George H.W. Bush's Complementary Bilateral Strategy :

U.S. — Japanese Relations and the Structural Impediments Initiative, 1989 — 1990.5

Andrew L. Beaton

During an intense period of bilateral economic friction which continued until the mid-1990s, it is perhaps unsurprising that vastly different U.S. and Japanese perceptions regarding the efficacy of trade and economic policies of the George H.W. Bush Administration (1989-1992) were evident. In Tokyo, Bush was portrayed as an ardent Japan-bashing protectionist that enthusiastically employed unilateral policy tools such as the controversial Super 301 provision in an "unfair" effort to open Japanese markets. In Washington, Congressional opponents and political pundits harshly criticized Bush's outdated "soft-line" policies in dealing with America's increasingly powerful trading partners such as Japan. The American view reflected the fact that Bush possessed an internationalist background and a penchant for diplomacy within bilateral and multilateral fora. In contrast, the Japanese view suggests that Bush's extensive experience had produced "hard-line" trade policies designed to maximize America's narrow economic interests. In retrospect, both sets of perceptions are widely inaccurate and discussion of Bush policies based on a "hard-line" versus "soft-line" dichotomy is unlikely to significantly improve our understanding of the Bush legacy. Clearly, an alternative framework for evaluating Bush's approach to Japan is needed.

By the late 1980s, given Japan's emergence as an economic superpower, constructively managing U.S.-Japanese economic relations at a difficult juncture was a key priority for the President. Yet, with large macro-economic imbalances contributing to America persistent bilateral budget and trade deficits, the resolution of economic and trade disputes with Japan unfolded in a highly politicized atmosphere in Washington. This policy environment, together with a complex array of competing domestic and international policy objectives, limited the range of possible options for the President on trade policy and somewhat constrained his ability to maintain cooperative bilateral relations with Japan. At the same time, despite these policy constraints, the president enjoyed a degree of latitude to pursue his policy choices by either creating or responding to opportunities in specific contexts. Thus, by examining the specific policy choices from the perspective of the president, the exact nature of the Administration's actual policy preferences becomes clearer and the effectiveness of the Bush Administration's bilateral approach can be more easily evaluated. To be sure, U.S. policy-makers faced difficult policy choices that went well beyond the dilemma of selecting a unilateral or bilateral strategy.

Accordingly, reflecting the heightened globalization of trade in the post-Cold War period, the Bush Administration sought to formulate a complex three-pronged trade strategy which combined unilateral, bilateral and multilateral elements. As Bush viewed the multilateral negotiations of the Uruguay Round of the GATT as the centerpiece of his liberalization agenda, the successful conclusion of the round was designated the Administration's highest priority. Negotiations related to these talks held center stage in the latter half of 1990. But, initially in the spring of 1989, the controversy surrounding the Administration's use of Super 301 highlighted the unilateral element of its trade policy. Yet, partly as a result of this high-level attention to America's use of unilateral policy tools, the Bush Administration clearly came to favor bilateral initiatives with Japan and assigned to them a secondary priority. By the spring of 1990, the unilateral policy tools had been decisively relegated to a tertiary priority by President Bush himself.

As Bush preferred to minimize the use of unilateral policy tools such as the controversial Super 301 provision, his trade policy approach vis a vis Japan cannot accurately be described as merely protectionist. In a previous article, entitled "George H. W. Bush's Global Trade Strategy: Expanding America's Global Engagement & Managing U.S.-Japanese Relations 1989-1990.5," it was argued Bush maintained a truly global engagement strategy.[1] In accordance with a global vision, Bush contended with a host of strategic, economic and political constraints and chose to reject "managed trade" and "revisionism" in formulating his "Japan" policies. Contrary to perceptions in Tokyo, Bush had limited and then eliminated the use of unilateral policy tools by the spring of 1990. Nevertheless, as the result of extensive international media coverage and the controversy surrounding its use, progress related to Super 301 investigations continued to receive high-level political attention in Washington throughout the 1989-1990 period. While the Bush Administration's use of the Super 301 provision is somewhat tangential to the discussion of its bilateral strategy, it is incorporated into this article as it relates to progress in the SII negotiations.

In reality, the SII was the central focus of the Bush Administration's bilateral trade strategy with Japan. Its introduction in the spring of 1989 in tandem with the Administration's first use of the controversial Super 301 helped to soften the impact that the unilateral tool had engendered. Importantly, the SII talks ensured a prominent "brokering" role for the executive branch in reconciling Japanese and Congressional interests. For, in supplanting unilateral policy tools with bilateral ones, the Administration gained new opportunities to exert a heightened influence in the policy process. By quietly disavowing unilateral approaches, Bush gained legitimacy in Japan for his espousal of more cooperative alternatives in resolving trade disputes. At the same time, as long as Bush could point to progress in ongoing negotiations, he could emphasize the importance of bilateral relations and thus play a critical role in dampening protectionist sentiment in the Congress. In this sense, SII was the linchpin to the Administration's entire trade policy approach with Japan.

In this article, it is argued that the Bush Administration maintained a highly complementary bilateral strategy vis a vis Japan that was reasonably effective in managing bilateral relations. To be sure, the Administration's bilateral strategy must also be understood in the context of competing domestic policy objectives such as the desire to maintain good relations with the Democratically controlled Congress and to preserving presidential authority with regard to trade issues. At the same time, to fully evaluate the Bush Administration's "Japan" policies requires a review not only of the SII negotiations but also of the President's other Japan related diplomatic activities at key bilateral and multilateral summits.

Given the complexity of managing bilateral relations while utilizing a multifaceted trade policy approach, some course adjustments were perhaps inevitable For example, the Administration's decision to focus on a complementary bilateral agenda through the SII talks, downplaying the use of Super 301 (1989) was one such adjustment. A second adjustment followed the shift toward greater multilateralism in the spring of 1990 which resulted in the disuse of Super 301 (1990) and reduced emphasis on progress through bilateral negotiations. Despite these adjustments to the policy-mix in response to changes in the international environment, it is further argued that Bush's complementary approach remained reasonable consistent over time.

Specifically, this article traces the origin of the SII talks within the US bureaucracy, the emergence of structural issues as a focal point for bilateral negotiations and the subsequent launch of the initiative at the Paris Summit in July of 1989. Following some background on the structure of the talks and its key participants, the article explores the political relations between President Bush and Prime Minister Kaifu, investigating the political problems which plagued the early rounds of the SII negotiations. Then, after reviewing Bush's earnest attempt to reinvigorate the SII process through "frank" bilateral meetings with Kaifu in Palm Springs (March, 1990), the article looks at Kaifu's energetic response. This dual effort generates new momentum that leads to key breakthroughs during the fourth round of negotiations and to the release of the Interim Report in April, 1990. Despite haggling over such issues as the size of Japan's public spending package, a final round of negotiations leads to the successful conclusion of the round and the issuance of the Final Report in June, 1990. (For a basic chronology of important events, see Appendix A.)

In the final section, having resolved the central outstanding bilateral issues in economic relations through the SII talks, the Bush Administration turns its attention away from its bilateral agenda. In response to a broad set of perceived changes in the international environment in 1990, Bush opts to further emphasize competing multilateral objectives such as bringing about a successful conclusion of the Uruguay Round of the GATT talks. The final section examines the interplay between the bilateral and multilateral elements of the Bush Administration's trade policy approach vis a vis Japan, identifying a broad set of political, economic and strategic factors which significantly influenced the tenor of bilateral relations in the latter half of 1990.

It should be noted that the review of the Bush Administration's bilateral and multilateral record relies extensively on archival materials obtained from the George Bush Presidential Library in College Station, Texas. To be sure, due to various restrictions on the declassification of presidential records by the National Archives, important documents remain classified in part or in whole and have thus not been incorporated into this article. Nevertheless, the available documentary evidence, video footage, and a series of Freedom of Information Act (FOIA) requests have significantly contributed to a clearer understanding of the views of the President and other key adminstration officials with regard to important Japan related policy decisions. These findings were further confirmed during an oral interview with General Brent Scowcroft, former National Security Adviser to President Bush.

Bilateral Initiatives : The Structural Impediments Initiative

Origin and Background

The idea for the Structural Impediments Initiative can be traced to developments in the global economy in the latter half of the 1980's. To be sure, in surveying the impact of bilateral macro-economic coordination during the Reagan years, there were indeed areas of significant progress. The Economic Declaration embodied in the Louvre Accords of 1987 stressed the need for "the adjustment of underlying fundamentals," to achieve "an improved pattern of external payments." At the Toronto Summit in June of 1988, the global leaders at the G-7 stressed the importance of structural reforms that were needed to correct the trade imbalances.[2] In fact, the Japanese government had implemented 7 market-opening packages and a new pattern of economic growth based largely on domestic demand was emerging. Exchange rate adjustment that had begun in 1985 following the Plaza Accords had significantly improved the terms of trade for American companies through a 50 percent depreciation of the dollar.

By 1989, despite a positive combination of economic factors in both the U.S. and Japan, the major correction in the bilateral trade imbalance predicted by many economists had not resulted. In fact, the trade imbalance had decreased by roughly 7.3 from 1987 to 1988.[3] But, by the end of 1988, due to the belated J curve effect, the dollar appreciated nearly 8 percent and many economists predicted that further favorable currency realignment was unlikely. Thus, despite significant adjustment in

1986-1988, by 1989, economists tended to view the next phase of imbalance correction as proceeding more slowly than the first phase.[4] The IMF had warned that such imbalances threatened to impede global economic growth in the medium term. In its April 1988, *World Economic Outlook* report, the IMF concluded, "The principal threat to stable growth was earlier seen to lie in the persistence of inflationary pressures. More recently, however, the main danger may be viewed as the build up of potentially unsustainable fiscal and external imbalances, particularly among the largest countries."[5] Other economists were even more pessimistic, cautioning, "We are starting to stall out" and that "there are serious dangers ahead," unless the industrialized countries can find ways to narrow their trade imbalances.[6]

The idea for the Structural Impediments Initiative began inauspiciously with informal discussions among treasury officials and other trade officials in the early months of 1989. Trade officials were disappointed with the apparent failure of traditional adjustment mechanisms to bring about a more substantial narrowing of the trade imbalance with Japan. Given the size of the imbalance, a consensus quickly emerged that the product by product approach to trade negotiations with Japan had very limited utility. The idea slowly emerged that a negotiation similar to the MOSS talks but one that cut across various sectors would have the greatest impact. They began to reexamine the various mechanisms for macro-economic policy adjustment with Japan, quietly searching for a way "...to make policy coordination and currency adjustment more effective."[7] By the end of April, both the Treasury Department and USTR Hills appeared to have reached similar conclusions, that is, in order to address the bilateral trade deficit, a degree of linkage between macro-economic policy and trade policy was necessary. [8]

In evaluating the economy of Japan, administration officials tended to view it essentially as a 'normal trading state.' For example, they recognized that Japanese tariffs on industrial products were 2 percent, among the lowest in the world.[9] But, they pointed to Japan's unusually small share of world imports, a mere 4.7 percent, compared to an 18.4 percent share of imports for the United States. And they cited Japan's low degree of import penetration as percentage of GNP that was a mere 6.4 percent compared to that of other industrialized countries such as Germany with 20.7 percent.[10] They attributed Japan's low degree of import penetration and its small share of world imports to a host of systemic or structural barriers that collectively limited foreign access to Japanese markets. Recognizing that part of the cause of the disparity stemmed from America's own macro-economic policies, they advocated some form of macro-economic coordination between Japan and the United States as the most effective formula for reducing the trade imbalance. A consensus emerged that a new forum was needed to more effectively address these broad systemic barriers to imports. U.S. trade officials would initially focus on major structural barriers to imports such as rigidity in the distribution system and the pricing mechanism.[11]

The State Department sought to insure that in addressing asymmetry in bilateral economic relations, cooperative bilateral relations were not deleteriously impacted. Thus, the State Department sought to stress that the aim of SII was, "removing the impediments to balance of payments adjustments in both countries."[12] The Administration also repeatedly attempted to dampen enthusiasm within the Congress that these talks would result in immediate imbalance correction. For example, Assistant Secretary for East Asian and Pacific Affairs Richard Solomon stated that, "SII must be viewed as a long-term endeavor providing a framework for correcting the asymmetries in our economic relationship and further opening up the Japanese economic system to the world."[13] Both SII negotiators and the USTR would repeatedly echo this view. For example, during Congressional testimony in early May, USTR Hills explained, "Our deficit is the product of broader economic factors than barriers to trade. The barriers contribute only a very small amount."[14]

Commerce Secretary Mosbacher and even Bush himself acknowledged the importance of macro-economic factors, repeatedly referring to the trade talks as a "two-way street."

The Bush Administration officially planned to launch the Structural Impediments Initiative at the time of the Paris Economic Summit in July. The IMF had concluded that Japan needed to promote, "the expansion of domestic demand to help reduce the trade surplus while maintaining sufficient growth."[15] But, administration officials were concerned that, "some countries," like Japan, "may now be more concerned with fighting inflation than with continuing the attack on imbalances."[16] The Administration therefore sought to press for agreement at the Summit that imbalance reduction was still an important goal. In late April, a Japanese delegation led by MITI Minister Hiroshi Mitsuzuka and Vice Minister for international affairs, Shigeo Muraoka, met with USTR Hills and Commerce Secretary Mosbacher in Washington and spent a week laying the groundwork（根回し）for the Paris Economic Summit.[17]

In late May, following the announcement of the designation of "priority countries" under the controversial Super 301 provision, the Administration encountered strong Japanese and international condemnation of its first use of the Super 301 provision. In order to soften the detrimental impact on bilateral relations with Japan and to dampen international pressures following the first use of this unilateral policy tool, the Administration sought to forge a new bilateral framework to address macro-economic factors responsible for the trade imbalance. On May 31, during bilateral meetings that coincided with G-7 meetings in Paris, top U.S. economic officials, led by Treasury Secretary Brady, and represented by USTR Hills, Commerce Secretary Mosbacher, Council of Economic Advisor chairman Boskin and Undersecretary of State Richard McCormack met with a Japanese delegation led by Foreign Minister Uno to discuss trade issues. During these meetings the U.S. side formally introduced a proposal by Bush to address structural impediments to trade in a bilateral context.[18] In a press conference following that meeting, Undersecretary McCormack indicated that, "There was an agreement in principle" to engage in further discussions along the lines of Bush's proposal.[19] But, Foreign Minister Uno had stipulated that such discussions could only occur so long as the United States was also willing to address its own structural issues such as the budget deficit.[20] In so far as this provided impetus for the U.S. to address its own structural issues, the U.S. side agreed to this condition. In mid-June, further informal discussions took place between Japanese and American subcabinet officials at the coastal resort town of Kawana just south of Tokyo. According to participants on both sides, the 13 hours of talks were described as friendly and cordial, allowing for a preliminary airing of views.

The Administration proposed that further bilateral talks be held in late June. On June 28-29, in New York, administration officials participated in preparatory meetings with MITI and MOFA officials to discuss the timeline for the talks. Because of Congressional hearings scheduled in May of 1990, the U.S. side originally sought to complete the negotiations prior to those hearings. But Japanese officials, concerned that it would take time to implement major reforms, asserted that a period of at least one year was necessary and the Japanese time-frame was ultimately adopted. The Japanese side obtained another important, if technical, concession that the agreements reached during these negotiations were not to be considered formally binding accords. On June 26, Bush apparently confirmed these arrangements during a meeting with Foreign Minister Hiroshi Mitsuzuka in which trade issues were briefly discussed. In a Statement following this meeting, Press Secretary Fitzwater, indicated that trade would be "a major point of discussion in the upcoming economic summit in Paris."[21]

At the Paris Economic Summit held on July 14-16, the Bush Administration was reasonably satisfied with the inclusion of the following sentence in the Economic Declaration. It read, "Countries with external surpluses, including Japan and Germany, should continue to pursue appropriate macro-economic policies and structural reforms that will encourage non-inflationary growth of domestic demand and facilitate external adjustment."[22] The Administration also succeeded in inserting a phrase within the Economic Declaration that "protectionism remains a real threat." [23]

Against the backdrop of the Paris Economic Summit, at the U.S. Ambassador's residence in Paris, Bush officially presented his proposal for the Structural Impediments Initiative to newly appointed Prime Minister Sosuke Uno during a remarkably brief bilateral meeting.[24] As the U.S. had previously agreed to address its own structural barriers and as the complementary approach to negotiating systemic trade barriers was clearly preferable to adversarial negotiations under Super 301, Uno accepted the President's proposal. The purpose of the talks was, "to identify and solve structural problems in both countries that stand as impediments to trade and balance of payments adjustment with the goal of contributing to the reduction of payments imbalances."[25]

It was agreed that the SII negotiations would take place on a bi-monthly basis for a period of one year beginning in September of 1989 with each side proposing actions to reduce impediments.[26] An Interim Report was to be published in early April of 1990, a date that nearly coincided with U.S. statutory deadlines for settling a number of sectoral disputes under Super 301. This reflected the Administration's view that improved market access was an important indicator of the effectiveness of these bilateral negotiations in eliminating structural impediments. The two sides agreed that the contents of the Interim Report should constitute "tangible progress" in reducing structural barriers to bilateral trade. It was further agreed that a Final Report would follow in July of 1990.

