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Japan's Tohoku Crisis: Implications For Domestic Politics, Recovery, And Alliance Relations

Interview with Dr. Sheila A. Smith, Council on Foreign Relations

USAPC: As we speak, it has been one month since the earthquake and tsunami hit the Tohoku region of Japan on March 11, which has caused the gravest crisis this country has faced since World War II. The sheer magnitude of this natural disaster would challenge the governing capacity of most any nation. How is the government of Prime Minister Naoto Kan faring?

Smith: In evaluating the response of the Kan government, I think it's best to compare it to the response of the government of then-Prime Minister Tomiichi Murayama in 1995 to the Kobe earthquake. That makes the most sense in terms of evaluating the government's responsiveness.

Not to be unfair, but you may recall that the Murayama government was not terribly strong, which was very evident following the tragedy in Kobe. Basically, there was a two to three-day period of total confusion and lack of national-local government coordination on disaster response. And the Murayama government said "no thank you" to assistance from the United States even though the US Marines were poised to help.

In contrast, by the evening of March 11 — the earthquake occurred at 2:46 p.m. — Japan's Self-Defense Forces (SDF) had mobilized and the prefectural governments had communicated their need for immediate assistance. By then, Tokyo also had indicated to Washington that it would be very willing to accept US assistance. So compared to Kobe, it was like night and day in terms of the national government's response.

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Congress Re-Focuses Its Ire On China's Trading Practices And Treatment Of US Firms

Shortly after the 112th Congress convened, Members of the House and Senate put renewed energy behind a bill aimed at forcing China to revalue the *renminbi*. These lawmakers expressed frustration both with Beijing's unwillingness to reform its currency policy more aggressively and with the administration's reluctance to press harder on this issue, for example, by designating China as a currency manipulator.

By late March, however, momentum behind the "Currency Reform for Fair Trade Act of 2011" appeared to have slowed a bit. China's subsequent announcement that rising domestic demand had created a trade deficit during the first quarter of 2011, plus the *renminbi*'s appreciation to the notable \$1.00/6.491 CNY on April 29 both may have served to lessen the sense of urgency for a get-tough currency bill.

With *renminbi* appreciation on the back burner for the time being, lawmakers have intensified their efforts to seek redress for China's trading practices and domestic policies, which, they argue limit US imports, severely hamper the efforts of US companies to do business in China, and ultimately curtail job creation in America.

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East-West Center | US Asia Pacific Council
1819 L Street, N.W., Suite 200,
Washington, DC 20036
Phone: 202.293.3995 | Fax: 202.293.1402

Washington@EastWestCenter.org
EastWestCenter.org/washington

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Admittedly, the scale of devastation in the Tohoku region is completely different from the damage incurred by Kobe. The area affected covers 500 square kilometers of widely distributed communities; Kobe was densely populated. But the 10-meter tsunami wreaked havoc the likes of which were not seen in Kobe.

The human toll of the Tohoku quake says it all to me. There are nearly 30,000 people who are confirmed dead or missing. Most people are assuming that many of the missing were swept away. In Kobe, in comparison, there were only three people missing. So in many ways, the tsunami really has defined this tragedy differently and in human costs, it is far more destructive than the Kobe quake.

The most challenging aspect of this catastrophe, of course, has been management of the nuclear crisis. TEPCO [Tokyo Electric Power Company] is taking a lot of heat, and so it should since it is a regional monopoly with full responsibility for the management of Fukushima Daiichi. Going forward, Japan may reconsider whether it is good to have monopolistic energy suppliers.

The leadership of TEPCO is well educated, and highly respected, so this is not likely to be a case of individual mismanagement. Rather, it is a structural problem. Nearly everyone you speak with in Japan has the same reaction: “This disaster is on a scale way outside the parameters of our planning.” In earthquake prone Japan, that seems an unsatisfying response.

Yet, nobody seems to have imagined that the cooling systems would be this badly devastated. Other debates also are important regarding future safety decisions for the nuclear industry. The long-standing debate in the nuclear community about the need for dry cask storage for spent fuel rods, for example, seems to be over. Those who argued that pool storage was safe have now changed their minds.

So globally — not just in Japan — there is a massive reconsideration at the industry level, at the government disaster management level, and at the technical scientific level. Nuclear energy management systems around the globe need to be re-thought because of the crisis in Japan.

Beyond the national response, one piece of the pie that deserves some good analysis and policy improvements in the future concerns the US-Japan alliance. Washington had personnel from the DOE [Department of Energy] and the

NRC [Nuclear Regulatory Commission] on the ground from the beginning to detect and measure radiation. The US military brought in assets to help manage the nuclear crisis — and the United States did this because Japan is an ally.

