

## The United States and Japan: Advancing Toward a Mature Partnership

### About this report

The following report presents a consensus view of the members of a bipartisan study group on the U.S.-Japan partnership. It is not a political document and reflects the views of the study group members only. This is solely an attempt by the group to inject consistency and strategic direction into what it believes is our essential Asian relationship.

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Asia, in the throes of historic change, should carry major weight in the calculus of American political, security, economic, and other interests. Accounting for 53 percent of the world's population, 25 percent of the global economy, and nearly \$600 billion annually in two-way trade with the United States, Asia is vital to American prosperity. Politically, from Japan and Australia, to the Philippines, South Korea, Taiwan, and Indonesia, countries across the region are demonstrating the universal appeal of democratic values. China is facing momentous social and economic changes, the consequences of which are not yet clear.

Major war in Europe is inconceivable for at least a generation, but the prospects for conflict in Asia are far from remote. The region

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features some of the world's largest and most modern armies, nuclear-armed major powers, and several nuclear-capable states. Hostilities that could directly involve the United States in a major conflict could occur at a moment's notice on the Korean peninsula and in the Taiwan Strait. The Indian subcontinent is a major flashpoint. In each area, war has the potential of nuclear escalation. In addition, lingering turmoil in Indonesia, the world's fourth-largest nation, threatens stability in Southeast Asia. The United States is tied to the region by a series of bilateral security alliances

that remain the region's de facto security architecture.

In this promising but also potentially dangerous setting, the U.S.-Japan bilateral relationship is more important than ever. With the world's second-largest economy and a well-equipped and competent military, and as our democratic ally, Japan remains the keystone of the U.S. involvement in Asia. The U.S.-Japan alliance is central to America's global security strategy.

Japan, too, is experiencing an important transition. Driven in large part by the forces of globalization, Japan is in the midst of its greatest social and economic transformation since the end of World War II. Japanese society, economy, national identity, and international role are undergoing change that is potentially as fundamental as that Japan experienced during the Meiji Restoration.

The effects of this transformation are yet to be fully understood. Just as Western countries dramatically underestimated the potential of the modern nation that emerged from the Meiji Restoration, many are ignoring a similar transition the effects of which, while not immediately apparent, could be no less profound. For the United States, the key to sustaining and enhancing the alliance in the 21<sup>st</sup> century lies in reshaping our bilateral relationship in a way that anticipates the consequences of changes now underway in Japan.

Since the end of World War II, Japan has played a positive role in Asia. As a mature democracy with an educated and active electorate, Japan has demonstrated that changes in government can occur peacefully. Tokyo has helped to foster regional stability and

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build confidence through its proactive diplomacy and economic involvement throughout the region.

Japan's participation in the United Nations peacekeeping mission in Cambodia in the

## **Tokyo has helped to foster regional stability and build confidence**

early 1990s, its various defense exchanges and security dialogues, and its participation in the Association of Southeast Asian Nations Regional Forum and the new "Plus Three" grouping are further testimony to Tokyo's increasing activism. Most significantly, Japan's alliance with the United States has served as the foundation for regional order.

We have considered six key elements of the U.S.-Japan relationship and put forth a bipartisan action agenda aimed at creating an enduring alliance foundation for the 21<sup>st</sup> century.

## **Post-Cold War Drift**

As partners in the broad Western alliance, the United States and Japan worked together to win the Cold War and helped to usher in a new era of democracy and economic opportunity in Asia. In the aftermath of our shared victory, however, the course of U.S.-Japan relations has wandered, losing its focus and coherence— notwithstanding the real threats and potential risks facing both partners.

## **this lack of focus and follow-through has been evident in both countries**

Once freed from the strategic constraints of containing the Soviet Union, both Washington and Tokyo ignored the real, practical, and pressing needs of the bilateral alliance. Well-intentioned efforts to find substitutes for concrete collaboration and clear goal-setting have produced a diffuse dialogue but no clear definition of a common purpose. Efforts to experiment with new concepts of international security have proceeded fitfully, but without discernable results in redefining and reinvigorating bilateral security ties.

This lack of focus and follow-through has been evident in both countries. Some in Japan

have been drawn to the notion of "Asianization" and the hope that economic interdependence and multilateral institutions would put the region on a path similar to that of Europe. Many in the United States regarded the end of the Cold War as an opportunity to return to economic priorities.

