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***The United States and the Asia Pacific:
New Challenges in a Changing Environment***

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(Session Two: “Emerging Problems in U.S. Bilateral Relations”)

My mission is to talk about the U.S.-Japan bilateral relationship. The title of the session is “Emerging Problems in U.S. Bilateral Relations,” so I’ll get to the problems, and there are significant ones. But I want to start with the good news.

Good News

And there is some very good news about the U.S.-Japan alliance and our bilateral relationships in Asia, particularly in Northeast Asia. Polls show today that the United States enjoys more respect and popularity in Japan, Korea, and China than when President Bush first entered office. This contrasts with the situation in Europe, where there has been a significant erosion of respect for the United States.

Admittedly, U.S. approval ratings bumped up and down in Asia, particularly in China and Korea, but this year polls indicate pretty good respect for the United States and recognition of the importance of the United States, particularly in Northeast Asia. U.S. ratings are more mixed in South East Asia because of the significant Muslim populations there who do not support the U.S. policy in Iraq.

Structural Factors

In particular, U.S. relations are very good with Japan. I would note in a self-serving way that the Bush administration managed to simultaneously improve relations with both Japan and China. In terms of the U.S.-Japan alliance, there are some important structural developments that are pulling us closer together. These include the rise of China, North Korea’s nuclear development, and the emergence of transnational threats that we all recognize, ranging from terrorism to pandemic flu, to natural disasters and climate change. The external structural factors make it very obvious to American and Japanese leaders that we really need to work more closely together.

Bipartisanship

Probably because of this, there also is more bipartisanship around the U.S.-Japan relationship in both countries than there has ever been before. The two Democratic candidates and Senator McCain have all said that Japan is important. No U.S. candidate is running against Japan. And in Japan, while Mr. Ozawa, who is head of the political opposition, has from time to time played games with issues like counterterrorism legislation, the Democratic Party of Japan is pro-alliance. This also contrasts with the position taken by opposition parties in the past.

Trust and Common Values

Finally, polls show pretty clearly that the glue of the alliance, the “soft factors” – a term that refers to a sense of values or of common norms – also has become quite strong. Various polls indicate, for example, that the American public views Japan as an ally we can trust. The numbers are nearly comparable to those for the UK or Australia -- which is really remarkable when you recall that in 1988, polls showed more Americans feared Japan than the Soviet Union. On the Japanese side as well, there are pretty healthy numbers indicating trust for the United States.

Having inoculated you, now the bad news about problems that we need to look at over the coming year or two. The first problem is that both Washington and Tokyo have weak governments right now. President Bush’s approval ratings are slightly higher than [Japanese] Prime Minister Fukuda’s at roughly 30 percent. Depending on the poll, Fukuda’s ratings dipped into the mid-20s.

Domestic Politics

Both Prime Minister Fukuda and President Bush face opposition-controlled legislatures. In the Japanese case, of course, the lower house still is controlled by the Liberal Democratic Party-led coalition, but the upper house, which can block a lot of legislation, is controlled by the opposition. In addition, both leaders are seen domestically as lame ducks. President Bush must leave office in January 2009. Concerning Prime Minister Fukuda, the general speculation is that he will hang on through the G-8 summit this summer, but at some point after that there will be a leadership change in Japan.

Those of you who have been in government and have watched governments know the effect that political weakness has on bilateral relations. Neither Prime Minister Koizumi nor President Bush has the time to attend to the numerous issues that they were able to when they were in stronger political positions.

And I am not certain that the U.S. presidential election or Japan’s prime ministerial election, which could come as soon as this spring but must happen by the end of next year, will necessarily fix this. In the U.S. case, the new president – no matter who it is -- will be consumed with Iraq. I suspect that John McCain would have to work with a skeptical Congress and Barack Obama or Hillary Clinton would have to work with a skeptical military to win support for their respective positions. So this is going to take a lot of political capital and time.

Incremental Realignment

In Japan's case, it is very unlikely that this political impasse will end up with a neat, clear mandate for a new leader. We are unlikely to see a [Prime Minister] Koizumi or a [Prime Minister] Nakasone in the next year or two. The most likely scenario will be a caretaker LDP prime minister. The problem is that political realignment in Japan, which would move beyond the old Cold War-era Socialists versus LDP two-camp system, is only halfway completed. The opposition Socialist Party collapsed. Part of the conservative, ruling LDP left that fold. The opposition Democratic Party of Japan is composed of two very widely divided camps. And the remaining members of the LDP agree on one thing: they should be in government. That's what LDP members live for.