Even so, officials in both governments found it difficult to respond to a multiple-dimension crisis for which neither side was prepared. The United States, for example, had to decide how to protect Americans in Japan by establishing evacuation zones different from the Japanese government.

But as Americans on the ground have reported, it was difficult to know what to do because there was no analysis offered to explain the discrepancy. In addition, Americans were urged to get iodine pills, which was an unworkable recommendation because most US ex-pats do not live on military bases where such prescriptions are easy to obtain. So there clearly were some challenges for US consumers of that information.

In addition, it would have been less stressful on bilateral relations if the United States had undertaken its analysis about the implications of the nuclear crisis in a less public way.

We should have been more sensitive to how our public discussion might undermine our ally's ability to manage a serious public safety issue

Should we have held congressional oversight hearings? Absolutely. But in the midst of an ongoing nuclear crisis in which there were radiation leaks and 20-some million people in Japan not knowing what's going to happen, those hearings were part of an active crisis management effort. Could those hearings be held behind closed doors? Probably preferable. In hindsight, we should have been more sensitive to how our public discussion might undermine our ally's ability to manage a serious public safety issue.

The third piece of the policy analysis is international. One of the big lessons from the Tohoku disaster is that we ought to have an international response capacity.

A team of global experts comprised of nuclear physicists, government nuclear management professionals, health experts, be they from the IAEA [International Atomic Energy Agency] or another international organization, would allow the global community to contribute to the problem-solving exercise in any future nuclear crisis such as this. We have the history of Three Mile Island and Chernobyl. Now we have Fukushima Dai-ichi. There is institutional knowledge that we ought to be taking advantage of.

USAPC: The generally positive reaction in Japan to the US military's “Operation Tomodachi” appears to have further strengthened the

foundation of the bilateral security relationship, despite tensions in recent years related to the relocation of US bases on Okinawa.

Smith: Yes. The most impressive demonstration of the closeness of the US-Japan relationship was the fact that our president said immediately upon learning about the disaster that the United States will stand by the people of Japan until they recover. He said that even as US military assets were being deployed. That was a very powerful statement. As someone who carefully watches US-Japan relations, I was deeply grateful for the timing and the framing of our president's message of support.

Without a doubt, our military's capability to mobilize and to turn on a dime proved invaluable. The USS Ronald Reagan quickly shifted missions. In the Pacific Command, US forces knew how to plan and how to anticipate Japan's needs without specifications or requests. Our military's experience with humanitarian assistance in the Pacific derives from the Indonesian tsunami relief effort in 2004, and other more recent disasters.

The aspect of Operation Tomodachi that many people don't really appreciate concerns the joint operation of US and Japanese forces. In the half-century of the US-Japan security relationship, our forces have engaged in joint exercises, table-top planning exercises, and joint studies, but they have never actually had to operate together because Japan has never been at war.

Operation Tomodachi was the first time, for example, that Japanese helicopters landed on US aircraft carriers in actual operations, and that Japanese commanders organized U.S. units in a broad Japan-based operation.

SDF's strength in the post-war period has been largely in the area of disaster relief. Japanese forces are well trained to do this in Japan and beyond. They have engaged in disaster and humanitarian relief missions as well as in UN peacekeeping operations in many countries around the world. The March 11 disaster demonstrated the SDF's capabilities and experience to the Japanese people in a new way.

So Operation Tomodachi enabled an interesting marriage of both the global experience of the SDF and the long-standing contingency planning of the US military and the SDF. While I am glad this was not a war scenario, it nonetheless was a crisis for Japan. Operation Tomodachi served as an incredible testament to the level of dedication on the uniformed sides of both countries.

Beyond that, though, we had this whole-of-government response to helping Japan. The Obama administration formed an interagency task force that brought a broad array of expertise to search and rescue operations, to early humanitarian relief efforts, and to the nuclear crisis.

That has been coordinated by the US Ambassador to Japan John Roos in Tokyo and his staff at the embassy, which is another incredible untold story. The US embassy staff has been going 24/7 ever since March 11, despite all of the speculative coverage in the media about the dangers in Tokyo from after-shocks and radiation risk.

Concerning the Okinawa base relocation controversy, many Americans forget that Japan's fiscal situation is as difficult as ours. Japan's debt—amounting to 200 percent of GDP—will be increased due to the post-quake and tsunami rebuilding and recovery will worsen the balance sheet even more.

There will be all sorts of short-term measures aimed at ensuring stability in the economy, but the underlying question remains how to get Japan's fiscal house in order. Quite frankly, I don't think Okinawa can be as high on Tokyo's priority list given the devastation in the Tohoku region.

