

SII and the Ticking Legacy

By Takeshi Sasaki

The Structural Impediments Initiative (SII) talks between Japan and the United States produced more political fireworks than most people thought they would and marked a turning point in the relationship on a number of issues.

First, the SII talks represented a new approach to bilateral trade problems. Whereas previous efforts have concentrated on specific issues or trade impediments or have attempted to solve the problems with macroeconomics policy coordination, the SII represented an effort to deal directly with perceived structural problems in the other country.

While there is undeniably a need to harmonize and standardize the behavioral rules in our increasingly global economy, many of the issues involved here impinge directly on how the domestic political system and administrative structures operate, some of them even being embedded in the nation's cultural heritage—meaning that they are largely resistant to change and that what change does occur carries a high political price tag.

It is astonishing that, the earlier and more direct means of reducing the bilateral trade imbalance having proved ineffectual, the negotiators should have stood Occam's razor on its head and opted for talks in these very complex and inaccessible areas of the relationship.

Even though I would agree that there are structural problems on both sides of the relationship, I take serious issue with the idea that these long-term issues can promise short-term relief for our immediate problems. It is a little like a patient with an acute condition turning to the traditional herbal medicines—medicines designed to gradually restore the body to balance when taken over a period of many years.

Illogical though this prescription is for resolving the immediate trade problems, it does have a certain attraction in neutralizing the revisionist clamor about the “uniqueness” of Japan's socioeco-



The SII talks between the U.S. and Japan represented not just a discussion of bilateral trade problems, but became the focus of political attention.

omic structures and the need to “contain” Japan.

Once they realized that strident revisionism could very well disrupt the entire bilateral relationship, the Japanese government and the Bush administration moved to contain the revisionists—which made success in the SII talks all the more important, since both sides saw success as proving that Japan's “unique” structures could indeed be changed and that Japan is a partner to cooperate with rather than a rival to be contained. This was the imperative that came out of the Kaifu-Bush rendezvous in early March. This was the political reality behind Bush's initiative in putting the problems on the SII table, asking for Kaifu's support, and holding out the promise of a new global-oriented, cooperative Japan-U.S. relationship.

Opinion favorable

And with this political imperative, the whole point of the SII exercise shifted from balancing the trade figures to preserving the close and cooperative bilateral relationship. At the same time, this change accounts for the yawning dispar-

ity between the talks' stated objectives and the approach that was adopted. The political imperatives demanded that the SII talks reach an agreement, and it will not be long before congressional suspicions are borne out and the agreement is shown to have very little economic impact. What will happen when people realize how insubstantial the SII agreement is? Can a new fig leaf be found, or will we end up with naked animosity between Japan and the United States?

The second point to note is that Japanese opinion was for the most part favorable to the SII talks. The policy, institutional and systemic changes that America demanded were very specific and detailed, and this call for radical surgery naturally upset some people. A number of people, for example, charged the U.S. with interfering in Japan's domestic affairs and openly speculated that maybe the U.S. policymakers did not realize that the Occupation had ended in 1952. There was, however, much less nationalistic rumbling than had been expected here or feared in Washington.

According to a *Nihon Keizai Shimbun* opinion survey in March, 47.4% of Japanese reacted positively to the American

demands (compared with 39.5% who reacted negatively) and 85.9% felt that Japan should respond forthrightly. As seen in this survey, most Japanese felt that the Japanese government should take the initiative in solving the structural irregularities raised in the SII talks. A similar survey of the presidents of major Japanese companies showed that, even though they were more critical of American demands, there was near-unanimous support on many points.

The secret of this American public opinion success was that the talks were presented as fighting for Japanese consumer rights and the American team pitched their publicity directly at the general public. Yet not even the best spinmasters could have done this if the U.S. brief had not dovetailed neatly with the complaints already being raised by Japanese consumers and if they had not avoided counterproductive issues that were not going to go anywhere and might have stirred up latent anti-American sentiment. Rather than going off on futile tangents, the American side effectively voiced and fanned Japanese dissatisfactions. Thus most Japanese perceived the SII talks as dealing not with the nebulous "uniqueness" of Japanese institutions but with market "irrationalities" and "inefficiencies."