The early 1990s was a period of heightened bilateral tensions, primarily over the question of access to Japanese markets. Some Americans saw economic competition from Japan as a threat. In the past five years, however, trade tensions have diminished. Envy and concern over Japanese economic prowess have turned to dismay over the Japanese recession and building financial crisis.

Neither country dealt with the need to redefine and reinvigorate the alliance. In fact,

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both took it for granted. The drift in the alliance was obvious until the mid-1990s when the crisis on the Korean peninsula—punctuated by the horror of the Okinawa rape incident—captured the attention of policymakers in Washington and Tokyo. These episodes prompted them to recognize belatedly the costs of neglecting the bilateral relationship. The subsequent Taiwan Strait confrontation in March 1996 gave even more impetus to efforts on both sides of the Pacific to reaffirm the bilateral security alliance.

The 1996 U.S.-Japan Joint Security Declaration went a long way toward directing attention in both capitals toward the need to refurbish the alliance, and led to concrete changes that updated defense ties in the form of the revised Guidelines for U.S.-Japan Defense Cooperation, the 1996 report of the Special Action Committee on Okinawa, and the bilateral agreement to cooperate in theater missile defense research. But the symbolism of the 1996 declaration stood alone, unsupported by sustained high-level attention. As a result, the United States and Japan soon returned to bickering and poor policy coordination.

The costs of the deterioration in the U.S.-Japan relationship have been insidious as well as obvious. By the end of the 1990s, many U.S. policymakers had lost interest in a Japan that appeared incapable of renewing itself. Indeed,

Japan's prolonged recession has discouraged or dispirited even some Japanese officials.

In Tokyo, many see Washington as arrogant and unable to recognize that its prescriptions are not universally applicable to others' economic, political, and social needs. A number of government officials and opinion-makers perceived the U.S. approach as a self-serving rationale for commercial and economic interests and grew resentful of a United States seemingly preoccupied with its own self-centered version of globalization.

It has been obvious that U.S. attention and interests have turned elsewhere in Asia. More recently, the principal focus of American policymakers has been the bilateral relationship with China—a relationship characterized by a series of crises ever since the 1989 Tiananmen Square pro-democracy demonstrations. Neither Washington nor Tokyo followed through aggressively on the security agenda set forth in the 1996 declaration, in large measure because of concerns over Beijing's hostile reaction to the reinvigoration of the security partnership.

Beijing let it be known in no uncertain terms that it regarded the U.S.-Japan partnership as an important element of a broader effort by Washington to constrain its regional diplomacy. And as the United States and—to a lesser extent—Japan sought to improve relations with China, both demonstrated a clear desire to downplay the notion of a containment strategy.

In fact, the only active security dialogue between the United States and Japan has been a byproduct of a desire to coax North Korea out of its self-imposed isolation. The United States, Japan, and the Republic of Korea all concur that close cooperation and unity of purpose offer the most effective strategy to deal with Pyongyang.

This record of diffidence, uncertainty, and indirection has no single father, nor does it support an oversimplified laying of blame. Rather, it demands a recognition that the time has arrived for renewed attention to improving, reinvigorating, and refocusing the U.S.-Japan alliance.

Both the United States and Japan face an uncertain security environment in Asia at a time of political transition and important change in both countries—for the United States, a new national leadership, and for Japan, a continuing process of economic, political, and social transformation. At the

same time, political and economic uncertainties in China and Russia, the fragile nature of detente on the Korean peninsula, and the

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prospect of protracted instability in Indonesia—all pose shared challenges.

For those who argue that Japan is a “wasting asset” in irreversible decline, it might be useful to recall that it has been only a decade since it was taken as an article of faith that American power was ebbing on the international scene. It would be foolhardy to underestimate the enduring dimensions of Japanese power, much as it was unwise for some Japanese to dismiss the latent and enduring qualities of American power in the 1980s and 1990s.

## **Politics**

Over the past decade, the ruling Liberal Democratic Party (LDP), faced with internal divisions, a clash of traditional interest group agendas, and a growing split among key constituencies, has focused primarily on hanging on to its dwindling power. At the same time, the political opposition has failed to produce credible, well-conceived policy proposals. The net effect is an LDP struggling to maintain its grip on the reins of government, an opposition unable to provide a governing alternative, and a Japanese public, faced with a lack of credible alternative leadership, reluctantly returning the LDP to office. The result has been a govern-

## **the Japanese political order is experiencing protracted change**

ment stuck in neutral, incapable of more than muddling through.

