

3. PRIME MINISTER MIKI'S SUMMITS, 1975-1976

A. The 1975 Rambouillet Summit

Summitry was born out of the peculiar international setting in the mid-1970's. The concept of a multilateral meeting for the discussion of international economic issues was not new. In fact, the US had raised this idea several times in the early 70's, but to no avail.⁴² Meanwhile, European heads of government and the American President often met with one another. But the Japanese Prime Minister had rarely attended such international meetings. This was to change. Asked by James Reston of the New York Times why the summit would be held, the summit's inventor, French President Valéry Giscard d'Estaing answered that the difference was the inclusion of Japan this time.⁴³

The Japanese voice was required in the turbulent international situation of the mid-70's. The major industrial economies were still recuperating from the adverse effects of the oil shock. They were facing increasingly vocal demands from the developing nations. The disharmony of Western economic interests was underlined by the French-American conflict over the exchange rate system as well as their different attitudes towards the oil suppliers. Socialist forces in Europe were gaining ground and liberal democracy was perceived to be in crisis. Cohesion among the leading capitalist countries to overcome these difficulties was urgently needed. Thus, the proposal of gathering the six leading economic powers in a summit seemed an innovative breakthrough for the management of the international political economy. The summit countries accounted for some 55% of world GNP, and about 45% of the total volume of world trade. Their influence in the world, if coordinated properly, could indeed be substantial.⁴⁴

As seen in its diplomacy during the oil crisis, Japan was searching for a new role in the international arena. Thus, Japan was glad to be invited to the exclusive club of the powerful Western nations.⁴⁵ Prime Minister Miki thought the summit would not only indicate Japan's enhanced position in the world but also help firm up his weak political base within the governing Liberal Democratic Party (LDP). The summit at Rambouillet was deemed to be in harmony with Miki's personal interests as well as Japan's national interests.

Nonetheless, the Japanese approach to the summit did not deviate from Japan's traditional diplomatic fashion.⁴⁶ Rather than allowing itself to take part in a casual and more spontaneous exchange of views on world economic affairs, Japan opted for careful and well-organized preparations beforehand to accomplish tangible outcomes. Unpredictable results were to be shunned. Naturally, the spontaneity of the summit preferred by the French and German leaders did not appeal to the Japanese. Consequently, the Japanese sherpa for Rambouillet was Nobuhiko Ushiba, a former Foreign Ministry bureaucrat.

At the time of the summit, Japanese economy was recovering from its worst postwar recession but was not growing as rapidly as before.⁴⁷ The central government, worried about galloping inflation, enforced very austere monetary and fiscal measures after December 1973. As a result, inflation was finally slowing down. In fact, the CPI would rise to 10.4% in Japan, in Fiscal Year 1975 (which ran from April 1975 to March 1976), compared with a 24.3% increase the previous year. Japanese economic growth, however, had been dampened by the macroeconomic policy mix. Japan would have a growth rate

of just 3.2% in the Japanese Fiscal Year (JFY) 1975, and one led mainly by export expansion rather than of domestic demand.

Japan's sluggish economic growth and poor trade position helped the US forget the economic frictions of 1971 - 1973. Compared with Japan, the US was running a very sizable current account surplus in 1975. Not surprisingly the pre-summit meeting between President Ford and Prime Minister Miki was concluded smoothly.⁴⁸ No volatile issue was hanging in the air between Washington and Tokyo. An open exchange of views was the major event of the meeting. Miki's reputation in and out of Japan was elevated by the event. At the end of August, after coming back from Washington, Miki found that his approval rate jumped from 36% in July to 43%. He attributed this outcome to his visit to the US.

Having cleared the first pre-summit hurdle, Miki's emphasis turned to domestic consensus-building for summit diplomacy. Since his political stronghold within the LDP and its support groups was not solid, Miki had to take into account various domestic interests and pressure in formulating his foreign policies. Just before the Rambouillet summit, heads of the Keidanren (Federation of Economic Organizations and Nissho (Japanese Chamber of Commerce and Industry), two of the four big business organizations in Japan, met with Miki and requested that he persuade the leaders at the summit to push for the ongoing GATT Tokyo Round negotiations more vigorously to curb protectionist influences.⁴⁹ Since the Japanese economy was driven by exports at that time, the free trade arrangements espoused in the GATT round would benefit Japanese industry. To the relief of the government, no significant opposition to Miki's attending the meeting was raised in domestic circles.⁵⁰ The summit was scheduled to be held during the Diet session. This would usually invite objection from the opposition parties as they disliked the disruption caused by prime ministerial trips overseas during the Diet session. However, the first summit held by the exclusive industrialized economies did not cause a stir among the opposition members.