Boxed in on all sides by the American government and Japanese opinion, the Japanese administration and the bureaucracy were thus compelled to bend on more points than they had originally envisioned. The Bush administration challenged Japanese politicians from Prime Minister Kaifu on down to resolve issues in accord with democratic principles and preached the need for less diffuse decision-making. Japanese politicians eager to employ external pressure to force changes in political systems and policies benefited greatly from this American stance.

Furthermore, the American side gave careful thought to maintaining a carrot-and-stick balance between politically unpalatable demands—such as junking the Large-Scale Retail Store Law, which is somewhat of a loose cannon as far as the Liberal Democratic Party is concerned—



A leading U.S. toy manufacturer plans to open its first chain store in Japan in the city of Niigata amid heated discussions on the Large-Scale Retail Store Law.

Photo: Nihon Keizai Shimbun

and demands that will obviously benefit the LDP, such as the hefty increase in public works spending. The SII talks did not run into resistance from Japanese domestic interests because the American side was on top of the trends in advance and customized its message to get a good reception from the Japanese public. Whether or not this success can be repeated, however, is another question.

Political gridlock

The third point I would emphasize is that the SII talks are having a profound impact on Japanese politics. Prime Minister Kaifu himself is the prime example here as the Bush administration's support for and endorsement of Kaifu have obviously strengthened his hand within the LDP and shored up his initially shaky position. Yet this impact has not been limited to quelling the infighting among the LDP's many factions. More importantly, the SII talks demonstrated once more that Japanese politicians are unable to translate the popular will into effective policies unless prodded by external pressure.

This political gridlock—what might be called the brain death of Japanese politics—is a very real and chronic problem. There has been no substantial transfer of power for many years, and instead we

have LDP politicians—aligned so long with the vested interests that they are now widely seen as captives of the interests—playing musical chairs. A good number of the problems featured at the SII talks impinge directly on special interest groups that are closely affiliated with the LDP. The opposition, on the other hand, has made little effort to wrest power from the LDP and is no longer even seen as offering a viable alternative or even alternative policies in the crucial areas of Japanese life. In the two critical areas of land-use policy and the distribution sector, for example, Japanese politicians have not even elucidated the problems involved, much less formulated effective policies for solving these problems.

Instead, everything is a blur as everyone anxiously sidesteps the issues, and nothing will change until the parties take explicit stands on these problems and the debate is clearly defined. Rather, the LDP and the opposition seem to have joined in a conspiracy to obscure the issues in a haze of rhetoric, and much of the support that the American team got from Japanese public opinion in the SII talks was arguably an indication that the Japanese have given up on their own elected representatives and were turning to American bureaucrats to represent their interests.

The SII talks are forcing the LDP to implement policies that could very well undermine its own political base. This could lead to disarray among some formerly steadfast supporters and has raised fears of a major political upheaval. Although the LDP will have to guard against opposition attempts to woo its disgruntled supporters, this initiative also opens up new opportunities, as implementation of the new policies should attract new supporters and be a chance to reposition the party as one representing modern urban interests.

While the opposition will benefit to some extent from the support of people disenfranchised by the turnabout in LDP policies, the SII process is also showing that the real alternative to LDP policies lies not in the domestic opposition parties but in Washington. At the same time, it will be impossible to resolve the issues

raised by the SII talks without a certain amount of cooperation between the LDP and the opposition, and there is thus the possibility of major political realignment and the emergence of a grand-coalition government. Indeed, the SII talks might ultimately have more of an impact on Japanese politics than they do on the distribution sector.

Although there are doubts about the Japanese political system's ability to cope with these problems on its own, these doubts are not sufficient to justify rushing into the creation of some mechanism to monitor the SII results. These one-time talks between the two administrations are hardly grounds for instituting long-term surveillance of the entire Japanese government apparatus—legislative, administrative and judicial. The issues involved make this a much more significant surveillance than that suggested by the seven-nation summit meetings to monitor economic policy coordination surveillance. Not only would shackling the political system with this type of surveillance serve to perpetuate the structural dependence on external pressure, it also has the potential for arousing a nationalist backlash.