Given the unprecedented scope of these talks, participants in the SII process on the U.S. side included subcabinet level officials from State, Treasury, USTR, Commerce, Justice, and the Council of Economic Advisors. At certain key junctures, Cabinet Secretaries, Baker, Brady, Hills, Mosbacher, and Boskin as well as the President himself played a role in the talks. Similarly, on the Japanese side, high level intervention was not uncommon. But, within the bureaucracy most of the activity took place at the Vice Ministerial level within MOFA, MOF, MITI, MIJ, and the Economic Planning Agency.[27] The principal negotiating team for the Japanese government was usually led by Deputy Foreign Minister Koji Watanabe, (MOFA), and included Vice Minister of Finance for International Affairs Makoto Utsumi (MOF) and Vice Minister for International Affairs Naomichi Suzuki (MITI).

Undersecretary of State Economic Affairs Richard McCormack nominally headed the negotiating team for the United States that also included Deputy USTR, S. Linn Williams and Assistant Secretary of the Treasury for International Affairs, Charles Dallara. This assignment was clearly difficult for McCormack who was at times eclipsed by his talented colleagues. As a former aide to Senator Jesse Helms, McCormack was apparently chosen to placate the right wing of the Republican Party.[28] He was criticized in the press as an ineffectual political appointee, for his lack of knowledge of economics and for his lack of knowledge about Japan. For example, following his visit to Kawana in June, he commented at a press conference on the numerous skyscrapers in Tokyo and lauded the Japanese for being hard working and "well-dressed." [29] At the same time, with Secretary of State James Baker taking only occasional interest in international economic policy, McCormack was often left to follow the lead of the Treasury Department and the USTR on policy.

In contrast, although not a specialist on Japan, Assistant Treasury Secretary Charles Dallara was considered both well qualified and highly competent. He had received his Ph.D. in International Economics from the Fletcher School of Law and

Diplomacy. During the Reagan Administration, Dallara previously served as the Senior Deputy Assistant Secretary for International Economic Policy and at the time of his nomination was serving as the U.S. Executive Director of the International Monetary Fund.[30] In early May, his brief nomination hearing was a mere formality as the Chairman of the Senate Finance Committee, Senator Lloyd Bentsen (D. -Texas) noted that Dallara's "considerable experience will be most valuable" in his new position.[31] Reflecting the Treasury Department's view that the trade imbalance stemmed from macro-economic imbalances, Dallara promoted measures that would improve the savings and investment patterns of both countries.

Perhaps the central figure in the SII negotiations was Deputy USTR S. Linn Williams. A graduate of Harvard Law School, and a partner in the Tokyo office of the law office of Gibson Dunn & Crutcher, Williams had both legal and Japanese expertise. In fact, his wife, Noriko, was Japanese, and Williams reportedly spoke reasonably good Japanese.[32] Given this background, he was specifically brought into the Administration to strengthen the cultural skills of the U.S. negotiating team. During his nomination hearing in mid-May, Senator John D. Rockefeller (D. -West Virginia) noted that Williams would be, "the highest ranking Japan expert in the Administration."[33] Although attuned to Japanese sensitivities, Williams was hardly an apologist for Japan. Rather, he used his knowledge of Japan to make the U.S. case more plausible to Japanese and American audiences. For example, he stated in June of 1989, "I have Japanese friends. In a working environment, they complain about the same things that an American businessman complains about—about inability to sell in certain Japanese markets, about certain kinds of business practices."[34] As Williams was bright and articulate, he was an effective advocate of the USTR's positions. For example, during his nomination hearing, he indicated that, "We have very serious concerns about our trading relationship with Japan, which I do not think are fully perceived in Japan as we would like them to be perceived." [35] Reflecting the USTR's emphasis on improving market access, Williams also noted, "The growing and deep frustration at the inaccessibility of the Japanese home market."[36] Williams undoubtedly spent more time negotiating with the Japanese government than did any other single official in the Bush Administration.

These principal negotiators encountered a Japanese government whose initial reaction to SII was cool. The focus of the initiative was to deregulate Japanese business practices by breaking up Japan's antiquated distribution system, preferential treatment toward subcontractors, and the practice of pre-bidding collusion called "dango." While the initiative certainly gave the impression that the United States was muscling in on another country's social structure, the fact of the matter was that most of the impediments specified by the Bush Administration were already mentioned in the Maekawa reports as targets for reform.[37] In fact, Ambassador Armacost wrote that in compiling its list of proposed structural reforms, the U.S. government relied heavily on suggestions from such Japanese organizations as the Maekawa Commission, the Administrative Reform Council, Keidanren and Keizai Doyukai, as well as from academic journals and the press.[38] Thus, despite some obligatory huffing and puffing and contingent upon U.S. willingness to discuss its own "structural impediments," Japan's reception of SII was more favorable than the unilateral Super 301 approach.

In Japan, the responsibility for insuring that the SII negotiations proceeded smoothly was turned over to Toshiki Kaifu who became Prime Minister in August, following Uno's unexpected fall from power following a disappointing showing by the LDP in the 1989 Upper House elections. As a result of Abe's ill health, and the implication of Takeshita, Miyazawa, and Watanabe in the Recruit Scandal the appointment to premiere of the party came from the smallest and least powerful Komoto faction.[39] Faction leaders in the LDP appointed Kaifu largely because he was considered the least objectionable compromise candidate whose clean image might help the scandal tainted image of the LDP.

Politically, Kaifu's support base within the party rested on his ability to balance the interests of the leaders of more powerful factions. This hampered Kaifu's attempts to obtain consensus in a timely fashion on controversial issues. Moreover, as the initiative was introduced together with the Super 301 provision, there was very little initial support from the Japanese public for SII.[40] Kaifu's political weaknesses coupled with the bureaucratic infighting among the Ministry of Finance, MITI, and the MOFA forestalled progress at the first two rounds of SII.

Early Encounters

In early September, just prior to the first round of SII talks, newly appointed Prime Minister Kaifu visited the United States, Mexico and Canada on a good-will, get acquainted tour that was scripted by MOFA. The purpose of these meetings was to provide a forum for Kaifu to "establish a personal working relationship as soon as possible" with the President, to promote "global partnership and to discuss bilateral issues related to trade and defense as well as multilateral issues."[41] During this official working visit, Kaifu met first with Bush for a "private" meeting attended by Chief of Staff Sununu and Senior Director for Asian Affairs Karl Jackson of the NSC (National Security Council). Both leaders then attended an hour meeting that was followed by a working luncheon which included, Vice President Quayle, Baker, Solomon, and Armacost from the State Department, Scowcroft, Jackson and Gates from the NSC as well as Treasury Secretary Brady and Defense Secretary Cheney. The Japanese delegation included most notably Nobuo Matsunaga, and Nobuo Ishihara from MOFA. During these two and half-hours of bilateral meetings with Bush, Kaifu sought to emphasize continuity in bilateral relations following the sudden demise of the Takeshita and Uno cabinets. Specifically, Kaifu sought to confirm Secretary's Baker call for "global partnership," to strengthen personal ties with Bush and to help establish a friendly tone for the upcoming SII negotiations.[42] At the same time, given Kaifu's political weakness, the Japanese government took a cautious stance in regard to trade issues, avoiding or at least postponing specific promises.

Symbolizing the importance he attached to bilateral relations, Bush interrupted his vacation at Kennebunkport, Maine and flew to Washington DC to meet with the new Japanese leader. The Administration sought to reaffirm the complementary aspects of US-Japanese relations. Indeed, during the bilateral meeting, the two leaders reaffirmed, "partnership" based on "shared interests and mutual respect," pledged to "continue to consult closely" on security and other areas of mutual interest.[43] They also reviewed recent developments in Eastern Europe and China and pledged "support" toward economic and political reforms and affirmed the use of diplomacy in resolving regional problems such as in Cambodia. In his departing remarks, Kaifu, emphasizing continuity, stating that, "the Japan-US relationship is the cornerstone of Japan's diplomacy."[44]

Despite the reaffirmation of bilateral relations, Bush and Kaifu probably had not yet developed a close personal relationship. In his departing remarks, Kaifu stated that, "I was able to conduct talks with the President as if I were meeting an old friend..." Yet, given Kaifu's poor English, the difficulty of communicating through interpreters, and the limited time, it is doubtful that such an atmosphere genuinely existed. In fact, the White House passed out copies of the advanced text of Kaifu's remarks containing this statement to members of the media prior to the actual bilateral meeting.[45] Similarly, Bush's remarks contained the statement, "For while we met as new friends, our talks were conducted like old friends." But, as the identical statement can also be found in earlier draft versions of the speech written in late August, this aspect of the bilateral meeting may have been jointly scripted. It appears that both governments attempted to foster the perception of close personal ties between the two leaders that exceeded reality. In fact, as Scowcroft noted, while the two leaders would eventually establish a very friendly personal relationship at the Houston Summit in July of 1990, close personal relations would not blossom for another 10 months.[46] Video clips of the interaction of the two leaders further confirms that the "George-Toshiki" relationship was forged in later meetings.

Nevertheless, having affirmed the broad aspects of bilateral relations, Bush also sought to impress upon the Japanese government the importance of addressing trade issues. Bush reported that Kaifu had "confirmed" the agreements worked out by Uno at the Paris Summit and had reaffirmed Japan's commitment to a successful Uruguay Round. Kaifu pledged "to make efforts for expanding imports" and "joint collaboration" in resolving economic issues. Despite general agreement on these important issues, according to Scowcroft, Bush also indicated, "How important some adjustments were to the success of the bilateral relationship and our being able to cooperate in a global partnership with the Japanese."[47] Interestingly, an earlier draft of Bush's remarks to the press following the meeting read, "And knowing that the health of our relationship partly depends on better balance to our Nation's ledger boards."[48] Deputy National Security Advisor Robert Gates revised this portion of the draft. Accordingly, in his remarks following the bilateral meetings, Bush stated, "And we know that the health of our relationship partly depends on bringing our economic relationship into better balance."[49] Having thus evolved, this concept of "better balance" to economic relations would become increasingly important throughout Bush's tenure.

In accordance with a low-profile approach to trade and economic issues and mindful of Kaifu's political weaknesses, Bush played down their differences to the press, confining his remarks to elliptical references to economic and trade issues and avoiding directly referring to specific trade disputes such as the controversial rice liberalization issue. Rather, Bush delegated the task of pressing the trade agenda to his subordinates. For example, Secretary Baker, in a preliminary meeting with Foreign Minister Nakayama, stressed the importance of progress by the spring of 1990, warned of rising protectionist sentiment in the Congress, and reminded Nakayama of the need for the U.S. to reduce its bilateral trade deficit. According to press reports, Baker had also made "specific reference" to the need for progress on the sectoral disputes.[50] During the luncheon meeting, Treasury Secretary Brady, reiterated Baker's comment that it was "important to have progress by next spring."[51] Reflecting Kaifu's delicate political position, the Prime Minister responded that, "I cannot guarantee" that progress will be achieved by the spring of 1990.[52] Kaifu stressed that because of their long history, reforming established Japanese trade practices would take time and effort.[53] In his televised press conference from New York before Japanese cameras, Kaifu further stated that it would be "very difficult" to accomplish anything by Bush's deadline.[54]

Kaifu's resistant posture reflected the fact that he needed to consolidate his political support base prior to the upcoming general election in the Lower House. Following the poor showing of the LDP in the July Upper House elections, the Kaifu Administration was initially plagued by scandal and by the prevalent perception that his Cabinet was both weak and temporary. The popularity of the Japan Socialist Party led by Takako Doi and other opposition parties contributed to Kaifu's political difficulties. The LDP's poor electoral performance also suggested that voters were disenchanted with the Japanese government's pattern of waffling in the face of U.S. *gaiatsu* on trade. This decreased support within the Japanese bureaucracy for a more conciliatory approach. Bureaucratic resistance to reforms also stemmed from a sense within the bureaucracy that Japan had made significant progress in adjusting the structure of its economy. For example, Deputy Foreign Minister Michihiko Kunihiro noted,

> ...several measures have been taken to reduce the trade imbalance but none has worked so far. There has been a reduction in tariffs, import quotas have been lifted and various obstacles have already been removed. Also, macroeconomics measures have been taken, such as adjusting exchange rates according to the Plaza agreement and expanding domestic demand.[55]

Thus, while the Japanese government was willing to address structural issues, because of political difficulties and bureaucratic division, Kaifu was unable to provide significant leadership during the first two rounds of SII negotiations.

Against this backdrop, the first round of SII negotiations（第一回会合）was held in Tokyo on September 4-5. As the Japanese side was concerned about the diplomatic repercussions of the first meeting, two members of the Ministry of Foreign Affairs (MOFA) attended it. Deputy Foreign Minister Michihiko Kunihiro (MOFA) officially led the Japanese delegation. But, as the negotiations proceeded smoothly this meeting was the only one he attended. Other Japanese officials who attended both these meetings and the following rounds of negotiations included Deputy Foreign Minister Koji Watanabe (MOFA),Vice Minister Makoto Utsumi (MOF), Vice Minister for International Trade and Industry Naomichi Suzuki (MITI) and Deputy Director Tsuneo Unno of the Economic Planning Agency. The American team consisted of Undersecretary of State Economic Affairs Richard McCormack, Deputy USTR, S. Linn Williams and Assistant Treasury Secretary Charles Dallara.

The discussions lasted nearly 9 hours, leading some in the American press to speculate that America's list of "complaints" were so long that it took that much time to review them.[56] In truth, the forum had an academic quality that permitted the exchange of views among the participants in an almost collegial atmosphere. The exchange of views was to provide a unique educational opportunity for both governments, particularly the U.S. side, to learn more about the other government's approach to a broad spectrum of policy issues. The central focus of this exploratory session was, "to provide each country an opportunity to present its views regarding the impediments of the other country."[57] The U.S. list of impediments included Japan's pricing mechanisms, distribution system, savings and investment patterns, land use policy and exclusionary business practices.[58] To be sure, Japanese negotiators were somewhat reluctant to acknowledge that the problems identified by the U.S. side were genuine impediments.[59] At the same time, Japanese negotiators produced their own list of micro-economic and macro-economic issues that were believed to be contributing to America's trade deficits. The Japanese list included, America's low savings and high consumption rates, a short term business outlook, the federal budget deficit, inadequate education, and an insufficient export orientation.[60] The US side presented Japan with 13 pages of documents during the meetings but, because of the upcoming Japanese election, refrained from submitting any formal proposals. According to a memorandum to Vice President Quayle following the meetings, the U.S. and Japanese impediments included :

U.S. list of Japanese impediments :
-Pricing Mechanisms which result in inadequate pass through from exchange rates.
-The Distribution System which makes it difficult for foreign firms to introduce new products to consumers.
-Saving and Investment Patterns which produce a high saving rate and large current account surpluses.
-Land Use Policy which encourages excess savings and reduces consumption
-Exclusionary Business Practices which minimize the participation of foreign firms in the Japanese "pipeline" from producers to consumers.

The Japanese List of American Impediments :
Low Savings and High Consumption which causes the U.S. to have large account deficits.
-Corporate emphasis on Short Term Profits which reduces the emphasis on research and development and on developing market share

-Federal Budget Deficit which absorbs too much of American domestic saving, thus exacerbating the current account deficits
-Inadequate Education which reduces American participation in high tech industries
-Lack of Export Orientation which worsens the trade imbalance[61]

Following a general discussion of these issues by both sides, the meetings ended without specific agreements.

Ironically, the most contentious discussion during this first round of SII talks was probably the one that erupted between Ministry of Finance (MOF) and the Economic Planning Agency (EPA). Reflecting the fact that MOF maintained bureaucratic control over macro-economic policy, MOF officials had hoped to confine the discussion of the trade imbalance to micro-economic issues and were reluctant to engage in discussions concerning macro-economic policy. A debate ensued between the Japanese MOF and the EPA in the presence of American negotiators. Deputy Director Tsuneo Unno (EPA) flatly stated that, "To discuss the trade imbalance without also discussing macro-economic issues was inappropriate."[62] In the end, in pursuing policy coordination, MOF would agree to comprehensive policy coordination that included discussion of macro-economic issues.

Following this first round of negotiations, Commerce Secretary Mosbacher and USTR Hills made separate trips to Tokyo in mid-September and mid-October. A Houston oilman and long time friend and confidant of the President, Secretary Mosbacher's visit to Tokyo attracted considerably attention. Mosbacher's concern about America's waning technological prowess led him to adopt a hawkish view on trade with Japan. For example, following a meeting with MITI Vice Minister Muraoka in April, Mosbacher wrote in a Memorandum to Bush that "Japan is cohesive, dedicated, and determined to keep all other electronic hi tech products out so they can build up their technological superiority and exclusively control this vital area."[63] Mosbacher's "revisionist" views tended to reflect the interests of the U.S. business community. Accordingly, during his trip, Mosbacher adopted a hard-line on trade that together with his penchant for blunt statements had an unsettling impact on his Japanese hosts. His trip began rather badly when during a stopover in South Korea, he declared that the South Korean market was more open than that of Japan.[64] In Tokyo, Mosbacher pressed for agreements that would improve flow-back of Japanese technology to the United States and pressed for structural change in the Japanese economy to increase consumer demand for imports. MITI officials were somewhat receptive to Mosbacher's push for import expansion. For example, MITI and the Commerce Department agreed to launch a joint price survey in order to determine the in/effectiveness of Japanese pricing mechanisms.[65] But, there was a general distaste for Mosbacher's imperious tone and skepticism about his call for "measurable progress" in 6 months in the SII negotiations..

