

# **Strained Allies:**

## U.S.-Japan Relations During a Time of Economic and Geopolitical Tensions in the 1990s

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Master's Thesis

*July 8, 2025*

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#### Abstract

This thesis analyzes relations between the U.S. and Japan from an American perspective in the 1990s by asking which economic, geopolitical, and public discourse developments shaped U.S. foreign policy towards Japan between 1990 and 1999. The evidence points to a dynamic interaction among these three dimensions. On the economic front, a widening U.S. trade deficit and what Washington considered unfair Japanese trade practices heightened tensions. President Bush relied mainly on diplomacy, but his efforts brought limited results. President Clinton adopted a tougher stance, which secured some concessions, although Japan refused to accept strict import quotas. The creation of the World Trade Organization in 1995 provided an independent forum for resolving disputes and helped reduce frictions. A coordinated response to the 1997 Asian financial crisis encouraged further cooperation. Geopolitically, the end of the Cold War led to a rethinking of the security alliance. Bush urged Japan to assume a larger international role, but Tokyo was unwilling to do so. The rising power of China and the nuclear threat posed by North Korea gave the alliance renewed purpose. After the 1995 Okinawa rape incident, Clinton and Prime Minister Hashimoto worked together to stabilize the partnership. Finally, trade disputes and Japan's limited contribution to the Gulf War fed anti-Japanese sentiment in the U.S., influencing public debate and policy choices. By integrating these three strands, the thesis shows that U.S. foreign policy in the 1990s cannot be attributed to a single factor. Although economic and strategic concerns predominated, public opinion also played a significant role in shaping bilateral relations.

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## 1. Introduction

After the Second World War, the United States (U.S.) occupied Japan for six years. During this period, the U.S. reshaped Japan from a militarized nation into a Western-style democracy. The Americans implemented a new constitution that removed power from the emperor and established a democratic government. In addition, the U.S. transformed Japan's economy from an oligopoly into a competitive capitalist market. Before the occupation, Japan's economy had been dominated by four large families that controlled companies across most industrial and financial sectors. These reforms initiated by U.S. helped Japan achieve political and economic stability, allowing the nation to thrive as a capitalist market economy.<sup>1</sup>

The involvement of the U.S. in the Korean War in 1950 made Japan a valuable tactical ally. Japan served as a transportation hub and a place of rest for American military forces. In response to communist uprisings in the region, including China in 1949 and Korea the following year, the U.S. and Japan signed a security treaty in 1951. The U.S. sought a permanent military presence in Japan to maintain its influence and ensure regional security during the Cold War. The treaty also provided security guarantees for Japan, allowing the country to limit its military spending and focus on economic development instead.<sup>2</sup>

Under the security umbrella of the U.S., the Japanese economy developed significantly and became the second-largest economy in the world during the 1960s. While Japan's economy thrived, the American economy struggled with the new competition from both Germany and Japan. Manufacturing sectors moved overseas, leading to the loss of hundreds of thousands of jobs. In addition, frustrations grew in the U.S. over what were seen as unfair Japanese trade practices. Japan did not allow American-made products to be sold freely in its markets. Furthermore, Japanese companies were subsidized by their government, giving them an advantage over American companies in the U.S. market. During the 1980s and 1990s, these frustrations created tensions between the two allies. Japan resisted American requests to further open its economy, and it was responsible for over 40 percent of the total U.S. trade deficit.<sup>3</sup>

In 1990, the Japanese Nikkei index and Tokyo real estate prices crashed after years of exponential growth. This marked the beginning of Japan's "lost decade," a period of

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<sup>1</sup> Radim Dvorácek, "The History of USA-Japan Relations," (M.A thesis, Masaryk University, 2024), 22.

<sup>2</sup> Ayako Kusunoki, "US Policy for the Occupation of Japan and Changes to It," in *Modern Japan's Place in History*, ed. Masayuki Yamauchi (Springer, 2023), 113 – 115.

