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Washington REPORT

News and analysis from Washington, D.C. about key issues in U.S.-Asia Pacific Relations

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Political Change in Japan Affects U.S.-Japan Security Relations, Regional Diplomacy

Prof. Mike Mochizuki

The Democratic Party of Japan's (DPJ) landslide victory in August 2009 lower house elections, which enabled the left-of-center DPJ to wrest government control from the long-ruling Liberal Democratic Party, has created new challenges in bilateral relations. The DPJ objected to implementing a key element of a 2006 agreement aimed at realigning U.S. forces in Asia. The new ruling party also has pursued deeper engagement with China, which has alarmed some U.S. observers.

Prof. Mike Mochizuki of The George Washington University, explores the implications of Japan's political changes on U.S.-Japan security issues, Japanese diplomacy in Asia, and domestic governance.

USAPC: The logjam between Washington and Tokyo concerning the relocation of the U.S. Marine Corps' Futenma Air Station on Okinawa has become a major point of contention between the two allies. What factor(s) fueled this discord? A mishandling of it by the Obama administration? The governing inexperience of the Hatoyama administration? A little of both?

Mochizuki: The disagreement about the relocation of the Futenma Air Station developed because of problems on both sides. On the U.S. side, a number of Japan specialists had warned in the run up to the August 2009

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United States and Japan Remain Committed To Strong Alliance, U.S. Officials, Experts Agree

U.S. government officials recently sought to assure members of the House of Representatives that both Washington and Tokyo remain committed to a strong alliance and continue to regard the U.S.-Japan Mutual Security as critical to ensuring regional stability and economic prosperity.

In particular—and despite sometimes provocative newspaper headlines suggesting otherwise—the Japanese government's decision late in 2009 to reevaluate plans to relocate Marine Corps Air Station Futenma within Okinawa prefecture does not spell the beginning of the end of bilateral defense cooperation, according to U.S. officials.

"The alliance now enjoys some of its highest ever public support rates in both countries and symbolizes a relationship that others in the region view as a foundation of the regional security architecture," Michael Schiffer, deputy assistant secretary of Defense for East Asia told the House Foreign Affairs Subcommittee on Asia, the Pacific, and the Global Environment on March 17.

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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 U.S.-Asia Pacific relations. This issue focuses on pertinent personnel from the* ***Department of Commerce****.*

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lower house elections that Washington should be prepared for a new government. It was very clear that the former ruling Liberal Democratic Party (LDP) was in trouble and that the Democratic Party of Japan (DPJ) could win enough seats in the lower house elections to gain control of the government. But I'm not sure the Obama administration was fully aware of the implications of a change in government in Tokyo.

There seemed to be a tendency to regard the possibilities in an extremely binary manner. One view was that the DPJ basically was not much different from the LDP so it would be business as usual. The other view was that the DPJ would be very, very different. But in the final

I'm not sure the Obama administration was fully aware of the implications of a change in government in Tokyo

analysis, the prevailing opinion seemed to be that the DPJ-led government would support the U.S-Japan alliance without substantial changes in policy.

Japan experts in the U.S. government certainly were aware of the DPJ's campaign rhetoric, which stated that a DPJ-led government would focus on issues such as revising the Status of Forces Agreement, reconsidering Host-Nation Support, and taking another look at the force realignment package.

But it evidently was not clear which one of those the DPJ would emphasize. So my sense is that the Obama administration was caught off guard by the Hatoyama government's initial focus on Futenma relocation.

I was taken aback when former Deputy Secretary of State Richard Armitage said earlier this year that we were all caught by surprise by the DPJ's unwillingness to readily implement the force realignment package.[1] He may have been caught by surprise, but I think many of us who follow Japanese politics pointed out that the DPJ's victory amounted to a structural change in governance.

This doesn't mean that the Hatoyama government will pursue abrogation of the U.S.-Japan security treaty

[1]In May 2006, the governments of the United States and Japan concluded the U.S.-Japan Realignment Roadmap. Key provisions include: (1) moving the Marine Corps Air Station Futenma from a densely populated urban area in Okinawa to an off-shore location near the small fishing village of Henoko; and (2) reducing the size of the U.S. military "footprint" in Okinawa by moving 8,000 Marines and 9,000 dependents currently stationed there to Guam by the end of 2014. The accord also calls for returning certain tracts of land to Okinawa and providing joint training opportunities for U.S. and Japanese forces on the islands of Okinawa and Guam.