Nevertheless, the necessity of economic reform and restructuring, driven by the pressures of a relentless globalization of the international economy, are likely to lead to political change. These economic forces are breaking

apart the monopoly power of the so-called Iron Triangle—the heretofore collusive relationships among politicians, business, and the bureaucracies—and making power more diffuse. The Japanese political order is experiencing protracted change.

Political changes in Japan could lead to unprecedented opportunities to reinvigorate the U.S.-Japan relationship—as well as test it further. The end of bipolar ideological confrontation in Japanese politics and the emergence of a new pragmatism about security affairs among a younger generation of elected officials provide fertile soil for creative new approaches to leadership.

It would be unrealistic to expect the current leadership suddenly to embrace reform or to assume a higher profile on the global stage. The demands of Japan’s parliamentary system make it difficult to implement policies, that require short-term pain in exchange for long-term gain. The political system is risk-averse. But the successor generations of politicians and the public-at-large also recognize that economic power alone will no longer be enough to secure Japan’s future. Moreover, the Japanese public, by giving official standing to the national flag and anthem, and in focusing on such territorial claims as the Senkaku islands, has evidenced a new respect for the sovereignty and integrity of the nation state. The implications for the U.S.-Japan relationship stemming from these changes are profound.

A similar process is at work in the United States. The growing role of Congress as a force in foreign policy, the rising influence of state and local governments, and the dramatic transformation of the private sector as the initiator of economic change—driven by technology and the empowerment of the individual—are altering the influence of once-central foreign policymaking institutions.

But, just as Japan’s risk-averse political leadership has held back the nation’s economic transformation, the lack of clear direction from Washington also has taken a toll. Episodic executive branch leadership has failed to produce a well-conceived game plan for America’s relationship with Japan. This, in turn, has accelerated the erosion of political support and popular understanding of the importance of the alliance. In short, the political, economic, and social changes underway in the United States put an even greater premium on executive branch leadership in foreign affairs.

If the United States can exercise leadership—that is to say, excellence without arrogance—in its relations with Japan, the two countries will be better able to realize the full potential for cooperation nurtured during the past 50 years. If the changes underway in Japan ultimately produce a stronger, more responsive political and economic system, the synergy in U.S.-Japan relations will enhance our abilities to play an engaged, mutually supportive, and fundamentally constructive role in regional and global arenas in the years to come.

## **the synergy in U.S.-Japan relations will enhance our abilities to play an engaged, mutually supportive, and fundamentally constructive role**

## **Security**

Because the stakes are so high in Asia, it is urgent that the United States and Japan develop a common perception and approach regarding their relationship in the 21<sup>st</sup> century. The potential for conflict in Asia is lowered dramatically by a visible and “real” U.S.-Japan defense relationship. The use of bases granted by Japan allows the U.S. to affect the security environment from the Pacific to the Persian Gulf. The revised Guidelines for U.S.-Japan Defense Cooperation, the basis for joint defense planning, should be regarded as the floor—not the ceiling—for an expanded Japanese role in the transpacific alliance, *and* the uncertainties of the post-Cold War regional setting require a more dynamic approach to bilateral defense planning.

Japan’s prohibition against collective self-defense is a constraint on alliance cooperation. Lifting this prohibition would allow for closer and more efficient security cooperation. This is a decision that only the Japanese people can make. The United States has respected the domestic decisions that form the character of Japanese security policies and should continue to do so. But Washington must make clear that it welcomes a Japan that is willing to make a greater contribution and to become a more equal alliance partner.

We see the special relationship between the United States and Great Britain as a model



for the alliance. This arrangement requires the following elements:

- Reaffirming the defense commitment. The United States should reaffirm its commitment to the defense of Japan and those areas under the administrative control of Japan, including the Senkaku Islands.

- Diligent implementation of the revised Guidelines for U.S.-Japan Defense Cooperation, including passage of crisis management legislation.

- Robust cooperation of all three U.S. armed services with their Japanese counterparts. The U.S. and Japan should strive for greater jointness in the use of facilities and for integration of training activities and should review and update the roles and missions of the Armed Forces agreed upon in 1981. Both partners should invest in training that replicates reality, rather than follows old patterns. They also should define how to assist each other with emerging new challenges, such as international terrorism and transnational criminal activity, as well as longstanding potential threats, and how to collaborate in peacekeeping and peacemaking activities.

