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POWER AND PROSPERITY: LINKAGES BETWEEN SECURITY AND ECONOMICS IN U.S.–JAPANESE RELATIONS SINCE 1960

Robert A. Wampler

INTRODUCTION

If “structural realism” is intended to be something other than what U.S. political scientists teach to students of international relations, that is, if it is intended to explain the basics of global politics, then Japanese–American relations since approximately the end of the Vietnam War offer some nice puzzles for structural realists to try to solve. Does Japan have a grand strategy? Is the Japanese government capable of a grand strategy? What does Japan intend to do with the enormous economic and financial leverage it wields today? . . . Conversely, why should the United States as a superpower allow itself to become dependent on a purely economic power for much of its governmental financing, key elements of dual-use . . . technology, and investment in high-value-added manufacturing? . . . Does the United States have a covert policy aimed at balancing the growing power of Japan? . . . Was the true target of the Baghdad blitzkrieg not Saddam Hussein of Iraq but Professor Paul Kennedy of Yale—and all for the edification of the Japanese?¹

SINCE THESE WORDS WERE WRITTEN, much has changed in the relative positions of the United States and Japan. The once-vaunted Japanese economic miracle has seen its bubble burst, and the government is still striving to deal with the aftermath, marked by failing financial institutions and political scandals. The United States, on the other hand, continues to ride a seemingly unending series of new stock market highs and prepares to enact the first balanced federal budget in a decade (if one accepts a somewhat loose definition of balanced). Hopes for political reform in Japan have also been disappointed, as the LDP has joined Mark Twain in noting that reports of its passing are greatly exaggerated. Efforts to reinvigorate and refurbish the security relationship (the “Nye Initiative” and the new Guidelines on Defense Cooperation)² in preparation for the new

century continue apace, having survived the outcries of public protest marking the terrible rape case in Okinawa and the recent twists and turns surrounding the heliport issue in Nago. Trade tensions also continue to crop up at a regular pace, as do pointed criticisms from the United States and other G-7 governments that Tokyo is failing to put its economic weight effectively behind efforts to help alleviate and solve the financial ills that are undermining national and regional economic stability in East Asia. These financial ills in turn are revealing the dark side of the Asian economic miracle, now seen as rooted in a mix of “crony capitalism” and monumental bad judgment producing an enormous slate of bad loans and loss of public confidence in the governments’ management of financial affairs. Still, the central question posed by Johnson—how do Japan and the United States fit into each other’s grand strategies?—remains important and worthy of serious study and debate. A grand strategy is one that relates means and ends, resources and objectives, economics and national security. The National Security Archive’s *Project on U.S.–Japanese Relations Since 1960* is probing these issues through a major program of research and study into policymaking by both governments across a wide spectrum of diplomatic, security, and economic issues. This project has brought together scholars and officials (see Appendix) from both countries to discuss new studies, based on newly released official U.S. documents and interviews with former officials, that shed light on the policymaking and implementation processes in both governments.

This essay provides an interim report on the project, which is based on a series of four conferences. The first conference, held in March 1996 and co-hosted by the

Clinton administration, was the name given to the dialogue between U.S. and Japanese defense officials, starting in the fall of 1994, aimed at reaffirming the security relationship between the two nations. This dialogue led to the “U.S.–Japan Joint Declaration on Security” issued by Prime Minister Hashimoto and President Clinton in April, 1996, reconfirming the U.S.–Japan security relationship, a joint review of the 1978 Guidelines on Defense Cooperation, and the release on June 7, 1997, of the Interim Revised Guidelines. The latter were adopted by the U.S.–Japan Security Consultative Committee at its meeting in September 1997. The Interim Report on the Guidelines Review can be found on the DefenseLink website at http://www.defenselink.mil/news/Jun1997/b06071997_bt295-97.html.

¹ “The State and Japanese Grand Strategy,” in Rosecrance and Stein, *The Domestic Bases of Grand Strategy*. Ithaca: Cornell U. Press, 1993, p. 201.

² The Nye Initiative, named for Joseph Nye, the former Assistant Secretary of Defense for International Security Affairs in the first

Woodrow Wilson International Center for Scholars at the Smithsonian Institution, focused on key turning points in U.S.–Japanese relations during the Nixon/Ford–Sato/Tanaka period. The second, held in La Jolla, California, in March 1997 and cosponsored by the National Security Archive and the University of California Institute on Global Conflict and Cooperation, focused on background studies and detailed policy case studies from the post-Nixon era.³ The third will take place in August 1998 at the East–West Center in Honolulu, Hawaii. The capstone conference will be held in Japan in 1999. The participants of an informal policy roundtable (see Appendix), which followed the project’s second conference, included officials from both governments who discussed the full range of security, economic, and diplomatic issues addressed by the Research Fellows and fulfilled the objective of promoting dialogue between the fellows and those who have had experience in and responsibility for managing the many aspects of the alliance.

It is important to stress what is (and is not) meant by the term *linkages*. Linkages does *not* refer to the purposeful joining of two policy issues or objectives—a stratagem best identified with the diplomacy of Henry Kissinger—to secure leverage in negotiations such that progress on an issue of importance to one side is closely tied to progress on another issue of importance to the other.⁴ Rather, it refers to the manner in which economic policy affects the resources that can be brought to bear on the pursuit of security objectives and how well (or badly) governments coordinate economic and security policies in strategies that mesh means and ends across a spectrum of nominally disparate policy areas.

The opening passage of this report, from an essay by Chalmers Johnson, neatly illustrates the bundle of political and theoretical issues that surround the subject of U.S.–Japanese relations as well as the polemical tone that often infuses discussion of this subject. Taking into account Johnson’s well-known and critical views on U.S. policy toward Japan, he is still correct in noting that “Japan is very important in the world today, and to take an interest in it has

nothing to do with alleged racism toward Japan, nor with the West’s so-called need to find a new adversary now that the Cold War is over, nor with what [some writers] have called jealousy, technological hysteria, or cultural hegemony.”⁵ Rather, the importance of future U.S.–Japanese cooperation (or conflict) in dealing with issues of regional and international security makes it essential to understand the historical foundations of each power’s conception of national interest and security and how these have affected cooperation, security, and stability in bilateral and multilateral arenas in East Asia.

There is general agreement in both countries that U.S.–Japanese relations have been and will remain central to future U.S. policy and diplomacy, affecting America’s ability to pursue important political, security, and economic objectives in the East Asia–Pacific region and beyond. Many observers believe that this region will be the primary arena for long-term U.S. interests and engagement, perhaps replacing Europe as the focal point of U.S. foreign and economic interests. (The current problems surrounding the East Asia financial crisis, the Korean peninsula, and China would all bolster this argument.) Statements by President Bill Clinton and other U.S. officials have made clear that the United States, while determined to remain engaged in the effort to provide security and stability in Asia, is just as determined to participate in the economic benefits rooted in the stability underwritten by U.S. engagement in the region. This critical balancing of diplomatic, strategic, and economic objectives within U.S. policy continues to be a primary theme in shaping future U.S.–Japanese relations and cooperation in the pursuit of international security. Many political leaders, policymakers, and scholars in each nation view the other power both as a potential ally and as a possible antagonist in pursuing their national interests and security objectives.

No consensus exists regarding the “lessons of history” arising from the course of U.S.–Japanese relations in the postwar era. Former and current administration officials, such as Joseph Nye, focus on the need to maintain America’s security engagement in the region and to sustain the strategic relationship with Tokyo in the face of new challenges to regional and global stability anticipated from North Korea and China. Others, such as Johnson and James Fallows, point to long-standing trade tensions between the two countries and argue that Japan is pursuing a strategy of economic growth and global competition that does not follow either the precepts of Western economic theory or international rules. Johnson also is critical of what he sees as the objective of U.S. security policy toward Japan of keeping that nation in a subservient role. Such critical analyses imply not continuity with the past, but that a redefinition of the security relationship is in order.

This division in views is mirrored by the divergent viewpoints of American and Japanese policymakers when

³ The Japan Foundation Center for Global Partnership (which is also a major supporter of the U.S.–Japan Project) and the Japan–United States Friendship Commission both provided generous funding support for this conference, as well as for the policy roundtable that immediately followed it.

⁴ To be sure, there are critics of U.S. policy toward Japan who argue that an implicit linkage has existed between security and economic issues, to the end that the United States has refrained from pressing Japan too hard on trade issues for fear of endangering the security relationship. This project hopes to address the question of whether any hard evidence exists, as revealed in declassified records or oral history interviews, for such a linkage in the minds of American (or Japanese) leaders and policymakers.