Operation Tomodachi enabled an interesting marriage of both the global experience of the SDF and the long-standing contingency planning of the US military and the SDF

USAPC: You have said that we might see greater tension between Japan's national and local governments, which could undermine their ability to integrate

capacities as part of post-crisis response and recovery. Please elaborate further.

Also, what did the April 10 local elections reveal about trends in local versus national politics?

Smith: We have been talking a great deal about Japanese political change for the past 15 years. Over time, the conversation about governance in Japan has been collapsed into discussions about which party is in power and which political leader is aligned with that party.

But underneath that, there have been broader conversations about relations between local government and the national government. There has been an effort by both the DPJ and even the LDP during the 1990s to think through the notion of greater autonomy for local governments, that is to say, allowing the localities to have more voice and more capacity to direct their futures, be it economically or socially. This is

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quite similar to the debate in the United States about what public policy choices might best be left to state governments.

In Japan, this relationship between local and national government also is being addressed within the context of crisis management. The localities that are devastated have completely lost their governing capacities — literally, the people who populated the local governments are gone as well as the fiscal infrastructure, the support system, the communications systems.

In these small municipalities along the hard-hit coastal areas there effectively is no local government. So the prefectural governments — of Fukushima, Miyagi, Iwate, and Gunma — have had to assume the primary role in crisis management.

Up until recently, the local municipalities went up the bureaucratic chain to obtain welfare benefits, construction permits, and so forth. Now we are seeing an executive-to-executive type of communication. This has allowed a bit more interaction between local and national political leaders.

On April 10, there were local elections in Japan, including 12 gubernatorial races. Interestingly, all of the incumbents won in the governors' races. In addition — and with some notable exceptions like the Tokyo gubernatorial race — all of the victorious incumbents enjoyed the support of the DPJ, the LDP, and Komeito. The opposition parties more often than not were the Japan Communist Party.

Thus, the national bifurcation of the DPJ and the LDP was not replicated in governors' races, except in some very key areas. What this suggests is that we've become very myopically focused on Japanese politics as the DPJ versus the LDP. We haven't really allowed ourselves to consider whether the conversation in Tokyo has much to do with governance in the rest of the country or not.

My take-away from the elections on April 10 and April 24 is that, no, this conversation about governance has not been in parallel with ambitions at the local level. This Nagato-cho habit of thinking that everything gets solved by an election does not appear to be endorsed locally, and especially now that Japan is in the midst of its worst crisis in more than 50 years.

Across the board, Japanese governors are talking about sharing responsibility and being adequately prepared to deal with crises if their localities were in the same situation as the

four prefectures in the Tohoku region.

Clearly, there will be issues between the affected communities and the national government going forward concerning accountability and financial responsibility. This discussion already has begun in Fukushima, where many people may not be able to return to their home towns.

But who is going to pay for repairs, rebuilding, and assume the liability for the nuclear crisis? Moreover, whose preferences will dominate in the design of reconstruction — Tokyo's or those of the local communities? This tension will define the effort at reconstruction in the months ahead.

USAPC: The consensus of most Japan-watchers is that there likely will not be national elections in near-term—despite Prime Minister Kan's relatively weak political standing. What factors are influencing this apparent easing of electoral pressures?

Japanese governors are talking about sharing responsibility and being adequately prepared to deal with crises

Smith: First and foremost, I would say there was broad agreement among Japanese politicians in the wake of the March 11 catastrophe that they must put aside their

partisan differences and unite for the common good. But that agreement has eroded somewhat.

Japanese voters are not interested in bickering, rather they want solutions. So I wonder if Japan's politicians will risk losing the public's trust by becoming again too indulgent in short-term politicking. Public sentiment will keep the LDP and the DPJ focused on how they can work together to pull Japan out of this crisis, particularly through the summer.

You likely heard that the Japanese Supreme Court ruled earlier this year that the lower house representational system does not fairly allocate seats according to population concentration. It has mandated that the districts be redrawn to more effectively represent the way in which the Japanese population is dispersed. This, of course, will dissipate the power of the sparsely populated rural districts. Some analysts have suggested that this ruling also will serve to delay the next national election.

I am not sure yet how this will play out. For one thing, the Supreme Court did not dissolve the government by declaring the 2009 lower house elections invalid. This was not like our Florida re-count controversy following the 2004 presidential election. But there is another case on the docket pertaining to upper house elections.