- Full participation in peacekeeping and humanitarian relief missions. Japan would need to remove its 1992 self-imposed restraints on these activities so as not to burden other peacekeeping nations.

- Development of a force structure that has the characteristics of versatility, mobility, flexibility, diversity, and survivability. Any adjustments should not be based on an artificial number, but should reflect the regional security environment. As this process unfolds, changes to force structure should be made through a process of consultation and dialogue, and be mutually agreeable. The United States should take advantage of technological changes and regional developments to restructure its force presence on the archipelago. We should strive to reduce the American military footprint in Japan as long as our capabilities can be maintained. This includes continued consolidation of U.S. bases and rapid implementation of the terms of the 1996 U.S.-Japan Special Action Committee on Okinawa (SACO) agreement.

- Making priority availability of U.S. defense technology to Japan. Defense technology must be seen as an essential component of the overall alliance. We should encourage the American defense industry to make strategic alliances with Japanese companies to facilitate a greater two-way flow of cutting-edge military and dual-use technologies.

- Broadening the scope of U.S.-Japan missile defense cooperation.

There will be a healthy debate in both countries arising from the larger role that we advocate for Japan. And U.S. Government

## OKINAWA

**A** large concentration of U.S. forces in Japan—approximately 75 percent—are stationed on Okinawa. They are situated there because in matters of security, distance matters. Okinawa is positioned at the intersection of the East China Sea and the Pacific Ocean—only about one hour's flying time from Korea, Taiwan, and the South China Sea.

The U.S. Air Force base at Kadena provides a critical link to American power projection throughout the region. It is also crucial to the defense of Japan. The III Marine Expeditionary Force on Okinawa provides a self-sustaining, joint forward echelon for rapid response to problems in the region, ranging from evacuation of noncombatant personnel to serving as cutting edge combat elements to enable large formations to defeat aggression.

But the heavy concentration of U.S. forces on Okinawa also creates an obvious burden for Japan and a less obvious one for the United States, arising, for example, from restrictions, such as those on training. Because of their intense operational tempo and younger demographic profile, the Marines have drawn particular scrutiny from a Japanese public ready for some changes in the U.S. military presence in the southernmost prefecture of the country.

For their part, the Marines have striven to be better neighbors, but readiness and training have suffered with the growing constraints imposed on them by encroachment around the bases. And while statistics on incidents of misconduct by American service personnel are sharply down, in the current political climate, attention to episodes of deeply unfortunate behavior that do occur is sharply magnified.

In 1996, the U.S.-Japan Special Action Committee on Okinawa (SACO) agreement called for a realignment, consolidation, and reduction of U.S. bases on Okinawa. The United States and Japan must complete implementation of that accord, which will reduce U.S. assets by about 5,000 hectares and 11 facilities, including the Marine Corps Air Station at Futenma.

We believe the SACO agreement should have had an important fourth goal—diversification throughout the Asia-Pacific region. From a military perspective, it is important for U.S. forces to have broad and flexible access across the region. But from a political perspective, it is essential to ease the burden borne by the Okinawans so that our presence is sustainable and credible. American thinking about force structure in Japan must not stop with the SACO accord. The United States should consider broader and more flexible deployment and training options for the Marines throughout the region.

officials and lawmakers will have to recognize that Japanese policy will not be identical to American policy in every instance. It is time for burdensharing to evolve into power-sharing

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and this means that the next administration will have to devote the considerable time that will be necessary to bring this into being.

## Intelligence

The changing nature of the potential threats and the evident dangers for both the United States and Japan in East Asia require greater cooperation and integration of intelligence capabilities between the two allies. Despite the importance of the bilateral alliance, intelligence sharing with Japan contrasts sharply with the increasingly close relationships we have enjoyed with our NATO partners in this area. While global developments have driven that trend, so, too, has the recognition

that declining resources and such new missions as peacekeeping and peacemaking require greater cooperation and integration of allied intelligence capabilities.

Ironically, with the end of the Cold War, the ambiguous nature of threats and the often more complex policy choices have sharpened

## **new missions such as peacekeeping and peacemaking require greater cooperation and integration of allied intelligence capabilities**

the need to cooperate in analyzing and collecting vital information on shared security threats around the world. Tokyo has made it clear that existing U.S.-Japan intelligence ties do not meet its needs.