<sup>3</sup> Shujiro Urata, "US-Japan trade frictions: the past, the present, and implications for the US-China trade war," *Asian Economic policy review* (2020): 147-148, doi: 10.1111/aepr.12279.

economic stagnation and crises. At the same time, economic tensions between the U.S. and Japan increased, while their security alliance became less relevant in the post-Cold War era. Current literature explains that tensions between the U.S. and Japan rose during the first half of the 1990s and decreased during the second half. Scholars argue that trade tensions were the main cause of this increase and that Japan's refusal to join the Gulf War coalition was viewed as a betrayal of the alliance. They further state that the implementation of the World Trade Organization (WTO) helped ease tensions by serving as an independent body to adjudicate disagreements. Additionally, the economic rise of China gave the security treaty a renewed purpose by preparing for the emergence of a new communist superpower.

While the current literature identifies relevant factors that explain the motivation behind the U.S.' response towards Japan in the 1990s, it fails to connect the important factors that explain the full story of the U.S. response. Factors such as the economic situation in the U.S., and the political situation in Japan, which contributed to disagreements with the U.S. Moreover, public discourse within the U.S. is often overlooked, creating an incomplete overview of the situation. Therefore, this thesis will link these events to each other and explain how the interrelated factors shaped the U.S. response to Japan.

### Research & sub questions

This thesis aims to better understand the leading factors behind U.S. decision-making regarding Japan during the Japanese financial crisis. Therefore, the main research question is:

*'What economic, geopolitical and public discourse developments shaped the U.S. foreign policy towards Japan between 1990 – 1999?'*

To narrow the scope of this research, the thesis will be structured around three sub-questions, each contributing to a comprehensive answer to the central question.

#### 1. *"Which geopolitical concerns determined the U.S. response towards Japan?"*

The Mutual Security Treaty formed the cornerstone of the U.S.–Japan alliance and held the two nations together during periods of trade disputes. The U.S. military presence in Japan has served as a gateway for American military and diplomatic influence in Asia. However, the geopolitical checks and balances shifted significantly in the post–Cold War era, with the disappearance of the communist threat in Europe, rising American interest in the Middle East, and China's economic development. The first sub-question analyzes which domestic and

foreign factors influenced U.S. foreign policy towards Japan beyond economic concerns. Domestic events, such as the Okinawa rape incident, also played a role in shaping the geopolitical dynamics, as they posed a threat to the security alliance.

## 2. *“Which economic concerns determined the U.S. response towards Japan?”*

Throughout the 1990s, several economic events affected U.S.–Japan relations. Japan’s trade practices and the U.S. trade deficit increased tensions between the two nations. The Asian financial crisis in 1997 forced them to work together to preserve American influence and prevent a global financial collapse. This sub-question analyzes how the U.S. responded to Japan regarding these issues. The different approaches taken by Bush and Clinton resulted in different outcomes and affected the bilateral relationship. The geopolitical and economic responses are interconnected, as will be explained in the literature review. This connection leads to some overlap between the first and second sub-question. However, the two topics are addressed separately because of their individual relevance, which allows the research to give appropriate attention to each topic.

## 3. *“How did the public discourse influence determine the U.S. response towards Japan?”*

The public discourse refers to the open debate, exchange of ideas, and public opinion within a society about a given topic. This sub-question analyzes how the public discourse in the U.S. regarding Japan evolved and influenced the U.S. response towards Japan. Politicians depend on public favor to secure election or reelection. Therefore, public discourse can influence their policymaking if a substantial portion of public opinion leans towards a particular view. To capture a broad range of public discourse about Japan, this sub-question examines newspaper articles, opinion polls, and presidential debates, followed by an analysis of how these factors affected the U.S. response towards Japan.