So if the LDP ends up losing control of the government, it can no longer exist as a party. It will break apart. But if the Democratic Party of Japan gains control of the government, it can not exist as a party either because of the diametrically-opposed views between its two factions.

No matter how this upcoming Japanese election plays out, there is going to be more turning of the wheel and more political realignment. In the longer run, this is very healthy. However, in the medium term, it will be very consuming. The new prime minister will be very busy holding together an "unnatural" coalition.

North Korea

The second problem we have is erosion in Japan of strategic trust in the United States. "Is America paying enough attention to Japan?" "Is the United States too distracted by Iraq?" I think the more immediate and fundamental problem is current North Korea policy, and specifically, what appears to be an agreement to lift some sanctions on North Korea in response to what essentially is not very much from the North Korean side.

In Japan, this spells two problematic issues. The first one is that the United States has broken a political pledge not to lift sanctions before there is some progress -- not defined, but some progress -- on the question of Japanese kidnapped by the North Koreans in the late 1970s and early 1980s. The United States clearly has moved away from that and has said so explicitly.

The second issue for Japan, which to me is more worrisome, is the appearance that the United States is accepting a nuclear North Korea in order to keep the process going. The Japanese have an interest in keeping the diplomatic process going. But there is deep concern in Tokyo that we are going to accept a very hollow deal which, in effect, emboldens the North Koreans to not disable and dismantle their nuclear facility. This, in turn, is raising questions in Japan that you never used to hear about the credibility of the U.S. nuclear umbrella. This is going to be tough to manage as we move forward.

Japanese Reforms Slow

The third problem in U.S.-Japan relations, which certainly relates to the first one, is that former Prime Minister Koizumi's economic reform agenda clearly is slowing down. International investors are looking at Japan and deciding to wait and see what happens. That may change now that people are looking at the U.S. economy and waiting to see what happens here. In relative terms, it might appear that Japan would provide good returns on investment.

But it is clear that power has reverted back to the bureaucracy, and particularly to the Ministry of Finance. This ministry is not anti-reform, but it has an extremely risk-averse and incremental view of reform. That will slow down [bilateral] economic ties. I am pretty certain this will be a transitional phase. I don't think Prime Minister Koizumi was an aberration. But I think that the Koizumi era is over and it is going to take a little while as things sort themselves out before Japan gets on a new track with stronger leadership.

Areas of Cooperation

To wrap up, we need to be realistic about a bilateral agenda that we can achieve. It's important to keep moving forward, because if you don't, you move backwards. Climate change is an area where we could work together very importantly because Japan is in a pivotal position in Asia and can help build consensus on this.

The regional architecture issues are things on which that the United States and Japan could work very well. Another issue mentioned also offers promise, that is how we strengthen governance, rule of law, and democracy broadly defined in Asia. Japan is still a major contributor of Official Development Assistance [foreign aid]. We should be coordinating this.

And finally, we could do more with Japan and other like-minded countries in the region to coordinate our policy. I think a U.S.-Japan-Korea trilateral process is going to restart. But we should undertake this carefully so we don't alienate China. There certainly is room to give Japan ballast and for Japan to give us ballast as we work through our respective problems with more discussion among like-minded states. Thank you.

[Excerpts of Question and Answer Period]

Giving Asia More Attention

Amb. J. Stapleton Roy, USAPC Chair: One of the problems for U.S.-Asia Pacific relations is that there is a perception in the region that the United States is not giving it sufficient attention. Do you have any suggestions of steps a new administration could take that would be most effective in showing that the United States is moving in a direction that the Asians would want? Or is it going to require a steady process of renewed confidence building in terms of our role in East Asia?

Green: I think the next president should commit to go to every APEC summit. In addition, the next president should commit to doing an annual ASEAN summit with the ASEAN leaders.

The new president also should commit to moving forward with the proposed Free Trade Area of the Asia Pacific [FTAAP], although that probably won't happen if there is a Democratic administration. But this is the card we have to play in the integration game. And to get that card, we have to ratify the U.S.-Korea Free Trade Agreement [KORUS FTA]. That's why I say it may not be possible to proceed with the FTAAP if the KORUS FTA goes down.

I would take a more incremental approach to the North Korea nuclear problem, rather than seeking the appearance of a grand bargain when, in fact, there isn't one. It's clear to the region that there isn't a grand bargain. But I do think that the Six Party Talks should continue and keep moving forward.

