

8. PRIME MINISTER NAKASONE'S SUMMITS, 1983-1987

A. The 1983 Williamsburg Summit

As the Williamsburg summit approached, the temporary truce agreed to at Versailles between free traders and proponents of "managed trade" turned out to be elusive. The unstoppable Japanese trade surplus heightened trade friction. As Japan's trade surplus with the EC hit \$99 billion, European frustrations with Japan became more and more vocal. In January 1983, at a Japan-EC symposium, the President of the European Commission listed the three factors of conflict between the EEC and Japan: the "chronic nature of the deficit between the two partners, the concentration of Japanese exports in sectors considered 'sensitive' ..., and the minimal opening of the Japanese market to manufactured products from Europe."¹⁹⁸ At a follow-up meeting in mid-February, Japan had to consent to a comprehensive list of VERs on ten "sensitive" products. Even this arrangement did not lead to a drastic reduction of the number of Japanese exports of consumer goods (except video recorders and motorcycles) for the first eight months of 1983. In addition, the EC filed a formal complaint under Article 23 of the GATT, alleging that Japanese imports were strong enough to infringe on its trading rights. This initiated a bilateral consultation process for the improvement of Japanese trade practices.

Another setback for Japan took place at the November 1982 GATT ministerial meeting, a meeting that had been pushed by Japan and endorsed at Ottawa and Versailles. The meeting stalled without producing any proper guidelines for another round of trade liberalization measures. For instance, trade ministers declined to approve an American proposal, backed by Japan and the EC, for a working group of the GATT Contracting Parties to be formed to research issues affecting international trade in services.

Likewise, US-Japanese trade disputes were not totally settled by the two liberalization packages presented by Tokyo prior to the Versailles summit.¹⁹⁹ The US-Japan trade imbalance totaled \$12.2 billion in favour of Japan and showed no sign of narrowing. US trade officials publicly grumbled about half hearted implementation of the new market-opening measures. A series of regular visits by them to Tokyo took place in the second half of 1982. Congressional sentiment against the slow pace of Japanese import-expanding procedures and bulging trade deficits culminated in a House vote for a local content restriction for automobiles: This proposal passed 215 to 188 in mid-December 1982. Demanding a fixed percentage of US-made auto parts to be contained in all cars sold in the US, the bill was intended to oblige the big Japanese carmakers to build US assembly plants. This vote had the effect of prolonging VERs on Japanese automobiles to US markets. Though the bill was rejected by the Administration, the Reagan regime was not happy about the growing trade deficit. It submitted two grievances against Japan (the import quota on leather products and import difficulties on metal baseball bats) to the GATT for possible resolution.

In the midst of heightened tensions over Japan's trade policy, one of the earliest acts of the new Prime Minister was to order his Cabinet to make up a list of ways to orient Japanese markets to foreign imports.²⁰⁰ The result was Promotion of Urgent Economic Measures for Foreign Trade, revealed in January on Prime Minister Yasuhiro Nakasone's first visit to Washington. It made public the lowering or abolishment of tariffs on 47 agricultural products and 28 industrial products, the easing of import restrictions on

some goods, reform by way of simplification of import inspection procedures, and import promotion measures. Nakasone also adopted a different style in US-Japan relations during his visit. Modifying the Three Principles on Arms Export, he secured a Cabinet go-ahead for the transfer of purely military technology to the US before his visit. In Washington, he stated that Japan would mine the strategic straits controlling the Sea of Japan and act as an "unsinkable aircraft carrier" to repel Soviet Backfire bombers. He placed maximum emphasis on the shared destiny between the two allies across the Pacific. Nakasone, a more articulate conservative nationalist than Suzuki, won the admiration of the like-minded President, and developed a warm mutual rapport with Reagan. His statements and a package of liberalization measures did deflect the current trade conflict with Washington. Despite one of the most intensive reprimands ever delivered by the influential Japanese media and the Opposition, and Nakasone's own waverings after the trip, he committed Japan to a deeper politico-strategic alliance with the United States.

With the US economic recovery and the two conservatives (Kohl and Nakasone) replacing their more liberal predecessors, prospects for a convergence of views at the Williamsburg summit seemed much better than those at Versailles.²⁰¹ Mitterrand was also to shift his expansionist macroeconomic policies to more fiscally restrictive ones. The OECD unemployment level hit a post-war record of 32 million people. But inflation had significantly subsided as a consequence of the tight monetary policies of the major economies. Taking these developments into account, the OECD meeting prior to Williamsburg suggested that stimulus packages be adopted by the recovering economies. But this met stiff rejection from the US, UK, West Germany and Japan, all of which were whole-heartedly concentrating on conservative fiscal policies. Reportedly, ideas for coordinated reflationary measures were omitted from the sherpas' papers for Williamsburg.