## Theoretical Framework

### *Alliance*

Throughout the text, the main focus is on the alliance between Japan and the U.S. The concept of alliances has been widely discussed among international relations scholars; however, there is no single definition for it so far. Nations form alliances mainly based on mutual benefits, including military protection, strategic power balance, economic goals, and common principles or ideals. This thesis adopts the neoliberalist view of alliances, which

states that nations form alliances because they expect to gain mutual benefits from working together, such as stability, security, and economic prosperity. Alliances create rules and norms that reduce uncertainty, improve cooperation, and hold states accountable for their actions.<sup>4</sup>

### *Economic Bubble*

An economic bubble forms when the price of an asset, such as stocks, real estate, or land, rises far beyond its true value, which is determined by expected future earnings like dividends or rental income. Bubbles grow because people believe prices will continue to rise, creating a self-reinforcing cycle of increasing prices. They can last for a long time and often emerge alongside economic growth and technological advancements. However, economic bubbles eventually burst, often due to economic downturns or rising interest rates, which reduce investment. This leads to a sharp decline in prices, bringing them back to their actual value or even below it.<sup>5</sup>

### *General Agreement on Tariffs and Trade (GATT) & World Trade Organization (WTO)*

GATT was a multilateral treaty among countries designed to encourage international trade by reducing or eliminating tariffs, trade barriers, and unfair trade practices. While the agreement was legally binding, meaning countries were required to comply with its provisions, GATT did not have strong measures to act against countries that failed to follow the agreement. As a result, it relied heavily on diplomatic pressure from other member countries when a country did not comply with the rules. GATT was established in 1947 by 23 countries, including the U.S., and Japan became a member in 1955.

The WTO was established in 1995 as a replacement and expansion of GATT. It is a formal institution with stronger binding agreements and enforcement procedures for countries that do not comply with its rules. The WTO also acts as an independent body to resolve trade disputes.<sup>6</sup>

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<sup>4</sup> Carlo Masala, “Alliances,” in *Routledge Handbook of Security Studies*, ed. Myriam Cavelty (Routledge, 2016), 356 – 357.

<sup>5</sup> Tomohiro Hirano, “Bubble Economics,” *Journal of Mathematical Economics* 111 (2024): 7 – 9 & 13, <https://doi.org/10.1016/j.jmateco.2024.102944>.

<sup>6</sup> Kym Anderson, “Contributions of the GATT/WTO to global economic welfare: empirical evidence,” *Journal of Economic Surveys* 30, no. 1 (2016): 56-58, doi: 10.1111/joes.12087.

### *Trade deficit*

A trade deficit occurs when a country's monetary value of exported goods is lower than the monetary value of imported goods with another country. In simple terms, this means that a country loses money because the amount spent by its population and companies on foreign goods is higher than what they earn from selling goods to that country. A trade deficit does not necessarily mean it is bad for the economy; it can also result in cheaper products, which can boost economic growth and reduce inflation. However, if a trade deficit becomes too large, the national debt increases to cover the loss of money, which negatively impacts the national economy. Additionally, local businesses may go bankrupt due to insufficient demand.<sup>7</sup>

### *Public Discourse*

Public discourse is interpreted and employed in many ways. In this essay, I adopt Hannon's definition: "Public discourse is the collective practice of public debate, deliberation, and dispute within a country. Through this practice, citizens exchange knowledge, shape ideas and opinions, challenge decision makers, and hold them accountable." Hannon also observes that public discourse has an epistemic, truth seeking function that helps society identify sound policies. At the same time, a heated debate can steer public opinion towards particular policy outcomes.<sup>8</sup>

### *Section 301 of the 1988 Omnibus Trade and Competitiveness Act*

Section 301 is part of the 1988 Omnibus Trade and Competitiveness Act, which gives the U.S. Trade Representative the authority to investigate unfair trade practices by other countries and impose countermeasures, such as tariffs or import quotas, in retaliation. The Trade Representative can also place a country on a priority watch list as a warning, giving it time to adjust its trade policies.<sup>9</sup>

### **Literature Review**

While in the first ten years Japan had to rebuild itself from the damages of the war, from the mid-1950s onward the Japanese economy flourished, growing at an average rate of

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<sup>7</sup> Saif Ur Rehman, "Impact of trade deficit on economic growth: A case of some selected countries," *International research journal of management and social sciences* 2, no. 2 (2021): 27-28, DOI: 10.5281/zenodo.10319994.

<sup>8</sup> Michael Hannon, "Public discourse and its problems," *Politics, Philosophy & economics* 22, no. 3 (2023): 339-340, DOI: 10.1177/1470594X221100578.