For the United States, the potential for greater cooperation with Japan is obvious. Allies need to articulate their differences as well as reach agreement on policy actions based on comparative and competitive analysis. Shared intelligence represents the road to that goal. Moreover, a division of labor—apportioning analytical tasks according to the comparative advantages of each partner—offers gains for a resource-strapped intelligence community. Japan has the capacity to bring valuable information and insights to a strategic intelligence dialogue because of its global engagement.

Perhaps more important, a strategic vision of intelligence cooperation with Japan is long overdue. Failure to strengthen U.S.-Japan intelligence ties only raises the risks that our perception—and possibly our policies—will diverge when challenges demand common understanding and action within the alliance.

Improved intelligence cooperation is no less important for Japan. The path to a greater international contribution by Japan requires both a stronger indigenous Japanese intelligence capability and greater cooperation with the United States.

Strengthened intelligence cooperation will help Japan to improve its own policymaking, crisis management, and decisionmaking processes. In addition, both within and beyond Asia, Japan faces more diverse threats and more complex international responsibilities, which call for intelligence that provides a better understanding of its national security needs.

Intelligence cooperation also will strengthen Japan's role in the bilateral alliance. Given the disparity in size between the U.S. and Japanese intelligence communities, more balanced sharing inevitably will take time. But the long-term result—improved information on potential threats, competitive analytical products, and complementary perspectives—will enrich cooperation as well as better inform both allies.

As a national-level issue in both countries, U.S.-Japan intelligence cooperation needs national-level management. Cooperation needs to take new forms and to expand existing relationships.

It is incumbent on Washington to do the following:

- The National Security Advisor must make strengthened intelligence cooperation a policy and intelligence priority.
- In coordination with U.S. policymakers, the Director of Central Intelligence must work with Japan to broaden cooperation in a way that fits with

## **transnational issues, such as illegal immigration, international crime, and terrorism all require coordinated interagency programs in both countries**

Japan's national security priorities. Transnational issues, such as illegal immigration, international crime, and terrorism all require coordinated interagency programs in both countries.

- The United States should support Japan's reasonable desire to develop an independent intelligence capability, including its own satellites. Improving the quality of sharing requires immediate attention.
- U.S. policy should give priority to joint staffing of analytical centers, reciprocal educational programs, and similar elbow-to-elbow initiatives to enrich the intelligence network.

An enhanced intelligence relationship between the United States and Japan also needs political support in both countries. In this regard, Tokyo needs to take several basic steps:

- Japanese leaders need to win public and political support for a new law to protect classified information.
- While improved intelligence capabilities will offer improved support to Japanese policymaking,

leaders in Tokyo need to address their own decision-making processes as well. Intelligence sharing must occur within the Japanese Government as well as between the United States and Japan.

## **experience argues strongly for a dialogue on how to include the Diet in the intelligence process**

■ Experience argues strongly for a dialogue on how to include the Diet in the intelligence process. Oversight of intelligence in democracies is a critically important component in sustaining political support.

In short, as Japan addresses its future defense needs and reorganizes its government, the time has come to bring our intelligence cooperation out of the closet.

## **Economic Relations**

An economically healthy Japan is *essential* to a thriving bilateral partnership. Indeed, U.S. interests in all of Asia benefit from having a prosperous, growing, and robust Japanese economy. Japan remains the third-largest customer for U.S. goods, and its continued frailty has meant lost opportunities for American workers and businesses. A weak Japan contributes to volatility and uncertainty in global capital flows. In addition, an inward-looking, frustrated, insecure Japanese populace will be less willing or able to play a larger role in the alliance.

## **an economically healthy Japan is essential to a thriving bilateral partnership**

Unfortunately, Japan has experienced a disappointing decade of economic stagnation and recession. From 1992 through 1999, average annual real economic growth was only 1 percent. The decade ended with a recession in 1997 to 1998, and again in the second half of 1999.

The restoration of sustained economic growth in Japan will depend in large measure on opening markets and recognizing that the key to economic recovery rests in allowing the

private sector to respond to the forces of globalization. This will involve continued deregulation and the reduction of trade barriers, as well as the development of stronger rules and institutions to support more open markets.