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Congressional Watch

Japan's Trade Barriers—Key Members of Congress active on trade policy recently reminded the Japanese government that, while China's trade and economic policies now may be the focus of a great deal of harsh rhetoric on Capitol Hill, U.S. lawmakers remain equally concerned about some of Tokyo's long-standing trade barriers. On March 16, Senate Finance Committee Chairman Max Baucus (D., Montana) and Ranking Member Charles Grassley (R., Iowa) sent a letter to H.E. Ichiro Fujisaki, Japan's ambassador to the United States, urging Tokyo to remove scientifically unfounded barriers to U.S. beef and bovine-origin gelatin imports.

They also objected to the preferential treatment that Japan Post entities have received in Japan's insurance, banking, and express delivery markets at the expense of domestic and international private sector competitors. "We look forward to improved economic relations between the United States and Japan once these serious trade concerns are resolved," Baucus and Grassley stated.

In the House, Rep. Jerry Moran (R., Kansas) followed up Baucus/Grassley initiative by introducing a non-binding resolution on May 18, which supports increased market access for exports of U.S. beef and beef products to Japan. The Japanese government did not issue a formal reply to either congressional initiative.

Burma Policy—U.S. lawmakers welcomed the release on March 18 of Kyaw Zaw Lwin, a U.S. citizen of Burmese decent, who was sentenced in October 2009 by the Burmese junta to three years of hard labor for alleged political subversion. However, they remain divided about whether the Obama administration's efforts to engage the repressive regime are sending the right signal on human rights.

Rep. Chris Van Hollen (D., Maryland), who represents the Burmese-American, said that while he was pleased that Kyaw Zaw Lwin had been set free, Washington "must continue to press for the release of all political prisoners held by the Burmese junta." Rep. Howard Berman, chairman of the House Foreign Affairs Committee, has put the administration on notice that its new policy has prompted criticisms and questions on Capitol Hill. "Support is growing for more action in addition to ongoing efforts," Berman said in early March.

In contrast, Sen. Jim Webb (D., Virginia), chairman of the Senate Foreign Relations Subcommittee on Asian and Pacific Affairs, has encouraged his colleagues to regard the release of Kyaw Zaw Lwin as a positive by-product of engagement. "I hope that this administration will increase its interaction with Burmese officials and substantively work toward a peaceful transition toward civilian leadership beginning with this year's elections," Webb said March 18.

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Realignment Roadmap—"It is important to keep in mind that Futenma relocation is a single key element of a larger set of interrelated intiatives that compose the 2006 Realignment Roadmap," Schiffer said. "[And] the Roadmap was based on an agreed set of 'common strategic objectives' that reflect the complexities of the 21st century."

Joseph Donovan, principal deputy assistant secretary of State for East Asia and the Pacific, noted that in addition to moving Futenma, the Roadmap calls for relocating 8,000 Marines from Okinawa to Guam, returns of U.S.-occupied land to Okinawans, and other combined capability changes on mainland Japan. All of these changes ultimately will strengthen both countries' ability to meet current responsibilities, and "create an alliance that is more fexible, capable, and better able to work together to address common security concerns, whether in the region or globally," Donovan said.

Futenma Solutions—Subcommittee Chairman Eni Faleomavaega (D., American Samoa) asked why Secretary of Defense Robert Gates "badgered" the Japanese government last fall about delays in implementing the Futenma element of the 4-year-old Roadmap. Schiffer said that the Defense Department believes that its preferred plan, which would move the Marine Air Station to a location near Henoko village adjacent to Camp Schwab in Okinawa , best addresses the interests and needs of the U.S. military and local communities.

In addition, delays on Futenma relocation hold up follow through on other elements of the Roadmap, he said. Schiffer acknowledged, however, that the Pentagon indeed recognizes how politically challenging it has been for Tokyo to resolve this issue in a manner that "takes into consideration all the complex interests at play."

Faleomavaega asked if the U.S. government had a "Plan B" if the deadlock on Futenma persisted. Schiffer said that the Departments of Defense and State are waiting for Tokyo to conclude its review of Futenma

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and throw U.S. forces out of Japan. But the DPJ is interested in changing some of the terms of the U.S.-Japan alliance.

On the Japanese side, there is great personal admiration for President Obama and what he has been advocating. The DPJ saw Obama's victory and his agenda for change as a model that they could internalize. The Democrats in Japan also saw in President Obama a convergence in terms of his more multilateral approach to global affairs and his preference for listening to potential or actual adversaries rather than immediately turning to more military-type solutions.