A report of the finance ministers of the Seven concluded that coordinated monetary intervention could be helpful to block short-term fluctuations on exchange markets if monetary policies were consistent. The US Federal Reserve Board chairman indicated flexibility toward support for currency intervention while the French, after suffering a plethora of criticisms softened their rhetoric on the need for a fixed exchange rate regime. "Mutual surveillance," as agreed to at Versailles, looked like an innovative political equivalent of the market's proclivity to induce "deviant" governments to move back towards the international policy line. As for trade, Reagan's suggestion for anti-protectionist measures was endorsed at the OECD ministerial meeting in May. Germany and Japan were particularly keen on this move. Though there remained problems, such as Reagan's wish to have the US Export Administration Act extend to the extraterritorial application of American export control, the general economic situation before Williamsburg was more stable than it was before the last summit. The sherpas' meeting ended with a much rosier prospect for a harmonized summit.

The Nakasone Administration utilized its pre-summit diplomacy to pave the way for the Williamsburg.²⁰² Nakasone's official trip to the ASEAN nations was intended to prepare him as a representative of the Asians at the summit. He de-emphasized Japan's prospects of a rapid military build-up, hoping to soothe the fears of Asian leaders. He obtained approval of his policy stance from them. In addition to proposing several aid programs and joint projects, he sought the views of the ASEAN countries on the upcoming meeting of the Seven. Similarly, at the OECD ministerial meeting Foreign Minister Abe and other Japanese participants strongly advocated the principle of a revitalization of the world economy based on expansion of free trade, and clarified Japan's

responsibilities as a surplus country to stimulate domestic demand and facilitate cooperation with the developing countries. Denying the traditional Japanese strategy premised on a "separation of politics from economics", they argued for the importance of security considerations in East-West trade. Furthermore, at the IEA ministerial meeting, the Japanese delegate took an unusual initiative in successfully mediating between the US and EC. These efforts, along with on-going measures to accelerate liberalization of Japanese markets, gave the Nakasone government the optimistic view that the Japan problem would not be specifically taken up at Williamsburg.

The well-prepared Japanese government proceeded to pinpoint Japan's positions for Williamsburg. But there emerged extraordinary domestic pressure on Japanese summit diplomacy.²⁰³ The domestic situation, with regard to Nakasone's commitment to the concept of "a small government" based on administrative reform and fiscal consolidation through austere fiscal programs, was not yet firm. Supporters of Keynesian fiscal measures within the LDP and the opposition were pressing for fiscal breaks in the form of tax cuts. Reinforcing this trend, the three biggest labour unions in Japan urged Nakasone to suggest to the summiteers that Japan would take economic recovery policies by lowering interest rates, stabilizing foreign exchange rates and stimulating domestic demand through the introduction of a supplementary budget with a 1 trillion yen tax reduction and 2 trillion yen in additional spending on public works projects. This was an attempt by the union leaders to manipulate the occasion of the summit to sway the government toward a "locomotive" role. The absence of powerful and corresponding external pressures in the direction they desired, however, meant they were unsuccessful. Nakasone avoided their urging and stuck to his main objective of "sustained economic growth without inflation". No specific policies were created to generate a "locomotive" for 1983. As at Versailles, Keynesian economics was outdated in the new era.

Cooperative coordinated policy and action was the point most forcefully put forward by the Nakasone regime.²⁰⁴ A repetition of the miscarriage of Versailles, which revealed a profound schism rather than a consensus among the leaders, was feared as much in Tokyo as elsewhere. This fear was even more pronounced as Japan was undergoing House of Councilors elections. To fulfill the objective of a successful summit, the Nakasone government appeared willing to throw its support behind Reagan's various policy stances and to forge unity among the summiteers. It agreed with Washington on the urgent need to roll back protectionism, acknowledged that it was essential to present a common front on East-West economic relations, and fundamentally supported Reagan's "zero-option" approach at disarmament talks such as INF and START. Only on the North-South and monetary issues did the positions of Tokyo depart from those of Washington. As in the past, Tokyo was more enthusiastic than Washington about improving aid to the Third World and alleviating the accumulated debts held by the poor nations. Japan thought that "without prosperity of the South, there can be no prosperity of the North." Japan also hoped to see the yen appreciated at a stable level reflecting economic fundamentals and lower U.S. interest rates.