During her visit to Tokyo in mid-October, USTR Hills met with Kaifu and several Cabinet members. As Hills maintained a more affirmative and conciliatory tone in her discussions, she was more favorably received. In contrast to Mosbacher's push for "measurable results," Hills emphasized the importance of Japan's commitment to a "blue-print" for structural reforms. In a speech before the Japan National Press Club, Hills also claimed that Japan lacked sensitivity to the need for "fair and open competition" which she warned, "undermines support for free trade and feeds the fires of protectionism."[66] Reflecting the importance within the USTR of improving market access to Japan, Hills also advocated resolution of the Super 301 sectoral disputes. Despite Hill's tough positions, her diplomatic style, which closely resembled that of Bush, received high marks from both the Japanese government and within the Administration.

The seemingly dramatic shift in tone by Hills was clearly the product of discussions within the EPC on October 2, 1989. In the aftermath of Mosbacher's illfated trip, the "diplomatic" faction within the Administration apparently grew concerned that the U.S. was pursuing an overly antagonistic approach to resolving problems with Japan and argued for a softer line. EPC members noted that Japanese consumers had expressed enthusiasm for many of the reforms that the U.S. had advocated in its September meeting.[67] Thus, while the EPC members decided to "keep up strong and coordinated pressure for change," they also sought to avoid a high-handed approach that might weaken that favorable reception in Japan.[68] At the same time, attuned to the domestic political realities in Japan, policy-makers also noted that "Japan is not likely to make commitments before its national elections" in early 1990.[69] Thus, during her trip, Hills had clearly desired to avoid an "antagonistic" approach in order to encourage Japan to be "responsive" to further market opening. Following her trip in November, USTR Hills sent a memorandum to Bush in which she referred to this new tact as "our measured approach" and expressed her misguided concern that Japanese press reports following her trip had been too negative. In his hand-written response, Bush acknowledged his support for this measured diplomatic approach, writing to Hills from Camp David, "You are doing A-OK!! Yes, press on for 'action' by our Japanese friends. -GB" [70]

Rounds II and III

The second round of SII negotiations (第二回会合) took place on November 7, 1989 with nearly the same participants as those in September. In the EPC meeting in October, U.S. policy-makers had decided that in the November negotiations, U.S. negotiators should focus on the modest goal of reaching agreement with Japan about "the nature of the problems the U.S. side has raised."[71] But, again because of forthcoming Japanese elections, these meetings yielded little substantive progress. As Seizaburo Sato explained, with the unstable political situation due to the loss of the majority in the Upper House and with an uncooperative opposition party, "The decision-making process in Japan especially the market-opening measures will take a longer time than before."[72] As a result, U.S. negotiators began to express frustration with the lack of progress in the negotiations. For example, at a press conference following the talks, Charles H. Dallara, Assistant Secretary of the Treasury lamented that the outcome was "far less than we had hoped for."[73] Dallara added, "There was a general unwillingness [on the part of the Japanese] to look at ways to make changes."[74] MOFA officials disputed this assessment, indicating that the Japanese government had already made a number of important changes. Nevertheless, as these meetings ended in wide disagreement, it was hoped that agreement could be reached at meetings scheduled for January 16-17.

In January 1990, following the Japanese government's announcement of a decision to postpone the January round of SII negotiation until February, Kaifu dispatched MITI Minister Hikaru Matsunaga to Washington to discuss an import promotion plan and to deliver a letter that confirmed the Prime Minister's pledge of economic assistance to Eastern Europe. In mid-December, Matsunaga requested a number of meetings with senior officials including Quayle, Baker and Scowcroft and also sought a meeting with the President.[75] In late December, 1989, Karl Jackson, Senior Director of Asian Affairs in the NSC, sent an Action Memorandum to Scowcroft in which he recommended that Scowcroft agree to meet with Matsunaga to discuss a large number of outstanding issues with Japan. At the same time, Jackson proposed that Scowcroft schedule a short meeting with Bush so the President could personally emphasize the need to move forward on bilateral trade issues with Japan. In his Memorandum to Scowcroft, Jackson wrote,

As part of your proposed meeting I suggest a brief drop-by meeting with the President to allow the President to stress the necessity for real progress on trade issues as soon as the Japanese election of February 18, 1990 has taken place.[76]

Scowcroft approved the Jackson Memo but wrote at the bottom, "Don't promise a drop-by visit with the P[resident]." In fact, during his visit, Matsunaga held separate meetings with Baker and Scowcroft and within that meeting had a ten-minute visit with Bush. Thus, as Bush agreed to meet with Matsunaga, it is most likely that the President himself impressed upon Matsunaga the need for progress on trade issues in some fashion during this brief meeting. Bush's private communication of the importance of trade issues with Japan was not reported in the press. The President's behind-the-scenes efforts reflected both Bush's preference for quiet diplomacy and his desire to keep economic disputes out of the spotlight. It also demonstrated that the Administration was highly attentive to political developments in Japan and suggests that Bush was cautious to avoid weakening Kaifu politically prior to the election.

During his visit to Washington, Matsunaga also met with Quayle and Boskin to discuss more thoroughly economic and trade issues. Throughout 1989, the yen had depreciated nearly 15 percent, the OECD predicted in its December report that Japan's trade surplus would rise as the increase in Japanese exports exceeded the growth of imports.[77] In early January, MITI responded by announcing an Import Promotion Program that eliminated tariffs on 1004 products, reduced tariffs on an additional 4 products and provided tax incentives for the promotion of manufactured imports. According to MITI, "This new import expansion program seeks to be a mirror image of the export promotion program established in the 1960's by Japan."[78] Quayle and Boskin were understandably pleased with the announcement of the measures that they believed would help reduce the bilateral trade imbalance. In fact, less than a month earlier, Boskin had sent a memorandum to Bush concerning the rise in "Japan-bashing."[79] In their meeting, Quayle stressed to Matsunaga the need to maintain forward momentum in the SII process.[80] In a dinner meeting, Hills reportedly also urged Matsunaga to make substantive progress in the sectoral disputes by late March prior to the release of the USTR's *National Trade Estimate Report on Foreign Trade Barriers*.[81]

Given the lack of substantive progress in the first two rounds of negotiations, U.S. and Japanese negotiators faced considerable pressure to achieve a breakthrough in the third round of SII talks. The Bush Administration needed to point to substantive progress in addressing Japan's structural barriers prior to the release of the Interim Report in early April. The absence of a breakthrough in the talks, when noted in the Interim Report, threatened to generate considerable Congressional pressure on the Administration to designate Japan's distribution system as a structural barrier under Super 301.[82] Moreover with the bilateral trade deficit widening in dollar terms in January, there was a strong possibility that Japan would again be designated as a "priority country" subject to possible retaliatory sanctions under the Super 301 provision. As the USTR's decision to include Japan on the list of "priority countries" was to be announced at the end of April, there was a *de facto* political linkage regarding progress in the two sets of bilateral negotiations. In order to avoid unwanted Congressional activism on trade and to block the ineffective use of unilateral policy tools, the Administration was eager to achieve an outcome with Japan that would ensure forward momentum within the SII process.

The desire to deflate mounting bilateral tensions and the unwelcome prospect of unilateral retaliation by the Congress further motivated the Japanese government to search for a way to break the impasse in the talks. But, Japanese negotiators were still hampered by the instability of the political situation in the early months of 1990. Initially, the third round of SII negotiations was scheduled to begin in early January. But, because of a general election scheduled in the Lower House, and because of the 1990 budget preparations, the Japanese side requested to postpone the negotiations until late February.[83]

Anticipating that negotiations with the Japanese government would proceed more smoothly in the absence of unwanted political distractions, the Administration complied with the request. The unexpectedly strong support for the LDP in the Lower House elections on February 18 helped bolster the tenuous political position of Prime Minister Kaifu by solidifying his position within the party. Divisions within the Cabinet and the bureaucracy had plagued the Kaifu Administration, preventing the emergence of bold new initiatives needed to help overcome the impasse in the talks. Yet, following the LDP's electoral victory, both former Prime Minister Takeshita and former Foreign Minister Shintaro Abe canceled separately scheduled visits to the United States in February. The likelihood of heightened unity within the Japanese government thus pointed to the prospect of more substantive progress in the context of the bilateral negotiations.

With these favorable political developments and with Bush having formally underscored the importance of addressing trade issues with Matsunaga, the Administration was poised to spring into action. On the eve of the talks, USTR Hills sent a Memorandum to the President entitled, "Japanese Elections Results, Impact on Trade Issues with Japan."[84] USTR Hills noted that having won 290 seats in the Lower House, the LDP had 33 seats beyond a simple majority and enough seats to secure chairmanships on all committees.[85] Hills clearly viewed the favorable election outcome as an opportunity for the United States to "secure progress" on trade issues with Japan in a more rapid fashion, noting with regard to the SII talks that her office was "seeking substantive progress in key areas during the months of February and March."[86] On the same day, in testimony before the Senate Subcommittee on Asia and the Pacific, Assistant Secretary Solomon stated, "We hope that with elections now over, we can make rapid progress on our diverse agenda of economic adjustment and foreign policy coordination."[87] Similarly, Deputy USTR Linn

Williams indicated to reporters, "We hope with the elections now over we can make rapid progress on our diverse agenda of economic adjustment and foreign policy coordination."[88] Clearly, expectations had been raised within the Administration that the Japanese government would at last be able to address U.S. demands for structural reform.

The third round of SII negotiations (第三回会合) took place at the subcabinet level in Tokyo on February 22-23. Deputy USTR Linn Williams led the U.S. negotiating team that also included Undersecretary Richard McCormack and Assistant Treasury Secretary Charles Dallara. The Japanese side included by Deputy Foreign Minister Koji Watanabe (MOFA), Vice Minister for International Affairs Naomichi Suzuki (MITI) and Vice Minister of Finance for International Affairs, Makoto Utsumi (MOF). On February 22, Japanese officials put forth a 10-point plan that included measures to relax the Large Scale Retail Stores Laws, to reform land policy, and to reduce cross-shareholding.

The U.S. side was clearly unimpressed by the temerity of the Japanese proposals, arguing that more drastic action was needed to ensure structural reform. In response to the Japanese proposals, U.S. officials countered that the Large Scale Retail Stores Law should be completely abolished, arguing that only the repeal of the law would sufficiently speed the expansion of large retail outlets. The U.S. side also responded coolly to Japanese proposals to strengthen its Anti-monopoly law, arguing that stronger enforcement and stricter penalties for violations were needed. Furthermore, to ensure the continued expansion of Japan's domestic demand, US negotiators proposed that the Japanese government submit a fiscal stimulus package equal to 10 percent of Japan's GDP. The Japanese officials were taken aback by the unprecedented scale of the U.S. proposal and responded coolly. On the following day, the U.S. side submitted its plan for decreasing the budget deficit. The Japanese side greeted this plan with skepticism, dismissing it as inadequate for bringing about meaningful deficit reduction.

The talks ended in considerable disagreement among the two sides. In light of the negative implications for bilateral relations, Foreign Minister Nakayama himself issued a statement to the press, acknowledging that that U.S. requests had been "much severer" than expected. U.S. negotiators were clearly disappointed with the outcome of the talks. In Congressional testimony before the Senate Subcommittee on International Trade the following week, Deputy USTR Williams stated, "What we heard was not enough, in our judgment, to be considered effective, lasting or credible. It was predominantly a defense of the status quo."[89] Assistant Treasury Secretary Dallara also confirmed this prognosis indicating that, "Indeed, little progress was achieved in that round of discussions."[90] U.S. negotiators apparently sensed a disparity in the level of political commitment of the two governments and attributed the failure of the talks to a disparity in expectations.[91] They implied that the Japanese negotiators lacked sufficient political guidance to achieve the necessary breakthrough. The Administration apparently attributed the failure to Kaifu's political weakness but, in accordance with U.S. interests, refrained from saying so directly in order not to weaken him further.

Having failed to achieve a breakthrough in the November round, the failure of the February talks threatened to erode critical support in the Congress for the Administration's approach with Japan. Political attention on trade matters within the Congress was nearing its seasonal peak. In early March, high-level trade officials were scheduled to give testimony before the House Energy and Commerce Committee and the Senate Finance Committee Subcommittee on Trade regarding Japan.[92] In April, in addition to the release of the SII Interim Report, the USTR's faced statutory deadlines in ongoing sectoral trade disputes and the Administration faced the 1990 decision on the use of Super 301. In light of this flurry of activity, heightened Congressional scrutiny on trade appeared certain. Thus, the

Administration sought to avoid the perception that in the face of failed negotiations Bush had come to tolerate the unpopular "do-nothing" trade policies of his predecessor.

Administration officials were also concerned that the deterioration in economic relations was starting to have an adverse impact on other important aspects of bilateral relations. For example, in a speech before the Japan National Press Club in Tokyo just prior to the commencement of the February talks, Defense Secretary Dick Cheney cited serious concerns about the impact of the failure of the talks on defense and technology flows. He stated, "The growing friction between our countries on trade issues and continued trade imbalances may, if unchecked, spill over into other areas of mutual interest and concern."[93] State Department officials expressed similar displeasure with the way in which trade and economic issues were clouding the prospects for enhanced bilateral cooperation.

The Palm Springs Summit

Bush foresaw the opportunity to rejuvenate the stalled talks through his preferred style of one-on-one diplomacy. Accordingly, in order to ensure a successful fourth round of SII talks scheduled for early April, Bush sought a meeting with Kaifu in order to encourage him to exercise political leadership. Thus, late in the evening of February 24, President Bush personally phoned Prime Minister Kaifu and extended an invitation to meet in California.

As Kaifu was still in the process of forming a new cabinet in the aftermath of the LDP's electoral victory, the timing of the invitation was highly problematic. Kaifu could only attend the meetings in between rounds of Diet testimony. MOFA officials were also concerned that Kaifu's inexperience in foreign affairs might lead him to make specific commitments that the Prime Minister would then be hard pressed to deliver. A further concern stemmed from the fact that the unusual suddenness of the Bush invitation had left the fledgling government a mere 10 days in which to prepare for these important bilateral meetings. The typical, time-consuming negotiations among the various Japanese ministries could not possibly produce the "omiyage" type of concessions that the U.S. side was thought to be expecting. Yet, as the Japanese government attached great importance to maintaining cooperative relations with the United States, the U.S. visit presented Kaifu with an opportunity to reaffirm the complementary aspects of bilateral relations. A successful trip also promised to consolidate his leadership position within the ruling party, and significantly enhance his stature at home. Thus, on the condition that these talks did not constitute formal negotiations, Kaifu accepted the invitation to attend the "talks without a formal agenda."

The venue for the two-day talks was the Morningside Country Club in Rancho Mirage just outside of Palm Springs. Because of the suddenness of the invitation, Bush took the utmost care to avoid conveying the impression that Kaifu had been summoned for a scolding. Thus, Bush personally met the Prime Minister at the airport and the two of them road together to the golf course.[94] For example, with uncharacteristic openness Bush indicated before the first meeting in front of reporters, "I told the Prime Minister that we view this as quite a significant gesture of friendship between our countries."[95] In fact, Kaifu's acceptance in light of his domestic constraints clearly signalled to the Bush Administration the importance the Japanese government attached to bilateral relations.

The Administration adopted a low-profile approach to addressing asymmetry in bilateral relations. The State Department largely crafted the agenda that reflected Baker's view that, "only patient, determined private negotiation would work with the Japanese."[96] Bush, a skilled diplomat, shared Baker's view that publicly browbeating the Japanese government into concessions would be a highly unproductive approach.

For example, in a new conference following the meetings Bush contended, "But, look, we weren't here to throw down definitive deadlines. That's not the way you deal with Japan, in my view."[97] Rather, utilizing a mutually beneficial diplomatic approach, Bush sought to affirm the broader aspects of bilateral relations while quietly pressing upon Kaifu the importance of addressing bilateral economic issues. Thus, the meetings had a somewhat Kabuki-like quality to them as Bush skillfully praised Japan publicly and stressed the benefits of partnership while privately pressuring Kaifu to do more on trade.

Yet, contrary to the perception that Bush was soft on trade, behind closed doors, Bush pressed Kaifu quite directly to do more on trade issues. In fact, Scowcroft revealed that Palm Springs was "a fairly tense meeting" between Bush and Kaifu that in his view, "didn't do much for personal relationships."[98] While the discussions were "frank" and on the whole beneficial for bilateral relations, "the two sides were still sparring over trade issues."[99] Thus, in contrast to the friendly personal relations that would develop between Bush and Kaifu at the Houston Summit in July, the "more difficult" atmospherics within the bilateral meetings at Palm Springs had a distinctly different tone than was later conveyed to the press.