This is a fact understood by some Japanese policy elites and documented in a host of

## **the key to economic recovery rests in allowing the private sector to respond to the forces of globalization**

official commentaries, beginning with the Maekawa Report of 1986. Since the mid-1970s, foreigners have attempted to encourage Japanese policymakers to take steps to increase the transparency and openness of the economy. With mounting frustration, successive U.S. administrations have tried to prod Tokyo to adopt a range of invented and reinvented trade and economic policy options.

Barriers to reform are significant. Mature workers (including the 20–30 percent who still enjoy the cozy sanctuary of lifetime employment), protected industries, and bureaucrats long accustomed to calling the shots for various industries continue to protect the status quo. Moreover, the Japanese tend to be averse to radical change, except in circumstances where no other options exist. And some in Japan argue that the nation's economic problems have yet to reach crisis proportions. The lack of a sense of urgency, and a national character resistant to abrupt shifts in established practices, impede adoption of necessary restructuring measures that are politically and psychologically painful.

At the same time, it is important to recognize that Japan has made some progress in addressing its economic problems. For example, many Western economists have given high marks to Tokyo's so-called Big Bang financial sector deregulation package and the banking bailout of 1998. Foreign direct investment has increased dramatically (though it remains lower than in any other major industrialized economy). These developments have introduced greater competition and new business models. Businesses have begun to place greater emphasis on profitability over relationships, a shift that has weakened the increasingly archaic

*keiretsu* system. Entrepreneurship is on the rise, and the venture capital market is growing.

The information technology (IT) sector is growing rapidly. New firms are starting up, and the potential benefits across many sectors of the economy are substantial. Yet economists remain divided as to whether IT sector growth will be sufficient to rescue the economy from the stagnation of the past decade. Regulatory barriers have constrained growth and slowed the adoption of IT technologies in other industries. The potential importance of this sector for the economy, therefore, reinforces the need for additional reform and deregulation of the economic system as part of ensuring a positive future for the economy. Perhaps the most important contribution IT can make is to provide the thin wedge to encourage deregulation and greater flexibility of business models in the broader Japanese economy.

Yet obstacles to recovery continue to exist. In particular, banking problems have yet to be addressed adequately, and fiscal stimulus has relied too heavily on pork-barrel public works projects with little if any potential for fostering long-term growth. This flawed fiscal approach

## **banking problems have yet to be addressed adequately**

has produced a ratio of debt to gross domestic product of at least 1.2:1, far higher than in the rest of the world's major developed economies.

A more innovative approach that uses private sector dynamism to drive economic change is now in order. For Japan, the price still will be high. Restoring the long-term health of the Japanese economy will require some short-term costs that Japanese politicians so far have refused to incur. The United States should urge Japan to develop policies along the following lines:

- Further systemic reform of the Japanese economy. Greater reliance on markets that are open to all players—both domestic and foreign—is critical to a sustained economic recovery:

- Continued short-term fiscal and monetary stimulus. Despite Japan's growing debt problems, Tokyo should focus on areas that promise to foster future growth. The era of building bridges, tunnels, and high-speed rail links to nowhere must end.

- There must be greater transparency in accounting, business practices, and rule making. The quality of Japanese economic statistics should

be improved, and financial institutions and local governments should be required to give a full accounting of their true financial condition. The government has a similar need to be more open in its disclosure of government information.

- Deregulation should be accelerated, particularly in sectors with the greatest potential to benefit the economy, such as telecommunications.

- A free trade agreement between Japan and Singapore should be encouraged as a test case for

## **greater reliance on markets that are open to all players—both domestic and foreign—is critical to a sustained economic recovery**

similar agreements with South Korea, Canada, the United States, and other interested countries.

The ability of American government initiatives to open Japanese markets and to drive structural change is diminishing. The United States does have legitimate interests when the lack of reform affects U.S. firms or endangers the global economy. In these areas, including the creation of corporate good-governance standards and greater transparency in business practices, U.S. Government attention and action continue to matter.

The U.S. should pursue several key goals in the years ahead that will foster an improved bilateral partnership:

- American economic interests must be expressed in one voice. Washington must have its priorities straight in order to deal effectively with the systemic change Japan is undergoing. In this regard, the next administration must gain the support of the American people for a focused economic agenda.

- Washington should start a dialogue on enhancing foreign direct investment in Japan. Foreign firms bring new technologies and new business models that help the economy both directly and through their competitive impact on Japanese firms.

