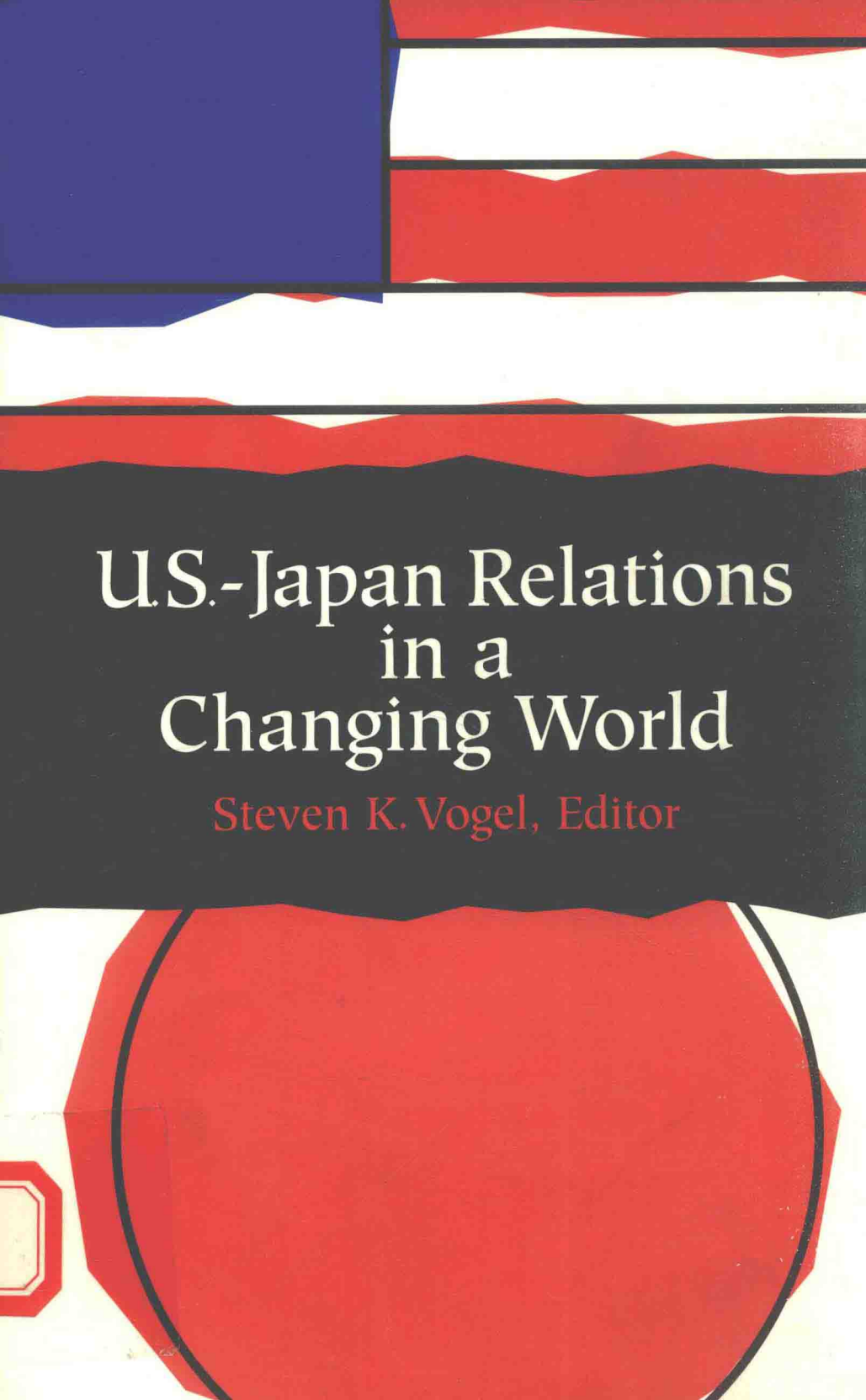
U.S.-Japan Relations
in a
Changing World
Steven K. Vogel, Editor