This need to redistrict based on the recent census will affect
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Breakthroughs On FTAs Improve Prospects For KORUS Approval

Recent breakthroughs on free trade agreements (FTAs) with Colombia and Panama have opened the door to technical discussions between the Office of the US Trade Representative (USTR) and key congressional staff on legislation to implement these two trade deals as well as the US-Korea Free Trade Agreement (KORUS). Proponents of KORUS hope that Congress will approve it before July 1. That is the date on which a competing EU-Korea FTA goes into effect, which, in the absence of a ratified KORUS, would put US exporters at a competitive disadvantage.

Crowded Calendar — There are mixed views among insiders about whether lawmakers can make the July 1 deadline. The upcoming debate on raising the debt ceiling will consume the time of key lawmakers who also are responsible for trade policy. This will make it difficult to schedule the requisite committee hearings and floor votes on the three trade accords. Further complicating matters, the administration and congressional Democrats have insisted that talks aimed at renewing “strong and robust” Trade Adjustment Assistance (TAA), a benefits program for workers displaced by trade, proceed in tandem with technical discussions on the Colombia, Korea, and Panama FTAs.

Late Summer Vote — Some experts therefore propose that lawmakers probably will vote on the three trade pacts just before they depart on August 8 for a one-month recess. Other analysts believe that Congress could approve the trade agreements before July 1, but that would entail a politically difficult decision to delay renewal of TAA. The latter approach likely would weaken Democratic support for the FTAs and may risk timely congressional action on other elements of the administration’s trade agenda, such as renewal

of trade preferences programs and approval of Permanent Normal Trade Relations (PNTR) with Russia as it accedes to the World Trade Organization.

USTR’s Green Light — On May 4, US Trade Representative Ron Kirk sent a letter to the Chairmen and Ranking Members of the Senate Finance and House Ways and Means Committees indicating that Colombia had met key milestones in the Action Plan Related to Labor Rights concluded by Washington and Bogotá on April 7. This followed USTR’s announcement on April 18 that Panama also had approved measures aimed at strengthening labor protections and improving the transparency of the tax information exchanges. Thus, USTR Kirk signalled the administration’s readiness to begin the technical discussions aimed at developing the implementing bills.

Jobs Creation — Upon receipt of the letter, House Ways and Mean Committee Chairman Dave Camp (R., Michigan) declared it a “good day for US workers and the economy” because the three FTAs promise to “create good US jobs.” Senate Finance Committee Chairman Max Baucus (D., Montana) hailed the administration’s “first crucial step” to approve and implement the FTAs.

US-South Korea Beef Protocol — USTR Kirk also transmitted a separate letter to Baucus, in which he pledged to expand access for US beef in Korea once the KORUS has entered into force. Baucus, in turn, promised to support KORUS as it moves through the Senate. Earlier this year, he suggested he would not support the KORUS implementing bill unless Seoul agreed to lift fully restrictions on US beef imports. ♦

OFFICIAL WASHINGTON

In each issue, **Washington Report** will provide the names and contact information for selected executive branch officials with jurisdiction over economic, political, and security issues important to US-Asia Pacific relations. This issue focuses on pertinent personnel from the US National Security Council (NSC).

MAILING ADDRESS:

(1) The White House (WH)
1600 Pennsylvania Ave, NW
Washington, DC 20500

(2) Eisenhower Executive Office Building (EEOB)

1650 Pennsylvania Ave, NW
Washington, DC 20506

Thomas E. Donilon – Assistant to the President and National Security Advisor – WH, 1 West Wing (WW), 202.456.9491

Denis R. McDonough – Assistant to the President and Deputy National Security Advisor – WH, 1 WW, 202.456.9481

ASIAN AFFAIRS:

Daniel R. Russel – Special Assistant to the President and Senior Director for Asian Affairs – 392 EEOB, 202.456.9251

Sydney Seiler – Director for Japan, Korea, and the Six Party Talks – 392 EEOB, 202.456.9251

James L. Loi – Director for Asian Economic Affairs, 392 EEOB, 202.456.9215

Desmond D. Walton – Director for Southeast Asia – 392 EEOB, 202.456.9215

Evan S. Medeiros – Director for China, 392 EEOB, 202.456.9215

Eric W. Johnson – Director for Japan and Korea, 392 EEOB, 202.456.9251

Steven V. Brock – Director for East Asian Security Affairs, 392 EEOB, 202.456-9215

INTERNATIONAL ECONOMICS:

Michael B. G. Froman – 2011 APEC SOM Chair and Deputy Assistant to the President and Deputy National Security Advisor for International Economic Affairs – 374 EEOB, 202.456.9471

David A. Lipton – Special Assistant to the President and Senior Director for International Economic Affairs – 374 EEOB, 202.456.9281

Madhuri Kommareddi – Director for International Economic Affairs – 223 EEOB, 202.456.9281

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the mechanics of the next election. Moreover, the districts devastated by the tsunami will need to cover administrative capacity before a national election can be held. The localities devastated by the tsunami, earthquake, and nuclear crisis lack the capacity to participate in elections, let alone voting records. No one will want to put that kind of pressure on these communities.