- The new administration must make a new round of global trade negotiations one of its highest priorities. American leadership is vital to this initiative. In this endeavor, the United States and its partners should seek the elimination of industrial tariffs, agricultural subsidies, and barriers to trade in financial services, and should pursue the negotiation of internationally accepted accounting standards, particularly for financial institutions.

- Because of the importance of U.S.-Japan economic relations, bilateral trade negotiations



remain an essential tool, even as the United States and Japan turn to the World Trade Organization to resolve disputes and open new doors to cooperation.

■ The United States should encourage the fledgling economic coordination underway between Japan and the Republic of Korea.

## the United States has encouraged Japan to play a larger international role

### Diplomacy

Traditionally, the United States has encouraged Japan to play a larger international role. The overlooked reality is that Japan has responded to that encouragement, particularly in humanitarian efforts and other nontraditional areas of security, often in cooperation with the United States. Japan is either the leading or the second-largest contributor to the World Bank, the International Monetary Fund, the United Nations, and the Asian Development Bank, as well as being a leading contributor to all the major multilateral institutions. It is imperative to nurture popular support in the United States and Japan to sustain current cooperation and to open the door to new bilateral endeavors.

There should be no surprises in diplomatic cooperation. Japan often has promoted ideas, such as the Asian Monetary Fund, without coordinating with Washington. The United States too often has brought Japan belatedly

## it is past time for the United States to drop the image of Japanese cooperation in foreign policy as checkbook diplomacy

into its own diplomacy. Both countries suffer when policymaking-by-afterthought characterizes our relationship. It is past time for the United States to drop the image of Japanese cooperation in foreign policy as checkbook diplomacy. Japan must recognize that international leadership involves risk-taking beyond its traditional donor's role.

U.S. policy must consider Japan's goals, even as it strives to ensure that our agenda is well understood and actively supported by

Tokyo. Washington must recognize that multilateral efforts are important to Tokyo. The Japanese Government regards such initiatives as expressions of national identity, not as attempts to undermine U.S. leadership. Quiet, behind-the-scenes coordination of strategies often is more effective than theatrical pronouncements of partnership thrown together at the last moment as an outcome of bilateral summits.

The search for an independent Japanese identity in foreign affairs is not in conflict with American diplomacy. Indeed, the United States

## the search for an independent Japanese identity in foreign affairs is not in conflict with American diplomacy

and Japan largely share the same overall diplomatic goals. The two countries have many common interests.

■ Maintaining an engaged, forward-deployed American presence in Asia.

■ Reforming the United Nations as an institution to deal more effectively with conflict prevention, peacekeeping, and peacemaking activities. The U.S. should continue to support Japan's quest for a permanent seat on the Security Council. However, there are obvious obligations of collective security with which Japan must come to grips.

■ Encouraging the People's Republic of China to become a positive force in regional political and economic affairs. The United States and Japan should engage in an ongoing strategic dialogue on this subject.

■ Fostering reconciliation on the Korean peninsula. Washington and Tokyo should continue to support the Trilateral Coordination Group (South Korea, Japan, and the United States) to deal with issues related to the peninsula, while looking for opportunities to broaden their cooperation.

■ Supporting Russian stability in the Far East and facilitating the development of the vast Russian store of natural resources. The United States and Japan should more effectively coordinate their policies toward Russia.

■ Encouraging an activist, independent, democratic, and prosperous Association of Southeast Asian Nations even as the United States and Japan have divergent policies toward individual ASEAN members.

■ Coordinating our efforts to support territorial integrity and revival of Indonesia.

Japan, with the world's second-largest economy, should not allow its economic problems to become an excuse to reverse the evolution of its foreign aid policy away from one that focuses on benefitting the recipient rather than the donor. Japan's policies should further economic growth and openness in Asia. Tokyo's proposals for internationalization of the yen will only succeed if Japanese financial markets are transparent.

### Conclusion

Since the arrival of Commodore Perry's Black Ships in Tokyo Bay nearly 150 years ago, U.S.-Japan relations have shaped the history of Japan and Asia—for better or for worse. At the dawn of the new millennium, the inescapable forces of globalization and the dynamics of the post-Cold War Asian security setting pose new and complex challenges to the United States and Japan. How the two countries respond, individually and as alliance partners, will define significantly the security and stability of the Asia-Pacific as well as the possibilities of the new century—much as their interaction has affected the economic, political, and strategic contours of the past.

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