U.S.-JAPAN Relations *in a* Changing World

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This volume represents the culmination of the U.S.-Japan 21st Century Project, a conference, commemoration, and research project marking the fiftieth anniversary of the signing of the San Francisco Peace Treaty and the U.S.-Japan Security Treaty on September 8, 1951. Christopher Sigur of the Japan Society of Northern California was instrumental in launching this effort, in partnership with the Berkeley Roundtable on the International Economy (BRIE) at Berkeley and the Asia/Pacific Research Center (A/PARC) at Stanford. Many others helped with planning, including Barbara Bundy, Alexander Calhoun, Stephen Cohen, William Fuller, Daniel Okimoto, James Raphael, Robert Scalapino, Hitoshi Tanaka, Nobuaki Tanaka, Haydn Williams, and John Zysman. George Shultz served as honorary chair, and Bruce Pickering as executive director. The project featured a major conference highlighting the research compiled in this volume in San Francisco on September 6 and 7, and a ceremony attended by Secretary of State Colin Powell and Foreign Minister Makiko Tanaka on September 8, 2001.

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The authors formed an all-American team of researchers, but felt strongly that there should be input from counterparts in Japan, so some of Japan's leading young scholars were asked to comment on individual chapter drafts. Kōji Murata (Balance of Power), Yoshiko Kojō (Macroeconomic Performance), Masaki Taniguchi (Domestic Politics), Saori Katada (Paradigms), Masayuki Tadokoro (Media), Keisuke Iida (International Organizations), and Jun Kurihara (Finance) all provided excellent comments, greatly strengthening the final result.

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Noboru Yamaguchi, defense and military attaché, Japanese Embassy

Paul Giarra, senior analyst, Strategic Assessment Center, Science Applications International Corporation

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Martin Kenney, Department of Human and Community Development, University of California, Davis

Emily Murase, Department of Communications, Stanford University

George Scalise, president, Semiconductor Industry Association

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CHAPTER ONE

Introduction: The San Francisco System at Fifty

STEVEN K. VOGEL

On September 8, 1951, Japan signed a peace treaty with forty-eight nations in San Francisco and forged an alliance with the United States under the Treaty of Mutual Cooperation and Security. In doing so, it formally accepted an arrangement—the San Francisco system—that would define its relationship with the United States, and thereby its place within the world, for more than fifty years. Under this arrangement, the United States incorporated Japan into the heart of its cold war strategy. Japan effectively committed itself to military, diplomatic, and economic dependence on the United States. Japan allowed the United States to station troops on Japanese soil and to maintain control over Okinawa. Japan acted as a member of the Western camp, following the U.S. lead on critical foreign policy issues. The United States protected Japan from external threats, but Japan developed military forces to help defend itself and to support U.S. forces in regional conflicts. The United States also supported Japan's economic recovery by allowing Japan to limit the reparations paid to war victims, by creating a liberal international trade regime, and by maintaining open markets at home while tolerating Japanese trade protection and an undervalued yen.[1]

This volume reviews the past fifty years of the U.S.-Japan relationship and speculates about how it will evolve in the years to come. The continuities over the past fifty years are as striking as the changes. Since 1951

Japan has risen from military defeat to economic power and then plunged into financial crisis, and the cold war system has solidified, transformed, and then collapsed. Yet the core features of the San Francisco system have survived. The United States and Japan maintain an unequal security alliance, American military bases remain in Japan, and Japan defers to the United States on many foreign policy issues.[2] The United States exerts global leadership, while Japan plays a much smaller role than one would expect based on its economic and technological strength.

This situation is not likely to continue. The San Francisco system remains intact, yet it is gradually losing its grip over the relationship. In the future, therefore, various pressures—such as changes in the regional balance of power—will have a greater impact on the bilateral relationship than they have in the past. This argument is elaborated in the chapters to follow, and predictions for the future are presented in the conclusion.

This volume is organized around a single analytical framework, with chapters devoted to developments in eight issue areas: the balance of power, economic performance, foreign policy paradigms, domestic politics, the media, international organizations, finance, and technology. In each case two central questions are addressed:

—How have developments in this area affected U.S.-Japan relations over the past fifty years?

—How are they likely to affect U.S.-Japan relations in the future?

Thus the chapters in the volume are not simply essays on different substantive topics, but explorations of how changes in specific factors (the independent variables in this study) affect the bilateral relationship (the dependent variable). Rather than analyze how many different factors have combined to shape one particular facet of U.S.-Japan relations, each chapter assesses how one specific factor affects the relationship as a whole. By proceeding in this way, the chapters develop clear causal arguments and specify what each factor can and cannot explain. Although any one chapter can provide only a partial analysis, the eight chapters combined offer a fairly comprehensive survey of the most important factors that have affected the U.S.-Japan relationship over time, and that will continue to define it in the future.

