, it was ignored, though I suspect its repetition rankled.

For their part, the Japanese approached the framework negotiations in an aggressively defensive mode. They would have preferred to avoid the negotiations altogether. Since that was impossible, they concentrated on attempting to neutralize U.S. proposals while limiting their scope. A prime objective was “minimum specificity”—i.e., the avoidance at all costs of any pledge that might be construed as a numerical target. In addition, the Japanese sought to limit negotiations to problems within the government's reach, thus absolving themselves of any responsibility for guaranteeing increased imports by the private sector. They also insisted on subjecting any concessions made to the United States to most-favored-nation treatment, in order to avert difficulties with other trading partners. Beyond this, they wanted a process that could be portrayed as balanced and reciprocal, thus averting any impression that the talks would address only Japanese market access and regulatory barriers in Japan. They pushed hard to include discussions of the development of cooperative activities in order to accentuate the positive and avert any inference that our economic ties were marked exclusively by strife and discord. Determined not to be outmaneuvered in the field of public diplomacy, moreover, they quickly seized the high ground, portraying themselves as champions of free trade, while putting the Clinton administration in the dock as proponents of managed trade.

Several rounds of discussions yielded little progress on the central

issues, and with time running out before the G-7 summit, Washington appeared reconciled to reaching no agreement. The Japanese government, however, was not eager to host a major multilateral event clouded by an apparent impasse over trade with its major ally. With time running out before the summit, Prime Minister Miyazawa personally conveyed a suggestion to Washington for breaking the impasse. While he emphasized that numerical targets were still unacceptable, Tokyo, he said, could perhaps live with what he termed "an illustrative set of criteria"—whether quantitative or qualitative—as long as the language in the framework agreement indicated that such criteria could be used only to gauge progress, not to serve as targets or commitments for future trade outcomes. This gave Washington enough running room to send its delegation to Tokyo ahead of the summit, and the two teams struggled toward an agreement throughout the G-7 meetings. In the end, agreement was facilitated by direct talks between the national security adviser, Tony Lake, and Hisashi Owada, the vice minister of foreign affairs. Yet although excluding MITI and Ministry of Finance officials from the critical discussions may have eased agreement on the framework, it probably hardened their determination to resist offering concessions when substantive talks began. By that time, Prime Minister Miyazawa had been replaced, and Vice Minister Owada had assumed other responsibilities.

The language ultimately agreed on skirted major differences. "This assessment," the agreement read, "will be based upon sets of objective criteria, either qualitative or quantitative or both as appropriate, which will be established using relevant information, and/or data that both governments will evaluate. These criteria are to be used for the purpose of evaluating progress achieved in each sectoral and structural area." Agreement on this complicated formulation did not extend to what precisely it meant.

Other issues fueled the nonstop negotiations during the summit. Most were finessed. For example, Washington wanted the Japanese to commit to getting their current account surplus down to between 1 and 2 percent of their GDP within three to four years and to raise their imports of manufactured goods as a share of GDP by one-third within the same time frame (i.e., from roughly 3.1 percent to 4 percent, still well below the 7.4 percent level that was average for other G-7 members). What we obtained was a commitment to "a highly significant decrease" in the surplus and a "significant increase in global imports of

The Clinton Administration's Japan Policy

181

goods and services" over the "medium term." The agreement also left unspecified the market obstacles to be removed, as well as the criteria to be employed for assessing progress.

The Japanese wanted any agreements concluded to fall outside the retaliatory reach of section 301 of our trade law. Washington rejected this, insisting that violations of agreements would be actionable under U.S. trade laws. No compromise being possible, we agreed to disagree: the United States reserved the right to enforce agreements that were reached; Tokyo signaled its intent to pull out of negotiations in any area in which Washington proceeded with what Japan considered an unfair trade practices investigation.

The agreement received good press, but this initial skirmish was a harbinger of what was to come. Both sides interpreted the understanding in divergent ways. The framework did not chart a clear path toward an agreement; it provided merely an agenda on which to struggle. Some weeks earlier, Walter Mondale had been nominated to replace me. I was relieved that he, rather than I, would have to try to keep this process on track. A week later I left Tokyo.