⁵ Johnson, “The State and Japanese Grand Strategy,” p. 202.

looking at the record of the post–World War II era. These perspectives, rooted in different historical experiences, affect the mental maps that guide policymakers in dealing with critical regional and international security issues, such as engagement with China, relations with the two Koreas and Russia, trade and monetary policies, and defense cooperation. The studies by the Research Fellows of the U.S.–Japan Project combine historical analysis with insights from international relations theory to examine the manner in which U.S. and Japanese political and military leaders, official policymakers, and nongovernmental elites and experts approached and understood key episodes and issues in the relationship. Particular attention has been paid to the conceptual foundations of national security held by each power and the policy frameworks that reflect, explicitly or implicitly, linkages between security and economics objectives.

SUMMARY OF RESEARCH

THE WORKING PAPERS summarized here combine research proposals with initial and tentative hypotheses and findings that will be tested in greater depth against the evidence in newly declassified U.S. records and in interviews with former officials.⁶ The final studies will be presented at the capstone conference to be held in Japan in 1999.

Background Studies: Emerging Patterns of Security and Economic Relations, 1945–68

The first set of papers examines the postwar policy framework within which later events and issues must be viewed. This history illuminates recurring themes in relations between the two countries and provides a “long view” on policymaking and implementation.

Marc Gallicchio’s *Japan in American Security Perspective: A Problem in Perspective* provides a succinct assessment of America’s security policies and Japan’s place within them stretching back to the turn of the century. He places these policies in the framework of the ongoing search for an East Asian security framework that addresses the interests of the United States, Japan, China, and Russia. U.S. security goals for Japan were conditioned by the lack of a regional security structure analogous to NATO that

proved so essential to integrating West Germany into Europe’s defense. The U.S. policy that emerged in the 1950s and 1960s included a decidedly conservative and defensive security concept for Japan that stressed denying the islands to the Soviet Union in the event of war. However, the United States also assessed as small the likelihood of a Soviet attack on Japan and played down any idea of rebuilding Japan’s military might so that the nation might be a full alliance partner of the United States. Instead, Japan moved into a “junior partner” association with the United States that was dictated by historical, legal, and political constraints on Japanese rearmament. Japan’s junior status was illustrated by the manner in which Shigeru Yoshida, the postwar prime minister who helped forge the alliance with the United States, had to follow the U.S. line with regard to Taiwan and China as a condition of ending the occupation and entering into the new security relationship. This relationship was also rooted in Japan’s dependence on the United States for its security. But Japan saw the security treaty as embodying unequal treatment compared with other U.S. allies, and this perspective provided the focal point for the first serious crisis in the relationship in 1960, when the security treaty was reaffirmed.

As the United States applied the policy of containment to Asia, it viewed Japan’s role in more of an economic light, which matched Yoshida’s conception of the proper role for Japan. Within the United States, responsibility for managing the security relationship was delegated to career diplomats and Japan specialists within the State Department. Conflicts between these officials and the military over the need to move more quickly to restore full sovereignty to Japan were a recurring motif in the period, as seen in the first struggles over the fate of Okinawa. By the late 1960s, Gallicchio notes, there was still no convergence of views on Japanese rearmament, China policy, or the place of military containment in Southeast Asia, but Japan was still apparently willing to put up with the problems created by Washington’s demands if this was the price necessary to preserve the security relationship. The key question, though, was how resilient the relationship would be in the face of major realignments in world politics that altered U.S. strategy as well as America’s place in the fundamental balance of powers.

Gallicchio notes that Japan’s primary role in U.S. containment policy for Asia came to take on a decidedly economic cast. Michael A. Barnhart and Yoshiko Kojo provide more detailed assessments of American and Japanese foreign economic policies in the same period. Barnhart’s “A Secondary Affair: American Economic Foreign Policy and Japan, 1952–1968” surveys the entire period, whereas Kojo’s “Japan’s Foreign Economic Policy 1945–1968: Japan’s Response to the U.S. Balance of Payment Problem” takes a more focused approach in analyzing the manner in which Japanese policy responded

⁶ Forthcoming, 1998, National Security Archive, in print and at <http://www.seas.gwu.edu/nsarchive>.

to U.S. pressures to help resolve America's growing balance-of-payments problems in the 1960s. Barnhart sees U.S. foreign economic policy as shaped primarily by struggles between the U.S. president and Congress, with neither side viewing Japan as key to the issues driving these fights. As Barnhart argues,

The story of American economic policy and Japan from 1945 to 1968 is essentially a story of the United States setting the economic agenda of the West and ensuring that Europe and Japan subscribed to that agenda. American concerns during these years were directed toward Europe, and rightly so. Washington saw Japan as economically unsteady, as many Japanese did themselves.

A secondary driving force for policy was struggles among agencies, such as the State Department versus the Department of Agriculture, or the U.S. Export-Import Bank versus the World Bank, again with Japan not being central to these disputes. In fact, Barnhart concludes, there was really no American economic policy *toward* Japan per se during these years. Although Japan was important, it was clearly secondary to the far weightier issues surrounding economic relations with Europe and battles with Congress over the general direction of policy. For example, U.S. concerns over dollar shortages abroad and then over the outflow of dollars focused primarily on Europe, though there were Japanese variants of these problems. A key institution for managing U.S.-Japanese economic relations, the U.S. Joint Committee on Trade and Economic Affairs, was established under John F. Kennedy to provide a forum for regular consultation among business and government leaders from both countries.

Japan, not surprisingly, took advantage of this benign neglect to pursue its own policies of economic rebuilding, which Washington supported either by design or inadvertently. This is not to say that issues could not arise, as seen in the matter of textile imports, tariff reductions under the GATT Kennedy Round, and perhaps most pointedly, the Interest Equalization Tax, which was designed to help stem the flow of dollars out of the United States. Kojo places Japan's response to U.S. balance-of-payments problems in the framework of Japan's overall foreign economic policy in the first two postwar decades. That framework focused on economic reconstruction, integrating Japan into the world economy and its major international economic institutions, such as GATT, the IMF, and the OECD, and the push to move away from persistent trade deficits. As both Kojo and Barnhart emphasize, the persistent and familiar trade problems that mark the post-1968 period are rooted in a basic shift in each nation's trade position in the late 1960s, as Japan moved into

an era of trade surplus with the United States, which underscored preexisting American concerns over U.S. trade deficits and the outflow of dollars and gold.

U.S.-Japanese Security Relations Since the Late 1970s

The transformation of U.S.-Japanese security relations in the late 1960s and 1970s resulting from the Nixon-Kissinger strategy of détente with Russia and China were one focus of an earlier conference organized by the U.S.-Japan Project. The "Nixon shocks," and the new American security objectives that attended them, set the alliance off in new directions and brought new prominence to the question of what role Japan should play in U.S. security policies for East Asia.

Michael Green's and Koji Murata's joint study, "The Guidelines for U.S.-Japan Defense Cooperation: Its Process and Impact," focuses on the origins and negotiation of the Guidelines, which were agreed to in 1978. The origins of the Guidelines are rooted in the strategic changes of the Nixon era, as the United States, under the rubric of the Nixon or Manila Doctrine, and in conjunction with the drawdown of U.S. forces in Vietnam, began pressing its allies in Asia to carry more of the burden for regional security and defense. Key factors that influenced the guidelines include Japanese public opinion on security issues, the political constraints on joint military planning prior to the guidelines, the manner in which intra- and interservice relationships affected the course of the negotiations, and the role played by bodies such as the Security Consultative Committee and its offshoot, the Subcommittee on Defense Cooperation, in shaping the final form and substance of the guidelines. The interplay of LDP politics and personalities also mattered; individuals, such as Yasuhiro Nakasone, used security issues as the means to other ends in the struggle for ascendancy in the party. While providing an important narrative description of the birth of the guidelines, Green and Murata's study illuminates the way domestic and strategic issues worked to set limits on what the guidelines could and could not accomplish, regardless of U.S. desires in the negotiations.

