

Jeffrey E. Garten

Stop All the Shouting

America's Japan-bashing isn't doing either side any good

AS JAPAN'S RULING PARTY AGONIZES OVER THE SELECTION of a new Prime Minister, policy in the world's second-largest economy will be put on hold. It is a good time for the Clinton Administration to review its stance toward Japan as well.

Washington has had no choice but to press Tokyo on all fronts to clean up its economic mess. America's frustration over Japan's dithering in the face of a serious economic crisis—a debacle that has hurt not only Japan but also many other countries in Asia and beyond—is understandable. But there is a strong case now for Washington to lower its public voice and, once the new Prime Minister is in office, to work more quietly behind the scenes. Indeed, a continuation of America's high-profile lecturing would carry substantial risks.

Washington has already gone to extreme lengths to show its dissatisfaction with Japan. In late June, Secretary of the Treasury Robert Rubin traveled around Asia criticizing Prime Minister Ryutaro Hashimoto's policies in Japan's own backyard. In one of the most blatant snubs to any ally since President Nixon changed his policy on China without informing Japan in advance, Clinton didn't stop off in Tokyo even for a quick debriefing—a humiliating omission the Japanese won't soon forget. If Washington continues this course, it would risk driving a wedge between the U.S. and its only economic and military partner in Asia.

This may not seem like a big deal to some American policymakers who are hopeful that China, as the rising power in Asia, can become a substitute for Japan. But such dreams rest on shaky foundations that could crumble quickly, if Beijing devalues its currency and sets off another round of devaluations throughout Asia; if there is a confrontation between Beijing and Taipei; if there is new evidence that China has been illegally transferring nuclear technology to Pakistan and Iran; or if there is a brutal crackdown on a protest demonstration.

The Clinton Administration must also be careful not to accidentally provoke an international financial crisis. When former Treasury Secretary James Baker publicly lectured Germany on its economic policy in 1987, he helped precipitate a global market crash. These are different times, of course, but with all of Asia in turmoil, with the impact being felt in emerging markets like Russia, South Africa and Brazil and with Wall Street already on edge about its own sky-high stock valuations, it would be foolish to assume that a public confrontation between the two most important countries in

the world would not lead to some nasty developments in global markets. This is all the more true as a new Prime Minister takes the reins in Tokyo, with all the uncertainties and anxieties surrounding an untested leader.

No one can deny that the Clinton Administration should talk frankly and firmly to a new Japanese Prime Minister. But now is the time to shift to private—as opposed to public—diplomacy. Before the July 12 Upper House election, which roundly repudiated Hashimoto's policies, there was some suspicion that Japanese citizens were not as agitated about the economic crisis as others outside the country. Now we know better. It would be more effective to let the momentum of Japanese domestic pressure continue without the kind of blatant foreign intervention that could give opponents of reform a banner around which to rally.

Besides, the U.S. needs to preserve its influence for the long haul. Japan's problems are severe, but there is no quick technical fix. The politicians—whoever ends up in charge—will be slow to move because of the country's internal need for consensus. In the end, Japan will be struggling to turn itself around for 5 to 10 years. Publicly pressing Japan to follow specific policies as if quick, decisive actions will make all the difference right now would be misleading to everyone including the financial markets—and merely breed cynicism about any future policy measures.

Calibrating the extent of pressure to put on a close ally is hard in any circumstance, let alone during a time of political transition and economic crisis. But at this tender moment, a bias toward caution makes more sense. Washington has at least four partners leaning on Tokyo. In order of significance they are: the European Union, other Asian countries (especially China), the Japanese people and the financial markets. That's a lot of clout.