The Tokyo Summit

The framework agreement, however important to the administration, was not the president's only preoccupation during the Tokyo summit. Indeed from my standpoint, the G-7 summit provided a timely opportunity to increase President Clinton's awareness of other features of our relationship with Japan and to reinforce the administration's interest in Asia. In addition to the time the president was to spend in G-7 deliberations, the Japanese eagerly arranged for him to make an official bilateral visit to Tokyo just prior to the multilateral summit. Ultimately, we were able to claim only a little more than twenty-four hours for this bilateral visit, but it proved to be time well spent. It offered an opportunity for the president to engage in bilateral discussions with the prime minister, meet a wider range of Japanese leaders, publicly address key issues in our relations with Japan and the Asian region, and enjoy at least some more or less spontaneous interaction with the Japanese public.

The formal talks with the prime minister and his entourage took care of themselves. They were cordial and substantive. Arranging for the president to meet a cross section of the Japanese establishment was

trickier. The only time available was used for a brief reception immediately following the president's arrival from the United States. I wished to keep the numbers sufficiently limited so that Mr. Clinton would have some opportunity to speak with each of the invited guests. Thus the invitees made up a genuine A-list of the Japanese political, business, academic, and journalistic elite: the major LDP faction leaders; leaders of the major opposition parties; and representatives from the business, journalistic, and academic communities. The press highlighted almost exclusively President Clinton's informal exchanges with reformist politicians like Morihiro Hosokawa and Tsutomu Hata—contacts that proved to be highly useful, inasmuch as the former became prime minister within days, and the latter within months. Some interpreted the reception as a subtle effort to align the United States with the LDP's opponents. That was not my intent, though privately I hoped the voters would shake up the political system. Recognizing the uncertainties of the Japanese Lower House election that was to take place in little more than a week, my main objective was to see that the president met as many of Japan's potential future leaders as possible.

I was personally surprised when Mrs. Clinton appeared at the reception at the president's side. The White House advance team had informed us that she would skip the first night's events. Bonny and I were delighted that she chose to join the occasion, for she had stirred tremendous interest among both the Japanese elite and the public. Her presence, however, highlighted the fact that our guests included no Japanese women. Some among the U.S. press feigned shock and outrage at this omission, and the White House spin masters suggested that the oversight was the embassy's fault. I was bemused by the furor but readily accepted responsibility for putting together the invitation list. My embassy colleagues and I had prepared it with the aim of including the leaders of Japan's establishment. In fact, we had invited two prominent women—Mayumi Moriyama, former chief cabinet secretary in the Kaifu cabinet, and Sadako Ogata, the UN High Commissioner for Refugees—neither of whom was able to attend. But with a few notable exceptions, women were not prominent in the leadership of Japan's political, bureaucratic, business, and journalistic institutions, and this perforce influenced our choices. It had never occurred to me that we should arrange the guest list to meet the standards of Ameri-

can political correctness—as interpreted either by the press or the White House. In any case, the flap was quickly overtaken by events.

The embassy was eager to have the president visit Waseda University. Robert Kennedy had spoken there in the early 1960s and had earned widespread admiration for standing up to the heckling of leftist students. We were eager for another young U.S. leader to engage in open discourse with a new student generation in Japan. This suggestion encountered much initial opposition from some in Washington, but in the end the resistance eased, and the university provided an excellent showcase for the president's call for a Pacific Community. His informal exchanges with students proved to be a big hit with both those in attendance and those who watched on TV. The questions were blunt, and the president's responses good-natured, candid, and well informed. He seemed reluctant to leave.

I hoped the president would phone the parents of a young Japanese exchange student, Yoshio Hattori, who had been slain the previous October in Louisiana. The Hattoris had paid a call on Bonny and me following their son's death, in order to present petitions urging stricter gun control in the United States. I was touched by the grace with which they sought to find some larger meaning in their personal tragedy. I shared their sentiments about gun control and admired their decision to raise money to support expanded U.S.-Japanese student exchanges. I was gratified that the president telephoned them to express condolences, though technical difficulties in arranging the call prompted him to arrive nearly twenty minutes late for a meeting at my residence with Indonesian president Suharto.