We are unlikely to see elections until next year, and thus the

most serious political pressures on the prime minister will not come from the electorate but rather from within his own party.

USAPC: In late March, Prime Minister Kan proposed governing via a “Grand Coalition” that would bring LDP members under the DPJ’s ruling umbrella. Do you think Kan was trying to encourage inter-party cooperation in order to facilitate post-crisis recovery, or do you think he has a longer term governing scenario in mind?

CONGRESSIONAL WATCH

Lower Mekong Initiative — Senator Jim Webb (D., Virginia), chairman of the Senate Foreign Relations Subcommittee on Asia and Pacific Affairs, warned on April 14 that the “stability of Southeast Asia” is at risk if the United States does not play a stronger role in the Lower Mekong Initiative.

“Reports are very troubling that the government of Laos may move forward with the construction of the Xayaburi Dam following a meeting on April 21 of the Mekong River Commission members. Numerous scientific studies have concluded that construction of the Xayaburi Dam and other proposed mainstream dams will have devastating environmental, economic, and social consequences for the entire Mekong sub-region,” Webb said.

This warning follows up Webb’s [letter to Secretary of State Hillary Clinton](#) in October 2010, in which he argued that the United States should take the lead in strengthening cooperation and promoting sustainable development of mainstream hydropower dams on the Mekong river.

The Virginia Democrat continued his advocacy of a multilateral approach to “averting the devastating consequences of proposed mainstream dams along the Mekong River” during visit to Vietnam on April 20. The following day, Commission members from

Cambodia, Laos, Thailand, and Vietnam agreed to table a decision about the prior consultation process for the proposed dam for lack of agreement.

2010 Country Reports On Human Rights Practices and China — Rep. Ileana Ros-Lehtinen (R., Florida), chairman of the House Foreign Affairs Committee, seized on April 8 release of this [annual State Department document](#) to reiterate her support for a foreign policy that features the defense of human rights as a guiding principle.

Echoing views she expressed on the eve of Chinese President Hu Jintao’s meeting with President Obama in January, Ros-Lehtinen suggested that she would look warily on policies that promise closer US-China relations in the absence of improvements in China’s human rights record.

She argued that Washington should hold Beijing accountable for its “flagrant abuses against its people,” in both bilateral and multilateral discussions. Ros-Lehtinen advocated an equally hard line in dealing with “rogue regimes” such as Iran and North Korea.

China’s Barriers to Agricultural Trade — On March 22, Senate Finance Committee Chairman Max Baucus (D., Montana) and Ranking Member Orrin Hatch (R., Utah) released [a report](#) they requested from the US International Trade

Commission (ITC), which details Chinese government measures that limit US agricultural trade. Previewing arguments he would make in response to publication of the US Trade Representative’s (USTR) report on trade barriers (see [Regulatory Update](#)), Baucus zeroed in on the unfairness of Beijing’s unscientific ban on imports of US beef and pork products.

Baucus and Hatch likely will cite the report’s findings as reason for greater pressure by USTR — via negotiations or trade remedies — on China to liberalize trade in this sector.

China’s Program for Science and Technology Modernization — On April 20, the US-China Economic and Security Review Commission (USCC) released [a report](#) on this topic. It examines China’s national science and technology programs, and assesses linkages between China’s science policy, its industrial policy, and its defense-industrial complex.

The report, prepared for the USCC by CENTRA Technology, Inc., also discusses the methods used by Beijing to support its scientific modernization through interactions with the United States as well as addresses the implications of these programs for US competitiveness.

The report concludes that China has a clear vision of the importance of science and technology for its

future, a clear commitment by the political elite to that vision, and a willingness to expend resources to realize it. In coming years, this could make China a “formidable presence in the realms of economy and security,” the report states.

China’s Intellectual Property Rights and Indigenous Innovation Policy

— The USCC added to the growing volume of congressional testimony and executive branch reports (see [Regulatory Update](#)), which detail the highly damaging effects on US companies of China’s weak enforcement of intellectual property protections and industrial policies.

The USCC’s [hearing on May 4](#) zeroed in on the negative consequences of these policies on US film, broadcast, and software industries. Notably, former Sen. Slade Gorton (R., Washington) advocated the imposition of tariffs on all imports from China equivalent to 150 percent of the losses of US intellectual property in the previous year. Such an approach to “engender respect” from Beijing about US seriousness in redressing IPR theft, Gorton said.