<sup>9</sup> Kristi Govella, "Economic Rivals, security allies: the US-Japan trade war," in *Research handbook on trade wars*, ed. K. Zeng (Elgar, 2022), 9.

10 percent until the early 1970s. With the help of the Bretton Woods system, the Japanese currency, the Yen, was tied to the U.S. dollar. This created fixed exchange rates and stability for the Japanese market. Japan's technology industry was stimulated, particularly in electronic devices and automobile manufacturing, with companies like Sony, Toyota, and Nissan becoming global leaders. With support from the U.S., Japan was able to join international coalitions and trade agreements such as the IMF, World Bank, OECD and GATT. The last was an international trade agreement aimed at reducing tariffs and trade barriers, which gave Japan greater access to foreign currencies and international markets to export its products.<sup>10</sup>

The Japan's economic prosperity from the 1950s until the 1960s made it the second-largest economy in the world, this era is also known as the Japanese economic miracle. Due to its manufacturing and export-driven economy, GDP grew by 10 percent, then decreased to an average of 5-6 percent over the following twenty years. Apart from American support, the Japanese economic miracle can be attributed to several factors. First, the Japanese government took an active approach to supporting financial growth by investing in education and research and development (R&D). Second, Japanese households generally had substantial savings, which banks and financial institutions could invest in domestic projects, boosting the economy. Third, the Japanese work ethic emphasized loyalty to companies and hard work, contributing to high productivity. Lastly, the government worked closely with Japanese banks and companies to protect the domestic market and subsidize businesses with limited government intervention giving them an unfair competitive advantage in the global market. Additionally, the government kept the Yen at a low exchange rate through policy measures. This made Japanese products cheaper for foreign companies to import, while increasing the cost of importing foreign goods into Japan.<sup>11</sup>

While the Japanese economy thrived, the American economy stagnated around the late 1960s and continued throughout the 1970s. The manufacturing belt was the heart of the U.S. economy in the late 19th century and the first half of the 20th century. The Northeastern region of the U.S. formed the center of steel, automobile, and machinery production. However, due to automation and global competition from countries such as Japan and Germany, many factories closed, and hundreds of thousands of people lost their jobs. To make matters worse, the oil crises of 1973 and 1979, caused by unrest in the Middle East, triggered inflation and increased production costs for American factories, which heavily relied on oil. Consumer demand also shifted towards fuel-efficient cars produced by Japanese

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<sup>10</sup> Kenichi Ohno, *The history of Japanese economic development* (Routledge, 2018), 135 – 136.

<sup>11</sup> Ohno, *The history of Japanese economic development*, 136 & 155.

manufacturers. As a result, many factories shut down, turning the once-thriving manufacturing belt into the Rust Belt.<sup>12</sup>

The shift of the American production sector to Japan created irritation within the U.S. Imports of Japanese products continued to increase, while American companies struggled to get their products accepted in the Japanese market due to trade barriers. In 1965, the U.S. imported more Japanese products than it exported for the first time, creating a trade deficit. Most of these imported products competed with American companies, many of which were already in financial trouble. The U.S. had allowed Japan's protective economic policies to support its development. Japan combined heavy government subsidies with aggressive dumping, flooding the U.S. market with goods priced below production costs to grab share. At the same time, complicated bureaucratic rules and unique safety standards protected its own market, making it hard for foreign firms to sell in Japan. A discussion emerged in the U.S. arguing that Japanese government support through subsidies conflicted with liberal capitalism, which promotes competition without government intervention. For the first time since the Second World War, Japan was no longer viewed as a developing ally but as an economic competitor.<sup>13</sup>

To counter Japan's trade practices, the U.S. took measures into its own hands in an attempt to open the Japanese market, aiming to reduce obstacles for American companies to sell their products in Japan. The Americans implemented the section 301 of the 1988 Omnibus Trade and Competitiveness Act, also known as the "super-301." This Section gives the U.S. trade representative special rights to investigate, list and retaliate against countries which commit unfair trade practices such as non-tariff trade barriers. Japan was listed on the Section-301 watch list in May 1989, as a "unfair trader" because it did not hold on to the GATT agreement to foster market openness and allowing foreign companies on the domestic market. The placing of Japan on the watch list increased tensions significantly, the Japanese argued that the U.S. was playing as prosecutor, judge and jury at the same time.<sup>14</sup>