The president, Mrs. Clinton, and the entire Washington entourage appeared delighted by the outcome of their brief bilateral visit. The G-7 summit likewise went well from the president's standpoint. And, whatever the eventual consequences, the last-minute signing of a framework agreement for trade negotiations was frosting on the cake. Needless to add, I was greatly relieved at the outcome. This was the third presidential visit for which I had borne some responsibility as ambassador. The first, a scheduled visit by President Reagan to the Philippines in 1983, had been canceled abruptly following "Ninoy" Aquino's assassination. The second—President Bush's visit to Tokyo in January 1992—had scarcely gone according to plan. At least on this third try, the president seemed satisfied with the result.

In Pursuit of a Trade Agreement

I followed the subsequent trade negotiations—which got off to a rather leisurely start in mid-September—essentially through the press, supplemented by occasional chats with former associates. The discussions initially focused on the contentious subject of numerical targets, a subject on which the delegations were unlikely to find much common ground. While the U.S. side sought to distinguish between managing outcomes and establishing benchmarks against which to measure progress, such fine distinctions got lost in an increasingly acrimonious debate between the delegations. Nor did the administration do an effective job of explaining these distinctions to the American press and public. This became obvious when a number of the nation's leading economists signed an open letter criticizing the administration's strategy.

Unfortunately, this approach played into the hands of the Japanese trade bureaucracy. They relished the opportunity to transform the negotiation into a public relations contest, for they held the high political ground. They had learned the crucial importance of public diplomacy during the SII talks, and this time they took the offensive. They treated any reference to objective criteria as if it were a demand for market share. They used Washington's alleged insistence on numerical targets to solidify support within their business community and political establishment against any concessions to Washington. They neutralized the United States' natural allies on trade issues in Asia and Europe by telling them that if Washington prevailed in this negotiation, it would seek similar market share arrangements with them. In any event, they hinted, concessions extended to Washington would come at others' expense.

Positioned so advantageously, the Japanese bureaucracy felt no apparent obligation to come up with serious counterproposals. And Washington's trade representatives, outmaneuvered tactically, took out their frustrations on their counterparts, following up the acerbic exchanges at the bargaining table with leaks of unflattering portraits of the Japanese negotiators to the press. Distrust mounted on both sides. Washington's negotiating approach also appeared to reflect a misreading of political developments in Japan. Hoping they could enlist the support of politicians to close a deal, at least some of the administration representatives made little effort to conceal their disregard for their bureaucratic counterparts. But the July 18, 1993, Lower House

The Clinton Administration's Japan Policy

185

elections brought to power a coalition government whose unity was extremely fragile. Able to agree on little beyond the desire to oust the LDP and pass an electoral reform bill, it could fashion no detailed policy on trade issues and, like its predecessor, was inclined to defer to the bureaucracy on such matters. Thus the bureaucrats stonewalled, and no politicians had the strength to discipline them even had they possessed the disposition to try.

By the time Prime Minister Hosokawa visited President Clinton in Washington in early February 1994, both sides had concluded that no agreement was preferable to an attempt to paper over disagreements for cosmetic purposes. The result was ironic. In the mid-1980s, Washington began to insist on more verifiable results in trade agreements with Japan, among other reasons, in order to avoid losing control on trade issues to the Congress; now Japan's trade bureaucrats jumped on the opportunity ostensibly to champion free trade because it enhanced their prospects of deferring further market openings and delaying regulatory reform.