Having confined the discussion of their differences within these private meetings, the two days of talks provided a constructive forum for a beneficial exchange of views. On March 2, following their joint drive from the airport, Bush and Kaifu met privately for 40 minutes with only Deputy Foreign Minister Owada and Senior Director for Asian Affairs Dr. Karl Jackson (NSC), who acted as interpreter and notetaker, present. The two leaders then participated in a meeting and working luncheon attended by the delegations of both countries. Other U.S. participants included Secretary of State Baker, General Scowcroft (NSC), Chief of Staff Sununu, Treasury Secretary Brady, Assistant Treasury Secretary Dallara, Press Secretary Fitzwater, Ambassador Armacost, Assistant Secretary for East Asian and

Pacific Affairs Solomon, and Jackson. In addition to Kaifu, the Japanese side consisted of Foreign Minister Nakayama, Deputy Foreign Minister Hisashi Owada, Ambassador Ryohei Murata, Cabinet Chief Tatsuro Arima, Koichiro Matsuura, and Masaki Orita who acted as notetaker and interpreter. That evening, Bush hosted a dinner for Kaifu at the nearby residence of Walter Annenberg, former Ambassador of Great Britain.[100] On March 3, another a two-hour meeting and working luncheon attended by Kaifu and a host of MOFA officials including Nakayama, Owada, Watanabe and Matsuura. On the U.S. side, except for Deputy Secretary of State Robert Zoellick who attended in place of Solomon, the members were identical to those of the previous day.

In truth, Hills had clearly played a quiet role behind the scenes in shaping the way that trade issues were handled at these meetings. For example, on February 27, within three days of Bush's phone call to Kaifu, the President was reading a classified memo from Carla Hills entitled, "The President's Meeting with Japanese Prime Minister Kaifu."[101] In order demonstrate the importance the President attached to trade, USTR Hills and Secretary Mosbacher also symbolically joined Chief of Staff Sununu and Secretaries Brady and Baker to accompany Bush from Los Angeles to Palm Springs.[102] And although neither Hills nor Mosbacher were permitted to attend the principle negotiations on trade in a bow to Japanese sensibilities, both officials were "spotted in the halls" just prior to the meetings by an attentive reporter. Hills also attended the dinner hosted by the President following the first day's meetings.[103]

During the talks, The U.S. side pressed Japan to address bilateral trade issues as they were obstructing the full realization of "global partnership." The State Department wanted to promote regional cooperation in support of the movement toward democracy in Latin America and was particularly concerned about obtaining a pledge from Japan for economic assistance to Panama and Nicaragua. Bush sought to reaffirm the cooperative aspects of bilateral relations to deflect Congressional criticism and defend executive authority on trade. He also sought a political commitment from Kaifu for more visible progress in the current trade talks. Bush wanted to convey, "a sense of urgency" to the Prime Minister of the importance of resolving these sectoral disputes and in encouraging progress within the SII process.[104] A final objective may have been to provide political support for Kaifu who was consolidating his leadership position in hopes that it would facilitate progress in the SII talks in the months ahead.

Reflecting Japan's emergence as an economic superpower, Kaifu sought to increase its influence in multilateral institutions through the promotion of heightened trilateral coordination among the EC, the US and Japan. Bilateral cooperation with the United States was regarded as an integral part of that larger strategy. Reflecting the heightened importance of the market-oriented economies of Latin America, the Japanese government also desired to strengthen further its presence in the region through economic aid and the support for democratic regimes. Prior to the summit, Foreign Minister Nakayama and other Japanese officials had expressed concern about deterioration in bilateral relations and they hoped that the bilateral meetings with Bush could help reverse that trend.[105] Kaifu also sought to forge a closer personal relationship to solidify his electoral victory by demonstrating his diplomatic prowess on the international stage. At the same time, Kaifu sought to stress "global partnership" while downplaying economic issues in order to enhance his domestic stature.

Generally, as the U.S. and Japanese governments shared deep-seated complementary bilateral concerns, Bush and Kaifu shared the desire to prevent economic and trade issues from damaging other aspects of bilateral relations. Both leaders sought to rejuvenate the stalled negotiations to reverse the trend toward deterioration in overall bilateral relations. They also sought to deflate Congressional pressure in order to prevent a further rise in protectionism in the United States. Ambassador Kuriyama wrote that during the course of their meeting, Bush had made "an earnest plea," stating, "I need your help." To which Kaifu replied, "If that's the case, I need to respond with great seriousness."[106] Bush specifically raised trade issues with Kaifu directly for the first time to encourage Kaifu to move the SII process forward by providing sufficient political guidance. According to Deputy USTR Williams, "In Palm Springs, the President requested that political guidance and Prime Minister Kaifu appeared to agree to provide it."[107] Concerned about a protectionist backlash in the Congress, Bush also sought Kaifu's help in resolving the sectoral disputes mentioned under Super 301. According to USTR Hills, the President made a "very direct statement that these trade impediments must be corrected. The President specifically mentioned these sectors."[108]

While Bush and Kaifu held rather specific discussions on these issues, both leaders chose to avoid disclosing the details of those conversations. According to Williams, "President Bush, in Palm Springs, expressed the importance of trade issues to the entire United States—Japan relationship and to global trade, and he sought there to energize Japanese efforts, with the SII and with sectoral issues."[109] But, in his departing remarks and his press conference, Bush made only general references to this aspect of the meeting. Moreover, Bush acknowledged that America was contributing to the macro-economic imbalance. He stated,

> Lets face it these talks are a two-way street. We Americans must increase our savings, reduce our budget deficit, provide more incentives for our investors, strengthen our educational system and focus on producing goods of the highest quality. So, our task is to make the American economy even stronger and even more competitive and that is a task for Americans, not Japan.[110]

Bush intentionally stressed the numerous positive aspects of their meeting. The President was clearly pleased with Kaifu's commitment to broadening the "global partnership" and in tackling regional issues. In particular, in his departing remarks, Kaifu firmly committed to assist in the promotion of democracy in Latin America and pledged economic aid to the region. As stability in Latin America was a key strategic objective of the Administration, Bush and Baker reacted jubilantly to Kaifu's announcement. In response to the Administration's requests, Kaifu also announced countermeasures to reduce the trade imbalance by taking steps to insure that Japan's future economic growth would be based less on exports and more on domestic led expansion. Having reinforced bilateral relations and having moved forward on the trade front, at his press conference following Kaifu's departure, Bush indicated, "We got everything we wanted out of this meeting that we had hoped for... I am encouraged by the trend."[111]

The Bush Administration succeeded in reinforcing the complementary aspects of bilateral relations. Bush reaffirmed the importance of "global partnership," regional cooperation and the diplomatic resolution of bilateral problems through close consultation. The President placed the discussion of trade issues within a balanced framework that included each of the security, political and economic pillars of bilateral relations thereby affirming the importance of Japan as a valuable and trustworthy ally. He was always careful to frame the economic and trade issues in terms of the larger framework of bilateral relations not only to accord with Japanese sensibilities but because that was consistent with the Administration own strategic imperatives. For example, Bush stated, "We also discussed our economic relationship -one of the most broad-ranging and complex set of commercial and financial interactions in the world. And there are many areas where we have close cooperation."[112] Thus, contentious economic and trade issues were viewed as merely one aspect of a broader beneficial economic relationship. The affirmation of a complementary approach allowed Kaifu and the Japanese government to respond more favorably to U.S. requests for forward movement on economic issues. At the same time, Bush's preference for problem solving through "personal diplomacy" was also welcomed by Kaifu who sought to improve his personal relationship with Bush to enhance his domestic stature and to bolster Japan's image as global leader. Having facilitated Japanese cooperation by appealing to its interests, Bush was thus able to successfully extract a political commitment from a somewhat reluctant Kaifu that would help to reinvigorate the SII talks.

Both U.S. and Japanese officials credited the meetings in Palm Springs as marking a reversal in the deterioration of bilateral relations. Executive leadership, based on the principle of "global partnership," helped foster a spirit of cooperation that weakened bureaucratic intransigence on a host of bilateral disputes at the micro-economic level.[113] In moderating trade tension, these talks were also important to allowing both sides to regain forward momentum in the SII process. For example, Deputy USTR Williams acknowledged the role of presidential leadership in Congressional testimony in early April, stating that, "the meetings made an enormous difference." [114] Ambassador Ryohei Murata confirmed this assessment, indicating that in his mind, "the meetings were very fruitful."[115] The talks clearly provided the "new energy" that the Administration had sought. As a result, following the highly successful bilateral meeting in California, U.S. and Japanese negotiators began a period of intense high-level negotiation that continued into the summer.

Round IV and The Interim Report

During his one-on-one meeting, Bush had urged Kaifu, "To take the political decisions from the top."[116] In his departing remarks, Kaifu stated, "I am determined to firmly tackle structural reforms of Japan as one of the top priorities of my new

Cabinet..."[117] Upon returning to Japan, in order to fulfill his pledge, Kaifu needed to overcome political and bureaucratic resistance by demonstrating executive leadership at home that resembled a presidential style of decision-making. According to Former Ambassador Takakazu Kuriyama, departing from the more typical "bottom-up" style of Japanese decision-making, Kaifu chose to adopt a "top-down" approach in which the guidance of the Prime Minister's Office became the key to effective coordination. [118] The perception within the Japanese government of the importance of "crisis management of bilateral relations," allowed Kaifu to initiate a series of actions designed to tackle economic and trade issues more directly.

Kaifu established a special cabinet level taskforce from among the most powerful members of his new Cabinet. Headed by Kaifu, the taskforce was led by Foreign Minister Taro Nakayama, Finance Minister Ryutaro Hashimoto, MITI Minister Kabun Muto, and included Chief Cabinet Secretary Misoji Sakamoto and Deputy Chief Cabinet Secretary Noboru Ishihara. [119] The taskforce members met at the Tokyo Hotel on March 10 to discuss the SII negotiations and attempted to narrow the differences among the various ministries in order to develop a unified response. On March 13, following a full Cabinet debate on trade strategy, tacitly acknowledging unresolved differences among the ministries, Kaifu indicated that he would make the final determination in regard to bilateral trade issues. Thus, the preliminary draft package submitted by the taskforce on March 16, was a product of less bureaucratic infighting than had been the case in previous SII rounds. Nevertheless, in reviewing the draft package, the LDP leadership expressed both disappointment with the temerity of the reforms and skepticism that they would sufficiently satisfy U.S. demands.

As a follow-up to the summit in Palm Springs, Kaifu also dispatched former Prime Minister Takeshita, the leader of the largest LDP faction, to Washington for three days of talks to help broker a deal. The Administration clearly viewed

Takeshita's involvement as "pivotal" to maintaining support within the LDP for Kaifu's economic reforms.[120] On March 11-14, Takeshita first met privately with Secretary Baker, then together with Bush and Baker, and finally together with Secretaries Baker, and Brady and USTR Hills. As Takeshita was Finance Minister when Baker was Treasury Secretary during the Reagan years, they enjoyed a close rapport, having forged the historic Plaza Accord. According to Baker, during a private golf match, the two officials worked out "the framework for an eventual compromise," including substantial increases in Japanese spending, that helped facilitate forward progress in the SII talks.[121] Nevertheless, in his public statement, Baker repeated his concerns about the need to stave off protectionist pressure in the Congress, warning that Japan's distribution system may become a target of 301.[122] Similarly, Brady stated, "The US could address trade issues with Japan more effectively if Japan managed to dispel perceptions here of being an 'unfair trader."[123] Similarly, while Takeshita affirmed the need for "urgency," he warned that retaliation was simply "unacceptable."

On March 20, a preliminary version of the draft reform package was shown to Bush administration officials who met quietly in the Airlie House conference center in Warrenton, Virginia. The U.S. team included McCormack (State), Williams (USTR) and Dallara (Treasury) as well as Michael Farren, Undersecretary of Commerce for International Trade and John Taylor, a member of the Council of Economic Advisors. Japanese officials included Watanabe (MOFA), Utsumi (MOF) and Suzuki (MITI) who held informal discussions with their American counterparts on the reform package. Japanese negotiators apparently desired to gauge the U.S. response in preparation for the upcoming SII round in August. The two sides discussed penalties related to antitrust violations, the relaxation of restrictions on opening large retail stores, increased spending on public works projects, and tax code revisions designed to encourage lower land prices.[124] Yet, aside from indications of greater flexibility on increasing public work spending, the draft was largely a reiteration of the Japanese government's position of the negotiations in February. The Japanese government merely repeated its pledges to relax implementation of the Large Scale Retail Store Law, and to beef up the penalties for anti-monopoly law violations. As some LDP officials had predicted, Bush administration officials were critical of the report for its failure to bring about fundamental reform. In assessing the usefulness of these discussions, U.S. officials' views appeared to range from "some progress" to "Absolutely zip got accomplished."[125] But, the general feeling among the U.S. officials was that Japan needed to move further. Some U.S. officials expressed concern that the Japanese government may have experienced, "a loss of resolve."

While Kaifu continued to encounter bureaucratic opposition, he met with Secretary General Ozawa on March 22, and they agreed to send a Japanese delegation led by Toshio Yamaguchi, Chairman of the LDP Ad Hoc Economic Coordination Council to the United States to address U.S. concerns. The following day, the Japanese government softened its stance in negotiations on the government procurement of satellites in the context of the sectoral negotiations under Super 301, resulting in a tentative agreement. On March 27, in meetings between Ozawa and Chief Cabinet Secretary Sakamoto, a political compromise was reached that permitted Kaifu and other top policy-makers to advocate bolder reform proposals that were generally recognized to be in Japan's long-term interest.

Despite signs of greater flexibility in the Japanese position on bilateral trade issues, bilateral economic tensions flared following the release of the *National Trade Estimate Report on Foreign Trade Barriers* on March 30. The USTR reported that, despite a 50 percent drop in the value of the dollar by 1989 and attempts at U.S. and Japanese macro-economic coordination, the impact on the trade imbalance had been "disappointingly weak."[126] Moreover, while the USTR acknowledged that "most of

Japan's tariff and non-tariff barrier" had been successfully eliminated, Japan was still cited for 33 trade barriers, a total greater than any other U.S. trading partner.[127] 20 specific products and product groups were designated for reasons that included high tariffs, quotas, government procurement, government standards, or private sector actions. In addition to a number of barriers in the service sector and violations of the intellectual property rights, the six barriers under negotiation within the SII, including the distribution system were also cited. With the large number of barriers cited in the report and the seemingly slow pace of the SII negotiations, pressure on the Administration to make progress in eliminating these barriers with Japan was mounting in the Congress. It appeared increasingly likely that failure to produce an agreement in the April Round would result in formal investigations of structural barriers with the threat of retaliatory sanctions under Super 301. Against this backdrop, SII negotiators at the subcabinet level met in Washington for 4 days of round the clock negotiations on April 2-5, 1990. A breakdown in the SII process was averted when the two sides reached official agreement 15 minutes prior to the April 5 deadline. According to a Treasury Department report that summarized the "Key Elements of the Interim Report," U.S and Japanese negotiators had achieved, "substantial progress." [128]

Indeed, the breakthrough led to significant reductions in trade barriers in each area under negotiation. U.S. negotiators had pressed Japan to increase its investment in order to improve both its savings and investment balance and to reduce Japan's trade surplus. In the Interim Report, Japanese negotiators agreed to "increase substantially" infrastructural investment through the launch of a 10-year public investment plan. While disagreement remained regarding the actual amount of expenditure, the two sides agreed that the aggregate expenditure figures would be specified in the Final Report. In the area of distribution, the Japanese side agreed to measures designed to facilitate the introduction of new products to consumers, to upgrade import-related infrastructure, to streamline customs regulations and to ease restrictions through deregulation. For example, the Japanese government agreed to revise the Large Scale Retail Store Law by shortening the time for approval to 12 months by the spring of 1991. In order to address the *keiretsu* and exclusionary business practices issues, Japan agreed to measures designed to promote open, transparent and fair competition, to strengthen the Anti-monopoly Act and anti-trust enforcement. The Japanese side also agreed to a comprehensive review of land use policy. In order to improve Japan's pricing mechanism, in addition to the above measures, the Japanese government sought to discourage unwarranted price differentials and encourage open procurement policies. On the U.S. side, negotiators agreed that the Administration's "top priority" was to "eliminate the budget deficit by 1993" by achieving restraints in fiscal spending. Consistent with U.S. domestic policies, U.S. negotiators also agreed to measures designed to stimulate private savings, to improve competitiveness, to reduce regulations, capital gains taxes and export controls, to promote exports, and to improve education and worker training.

Thus, prior to the release of the Interim Report on April 5, four long days and nights had yielded sufficient movement by the Japanese side that the Bush Administration could call the second round an unqualified success. USTR Hills had sought and was satisfied with obtaining a "comprehensive blue-print with sufficient specifics" which constituted "a good first step" that allowed the two sides to move forward.[129] At the same time, the USTR had moved to settle sectoral issues under Super 301 prior to the April 5 deadline. On April 4, with the exception of wood products, the USTR announced that it had achieved breakthroughs on all of the sectoral issues, reaching tentative agreements in the satellite and telecommunications sectors and a final agreement in the supercomputer sector. In regard to forest products, Kaifu had sent a letter to Bush through his Special Envoy Matsunaga, pledging cooperation in expeditiously resolving that issue. On April 5, Kaifu also announced the elimination of a number of additional trade barriers. Collectively, in order to follow through on his pledge to Bush at Palm Springs, Kaifu had taken a number of constructive steps to eliminate structural barriers and improve foreign access to the Japanese market.