In this regard, I think the DPJ was under the impression that the Obama administration would be more willing to listen and accommodate them on various foreign policy and security matters. So, for example, DPJ officials may have felt that if their government stopped the refueling mission in the Indian Ocean but compensated for this by providing a great deal of aid to Afghanistan, the Obama administration would be receptive to this alternative way of contributing to global security.

In short, both sides held very rosy views of the other, with the U.S. side assuming that a DPJ government basically would perpetuate the alliance policies of predecessor LDP governments, and the Japanese side thinking the Obama administration would be very open and flexible about changing aspects of the alliance.

USAPC: So you don't think that Secretary of Defense Robert Gates was unduly tough in his remarks last October when he warned Japanese officials that a failure to move expeditiously on the Futenma relocation would jeopardize other aspects of the force realignment plan?

Mochizuki: No, I don't think the U.S. government was intentionally trying to be tough or push Japan against the wall on Futenma, but naturally Washington thought it had an agreement. The 2006 force realignment accord was concluded after very arduous negotiations. It wasn't a perfect solution, but neither side could find a better solution. Moreover, there was the equivalent of a treaty that both sides signed as well as Japanese legislation authorizing this plan.

In the early days of the Obama administration, Secretary of State Hillary Clinton and Foreign Minister Hirofumi Nakasone secured the legal framework for implementation. So from the U.S. perspective, there was the view that this agreement has been signed, sealed, and now should be delivered. That was the expectation. But when U.S. officials reminded their Japanese counterparts about this, it came off as "pressure," and that caused some negative feeling in Tokyo.

Now we are at the stage of pulling back and patience appears to be the operative word. However, I think there still is an expectation in Washington that after the Hatoyama government re-examines the agreement, Tokyo will reach the same conclusion—or something very close to it—and, in the end, ultimately accept the 2006 agreement.

But what if the Hatoyama government does not accept the 2006 deal or a close variation of it? I have no idea what Tokyo will do, but there are many DPJ defense experts who have been skeptical of whether so many Marines need to live and train in Okinawa and what deterrence role their presence actually plays. They ask questions the LDP did not ask.

One could still be a realist and argue that the United States does not need the full range of combat units living and training in Okinawa in order to deal with foreseeable

The DPJ saw Obama's victory and his agenda for change as a model that they could internalize

contingencies in the region. So if that's the case, why have them there? Also, why is such a large offshore air facility required?

The DPJ government has floated quite a few ideas. For example, it has proposed that certain nearby islands might be used for the replacement air station. American officials evidently have argued that even a nearby island location is too far because the United States needs the ground forces very close to the air capabilities. I think that's a compelling reason.

Another idea that has been floated is to have a much smaller facility built elsewhere in Camp Schwab. In any case, it is quite possible that the Hatoyama government could propose a plan different from the 2006 one. And at that point, the main question will be how the United States responds.

USAPC: Do you think the preoccupation with resolving the disagreement about Futenma relocation is distracting us from addressing other important issues?

Mochizuki: There are some issues that have receded but still are important. For example, there is a broad consensus in Japan that the Status of Forces Agreement (SOFA) should address environmental problems caused by US military facilities in Japan. The U.S. position has been that the SOFA would not necessarily have to be revised to address such issues. We simply would change the way it is implemented. But I sense that the Japanese government will try to push the envelope and insist on formal revision of SOFA.

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The United States has been reluctant to open up the SOFA for formal revision. There has been much focus on the implications of handing over a U.S. soldier suspected of wrongdoing to Japanese authorities. Washington has insisted that the rights of the accused receive the same sort of protection in Japan as he or she would in the United States.

But the Japanese legal system is somewhat different. So, on that point, I can understand why the United States is reluctant to open up the SOFA for formal revision. But it is harder to argue against changing the agreement to address environmental concerns.

There also is missile defense. There are quite a few DPJ members who question how effective missile defense would be in protecting Japan and, therefore, whether substantial resources should be allocated to develop those systems.

In addition, the DPJ is re-doing the 2009 review of National Defense Program Guidelines, so there may be some changes that arise as a result of that exercise. And then, of course, there is the notion of the East Asia Community—generally, a regional trade grouping based on the 16 member countries of the East Asia Summit.[2]

The idea isn't fleshed out by any means, but there is quite a bit of support for it in Japan. Japanese proponents certainly don't want an East Asia Community that would diminish the U.S. role in East Asia, but they also feel that it is important to build trust among countries in the region.

USAPC: On the subject of Japan's regional diplomacy, what is the significance of Mr. Ozawa leading a delegation of 600 DPJ members to China as he did in early January? Was the former DPJ chief simply grandstanding?