He dismissed Commissioner Michael Wessel’s suggestion that injured US firms be paid the duties collected in antidumping and countervailing duty cases, arguing that such compensation may limit their interest in addressing root causes of IPR theft.

PACIFIC ECONOMIC COOPERATION COUNCIL (PECC):

Environmental Sustainability in Urban Centers – PECC held the concluding seminar of this three-year international project on April 11–13 in Perth, Australia. The project, which was led by the national committees of Australia, France, and New Zealand, compiled the best practices from around the Pacific region for the provision of public services for better protection of the environment.

Topics considered in the concluding seminar included (1) the development of sustainable high-density cities in China and

Southeast Asia; (2) new economic models for urban transportation; (3) new policies, public incentives, and technologies to promote the development of “eco cities” and “eco districts;” and (4) institutional issues and regulatory framework for better governance of large cities, among other issues.

The final report, “PECC Voluntary Guidelines to Promote Environmental Sustainability in Urban Centers,” will be [posted](#) shortly.

KEY MEETINGS & EVENTS: MAY–JUNE 2011:

- Amb. Robert M. “Skipp” Orr, US Executive Director, Asian

Development Bank (ADB), joined some 5,000 delegates from 67 countries at the ADB’s 44th annual meeting, Hanoi, Vietnam, May 3–6.

- US Secretary of State Hillary R. Clinton and US Treasury Secretary Timothy Geithner will engage with Chinese Vice Premier Wang Qishan and Chinese State Councilor Dai Bingguo for the third meeting of the US-China Strategic and Economic Dialogue, Washington, DC, May 9–10.
- US Trade Representative Ron Kirk will join fellow Ministers Responsible for Trade from the

21 APEC member economies for this annual meeting, Big Sky, Montana, May 19–20.

- US Secretary of State Hillary R. Clinton will chair the OECD 50th Anniversary Ministerial and Forum. Among Asia-Pacific countries, Foreign Ministers and senior officials from Australia, Canada, Japan, Mexico, New Zealand, and South Korea will attend, Paris, France, May 24–26.
- President Obama will join leaders from Canada, France, Germany, Italy, Japan, Russia, and the United Kingdom at the G-8 Summit, Deauville, France, May 26–27.

Smith: I think Prime Minister Kan made an effort early in the crisis to invite the LDP into the government. The English press interpreted this offer as the suggestion of a “grand coalition,” but in fact those were not his words..

This notion of a “grand coalition” refers back to former DPJ secretary general Ichiro Ozawa’s overture to then prime minister Yasuo Fukuda to form a combined government even before the DPJ came into power. That idea was met with a terrible backlash — both from within and outside of the DPJ.

Kan’s approach was different. He offered the LDP key roles in his government so that the two parties could develop common positions from which to cope with the recovery from March 11.

Some analysts have suggested that such bipartisan cooperation would only be possible if LDP chief Sadakazu Tanigaki was given a cabinet post in the Kan government. That is the old model exemplified by former Prime Minister Murayama’s decision in 1995 to join the LDP-led coalition government. I can’t believe the LDP would think that’s a good model because many of its members, particularly the younger generation, view themselves as a resurgent force, not a political party in decline.

If party politics prevent a coalition effort at governing, then perhaps Japan needs a “thinking exercise” that is bipartisan in nature, like the US 9/11 Commission. There are ways to contemplate a new vision for Japan that don’t necessarily involve the old way of thinking that party seats must be traded or cabinet positions awarded.

I do hope the crisis is seen as an opportunity for a constructive conversation of policy options and choices. The ruling party will have to take responsibility for those choices, but the expertise and ideas can be from the broader pool of Japanese policy thinkers.

USAPC: In particular, some observers have suggested that the a post-crisis “re-thinking” exercise should address policy change in some heretofore sensitive areas, such as agriculture and the needs of the Japan’s aging society.

Reforming the highly protected agricultural sector has proved to be tough in the past. Your thoughts?

Smith: There are a whole range of challenges confronting Japan that are relevant to this crisis – immigration, demography, agriculture reform, fiscal reform. The short-term challenges, quite frankly, will be to get enough temporary housing for displaced people from Tohoku so they won’t face next winter without a home. So you have problems with different levels of urgency.

The costs will be formidable as will the time pressure on coming to grips with these issues. Already there are questions about property rights with respect to temporary housing. What land is high enough up so it will be safe on which to build temporary housing? It’s not close to water, it’s not stable, there are landslide difficulties, and you can’t find half of the property owners.