Before leaving for France, Miki clarified his positions at an LDP Dietmen's meeting.⁵¹ Firstly, he hoped to strengthen the summiteers' relations by building a basis of mutual understanding and trust. In order to escape from the world-wide recession, international cooperation would have to be promoted in solving such problems as trade, currency and energy. Japan would also have to contribute positively to the North-South dialogue. Miki also stated that he would emphasize the importance of the maintenance and development of democracy and a liberal economy. Privately he was particularly enthusiastic about North-South cooperation.⁵² He believed that Japan's future international responsibility would lie in narrowing the gap between the rich and poor in the world. He wished to set up an Asian version of the Lomé Convention, triple official development assistance (ODA) to total around \$9 billion and contribute funds to the Food and Agricultural Organization (FAO). Miki's plan of increasing ODA was supported by the Ministry of Foreign Affairs (MFA) but killed by the stubborn objection of the tight-fisted Ministry of Finance (MOF). Thus, no concrete measures to help the developing countries were produced before the summit.

Miki's enthusiasm about North-South issues was reflected in his explicit position of "Japan as a member of Asia" which he pronounced at a press conference at Rambouillet.⁵³ He declared his expectation of the emergence of a "Rambouillet spirit" based on creative cooperation and emphasized the historical significance of Japanese participation as the only Pacific nation. Other positions included approaching the developing countries through "dialogue and cooperation" and solidarity among the

industrialized countries premised on a common belief in overcoming the crisis of democracy. He particularly stressed five topics; cooperation for noninflationary economic growth, maintenance of free trade principles, establishment of trust and collaboration with the Third World, renewed efforts to stabilize the international currency system, and an energy development project that would include the oil producers.

Within the Japanese delegation a bureaucratic struggle erupted over the North-South problem at the last moment.⁵⁴ The delegate of the MFA insisted on presenting a concrete proposal regarding North-South issues, over the objection of his counterpart in the MOF. However, the MOF's argument of lack of financial resources prevailed in the end. Japan's proposal for the solution of North-South differences would be limited by this pre-session internal dispute.

Nevertheless, the Japanese wish to produce "a statement of the Rambouillet spirit" came true. Three Japanese ideas were put into the final statement.⁵⁵ In his meeting with Giscard d'Estaing, Miki made clear his hope for a statement at the end of the summit and handed him a Japanese-drafted manuscript. On the issue of publishing a statement, the US and West Germany shared Japan's attitude, while the United Kingdom was opposed. There were other differences as well. Japan's largest stake lay in including a provision on the North-South problem. Other participants, particularly Henry Kissinger, were not keen on the idea. They were essentially concerned that an inadequate North-South reference would invite unnecessary friction with the Third World because the Third World itself was not represented. After the first session, with the help of English-speaking Foreign Minister Miyazawa, Miki tried to persuade the French host to insert a sentence on the North-South problem. To his satisfaction, a paragraph was included emphasizing the summiters' role "through the I.M.F. and other appropriate international fora," of "making urgent improvement in international arrangements for the stabilization of the export earnings of developing countries" and of "measures to assist them in financing their deficits".

Another Japanese contribution was the statement that the summit members should take responsibility for "an open, democratic society dedicated to individual liberty and social advancement" which would "strengthen" and be "essential to democratic societies everywhere." This statement of principle was not overwhelmingly supported by the summiters. Reportedly, the British Prime Minister did not disguise his cynicism at such apparently empty phrases. The American Secretary of State disliked the phrase "...strengthen... democratic societies everywhere" (emphasis added). Kissinger did not appreciate the Japanese advocacy of this universal principle. Undaunted, Japan decided to push for its other position as well. Reflecting the request from Zaikai (the Japanese business circle), Miki called for trade expansion under a free and open economic system by completing the GATT Tokyo Round multilateral trade negotiations (MTNs) by 1977. The year 1977 was specified in the final statement as the target for the conclusion of the Tokyo Round MTNs.

What worried Japan most was the main issue at the Rambouillet meeting -- the Franco-American dispute over the exchange rate system.⁵⁶ The Japanese preferred the US-proposed maintenance of the floating exchange rate to the French-favored return to a fixed currency regime. But accommodation with the French was made through Japan's support for a "stable" currency system. The means to stabilize foreign exchange markets was not, however, specified. The Japanese delegate was relieved to see a truce reached between the fixed exchange rate and flexible proponents. The summit left the solution of the issue to the upcoming IMF Interim Committee meeting in Jamaica, with a

pledge to increase consultation on the issue among the central bankers. In retrospect, Rambouillet laid the ground for the legitimatization of the flexible exchange rate regime at Jamaica.

Not as successful was Miki's attempt to institutionalize summitry and his call for a prohibition or restraint on unilateral import restrictive measures.⁵⁷ Miki wanted annual summits and proposed holding the next meeting in Tokyo, if necessary. Other Europeans excluded from the club, notably the Benelux countries, were against this idea. Also, the thorny problem of inviting Canada would loom large if the summit was held again. Thus, West Germany, the United Kingdom and Italy were negative about the prospect of holding a summit annually. Miki appeared to have lost on this point. Also, although measures against unilateral import restraint were put into the statement, they appeared in more abstract terms than Japan had hoped. This was due to the resistance of the UK and Italy.