The United States is at the pinnacle of power, and is being counted on all over the world for wise leadership. It needs to work closely with Tokyo for many years to help it emerge from its quagmire. Getting the policy prescription right is crucial, of course, but the politics of delivering advice is equally important. How America uses its enormous influence on the world stage to help a loyal ally is a big question, but bashing it in public at this delicate time is certainly not the answer. ■

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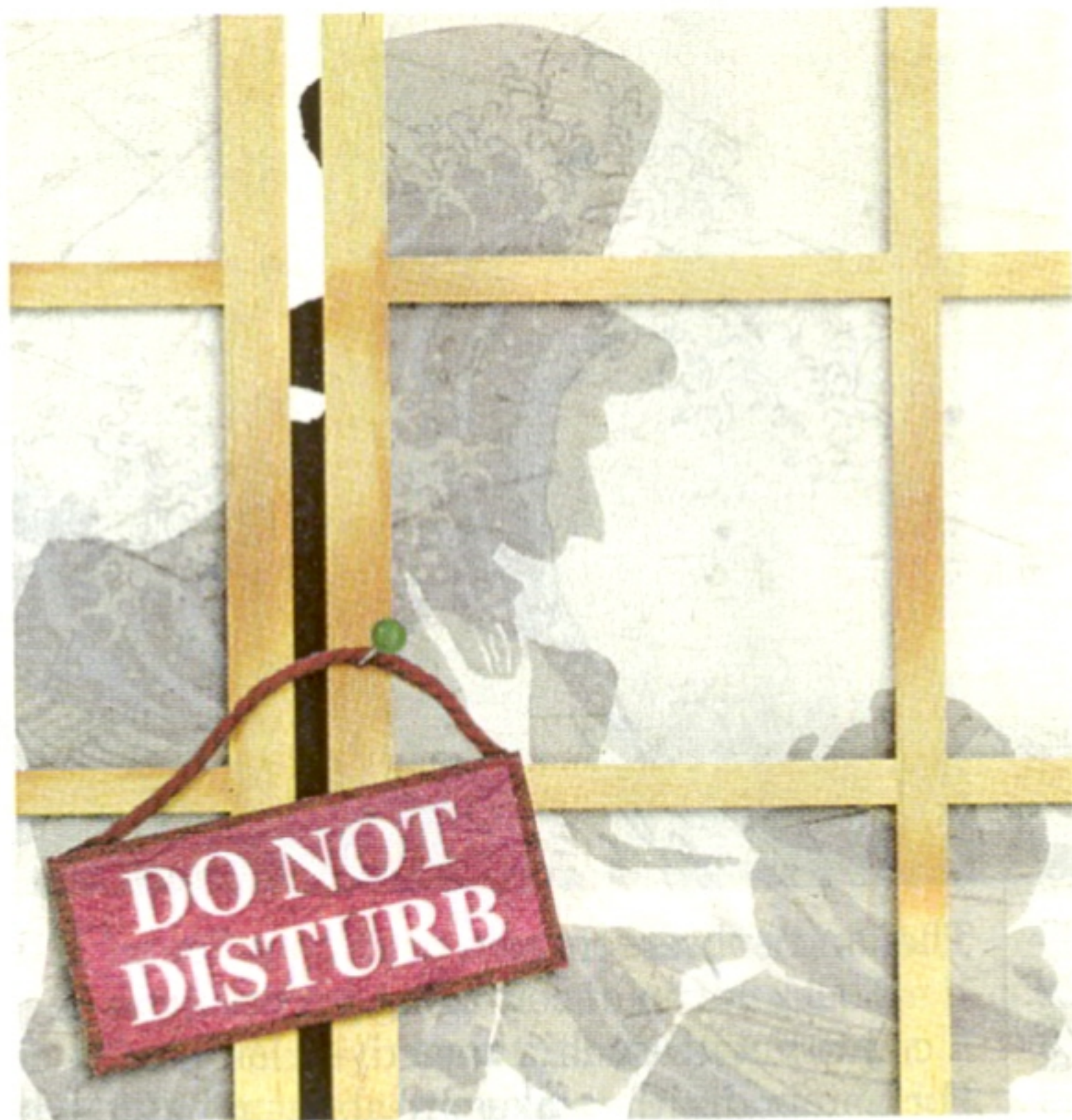


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