Both President Clinton and Prime Minister Hosokawa took a stab at portraying the results of the February summit as indicating a more mature relationship by noting that Tokyo and Washington could now agree to disagree. Some Japanese journalists reported that, exhilarated by the experience of standing up to the president, Prime Minister Hosokawa was "giddy" on the plane going home. If so, he was no doubt encouraged by some of the economic nationalists in his entourage. Others expressed a more sober view. Takakazu Kuriyama, Japan's ambassador in Washington, reportedly observed that it was scarcely a sign of maturity simply to put forward a position, stick to it, and otherwise refuse to search seriously for ways of resolving the problem. I am not sure whether he was speaking about Japan or America, but in some respects his words applied, it seemed to me, to both.

Following the summit, the administration appeared to contemplate several alternative policy options. One was to make Japan pay for its obduracy through the application of sanctions. Telecommunications appeared a logical target. The deadline for reviewing progress in implementing a 1989 telecommunications agreement was fast approaching, and Motorola had legitimate complaints about the way its access to the Japanese cellular telephone market had been curtailed. A second possibility involved talking up the yen. This tactic presumed that Japan's business community and government, alarmed by the deleterious

effects of a strong yen on its most efficient export industries, would press for additional measures to stimulate domestic demand and/or deregulate the economy. A third possibility was to generate more pressure and a new deadline for negotiations through a reinstatement of the Super 301 provision of the 1988 Trade Act. Finally, the administration could avoid definitive policy announcements, making clear that the next move was up to Japan, thereby leaving its own options open.

In the end, the administration seemed to pursue each of these options in a limited way. Evidence of discord on bilateral trade issues exerted upward pressure on the yen; the prospect of sanctions spawned an early understanding on telecommunications (some in the Japanese press described this as the price Japan had paid for saying no at the summit); the administration revived Super 301, but it did so by administrative fiat and left itself plenty of time to negotiate by setting the deadline on September 30, 1994. Beyond this, Washington appeared quite content to let the Japanese government worry about further, perhaps more drastic, steps.

Initially, the Japanese government sought to squeeze whatever political benefits it could from having stood up to Washington. It warned against any attempt to manipulate the exchange rate and intervened heavily to calm currency markets. It attempted to neutralize threats of sanctions by hinting at countersanctions and a readiness to file a formal complaint with GATT authorities if any of the measures Washington pursued appeared to contravene GATT obligations. In a more conciliatory vein, it signaled its intent to pull together a series of trade-related measures to present to Washington in the course of the spring. The G-7 summit scheduled for July 1994 provided one possible deadline for this, but the meeting came and went with no major breakthrough.

In the end, the U.S. and Japanese delegations negotiated right up to and through the September 30 Super 301 deadline. By this time, however, both capitals appeared to recognize that a prolonged stalemate on trade could further destabilize the currency markets. For Japan, this meant diminishing the competitiveness of its blue-chip export companies; for the United States, it meant more pressure on interest rates at home and increases in the cost of doing business in Japan. Some key players in the administration seemed prepared tacitly to acknowledge that they had lost the public relations battle over numerical targets.

As the Americans downplayed objective criteria, the Japanese

The Clinton Administration's Japan Policy

187

offered further procedural concessions to facilitate agreements. The negotiations were finally wrapped up on October 12, 1994, with agreements to improve market access in the insurance sector and to establish more transparent and reasonable guidelines for public procurement of medical devices and other products. Each side had worn the other down. The results were greeted with relief rather than any sense of triumph.

Spurred by the prospect of yet another summit—this time a meeting between Prime Minister Murayama and President Clinton in Washington on January 11, 1995—other unfinished business was removed from the table. Accords were signed concerning glass and financial services, and talks on autos and auto parts were scheduled to resume.

The auto/auto parts issue proved to be more intractable than many knowledgeable observers had anticipated. The bargaining provoked belligerent talk from both sides, and the press commentary was laced with predictions of an imminent trade war. A deal was finally struck only after a Super 301 deadline (May 28, 1995) had elapsed, just one day before punitive sanctions—100 percent duties on virtually all Japanese luxury car imports—were scheduled to go into effect thirty days later.