In a Presidential Statement announcing the accord, Press Secretary Fitzwater stressed the fact that bilateral cooperation had made such an agreement possible. Noting that structural problems are "deeply ingrained in both economies," the Administration essentially adopted the Japanese government's view that changes would have to be incremental. In tackling the barriers that prevent the adjustment of the trade imbalance, Fitzwater described the agreement as "an important way station on the road leading to a strengthened U.S. -Japanese relationship."[130] He also praised Kaifu's cooperative efforts, noting their positive impact on the broader aspects of bilateral relations. On the previous day, praising his "forthright and assertive leadership," Bush commented on Kaifu's helpful role even before a final agreement was reached.[131] Two days later, in an exchange with reporters, Bush explained Kaifu's contribution, "The government of Japan and Prime Minister Kaifu-and I salute him-have shown true leadership. And the Prime Minister, in particular deserves major credit. He made success on trade and economic negotiations with us his top priority, and in a month, we have had real success."[132]

On April 12, Bush attended Economic Policy Council meeting in which the upcoming Super 301 decision and progress in the SII negotiations were reviewed. Bush offered a very upbeat assessment. In the Cabinet Room, Bush explicitly credited Kaifu and other party leaders for assigning "top priority to the success of the negotiations adding, "And had they not done it, I don't believe we would have this progress."[133] As a result of the steps taken by Kaifu and the Bush Administration's reluctance to negatively impact the ongoing Uruguay Round of the GATT talks, and the SII negotiations, the USTR refrained from designating Japan as a priority.[134] Thus, although U.S. -Japanese relations had been on the verge of crisis, the successful conclusion of the April Round and the release of the Interim Report had helped pave the way for a smooth conclusion to the Final Round in June, significantly diffusing bilateral tensions.[135]

Round V and the Final Report

The decisive turn in the tenor of U.S. -Japanese economic relations for the year was the final round of the SII negotiations. The Interim Report had pointed to the need for "further progress" in reducing structural barriers but the exact nature of that progress remained a key source of contention. The U.S. side saw the Interim Report as a general framework through which general commitments could later be translated into detailed plans. The Administration maintained that, "The effectiveness of many of the measures and commitments in the interim report will depend upon achieving greater specificity in the commitment and, ultimately, on the actual implementation of measures to reduce or eliminate the structural impediments."[136] At the same time, the Administration needed to point to continuing progress in order to deflect Congressional criticism that the decision to refrain from designating Japan under "Super 301" had lessened the pressure on Japan.

The Japanese side desired to avoid making overly specific commitments in order to retain the greatest degree of flexibility in implementing the bilateral agreement. The Japanese government was clearly unenthusiastic about the prospect of incorporating new commitments that went beyond the scope of the Interim Report. Foreign Minister Nakayama indicated that, "Our basic position is that the fundamental structure is laid down in the Interim Report."[137] Accordingly, the Japanese government strongly resisted attempts by U.S. negotiators to introduce additional proposals that lay outside the commitments already agreed to in the

Interim Report.

The Japanese side desired to avoid making overly specific commitments in order to retain the greatest degree of flexibility in implementing the bilateral agreement. The Japanese government was clearly unenthusiastic about the prospect of incorporating new commitments that went beyond the scope of the Interim Report. Foreign Minister Nakayama indicated that, "Our basic position is that the fundamental structure is laid down in the Interim Report"[138] Thus, the Japanese government strongly resisted attempts by US negotiators to introduce additional proposals that lay outside the commitments already agreed to in the Interim Report.

On May 23-24, U.S. and Japanese officials met in Hawaii to move the talks forward. But given the fundamental difference in outlook regarding new proposals, these discussions resulted in a standoff. Two weeks earlier, the Ministry of Finance, Economic Planning Agency and the Construction Ministry had jointly announced a 10-year public investment plan valued at 2.8 trillion yen. Having reached an agreement among these ministries, the Japanese government was reluctant to move to agree to additional measures put forward by the U.S. The Japanese government's reluctant posture stemmed in part from the fact that Bush's prospects of achieving meaningful deficit reduction had been significantly reduced after he agreed to consider tax increases in early May of 1990. With Bush unable to overcome political opposition on deficit reduction, the Japanese bureaucracy grew increasingly resistant to accepting America's "one-sided" demands. Prior to the meeting in Hawaii, Japanese negotiators appeared uncooperative, avoiding phone calls from their American counterparts and dodging U.S. requests. These actions together with the absence of progress in Hawaii fostered the impression among American officials that the Japanese government had embarked upon a deliberate strategy of attempting to stall the negotiations. One negotiator publicly expressed the frustration of the U.S. side, reporting in the *Wall Street Journal*, "We were shocked by the stonewalling in

Hawaii."[139] The Bush Administration grew concerned that Japan's "foot-dragging" was having a deleterious impact on bilateral economic relation following President Bush's decision in April not to name Japan under Super 301. For example, in a speech before the Japan Society in New York, USTR Hills warned, "Japan's foot-dragging ...must end."[140]

This unusual display of public wrangling reflected heightened public attention to the SII process and a sense of frustration within both governments that despite earlier progress more tough negotiation lay ahead in the final round of negotiation. The two sides were still divided over a number of important issues. While the two sides had agreed to strengthen enforcement of the anti-monopoly law, the U.S. wanted more stringent penalties for violations. But, the most contentious issue of the final round was over the size of the increase in Japan's public works spending over the next 10 years. A sizable increase in public works spending was thought to have a substantial impact on the Japanese economy by significantly curbing Japan's excess savings. Infrastructural improvements were expected to stimulate domestic demand, thereby stimulating demand for foreign products and enhancing foreign access to Japanese markets.[141] In turn, by helping to reduce Japan's large savings-investment imbalance, increased public spending was thought to lead to a reduction in Japan's global and bilateral trade surplus.

Initially, the Japanese government was hesitant to pledge a specific amount of investment because of the possible inflationary impact on a growing economy. The government preferred a yen figure, strongly resisting the U.S. approach on the grounds that an investment of a fixed percentage of GNP would limit fiscal flexibility.[142] Moreover, MOF officials argued that Japan's ratio of current spending to GNP was already three times that of the U.S. figure.[143] But, with the weakening of the Japan's economy and the desire to placate U.S. demands, the Japanese government gradually came to accept the need for additional fiscal stimulus. In late

May, Japanese negotiators proposed a ¥400 trillion spending package. The U.S. government had originally sought an increase in Japan's public spending to 10 percent of GNP. Although the Bush Administration had abandoned that request as well as its fall-back request of ¥500 trillion, they rejected Japan's new proposal.

In mid-June, both the U.S. and Japanese governments began to adopt more flexible postures and began to soften their positions on public spending. On June 15, Foreign Minister Nakayama together with Vice Minister for International Affairs Makoto Utsumi (MOF) met with Secretary Baker in San Francisco, helping rekindle the spirit of cooperation that had led to so much progress earlier. As the Baker-Nakayama meeting was the first cabinet level discussion since the breakdown in the talks in Hawaii, the positive tone provided some optimism that Japan had become more responsive to U.S. requests. Following their meeting, Nakayama indicated that he would carry the message on public spending back to Tokyo, signaling a willingness to consider the U.S. request.[144] Similarly, Japanese officials believed that following the meeting, the U.S. position on public spending had begun to soften.[145] On June 22, Deputy USTR Linn Williams hinted that the U.S. was ready to make a deal, saying, "We are not necessarily sticking to the GNP figure. We still find the GNP figure attractive from our standpoint."[146] With the deadline nearing, Japanese negotiators proposed a ¥415 trillion figure, which became the basis for negotiations during the final round.

On June 25-28, prior to the release of the Final Report (最終報告書) the final round of SII negotiations (第五回会合) took place in Tokyo. Representatives for the U.S. side included: Deputy Assistant Secretaries Richard McCormack and Robert Fauver Undersecretary for International Trade Michael Farren, Assistant Treasury Secretary Charles Dallara, Deputy USTR Linn Williams, John B. Taylor, member of the Council of Economic Advisors, James F. Leer, Director of Anti-trust Division of the Attorney Generals Office and Ambassador Michael Armacost. The Japanese side included Deputy Minister of Economic Affairs Koji Watanabe (MOFA), Vice Minister for International Affairs Makoto Utsumi (MOF), and Naomichi Suzuki Vice Minister of Industry and Trade (MITI) and Tsuneo Unno, Vice Minister for Foreign Economic Affairs (Economic Planning Agency) as well as representatives from various other ministries.

While the negotiations yielded substantive progress in tackling the details of agreements reached in the April Interim Report, the issue regarding the size of Japan's stimulus required high-level intervention. On June 27, reflecting strong resistance within the Finance Ministry, Kaifu first had to enlist the help of Shin Kanemaru in forging a compromise with Finance Minister Hashimoto to achieve consensus within his own Cabinet. The following day, Kaifu and Bush personally intervened to forge an agreement, breaking the deadlock on the investment question. Bush and Kaifu agreed to raise the size of the stimulus to ¥430 trillion.[147] Having resolved the most difficult issue, U.S. negotiators, following 50 hours of intensive negotiations that lasted four days, were able to achieve a number of significant breakthroughs.

Specifically, in addition to the issue of Japan's savings and investment pattern mentioned above, the U.S. cited Japan for a number of structural barriers, including, land-use policy, distribution, exclusionary business practices, Keiretsu relationships, and pricing mechanisms. The Administration claimed that these barriers collectively acted as impediments to the reduction of the bilateral trade imbalance. In response, the Japanese government agreed to take steps to improve the efficiency of the utilization of land-use through such measures as the more effective use of "idle and underutilized state owned-land", the rationalization of the land-value assessments, and the expansion of the use of "eminent domain."[148] In order to help streamline the distribution system, upgrading of the import infrastructure such as at airports and harbors, and measures to expedite customs clearance and other import procedures were agreed upon. In addition to the expansion of imports through tax incentives and tariff liberalization, the implementation of the new Large Scale Retail Store Law permitted new stores to open within 18 months and allowed smaller stores to expand more easily, further deregulating the Japanese economy.[149] In order to help minimize exclusionary business practices, enhanced enforcement of the Anti-monopoly Act so as to eliminate cartels bid-rigging, and assurances of greater transparency and nondiscriminatory procurement were also promised. Steps to promote fairer competition included adjustments to Japan's pricing mechanism and establishment of the principle that Keiretsu relationships should not have "an exclusionary effect on foreign firms."[150] For its part, the U.S. side repeated many of the same pledges it had made in the Interim Report. The agreement was signed on June 28.

Through these provisions the Bush Administration could point to significant progress in addressing Japan's perceived structural barriers. According to USTR Hills' spokeswoman, "Overall it's a good package. It's not as much as we had hoped for but its headed in the right direction."[151] In the Final Report, the SII Working Group noted, "substantial progress" in addressing structural problems, confirming they were, "strongly committed to make further efforts for the further reduction of their respective external imbalances.[152] In a letter accompanying the Final Report, the two sides had also agreed to a follow-up mechanism that called for the joint SII Working Group to hold three meetings during a one year period, followed by two meetings each year for the next two year after that. The purpose of these follow-up meetings was to review progress, and to discuss problems "already identified" in the Final Report and attempt to resolve outstanding issues.[153]

The Follow-up Talks (1991)

During the Follow-up talks, while the Japanese government remained cooperative in addressing issues related to the agreements forged through SII, progress in addressing new structural barriers was slow and change more incremental than during 1990. To be sure, during the follow-up meetings held in January, May, and October of 1991, the Japanese government agreed to a number of helpful steps that led further reductions in trade barriers. In the second follow-up meeting held in Tokyo in January, U.S. negotiators were satisfied with Japan's 1991 budget proposal for public spending which represented an increase of 3.5 percent from the previous year to $214 billion. U.S. negotiators also welcomed the Japanese government's decision to tighten Japan's corporate public disclosure law by requiring owners of 5 percent of a company's stock to report their holdings.[154] Moreover, in February, the Cabinet agreed to a proposal by the Fair Trade Commission to toughen the penalties on firms engaged in collusive activities, raising the fines from 1.5 to 6 percent for manufacturers and other large companies participating in illegal cartels.[155] These measures together with the Japanese government' pledge to sponsor measures to encourage freer competition by limiting the role of the Keiretsu were detailed in an annual report released in May.

Despite progress, the SII talks had begun to loose momentum as early as mid -1990 following the conclusion of the Final Report. Having accomplished a number of important breakthroughs in the SII process, high-level political attention began to shift to other important issues. As explained in the next section, the Administration shifted its focus away from bilateral trade policy approaches toward a still greater emphasis on a multilateral approach. The aim of this course adjustment was to attempt to insure the successful conclusion of the Uruguay Round in 1990. With the recession in the U.S. and Bush's political difficulties related to the 1990 budget deal, Bush's control over macro-economic policy and the legislative agenda continued to weaken. By 1991, policy-makers turned their attention to the immediate need of reviving the stalled U.S. economy and were less focused on altering America's macro-economic policies in order to reduce the budget deficit or increase America's savings rate. With the trade picture significantly deteriorating in the latter half of 1991, the bilateral trade deficit rose 5.6 percent to $43.4 billion in 1991. Congressional leaders such as Senator Baucus (D. -Montana), Chairman of the Senate Finance Subcommittee on International Trade, grew increasingly critical of the President's moderate trade policy vis a vis Japan and his seemingly excessive reliance on the SII framework. Following the course adjustment by the Administration in mid-1990, many of Bush's top SII negotiators that had been so productive during 1990 began to leave the Administration. For example, Richard McCormack left the State Department at the end of 1990 while Linn Williams returned to private practice in September of 1991. With the Presidential election in 1992, the Administration attempted unsuccessfully to launch various schemes to reinvigorate the SII process.

The Administration's shift toward multilateral approaches also reflected important changes within Japan. By mid-1990, in light of Bush's political difficulties, the Japanese government recognized that despite good intentions, the Administration was increasingly less likely to make negotiations at the follow-up meetings the "two-way street" hoped for by Bush and thus made less substantive commitments. At the same time, Japan's economic problems and political instability contributed to less vigorous activity. Importantly, while agreeing to a sizable stimulative fiscal package, the Japanese government refused to abandon its tradition of a tight monetary policy even though the end of Japan's bubble economy (1986-1990) had brought with it a precipitous collapse of Japan's domestic demand. Throughout 1991, bureaucrats in the Ministry of Finance insisted that the Japanese government continue to maintain a tight money policy in order to insure stable land prices, despite the fact that such a policy threatened to prolong and possibly worsen Japan's recession. With the U.S. economy in recession, the slow-down in Japan's economy, which constituted 16 percent of world trade in 1991, was a significant drag on the global economy. The combination of the events in the Gulf and the slowdown in the growth of the global economy indirectly impeded the growth of U.S. exports to Japan that was vital to reducing the bilateral trade deficit. By 1992, as Ambassador Armacost explained, "In both countries, policy coordination fell victim to gridlock ; in the United States, between the executive and legislative branches, in Japan between politicians and bureaucrats."[156]

Despite the relatively incremental progress in the latter half of Bush's tenure, the SII talks were a quite successful initiative for the Administration. The Bush Administration's emphasis on a cooperative bilateral approach provided significant incentives for the Japanese government to approach the resolution of bilateral economic issues from the standpoint of common interest. By utilizing a complementary approach, the Administration reduced a significant number of structural impediments to trade, generated new opportunities for American companies, improved U.S. and foreign access to Japanese markets and helped prevent a widening of the bilateral trade deficit. Given Bush's diplomatic approach and given his emphasis on addressing the macro-economic structural barriers, Bush, together with Kaifu's leadership, helped generate significant public support in Japan for important long-term structural reforms of the Japanese economy. With strong presidential leadership on trade at key junctures (in March, April and June of 1990) during the negotiations, Bush was able to ensure "forward momentum" in the SII process. Progress in resolving these structural issues, together with the resolution of the outstanding sectoral issues, helped both to deflate protectionist sentiment and to rebuff retaliatory trade proposals by placating trade moderates in the Congress.

Embracing Multilateralism

As was noted in the previous article, the Bush Administration had quietly substituted the Super 301 policy tool for a complementary bilateral approach to trade with Japan through the SII talks. Similarly, in the spring of 1990, even while SII related negotiations dominated the headlines, U.S. policy-makers quietly began to reexamine the effectiveness of its bilateral initiatives vis a vis Japan in light of the dramatic global strategic changes that were taking place. To be sure, as the Administration sought to play a leading role in promoting the expansion of global trade and in encouraging the further integration of market-oriented economies, Japanese cooperation was viewed as increasingly critical to both elements of that strategy. Nevertheless, the Administration continued to confront the dilemma of reconciling the desire to promote "global partnership" with Japan with the need to bring about a more balanced economic partnership. In order to maintain a more consistent trade policy with Japan the Administration sought to emphasize the complementary aspects of bilateral relations while integrating its bilateral approach with regional and multilateral policy objectives. By the summer of 1990, a combination of factors had thus produced a subtle but decided shift in the Administration's trade policy approach toward Japan. As a result, the Administration devoted less high level political attention to SII negotiations, adopted a more cooperative posture in bilateral negotiations on trade issues and further emphasized the use of multilateral policy tools.