Another severe measurement from was that the U.S. wanted to devalue the dollar, which had become significantly stronger over the past year. This measure would make American products cheaper and foreign products more expensive. The philosophy was that Americans would buy fewer foreign products while other countries would buy more

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<sup>12</sup> Simeon Alder, "Labor market conflict, and the decline of the rust belt," Journal of political economy 131, no. 10 (2023): 6-8, <https://doi.org/10.1086/724852>.

<sup>13</sup> Govella, "Economic Rivals," 5.

<sup>14</sup> Govella, "Economic Rivals," 5.

American products, thereby reducing the trade deficit. Under pressure from the U.S., Japan, West Germany, France, and the United Kingdom agreed to the Plaza Accords of 1985 to sell their dollar reserves and buy their own currencies on the international monetary market. As a result, the value of the Yen increased by 50 percent against the dollar. This appreciation of the Yen had a severe impact on Japan's export sector, especially since the U.S. was Japan's biggest trading partner. Japanese products became 50 percent more expensive for American customers. Because of this, Japanese companies suffered from the loss of exports and moved their factories abroad to countries with lower wages and cheaper currencies.<sup>15</sup>

For the Japanese economy, the Plaza Agreement marked a turning point from economic development to a period of economic stagnation. Due to the appreciation of the Yen, companies moved abroad, and exports declined, which hurt the Japanese economy. As a countermeasure, the government and the Bank of Japan (BOJ) adopted a policy of low interest rates to stimulate investment and economic growth, without strict requirements, while also subsidizing companies with tax advantages. Regulations help prevent financial institutions and companies from making excessively risky decisions. In Japan's case, stronger regulations could have restricted banks from issuing loans freely, which fueled speculation in the real estate and stock markets. Furthermore, regulations promote stability in financial markets by limiting high-risk, high-reward investments that often increase stock price volatility.<sup>16</sup>

However, the lack of regulatory oversight and easy credit fueled speculation in the stock and real estate markets. Investors and companies believed that prices would keep rising indefinitely, leading to risky and excessive borrowing. Between 1985 and 1992, real estate prices increased by 350 percent, with the land around Tokyo's Imperial Palace famously valued higher than the entire state of California. Stock prices also increased by 500 percent over six years, creating a similarly unsustainable bubble. Fearing that the economy was overheating, the BOJ raised interest rates from 2.5 to 4.25 percent in 1989 and then to 6 percent in 1990. This triggered the collapse of both bubbles, with stock prices falling by 60 percent and real estate prices dropping between 70 and 80 percent in a matter of months.<sup>17</sup>

The bursting of the soap bubble led to severe problems for the Japanese economy and triggered a financial crisis. Many investors and financial institutions lost their assets in the real estate and stock markets, resulting in a decline in investment in the Japanese economy.

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<sup>15</sup> Mireya Solis, "Japan's foreign economic policies," in *The international relations of Asia*, ed. S. Pekkanen (Oxford University Press, 2024), 142.

<sup>16</sup> Mark Yang, "Broken Asset Bubbles: The Factors affect Japan's Economy from Prosperity to Decline," *Empirical Economic Bulletin, an Undergraduate Journal* 17, no. 1 (2024): 10 – 11, ISSN: 2831-4182.

<sup>17</sup> Ohno, *The history of Japanese economic development*, 164.

Economic growth was held back, and unemployment rates increased. The productivity of Japanese companies stagnated due to reduced R&D investments, which allowed other countries to become more competitive. Companies were forced to sell their properties, causing a downward spiral as real estate prices dropped even further. Furthermore, investors and companies were unable to repay their loans to banks after the bubble burst, leading to financial problems for the banks.<sup>18</sup>

Thus, a central theme in the literature is the continuation and development of the security treaty between the U.S. and Japan. According to the literature, the fall of the Soviet Union influenced this treaty. With their common enemy gone, the two nations had to redefine the essence of their alliance. Their focus shifted to the rising nuclear threat from North Korea and the economic and military growth of China. For the U.S., Japan's strategic location near China and Taiwan made it an essential partner for maintaining military pressure and influence in the region.