Or, was his trip indicative of a deeper desire by Japan to develop its own relationship with China in a way that effectively insulates it from the myriad problems now confronting U.S.-China relations?

[2]Current members of the East Asian Summit include: Australia, Brunei, Burma, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, New Zealand, Philippines, Republic of Korea, Singapore, Thailand, Vietnam.

[3]The Yasukuni Shrine is a Shinto shrine in Tokyo originally built to commemorate those who died fighting for the Japanese Emperor. It has become a source of controversy because (1) those enshrined include World War II war criminals, and (2) it houses a museum that has been criticized for presenting a revisionist interpretation of World War II. When Japanese politicians visit the Yasukuni Shrine ostensibly to pay their respects to the war dead, the governments of China, South Korea, and other Asian nations that suffered under Japanese rule in the pre-1945 era harshly criticize these politicians—and by extension, the Japanese government—for willfully denying Japan's history of colonial and war-time atrocities.

Mochizuki: Previously, there might have been concern in Japan about potentially being sucked into a problem in Sino-American relations, especially with respect to Taiwan. Political scientists often refer to such concerns as entrapment.

But the more recent easing of tensions in cross-Straits relations appears to have has lessened such concerns in Tokyo—notwithstanding Beijing's strong objection to President Obama's announcement in late January that the United States would sell $6.4 million-worth of arms to Taipei.

Now, there is a separate logic to Japan's desire to develop relations with China. These changes, in reality, have been building gradually since 2006. I believe that former Japanese Prime Minister Junichiro Koizumi fundamentally wanted to have stable relations with China, but he was stubborn about visiting the Yasukuni Shrine.[3]

Ozawa and his DPJ delegation showed the Chinese that Japan is really serious about developing a more stable, friendly relationship

For all of my criticisms about former Prime Minister Shinzo Abe, I think he did the courageous thing by not visiting the shrine. He was able to do this precisely because he was a nationalist. As a consequence, the ice began to break in Sino-Japanese relations.

After Abe's term, Prime Minister Yasuo Fukuda followed his lead and did not visit the Yasukuni Shrine. This continued to build a foundation for improved relations with Beijing. These actions established a clear trajectory.

Ozawa's trip to China in January, which enjoyed the full support of Prime Minister Hatoyama, effectively reinforced in this trend. Ozawa and his DPJ delegation showed the Chinese leadership that Japan is really serious about developing a more stable and, hopefully, more friendly relationship.

Japanese officials have a lot of confidence and hope in this new, post-Jiang Zemin generation of Chinese leaders. Mr. Ozawa's visit is not the only effort by Tokyo to reach out to this new generation. Prime Minister Hatoyama also made sure that the Japanese Emperor formally received Chinese Vice-President Xi Jinping, who is one of the rising stars in this new crop of Chinese leaders.

Hatoyama suffered a lot of criticism domestically that the meeting did not follow proper protocol and misused the Emperor for diplomatic purposes. But precisely because this was not a cost-free gesture, it had a lot of positive meaning to the Chinese government. These are all efforts at building trust and doing things that are somewhat extraordinary. The hope in Japan is that these gestures will be reciprocated by the Chinese.

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It's not that Japan is moving away from the United States and toward China. The DPJ government, as well as many moderates in the LDP, always felt that Japan needed a two-track policy.

Japan needs strong relations with the United States, but it cannot just depend on that. Japan is right next door to China and its economic future is tied to its neighbor. The Japanese government may have some suspicions about China, but it recognizes that it must find a way to get along with China. That's all it is.

USAPC: How do you view the recent electoral losses the DPJ suffered in gubernatorial and mayoral contests? Some analysts have been quick to conclude that these outcomes are indicative of growing disappointment with Prime Minister Hatoyama, in particular, and the DPJ, more broadly.

Mochizuki: There is no question that voters have been disappointed with Prime Minister Hatoyama's leadership. They also have not approved of the manner in which Mr. Ozawa has addressed questions about a fund-raising scandal.

That disillusionment has influenced the decline in support for the Hatoyama cabinet and no doubt contributed to defeats in the Nagasaki gubernatorial race and Machida City mayoral election, both of which were held in February. Granted, these were local contests, so there were other factors that influenced voters. But there is no denying that these outcomes were not good news for the DPJ.

So what does this mean for the DPJ's staying power at the national level? It would have been better if the momentum the DPJ has enjoyed during the past two years would have continued. The Democrats then would certainly capture the majority in the upper house elections in July. But I think the DPJ still could win a pretty solid majority.

The interesting thing is that even with the Nagasaki gubernatorial defeat, there still is no indication of a recovery of support for the LDP. What is more likely is that other political groups will do better in the upper house elections.