The shift toward a less confrontational approach toward trade with Japan must be understood in the context of changes to the Administration's GATT strategy. As the deadline for the conclusion of the Uruguay Round of the GATT talks was initially scheduled for December of 1990, the Administration had grown increasingly anxious about the possibility of the failure of those talks. In May, the OECD ministerial meeting had ended in a standoff between the EC and the U.S., supported by the Cairnes group, on the question of agricultural subsidies. In the absence of significant liberalization of the agricultural sector, the Cairnes Group threatened to renege on earlier agreements reached on services thereby imperiling the entire round.

In late May, the Administration released a *Fact Sheet* entitled, "The Bush Administration's Trade Strategy," in which Bush unmistakably reaffirmed that, "The Administration's highest trade priority is to strengthen the international trading system by successfully concluding the Uruguay Round...by December."[157] With both the U.S. and EC having adopted entrenched positions, the U.S. looked to Japan to support its position and to promote forward momentum in the negotiations. U.S. trade officials were sanguine enough to recognize that Japan was unlikely to suddenly abandon its politically powerful rice farmers and fully endorse free trade. But, the Administration reasonably believed that at a critical juncture a cooperative Japan might play a pivotal role in helping to tip the balance of power in the negotiations in America's favor. According to Scowcroft, what the Administration desired most was, "to solve our principle problems on trade with Japan so that we could use that with the Europeans, because the Europeans were in a way the toughest nut we had to deal with."[158] Thus, in order to improve the chances for a deal with Japan, the USTR avoided initiating new unilateral trade investigations that might adversely impact the ongoing GATT negotiations. For example, despite overwhelming evidence that Japan's public works construction market was lacking in openness and transparency, the USTR's office declined to cite Japan for trade barriers in early May. [159]

Following the OECD meeting, U.S. trade officials began to heighten the rhetoric on the "enormously important" agricultural issue in the months prior to the Houston Summit.[160] USTR Hills had impressed upon Bush the critical importance of agriculture to the success of the Uruguay Round.[161] Thus, for example, prior to the

Houston Summit, when asked by a reporter what he wanted from the Summit, Bush replied, "Well, I'd like to see us move forward on the Uruguay Round, which means we've got to get moving on the question of agriculture."[162] In light of this flurry of activity in regard to trade with the EC, restoring balance to economic relations with Japan was not nearly the priority it had been just a few short months ago. In fact, the trade imbalance issue seemed to have been reframed from focusing on Japan to focusing on the EC. For example, at a press briefing on July 9, just prior to the Houston Summit, John Sununu stated, "One of the most significant concerns is the issue of dealing with the agriculture question in the Uruguay Round. The United States is strongly committed to redressing the various imbalances that exist in trade such as import restrictions, export subsidies, and internal price supports."[163]

In this context, Japanese cooperation in regard to trade at the Houston Summit was exceedingly vital. The Houston Summit also marked a turning point in Bush's personal relationship with Kaifu as the "George-Toshiki" relationship grew to be "very close." Scowcroft vividly recalled the two leaders at the rodeo, noting, "He [Kaifu] really took to it and I remember him with a 10-gallon hat and cowboy hat and boots and so on. I think they really hit it off down there."[164] At the substantive level, Bush sought and obtained the inclusion of an important statement by the Summit members that supported his view about the importance of the Uruguay Round. It read, "The preservation and expansion of international trade now depends on the successful conclusion of the Uruguay Round of Multilateral Trade Negotiations before the end of this year. The accomplishment of this objective is the highest economic policy priority of Summit countries."[165] The Administration also pressed to include a phrase that emphasized, "We reject protectionism in all its forms." In his press conference following the summit, Bush stated, "The successful outcome of the Uruguay round has the highest priority...We stress our determination to take the difficult political decisions... by the end of the year."[166] But, despite the friendly atmospherics, reflecting Japanese reservations about the liberalization of rice, Kaifu also managed to insert that in regard to agricultural products future negotiations, "should take into account [country's] concerns about food security."[167]

Following parallel negotiations that took place in Houston between USTR Hills and EC trade officials during the Summit talks, Hills announced that the two sides had reached agreement on agriculture. Specifically, the two sides had agreed to make "substantial progressive reductions" in domestic supports, export subsidies and market access barriers. In her briefing following the Summit, Hills stated that she was "absolutely thrilled" with obtaining a specific commitment from the EC to negotiate in all three areas, that all three U.S. objectives were accomplished at the Summit with regard to trade. [168] She referred to the agricultural sector as "the linchpin of the negotiations," and with the agreement the Administration was hopeful an agreement could be worked out.[169]

In truth, despite the Administration's initial enthusiasm, the negotiations by the two sides remained deadlocked throughout the remainder of 1990. For, although both sides had agreed to "substantial progressive reductions," the actual degree of reduction was vague and largely undecided. The U.S. would propose that the EC initiate a 90 percent reduction in export subsidies and 75 percent reduction in both domestic supports and market access barriers. By the end of 1990, it became clear that the EC, having rejected each of these proposals and having offered no counterproposals other than a 15 percent cut in domestic supports, was not interested in substantial reductions. For example, Roger Porter, economic advisor to the President, in a memorandum to the President, expressed dissatisfaction with the EC position, explaining that a 15 percent cut in domestic supports over 10 year period would amount to a mere 1.5 percent cut per year which, "can hardly be called fundamental agricultural reform"[170] (See Figure A below). Despite the lack of movement, Bush continued to encourage both the EC and Japan to "to exercise

Figure A

AGRICULTURE IN THE URUGUAY ROUND

	Domestic Supports	*Export Subsidies*	*Market Access Barriers*
Houston Summit Goal	"Substantial, Progressive Raductions"	"Substantial, Prograssive Reductions"	"Substantial, Progressive Reductions"
United States Proposal	75% Reduction Over 10 years	90% Reduction Over 10 years	75% Reduction Over 10 years
European Community Proposal	30% Reduction From 1988 Baseline (Effective Cut : 15%)	No Proposal	No Proposal

SOURCE : Memorandan, Roger Porter to the President, November 13, 1990, folder : "Uruguay Round," OA/ID CF 00153, jolm Sununu Files, Office of Chief of Staff, George Bush Presidential Records, George Bush Presidential Library

political leadership at every step along the way."[171]

The stalemate on agriculture at the Uruguay Round of the GATT talks also led the Administration to attach greater importance to regional market opening initiatives. Consistent with the objectives of the GATT talks, the aim of these initiatives was to open markets by eliminating trade barriers and encouraging market-oriented policies. As part of the Administration's strategy of promoting enhanced regional integration, Bush decided to accelerate the pace of liberalization with Mexico. Following their bilateral meeting on June 10, President Bush and President Salinas jointly announced the launch of "a comprehensive Free Trade Agreement" between the two countries. Following the inclusion of Canada in February 1991, the Administration began the process toward establishing a North American Free Trade

Agreement (NAFTA). NAFTA was also consistent with the Administration's broader initiative to expand trade throughout Latin America and the entire Western Hemisphere via the Enterprise Initiatives of the Americas (EIA). These regional initiatives served to remind the EC that the trend toward greater trade liberalization would continue even without EC cooperation. In economic terms, the Administration argued that regional integration would also serve to improve U.S. competitiveness vis a vis its major trading partners.[172] At the same time, the preparation for the Free Trade Agreement with Mexico and later for NAFTA implied a substantial commitment of time and resources by the USTR's office that reduced its capacity to pursue market-opening vis a vis Japan. In fact, in a final letter to Carla Hills that acknowledged her dedication, Bush specifically commended Hills for all of her hard work in laying the groundwork for NAFTA.

A third factor that contributed to the shift toward multilateralism was the Administration's desire to incorporate emerging markets into the global economy. With the dramatic increase in the number of countries developing market-oriented economies particularly in Latin America and Eastern Europe, the Administration sought to facilitate their integration to promote stability and democratization. As reflected in the Houston Economic Declaration, the Bush Administration believed that, "A strengthened GATT is essential to provide the stable framework for the integration of these countries into the system."[173] Given America's sluggish economic growth, the integration of emerging markets also represented a potential important source of export expansion for the United States. Reflecting the multipolarity of the global economy, the U.S. sought to encourage these new governments to engage in trade in accordance with international rules and to refrain from protecting domestic industries and utilizing unilateral trade policies. The Administration's efforts to persuade these governments to embrace globalization were subsequently strengthened by Bush's decision to reduce its reliance on unilateral policy tools. For, trade officials recognized that if advanced industrialized countries like the United States could justify the use of Super 301, this strengthened the case for these developing countries to deploy their own sets of unilateral policy tools. In this sense, American unilateralism was inconsistent with the goal of integration. Similarly, Japanese cooperation in promoting integration and trade liberalization provided further impetus for a less aggressive bilateral approach with Japan.

In late May, reflecting the importance of these new markets to the United States, the Administration launched a new initiative, the Commercial Opportunities Initiative (COI) to promote global trade and to increase US exports in those key emerging markets. The initiative was implemented through the Trade Promotion Coordinating Committee (TPCC) chaired by Commerce Secretary Mosbacher and it reported to the EPC.[174] In an effort to "streamline federal trade promotional activities," the initiative also permitted the Commerce Secretary to lead high-profile Presidential Trade Missions in the name of the President."[175] This was part of the Administration's efforts to improve representation by the U.S. government of America's commercial interests abroad. Reflecting heightened economic interdependence, U.S. exports had become an important source of strength to the U. S. economy. In fact, in 1990, U.S. exports would grow by nearly 8.5 percent, accounting for 88 percent of U.S. economic growth that year.[176]

An additional reason for the shift in trade policy in 1990 stemmed from the growing concern within the Administration that, during a period of global change and economic adjustment, acrimonious trade disputes with major trading partners "could strain political and security ties."[177] In light of the shift in the balance of economic power, the Administration viewed the unity among the major industrial democracies as particularly important. In the *1990 National Security Strategy Report*, the Administration warned that, "Such strains would be especially damaging at a moment when we need to maintain strength and unity to take best advantage of new economic opportunities in East-West relations...."[178] The March report implicitly acknowledged the Administration's difficulties in attempting to sustain "global partnership" with Japan while promoting balanced partnership. On the one hand, reflecting a clearer assertion of America's economic interests, the report called for the establishment of "a more balanced partnership with our allies and a greater sharing of global leadership and responsibilities."[179] At the same time, in light of changes in the economic and strategic context, the Administration considered the expeditious resolution of trade disputes important to preserving and expanding "global partnership" with Japan. Thus, the NSC concluded, "Given the continuing strategic importance of unity among the industrial democracies, it is essential that trade disputes be resolved equitably, without tearing the fabric of vital political and security partnerships."[180]

Despite the heightened strategic importance of unity among its allies, the Administration encountered an unprecedented degree of foreign policy divergence at the Houston Summit of G-7 countries on July 9-11. Divergence was so commonplace that even Bush conceded at a press conference following the Summit that the G-7 countries held "slightly different priorities."[181] For example, on the issue of economic assistance to the Soviet Union, France and Germany were readily willing to provide aid. The United States was also willing to offer economic aid so long as on Gorbachev addressed a number of American concerns. Prior to the Houston Summit, Bush indicated that he had reservations regarding an economic aid package to the Soviet Union due to "specific problems" with reforms in the Soviet Union.[182] Following the Summit, he noted that it was "contradictory" that the Soviets were requesting economic aid from the G-7, while simultaneously spending $5 billion a year on aid to Cuba.[183] He also remarked, "I'm not particularly enthusiastic about the intercontinental ballistic missiles aimed at U.S. cities."[184] But, aside from these strategic reservations, the Bush Administration maintained an essentially pro-

Gorbachev stance at the Summit. But, with the Northern Territories issue left unresolved, the Japanese government responded coolly to the extension of Soviet aid. A Rand Corporation publication on Soviet-Japanese relations explained Japan's hesitation, "Japan was concerned that their interest is being neglected even adversely affected, by U.S. -led Western efforts to "help Gorbachev," who has so far not "helped Japan."[185] Instead, Kaifu vigorously pushed for and got the insertion of a sentence that affirmed Japan's claim to the Northern Territories. In the Houston Economic Declaration the phrase read, "We took note of the importance to the government of Japan of the peaceful resolution of its dispute with the Soviet Union over the Northern Territories."[186]

A further example of the emergence of Japan's increasingly independent foreign policy stance concerned the resumption of aid to China. Prior to the Summit, the Administration had hoped to maintain "a united front" on multilateral lending to promote economic and political changes in China.[187] In the aftermath of Tiananmen Square, administration officials clearly desired more progress on human rights before extending loans to China. For example, at a press conference on July 10, in regard to economic and political reforms in China, Baker stated "more needs to be done and that's why sanctions that were put into place last year are going to be preserved."[188] Despite the U.S. position that the extension of loans would weaken the effect of sanctions, the Japanese government desired to resume its Yen loans to China, an 810 billion yen aid package to be extended between 1990-1995. According to McCormack, who played an important role in the preparatory work for the Summit, "There was a sense perhaps on the part of the Japanese, more than others, that the Chinese were slowly moving in the right direction and they wanted to encourage that."[189] At the Summit, Kaifu reportedly argued that the needs of Asia should not be overlooked just because of the changes occurring in Eastern Europe.

However, it does not appear that the Yen loans became a contentious issue between Bush and Kaifu at the summit. In fact, McCormack revealed in Congressional testimony following the Summit, that Japan had announced its intention to renew the loans to China, "about a week before the summit."[190] Thus, when the G-7 leaders met on the morning of July 10, the China aid issue was largely perfunctory as Bush, together with Baker and Brady, reviewed the language that was to be used in the communique.[191] The Japanese government drafted that portion of the statement and the matter appears to have been easily settled on that day. These differences were hidden within a sufficiently vague Political Declaration that read, "We acknowledge some of the recent developments in China, but believe that the prospects for closer cooperation will be enhanced by renewed political and economic reform particularly in the field of human rights."[192] Thus, despite attempts to emphasize unity with Japan, the Administration encountered heightened divergence between Japan and the United States over important foreign policy issues. In this context, policy-makers were unenthusiastic about pressing the Administration's bilateral agenda with Japan that was thought to weaken its ability to forge multilateral agreements in the post-Cold War period.

For these reasons, the Administration began to place less emphasis on bilateral initiatives with Japan. It was noted earlier that, with the bilateral trade figures improving, political attention in the United States on trade had begun to shift away from Japan and toward Europe. But, during his trip to Europe in early July, Bush also cooperated closely with NATO member countries, affirming the Alliance and the broadening of its membership as announced in the London Declaration.[193] The combination of friendly relations with Europe and a hard-line with Japan has generally been received poorly in Tokyo. Thus, as the Bush Administration had achieved important market opening with Japan through the SII process a hard-line stance risked jeopardizing progress in the GATT talks and Japan's support for global integration and other U.S. foreign policy initiatives.

Moreover, in political terms, the failure of the Administration to hold to its pledge of achieving deficit reduction had badly weakened the base for Japan's political cooperation and dampened the Administration's prospects for achieving additional reforms. For example, Press Secretary Fitzwater clarified the Administration's position just before the Houston Summit, stating, "We have made a major commitment to reduce our budget deficit and that's very important to us."[194] With the reversal of Bush's pledge not to increase taxes and with the Japanese economy beginning to stall, Japanese officials had fewer incentives for bilateral cooperation. As one U.S. trade official explained, "Japanese government officials became increasingly critical of what they perceived to be the failure of the U.S. government to implement its SII undertakings, and used this as grounds for resisting a revitalization of the SII process."[195] Thus, characteristic of its realistic approach to trade, the Administration lowered its expectations and the level of attention to bilateral issues and increasingly turned to its daunting multilateral agenda. Coincidentally, the Administration's multilateral emphasis in its relations with Japan was subsequently confirmed and strengthened following the heightened global instability in the international system caused by the Gulf Crisis/War.

Conclusion

In summary, in contending with a host of strategic, economic, political and structural constraints, the Bush Administration formulated a trade policy that rejected "managed trade" and other forms of protectionism. In combating the rise of economic nationalism and revisionism at home, the Administration attempted to lay the foundation for America's full participation in new era of global competition. The Administration sought to act as a centripetal force in favor of globalization and liberalization of the international trading order in order to lay the groundwork for the continued expansion of America's global engagement. In accordance with that vision, the Administration formulated a three-pronged trade policy approach that included unilateral, bilateral and multilateral elements. As the successful conclusion of the Uruguay Round of the GATT was the linchpin of the Administration's global strategy, the promotion of the Uruguay Round was central to encouraging liberalization and resisting the emergence of regional trading blocs. Consistent with this objective, the Administration pursued a series of regional market-opening initiatives to facilitate regional integration and regional liberalization in order to bolster the prospects for its global strategy. Accordingly, with regard to Japan, the Administration chose to attach the greatest importance to the multilateral element of its strategy from the outset with bilateral and unilateral elements assigned secondary and tertiary priorities respectively.