As finally agreed, the guidelines set down principles to frame U.S.-Japanese joint planning to deter aggression, to meet an armed attack on Japan, and to meet security crises outside of Japan. Green and Murata's preliminary assessment of the impact of the guidelines is mixed:

- On the operational level, the guidelines gave the first political authorization for joint military training and for joint planning studies. They did not, however, provide a clear basis for bilateral planning for regional contingencies, establish legislation that would allow Japan to plan for contingencies in a reliable way, even in the event of an attack on Japan, or create an interagency

consensus in Japan that would allow contingency planning with key ministries such as Transportation, Construction, or Home Affairs. To address such shortcomings, President Clinton and Prime Minister Hashimoto set in motion the talks that led to the revised guidelines issued in 1997.

- On the political level, the guidelines were important in sustaining the development of a new consensus within the Japanese government on defense policies whose roots are found in Kakuei Tanaka's "peacetime defense force concept." Work on the guidelines brought together the Ministry of Foreign Affairs, the JDA, the State Department, and the Defense Department in a bureaucratic coalition that would later build the close defense cooperation of the 1980s. On the minus side, work on the guidelines highlighted for the United States Japan's limited capacity to contribute to joint operations, which produced the renewed focus on burden sharing by the United States.

- On the strategic level, the guidelines were of little import per se and even marked a retrograde step, given the inability to reach agreement on reconfirming the importance of the security situation in Korea. Still, the positive operational and political steps did have important strategic downstream consequences, in the form of setting a strong precedent for civilian control, interagency cooperation, operational legitimacy for the JSDF, and the overall moves toward integrating U.S. and Japanese strategies, which laid the basis for the roles and missions concepts of the 1980s. Finally, the guidelines also sought to establish a rationale for the security relationship that would not be seen as directed at China, thus removing one potentially serious obstacle to regional acceptance of an expanded security role for Japan. Subsequent events would underscore the critical nature of this consideration.

One key component of the closer U.S.–Japan security relationship that emerged in the late 1970s and 1980s was a renewed interest in defense technology sharing, which is the focus of studies by Michael Chinworth and Yuzo Murayama. This issue, perhaps more than any other, came to symbolize the tangle of contending strategic and economic interests and priorities whose linkages are the focus of the project. Criticisms that the United States was selling the means of its own economic destruction to a putative ally in the name of the security alliance, sprinkled with concepts such as "techno-nationalism," "dual use," and "spin-ons versus spin-offs," focused public and political attention on the linkages that exist between security and economics in ways that perplexed, worried, and often infuriated

managers of the relationship. Murayama's and Chinworth's parallel studies probe the roots of the manner in which defense technology sharing and cooperation became so politicized.

Murayama's "Studies on U.S.–Japan Military Technology Relations: Reviewing Japanese-Language Sources for Technology Transfers, Military Technology Frictions, and the Defense Industry" provides a taxonomy of such studies in Japan, breaking them down into works on the political process that guides the formulation of military technology policies in Japan; studies based on an author's personal experiences with Japanese policymaking or the defense industry; works that set forth a "conspiracy" theory arguing that U.S. pressure for increased transfer of military technology from Japan is motivated by a desire to maintain America's premier position in high technology; and a final group that stresses the importance of technology transfers for U.S.–Japanese security relations and seeks to assess the strategic implications of such transfers. Another category of representative works focus on specific policies and programs that have created serious friction between the United States and Japan, the FSX being the best-known and most recent example.

Regardless of how one groups the studies, Murayama finds that most share a common trait: they first approach the subject from the perspective of the situation in the United States and only then discuss Japanese policies and ensuing friction as a response to acts by the United States. This is driven in part by the paucity of Japanese sources for these studies, but the implicit dynamic that informs the studies is open to question. Most of the studies also focus on the political (domestic and diplomatic) aspects while neglecting the technological and industrial aspects. Here, the field is dominated by U.S. scholars such as Richard Samuels and Michael Chinworth. Murayama hypothesizes that the lack of solid research on the Japanese defense industry made the friction surrounding technology sharing in the late 1980s more severe than necessary, since there was no body of solid evidence to set against and defuse more emotional or sensationalist charges. A further contributing factor was the remarkable misjudgment at the time about the relative technological capabilities of each nation and their future trajectories. The widely shared views of an ascendant Japan and a United States on the decline gave added angst to U.S. concerns over the potential long-term consequences of sharing "dual-use" technologies with Japan. The puzzle is why this misjudgment occurred and gained such widespread acceptance in both nations and how concepts such as techno-nationalism failed to take note of either the increasing internationalization of military technology or the continued U.S. leadership in military technology.

Michael Chinworth's study, "Defense-Economic Linkages in U.S.–Japan Relations: An Overview of Policy Positions and Objectives," addresses a number of similar

and related issues from different analytical perspectives. He breaks down arguments on the political economy of the bilateral security relationship into three distinct claims:

- (1) Japan has had a “free ride” on defense, which let the country focus on economic growth and expanding exports at the expense of the United States;
- (2) Japan has pursued defense research, development, and production with the goal of advancing its domestic economic objectives, often at the expense of the United States; and
- (3) Japan has used technology from U.S. defense systems to develop commercial spin-offs and import substitutes for military systems it once obtained from the United States.

Underlying these claims is a deeper issue: “the degree to which the U.S. should subsidize the economic growth of a country that increasingly could rely on its own capabilities for prosperity.” This question is all the more pertinent given the importance of the economic considerations of the Japanese concept of “comprehensive security.” The principle is not new nor unique to Japan (as studies of the Eisenhower administration will attest); the question is whether Japan’s technology transfer policies are guided by a mixture of national and alliance goals or by the single-minded pursuit of national benefit. As Chinworth demonstrates, existing studies not surprisingly cover an expected spectrum of conclusions on this point.

More recently, worries in the United States over the impact of technology transfers to Japan have subsided somewhat, for a variety of reasons that Chinworth lists, including the lack of a major large-scale joint military program to focus attention since the FSX monopolized the debate; the perception that U.S. competitiveness has revived; the bursting of the Japanese “bubble economy;” the rise of other East Asian nations to provide competitive worries for the United States, such as China; the moves within the U.S. government to ensure that competitiveness issues are addressed in any new joint program involving technology transfer; and evidence that the Pentagon now fully accepts the linkage between economics and security issues.

One key question is whether Japan has (or has not) adjusted to changing economic conditions, threat perceptions, and appraisals of Japanese (and U.S.) capabilities, as the evidence suggests the United States has. Chatworth believes that determining whether Japanese policymakers have recognized the external and internal changes that could require a shift in the economic aspects of the security relationship will provide insights into Japan’s policymaking as well as an understanding of these

issues that is not one-sided and essentially misleading. A detailed evaluation of program implementation can also shed light on the spin-off issue. Finally, we need to know more about the motivations and risks assessments of the U.S. defense industries who participated in joint programs.

The final paper in the triad of security relationship studies focuses on the longest-standing and in many ways most intractable dilemma to confront Washington and Tokyo in the management of the alliance—Okinawa. Sheila Smith’s study “Do Domestic Politics Matter?: The Case of U.S. Military Bases in Japan” provides an extended analysis of the interplay of international, national, and local political factors that surround the basing of U.S. forces on the island. As Smith emphasizes, the political debates that have surrounded this issue carry a “*common message to those who make foreign policy: domestic politics matters.*” When and how domestic politics affects policy are the questions Smith seeks to answer.

Smith’s study focuses on episodes of negotiations (the Kanto Plain Base consolidation, the Misawa Air Base, and the Sasebo Naval Base) between the United States and Japan (or more specifically, between those officials responsible for managing the relationship and sustaining public support for it). The analysis proceeds on three levels:

- The influences on broader strategic choices in the United States and the ensuing impact on U.S. bases in Japan.
- The bilateral negotiations between Tokyo and Washington to implement base policies.
- The impact on the locality that either loses a base or is required to continue hosting one.

To carry out this analysis, Smith addresses a number of related questions, starting with the different calculus of costs and benefits each government brings to the issue of U.S. bases in Japan: one views the question in terms of strategic values (the manner in which strategy drives base requirements), whereas the other sees it as a matter of social costs (the political and economic impact of the bases on their host localities and the conflicts this produces with Tokyo). This issue is related to the question of how the U.S. view of Japan’s role in U.S. strategy relates to Japan’s evaluation of what this role should be and to the related issue of burden sharing. But one must also analyze the framework of bureaucratic and institutional relationships and interests that have developed to support implementation of base policies in Japan. As Smith notes,

The dependence of the national government on local governments for assistance in making sure the Japanese government’s obligations were fulfilled and the local government’s dependence on the national government for the fiscal resources needed by their communities created a symbiotic relationship between

national and local administrators that formed the underpinnings of support for the base presence.