The agreement was not necessarily a bad deal, but neither was it a big deal. It was laced with sufficient ambiguity for both governments to declare victory. The accord promised significant deregulation of the Japanese after-sales market for auto parts, and the Japanese government promised to encourage an increase in the numbers of auto dealers handling U.S. car exports. In addition, Japan's major car manufacturers announced voluntary plans to expand their production of autos in the United States by roughly 25 percent from 1995 to 1998 and to increase substantially the local content in their American-made products.

President Clinton hailed the agreement's results as important, specific, and measurable. The Japanese claimed success in concluding an agreement without promising numerical targets or surrendering to U.S. threats. Yet, as in the past, the Japanese made their conciliatory gestures at the last minute to avert sanctions, and the administration packaged vague promises as if they amounted to ironclad commitments. For example, at the press conference called to announce the accord, Mickey Kantor, the U.S. negotiator, indicated that the number of Japanese auto dealers handling American products would increase

by two hundred in 1996 and by a thousand by the year 2000, while sales of U.S. parts to Japanese transplant factories in the United States would rise by an additional \$6.5 billion by 1998. His counterpart, Ryutaro Hashimoto, however, disclaimed any Japanese government involvement in such estimates and managed to have this specific caveat included in the communiqué: "The two Ministers recognize and understand that the plans newly announced by the U.S. and Japanese companies are not commitments and are not subject to the trade remedy laws of either country."¹

While Japan's formal commitments were modest, market forces reinforced by this agreement will hasten the expansion of Japanese auto production in the United States and auto parts purchases from U.S. suppliers. Having published their plans, the Japanese manufacturers will have a hard time backing away from them, whatever they may say about them being forecasts rather than commitments. Some Japanese commentators are already lamenting the further hollowing-out of Japanese industry. But Japan's auto manufacturers will increase their profitability by moving more production to the United States, since for them this country is a cheap-currency, low-wage, high-skill production site. Needless to add, their new investments in the United States will mean more jobs for Americans—and, coincidentally, more competition for Detroit.

It remains to be seen whether the Big Three are prepared to make the investments that are essential to establish genuine access to Japan's distribution system. Chrysler disclosed an earnest of its intent in that regard shortly after the auto accord was signed. It announced that it would purchase the Seibu Motor Sales dealer network for more than \$100 million and planned to establish two hundred sales outlets by the end of 1996 and five hundred by the turn of the century—a hopeful sign that it is getting serious about the Japanese market.

Thus the framework negotiations that had started with a bang ended with a whimper. Unquestionably, the agreements reached on telecommunications, public procurement, insurance, glass, financial services, autos, and auto parts will bring benefits to U.S. exporters of goods and services and to Japanese consumers. The result may be laudable; the process was not. Distrust between the negotiators grew. Polit-

1. Andrew Pollack, "Agreement on Which Both Sides Disagree," *New York Times*, June 30, 1995, p. C5.

The Clinton Administration's Japan Policy

189

ical leaders on both sides evidently concluded that tough and aggressive tactics played well with nationalistic constituencies. The terms of the new GATT agreement did little to diminish the intensity of these bilateral negotiations. And it is noteworthy that during the two years it took to achieve these agreements, the U.S. bilateral deficit with Japan increased to its highest level ever.

Other Concerns

Trade was not, of course, the only bilateral policy concern. I noted that the Clinton administration's policy instincts toward both the Chinese and Russians were at cross-purposes with Tokyo's. With respect to Russia, the difficulties began with an indiscreet remark by President Clinton to President Yeltsin during the Vancouver summit in April 1993. Notes concerning the president's conversation with Yeltsin were left at a restaurant and found their way into the hands of the press. The Japanese consequently learned that President Clinton had reportedly warned the Russian leader that when the Japanese said yes to the United States, they often meant no, and it was very important that Yeltsin not allow the Japanese to behave the same way with him.