As was noted in the previous article, the Bush Administration sought to minimize the use of unilateral policy tools such as Super 301. Given the political realities in the spring of 1989, the Administration initially adopted a conciliatory stance vis a vis the Congress, complying with statutory provisions and designated Japan under Super 301. But, given Bush's desire to foster bilateral cooperation and "global partnership," the Administration took a series of steps designed to dilute the severity of its impact on Japan in the long-run. In avoiding systemic trade barriers as targets and in selecting three of the less thorny sectoral issues for negotiation, the Administration had chosen soft targets that were highly resolvable by the Japanese government. By introducing the Structural Impediments Initiative in tandem with Super 301, the Administration helped to further dilute the importance of unilateral policy tools and provided the Japanese government with a clear alternative to a confrontational approach to trade. In 1990, a slightly favorable shift in the political winds afforded the Administration the opportunity to eliminate the use of Super 301 altogether. In order to avoid encroachment of executive authority, to expand presidential prerogatives with regard to trade and to strengthen relations with Japan, Bush pressed for the virtual elimination of such non-complementary policy tools. With progress on all of the sectoral issues, a strategy of placating moderates in the Congress and the effective brokering role of USTR Carla Hills, the Administration succeeded in overcoming Congressional resistance. In effect, Bush's leadership on trade had helped to orchestrate a reversal of momentum that minimized the use of unilateral policy tools for the remainder of his tenure.

Having disavowed the unilateral approach, the Administration focused its energies on encouraging incremental change within Japan by promoting complementary bilateral relations through the SII talks. Bush placed bilateral economic relations within the context of the broader framework of overall bilateral relations thereby affirming the importance of bilateral relationship and providing incentives for Japanese cooperation. Bush's cooperative approach helped to discourage anti-American sentiment and to encourage the forces favoring economic reforms in Japan. In contending with political and bureaucratic resistance from Japan, Bush engaged in "personal diplomacy," exercising leadership on trade at key junctures to ensure forward momentum in the talks. The promotion of "global partnership" and the emphasis on a common bilateral agenda also helped to reduce friction and enhance solid governmental relations. As a result, the Administration was able to achieve a number of important breakthroughs in promoting greater openness in Japan and in improving U.S. access to the Japanese market. Thus, while the benefits of Bush's bilateral approach failed to convince those in the Congress who favored "managed trade," the consistency of its approach helped to generate critical support particular among the more moderate Democratic leadership.

Against the backdrop of progress in resolving bilateral issues, the Administration shifted the focus of its high-level attention further toward the multilateral element of its multifaceted trade policy approach in the spring of 1990. As administration officials grew increasingly concerned about the strategic, economic and political implications of a stalemate in the Uruguay Round of the GATT negotiations, Japanese cooperation in promoting liberalization grew increasingly important. At the same time, with the possibility of failure at the GATT and as a counterweight to EC integration, the Administration pursued regional integration through NAFTA, EAI and APEC. With the accelerated pace of the trend toward globalization in 1990, the Administration also sought to integrate emerging markets into the global economy and thereby promote U.S. exports in those areas. These global changes together with a heightened degree of foreign policy divergence with Japan in the post-Cold War period, led the Administration to place further emphasis on unity and bilateral cooperation with Japan. This shift reflected the importance the Administration attached to promoting the expansion of global trade and the challenges it faced in pursuing an ambitious liberalization agenda.

Appendix A

A Chronology of Important Events in US-Japanese Relations 1989-1990

1989

January 20 : George H.W. Bush becomes President

August 9 : Kaifu takes office

September 1 : Bush-Kaifu hold bilateral summit in Washington D.C.

September 4-5 : First round of SII negotiations held in Tokyo

November 7 : Second round of SII negotiations held in Washington D.C.

1990

February 18 : Lower House elections are held, the LDP wins 280 seats and Kaifu's position is secure

February 22-23 : Third round of SII negotiations

March 2-3 : Bush-Kaifu hold bilateral summit meetings at Palm Springs, California

March 11-14 : Takeshita visits Washington D.C.

April 2-5 : Fourth round of SII negotiations in Washington D.C.

April 5 : Interim Report released

May 23-24 : US-Japanese officials meet in Hawaii

June 15 : Baker-Nakayama meet in San Francisco

June 25-28 : Final Round of negotiations

June 28 : Final Report is released

July 7-11 : Bush-Kaifu hold bilateral meetings and attend the Houston Summit

Notes

1 The article is as follows : Andrew L. Beaton, "George H. W. Bush's Global Trade Strategy : Expanding America's Global Engagement & Managing U.S. -Japanese Relations 1989-1990.5" Vol. 47 No. 1『Kanazawa Hogaku』(Kanazawa Journal of Law), November, 2004, p.107-175. In Japanese, アンドリュー・ビートン、「ジョージ・H・W・ブッシュの世界戦略 —アメリカのグローバルなエンゲージメントの拡大と日米関係の処理(1989年-1990年前半)」『金沢法学』第47巻第1号(2004年11月) 107-175頁。

2 *MITI White Paper on International Trade Japan 1989,* JETRO, 1989, p.11.

3 *Japan Economic Journal,* No. 17 A, p.2.

4 *International Trade Reporter : Current Reports,* Vol.6 : No.13, March 29, Washington DC : Bureau of National Affairs, 1989, p.397.

5 International Monetary Fund, *World Economic Outlook : A Survey by Staff of the International Monetary Fund,* April 1988, Washington DC : International Monetary Fund, 1988, p.25.

6 *International Trade Reporter : Current Reports,* Vol.6 : No.13, March 29, Washington DC : Bureau of National Affairs, 1989, p.397.

7 大矢根聡,「構造問題をめぐる貿易摩擦の分析」『金沢法学』第38巻1・2合併号、1996年357頁。

8 Letter, Roger B. Porter to Carla Hills, April 27, 1989, Case No. 42775, FG 006-10, WHORM : Subject File, George Bush Presidential Records, George Bush Presidential Library. Hereafter cited as George Bush Presidential Records.

9 *Congressional Quarterly,* May 20, 1989, p.1173.

10 Sadao Nagaoka, "An Economic Analysis of Trade Friction : Economic Effects of the Dumping Control and Result-Orientated Trade Policy," *Journal of Japanese Trade and Industry* : No. 2, 1993, p.54.

11 Statement, Statement Of Ambassador Carla A. Hills, May 2, 1989, folder "Super 301," OA/ID 6551, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

12 Fact Sheet, President Bush and Kaifu : Meeting in Palm Springs, March 2-3, 1990, folder "March '90, Japan," OA/ID 6546, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

13 U.S. Department of State, Statement by Richard Solomon before the Subcommittee on Asia and the Pacific, No.1255, February 22, 1990, Washington DC.

14 *International Trade Reporter : Current Reports,* Vol.6 : No.19, May 10, Washington DC : Bureau of National Affairs, 1989, p.576.

15 International Monetary Fund, *World Economic Outlook : A Survey by Staff of the International Monetary Fund* (Washington DC : International Monetary Fund, April 1988, p.26.

16 Letter, Roger B. Porter to Carla Hills, April 27, 1989, Case No. 42775, FG 006-10, WHORM : Subject

File, Bush Presidential Records.

17 *International Trade Reporter : Current Reports,* Vol.6 : No.18, April 26, Washington DC : Bureau of National Affairs, 1989, p.512.

18 Michael Armacost, *Friends or Rivals? The Insider's Account of U.S. -Japanese Relations,* New York : Columbia University Press, 1996, p.365.

19 Alan Murray and Tim Carrington, "Japanese Agree To Broad Talks with U.S. On Trade," *Wall Street Journal,* June 1, 1989.

20 Alan Murray and Tim Carrington, "Japanese Agree to Broad Talks with U.S. On Trade," *Wall Street Journal,* June 1, 1989.

21 *Public Papers of the Presidents,* George Bush, "Statement by Press Secretary Fitzwater on the President's Meeting With Foreign Minister Hiroshi Mitsuzuka," June 26, 1989, p.800.

22 *Public Papers of the Presidents,* George Bush, "Paris Economic Summit : Economic Declaration," July 16, 1989 p.962.

23 Ibid., p.962.

24 The Japanese Finance and Foreign Ministers were also present.

25 *Public Papers of the Presidents,* George Bush, "Joint Statement by the President and Prime Minister Sosuke Uno of Japan on Economic Issues," July 14, 1989, p.955.

26 Memorandum, Larry Lindsey to Dan Quayle, September 11, 1989, OA/ID 22071, William Kristol, Chronology File, Office of Vice President Dan Quayle, Dan Quayle Vice Presidential Records, George Bush Presidential Library.

27 Gerald Curtis et al, *The United States, Japan and Asia : Challenges for U.S. Policy,* New York : W.W. Norton Company Inc., 1994, p.67.

28 Paul A. Gigot, "Crafting Of State Under Baker Is Not So Diplomatic," *Wall Street Journal,* February 3, 1989.

29 Steven R. Weisman, "U.S. and Japan Report A Stalemate On Trade-Talk Format," *New York Times,* June 16, 1989.

30 US Congress, Senate, Committee on Finance, *Nomination of Charles H. Dallara, Hollis S. McLoughlin, Roger Bolton, and Kay C. James,* Hearing before the Finance Committee, 101st Congress, 1st Session, 9 May 1989, p.1.

31 US Congress, Senate, Committee on Finance, *Nomination of Charles H. Dallara, Hollis S. McLoughlin, Roger Bolton, and Kay C. James,* Hearing before the Finance Committee, 101st Congress, 1st Session, 9 May 1989, p.2.

32 "Washington's Hard Line On Trade," *New York Times,* June 25, 1989.

33 US Congress, Senate, Committee on Finance, *Nomination of Sidney Linn Williams,* Hearing before the Finance Committee, 101st Congress, 1st Session, 18 May 1989, p.5.

34 "Washington's Hard Line On Trade." *New York Times,* June 25, 1989.

35 US Congress, Senate, Committee on Finance, *Nomination of Sidney Linn Williams,* Hearing before the Finance Committee, 101st Congress, 1st Session, 18 May 1989, p.5.

36 Ibid., p.5.

37 *Japan Economic Journal,* June 3, 1989, p.1.

38 Michael Armacost, *Friends or Rivals? The Insider's Account of U.S. -Japanese Relations,* New York: Columbia University Press, 1996, p.50.

39 *Far Eastern Economic Review,* May 30, 1991.

40 石沢靖治、『幻想の日米摩擦』(TBS ブリタニカ、1992 年) 63 頁。

41 Memorandum, Lincoln Bloomfield Jr. to Brent Scowcroft, August 25, 1989, folder "Kaifu, Toshiki-Prime Minister Visit 9/1/89," OA/ID CF 00314 [2], Karl Jackson Files, National Security Council, George Bush Presidential Records.

42 Edward Neilan, "Kaifu Will Try To Project Image Of Youthful Enthusiasm," *Washington Times,* August 30, 1989.

43 *Public Papers of the Presidents,* George Bush, "Remarks Following Discussions With Prime Minister Toshiki Kaifu of Japan," September 1, 1989 p.1133.

44 *Public Papers of the Presidents,* George Bush, "Remarks Following Discussions With Prime Minister Toshiki Kaifu of Japan," September 1, 1989 p.1134.

45 Karl Schoenberger, "Kaifu Woos U.S. Public to Soothe Trade Irritation," *Los Angeles Times,* September 5, 1989.

46 Brent Scowcroft, Oral Interview by author, February 12, 2001, Washington D.C.

47 Clyde H. Farnsworth, "Bush Welcomes New Tokyo Leader," *New York Times,* September 2, 1989.

48 Draft with Notes, "Presidential Remarks: Kaifu Departure," Draft Two, August 28, 1989, folder "Kaifu Departure 9/1/89,"OA/ID 3538, Speech File, Drafts, White House Office of Speechwriting, George Bush Presidential Records.

49 Draft with Notes, "Presidential Remarks: Kaifu Departure," Draft Three, August 28, 1989, folder "Kaifu Departure 9/1/89,"OA/ID 3538, Speech File, Drafts, 1989-1993,White House Office of Speechwriting, George Bush Presidential Records.

50 Peter Truell, "Japan's New Leader Sees Trade Talks With U.S. Producing Significant Results," *Wall Street Journal,* September 5, 1989.

51 Don Oberdorfer, "Bush Gives Kaifu Positive Send-Off, Emphasizes Security Ties," *New York Times,* September 2, 1989.

52 Don Oberdorfer, "Bush Gives Kaifu Positive Send-Off, Emphasizes Security Ties", *New York Times,* September 2, 1989.

53 Peter Truell, "Japan's New Leader Sees Trade Talks With U.S. Producing Significant Results," *Wall*

Street Journal, September 5, 1989.

54 Edward Neilan, "Kaifu's hopes low in trade discussion," ***The Washington Times,*** September 4, 1989.

55 Edward Neilan, "Kaifu's hopes low in trade discussion," ***The Washington Times,*** September 4, 1989. In Japanese, Deputy Foreign Minister Michihiko Kunihiro's title was 外務審議官.

56 Sam Jameson, "Trade Talks Turn Into Lengthy Complaint Session," *Los Angeles Times,* September 5, 1989.

57 Memorandum, Larry Lindsey to Dan Quayle, September 11, 1989, OA/ID 22071, William Kristol, Chronology File, Office of Vice President Dan Quayle, Dan Quayle Vice Presidential Records, George Bush Presidential Library.

58 Memorandum, Larry Lindsey to Dan Quayle, September 11, 1989, OA/ID 22071, William Kristol, Chronology File, Office of Vice President Dan Quayle, Dan Quayle Vice Presidential Records, George Bush Presidential Library.

59 Memorandum, David Q. Bates to George Bush, October 5, 1989, Case No. 085393 SS, CO 078, WHORM : Subject File, George Bush Presidential Records.

60 Memorandum, Larry Lindsey to Dan Quayle, September 11, 1989, OA/ID 22071, William Kristol, Chronology File, Office of Vice President Dan Quayle, Dan Quayle Vice Presidential Records, George Bush Presidential Library.

61 Memorandum, Larry Lindsey to Dan Quayle, September 11, 1989, OA/ID 22071, William Kristol, Chronology File, Office of Vice President Dan Quayle, Dan Quayle Vice Presidential Records, George Bush Presidential Library. This author did not add underlining.

62 坂井昭夫、『日米経済摩擦と政策協調』（有斐閣株式会社、1991 年）187 頁。「マクロ問題抜きに貿易不均衡を議論するのは妥当でない」。

63 Memorandum, Robert Mosbacher to George Bush, April 17, 1989, Case No. 027432, CO 078, WHORM : Subject File, George Bush Presidential Records. Memorandum, Robert Mosbacher to George Bush, Interestingly, Bush did not endorse Mosbacher's view, replying that, "I, too, look forward to getting all views on this." Note, George Bush to Robert Mosbacher, April 19, 1989, , Case No. 027432, CO 078, WHORM : Subject File, George Bush Presidential Records.

64 David E. Sanger, "Mosbacher in Japan : Little Progress Seen," *New York Times,* September 15, 1989.

65 US Congress, Senate, *United States-Japan Structural Impediments Initiative (SII),* Committee On Finance, Hearing Before The Subcommittee On International Trade, 101st Congress, 2nd session, Part 3 of 3, 5 March, 1990, p.14.

66 Sam Jameson, "Hills Says U.S., Japan Are At 'Crossroads," Los Angeles Times, October 14, 1989.

67 Memorandum, David Q. Bates to George Bush, October 5, 1989, Case No. 085393 SS, CO 078, WHORM : Subject File, George Bush Presidential Records.

68 Memorandum, David Q. Bates to George Bush, October 5, 1989, Case No. 085393 SS, CO 078,

WHORM : Subject File, George Bush Presidential Records.

69 Memorandum, David Q. Bates to George Bush, October 5, 1989, Case No. 085393 SS, CO 078, WHORM : Subject File, George Bush Presidential Records.

70 Note, George Bush to Carla Hills. October 21, 1989, Case No. 87180, CO 078, WHORM : Subject File, George Bush Presidential Records.

71 Memorandum, David Q. Bates to George Bush, October 5, 1989, Case No. 085393 SS, CO 078, WHORM : Subject File, George Bush Presidential Records.

72 *International Trade Reporter : Current Reports,* Vol.7 : No.07, February 14, Washington DC : Bureau of National Affairs, 1990, p.230.

73 *Congressional Quarterly Almanac,* 1989, p.145.

74 *International Trade Reporter : Current Reports,* Vol.7 : No.3, January 17, Washington DC : Bureau of National Affairs, 1990, p.90.

75 Memorandum, J. Stapleton Roy to Brent Scowcroft, "Request for an Appointment...Hikaru Matsunaga," December 19, 1989, U.S. Department of State, Case No. 168177, CO 078, WHORM : Subject File, George Bush Presidential Records.

76 Memorandum, Karl Jackson to Brent Scowcroft, "Proposed Meeting with Minister Hikaru Matsunaga," December 27, 1989, Case No. 168177, CO 078, WHORM : Subject File, George Bush Presidential Records.