These are the kinds of headaches that will plague

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reconstruction projects in the months to come. It won't be quick and easy even for matters that seem straightforward, like the construction of temporary housing. There still are a couple hundred thousand displaced people in evacuation shelters. In the midst of these immediate challenges it may be hard to have a focused conversation about broader policy reforms.

But the effort to craft a national vision for reconstruction is beginning. Prime Minister Kan has appointed Makoto Iokibe, professor of Japan's Defense Academy, to lead the National Reconstruction Commission.

Keidanren, Japan's premier business organization, will be

issuing a report this fall that considers Japan's post-crisis future and related policy reforms. Here in Washington, DC, the Center for Strategic and International Studies (CSIS) also has convened a task force.

There are private NGOs that will be delving into how the United States can help. The time frame for the "thinking" will be the six-month mark, or roughly mid-September.

The one thing we must keep in mind is that Japan's recovery matters not only to Japan, but also to the countries of Asia and beyond. It is extraordinarily important to the United States that Japan's recovery be as quick and as complete as possible. Japan's neighbors in Asia also will be deeply

REGULATORY UPDATE

USTR Issues Reports Highlighting US Efforts To Remove Trade Barriers

— The US Trade Representative's Office on March 31 issued three reports. They detail the administration's efforts in 2010-2011 to (1) combat unscientific sanitary and phytosanitary restrictions (SPS), (2) dismantle technical barriers to trade (TBT), and (3) redress other significant barriers to US exports — also known as the [2011 National Trade Estimate Report on Foreign Trade Barriers](#) (NTE).

Despite the impressive breadth of these reports, they did not generate as strong reaction on Capitol Hill as in previous years. This may be because key trade lawmakers have been arguing that the future of US trade lies in concluding forward-looking, offensive free trade agreements, rather than relying primarily on the defensive actions described in the reports.

The NTE typically has caused the greatest stir on Capitol Hill by virtue of its lengthy analysis of the many obstacles to US exports of goods and services, regulations that discourage foreign direct investment, and lax enforcement of intellectual property rights of

key US trading partners in Asia. This year's 34-page description of [China's unfair trading practices](#) likely will continue to fuel debate in Congress about how best to manage challenges in US-China trade and economic relations.

The SPS report, however, did elicit an immediate response that could affect near-term congressional action on the pending US-South Korea Free Trade Agreement (KORUS). Senate Finance Committee Chairman Max Baucus (D., Montana) noted that the report identifies South Korea as well as China, Taiwan, and Hong Kong as maintaining "unscientific restrictions" on US beef exports.

"We all agree Korea's unscientific beef restriction is a barrier to US export growth. So before we enter into a [FTA], we should insist on a pathway to eliminate these barriers," he said on March 31.

Baucus has suggested he might impede expeditious consideration of a KORUS implementing bill unless Seoul agrees to lift restrictions on US beef imports from cattle older than 30 months. USTR assured Baucus on May 4 that once the accord enters into

force, Washington will address his concerns with Seoul (see page 5).

WTO Appellate Body Ruling in Countervailing Duty Dispute with China

— On March 11, the World Trade Organization (WTO) Appellate Body ruled in favor of China in a dispute concerning antidumping (AD) and countervailing duty (CVD) measures applied by the US Commerce Department to various Chinese imports.

In 2008, China filed a WTO case against the United States. Beijing argued that the non-market methodology used by Commerce in concurrently imposing AD and CVD measures on Chinese imports of new pneumatic off-the-road tires, laminated woven sacks, circular welded pipe, and light-walled rectangular pipe and tube was inconsistent with WTO rules. In October 2010, a WTO dispute settlement panel rejected most of China's claims.

Upon appeal, however, the WTO Appellate Body agreed with many of China's claims and reversed the dispute settlement panel's key finding that Commerce's methodology was consistent with WTO rules. US Trade Representative

Ron Kirk described the Appellate Body as "overreaching" in this case and pledged to review the findings closely to understand their implications.

USTR Issues Annual Report On Intellectual Property Rights

— On May 2, USTR released the so-called [Special 301 Report](#), which assesses the adequacy and effectiveness of US trading partners' protection of intellectual property rights (IPR). To no one's surprise, China remains on the Priority Watch List, owing to the "prevalence of piracy and counterfeiting" there and Beijing's 'indigenous innovation' and other policies that discriminate against US exports and US investors."

Under the Special 301 process, trading partners on the Priority Watch List present the most significant concerns regarding insufficient IPR protection or enforcement. Joining China on this List are Algeria, Argentina, Canada, Chile, India, Indonesia, Israel, Pakistan, Russia, Thailand, and Venezuela. USTR called on these countries to forge "ambitious and collaborative partnerships" with the United States in the coming year to resolve IPR issues of concern.

affected should there be a delay or weakening of the recovery effort. So it makes sense to consider Japan's recovery as a collaborative project.