[4]Prime Minister Morihiro Hosokawa led Japan from August 9, 1993 to April 28, 1994 and, in so doing, broke the long chain of post-World War II rule by the Liberal Democratic Party. His coalition government was composed of the Japan New Party, the Japan Socialist Party, the Japan Renewal Party (Shinseito), Komeito, the Democratic Socialist Party, the Socialist Democratic Federation, the New Party Sakigake, and RENGO. The latter is an umbrella organization that represents the interests of Japanese union members.

For example, Yoshimi Watanabe's party, *Minna no To*, advocates a conservative, administrative-type reform agenda along the lines pursued by Koizumi. Politicians disaffected with the DPJ may decamp to Watanabe's party or yet another party rather than joining the LDP. I also hear that there are real fissures within the LDP. All of this works in the DPJ's favor.

Also, Prime Minister Hatoyama's situation is different from that of former Prime Minister Morihiro Hosokawa.[4] First, the decline in support for the Hatoyama government has not translated into an upswing in support for the LDP. And second, and perhaps most significantly, the Hosokawa government was a seven-plus-one coalition.

The DPJ enjoys a huge majority in the lower house and a razor-thin majority in the upper house. It is a plurality party. There may be different streams within the DPJ, but while members are in the ruling party, even if they disagree with what Hatoyama has been doing, they are not going to break away from the party.

More likely, there will be LDP defections to the DPJ. Even if the DPJ does not win a majority in the upper house, the Democrats will stay in power through the full term of the lower house until 2012.

USAPC: You mentioned disaffection within the LDP. In addition, the bureaucrats do not enjoy the influence they once did under LDP rule. Has the DPJ's rise to power precipitated the break-up of the so-called "iron triangle?"

Mochizuki: This is potentially the most revolutionary aspect of what the DPJ is trying to do. In some sense, the party may be getting at the heart of the political order that was established during the Meiji era.

During the Occupation era, the power of bureaucracy was not challenged. The United States ruled through the bureaucracy and, in fact, even enhanced its power because the major contender for that power—the military—was gone. The civil bureaucracy, especially the economic-oriented bureaucrats at the Ministry of Finance and the Minister of International Trade and Industry, became so powerful.

The DPJ is quite serious about trying to change this. Rightly or wrongly, of all the different things the DPJ is trying to do, this is the one policy goal that enjoys strong public support. Thirty years ago, there was a feeling that the bureaucrats were the best and the brightest in Japan, they were un-corruptible, they had the nation's interests at heart, and they worked for low pay. So in a sense, they deserved *amakudari*, the "descent from heaven."

But the last 20 years of discourse has been stridently negative, stemming from numerous corruption scandals and the creation and bursting of the economic bubble, the

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Asia Pacific Dialogue

Asia Pacific Economic Cooperation (APEC) forum:

- **APEC Senior Officials Hold First Meeting for 2010**—The Senior Officials from the 21 APEC economies met February 22–March 7 in Hiroshima, Japan. The purpose of this meeting was to set forth agendas aimed at producing in 2010 a comprehensive long-term growth strategy that is balanced, inclusive, and sustainable. In particular, the Senior Officials discussed plans for the first APEC Minister Meeting on Food Security, which will address sustainable agricultural development as well as reliable access to food. Additional topics explored at this meeting include: (1) the possibility of a Free Trade Areas of the Asia Pacific; (2) liberalization of services and investment; (3) promotion of trade and investment in environmental goods and services; and (5) improving supply chain connectivity, among other topics. See http.www.apec.org

Pacific Economic Cooperation Council (PECC):

- **Workshop Explores Social Resilience**—The Japan Committee for Pacific Economic Cooperation convened March 4–5 in Tokyo the first of a series of programs, which will explore how to make the region's societies more robust and resilient in the face of economic crises. The workshop consisted of five main sessions including macroeconomic analysis, pension system, medical/ health care, unemployment insurance system, and carbon reduction. The results of the workshop series will be presented at the APEC Summit in November 2010 in Yokohama.
- **Seminar Considers Post-Crisis Opportunities for Business**—The Hong Kong Committee for Pacific Economic Cooperation jointly organized a seminar January 27 entitled, "The Global Financial Crisis and Recovery: A Regional Cooperation Perspective." Dr. William Fung, Managing Director of Li & Fung Group and former Chair of PECC, spoke about continued uncertainties in the both the domestic and global business environments—notwithstanding the apparent post-crisis recoveries of regional economies. In particular, Dr. Fung warned about the persistent threat of protectionism. Other Asian business leaders were more optimistic about post-crisis business opportunities. See http://www.pecc.org for program details.
- **Labor Needs in Asia**—Dr. Charles E. Morrison, PECC Co-Chair and President of the East-West Center, spoke to the APEC Human Resources Development Working Group on February 28 in Hiroshima, Japan. Drawing on PECC's research, he briefed the group on the economic implications of demographics in Asia. He noted that recent shifts—such as the "aging" of populations and chronic conditions and diseases associated with age and lifestyle changes—will lead to increased requirements for staff and new areas of expertise.