Each chapter addresses major intellectual debates that transcend the confines of U.S.-Japan relations. Michael Green, for example, stakes out a novel position on the fundamental debate over the nature of international relations. Green is a realist in that he stresses the primacy of the balance of power: military power defines international relationships more than other

forms of power, and nations tend to define their core interests in relation to the international balance of power. Yet he explicitly parts company with structural realists who focus almost exclusively on the structure of the international system as a whole, such as a bipolar or multipolar system structure.[3] Instead, he stresses the multiple dimensions of the balance of power, including the U.S.-Japan bilateral balance of power and the Asian regional balance of power as well as the global system structure.

William Grimes demonstrates how changes in economic balances of power affect international relations. Specifically, he argues that rapid economic challenges to dominant powers generate severe tension. He combines a subtle analysis of how objective economic factors affect interstate relations with an innovative argument about how perceptions of economic performance can have an even greater impact than the underlying reality. Grimes suggests that perceptions often lag reality, and that this can fuel international conflicts as countries misinterpret economic trends and develop inappropriate foreign economic policies.

Keith Nitta contends that ideas matter even in the anarchic world of international relations, and he specifies how they matter. He argues that ideas can both enable or constrain political leaders, depending on how deeply embedded they have become. They first emerge as programs that expand leaders' freedom of action by presenting new options, but then they crystallize into paradigms that constrain leaders' discretion. As the San Francisco system became embedded in the postwar paradigms of the United States and Japan, for example, it became an increasingly powerful constraint on foreign policy. This contributed to stability in the relationship in two ways: it locked the two countries into fixed roles, and it harmonized expectations on both sides. Nitta warns, however, that the postwar paradigms are eroding in both countries, giving rise to a more volatile period of paradigm drift. Interestingly, Green and Nitta both explain the resilience of the San Francisco system and its increasing vulnerability in recent years, yet they do so in quite different ways.

Leonard Schoppa looks at how domestic politics interacts with international relations through the lens of "two-level games."[4] That is, international negotiators bargain simultaneously with two different parties: the other country and their own domestic political constituents. The two-level game approach highlights the ways in which the interaction between negotiators and domestic constituents affects negotiation outcomes. Schoppa adds a new twist to this approach by demonstrating how domestic political divisions can actually facilitate, rather than impede, bilateral cooperation.

These divisions foster cooperation because a negotiator representing a united front of domestic interests will be less willing to compromise than a negotiator representing divided interests. A negotiator representing divided interests will also be better positioned to arrange a domestic bargain that will accommodate the partner country's position. Schoppa applies this insight by showing how the United States and Japan have achieved high levels of cooperation despite intense domestic conflict within both countries over the terms of the relationship.

Laurie Freeman shows how media coverage itself reflects the broader context of international relations. She suggests that U.S. and Japanese media coverage not only affects the bilateral relationship, but is itself a product of that relationship. She specifies the ways in which changes in the relationship have transformed the quantity, quality, and tone of coverage in the two countries. Nevertheless she suggests that media coverage does have some independent effect on the relationship as well. The media can increase bilateral tensions by failing to offer sufficient coverage, by presenting biased coverage, or by stressing negative images over positive ones.

Amy Searight highlights the ways in which international organizations such as GATT, the World Bank, and the United Nations facilitate cooperation between countries and reduce tension. She does not stop there, however; she shows how their impact varies across different issue areas. Specifically, Searight argues that international organizations have a much greater impact on economic relations than on security relations. This variation between economic and security issues is especially pronounced in the case of U.S.-Japan relations, because Japan has much greater leverage and fewer political constraints in economic organizations such as GATT and the World Bank than in diplomatic and security organizations like the United Nations. Furthermore she demonstrates how Japan uses international organizations to bind the United States, that is, to pull the United States toward international cooperation while restraining it from unilateral action. Thus Green (realist), Nitta (constructivist), and Searight (liberal institutionalist) represent the three most prominent schools of thought in international relations theory today, and yet all three push their respective paradigms in promising new directions.

