

Japan-U.S. Relations: The Strategic Challenge

AMAYA: In times of economic prosperity, economics and politics are separate. But when the economy goes into rough seas, politics and economics seem to get mixed up. Since Commodore Perry arrived in Japan in 1853, the Japan-U.S. relationship has seen good days and bad days. Up to the 1905 Russo-Japanese war, our relations were good. But from then until the end of World War II came a bad period. Our wish is never to repeat that kind of history again.

From the end of the war till the 1973 oil shock, eco-

nomical growth was strong and any problems we faced could be managed at a bureaucratic level without turning into political issues. Good Japan-U.S. relations contributed to the stability and prosperity of the whole world. But since that first oil shock the economies on both sides are deteriorating. We now face economic problems that could affect the political relationship between us. There is a possibility of history repeating itself. The question is what we can do—and what are the prospects for revitalizing the U.S. economy, which affects not only our bilateral relationship but the prosperity and stability of the free world itself.

LORD: Japan and the United States have overriding mutual interests—our strong economic relationship, our shared democratic principles and security concerns—that should keep our relationship on course. But we must both make efforts not to let specific issues become political irritants that get in the way of these overriding mutual interests.

I agree that part of the solution has to come from the United States. We have got to be more competitive, productivity must be increased, we need to become better at exporting to the Japanese market. And there is the problem of high U.S. interest rates, leading to dollar-



A sluggish world economy, growing unemployment, high U.S. interest rates and a flagging yen... Economic problems and a huge trade imbalance are causing frictions between Japan and the United States at a time when the Soviet military buildup has heightened security concerns.

Naohiro Amaya, former Vice-Minister for International Affairs and now a senior adviser of the Ministry of International Trade and Industry (MITI) and Winston Lord, president of the Council on Foreign Relations, a private New York research institute, who formerly served in the State Department under Henry Kissinger, sat down for the *Journal* to discuss the present and future state of Japan-U.S. relations.

yen exchange problems contributing to the trade imbalance between us.

But I believe Japan also has steps it must take—not as a favor to the United States, or under U.S. pressure, which is unhealthy, but in your own interests. Japan, with its tremendous reliance on trade and the outside world for markets and raw materials, has a vital stake—much more than any other country—in a liberal international economic system. And a certain responsibility, I think, given its great economic success in the past 30 years, to work for liberal trade.

In this sense, the steps Japan has taken in January and May to liberalize certain areas of your market are appreciated. But the statements by Japanese Government officials, including Prime Minister Suzuki on May 28, indicating the general direction of that liberalization are as important as specific steps that have been taken.

Solving our trade problems is no longer a matter of specific sectors—like autos or color televisions—but a more structural, long-term challenge that will take time to correct.

Helping the Good Guys Win

AMAYA: Historically, after Perry, Japan was forced to open its doors to the outside world. This gave many Japanese the feeling that Japan is constantly under pressure from the outside world—a feeling no longer appropriate now that Japan is a full-fledged member of the international community. Many Japanese react to U.S. requests to liberalize the Japanese market as “unreason-

able pressure.” Yet Japan has been the greatest beneficiary of the GATT/IMF system constructed and maintained largely by the United States after World War II. We must overcome this kind of psychology and adopt a more positive attitude to the outside world.

At the same time, with high unemployment in the United States, some people there are becoming skeptical about the appropriateness of the GATT system, which can mean loss of markets to ailing industries in the United States. There is a struggle between the propo-



Naohiro Amaya, former vice-minister for International Affairs, with Winston Lord, president of the Council of Foreign Relations

nents of free trade and protectionism, and I am watching to see who wins.

LORD: You can help the good guys win! Many people in the United States feel GATT has been effective in industrial trade but not so in the agricultural and service sectors where the United States is particularly strong. With 10% unemployment in the United States and given the huge trade imbalance, it is not surprising that there are protectionist tendencies. But I think in the struggle between these two camps, President Reagan's administration is an ally—one of the good guys. Being conservative economic types, they believe ideologically and theologically in liberal trade—and have a good record in trying to hold back protectionism. But they do need help. And this is why statements like Suzuki's about the general direction Japan is taking are very important.