I learned of the incident first through a phone call from Warren Christopher, who explained the context of the president's remarks and asked that I relay the explanation to Vice Minister of Foreign Affairs Hisashi Owada. My call to him proved somewhat redundant, since by the time I was able to reach Owada, Secretary Christopher had already spoken with him. Owada was gracious, but I doubted that the explanation had been thoroughly convincing, since what prompted anxiety among the Japanese was less the words themselves than the clubby atmosphere in which an American president appeared to be coaching a former adversary on how to deal with a major Pacific ally. This concern was visible a few weeks later when Foreign Minister Kabun Muto commented to an audience of his Foreign Ministry officials, "With the cold war over, the U.S. and the Soviet Union have become the best of friends, and it seems to me that Japan is made out to be like a common enemy of theirs."² Muto, a politician who often said openly what was on others' minds, overstated the problem, but his remark accu-

2. Quoted in Ayako Doi, "Washington's Asia Policy: Fallout in Beijing," *Japan Digest* 5, no. 12 (March 28, 1994): 23.

rately reflected the sensitivity of the Japanese to hints of change in Washington's diplomatic orientation.

Prodded by encouragement from former president Nixon, moreover, the Clinton administration proved more forthcoming than its predecessor in proffering support to President Yeltsin, for whom the Japanese felt little empathy. While the Japanese government played along with U.S. and European efforts to mobilize additional financial support for Russia in the spring of 1993, they did so, I suspected, more to avoid being odd man out at the G-7 summit than from any belief in the efficacy of such aid. Meanwhile, they began to devote more attention to developing relationships with several central Asian republics that had seceded from the Soviet Union.

With the December 1993 parliamentary elections and Yeltsin's subsequent shift to the right on foreign policy matters, differences between Washington and Tokyo gradually diminished. In the United States, criticisms of the Clinton administration's Russian policy came increasingly to parallel those circulating in Tokyo (specifically, that there was too much attention paid to Yeltsin and too little to the other former Soviet republics). Meanwhile, the willingness of Congress to provide aid to Russia atrophied. Moscow's clout in East Asian affairs declined further. And Russia faded as a bone of contention in relations between Japan and the United States.

It likewise appeared that China policy might create new tension in the relations between Tokyo and the Clinton administration. I thought such fears were overdrawn, since the politics of China policy had changed in Washington. While the president had committed himself to a tough human rights posture toward Beijing during the campaign, he had no desire to alienate the Chinese or to undermine U.S. commercial interests in China. Nor did the Democratic majority in Congress wish to embarrass their president during his first months in office. Consequently, the problem was kicked down the road though an executive order issued in late May 1993 that extended most-favored-nation status to China until May 1994 but identified a number of specific human rights conditions that would have to be met for it to continue thereafter.

Naturally, the problem reappeared as that latter deadline approached. Although political as well as economic conditions in China were arguably improving, there was little visible progress on the specific conditions outlined in the executive order. Secretary of State

The Clinton Administration's Japan Policy

191

Christopher's high-visibility trip to Beijing in March 1994 highlighted the problem. Overt public pressure on what the proud and nationalistic Chinese considered domestic matters provoked Beijing to dig in its heels. Thus by the spring of 1994 the stage appeared set for an open confrontation that served neither nation's interests.

Japan urged moderation on both sides but took steps to distance itself from the U.S. policy. When Prime Minister Hosokawa visited Beijing a few weeks after Secretary Christopher's mission, he reportedly intimated to the Chinese that it was not wise for one country to try to impose its democratic values on another. If the Japanese were not seeking to exploit Beijing's difficulties with Washington, they were at the very least attempting to avoid complicating their own bilateral relationship with China by appearing to be too closely associated with this element of Washington's China policy.

At the same time, however, Tokyo's own relations with Beijing entered a new phase. Its determination to develop a strong relationship with China was increasingly accompanied by a growing disposition to express clearly Japanese misgivings about certain aspects of Beijing's conduct. As China's military budget grew and its capacity to project its power increased, nervousness spread among the Japanese. These anxieties were accentuated, no doubt, by awareness that Russia no longer tied down so many Chinese forces on its northern borders and by suspicions that the United States' readiness to shoulder Asian security burdens was gradually declining. Beijing's nuclear modernization efforts, manifested in renewed nuclear tests, also provoked outspoken expressions of Japanese concern. So, too, did China's attempts to reinforce the limits on Japan's unofficial dealings with Taiwan, efforts that resurfaced when Japan invited Taiwanese officials to attend the opening ceremonies of the Asian Games in Hiroshima in the fall of 1994. In this case, Chinese threats prompted Japanese officials to refer publicly to their 1991 aid guidelines, according to which they were to take into account recipient countries' records on defense expenditures, arms exports, and human rights in their decisions to allocate economic assistance. These were subtle hints that Tokyo would not roll over in the face of Chinese pressure. And Beijing's growing power reminded the Japanese anew of the continuing value to them of its alliance with the United States.