Crossing the line

The issues raised in the talks are essentially Japanese problems, and it is extremely important for the long-term stability of the Japan-U.S. relationship that politicians on both sides of the Pacific be unwavering in their adherence to the position that these issues should be handled by the Japanese government on its own initiative.

While I realize that being overly protective toward the domestic political system could well invite complacency and stagnation, I do not think all-out intervention is the answer either. There are some areas where external pressure can help, but the two governments need to clearly recognize that there are limits to this approach and need to be firm about not crossing that line.

Finally, these talks highlighted the extent to which the political legacy of the Occupation and Cold War period per-

vades the Japan-U.S. relationship and reinforced misgivings about an overdependence on this legacy. As one LDP politician observed, "There is no way that Japan could survive without the United States, but the U.S. could get along just as well without Japan." This is typical of the way the relationship is seen by older LDP leaders. And once this is realized, it should be clear that the Kaifu-Bush meeting had to be a success.

Japanese foreign policy is premised on an acceptance of this unequal and one-sided relationship and assumes that Japan is so dependent on the United States, politically, militarily and otherwise, that it has no choice but to follow the U.S. line. Japan's only bargaining ploy is to define American demands as narrowly as possible and to stall for time. Japan did designate a list of American structural problems in the SII talks, but this was just for the sake of appearance, as the Japanese government and people know all too well. Few Japanese seriously expect the U.S. to alter its systems and policies in line with Japanese requests, and anybody who suggests that the SII talks were initiated to eliminate structural impediments on the American side is just setting himself up to be laughed at.

The fact that Japanese newspaper editorials after the Kaifu-Bush meeting chorused the need for "success" in the SII talks to ensure the stability of the Japan-U.S. relationship is itself telling testimony to the enduring influence of the Occupation legacy. Determined to maintain this special relationship whatever the cost, Japan was willing to bite the political bullet and to pay a heavy political price on the SII talks in the expectation that the U.S. administration would appreciate this extraordinary effort and would muffle American expressions of frustration with Japan. Such great expectations could easily be betrayed, however, if the SII's accomplishments are considered insufficient in the U.S. or if a dispute breaks out between Japan and the U.S. in another area.

The seemingly endless treadmill of economic friction and negotiations is slowly but surely contributing to disillusionment on both sides of the Pacific as

Japan is seen as a "unique" society needing to be contained and the United States is seen as a nation of trade crybabies and unprincipled lawyers. Because the SII talks dealt not with specific areas but with the underlying social and administrative framework, they have the potential for sparking wide-ranging changes throughout society—yet this same breadth also means that they have the potential for a much bigger letdown and could have grave political consequences affecting the entire relationship.

For 45 years, Japan and the United States have negotiated within the context of this unequal relationship. The bilateral relationship has now outgrown that structure, however, even though our mindsets remain mired in the past, and the result is that continuing to negotiate in this mode accentuates the disillusionment on both sides. The strength of the revisionist position is but one manifestation of this tendency, and even though the SII talks were initiated to counter these revisionist voices, there is a very real possibility that these talks will end up further fueling the disillusionment and criticism.

If we are to avoid this vicious circle in which attempts to put out the fires only fan the flames, it is imperative that we pay more attention to the dangers of bilateral negotiations based on the special postwar relationship. Much though they have been vilified, both the revisionists and the authors of *The Japan That Can Say "No"* have recognized the danger of continuing to negotiate from outmoded positions.

Japan should be working on Japanese problems and the U.S. on American problems. This precept is so obvious as to not need restating, but all too often it gets lost in the exigencies of the moment. Both Japan and the United States should make more effort to observe this basic principle. For only then will Japan and the U.S. be able to take full advantage of the good part of their legacy—the close and friendly relationship that has developed in the postwar period. ■

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