The principal strategy of Nakasone's diplomacy - allying Japan with the US with a view to strengthening cooperative action among the Seven - was first tested at the US-Japanese pre-summit bilateral meeting.²⁰⁵ Deciding to leave such contentious bilateral issues as the American charge about Japan's "targeting" of industrial policy and agricultural and fishery disputes to working-level officials, the two leaders pledged maximum mutual cooperation for the Williamsburg summit. Nakasone expressed hope that the summit would lay the ground for US-Soviet talks, and indicated his overwhelming support for Reagan's "global approach" in the INF negotiations. He also

carried the ASEAN leaders' message about the need for the US to remain in Asia and briefed the President on the merits of Sino-US rapprochement. A priority on a successful summit might make Reagan avoid revealing US dissatisfaction with Japanese policies. Both refrained from criticizing the other. They reconfirmed a need to fight protectionism. As a result of the two-man talk, no pressing bilateral issue was resolved, nor were new specific agreements about the summit reached. But the spirit of friendship established by the meeting was helpful for both leaders who needed a fruitful summit for domestic reasons.

Nakasone showed a rather un-Japanese assertiveness at Williamsburg.²⁰⁶ He was proud of the fact that his first speech led off the discussions of the summit. As a consequence, a number of his ideas, remarks, and other Japanese positions were integrated into the Williamsburg Declaration on the Economic Recovery and the Annex to it. His optimism about economic prospects was recognized in the declaration: the summiteers "clearly see signs of recovery." His goal of "sustained economic growth without inflation" took a form of the reaffirmation of the summit's objective of "achieving non-inflationary growth of income and unemployment." The Seven's agreement to "reduce structural budget deficits, in particular, by limiting the growth of expenditure" was a suitable weapon for Nakasone to stifle the voices of expansionists within his government and the LDP. The rapprochement between American "benign neglect" and the French call for "the spirit of the Bretton Woods" on monetary matters served Japan's wish to conduct a concerted currency intervention in a flexible exchange rate market to depreciate the dollar. The document gave market intervention legitimacy as it exhibited "willingness" to "undertake coordinated intervention in exchange markets in instances where it is agreed that such intervention would be helpful". However it was watered down by adding the phrase "[w]hile retaining our freedom to operate independently." The communiqué's positive assessment of the forthcoming meeting of UNCTAD would save the face of the Japanese head of government who wanted to act as a spokesman for the ASEAN countries. The summiteers' admission of the importance of "[r]estoring sound economic growth while keeping our market open" to the Third World was consistent with the assertion that the maintenance and reinforcement of free trade would be required to solve the North-South issue. As for minor issues, Nakasone's concern about joint cancer research was touched on in the declaration as an improvement of "cooperation ... in health research." More importantly, his support for the GATT system was satisfied by the participants' resolve to "achieve further trade liberalization negotiations in the GATT" and the continuation of "consultation on proposals for a new negotiating round in the GATT." In addition to all this, his eloquence differed from that of Suzuki at Versailles in the sense that he did not hesitate to take part in discussing one of the most hotly-debated main topics at Williamsburg - international security.

Indeed, the Williamsburg summit turned into a "security summit" for Japan, and the role Nakasone played was decisive.²⁰⁷ The Japanese national interest as perceived by Tokyo in the on-going INF talks lay in eliciting Western support to obtain a pledge from the USSR that its European missiles would not be redeployed in the Far East when an agreement was reached. Departing sharply from past Japanese leaders' equivocal stance on the security issue, Nakasone believed the balance of power and the effectiveness of deterrence. He also thought that solidarity among the Western allies should be given primacy in order to strengthen the bargaining position of the US in the disarmament talks. Thus, in his bilateral talks with each European leader he spent much time expounding the Japanese strategic situation. Based on his pet theory of the "collective peace offensive of the Western alliance", the Japanese Prime Minister endorsed

enthusiastically the "double track" decision of NATO including the contentious planned deployment of Pershing II cruise missiles in Europe. He then added his optimistic view that the Soviet negotiators would return to the negotiating table even if the weapons were deployed at the end of 1983 and the Soviets left the talks. Thanks to his explicitly accommodative stance on the INF issue, Japan was successful in including the vital word "global" in the communiqué's statement that "[t]he security of our countries ... must be approached on a global basis." The phrase was interpreted to ensure that Japanese opposition to redeployment of the Soviet missiles in the sensitive Asian theatre would be taken into account in formulating the West's positions in the disarmament negotiations.

