



CIGS Daniel Sneider Seminar

“Managing Japan-U.S. Relations in the Era of Donald Trump”

(Summary of speech)

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Foundations of Japan-US alliance

The Japan-US alliance rests upon the Treaty of Mutual Cooperation and Security, commitment to the liberal world order, and most importantly, trust in personal relationships between the two governments and the people.

My father was a long-time American diplomat and one of the architects of the US-Japan Security Alliance. He drafted the Revision of the US-Japan Security Treaty in 1959 and 1960. He was the chief negotiator of the Okinawa Reversion.

The new treaty was intended to restore Japanese sovereignty and create a more equal relationship. Nevertheless, it is not truly equal because the United States is naturally the dominant power in security terms, and Japan has to operate within the realm of its constitutional restrictions. Yet, we have mutual obligations, and the idea of alliance rests upon the notion of mutuality. United States' obligation to defend Japan is mentioned very clearly in the treaty. On the other hand, Japan provides a network of bases to the United States to maintain peace and security in the Far East.

According to the alliance managers, the forward presence of the United States Military in Japan, their Naval and Air presence, particularly the US Marine Corps, is probably one of the greatest security assets globally. Unfortunately, Mr. Trump does not understand this.

Another objective of the security alliance was to avoid a repeat of the Great Depression and create international economic institutions to prevent a war which could result from a global depression.

Among the network of security alliances like NATO, we also created the Bretton Woods system, the International Monetary Fund, the GATT trading order, etcetera. We understood that the maintenance of currency stability, open markets, the industrialization, and growth of the entire globe was based on a rule of law, was a foundation for the postwar order.

In addition, although it always has been a flawed system, there have been trade tensions, use of tariff and non-tariff barriers, currency manipulation, engagement in managed trade and managed markets, leading to repeated financial crises, we still have managed to avoid a global depression due to the liberal world order.

The US-Japan relationship has also witnessed some tension dating back to the 1950s over security and trade and economic relations. Nevertheless, in the last 20 years, there is a significant correction to that. Japan has gone through significant market opening and reform. The United States has gone through some major transformation, adjusting to the decline of the industrial base to the growth of IT economy and a more service-based economy. Currently, Japan is a leader in terms of defending the liberal world order and has led the TPP-11 process effectively. China is seen as the challenger to it, desiring to alter the status quo, which has made the US-Japan relationship even stronger.

Alliances rest on trust and the ability to have close working relationships at the leadership level, government bureaucracy, business, and most importantly social ties between us. However, political scientists tend to spend much less time writing about alliance management and most people do not understand it.

Trump Administration/America First and Trade Policy

Donald Trump is a highly unusual figure in American political science. He has no experience in politics. He never ran for office and never served in government nor involved in policymaking. Hence, there is no precedent for him as the president of the United States.

In his presidential campaign, he challenged the purpose and the necessity of our security alliances. He questioned the value of the global economic system and the benefits of free trade. Many people thought he would change his views when he assumes office; however, it turned out not to be the case.

Donald Trump is not an isolationist. He is a unilateralist nationalist, as he believes in acting unilaterally without acting in concert with allies. He basically argues that the foundation of his policy is the defense of the American national interest above all-American First. Ironically, his administration comprises of a mix of nationalists and traditional Republicans. Although Mr. Trump has authoritarian instincts, he has to govern through the existing institutions in a functioning democracy such as the Congress, the federal bureaucracy, state and local governments, and to a significant degree the citizens of the US.

Trump Agenda:

1. Put an end to illegal immigration and restrict the flow of foreigners into United States by building the wall. It was one of the first things he issued a presidential order on when he came to office. Even though the courts have rejected that and the Congress does not include funding for the wall in the spending bill, he still persists in implementing that policy.
2. Trade: He withdrew from the TPP on the first day in office. He is renegotiating the North American Free Trade Agreement, which he has denounced as being a bad treaty. Using Section 301 and Section 232, Mr. Trump has set tariffs on solar panels, washing machines, steel and aluminum, and announced potential tariffs to deal with violations of intellectual property rights.
3. Healthcare: There is an attempt to repeal all the Affordable Care Act passed by the Obama administration. The tax reform, which in reality is a massive tax cut for corporations and a tax cut for individual income taxpayers at all levels of the economy, will lead to a huge increase in the federal deficit. The Republican Party believes that growth will generate additional tax revenues and eventually take care of the problem, which remains to be seen.
4. The President has implemented an old Ronald Reagan term 'Peace through Strength.'
5. Infrastructure spending has not been implemented in a meaningful way, even though there is a huge increase in the budget.
6. Mr. Trump believes that he is going to fill one-third of the federal judiciary, including conservative judges who will uphold certain very important issues such as restriction of the rights to abortion and upholding the right to bear arms, particularly for Evangelical Christians.