A key question for the future, as Smith points out, is how political reforms that aim to assert the authority of elected leaders over the bureaucracy will impact these structures of cooperation and implementation. The challenge that Government Ota presents to the established methods for managing the base presence suggests, Smith says, that the United States and Japan should seek to find a new way for Japan to implement the alliance in the future.

U.S.–Japanese Economic Relations Since the Late 1970s

As revealed by the studies on U.S.–Japanese security, economic issues directly related to implementing defense policies permeate and often complicate the management of the alliance relationship. Likewise, the pursuit of more purely economic policy goals, especially in the arenas of trade and international monetary policy, can create problems that are serious in their own right and affect the overall tenor of the relationship.

Stephen D. Cohen's and Masaki Taniguchi's case studies examine episodes in the history of U.S.–Japanese trade negotiations that shed light on the interaction of domestic and international politics. Cohen's study, "Settling the U.S.–Japan Automotive Dispute, 1981," focuses on the settlement of the automobile dispute between the two nations in 1981. The events leading up to Japan's announcement in May 1981 of "voluntary" restraints on automobile exports to the United States are an important event in both U.S. trade policy and in bilateral trade relations between the two countries. The settlement was in stark contrast to the free market, antigovernment interference ideology of the newly elected Reagan administration and flew in the face of an ITC ruling that the imports did *not* cause a level of injury to the U.S. automobile industry sufficient to warrant import barriers. The arrangement was also important because of its impact on one of the largest industrial sectors in both nations. The inflationary effects of the export restraints in the United States and the negative impact on the ability of the U.S. auto industry to adjust to changing market conditions mark the move as having dubious merit. Cohen's study reconstructs the U.S. decision-making process and the negotiations, which marked a new strain of aggressive U.S. trade policy strategy.

Taniguchi's study, "The U.S.–Japan Trade Relationship in the Late 1970s and 1980s: Case Studies on NTT Procurement and Automobile Exports," provides a parallel case study to Cohen's

automobile case, as well as an analysis of the NTT procurement issue for comparative purposes. The model that Taniguchi applies to these cases views Japanese trade policymaking and behavior in negotiations as taking place in four arenas:

- (1) the actors' perception of foreign pressures (*gaiatsu*);
- (2) pressure on business by the Japanese government;
- (3) the role played by Japanese politicians; and
- (4) policy legacies, in terms of skills and organizations, that are found in Japanese ministries.

Taniguchi's analysis explains why negotiations proceeded smoothly in one case (the automobile export restraints) but not in another (NTT procurement) by examining each arena of the process and how it affected the negotiations. With respect to future policy, Taniguchi argues that the tendency of the political process is to make negotiation more difficult in each of the four areas, serving to reduce the cost–performance effectiveness of negotiations today. U.S. pressure on Japan is much more problematic under the new WTO rules (as is being revealed by the Fuji–Kodak case). Japanese political pressure on industries is also less effective, given the move to curb ministerial powers as part of the political reform movement. Political reform, to the extent it succeeds, will also serve to constrain the role played by politicians, as compared with the years of unrivaled LDP primacy. Finally, Japanese ministries have learned from past experience that numerical export constraints are a mistake and that Japan's interests can be better pursued in multilateral forums, rather than in bilateral negotiations with the United States.

The other, and less publicly noticed, side of foreign economic policy—international monetary policy and macroeconomic policy coordination—is the focus of studies by Randall Henning and Masayuki Tadokoro. For both, the Bonn Economic Summit of 1978—and the efforts by the United States to get the other industrialized nations (Japan and Germany in particular) to adopt expansionary policies—was a key event. The objective was stated in terms of a specific division of economic labor in macroeconomic management and, for Japan, a target rate of 7 percent growth, that the United States felt Tokyo should assume to implement the so-called locomotive policy of economic stimulus in the wake of the first oil crisis.

Henning's study, "Macroeconomic Policy Coordination in the Group of Seven: The Bonn Summit of 1978 and After—The United States Perspective," analyzes the goals and policymaking of the U.S. government regarding macroeconomic policies and coordination with Japan in the framework of the G-7 summits, starting with the Bonn meeting. Despite the fair number of studies on the summit, Henning argues that many interesting theoretical and empirical questions about the summit and its impact on subsequent summits and policy coordination have gone unexplored, including how

each side understood divisions in the other side's government and sought to exploit these in the talks; the pros and cons of the G-7 summits as a forum for pressing U.S. policy objectives; the effect of Japan's inability to attain the 7 percent growth target on subsequent U.S. interest and willingness to seek a similar goal in the future; the politics of exchange-rate bargains (that is, Japanese domestic stimulus in exchange for U.S. efforts to constrain dollar depreciation), which were at the heart of the agreements reached at Bonn and at later economic summits; and the politics of the policy mix (how the specific mix of monetary and fiscal policies played out in domestic politics and economies). As the current setting shows, Japan's unwillingness to take strong leadership positions in macroeconomic policy continues to be strongly conditioned by domestic bureaucratic and political resistance.

Tadokoro's study, "The Bonn Economic Summit and Japan's Decision," provides a parallel analysis of the policymaking and decision-making process in Tokyo as it sought to respond to the policy initiatives and pressures of the United States at Bonn and later. For Tadokoro, the key question is how to explain the extraordinary agreement reached at Bonn given the dismal history of prior efforts at macroeconomic policy coordination among nations. Tadokoro explores a number of hypotheses to explain why policy coordination will occur at one time and fail at others. His provisional conclusions are that Japan's susceptibility to U.S. demands in Bonn was rooted in Japan's structural dependence on the dollar as the basis for its economic prosperity. Japan's inability to force through trade liberalization or fundamental structural reforms led it to rely on expansionary macroeconomic measures when faced with criticisms and demands from the United States for changes in economic policies. Although steps were not taken to reduce Japan's relatively high dependence on the U.S. export market, the nation's obsolete financial regulations prevented the yen from becoming an international currency. This combination, Tadokoro suggests, resulted in a strong yen whose affects could only be addressed through the quick fix of macroeconomic expansion, which carried low political costs. Thus, the medicine prescribed by the U.S. in 1978 perfectly suited the structural constraints on Japanese economic policy.

Key Triangular and Regional Relationships Since the Late 1970s

The U.S.–Japan bilateral relationship must be placed within the broader context of key third-party relationships in East Asia within the framework of

East Asian regional diplomacy. The key third-party relationships are with China, Russia, and the Korean Peninsula. Southeast Asia has also been a region of continued high policy importance for both the United States and Japan as it sought new structures of security, stability, and cooperation in the wake of the Vietnam War.

The parallel studies by Mike Mochizuki and Tomoyuki Kojima examine U.S. and Japanese approaches to engagement with Beijing following the restoration of diplomatic relations in the late 1970s. Mochizuki's "From Normalization to Engagement: U.S. and Japanese Relations with China, 1980–1996" addresses two key questions: (1) to what extent have American and Japanese perspectives and policies toward China diverged and converged?, and (2) to what extent is there a triangular dynamic in the interaction of the United States, Japan, and China? Mochizuki offers a number of propositions regarding these questions that will help frame the analysis of specific events and issues.

First, although both the United States and Japan have security concerns regarding China, the nature of their concerns differs. The U.S. strategic perspective is wider, encompassing global and regional security interests with comparable objectives, such as avoiding China's domination of East Asia or alignment with a real or potential adversary so as to threaten U.S. access or influence in Eurasia, and securing China's participation in or support of international security regimes. Japan's security concerns are driven by China's geographical proximity, which makes China's future internal stability and economic development as important as its impact on regional security.

Second, both nations wish to secure commercial benefits from China's economic development, but they differ in their modes of economic interaction with Beijing. Japan's economic engagement with China in the Cold War era dates back to the 1950s as Tokyo sought to separate politics and economics in its dealings with Beijing. The United States' economic involvement did not take off until normalization of relations in the late 1970s. Japan has also enjoyed substantial trade surpluses with China (or at least balanced trade, if Hong Kong is included), whereas the United States has suffered growing trade deficits with China, leading the United States to place greater stress on securing China's compliance with world trade norms and institutions. As a result, Washington and Tokyo have taken different stances on the terms of China's entry into the WTO.

Third, territorial issues affect each government's relations with Beijing differently. Taiwan does not carry nearly the weight and influence on policy in Japan that it carries in the United States, despite the historical legacy of Japan's colonial rule over the islands. The same can be said of Tibet and Hong Kong. The territorial issue that Japan does have with China regarding the Senkaku

(Diaoyu) Islands is mild in comparison and is much easier for Tokyo to manage.