### Geopolitical Aspects

The Gulf War of 1990 to 1991 increased tensions between the U.S. and Japan. The U.S. led an international coalition against Iraq after its invasion of Kuwait. Japan refused to contribute troops to the coalition and instead paid thirteen billion dollars to help cover part of the costs. This frustrated the U.S., as Japan was not seen as fulfilling its responsibilities as an economic superpower. Japan's constitution did not allow the deployment of military troops in foreign countries, and furthermore, the Japanese population was unwilling to change this non-combat stance. Hughes described this moment as a turning point in the expectations the U.S. had for Japan, which had hoped Japan would take a leading role on the international stage as an economic superpower.<sup>19</sup> Curtis, however, points out that the Gulf War demonstrated the strength of the alliance. Although the U.S. and Japan disagreed, the alliance held due to their shared goals of maintaining stability in the Pacific region and responding to continuing threats posed by China and North Korea.<sup>20</sup>

Beyond security, the literature argues that political shifts in Japan also influenced the security alliance. The Socialist Party took over from the pro-American Liberal Democratic

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<sup>18</sup> Yang, "Broken Asset Bubbles," 1.

<sup>19</sup> Christopher Hughes, "Japan's foreign security relations and policies," in *The international relations of Asia*, ed. S. Pekkanen (Oxford University Press, 2024), 376-377.

<sup>20</sup> Gerard Curtis, "US Policy toward Japan from Nixon to Clinton: An Assessment," *Japan Center for International Exchange* (2010): 18, [https://jcie.org/researchpdfs/NewPerspectives/new\\_curtis.pdf](https://jcie.org/researchpdfs/NewPerspectives/new_curtis.pdf).

Party (LDP), which had been in power for more than three decades. Although the alliance remained intact, this change in leadership caused uncertainty for the U.S. The Socialist Party adopted a more nuanced stance towards China by formally apologizing for the Second World War. At the same time, it took a more confrontational approach towards the U.S. on both trade and security. The party openly questioned the necessity of the American military presence on the islands in the post–Cold War era.<sup>21</sup>

The pressure on the alliance became even more critical in November 1995. Three American soldiers raped a Japanese schoolgirl on Okinawa, in what became known as the Okinawa rape incident. This event triggered widespread outrage in Japan. Protests against the American military presence arose, fueling anti-American sentiment and opposition to the U.S. military presence in the country. According to the literature, the new LDP prime minister Hashimoto and Clinton had to work closely together to preserve the alliance and ease tensions in Japan. Not long after, they signed a new security agreement to reaffirm the necessity of the alliance. Overall, the current literature describes the 1990s as a critical period in which the security alliance was reformed. Although the alliance survived both domestic and international pressure, it required effort and adaptation from both sides of the Pacific. This shows that the alliance was flexible and capable of enduring setbacks.<sup>22</sup>

### Economic Aspects

The trade tensions from the 1970s and 1980s continued into the 1990s. Even after the collapse of the economic bubble, the U.S. continued to pressure Japan to open its markets. Govella argues that although the bursting of the bubble stagnated Japan's economic growth, it did not lead to structural changes in market access or address unfair trade practices. This continued to frustrate the U.S., which responded by attempting to force greater openness through sanctions. During the early years of the Clinton presidency, the U.S. adopted a tougher stance towards Japan to push for greater market openness. Most of this pressure achieved little success, as Japan was unwilling to accept strict quotas to measure the increase of imports.<sup>23</sup>

The literature further states that the establishment of the WTO in 1995 helped reduce trade tensions. Unlike GATT, the WTO had stronger and stricter rules that members were required to follow. The organization also served as an independent body that could rule on trade disputes between member states. As a result, the U.S. and Japan no longer had to resolve

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<sup>21</sup> Masamichi Inoue, *Okinawa and the U.S. military* (Columbia University Press, 2007), 51.