View on Trade: Mr. Trump believes that our allies do not care about us; they just care about themselves. He said that there is a trade deficit with Canada, among other countries, which Mr. Trudeau clarified, is not true. He further said that the US loses \$100 billion a year with Japan. He also said that the Japanese don't allow American cars. In reality, one cannot look at trade in bilateral terms. We have to think about it in global terms. We may have a surplus with one country and a deficit with another depending upon the structure of trade and the structure of the supply chains that contribute to the production of goods.

The United States has shifted to a largely service economy. Two-thirds or more of our GNP is generated by the service sector and we enjoy huge surpluses on services globally, including with Japan. The President does not seem to understand that. He has a very mercantilist view of trade. He also doesn't seem to understand that a trade deficit is not necessarily a loss. A trade deficit is largely created by multinational corporations, many of whom are American, who are making money, not necessarily in the national accounts.

View about Japan: Mr. Trump's view about Japan is reminiscent of the perspective in the 1980s. He told the long story about Japanese car market and this strange story about the dropping of the bowling balls on US cars, which was later described as a joke by the White House.

View about South Korea: Mr. Trump rejects the underlying understanding that the presence of American troops in Korea, Japan, or Germany is to protect our national security interests and not to protect those countries. He feels we lose money on military to protect South Korea, and they are taking our money in the form of a trade deficit.

View about North Korea: The President did not really know that North Korea is the most serious national security issue until after being briefed by President Obama. However, on a positive side, he has intensified the policies set under the Bush and Obama administrations. He has imposed sanctions, intensified the economic pressure on North Korea, pushed China to play a role to solve the problem, and used the threat of force quite effectively. This has created a great deal of uncertainty about whether President Trump would actually use force. He has managed to successfully convince the South Koreans and the North Koreans to take that threat seriously. His willingness for a dialog with North Korea is a logical consequence of the policies that he has pursued.

There are concerns in Tokyo as well as Washington that the meeting would end up in a bad deal as Mr. Trump is desperate for some type of victory, particularly heading into the elections in November. His decision to put Mr. Bolton in as the National Security Advisor validates the fact that the talks could break down and we might be even closer to war because we have no diplomatic alternative.

View about China: Based on Mr. Trump's talks during the campaign, it was thought that he was going to pursue a very hostile policy towards China. However, after being elected, he has tended to pursue a more traditional policy towards China. He often praises President Xi Jinping for his great leadership. He has praised the Chinese for their role in helping to put pressure on North Korea.

Basically, he has a transactional approach – you help us on North Korea and we help you on trade. Now, we see the shift towards a more aggressive strategy on trade policy, particularly on issues like intellectual property. I do not really know if it is part of a coherent policy towards China. It could be the President's effort to carry out what he thinks is important politically in terms of trade policy. It is the Chinese who are challenging the world order as it were.

Our allies such as Japan, Europe, or South Korea have also faced similar trade issues with China. However, many people feel that we should have come up with a common approach on these things and approaches in a multilateral fashion, as opposed to a unilateralist way.

Current Political Situation of the United States

At the moment, the situation in the White House is in a very bad shape. In just 1 year of Mr. Trump's office, there have been a lot of cabinet changes, more so than in the 2 years of Obama administration. At least 21 senior officials of the White House have been fired or resigned in just 1 year. The President seems to like this sort of a personnel shuffle and movement. As a businessman, he used to operate in pretty much the same way and has continued to do so now. This has kept people in Washington preoccupied, talking about people going in and out.

This is also the leakiest White House I have ever seen. Most of the things inside the White House known only to a few people have been leaking out constantly. It is a strange and bizarre situation even by the standards of the past.

There are two clear camps in the White House—the nationalists and the traditionalists. The nationalists are mostly still there with the exception of Steve Bannon. He is not just a nationalist but also a neo-fascist in his ideology. He is a racial nationalist in the way that the Nazis were. On the other side, amongst the traditionalists, Mr. McMaster is out too. I put Jared Kushner and Ivanka Trump, the power couple, on the

traditionalist side, but honestly, I am not sure whether they really fit in there. Maybe they are in a special category of their own through like family.

There have been constant battles between these camps. Divisions inside the White House are not new. Every administration has them. This one, however, is just a little deeper and a little more chaotic in the way that these battles are unfolding in front of the public.