Private donations must continue to flow to Japan until people are out of evacuation centers. There needs to be an offering up of whatever policy support the global community can offer.

Given the challenging strategic environment in Northeast Asia, this is not a moment for the Japanese people to feel vulnerable. The United States therefore should continue to

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China's Trading Practices And Unfair Treatment of US Firms

Rep. Don Manzullo (R., Illinois), chairman of the House Foreign Affairs Subcommittee on Asia and the Pacific, unveiled a harder-edged, no-nonsense approach to problems in US-China economic relations at a hearing on March 31 entitled, "Asia Overview: Protecting American interests in China and Asia."

Protecting American Interests — Manzullo called upon the administration to do a better job of protecting American business interests in China and Asia. He cited the experience of Fellowes, Inc., an Illinois-based maker of paper-shredding equipment, which formed a joint venture (JV) with a Chinese company, the latter of which then proceeded to "hijack" the JV and steal critical intellectual property.

Manzullo described China as "moving backwards" in its conduct of business and economic relations. He pointed to the legions of Chinese students that Beijing has sent to America to study US law. Manzullo suggested that the Chinese government, indeed, knows the rule of law but has no interest in enforcing it because Chinese fundamentally do not share our principle of respect for personal property.

Shutting Out Congress — Using unusually blunt language, the Subcommittee chair further criticized China's ambassador to the United States for "blowing off" US lawmakers who request meetings aimed at remedying economic and commercial injustices suffered by their constituents. Members of Congress "no longer have a working relationship with the Chinese Embassy," Manzullo maintained.

SME Experience — James Fellowes, Chairman and Chief Executive Officer of Fellowes, Inc., was invited to testify and lent credence to the subcommittee chairman's charges. He said officials at the US Department of Commerce and US Trade Representative's Office told him that the experience of the Fellowes JV was "not a one off." Many other US business investors had experienced the theft

do all that it can to support — and encourage — the Japanese people as they recover their prosperity and energy. ♦

Dr. Sheila S. Smith is Senior Fellow for Japan Studies at the Council on Foreign Relations (CFR). Previously, she was Research Fellow, Politics, Governance and Security at the East-West Center (2001-2007) and Assistant Professor, Department of International Relations, Boston University (1994-2000). In addition to providing on-going analysis of the political and alliance implications of the Tohoku earthquake and tsunami, Dr. Smith is directing the CFR project, "China and India as Emerging Powers: Challenge or Opportunity for the United States and Japan."

of proprietary information and/or assets that ended up crippling their operations both in China and at home, Fellowes said.

Big Business Experience — Calman Cohen, President of the Emergency Committee for American Trade (ECAT), a group representing Fortune 5000 companies, noted that when China acceded to the World Trade Organization in 2001, it genuinely wanted to open its markets to the world and grow its exports. In recent years, however, China has turned inward and focused intensely on indigenous development to the exclusion of imports.

This inward focus increasingly has caused China to violate its WTO commitments, according to Cohen. US business has directly experienced the downsides of this shift and increasingly are availing themselves of remedies via the WTO dispute settlement process. "We have to continue to be aggressive in protecting and advancing US interests in its economic relations with china and press Beijing to live up to its WTO commitments," Cohen urged.

China and Export-Doubling Goal — Manzullo, Ranking Subcommittee Member Eni Faleomavaega (D., American Samoa) and other subcommittee members acknowledged the job-creating potential of President Obama's goal of doubling exports by 2014. They also pointed out that attainment of this goal relies heavily on flourishing transpacific economic relations. China is blocking this potential, they said. The export-doubling goal will not be attainable "if the administration continues to allow China to flagrantly flout trade rules," Manzullo argued.

Themes Going Forward — China's currency policy may be out of the spotlight for the moment. But the upcoming hearing schedules of the key congressional panels suggest that US lawmakers will be no less combative in seeking redress for the harm to US business caused by China's lax enforcement of intellectual property rights, poor treatment of foreign investors, and WTO-illegal trade barriers. ♦



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The East-West Center promotes better relations and understanding among the people and nations of the United States, Asia, and the Pacific through cooperative study, research, and dialogue. Established by the US Congress in 1960, the Center serves as a resource for information and analysis on critical issues of common concern, bringing people together to exchange views, build expertise, and develop policy options. The Center's 21-acre Honolulu campus, adjacent to the University of Hawai'i at Mānoa, is located midway between Asia and the US mainland and features research, residential, and international conference facilities. The Center's Washington, DC office focuses on preparing the United States for an era of growing Asia Pacific prominence.