<sup>22</sup> Inoue, *Okinawa and the U.S. military*, 37

<sup>23</sup> Govella, "Economic Rivals," 5.

their trade disagreements directly, which had been a major source of tension. According to Urata, the WTO contributed to greater stability in the alliance because it acted as a third party with a rule-based system. This meant that trade disputes were no longer driven by unilateral U.S. measures aimed at increasing American exports.<sup>24</sup>

The 1997 Asian financial crisis forms another important discussion point in the current literature. Due to disappointing results, foreign investors withdrew their investments. This happened on such a large scale that no one wanted to buy the investments, causing prices to collapse and leading to hyperinflation of the Thai currency. Foreign investors in neighboring countries also pulled back their investments, creating a domino effect across Southeast Asia. For 181 Japanese banks still struggling after the bursting of the economic bubble in the 1990s, this crisis delivered the final blow, forcing them into bankruptcy and triggering a banking crisis in Japan. Eventually, the government stepped in and provided financial support to the banks to prevent a national economic collapse. However, the Japanese economic situation did not improve. Banks were reluctant to issue new loans for fear of defaults. People no longer trusted financial institutions or the government, which made them hesitant to invest or make high-priced purchases, keeping the Japanese economy stagnant. The crisis ultimately forced Japan to cooperate with the U.S. to stabilize financial markets in the region, which overshadowed the ongoing trade tensions.<sup>25</sup>

### Public Discourse

While economic and geopolitical factors dominated U.S. foreign policy towards Japan, the literature also notes that public opinion and media portrayals sometimes influenced, constrained, or reinforced foreign policy during the 1990s. This decade was characterized by nationalist sentiments and negative stereotypes of Japan, often referred to as “Japan bashing.” Govella argues that Japan had previously been portrayed as the U.S.’ little brother and junior partner, but this changed as a result of the economic tensions of the preceding decades. Japan increasingly came to be seen as greedy and as harming the U.S. economy by keeping its markets closed to American products. This fueled public disapproval, which came to dominate the public debate about Japan.<sup>26</sup>

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<sup>24</sup> Urata, “US-Japan trade frictions,” 144

<sup>25</sup> Naoyuki Yoshino, “Japan’s lost decade: Lessons for other economies,” in *ABDI Working Paper 52*, (Asian Development bank, 2015), 9-11.

<sup>26</sup> Urata, “US-Japan trade frictions,” 153.

Hughes argues that media portrayals of Japan influenced U.S. foreign policy, as policymakers sought to address domestic concerns about job losses and the stagnation of the American economy. For example, Clinton adopted a harsher stance than Bush regarding diplomatic relations with Japan in order to tackle the trade deficit. He felt pressured to take this approach to maintain credibility and fulfill a campaign promise, which had helped him win the election. During his presidency, he publicly criticized Japan, which further fueled tensions and intensified anti-Japan sentiment in the U.S.<sup>27</sup>

### Research Gap

The current literature indicates that during the 1990s, bilateral relations between the U.S. and Japan initially worsened due to trade tensions and the Clinton presidency. The establishment of the WTO as an independent trade regulator helped ease these tensions. The U.S. also used the Asian financial crisis as an opportunity to open foreign markets and integrate affected nations into the global monetary system. The security alliance was under threat in the post-Cold War era, but the rise of China and the North Korean nuclear threat gave the alliance a renewed purpose. Although the current literature has thoroughly analyzed certain events and aspects of U.S.–Japan bilateral relations, several gaps remain. Most research focuses separately on either the economic or geopolitical dimensions of the relationship. This research aims to connect these perspectives by analyzing public discourse alongside the geopolitical and economic events that shaped U.S. responses towards Japan throughout the 1990s.