The ongoing investigation being carried out by the special counsel, Mr. Robert Mueller, Former Director of the FBI, into the ties between the Trump campaign and the Russian government is hard to absorb. The Japanese have not really fully absorbed this, which is fine. The President has openly slammed the probe. He went on to tweet recently that it is unfair as a “witch hunt” and protecting Hillary Clinton and that the FBI is guilty of partisan politics. The decision to oust his top lawyer, Mr. Dowd, defending him, has been seen as a sign that he is going to embark on a more open attack on the Mueller investigation. He may attempt to fire Robert Mueller, which he can do legally. People have compared that to President Nixon’s decision to fire Archibald Cox during the Watergate investigation. The fear is that it might lead to a constitutional crisis.

Japan needs to understand that Mr. Trump is currently not thinking about them, North Korea, or trade. He is just thinking about the domestic political turmoil going on in the US.

To lend some creditability to my remarks, I would like to share that I have spent a lot of time as a foreign correspondent, including in the Soviet Union when it collapsed, and many other places in Asia as well. I did spend quite a few years as a political reporter in the US and as the editor of a major newspaper in California. I covered three presidential election campaigns in one way or another. Hence, I have some familiarity with US politics.

As a historical comparison, President Trump’s approval ratings average somewhere around 40%-43%. That puts him at the lowest of any President for the same period of time in modern history. The lowest before this was Ronald Regan at the same point, 1-1/2 into his administration, and we had a recession in the US in those days.

This is known as a generic preference poll, which is done regularly. If you are voting in congress, would you vote for Democrat or vote for Republic. It is a baseline poll. Democrats are running about 10%, and this number has actually gone up.

We are already seeing unprecedented election results in by-elections, special elections where seats are unfilled. Republican predominant seats are going Democrat in States like Alabama and Pennsylvania. In Alabama, the Democratic Party got 31% higher vote than it did the last election. This change has surprised many political analysts. It was thought to be difficult, but it is quite possible now that the Democrats can take control of the house.

It is important for the reason that it is the House of Representatives that votes the Bill of Impeachment. This can put the President on trial in the senate. If Democrats get control of the house, they control all the committee chairmanships and can call hearings. They can call all these people to testify if they want to come testify and they can impeach the President. Hence, some people feel that the November election coming up in the United States is the most important election in postwar American history.

Prime Minister Abe, to his credit, has done a really good job of trying to manage the relationship with the American President. Every Japanese Prime Minister knows that one of their first obligations is to make sure that you have a good working relationship with the American President, whoever it is, because Japan's security and Japan's domestic politics often reflect that as well. Because of this healthy relationship, the President doesn't say anything negative about Japan, and Japan was not singled out. In addition, Japan pursued a very good trade policy in keeping the TPP alive and opening the door to the US.

Nevertheless, it is not likely that this relationship is coming to an end; it is hitting some clear limits. One of those limits is that trade has now resurfaced in the US-Japan relationship. The President talked about it when he made the announcement about the China trade. Many were surprised when the US decided not to exempt Japan from the steel tariffs when they exempted Argentina, Korea, Australia, Canada, and Mexico. I would guess the Japanese government was very surprised. It may well be a bargaining thing to force Japan into a bilateral FTA negotiation.

Challenges Ahead

Prime Minister Abe is supposed to go to the United States in the middle of April. The north-south summit between North Korea and South Korea is supposed to take place at the end of April. The Prime Minister Abe is expected to visit Russia in the middle of

May. Supposedly, there is going to be a Kim Jong-un-Trump meeting for the first time in May.

Some other very important things to be kept in mind are the US review of the nuclear agreement with Iran is due to be re-examined and re-affirmed in the middle of May. The President has already indicated that he doesn't really want to go ahead with. In fact, he was complaining about the two previous review points, but he was pressured by the National Security Advisor, the Secretary of State, and the Secretary of Defense to keep the Iran nuclear deal intact. However, the Secretary of State is now replaced by Mike Pompeo who is a vocal opponent of the Iran nuclear deal. The National Security Advisor is replaced by Mr. Bolton, another vocal opponent of the Iran nuclear deal. That leaves only General Mattis, and he is a soldier and sees Iran in very negative term. Therefore, the chances that the US is going to pull out of the nuclear agreement with Iran in mid-May are very high.

At the same time, the US is moving its Embassy to Jerusalem, which is going to accelerate tensions in the Middle East. The US is also tied in very closely with the Saudi monarchy and the new Crown Prince who was pursuing a vigorous anti-Iranian strategy. The Israeli government feels the same way, so we may get drawn into a significant intensification of tensions with Iran. I would think that would be something Japanese foreign policymakers might be thinking about.

As far as the US-Japan alliance is concerned, I think it survives because the logic and the rationale of our alliance still is powerful, but it will take a lot of work and it will be increasingly difficult to manage that alliance. I think it will be even more difficult not only because of the chaos in Washington but because you are going through your own political troubles here. If there is a change in Japanese prime minister in the next 6 months, it could add to the complications.