Fourth, there are basic differences between the United States and Japan on how issues such as human rights and democratization should shape objectives for engagement with China. The United States has shown much greater interest and emotional involvement than Japan in the internal political, legal, and social development of China as legitimate subjects of diplomacy. The corresponding issue for Japan would be the legacy of the 1930s and 1940s, since Tokyo and Beijing periodically see relations overshadowed by questions of Japan's war guilt and the perceived failure of Japan to offer adequate apology and compensation for its actions in China.

Regarding the question of a triangular relationship, Mochizuki notes that Japan has sought to avoid diverging too greatly from the United States in pursuing its relationship with China, in line with the preponderant importance of the U.S. tie in Japanese diplomacy. In practice, strained U.S.–Japanese relations have in fact further constrained Japan's freedom of movement vis-à-vis China, whereas improved Sino-American relations have given Tokyo more room to maneuver, a pattern seen following Nixon's opening to China in the 1970s. This constraint is not symmetrical, though; the United States has enjoyed far greater freedom to pursue its policy goals toward China than has Japan. This may change in the post-Cold War world, as Japan's economic presence and influence in East Asia grows and China's economy grows as well, placing constraints on U.S. policy rooted in the competition for trade with China.

Given the inherent temptations presented by the triangular dynamic, it is interesting that Mochizuki notes that neither country has used the "China card" against the other in an effort to secure leverage on other issues. Again, in the post-Cold War era, the temptation to play this card might grow, especially if Beijing should seek to play the United States and Japan against each other in a latter-day version of nineteenth century Chinese diplomacy vis-à-vis the great powers. Regardless of the temptations to leverage the triangular dynamics, clearly both the U.S. and Japan have periodically been worried by the problems surrounding China's relations with the other power. The United States seeks to moderate the historic rivalry between Tokyo and Beijing, whereas scholars in Japan often write of the role Japan can play as a bridge between the United States and China. Finally, there is periodic concern in each capital that the other government might neglect the U.S.–Japan relationship as it pursues relations with China. As might be expected, this concern resonates more

forcefully and more often in Japan than in the United States as it did at the time of the Nixon "*shokku*."

Tomoyuki Kojima's study, "The Significance of Japan's Decision to Extend the First Yen Loan to China," provides a tightly focused case study of Japanese policymaking regarding a key component of Tokyo's economic relations and diplomacy with China. The first yen loan, which the Japanese government under Masayoshi Ohira agreed to extend in 1979, marked an expansion of Japan's economic cooperation with China from the private sector to the official government level and a major shift in China's policy toward accepting foreign loans. Kojima argues that the loan also has great significance for understanding Tokyo's postwar diplomacy. It must be seen in the larger context of the moves Japan was making to widen the scope of its foreign policy toward a more independent stance with respect to China while striving to maintain the primacy of the alliance with the United States. The case also sheds light on the manner in which the thrust of U.S. policy—in this instance, the Carter administration was moving toward support of Chinese economic modernization as well, a key component of its policy toward Beijing—can serve to facilitate or obstruct Japan's policy initiatives toward China.

The other major player on the East Asian chessboard is Russia and its predecessor, the former Soviet Union. Tsuyoshi Hasegawa's study, "The Soviet Factor in U.S.–Japanese Relations, 1977–1985," analyzes the role played by Russia in U.S.–Japanese relations in the late 1970s and 1980s.⁷ These years span the time from Prime Minister Fukuda's short-lived "omnidirectional" foreign policy to the renewed security relationship between Japan and the United States and Gorbachev's rise to power. Hasegawa explores the role the Soviet Union played in Japan's move from a stated policy of equidistance between the superpowers to the renewed and closer security alliance with the United States. How did this transition occur, and what impact did U.S. policy toward the USSR have on the evolution of Japanese policies toward Russia? Who in Japan and the United States served as the primary driving forces behind these policies, and what were the mechanisms through which each government implemented the policy change?

Hasegawa examines a number of key episodes in the development of Japanese policy, many of which illuminate the manner in which relations among the United States, Japan, and Russia were affected by relations with the other major power, China. Hasegawa first analyzes the manner in which the USSR failed to take advantage of the difficulties Japan encountered when negotiating the Sino-Japanese Treaty of Peace and

⁷ Professor Hasegawa's working paper was not actually prepared until after the San Diego conference, expressly to fill a significant gap in the policy areas covered. It is discussed here in the interests of presenting a full picture of the project's research agenda.

Friendship, with its troubling “antihegemony” clause. Hasegawa suggests that questions about the personal backgrounds of the Soviet leadership and comparisons with the Soviet approach to West Germany are illuminating.

A second avenue of investigation is the Soviet military buildup in the Northern Territories following the Sino-Japanese rapprochement, which Hasegawa argues is rooted more in the Soviet strategic competition with the United States than in any pique at Japan’s rejection of the Soviet proposed friendship treaty and acceptance of the treaty with China. Hasegawa argues that Soviet moves must be seen against the backdrop of the Soviet military buildup in Asia in the 1970s, the Sino-Soviet conflict, and Russian moves into Vietnam following the end of the war. Even with the impetus this gave to renewed U.S.–Japanese defense cooperation, Japan still sought to avoid deterioration of its relations with the USSR. This battle was lost with the Soviet invasion of Afghanistan, however. Key issues here are the true motivation of the Soviet deployment of troops to the Northern Territories and how the key players in Tokyo and Washington sought to advance their interpretation of Soviet actions in the policy debates.

The final period Hasegawa investigates goes from the invasion of Afghanistan to the downing of KAL 007 in 1983. During this period, relations between Japan and the USSR reached their lowest point, as the U.S. and Japan moved to even closer cooperation against the Soviet threat. Among the issues Hasegawa addresses are how the Afghanistan invasion affected the dynamics of debate and decision making within Japan, particularly with respect to such decisions as joining the Olympic boycott and economic sanctions against the Soviet Union; the moves by the Suzuki government to place the Northern Territories on the front-burner; and the impact of the personal relationship between Nakasone and Reagan on policy coordination with respect to Russia.

The third triangular relationship—that with the two Koreas—poses the greatest challenge and the most profound risks for the United States and Japan in the near future. The question of how the U.S.–Japan alliance should deal with the Korean problem has long vexed the relationship, given that it is the one place other than the Taiwan Straits where major conflict involving the other major powers could erupt, invoking the obligations of the security treaty. Starting with the tensions that arose between Washington and Tokyo over the Carter administration’s plans to withdraw U.S. forces from South Korea and considering recent efforts to defuse the crisis surrounding the North Korean nuclear program, it has been clear that successful

management of the security dilemma on the Korean peninsula relied greatly on the successful coordination of policies between the United States and Japan. Don Oberdorfer and Hajime Izumi address this question of policy coordination in their joint study “The United States, Japan, and the Korean Peninsula: Coordinating Policies and Objectives.” They note that a key factor complicating policy coordination has been the “confrontational tendencies and historical antipathy” that exists between Tokyo and Seoul. History and geography have conspired to pull both nations into the U.S. regional security structure, placing a premium on U.S. policy to sustain the uneasy postwar relationship between Japan and South Korea—a relationship that the United States helped to broker in the 1960s.

To probe and analyze this three-way relationship, Oberdorfer and Hajime focus on U.S.–Japanese interactions with respect to three key developments involving Korea since the 1970s: Japan’s reaction to the U.S. withdrawal from Indochina in 1975 and the threatened withdrawal of U.S. forces from South Korea in 1977–79, negotiations on the Japanese loan to the ROK, 1981–83; and Japan’s moves toward diplomatic relations and major assistance to North Korea in 1989–90. These cases shed light on a series of significant issues, including the changing nature of U.S. and Japanese threat assessments regarding North Korea, implementation of the U.S.–Japan Security Treaty with respect to Korean contingencies, the linkage of economic aid and security policy, and the impact of the end of the Cold War on the dynamics of the triangular relationship.