Key Meetings: March—April 2010:

- **U.S. Deputy Secretary of State James Steinberg** and **Jeffrey Bader, Senior Director for Asian Affairs, National Security Council**, exchanged views with senior Chinese and Japanese officials, March 2–4, Beijing, China and March 4–5, Tokyo, Japan.
- **U.S. Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell** traveled to Asia to meet his counterparts from Malaysia, Laos, Indonesia, Thailand, and Japan, March 7–17.
- **Japanese Prime Minister Yukio Hatoyama, Chinese President Hu Jintao, Indian Prime Minister Manmohan Singh,** and 40 other heads of state will attend the Global Nuclear Summit hosted by **President Obama,** Washington, D.C., April 12–13.
- **Finance Ministers** and **Central Bank Officials** from 186 developed and developing countries will convene for the 2010 World Bank-International Monetary Fund Spring Meetings, Washington, D.C., April 24–25.

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relocation and will evaluate the Japanese proposal at that time. Prime Minister Yukio Hatoyama has stated that he will resolve the issue by May 2010.

Japanese Domestic Politics—Sheila Smith, Senior Fellow for Japan Studies at the Council on Foreign Relations, who also appeared before the committee, suggested that Washington likely will not get what it wants on Futenma. "The Henoko location no longer is politically viable in Japan," she said. However, she said anti-base sentiments have not degenerated to the point where the Japanese government and Okinawa prefectural government would call for all U.S. forces to be removed from Japan.

Nevertheless, Smith seemed to caution against taking for granted any reservoir of goodwill that has developed during the past 50 years. She urged American policymakers to make a concerted effort to build relations with the new generation of Japanese political leaders, "who have a different understanding both of the past and of the current relationship with the United States."

This also would include reaching out to the Japanese public. Smith proposed that President Obama to use his

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next visit to Japan to spend time with the Japanese public, explaining the importance of the treaty commitments "but also highlighting the need to renew and reinvigorate the American commitment to crafting a common future for our two people."

Strategic Importance of Okinawa—Faleomavaega asked whether U.S. basing on Okinawa has strategic importance. Would the security interests of the United States and Japan be compromised if there were no U.S. forces there, he wondered aloud.

Schiffer said American bases on Okinawa indeed enable the United States to address the "tyranny of distance." The United States cannot meet its treaty obligation to defend Japan without forward-deployed forces equipped with the appropriate capabilities and training, nor can we meet out other commitments to regional peace and stability, he said. "And the only readily deployable U.S. ground forces between Hawaii and India are the U.S. Marines located in Okinawa.," according to Schiffer.

Japan's Outreach to Asia—Rep.Dana Rohrabacher (R., California), a staunch critic of China, asked Donovan whether the Japanese government's more recent outreach to China should be cause for concern. "It would behoove us to have a clearer understanding of the threat to Japan posed by the rise of an authoritarian regime," he said.

Donovan said that Washington welcomes Tokyo's efforts to improve relations with its neighbors and is confident this is not proceeding at the expense of U.S.-Japan relations. He added that Japan is not directly threatened by China's efforts to build its military capabilities. ♦

Member Op-Eds

This month's column highlights commentary by Spencer H. Kim, Chairman of CBOL Corporation. Mr. Kim argues that the U.S. approach to the current recession should not be to "patch up the old structure and hope the good old days somehow will return." He advocates a new outward-focused paradigm that emphasizes selling more to—rather than acquiring more from—Asian markets.

- "Entrepreneurs, Jobs and Asia," by Spencer C. Kim, CBOL Corporation, *The Honolulu Advertiser*, January 24, 2010. Available at http://www.east-westcenter.org/news-center/east-west-wire/entrepreneurs-jobs-and-asia/

USAPC members are encouraged to alert USAPC Director Mark Borthwick about published or forthcoming pieces that they feel would be of interest to Council members and the broader readership. Contact him at borthwim@eastwestcenter.org/.