Adam Posen develops an innovative argument about how the globalization of finance redefines international relations. He contends that it drives international convergence in certain key institutions, such as government regulatory systems and corporate governance structures. This reduces structural asymmetries between countries and thereby eases the

tensions that arise from these asymmetries. Likewise, financial change reshapes domestic political dynamics by forging cross-national coalitions among interest groups with common goals, and by augmenting the freedom and influence of these private sector actors vis-à-vis national governments.

Steven Vogel and John Zysman build on a considerable literature on how national governance systems interact with technological change, but they disaggregate this argument in new ways. They show how the impact of national institutions on technological development varies over time, across sectors, and across functions (such as production versus innovation) within sectors. They use this framework to explain the shift from U.S. technological dominance in the early postwar period, to Japanese challenge in the 1970s and 1980s, to U.S. resurgence in the 1990s. In addition they analyze how these shifts in technological power affect international relations, stressing that Japan's sudden challenge to American dominance created an unprecedented level of tension between the two countries.

This volume strives to depict the U.S.-Japan relationship in its full multidimensional complexity. Special emphasis is placed on the distinction between cooperation versus conflict, on the one hand, and harmony versus tension, on the other. Cooperation is defined in terms of the outcome of bilateral interaction: Did the interaction benefit the two countries (or benefit one without hurting the other)? Harmony is defined in terms of the process of interaction: How contentious was the interaction? This distinction is critical because the United States and Japan have so often combined high levels of cooperation, in the sense of working out agreements that benefit both sides, with high levels of tension, in the sense of elite-level hostility, public distrust, and the politicization of disputes. When it comes to specific episodes, of course, the authors of this volume may differ in their individual assessment of the balance of cooperation and conflict. When Leonard Schoppa looks at bilateral trade relations in the 1980s, he is struck by the ability of the two countries to achieve a high level of cooperation by working out compromises on highly contentious issues. When Steven Vogel and John Zysman review the same period, they stress conflict and tension: the inability of the two sides to reach agreements that effectively addressed their differences, and the enormous friction that this generated. In table 1-1 general assessments are reported about how the levels of tension and cooperation have fluctuated with various high points and low points in bilateral relations over the postwar period. Others might characterize the levels of tension and cooperation differently in specific cases, but this table should suffice to illustrate the general point: that cooperation (as opposed

Table 1-1. *High Points and Low Points in the U.S.-Japan Relationship, 1951–2001*

Date	*Highlight*	*Cooperation*	*Tension*
1951	**San Francisco Peace Treaty** U.S.-Japan Security Treaty also negotiated and signed.	High	Medium
1951–58	**U.S. technology exports** U.S. firms (RCA, Dupont, Motorola) sell rights to Japanese companies.	Medium	Low
1952	**Japan-China trade restraints** U.S. officials force Yoshida to agree.	Low	Medium
1954	**Lucky Dragon incident** Japanese fishing boat exposed to radiation from U.S. atomic bomb testing.	Low	Medium
1956	**U.S. nuclear basing in Japan** Japan resists U.S. attempts to move nuclear weapons and nuclear-powered ships into Japanese bases.	Low	High
1956	**"Voluntary" export restraints (VERs)** Japanese officials reduce exports of textiles, tuna, and electrical goods to the United States.	Medium	Low
1958–60	**U.S.-Japan Security Treaty revision** Renegotiated and renewed.	High	High
1968	**Vietnam War escalates** Japanese government questions U.S. policy. United States uses bases in Japan.	Medium	High
1969	**Satō-Nixon communiqué** United States returns Okinawa to Japan. Japan confirms that South Korea and Taiwan are essential to its security.	High	Medium
1971	**Textile dispute** Nixon threatens to impose quotas on Japanese textile imports.	Low	High
1971	**Nixon visits China** Nixon begins normalization without consulting Japan.	Low	High
1971	**Nixon shock** Nixon unilaterally devalues the dollar, ends fixed exchange rate regime.	Low	High
1977	**Television VERs** Japan restricts television exports to the United States	Medium	Medium
1978	**U.S.-Japan defense guidelines** Guidelines for security cooperation.	High	Low
1983–87	**Japan breaks GNP 1% defense spending limit** Nakasone breaks unofficial 1% GNP limit, strengthens security alliance.	High	Low