Finally, as noted, it is useful and necessary to place the U.S.–Japan bilateral relationship within the broader framework of East Asian regional politics. Susumu Yamakage, in his study “Japan’s Ideas and Politics Toward Institutionalization of Asian Regional Order and U.S. Strategy with Special Reference to Southeast Asia,” places the relationship in this perspective. As Yamakage notes, the area has long suffered from the lack of a recognized regional order, as evidenced in the series of conflicts that have afflicted the area over the past three decades: Indonesia–Malaysia (1963–66), the Vietnam War (1964–73, in its U.S. phase), civil wars in Cambodia (1970–75 and 1978–91), and Sino-Vietnamese hostilities (1979), to name the major conflicts. Nonetheless, Yamakage outlines a number of constraints on Japanese policy toward Southeast Asia, including Japan’s lack of discernible leverage to formulate a wider regional order that includes Northeast Asia; the unique position of Beijing in East Asia, which creates serious impediments to any Japanese initiative in this area; the possible links between Japan’s Southeast Asia policies and U.S. strategy for the region; and the moves toward discussing regional order in terms of the Asia-Pacific instead of East Asia, ASEAN, and its offshoots.

Designing, proposing, or building a regional order can be analyzed from three different perspectives: the viewpoint of U.S. strategy, its interests, and objectives for the region; the perspective of Japanese ideas and policies toward a Southeast Asian regional order, and how these relate to and interact with U.S. views; and, finally, the often-neglected viewpoint of the smaller regional powers. Yamakage is applying these analytical perspectives to three cases: the role of Japan in the creation of key regional bodies, such as the Asian Development Bank, and their role in containing the spread of communism in the region; the role ASEAN plays in the security and economic policy goals of the United States and Japan; and the roots and objectives of the Fukuda Doctrine for Southeast Asia, which was Japan's first explicit postwar foreign policy statement.

POLICY ROUNDTABLE: U.S.–JAPANESE RELATIONS PAST AND FUTURE

THE PARTICIPANTS in the informal policy roundtable brought to bear their personal experience and practical judgment on the history of U.S.–Japanese relations to assess what is important and relevant in the record and to probe hypotheses and garner new evidence for the studies. The discussion ranged over the full spectrum of issues raised by the Research Fellows' studies and helped to refine their inquiries, question some of their hypotheses, and fill in blank spots in the existing record. Key insights were obtained regarding the interplay of personalities and bureaucracies in setting the terms of debate and decisions within both the United States and Japan.⁸

Inter-agency Cooperation. The first insight emerging from the roundtable involved the effects of cooperation between the U.S. and Japanese governments and their agencies. Particularly enlightening was the exchange between Senator

William Brock, who was U.S. Trade Representative under President Ronald Reagan, and Ambassador Kiyooki Kikuchi, who was Brock's counterpart in the discussions that led to Japan's adoption in 1981 of the voluntary restraints on automobile exports, the subject of Stephen Cohen's research. Although both Brock and Kikuchi noted that each government was at times the greater obstacle to reaching agreement, both men agreed that cooperation between U.S. and Japanese agencies was important in crafting a solution acceptable to the interested agencies and legislatures in both governments. It is clear from the discussion that Brock and Kikuchi were involved in a two-level, or even multilevel, game as they sought to navigate the policy currents produced by contending executive branch agencies, the agendas of the president and prime minister themselves, and the need to mesh trade strategies with legislative strategies to secure other, equally or more important, policy objectives.

Personality. The importance of personality was brought out in the discussion of the shifts in priorities that followed changes in the makeup of the foreign and defense policy teams under Reagan. Clearly, the focus on China that marked Alexander Haig's tenure as secretary of state gave way to a renewed emphasis on the U.S.–Japan security relationship when George Shultz replaced Haig. Douglas Paal, who served on the National Security Council in the 1980s with responsibility for East Asian policy issues, marked this transition as very important for understanding U.S. policy. The importance of personality can be seen today, as Secretary of State Madeleine Albright brings a clear European orientation to her policy priorities, leaving Japanese and Asian issues to fall into the ambit of the Defense or Treasury Departments or the USTR. Personalities also affected the policymaking dynamics when the Commerce Department took advantage of the power vacuum at the Defense Department caused by the uproar over John Tower's nomination as secretary of defense to push for a place at the table when making decisions about defense technology transfer and sharing agreements with Japan.

Defense Technology Sharing as an Economic Issue. The issue of defense technology sharing elicited an extended discussion of the role of economic considerations in security policymaking. Here, if anywhere, one would expect to find linkages between security and economics affecting the policymaking process. In this light, Gregg Rubinstein made the important point that in the 1980s those toiling in the economic and security policy arenas were too little aware of each other's issues. He found an unwillingness among

⁸ The full transcript of the discussion will be released by the National Security Archive as part of its Oral History series, in print and at <http://www.seas.gwu.edu/nsarchive>.

ON POLITICAL LEADERSHIP AND U.S.–JAPANESE DEFENSE TECHNOLOGY COOPERATION

You should have some faith that exchanges of technology are going to lead you to a new level. It is not a static global quantity of technology that is available, and someone has dug a deeper well of technology than we do, and we want to dip into their well. It is a much more dynamic process, and the technology flows can deceive us. The Japanese pursued supercomputers along one path, and so did some, Cray and others, and then suddenly it leaped in a whole new direction. . . . [I]t's worth having a leadership that is self-confident enough to think that if you keep your institutions open, and you're constantly looking into new technologies, and you don't restrict the flow of information, you'll actually stay ahead of the competition.

—Douglas Paal

U.S. policymakers and officials to consider the implications of policy in one area on the interests and objectives in other areas. In contrast, he felt that when dealing with the Japanese on defense technology issues, there was no confusion in their minds that these were economic as well as defense issues. Rubinstein was not inclined to be as critical of the success of some at the Commerce Department in securing a place at the table when these issues were debated and decided, and he observed that the Commerce Department is making a positive contribution to the policy discussion. Brock reinforced this line of thought, noting that those responsible for economic policy harbor pent-up irritation for being excluded from the conversation when policy issues with clear economic implications, even if the primary issue was defense, were discussed.

Perceptions of Japanese Technological Prowess. The discussions with Rubinstein and Paal also shed light on an issue raised by Murayama: how the inflated assessments of Japanese technological prowess became so widespread in the 1980s. In large part, these assessments were rooted in the relatively small base of detailed and accurate information about Japanese technology at the start of the 1980s.

Other Factors. Other institutional or organizational factors that affected the manner in which the United States and Japan cooperated (or did not cooperate) on defense technology were:

- (1) the lack of follow-through by the military services on the technology flow-back potential found in co-production agreements,

- (2) the lack of an agenda for many specific military technologies, and
- (3) the lack of incentive for program officers to invest time and money in a joint program that might have no discernible immediate benefit for their own programs.

Process for Choosing Targets for Technology Cooperation. The roundtable brought to light that the process through which the United States chooses its targets for defense technology cooperation can be very uncoordinated, resulting in “a hell of a mess,” as one former official put it, and needs to be improved, particularly in the area of evaluating technology transfer. Rubinstein emphasized that proposed programs should be placed in the larger context of armaments cooperation lest policy debates fall into the trap of trying to establish arbitrary values for various technologies, as occurred with the late Technology for Technology Initiative.

Institutional Adaptation And Learning. Participants in the roundtable also stressed the importance of institutional adaptation and learning, focusing particularly on whether Japanese ministries have been responsive to changes in the relationship and have adapted to U.S. expectations of technology flow-back, use of dual-use technology, and increased company-to-company interactions. This question elicited the observation that current U.S.–Japan defense technology activities have outgrown the existing structures meant to support them. The framework for these activities has not been examined since the creation of the Systems and Technology Forum in the early 1980s. Progress has been made within Japan on accepting the U.S. position that technology cooperation and exchange must extend into R&D and not be limited to existing technologies. Likewise, there has been movement in getting MITI on board in support of the process, whereas in the past it posed a problem, particularly with sanctioning transfer of dual-use technologies. Even here, though, change is needed, especially in securing a more flexible interpretation of Japan's Three Principles on Arms Exports, to incorporate hardware components and subsystems, not just technologies, into the mix of acceptable candidates for transfer to the United States.

High-Level Leadership, Establishing Joint Interests, Joint Commitment of Resources. Finally, participants stressed that high-level leadership is essential to effectively managing the defense technology issue in the future. Potential common programs need to be approached in talks much earlier in the acquisition cycle, where common interests can be defined that are not automatically competitive; and, having established a joint interest in pursuing the program cooperatively, follow-through must occur, with both countries committing resources. This was not done with the FSX, for example. If these two criteria are met, it was argued, a program can

be designed that demonstrates mutual benefits and resounds politically as a win-win situation.