China Currency Bill Introduced In Senate

Congressional frustration with the apparent unwillingness of the Obama administration to address aggressively China's undervalued currency boiled over on March 16. A bipartisan group of 14 Senators introduced "The Currency Exchange Rate Oversight Reform Act of 2010." The bill would (1) provide less flexibility to the Treasury Department in citing countries for currency manipulation and (2) impose stiff new penalties on designated countries, including tariffs on the countries' exports and a ban on any companies from those countries bidding on U.S. government contracts.

Given the current economic climate, this bill will develop greater traction in 2010 than did comparable legislation in previous years. Its prospects for passage, however, likely will depend on the administration's actions and developments in Beijing.

Schumer/Graham Initiative—Although lawmakers had been working on the bill for some time, they seemed to time its introduction to follow closely Chinese Premier Wen Jiabao's statement on March 14. Wen dismissed as "counterproductive" U.S. government complaints about the undervaluation of the *renminbi*. "We are sending a message to the Chinese government: if you refuse to play by the same rules as everyone else, we will force you to," Sen. Charles Schumer (D., New York) declared.

Senators Schumer and Lindsey Graham (R., South Carolina) are the leading sponsors. They maintain that this bill combines the best elements of legislation they championed in the 110th Congress with a separate measure advanced by Senators Debbie Stabenow (D., Michigan), Sherrod Brown (D., Ohio), and Olympia Snowe (R., Maine).

New Objective Criteria—Under current law, the Treasury Department must identify countries that manipulate their currency for purposes of gaining an unfair trade advantage and report this to Congress twice a year. Schumer, *et. al.* maintain the legal standards for a finding of "manipulation" are too lax and has enabled Treasury to avoid citing countries as currency manipulators.

The Schumer bill therefore would repeal the current standards and replace them with objective criteria that will require Treasury to identify misaligned currencies and, in turn, require action by the executive branch if countries fail to correct the misalignment.

Consequences for Inaction—Countries designated as manipulators would face progressively tougher trade-related penalties if they stall in adopting policies to

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China Currency Bill

eliminate the misalignment. After 90 days, for example, the administration would be required to impose import duties on products from the offending country equivalent to the degree of currency undervaluation and forbid Federal procurement of goods and services from that country.

Countervailing Duty Action—The legislation would clarify that the Commerce Department already has authority under U.S. law to investigate whether currency undervaluation by a government constitutes a "countervailable subsidy." It also would require Commerce to proceed with such an investigation if Treasury designates a country as a manipulator and a U.S. industry requests the investigation.

House Action—At about the same time as the Senate bill was being introduced, Rep. Sander Levin (D., Michigan), the new chairman of the House Ways and Means Committee, called a hearing on March 24 to investigate the impact of the U.S. and global economies of China's exchange rate policy. Rep. Tim Ryan (D., Ohio) introduced legislation in May 2009, which includes elements of the Schumer bill pertaining to the use of trade remedy law to penalize currency undervaluation. It may become clearer in the coming weeks whether the Ryan bill will be used as the main vehicle for House action on China's currency misalignment. ♦

Google's Problems In China Spark Review Of Policy Impacts

The proverbial last straw for many in Congress who have been wary of rising China may be Google's experience in that country. Evidence that Chinese hackers tried to penetrate the Internet search giant's corporate infrastructure and email service has galvanized critics on Capitol Hill of China's human rights abuses as well as shined the spotlight on the national security threat posed by Beijing's cyber-espionage activities.

Cyber-Security Foreign Policy—Rep. Howard Berman, chairman of the House Foreign Affairs Committee, called a hearing on March 10 to consider the challenges of developing a "cyber-security foreign policy" in the aftermath of the Google controversy. Although the purpose of the hearing was to consider a broad array of policy questions posed by a surge in cyber-intrusions globally, committee members clearly regarded China as the leading culprit, describing Beijing as a "gangster regime" or a perpetrator of "cyber WMD."

Highlights of the witnesses remarks include:

- Nicole Wong, vice president and deputy general counsel of Google, pointed out that more than 25 governments have blocked Google services over the past few years. China is not alone in its censorship practices;
- A government-supported disruption of Internet service effectively restricts trade, so governments need to develop new trade rules to redress cyber barriers;
- Voluntary business efforts, such as the Global Network Initiative (GNI), provide "strength in numbers" for Internet service companies so they can deal more effectively with countries demanding censorship or other controls over the use of cyber space. The GNI, which Google helped to found, brings technology companies together with nongovernmental organization, academic experts, and social investment funds to promote responsible use of the Internet;
- Ironically, the United States is the largest source of cyber-crime; China ranks second. But America has this status precisely because our market is the most open;
- Going forward, U.S. high technology companies must approach with great care the design and dissemination of technology because the technology ultimately may be sold to a country that does not properly oversee how it will be used; and
- The Federal Information Security Management Act (FISMA) urgently needs to be reformed to enable U.S. federal agencies to more effectively guard against "regular and persistent cyber attacks from criminals and hostile nations." Agencies can comply with FISMA and yet still have significant gaps in their actual security," Robert Hollyman, president and CEO of the Business Software Alliance warned.