The Japanese agreement to issue the Williamsburg Declaration on Security was significant in officially clarifying Tokyo's stance on security and NATO strategy.²⁰⁸ The statement expressed the Seven's "strong wish" that Washington and Moscow "conclude a balanced intermediate nuclear force agreement." It went on to declare that "...[s]hould this not occur, the countries concerned will proceed with the planned deployment of the US systems [Pershing II missiles] in Europe at the end of 1983." Also, the document made clear the summit leaders' consensus to "maintain sufficient military strength to deter any attack, to counter any threat and to ensure the peace" in order to honour their "first duty to defend freedom and justice" in the Western world. In Japan, this remark was widely understood to give Nakasone a good excuse to seek beefed-up Japanese military spending and it was assumed to signify a mutual military commitment. This was certain to bring about a political stir in neutralist-pacifist Japan, whose constitution bans the use of force for the settlement of international disputes and whose people's traditional abhorrence of nuclear weapons was demonstrated by the widespread anti-nuclear mood in the early 1980s.

Not surprisingly, the unexpected issuance of the security statement did result in a severe domestic backlash in Japan.²⁰⁹ Many were anxious that Japan would be deprived of its non-nuclear principles by supporting the deployment of the Pershing II. Regardless of the government's denial, Nakasone's support for the Williamsburg statement was generally regarded by those concerned as the first step toward the incorporation of Japan into the NATO military-strategic system, as well as the binding of Japan to NATO politically. Some said that the statement would violate the constitution which prohibited Japanese participation in the exercise of collective security. Sections of the press and almost all political parties vigorously bombarded Nakasone's position and the Williamsburg statement. The Mainichi Shimbun printed an editorial entitled, "Is Japan a Member of NATO? Danger in Nakasone Remark". It argued that Nakasone was making a dangerous bet by ignoring the wishes of the Japanese people who hoped for successful nuclear disarmament. The editorial went on to enquire how he would respond if the INF talks collapsed and Washington suggested that the nuclear missiles be deployed in Japan. The Asahi Shimbun also believed that the Prime Minister's conciliatory attitude to NATO's decision was perilous. It objected to his insistence that the schedule of deployment of the US weapons should not be changed in order to induce the Soviets to the bargaining table. All the opposition parties, except the DSP, bitterly castigated the position taken by Nakasone and pledged to challenge it throughout the election campaigns for the Upper House. Even the defence-minded DSP did not hide its concern; it judged his remarks to be hastily-made for they aroused an apprehension that Japan might be integrated into NATO security strategy. Some members of the LDP indicated their displeasure at their party chief's words at the summit. Protests by an anti-nuclear group and the major trade unions, and letters to the editor criticizing the Prime Minister's hardline view soon followed.

At the post-summit press conference, Nakasone substantially toned down his hawkish stance.²¹⁰ Differentiating Japan from NATO, he refuted the notion that Japan would be bound by the NATO Command. His outright rejection of the military role emphasized in the statement for the summit nations came next. Reconfirming the Peace Constitution, he made a pledge that the Japanese contribution to the world strategy would continue to be non-military, even if political participation grew from now on. He did not, however, retract his support for NATO's "double-track" decision as a step towards disarmament and judged that Japan would be bound by the Williamsburg declaration. His post-summit press brief also contained his evaluation of the Williamsburg summit as having been constructive in creating unity among the West, thereby solidifying the American negotiating position. He then claimed that the summit provided Japan with an occasion to have other leaders recognize Japanese positions on the issue of world peace and disarmament and economic recovery. Japan would play a role in settling these issues while retaining its unique Peace Constitution and defence posture.

Although vocal domestic disapprobation of Nakasone's stance on the security issue was a prominent feature of the Williamsburg meeting, Japanese domestic opinion was not unified.²¹¹ The denunciation expressed by Nakasone's LDP was milder than over his January slips of the tongue of Japan being "an unsinkable aircraft carrier" and "blocking the four straits to repel the Soviet forces." Some of the domestic papers, notably the Yomiuri Shimbun, wholeheartedly supported the political statements. The Yomiuri termed Nakasone's endorsement for the scheduled missile deployment and his efforts to include a remark that the INF would be negotiated on a "global basis", as "natural and appropriate." Not commenting on the security aspects of the Williamsburg declaration, the Nihon Keizai, rated the reaffirmation of "non-inflationary sustained economic growth" as the common goal and means to attain this goal even more positively than other. One commentator hailed Nakasone's conduct and concluded that he brought about the "humanization of Japan" by participating in the summit in America. Contrary to the last summit, which resulted in dismay over the Sakhalin project, Zaikai leaders extolled both his summit performance and the political statement. Nakasone's image as a world statesman who could debate the issues with other world leaders on an equal footing resulted in favorable popular support. A poll taken immediately after Williamsburg registered a rise in his approval rating from 34% in March to 40%, and a drop in his disapproval rating from 35% to 30%. His foreign policy stance was supported by 38%, a jump of 10% over the previous poll. The Upper House elections, in which Nakasone campaigned partly on his achievements at the summit (although his emphasis was on domestic programs), did not prove that his stance at Williamsburg was detrimental; the LDP added 3 seats to its 68 out of the contested 124 seats, thereby securing a solid majority of the seats. Since foreign and security policies were not a major issue in the elections, the security position taken by the Prime Minister at the summit did not have a substantial impact on the result. Still, some considered that his assertive attitude and his image as a world leader at the seven-power summit did garner him extra votes.