United States Facing Test of How Well it has Learned. Some participants warned that, with current U.S. efforts to secure Japanese participation in a THAAD (theater high altitude air defense) program in East Asia, the United States is likely to face a real test of how well it has learned from its experience in managing joint defense technology programs with Japan. With THAAD, the United States is asking Japan to sign on to a program that is, according to an independent review panel report to the Pentagon, part of an overall antimissile program that is engaged in a “rush to failure” and is “marred by poor planning, insufficient testing, and political pressure to hasten inauguration of the defense systems.”⁹

INITIAL CONCLUSIONS

ALTHOUGH THIS PROJECT is still in progress, with studies being prepared that have not reached final conclusions, it is possible to put forward some observations about the relevance of these studies for extending our scholarly understanding of the dynamics of the U.S.–Japan relationship as well as for those who are seeking to guide the relationship into the next century. Perhaps the greatest contribution to our understanding has come through exploring in greater detail the manner in which security and economic policy objectives are, or should be, integrated into a grand strategy, articulated and explicit or cumulative and implicit, and pursued through bilateral and regional diplomatic relationships. The examination of the postwar policy foundations makes clear that the goal of a grand strategy integrating security and economic interests is not a new one. It has antecedents in the early Cold War period, when it was a driving force behind the 1947 National Security Act, which established the National Security Council as the body responsible for pulling together diplomatic, security, and economic objectives into a coherent strategy to guide policy. Both guns and butter were key elements in America’s Cold War strategy, as seen in the Truman Doctrine and the Marshall Plan, and were viewed as mutually interdependent. The headlines of the Cold War gave prominence to the arms race and regional conflicts that marked the competition with communism, but historical studies have demonstrated the continuing importance that promoting and securing a liberal

economic order in the world and sustaining American economic growth and prominence have held in U.S. policy goals. It is no surprise that U.S. policy objectives for Japan during the postwar era fit into this strategic framework.

The issue for policymakers now is to determine whether the tools and policies that served to integrate security and economic objectives (or at least manage the tensions between them) are still viable in the post–Cold War world, where the military threats are more diffuse and difficult to define (how do you objectify instability as a foe?), and economic friction can easily be highlighted and, for the public, come to define the bilateral relationship with Japan. This sense of a diminished security threat combined with publics inclined to be inward looking and preoccupied with pocketbook issues serves to blur the reasons why Americans should continue to carry the primary burden of East Asian security, or why Okinawans should continue to pay the economic and social costs of having U.S. forces stationed on their small island. Policy elites in both countries have their informed answers to these questions, but as one State Department analyst put it in another setting, they may look out of their castles one day to see the peasants coming up the hill, pitchforks and torches in hand, to lay siege to the ramparts of the alliance. As Sheila Smith stressed, domestic politics matters.

The central importance of domestic politics is one of the key lessons emerging from the studies, with other lessons flowing from it. In almost every case, there is clear evidence of a two-level game dynamic at work, as those responsible for managing the relationship must also chart a course amidst the cross-currents of domestic politics, bureaucratic agendas, contending priorities, and battles for the control of policy between the executive and legislative branches.¹⁰ The dynamic is clear, whether the subject be Okinawa, defense technology transfers, trade disputes, macroeconomic policy coordination, expanding the range and functionality of the security relationship, or dealing with China.

Yet it is also important to realize that the domestic dynamic works quite differently in each country to constrain policy options. Though Japan is usually portrayed as a prime example of a strong state, particularly in the economic realm, the process of managing bureaucratic and political differences and seeking consensus is time consuming and, for Americans, the source of much impatience and bewilderment. The United States has its own divisions to overcome (Defense Department versus State Department versus Commerce

⁹ “Panel Fires at Antimissile Programs: Critique Warns of ‘Rush to Failure,’” by Bradley Graham, *Washington Post*, March 22, 1998, A1.

¹⁰ For a representative sampling of studies that explore the linkages between international negotiations and domestic politics, see Peter B. Evans, Harold K. Jacobson, and Robert D. Putnam, eds. *Double-Edged Diplomacy: International Bargaining and Domestic Politics*. Berkeley: University of California Press, 1993), which contains a case study examining construction and semiconductors; see Chapter 9, *op. cit.*

Department versus USTR, or executive versus legislative branch), and the ways in which domestic politics and bureaucratic rivalries infuse policymaking differ. Thus, the rules, and the stakes, of the two-level games in each state differ. The Brock–Kikuchi automobile VER negotiations offer a useful lesson on the need for each side to be sensitive to the different domestic currents that are buffeting its counterpart, if a solution is to be found that addresses both the issue at hand, however narrowly defined, as well as the range of interests that issue touches on back home. The issue at hand, be it trade, security cooperation, or relations with China, is usually a chip in other debates and power struggles taking place, so that one issue can rarely be settled solely on its own merits, as desirable as this may be in theory.

This sensitivity to organizational dynamics must also extend to an appreciation of the role individual interests, priorities, and methods of operating play (witness the impact of the transition from Haig to Shultz on U.S. policy priorities regarding China and Japan). A good working relationship between U.S. and Japanese officials can serve as a counterweight to domestic bureaucratic pressures. The “Ron-Yasu” relationship between Reagan and Nakasone is an example of the way personal relations can provide a strong impetus to policy cooperation. The reported secret agreements between Treasury Secretary Rubin and his counterpart Sakakibara on interest rates is possibly another example now in action, albeit one whose policy wisdom is open to debate.¹¹ Personality is also possibly working in another way similar to the Haig–Shultz example today, since the United States has a secretary of state whose personal and professional background predispose her to focus on European and Middle Eastern policy issues, leaving Japan and Asia to be tended to by the Pentagon, Treasury Department, or USTR.

The manner and extent to which domestic politics affects policy are also affected by the different strategic perspectives each power brings, as well as perceptions of relative power and influence, as well as vulnerability. For America, the habitual strategic perspective is global, whereas for Japan the horizon of interests is much closer, encompassing East Asia. There are fundamental power asymmetries in the relationship, but it seems that the United States is inclined to overlook these while Japan rarely does, or at least rarely feels that it has the leeway to do so. These asymmetries are rooted in indexes of political, military, and economic power, as well as in the

differences of geographic location. For Japan, the ensuing policy dilemmas can be acute, as in the case of China, where the pressure to follow the lead of its superpower ally across the Pacific in dealing with Beijing cuts across the clear interest in maintaining stable relations with the power just across the Straits. Similar cross currents and concerns make Japan less willing than the United States to take on a balancing role between its ally and China. U.S. efforts to coordinate policies with Tokyo relating to China, or the Koreans, must take into account these disparities and constraints on action. Japan has interests to advance and cards to play (economic, intellectual, political) in relations with these powers that the United States needs to understand and take advantage of in order to ensure that Washington and Tokyo share the same vision of future relations with Beijing.

Similar differences in perspective affect the domestic calculus governing Okinawa policy for the two governments. For the United States, the strategic requirement to exploit the island’s location governs its perspective and sets limits on how far the Pentagon will go in reducing the American military presence on the island. For Japan, it is another dilemma similar in dynamic to the China problem, only more acute in that it affects Japanese citizens: how far and how often can Tokyo bend over backwards to meet U.S. needs “for the sake of the relationship” before alienating its own public and breaking the back of the Japanese domestic consensus that tolerates the defense arrangements embodying the security relationship? In the 1960s, U.S. diplomats were prone to pronounce: “So goes Okinawa, so goes Japan.” As the two governments seek an answer to the dilemma posed by Okinawa, the United States must seriously consider whether Tokyo can bow to much more pressure before a powder keg of pent-up resentment in Okinawa sets off a chain reaction that puts the entire security alliance at risk. The dilemma for Washington is to find a way to square possible troop redeployments or withdrawals with continuing affirmation of its security pledges to the region, especially in light of prior assertions that the troops are necessary to carry out these pledges.

It is interesting to note that, so far, neither the declassified records nor the studies in this project reveal any evidence that the United States felt compelled to back away from confronting Japan on trade issues in order to protect the security relationship, a key accusation among a number of critics of U.S. policy. There is a sensitivity and a realization that pressing Tokyo on trade issues can complicate the life of a Japanese government trying to be cooperative on security issues, but there is no sign yet that this led to a decision to moderate U.S. demands in the trade arena. In fact, as James Auer emphasized, the dependence of Japan on the United States for security gives the United States an inherent advantage in the dynamics of the overall relationship that should rebound

¹¹ See in this connection two articles by John Judis: “Dollar Foolish,” *The New Republic*, December 9, 1996; and “The Sun Also Rises,” *The New Republic*, November 3, 1997.

to the advantage of U.S. trade negotiators, though it is not necessary (and likely counterproductive) to draw attention to the fact explicitly to know that it is appreciated in Tokyo.