And finally -- this one may be controversial -- it is my view that former [Singapore Prime Minister] Lee Kuan Yew was right when he wrote in the *Washington Post* about a month ago that a precipitous U.S. withdrawal from Iraq will affect Asian perceptions of our commitment in their own region.

North Korean Nuclear Test

Amb. Roy: Let me propose a not totally unrealistic scenario, which is that we make some progress on the Six Party Talks but don't get very close to our ultimate objective. Then we have the U.S. elections and a hiatus in the negotiating process, during which North Korea successfully tests a second nuclear device more successfully than the first time. How should the United States handle that?

Green: We have gone to what I would call an inside-out strategy in the Six Party Talks. Our negotiators cut a deal with the North Koreans, and then we win consensus "out from there," beginning with China, and then Japan and Korea.

This is the exact opposite of how this should work if we want it to be effective. We should have a U.S.-Japan-Korea piece, bring in China and Russia, work it, and then go to the North Koreans. We should have been doing that a long time ago. That would be one very useful recalibration of our approach that I think would probably happen if the North Koreans conducted a second test.

New Position for Asia Policy?

Amb. Alphonse de la Porta: The U.S. foreign policy bureaucracy is tremendously under-staffed to deal with a very extensive menu of issues requiring out attention in Asia. We need some kind of parallel structure, an augmented Asia channel, if you will, to provide more room and attention at the top to U.S.-Asia matters. The deputy secretary of state and the undersecretary of state for political affairs have so many other things to do, so we're

almost talking about an undersecretary for Asian affairs. I'd like to ask for your opinions about the how those things can be accomplished, bureaucratically and structurally.

Green: My former colleagues at the National Security Council [NSC] who are now working 15- and 18-hour days like I did will hate me for saying this, but I would not expand the size of the NSC. I think there is a certain advantage to being small. It is an advantage to have only two or three people trying to shepherd the process when you're clearing things and making decisions. Size can bring complexity.

In terms of the State Department, I don't think we'll ever have an undersecretary of State for Asian affairs, but there is often an implicit division of labor between the deputy secretary and the undersecretary for political affairs in which one has taken on Asia. I agree about the need for special envoys to handle certain issues, such as North Korea or Burma.

At the end of the day, though, you need someone senior in the bureaucracy to muscle things through, because they ultimately touch on things like human rights legislation and export control regulations. Somebody must be in the bureaucracy at a high level to muscle it through, and that is best performed by the deputy secretary of state or the undersecretary of state for political affairs.

Role of Russia in Asia

Audience Question: Russia is a country that borders China, borders Korea, and according to Tokyo, occupies Japanese territory. It is a country with nuclear weapons, enormous natural resources, but also very serious demographic problems. How do you view the role of Russia in East Asia in the years to come?

Green: The Clinton administration in 1994-95 and then the Bush administration early in the first term both thought Russia could be a really strong partner in Asia. Asia would be an area where we could build a cooperative agenda with Russia that would compensate for some of the difficulties we have had on some issues in Europe and elsewhere. This potential never quite has been fulfilled.

The good news is that the sometimes spoiler role that Russia has played on some issues under [Russian President Vladimir] Putin has not manifested itself in Asia. In my experience, Russia was sometimes quite helpful in the Six Party Talks. The bad news is, in my impression, the Russians in many of these Asian meetings are happy just to be there. And maybe we should try one more time, in spite of it all, to see if we can work together with Russia on some cooperative, proactive things.

New U.S. Approach to Asia

We need to think about Asia differently. The rise of China has reinforced for countries like Japan and Singapore their own responsibilities for maintaining some of the pillars of the neo-liberal order that perhaps they took for granted in earlier periods of our history. The United States needs to find ways to tap into that discussion. This is not about containing China. It's

about reinforcing the neo-liberal order as China rises and as we all seek to trade and cooperate more. In that context, I agree with those who say it would be a nightmare to try to negotiate a broad Asia-Pacific Free Trade Agreement.

The reason I mentioned the U.S.-Korea Free Trade Agreement is that we need to find ways to establish building blocks toward these broader rules. And we'll find that Korea, Australia, Japan, and certain countries are ready to do it now. As we do that, we'll build a consensus for some basic rules about transparency, rule of origin, intellectual property rights, and others things. Ideally, you'd do that in the WTO round, but that may not be possible. You may have to do it in this incremental way.