Other than an enhanced consensus on Western unity and further involvement by Japan in the security strategy of the Western Alliance, Japan was not deeply affected by the inconclusive summit declaration. A series of pre-summit diplomatic moves, Nakasone's strategy to ally Japan with the US to the extent of supporting the security interests of the Reagan Administration, the French-American row over the exchange rate policy and Nakasone's remark on expanding domestic demand helped Japan diffuse any overt criticism of its trade and macroeconomic management. A Japanese fear of a revival of the "locomotive" theory, dissipated as the centre of attraction moved to inflation-fighting at Williamsburg. Although the Prime Minister's stress on domestic demand

growth was interpreted by some dailies to mean an international role, the way the final declaration turned out clearly necessitated no urgent policy change for Japanese macroeconomic managers. The same largely applied to Japan's trade practices. Continuous market-opening efforts were deemed necessary, but, as in the case of the Versailles declaration, the summit's net effect was diminished by the absence of any reference to the necessity of reducing Japan's trade surplus. Therefore, the Nakasone Cabinet could proceed with its fiscal rehabilitation program with the tightest fiscal budget since 1955.

Likewise, the troubles besetting the Japanese political economy at that time were largely left as they were. Unlike the French, Italian and German summiteers who nudged Reagan to cut the budget deficits, Nakasone's overall tone on the American problem of the budget deficit was "conciliatory rather than critical."²¹² The de facto acceptance of US macroeconomic policies was a natural conclusion of this attitude. Such critical problems facing Japan as the undervalued yen, relatively high real interest rates and a huge capital outflow to fund ballooning US budget deficits were left untouched by Japan's summit diplomacy. In this sense, the leaders seemed, unconsciously or consciously, to trade off their weak points in order to put off solutions and to create harmony on security policy.

The convergence of the interests of the two conservatives across the Pacific contributed to a more consensus-oriented result in Williamsburg than had been the case in Versailles. Nakasone's commitment to the security issue and unabashed backing of American security interests augmented his standing with the Reagan Administration and firmly established a personal friendship between the two leaders. However, Nakasone's pledge to increase Japan's security role was not easily translated into popular support.²¹³ It is true that his stance did not politically or electorally bruise the Nakasone regime very much. Rather, the summit did Nakasone more good than harm by increasing his popularity and assisting the LDP in the elections. However, the success of the election results and his increase in popularity appeared to have more to do with Nakasone's diplomatic style than his security position. The same opinion poll signaling his rise in popularity also demonstrated that the percentage of the respondents who approved his defence policy was unchanged at 10%, while that of those disapproving only declined by one point from 28% in March to 27% right after the summit. A larger number of people disliked his defence position. Also only 4% of those who were polled wanted the government to spend more money on defence, according to another poll taken soon after the summit. In this respect, the Prime Minister's attempt to educate the Japanese populace on their security responsibility at the Williamsburg summit did not bear fruit. The summit outcome largely prolonged the split on the proper security role for Japan, at least for a while.

In hindsight, the long-term indirect effects of the Williamsburg summit, in terms of its security statement, were more profound. As one US observer noted, Williamsburg made Japan "move into the status of a de facto member of the Western military alliance."²¹⁴ In order to "maintain sufficient military strength," Japanese defence preparedness was to be accelerated throughout the Nakasone era. Soon, the defence relations between Tokyo and Washington were solidified as a result of US-Japan joint research on the "sea lane" security strategy. Defence expenditure would steadily rise amid austere budgetary restraints to the point of exceeding the 1% ceiling of the GNP in JFY 1987. Considering the prevalent resistance against this move, the Williamsburg agreement at least encouraged the trend toward breaking this symbolic figure treated as a kind of credo by many leftist Japanese.