AMAYA: To maintain the free trade system is a vital issue. While Russia is aiming at the free world from outside with SS-20s, protectionist pressure is doing the same thing from within. Both could destroy the free world. In Japan, too, some politicians are pushing for protectionist measures, especially those supported by rural constituencies. Other Japanese feel Japan must attain food self-sufficiency. (The 1973 U.S. soya bean export embargo is still strong in Japanese memory, with fears that the U.S. Export Control Law could be used for arbitrary political purposes.) But this is a Quixote-like desire—impossible to achieve. Japan must rely on a stable supply of foodstuffs from the United States, Canada and Australia. To maintain good relations with the United States is the mainstay of Japan's overall security and also its security of stable supply. Japan needs an agricultural base, of course, but a step-by-step market liberalization policy, accompanied by rationalization in agriculture, would be beneficial to both countries. But this is a touchy political issue in Japan—and likely to get explosive.

LORD: I think the 1973 soya bean issue was an aberration. On the whole the United States has been a very reliable supplier of agricultural goods. But there could be the makings of an agreement here in which the United States would assure Japan of reliable long-term supply in return for a Japanese commitment to liberalize its agricultural market in stages. Such an agreement could be of immense benefit, not only economically but also in terms of the political mood. But I recognize this is a difficult issue.

The End of Pax Americana

AMAYA: One question bothering the Japanese is the protectionist local contents legislation now tabled in the U.S. Congress.

LORD: I sincerely doubt anything so extreme would pass. There is no overriding sentiment in favor of it. As long as Japan is maintaining the liberalization efforts it has begun and can set a general direction, then I remain quite hopeful. If the U.S. economy picks up—and there are indications of this—it will greatly help. But it is going to take mutual efforts.

AMAYA: Japan after the war depended heavily on the so-called Pax Americana, under which the United States, in the fifties and sixties, provided Japan and the outside world with American values of democracy and free market principles, military security, the GATT/IMF free trade system, oil, foodstuffs, high technology, its market and investment funds. The United States is as strong as ever in its democratic values, technology and food supply, but less so today when it comes to military superiority, investment capabilities and market strength. The oil situation has been seriously damaged by strategies of the oil producing and exporting nations, and the international free trade system is getting shaky.

Our well-being depends on the health of the free market system and I think we need to see what contribution Japan and the European countries can make to repairing the system and revitalizing the Pax Americana.

LORD: This reminds people—as we should remind people—that national strength must be measured in many other ways than just military power. The United States is justifiably alarmed at the Soviet military buildup in the last 10 or 15 years. But one should not deduce from that that suddenly we are inferior to the Soviet Union. One has to measure our relative strength—the strength of the free nations against the less free—in all the categories you suggest. When one does that, there's great hope and a great sense of confidence.

But I don't think we can reconstruct a Pax Americana. That was an era when the United States was overwhelmingly predominant in all these areas as other nations were recovering from war. The days when the United States provided all the blueprints and all the resources for world peace and prosperity are behind us.

The fact that other countries have become so much stronger is a good thing. It is now a multipolar world, and while the United States plays a crucial role, Japan and other countries now have a self-interest in taking greater responsibility to help maintain both prosperity and security.

AMAYA: In Europe the economic situation is worse than in Japan or the United States, and is deteriorating. The Europeans are also more directly aware of the Soviet threat. I think there is a need for Japan and the United States to reinforce the Europeans in maintaining a healthy course.

LORD: The Soviet threat is also strong in the Asian area. But the biggest Soviet buildup is that affecting public opinion in Europe. I've been struck by how relatively poor communications are between Japan and Europe—mostly trade disputes and not much other dialogue. If only Japan and the Europeans could see they have a mutual security interest—beyond trade disputes—they would have other topics of discussion and it might lead to a healthier situation.

AMAYA: In this sense, China is more aware of its common security interests with Europe. Maybe the Japanese psychology is different—certainly many Japanese are unrealistic about security questions. In the preamble to our Constitution it says the world is full of peace-loving nations. Nothing would make me happier than for this to be true, but reality is not consistent with this ideal.

Striking a Balance on Defense

LORD: There is a greater debate taking place in Japan now on security issues, but it cannot be rushed. The United States, in general, would like Japan to increase defense spending and take on a greater responsibility for its defense. But because of your history and constitution, current economic problems and budgetary restraints this process cannot get ahead of national consensus. Here again, what is important is to outline general directions and that Japan sees itself acting in its own interest—to defend the Japanese islands and the sealanes near them—rather than in response to U.S. pressure.