Much to the relief of the American business community and Asian governments, the Clinton administration officially delinked trade with

China from specific human rights conditions in May 1994. While China's modest gestures on human rights fell well short of the administration's hopes, Washington extended most-favored-nation treatment and chose to pursue its human rights interests without the annual threat of sanctions. Though other difficulties surfaced and Washington's relations with Beijing remained more correct than cordial, the United States and Japan both recognized a growing need to play the triangular diplomatic game with Beijing in a prudent manner.

Another issue on which subtle differences emerged related to the president's call for a Pacific Community and his attempts to hasten the institutionalization of APEC. The Japanese supported APEC, to the point of putting on hold their reaction to the East Asian Economic Caucus proposed by Prime Minister Mahatir bin Mohamad of Malaysia. President Clinton's call for a Pacific Community was greeted politely, if without notable enthusiasm, and Prime Minister Hosokawa readily accepted President Clinton's invitation to attend the Seattle leaders meeting, although he appeared rather aloof throughout the gathering. Japanese ambivalence toward the president's APEC initiative was quite apparent. On the one hand, they welcomed any sign of the United States' enduring engagement in the Pacific; on the other, some feared that Washington's activism might diminish Japanese opportunities for leadership in this regional enterprise and force Tokyo to make unpalatable choices.

The Japanese government continued to resist any formal endorsement of Prime Minister Mahatir's proposal for a more exclusive East Asian economic grouping. But the signs of growing interest were unmistakable. Prominent business groups such as Keidanren and Keizai Doyukai publicly signaled their support for Japanese participation in the EAEC. A Pacific study group hosted by Ministry of Finance officials and containing some of the most powerful Japanese political and business figures appeared to be moving in the same direction. During the ASEAN Regional Forum meetings held in Bangkok in July 1994, Foreign Minister Hata attended a luncheon meeting to which only the proposed members of the EAEC were invited. And with increasing frequency Japanese leaders seemed to dwell publicly on the differences between Asian and American values—a focus some regarded as an attempt to lay a subtle basis for Japan's efforts to carve out a leadership role in the Pacific.

While postponing a definitive endorsement of the EAEC, the Japan-

The Clinton Administration's Japan Policy

193

ese moved to upgrade their bilateral contacts with Asians in the fields of security, finance, and trade; to accord a higher priority to their trade and investment flows in the region; to defend more assertively Japan's model of development in international financial institutions; and to identify more closely with those affirming the uniqueness of Asian values.

On some issues, to be sure, collaboration with Washington assumed greater urgency—the North Korean nuclear issue, for one. Successful acquisition by Pyongyang of a nuclear capability posed a security danger for Japan and raised a highly controversial issue for its political establishment. Pyongyang's intransigent rejection of full-scale international inspections and its threat to withdraw from the NPT lent urgency to collaboration among those most directly affected: Korea, Japan, China, and the United States. Any effective strategy would demand Japan's cooperation, not least because coercive sanctions against the North required the termination of remittances from Korean nationals living in Japan to their relatives in North Korea.

Japanese officials regularly reaffirmed their readiness to implement sanctions against the North if the UN Security Council mandated such measures. Yet Tokyo displayed little desire to follow through on that resolve. Political factors complicated the calculations of even those Japanese who were prepared to tackle this tough issue. For example, Ichiro Ozawa sought to induce key defections from the LDP in the spring of 1994 in order to establish a coalition that did not rely on support from the Socialists. The transparent motivation was to enable the Japanese government to support UN sanctions against Korea. The effort failed. The reformists' minority government fell, and an LDP-Socialist-Sakigake coalition took power. Some Japanese regarded former president Jimmy Carter as the midwife of this curious coalition, and in some respects they may have been right: Carter's trip to Pyongyang in late June 1994 took the steam out of Washington's move toward sanctions. This in turn allowed the LDP to contemplate a coalition with the Socialists without placing relations with Washington at risk over the Korean issue.