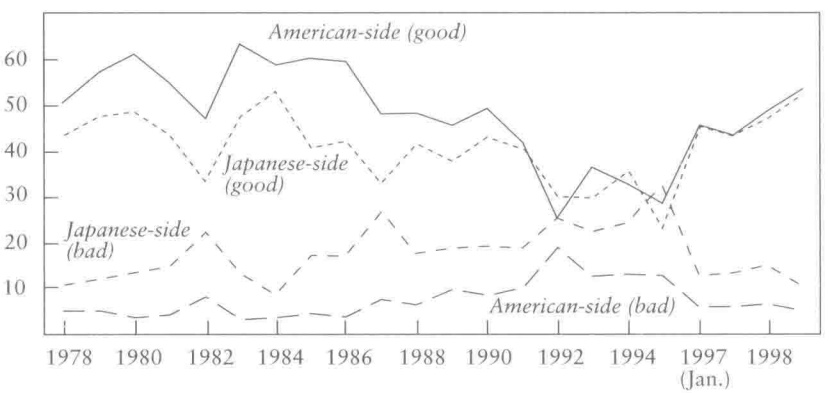
Table 1-1. *High Points and Low Points in the U.S.-Japan Relationship, 1951–2001 (continued)*

Date	*Highlight*	*Cooperation*	*Tension*
1985	**Plaza Accord** G-5 countries manipulate currency values, lower the dollar, and raise other currencies.	Medium	Medium
1986	**Semiconductor Trade Agreement** Regulates semiconductor pricing, sets target of 20% foreign market share in Japan in a side letter.	Medium	High
1986–93	**GATT Uruguay round** Japan pressures U.S. to accept legal language restricting unilateral action in trade disputes. Japan agrees to allow limited imports of rice.	High	High
1988–90	**Structural Impediments Initiative (SII)** Talks on structural issues, including distribution, industrial groups, macroeconomic balances.	Medium	Medium
1987, 1989	**FS-X codevelopment** Agreement to codevelop support fighter aircraft in 1987, renegotiated in 1989.	Low	High
1990	**Persian Gulf war** Japanese government unable to respond to U.S. demands for active Japanese participation.	Medium	High
1994–96	**Structural Framework talks** United States demands numerical targets for opening Japanese market sectors, Japan refuses.	Low	High
1995–96	**Okinawa crisis** U.S. marine rapes 12-year old girl. U.S. agrees to remove 11 air bases and return approximately 20% of its leased land on Okinawa.	Medium	High
1996	**U.S.-Japan defense guidelines** United States and Japan agree to revisions.	High	Medium
1997	**Asian Monetary Fund (AMF) proposal** Japan drops AMF plan to resolve Asian financial crisis in favor of U.S.-backed IMF bailout.	High	Medium
2000	**NTT interconnection agreement** NTT lowers interconnection fees by 20% over two years.	High	Low

to conflict) does not necessarily correlate with harmony (as opposed to tension). Figure 1-1 shows American and Japanese attitudes toward the other country, one rough indicator of the level of bilateral tension.

This book looks not only at fluctuations in cooperation and tension, but also at other dimensions of the relationship, such as shifts in the relative power of the two countries, the transformation of the substantive agenda, and the proliferation of relevant actors (citizens, leaders, organizations, countries). Green, for example, analyzes the shifting balance of responsi-

Figure 1-1. *Public Opinion Poll Data on U.S.-Japan Relations, 1978–99*



Source: Yomiuri/Gallup poll.

bilities within the U.S.-Japan military alliance; Grimes evaluates economic interdependence; Nitta interprets national roles; Searight examines arenas (bilateral versus multilateral); Freeman characterizes media coverage; and Posen addresses the convergence between U.S. and Japanese financial systems. By surveying many different dimensions of the U.S.-Japan relationship, this volume develops a more comprehensive picture of what has changed and what has not changed over the past fifty years. That, in turn, provides a first step toward understanding where that relationship is headed in the years to come—a question to which this book returns in the conclusion.

Notes

1. John Dower, "Peace and Democracy in Two Systems: External Policy and Internal Conflict," in Andrew Gordon, ed., *Postwar Japan as History* (University of California Press, 1993), pp. 449–64.

2. Kent Calder, "Japanese Foreign Economic Policy Formation: Explaining the Reactive State," *World Politics*, vol. 40 (July 1988), pp. 517–41.

3. Kenneth Waltz, *Theory of International Politics* (Random House, 1979).

4. Robert Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization*, vol. 42 (Summer 1988), pp. 427–60; and Leonard Schoppa, *Bargaining with Japan* (Columbia University Press, 1997).