Domestic politics clearly runs throughout the issue of defense technology sharing, with an interesting twist: here, the U.S. debate is shaped by an unusual sensitivity to relative power asymmetries in a way that is seen as detrimental to the United States. This skewed perspective served to heighten the stakes in American eyes, casting Japan in the role of a scheming would-be ally who was taking advantage of U.S. generosity and naiveté (a recurring motif in American self-conception).

In considering the future of defense cooperation involving technology sharing, the following are the key lessons emerging thus far from the project:

- The need to consider the economic aspects of defense cooperation and how these aspects are characterized or perceived within the United States.
- The need to form technology transfer policies within a framework of long-range considerations and to not let them be driven by short-term bureaucratic, political, or military objectives.
- The need to conduct a thorough and careful assessment of the economic impact of proposed joint production or technology licensing agreements with Japan.
- The need to identify U.S. perceptions and assumptions about Japanese government and industry motivations and objectives when entering cooperative defense programs.

All of these lessons have relevance for those who are responsible for managing the U.S.–Japan relationship at the working level. Moreover, high-level leadership must also become more sensitive to the factors that affect each nation's understanding of the bilateral relationship and its perception of the power balances, the range of viable options, and the priorities governing objectives. Although those at the working level develop the detailed expertise and the important ongoing relationships with their counterparts in other U.S. agencies and in Japan—that is, the glue that holds the relationship together on a daily basis—they must work within the framework of a leadership that (1) takes the long view of national interests and policy objectives, (2) maintains and expresses confidence in a clear vision of the future, and (3) grasps the need to relate means and ends, economics and security so as to move toward the future. The guiding principle is not a new one: enlightened and informed self-interest. Such leadership must be able to place the inevitable ups and downs of the bilateral relationship in perspective for the public and interested policy elites,

while keeping the core goals in view, supporting cooperation where it is warranted, and pressing for change where it is needed in the different arenas where the relationship operates. Developing this perspective will provide essential ballast that will keep the relationship from foundering when it hits the recurring heavy seas that buffet it over time.

Pursuing such a course, with its dual dictates of a clear vision and tactical flexibility, brings us back to the point where this essay began: the need for grand strategy, a perspective that allows leaders and policymakers to grasp the manner in which security and economic policy interests impinge on one another and to integrate policy along the domestic–international–security–economic axes. Another key axis in this perspective is time and the manner in which the interests and institutions that embody the other axes have developed and changed in their interrelationship over time. The ability to perceive policy issues as unfolding in time has been termed “thinking in time” or “thinking in time streams,” and given the reputed regard the Japanese have for history and the superior nature of institutional memory within Japanese institutions, it behooves U.S. policymakers and leaders to nurture this ability.¹²

The current project will have fulfilled its promise if, through the studies it is supporting, a better grasp is secured of the way in which the many aspects of U.S.–Japanese policy interaction do flow in a time stream and the manner in which the dynamics of policy decisions and policy outcomes are driven by major forces and unforeseen contingencies that lie in wait. It is an assumption of this project (which the studies may prove false) that to the extent U.S. and Japanese officials are aware of the shadow cast by the past over current and future policy issues, they are likely to draw rather different lessons from this history. Or, to paraphrase Elliot, they had the same experience but drew a different meaning. As one participant noted during the roundtable, a common lesson drawn from the FSX by people on both sides of the issue was “No more FSXs!” But what they meant by this is still far from clear. How the past has helped shape the mental maps of policymakers and leaders on both sides arguably has a profound effect on the way in which they contextualize issues and parse policy options for feasibility. The opportunity to compare these maps can help to avoid misunderstandings, misconceptions, and assumptions that, if untested, can confound future cooperation and coordination on a range of issues.

¹² This discussion draws on the work of Ernest May and Richard Neustadt, particularly their *Thinking in Time: The Uses of History for Decision Makers* (Free Press, 1986). Their principles and methodologies are described and summarized in Robert A. Wampler, “Lessons of the Future”: *The Uses of History for Rehearsing the Future*, to be included in a volume in honor of Ernest May edited by Akira Iriye and to be published by Imprint Publications in 1998.

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APPENDIX: NATIONAL SECURITY ARCHIVE U.S.–JAPAN PROJECT PARTICIPANTS



RESEARCH FELLOWS

Background Studies: Emerging Patterns of Security and Economic Relations, 1945–68

Professor Michael BARNHART (SUNY-Stony
Brook)

U.S. foreign economic policy and Japan

Professor YOSHIKO Kojo (Tokyo University)

Japanese foreign economic policy

Professor Marc GALLICCHIO (Villanova
University)

U.S. security objectives for Japan

The Nixon Shocks and U.S.– Japanese Relations, 1969–76

Professor Michael SCHALLER (University of
Arizona)

*U.S.–Japanese Security Relations: The View
from Washington*

Professor AKIHIKO Tanaka (University of Tokyo)

*U.S.–Japanese Security Relations: The View
from Tokyo*

Professor Nancy BERNKOPF Tucker (Georgetown
University)

*The U.S. Opening to China and U.S.–Japanese
Relations*

Professor YOSHIHIDE Soeya (Keio University)

*Sino–Japanese Relations and the U.S. Opening
to China*

Professor Thomas ZEILER (University of Colorado,
Boulder)

*U.S. Foreign Economic Policy and U.S.–
Japanese Relations*

HIROSHI Ando (Kozo Keikakuy Engineering, Inc.)

*Japanese Foreign Economic Policy and the
Nixon Shocks*

U.S.–Japanese Security Relations Since the Late 1970s

Professor Michael GREEN (Johns Hopkins University
SAIS/Council on Foreign Relations) and Professor
KOJI Murata (Hiroshima University)

*Comprehensive Security, the 1978 Guidelines on
Defense Cooperation, and Patterns of U.S.–Japan
Security Relations in the late 1970s and 1980s*

Professor Sheila SMITH (Boston University)

*U.S. Bases in Japan After the 1970s: Squaring
Domestic Politics and Security Imperatives*

Michael CHINWORTH (TASC), and Professor YUZO
Murayama (Osaka University of Foreign Affairs)

*Security Cooperation Vs. Economic Competition:
The Politicization of Defense Technology Sharing
and Flowback*

U.S.–Japanese Economic Relations Since the Late 1970s

Professor Stephen D. COHEN (American University),
and Professor MASAKI Tanaguchi (Tokyo
University)

*Case Studies on the Making of Trade Strategy and
Growing Trade Frictions in the Late 1970s and
1980s*

Professor MASAYUKI Tadokoro (Himeji Dokkyo
University) and Professor Randall HENNING
(American University/Institute for International
Economics)

*Macroeconomic Policy Coordination in the G-7
Economic Summits: Bonn and After*

Key Triangular and Regional Relationships Since the Late 1970s

Professor SUSUMI Yamakage (Tokyo University)

*Japanese and American Strategies for Regional
Order and Security in East Asia*

Dr. Michael MOCHIZUKI (Brookings Institution)
and Professor Tomoyuki Kojima (Keio
University)

*From Normalization to Engagement: Coordinating
Policies Toward Beijing*

Don OBERDORFER (SAIS) and Professor HAJIME
Izumi, University of Shizuoka

*The U.S., Japan, and the Korean Peninsula: Coordinating
Policies and Objectives*

Professor Tsuyoshi HASEGAWA (University of
California, Santa Barbara)

*The U.S., Japan, and Russia: From Cold War II to the
End of the Soviet Empire*

POLICY ROUNDTABLE

Professor James AUER, Center for U.S.–Japan
Studies and Cooperation, Vanderbilt University

Mr. William BREER, Japan Chair, Center for
Strategic and International Studies

Senator William BROCK, Chair and CEO,
Intellectual Development System

Professor Warren COHEN, University of Maryland,
Baltimore County

Professor I. M. DESTLER, CISSM, University of
Maryland

Mr. John FOSTER, Deputy Director, Office of
European Union and Regional Affairs, State
Department

Mr. Paul GIARRA, Senior Visiting Fellow, Institute
for National Strategic Studies, National Defense
University

Professor Tsuyoshi HASEGAWA, University of
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Professor Akira IRIYE, Harvard University

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Admiral SAKONJO Naotoshi, Research Institute for
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Mr. David WOLFF, Cold War International History
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Institution