The dominant elements in Japanese politics still prefer to avoid a confrontation in Korea. Like the South Koreans and Chinese, they appeared worried about backing Pyongyang into a corner and favored a gradualist strategy that would defer sanctions as long as possible. Understandably, then, the Japanese government publicly welcomed the U.S.-North Korean agreement when it was concluded in October

1994 and agreed to join South Korea in subsidizing the cost of light water reactors to be supplied to Pyongyang. They clearly hoped that this agreement would also open the door to progress in their own normalization talks with the North.

More generally, bilateral security relations with Japan remained relatively smooth. This was facilitated by several factors. For one thing, the late Secretary of Defense Les Aspin announced early on that the United States contemplated no major adjustments in either the U.S.-Japan Security Treaty or in U.S. force levels in the Pacific. The administration also agreed to hold the first "two plus two" ministerial meeting on security with Japan, and Washington was increasingly receptive to a regional forum for discussing security issues in Asia; both countries recognized that they faced major uncertainties in Northeast Asia, against which the Security Treaty remained a valuable hedge.

These considerations notwithstanding, security ties were not trouble-free. The Clinton administration's initial proposals for collaboration on theater ballistic missile defenses encountered strong resistance from the Japanese bureaucracy and business community, which perceived the proposals as an American effort to secure access to commercial technology in return for defense cooperation. When the Sharp Corporation refused to give the Pentagon an advance peek at its leading-edge flat panel display technology or to make such panels to military specifications, the Defense Department responded by creating and financing a consortium of U.S. companies to develop comparable technology at home. As the pressures on Japan's defense budget intensified in 1994, the Japanese Defense Agency threatened to apportion reduced defense outlays in a way that would leave host nation support payments to the United States short of those promised in the 1991 Cost-Sharing Agreement. The Clinton administration's handling of crises in Somalia, Bosnia, and Haiti left many Japanese wondering whether Americans were still prepared to shoulder military enterprises entailing risks and possible casualties. And trade frictions generated mistrust and resentment that threatened to contaminate our security relations.

Happily, both capitals recognized a need to surmount such problems and to keep security relations on track. A study group was created to examine possibilities for collaborating on theater ballistic missile defenses. Progress was made in achieving more balanced exchanges of defense technology. Despite acute political pressures, the Japanese government fully funded its host nation support pledges. The blue-

The Clinton Administration's Japan Policy

195

ribbon commission established by the Hosokawa government to reconsider defense policy issued a ringing endorsement of the U.S.-Japan alliance. And Secretary of Defense William Perry and Joseph Nye, his assistant secretary for international security, highlighted the need for more attention to U.S.-Japan security links. By the time of the Clinton-Murayama summit meeting in January 1995, a conscious effort was visible on both sides of the Pacific to devote more attention to security cooperation.

Thus by mid-1995 the U.S.-Japan relationship, despite numerous difficulties, remained vital to both countries. A number of modest trade agreements had been signed. A substantial measure of parallelism had been preserved in U.S.-Japanese policies toward Asian issues. The administration had reaffirmed U.S. support for Japan's bid for a permanent seat on the Security Council, differences had narrowed over international environmental issues, and the alliance had survived.

Yet the psychological underpinnings of the relationship were shaky. Politicians on both sides of the Pacific appeared absorbed in other matters. The fiftieth anniversary of the end of World War II threatened to rekindle unhappy memories of that conflict. Japanese and Americans alike concentrated more on the competitive than on the collaborative aspects of the relationship. And despite the continuing convergence of many national interests, few thoughtful Americans and Japanese could take the future of the bilateral relationship for granted.