77 *International Trade Reporter : Current Reports,* Vol.7 : No.1, January 3, Washington DC : Bureau of National Affairs, 1990.

78 Report, "Import Expansion Measures, January, 1990, MITI," as attached to Memorandum, Carla Hills to George Bush, January 16, 1990, folder "1990 Hills," OA/ID CF 00154, John Sununu, Office of Chief of Staff, George Bush Presidential Records.

79 Materials Forwarded to the President, December 14, 1989, Case No. 146638 SS, FG 001, WHORM : Subject File, George Bush Presidential Records.

80 *International Trade Reporter : Current Reports,* Vol.7 : No.3, January 17, Washington DC : Bureau of National Affairs, 1990.

81 *International Trade Reporter : Current Reports,* Vol.7 : No.3, January 17, Washington DC : Bureau of National Affairs, 1990.

82 *International Trade Reporter : Current Reports,* Vol.7 : No.9 B, March 2, Washington DC : Bureau of National Affairs, 1990, p.11.

83 佐藤英夫『日米経済摩擦』(平凡社、1991年) 173頁。

84 Materials Forwarded to the President, February 22, 1990, Case No. 23816 SS, FG 001, WHORM : Subject File, George Bush Presidential Records.

85 Memorandum, Carla Hills to George Bush, "Japanese Election Results ; Impact on Trade Issues with

Japan," February 20, 1990, Case No. 115703 SS, CO 078, WHORM : Subject File, George Bush Presidential Records.

86 Memorandum, Carla Hills to George Bush, "Japanese Election Results : Impact on Trade Issues with Japan," February 20, 1990, Case No. 115703 SS, CO 078, WHORM : Subject File, George Bush Presidential Records.

87 U.S. Department of State, Statement by Richard Solomon before the House Subcommittee on Asia and the Pacific, No.1255, February 22, 1990, Washington DC.

88 *International Trade Reporter : Current Reports,* Vol.7 : No.9, February 28, Washington DC : Bureau of National Affairs, 1990, p.282.

89 US Congress, Senate, *United States—Japan Structural Impediments Initiative (SII),* Committee On Finance, Hearing Before The Subcommittee On International Trade, 101st Congress, 2nd session, Part 3 of 3, 5 March, 1990, p.5.

90 US Congress, Senate, *United States—Japan Structural Impediments Initiative (SII),* Committee On Finance, Hearing Before The Subcommittee On International Trade, 101st Congress, 2nd session, Part 3 of 3, 5 March, 1990, p.9.

91 US Congress, Senate, *United States—Japan Structural Impediments Initiative (SII),* Committee On Finance, Hearing Before The Subcommittee On International Trade, 101st Congress, 2nd session, Part 3 of 3, 5 March, 1990, p.5.

92 Hearings before the House Energy and Commerce Committee were held March 3 and Hearings before the Subcommittee on International Trade of the Senate Finance Committee were held March 5, 1990.

93 Jacob M Schlesinger, "Cheney, Mixing Trade And Defense, Calls On Japanese To Share More Technology", *Wall Street Journal,* February 26, 1990. Cheney then stated, " I cannot overemphasize the importance of success in the trade talks."

94 NSC advisor Dr. Karl Jackson acted as interpreter and notetaker.

95 Pool Report, Pool Report #7, March 2, 1990, folder : "Presidential Daily Backup 3/2/90," OA/ID CFOA 1797, Presidential Daily Diary, Office of Appointment and Scheduling, George Bush Presidential Records.

96 James A. Baker, *The Politics of Diplomacy : Revolution, War and Peace 1989-1992,* New York : G.P. Putnam's Sons, 1995, p.611.

97 Press Conference, News Conference by the President, March 3, 1990, folder "Presidential Press Conferences [1/90-3/90]," OA/ID 6549, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

98 Brent Scowcroft, Oral Interview by author, Washington D.C., February 12, 2001,

99 Brent Scowcroft, Oral Interview by author, Washington D.C., February 12, 2001,

100 Maureen Dowd, "Bush Eases Into Parley In The Desert," *New York Times,* March 3, 1990.

101 Materials Forwarded to the President, February 27, 1990, Case No. 23816 SS, FG 001, WHORM: Subject File, George Bush Presidential Records.

102 Pool Report , Pool Report #6, March 2 1990, folder: "Presidential Daily Backup 3/2/90," OA/ID CFOA 1797, Presidential Daily Diary, Office of Appointment and Scheduling, George Bush Presidential Records.

103 Pool Report, Pool Report #8, March 3, 1990, folder: "Presidential Daily Backup 3/3/90," OA/ID CFOA 1797, Presidential Daily Diary, Office of Appointment and Scheduling, George Bush Presidential Records.

104 Press Conference, News Conference by the President, March 3, 1990, folder "Presidential Press Conferences [1/90-3/90]," OA/ID 6549, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

105 Steven R. Weisman, "Japanese Fear Problems From A Hasty Meeting," *New York Times,* March 2, 1990.

106 栗山尚一、『日米同盟：漂流からの脱却』、（日本経済新聞社、1997年）72頁。The complete text by Ambassador Kuriyama in Japanese was as follows：「総理にも力を貸して欲しい」という真摯なアピールであった。海部総理も、「そこまで言われては、こちらもこれにまじめに答えなくてはならない」と、大統領の訴えを真剣に受け止めたのである。In English,「真摯なアピール」was "an earnest plea" and「総理にも力を貸してほしい」was "I need your help." Kaifu's response,「そこまで言われては、こちらもこれにまじめに答えなくてはならない」was, "If that's the case, I need to respond with great seriousness."

107 US Congress, Senate, *United States-Japan Structural Impediments Initiative (SII),* Committee On Finance, Hearing Before The Subcommittee On International Trade, 101^{st} Congress, 2^{nd} session, Part 3 of 3, 5 March, 1990, p.6.

108 US Congress, House, Committee on Energy and Commerce, *U.S. Trade Relations with Japan,* Hearing before the Subcommittee on Commerce, Consumer Protection and Competitiveness, Senate Finance Committee, 101^{st} Congress, 2^{nd} session, 10 May, 1990, p.21.

109 US Congress, Senate, *United States—Japan Structural Impediments Initiative (SII),* Committee On Finance, Hearing Before The Subcommittee On International Trade, 101^{st} Congress, 2^{nd} session, Part 3 of 3, 5 March, 1990, p.5.

110 *Public Papers of the Presidents,* George Bush, "Remarks Following Discussions With Prime Minister Toshiki Kaifu of Japan in Palm Springs, California," March 3, 1990, p.309.

111 Press Conference, News Conference by the President, March 3, 1990, folder "Presidential Press Conferences [1/90-3/90]," OA/ID 6549, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

112 *Public Papers of the Presidents,* George Bush, "Remarks Following Discussions With Prime Minister

Toshiki Kaifu of Japan in Palm Springs, California," March 3, 1990, p.308.

113 ケント・カルダー 「微妙な移行点における日米関係」『外交フォーラム』25 号 1991 年 5 月 33 頁。

114 *International Trade Reporter : Current Reports,* Vol.7 : No.10, March 7, Washington DC : Bureau of National Affairs, 1990, p.325.

115 Ibid., p.496.

116 Art Pine, "Tough Task Ahead in Keeping Trade promises," *Los Angeles Times,* March 5, 1990.

117 *Public Papers of the Presidents,* George Bush, "Remarks Following Discussions With Prime Minister Toshiki Kaifu of Japan in Palm Springs, California," March 3, 1990, p.310. Kaifu's phrase in Japanese, 「最重要課題」 was translated into English as "one of the top priorities."

118 栗山尚一、『日米同盟：漂流からの脱却』、(日本経済新聞社、1997 年) 72-73 頁。

119 *Japan Economic Institute Report,* No. 12 B, p.11.

120 Memorandum, Carla Hills to George Bush, February 20, 1990, Case No. 115703 SS, CO 078, WHORM : Subject File, George Bush Presidential Records.

121 James A. Baker, *The Politics of Diplomacy : Revolution, War and Peace 1989-1992,* New York : G.P. Putnam's Sons, 1995, p.612.

122 *Japan Economic Institute Report,* No. 12 B, p.10.

123 *Japan Economic Institute Report,* No. 12 B, p.10.

124 Clyde H. Farnsworth, "U.S. And Japanese To Meet On Trade," *New York Times,* March 22, 1990.

125 Stuart Auerbach, "Not-So-Secret Trade Talks Fail To Produce Consensus," *Washington Post,* March 22, 1990. See also Clyde H. Farnsworth, "U.S. And Japanese To Meet On Trade," *New York Times,* March 22, 1990.

126 Office of the U.S. Trade Representative, *National Trade Estimate Report on Foreign Trade Barriers,* March 30, 1989.

127 *Japan Economic Institute Report,* No. 14 B, p.10.

128 Report, Structural Impediments Initiative (SII) Key Elements of SII Interim Report, April 5, 1990, folder "Brady (Treasury)," OA/ID CF 00154, John Sununu Files, Office of Chief of Staff, George Bush Presidential Records.

129 *International Trade Reporter : Current Reports,* Vol.7 : No.15, April 11, Washington DC : Bureau of National Affairs, 1990, p.496.

130 *Public Papers of the Presidents,* George Bush, "Statement by Press Secretary Fitzwater on the Japan-United States Structural Impediments Initiative Negotiations," April 5, 1990, p.466.

131 *Public Papers of the Presidents,* George Bush, "Remarks to the Press before Cabinet," April 4, 1990, p.457.

132 *Public Papers of the Presidents,* George Bush, "Remarks and a Question-and-Answer with Members of

the American Society of Newspaper Editors," April 6, 1990, 468-469.

133 Remarks, "Remarks By the President At Structural Impediments Initiative Meeting," April 12, 1990, folder "Japan," OA 6546, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

134 C. Michael Aho and Bruce Stokes. "The Year the World Economy Turned," *Foreign Affairs,* Vol. 70 : No. 1 (1990-1991) p.170.

135 細谷千博、『日米関係史』（有斐閣、1993 年）170 頁。

136 Report, "Structural Impediments Initiative (SII) Key Elements of SII Interim Report," April 5, 1990, folder : "Brady (Treasury)," OA/ID CF 00154, John Sununu Files, Office of Chief of Staff, George Bush Presidential Records.

137 *Washington Post,* June 14, 1990.

138 *Washington Post,* June 14, 1990.

139 *Wall Street Journal,* June 14, 1990.

140 *Washington Times,* June 19, 1990. Hills spoke before the Japan Society in New York.

141 *Japan Economic Institute Report,* No. 26 A, p.5.

142 *Japan Economic Institute Report,* No. 12 B, March 23, 1990, p.12

143 *Japan Economic Institute Report,* No. 12 B, March 23, 1990, p.12

144 *Los Angeles Times,* June 16, 1990.

145 *Christian Science Monitor,* June 21, 1990.

146 *Wall Street Journal,* June 22, 1990.

147 *Wall Street Journal,* June 22, 1990.

148 通産商業調査会、『日米構造問題協議最終報告』（通産商業調査会、1990 年）33 頁。

149 *Japan Economic Institute Report* No. 15 B, p.7.

150 通産商業調査会、『日米構造問題協議最終報告』（通産商業調査会、1990 年）8 頁。

151 *Los Angeles Times,* June 29, 1990. Hills' spokesman was Torie Clark.

152 通産商業調査会、『日米構造問題協議最終報告』（通産商業調査会、1990 年）23 頁。

153 通産商業調査会、『日米構造問題協議最終報告』（通産商業調査会、1990 年）25 頁。

154 *International Trade Reporter : Current Reports,* Washington DC : Bureau of National Affairs, January 23,1994, p.103.

155 *International Trade Reporter : Current Reports,* Washington DC : Bureau of National Affairs, March 6, 1994, p.353.

156 Michael Armacost, *Friends or Rivals? The Insider's Account of U.S. -Japanese Relations,* New York : Columbia University Press, 1996. p.65.

157 Fact Sheet, Fact Sheet : The Bush Administration's Trade Strategy," May 23, 1990, folder "1990 Trade/ Textiles" OA/ID CF 00153, John Sununu Files, Office of Chief of Staff, George Bush Presidential

Records.

158 Brent Scowcroft, Oral Interview by author, February 12, 2001, Washington D.C.

159 *Japan Economic Institute Report,* May 11, 1990, No.19 B, p.8

160 Press Briefing by Treasury Secretary Nicholas Brady," June 27, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records. Cairnes Group members include such developing countries as Brazil, Argentina, Poland, Hungary, Australia and New Zealand.

161 Press Conference, "News Conference of the President," July 11, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

162 Remarks, "Remarks by the President in Question and Answer Session With the Press," July 3, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

163 Press Briefing, "Press Briefing by Chief of Staff John Sununu," July 9, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

164 Brent Scowcroft, Oral Interview by author, February 12, 2001, Washington D.C.

165 Declaration, Houston Economic Summit, June 6, 1990, folder "Economic Summit," OA/ID CF 00152, John Sununu Files, Office of Chief of Staff, George Bush Presidential Records.

166 Press Conference, "News Conference of the President," July 11, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

167 Declaration, Houston Economic Summit, June 6, 1990, folder "Economic Summit," OA/ID CF 00152, John Sununu Files, Office of Chief of Staff, George Bush Presidential Records.

168 Press Briefing by Senior Administration Official" (Carla Hills)," July 11, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

169 Press Briefing by Senior Administration Official" (Carla Hills)," July 11, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

170 Memorandum, Roger Porter to the President, November 13, 1990, folder: "Uruguay Round" OA/ID CF 00153 John Sununu Files, Office of Chief of Staff, George Bush Presidential Records.

171 Press Conference, "News Conference of the President," July 11, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

172 Fact Sheet, Fact Sheet: The Administration's Action Plan, May 1, 1991, folder: "Trade-Fast-track," OA/ID 6551 Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

173 Declaration, Houston Economic Summit, June 6, 1990, folder "Economic Summit," OA/ID CF 00152, John Sununu Files, Office of Chief of Staff, George Bush Presidential Records.

174 Fact Sheet, Fact Sheet: The Bush Administration's Trade Strategy, May 23, 1990, folder: "Trade / Textiles OA/ID CF 00153, John Sununu Files, Office of Chief of Staff, George Bush Presidential Records.TPCC members included the Departments of Commerce, State, Treasury, Agriculture, Defense, Energy, the OMB, and the USTR.

175 Memorandum, Nicholas Brady to George Bush, May 23, 1990, folder "1990 Brady (Treasury)," OA/ID CF 00154, John Sununu Files, Office of Chief of Staff, George Bush Presidential Records.

176 Statement, Statement By The Press Secretary, April 15, 1991, folder "Trade-Fast Track," OA/ID 6551, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

177 Fact Sheet, National Security Strategy Report, March 20, 1990, folder "National Security Strategy Report-March 1990," OA/ID 6547, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

178 Report, National Security Strategy of the United States, March 1990, folder "National Security Strategy Report-March 1990," OA/ID 6547, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

179 Report, National Security Strategy of the United States, March 1990, folder "National Security Strategy Report-March 1990," OA/ID 6547, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

180 Report, National Security Strategy of the United States, March 1990, folder "National Security Strategy Report-March 1990," OA/ID 6547, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

181 Press Conference, "News Conference of the President," July 11, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

182 Remarks, "Remarks by the President in Question and Answer Session With the Press," July 3, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

183 Press Conference, "News Conference of the President," July 11, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

184 Press Conference, "News Conference of the President," July 11, 1990, folder "Economic Summit

1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

185 Briefing Notes, The RAND Corporation, "Soviet-Japanese Relations : Prospects for Change and Implications," March 1990, folder "1990 National Security Council (Scowcroft)," OA/ID CF 00155, John Sununu Files, Office of Chief of Staff, George Bush Presidential Records.

186 Declaration, Houston Economic Summit, June 6, 1990, folder "Economic Summit," OA/ID CF 00152, John Sununu Files, Office of Chief of Staff, George Bush Presidential Records.

187 Press Briefing, "Remarks of Marlin Fitzwater in Question and Answer Session with the Travel Pool," July 7, 1990, folder "Economic Summit 1990," OA 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

188 Remarks, "Remarks of Secretary of State James A. Baker III in Presentation of the Summit Political Communiqué," July 10, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

189 US Congress, Joint Economic Committee, *Review of the Houston Economic Summit,* Hearing before the Joint Economic Committee, 101st Congress, 2nd session, 25 July, 1990, p.33.

190 Ibid., p.35.

191 Pool Report, "Pool Report #18," July 10, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

192 Declaration, "Political Declaration," July 10, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

193 News Conference, News Conference of The President, July 6, 1990, folder "Presidential Press Conferences [4/90-7/90]," OA/ID 6549, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

194 Press Briefing, "Remarks of Marlin Fitzwater in Question and Answer Session with the Travel Pool," July 7, 1990, folder "Economic Summit 1990," OA/ID 6789, Alpha Files, Marlin Fitzwater Files, White House Press Office, George Bush Presidential Records.

195 Gerald Curtis et al, *The United States, Japan and Asia : Challenges for U.S. Policy,* New York : W.W. Norton Company Inc., 1994, p.67. The trade official was Merit E. Janow.