Miki called the Rambouillet summit "a success".⁵⁸ For him, the outcome was better than expected because there was mutual understanding and trust among the leaders. International responsibility for international cooperation pledged at Rambouillet was reasserted by Miki. Rambouillet also had an impact on Miki. The wheeling and dealing over the phrasing of the statement played a part in educating the Japanese Prime Minister. Miki noted how attending this kind of international meeting had convinced him of the fact that the world was being dominated by realists rather than idealists. Also, the government was largely pleased with the results. The MFA shared the self-praise with Miki while the MOF was satisfied that no concrete economic commitments were made by Miki. No severe condemnation emerged from the LDP. On the contrary, some LDP leaders hailed Miki's efforts. Zaikai gave overall good marks to Japanese summit diplomacy for having achieved the common objective of establishing a sense of unity among the leading liberal economies. Zaikai leaders felt that the consensus reached at Rambouillet would bind the summiteers' economic policies to some extent. Especially the clauses on advocacy of the "open trading system" and prompt completion of the GATT Tokyo Round appealed to them. Import restrictions would be more difficult to impose if the Rambouillet statement was honored. However, part of the business community expressed a less optimistic outlook for the fulfillment of the Rambouillet pledges.

The strongest criticism came from the opposition parties.⁵⁹ All four opposition parties issued a statement in which they lambasted the lack of any concrete measures to solve the problems. Only the centrist Japan Democratic Socialist Party (DSP) supported the proposal of expanding free trade by stemming protectionism. All parties were unanimous about better treatment of the developing countries' economic difficulties. The three parties, aside from the Communists, shared the view that the summit should have produced some specific prescription to improve North-South differences. But their negative response was not translated into any concrete actions against the government. At the House of Representatives Foreign Affairs Committee, only four opposition members put lukewarm questions to the Foreign Minister regarding the summit. The last questioner concluded his remarks by adding that the Rambouillet summit had nothing to do with the Japanese peoples' daily life. Their criticisms soon dissipated because their objections did not cause any stir in society.

The media's response was much more positive than that of the Opposition.⁶⁰ The leading Japanese newspapers hailed the statement published at Rambouillet. All four major dailies, however, agreed that the meeting was just a beginning and a genuine

appraisal of the summit would be determined by how successfully the summiters' pledges in the statement would be put into practice. They unanimously approved of the "rapprochement" reached between the French and Americans over the currency controversy. On trade issues the four newspapers' editorials all opposed expansion of protectionism although they differed somewhat about the means of curbing it. The Nihon Keizai Shimbun expressed a pessimistic view on the conclusion of the GATT trade talks and called for examining the introduction of the "safeguard" clause in the GATT or OECD. The Mainichi Shimbun found it difficult to reconcile international collaboration with the national interest by citing the British intention to enforce temporary selective import restrictions soon after Rambouillet. The Asahi Shimbun was more optimistic, predicting that the anti-protectionist clause would deter rising protectionism. It urged the Japanese government to honour the free trade principle. More interesting was the fact that no dailies' editorials referred to the energy issue. Nor was coverage of the energy agreement exhaustive, probably reflecting the relative calm of the energy situation in Japan. Miki's enthusiasm for the improvement of the North-South dialogue and his position as "a member of Asia" attracted a wide endorsement from the dailies, but the actual wording of the North-South paragraph in the statement spawned reactions that ranged from approval (the Yomiuri Shimbun) to suspicion (the Asahi Shimbun).

The Rambouillet summit was the debut of Japan as a principal power.⁶¹ Japanese economic strength had grown too large to be ignored by the Atlantic community. Without Japan, the significance of the meeting would have been greatly diminished. But Rambouillet did not have a great impact on Japanese domestic politics or economic management. Miki's self-proclaimed success, and the overall affirmative comments expressed by the major editorials, Zaikai and some section of the LDP were partly cancelled out by the negative evaluation made by the Opposition. The Director of the Economic Planning Agency (EPA) soon shrugged off expectations for more expansionary macroeconomic policies endorsed by some business and political leaders in the aftermath of the summit; the status quo policy would be sustained. The Finance Minister further proclaimed that the agreement reached at Rambouillet on the currency issue would not affect Japan greatly.

Other discrepancies between rhetoric and reality were also underscored by the summit. Miki's two major themes -- promotion of free trade and improvement of relations with the developing countries -- contained potentially adverse domestic repercussions. To expand free trade, Japan had to take an initiative in opening up its markets to foreign imports. For example, the solution of "present large deficits in the current accounts of the developing countries" would require an increase of tropical fruits imports from the producing areas. But it was Japan that was wavering about reduction of tariffs and NTBs on agricultural products in the Tokyo Round for the sake of protecting domestic agriculture.⁶² A proposal to increase ODA to the South was aborted by the strong resistance of the MOF. An absence of sympathetic international forces in the summit weakened Miki's and other like-minded bureaucrats' bargaining position in the internal struggle. Actually Miki's insistence on representing Asia and discussing North-South issues was out of line with other summiters.⁶³ The attitudinal gap between Japan and other countries on these two points remained large. Nevertheless, the outcome of the summit did not undermine the Miki regime although his wish to turn his political fortunes around by a successful summit might not have produced the entire desired result.

The greatest achievement of the Rambouillet summit probably lay in the mere fact that