AMAYA: Japan sees the free trade system as indispensable—and this cannot survive without the security of the free world. Japan must see this as a first priority. But that feeling of responsibility is not yet prevalent in Japan.

LORD: We don't wish to see Japan become a nuclear power or a military giant. But your ammunition and communications capability, anti-aircraft and anti-submarine defenses can be improved on. This is a clearly defined role that we can easily agree upon. The concept of 1,000 miles of sealanes is a little more ambiguous. Japan will not be able to take primary responsibility for this in the near future, but can cooperate with the United States more, for example in joint patrols and anti-submarine warfare. It will always be a shared responsibility.

Japan can also help by providing economic assistance to key nations: Egypt, the Middle East countries, Pakistan, Turkey. This does not take the place of defense efforts and should not be used as a rationalization for not doing more, but still this aid contributes to comprehensive security.

AMAYA: Economic prosperity, especially in Southeast Asia and the Pacific area, is the strongest barrier to communist infiltration in this area. In this sense economic prosperity is as important as military protection.

LORD: This is the major advantage we have over communist countries in this region—the market economies have clearly demonstrated they perform much better. Wherever you look at socialism or communism, it's been a failure.

AMAYA: Our greatest headache is the Middle East. Any threat to the stability of governments there threatens the stability of our oil supply. And although Japan is a major oil buyer, it has very little political influence in that area.

LORD: There is a tendency in some quarters, especially in the United States, to see the energy crisis as over. This could be a tragic miscalculation. Whenever I see projects for synthetic fuels canceled or conservation efforts relaxed, I get nervous. The Middle East is a crucial area and we must approach it on three levels: energy policy; assurances of military security to the nations of the region; and diplomatic efforts to resolve the problems there, especially by the United States, since we are the only country that can talk to both sides.

Sharing the Burdens, Sharing the Benefits

AMAYA: How do you see the prospects for U.S.-Soviet relations?

LORD: There are several issues. In dealing with the Soviet Union, first of all, you need a two-track policy. Soviet expansionism means you must be firm, with sufficient military strength to oppose Soviet adventurism if necessary. On the other hand, you must also be ready to negotiate.

This was the Nixon-Kissinger approach and I think it still applies. Haig was a proponent, and the Reagan Administration is now coming round to this.

On the question of economic sanctions, one of Reagan's biggest mistakes was lifting the Carter Administration's grain embargo on the Soviet Union. It signaled a lack of strength in domestic politics to maintain this significant—if symbolic—step. I do believe in symbolism to express disapproval—and in one sense I can sympathize with Reagan's decision over the Soviet gas pipeline sanctions. But the grain embargo removal makes this look hypocritical. In the case of Japan's Sakhalin Russo-Japanese oil development project, I think Japan was partly an innocent bystander—but the United States had to be consistent in the sanctions it applied.

I do think the West should take a stronger stand against the Soviet Union in the economic area to express disapproval of events in Poland and Afghanistan. But it's a little hard to tell our friends to be tough when we are not being tough ourselves.

AMAYA: But the problem is that the Western nations seem unable to agree on an appropriate balance of burdens and benefits.

LORD: In the United States, there are conflicting emotions as we try to redefine our world role after the experiences of the late 1960s and early seventies—Vietnam, Watergate and the oil shocks. Some people feel we can go back to the 1950s and act unilaterally if necessary. Others put more emphasis on cooperation with our allies, and believe the United States cannot go it alone.

The Japanese side also is in transition. You are not a junior partner any more, but an economic superpower, beginning to assert yourselves in political and diplomatic ways. There's a healthy sense of pride and self-confidence in Japan, but that's not too far distant from nationalistic impulses that will resent being pressured by your friends.

In this period of transition, we must work out our trade and defense problems carefully so that the unilateral instincts of the United States and the new nationalism of Japan are kept within boundaries and do not cause damage. I think this is our strategic challenge.

AMAYA: "Soap nationalism"—a phrase I coined after "soap opera"—has already destroyed Japan's course in the past. And now I see it rising again under outside pressure. Japan must overcome this kind of infant psychology and accept its responsibilities in the free world.

LORD: And the United States must take care not to feed this nationalism by heavy-handed pressure tactics.