Outlook—Industry insiders maintain that Rep. Berman and other key lawmakers would like to develop legislation before the year's end aimed at boosting Internet security. However, this likely will entail a time-consuming, multi-committee process, involving input from committees with jurisdiction over electronic commerce, foreign policy, national security, U.S. law, and international trade. With the congressional clock already ticking toward adjournment for mid-term elections, lawmakers simply may run out of time.

In the event that a bill is introduced, industry representatives reportedly are advocating provisions that would (1) enable the U.S. government to determine exactly who (e.g., governments, individuals, terrorist groups) is behind cyber attacks, (2) set forth a plan to circumvent the efforts of other nations to counteract U.S. Internet protections, and (3) create new standards and enforcement tools, among among other measures. ♦

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latter for which Finance Ministry bureaucrats are being held responsible. It doesn't matter whether those criticisms are right or wrong. At the grass roots, there has been a feeling that a lot of Japan's problems were caused by the bureaucrats, who have been this privileged class.

The DPJ is using the budget-trimming process to rein in the power of the bureaucracy. There has been a lot of resistance, but the fact that these budget meetings have been televised reflects the strong level of public interest. This is not a revolution in the streets, but it's truly revolutionary.

The Democrats more recently developed legislation that would transform the way top officials are appointed. In the past, each ministry would select the people based on seniority. It was very hierarchical and basically entirely up to the ministry.

Now, the DPJ has proposed pooling all of the top officials, from the administrative vice minister all the way down to department chief-level, which is at least four levels down. Through a centralized government process, the best person for each ministry would be selected based on merit and policy expertise. This means that it would be possible for someone much younger to occupy the top position.

Budget meetings have been televised, reflecting strong public interest. This is not a revolution in the streets, but it's truly revolutionary

In the United States, that happens all the time, but in Japan this is unheard of. On the up-side, loyalties will change and people lower in the bureaucracy would be better able to challenge the views of the top officials. On the down-side, though, this change could politicize the civil service.

The DPJ also plans to look at the *amakudari* system.[5] It was based on the notion that the top bureaucrats would retire at the age of 50 or 55. Very few stay until 55. But they're still in the middle of their careers. If you eliminate the *amakudari* system, you then have to figure out what to do with all of these bureaucrats. Do you raise the retirement age?

And if you politicize the bureaucracy too much, you might lose the professionalism and the expertise that is essential whatever government you have. So there will have to be some adjustments in order to change the seniority-based approach to promotion and the *amakudari* system.

Another point to bear in mind is that even though a large number of DPJ members hold government positions, it is a very small group compared to the total number of people in any given ministry, most of whom are career civil servants. So if access to information is critical to policy-making and policy implementation, I wouldn't say that the bureaucracy is as powerless as some observers contend.

There is mutual suspicion in the ministries. It's not clear that the bureaucrats who are supposed to work for the political appointees are indeed working with them. There may be a feeling of isolation on the part of the DPJ appointees.

This situation also has given rise to criticism within the DPJ that those members who do not hold appointed positions are totally outside the policy-making process. They sit in the Diet, but there is no way for them to get involved in decision making and policy advocacy.

The LDP had the Policy Affairs Research Council (PARC). While policy was coming up through the bureaucracy, there would be consultation within the LDP committees of the PARC and then it would go up to the administrative vice minister. But the DPJ ended the activities of their version of PARC after winning the August 2009 election, so there is a lot of disgruntlement on the part of the members who are not in government.

Those DPJ members who do have appointed positions are so few that they are overworked. Moreover, they are trying to get access to information, but it is not clear that the bureaucracy is being totally cooperative. What this has created is a very complicated but also very ineffective policy-making process. And because the policy process is not clear, that is why the DPJ is experiencing these governing problems. ♦

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[5] *Amakudari,* translated as "descent from heaven," refers to the practice in which Japanese senior bureaucrats retire to high-profile positions in corporations. They "descend" from the "heaven" of very senior bureaucratic positions to the "earth" represented by the business sector.

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