While researchers such as Govella, Hughes, Curtis and Urata have addressed some aspects of the causes and outcomes of these events, their work lacks an integrated approach i.e. an analysis of the impact of the economic, geopolitical and public opinion factors on each other. For example, although Govella provides a detailed discussion of the trade dispute, she does not address the rising anti-Japanese sentiment in the U.S., which was fueled by trade tensions and Japan’s participation in the Gulf War. She further notes that the trade deficit between the U.S. and Japan declined but does not explain the factors behind this decline. By excluding these aspects from their analyses, the impact of these aspects could not be linked to other developments, such as the upcoming U.S. elections the following year.<sup>28</sup>

Hughes provides a strong analysis of how the U.S. sought to encourage Japan to become a more proactive security partner. However, he fails to connect this to the economic

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<sup>27</sup> Govella, “Economic Rivals,” 10-11.

<sup>28</sup> Govella, “Economic Rivals,” 2.

stagnation in the U.S. and to the public discourse marked by anti-Japan sentiment.

Remarkably, the papers by Curtis and Hughes barely mention the state of the American economy during the 1990s, which is an important factor in explaining why the U.S. reacted as it did. When the economy is thriving, there is less urgency to address unfair trade practices by allies.<sup>29</sup> Furthermore, there is no existing study that systematically examines newspaper portrayals of Japan during this period. A systematic, long-term content analysis of U.S. and Japanese newspapers throughout the 1990s could measure shifts in media framing over time. This would provide a more comprehensive overview of public discourse about Japan and would significantly contribute to knowledge about U.S.-Japan bilateral relations during this period.

## Sources and Methods

The research for this M.A. thesis is conducted by using primary sources to determine the economic, geopolitical, and public discourse developments that shaped U.S. foreign policy towards Japan between 1990 and 1999. To analyze the primary sources, a content analysis is applied to provide a contextual understanding of the texts. This method allows for the comparison and connection of different sources and supports drawing conclusions based on the available information. The primary sources used for this thesis include government documents, newspaper articles, political debates, and opinion polls.

Government documents are used to analyze the first two sub-questions, which address the economic and geopolitical motivations shaping foreign relations with Japan. The National Archives Catalog provided documents concerning congressional hearings and internal government meetings.<sup>30</sup> These sources offer insights into the thinking and considerations of the U.S. government in conducting its foreign policy towards Japan. Prior research from the National Security Archive has compiled numerous relevant documents in the collections *Japan and the U.S.: Diplomatic, Security, and Economic Relations, Part II (1977–1992)* and *Part III (1961–2000)*, offering valuable material on the U.S. approach towards Japan.<sup>31</sup> Moreover, under the Classified National Security Information Act, most U.S. government documents are released after ten to twenty-five years. Through the online

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<sup>29</sup> Hughes, “Japan’s foreign security relations and policies,” 377.

<sup>30</sup> “Japan,” February 11, 1994, 42-T-7585702-20110516S-009-007-2015, Collection WJC-NSCOC: Records of the National Security Council Office Press and Communications (Clinton Administration), National Archives Catalog, <https://catalog.archives.gov/id/34395704>.

<sup>31</sup> “The President’s July 8 meeting with Prime Minister Kaifu,” July 8, 1990, Document 11, Talking Points (S), National Security Archive, <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB175/japan2-11.pdf>

archives of the Bush and Clinton presidential libraries, it was possible to access various documents and memoranda related to U.S.-Japan relations.<sup>32</sup> A shortcoming of these documents is that parts of some texts are redacted due to national security concerns. This is a common challenge in research on governmental foreign policies. To address this gap, this study also relies on other primary sources, such as newspaper articles which often draw on information from sources within the government to provide further context.

The newspaper articles constituted a significant part of the primary sources. They provide additional information on policies and discussions within the government. Press articles give a clear indication of the public discourse in the U.S. They cover issues considered newsworthy, address dominant topics in public debates, and shape public opinion by informing people about certain matters. By analyzing how these articles portrayed Japan, one can see how politicians, the media, and the public viewed Japan. The press can be categorized into print, audiovisual, and digital media. This research focuses solely on printed newspapers. Although the use of television grew rapidly from the 1980s onward, it is not feasible due to limitations in access and time to analyze all television broadcasts related to Japan. Television was primarily consumed by younger generations, who also read newspapers less frequently. In contrast, older generations continued to rely on newspapers for their information. A survey on media consumption concluded that 50 percent of Americans still read newspapers on a regular basis, indicating that newspapers continued to reach a large portion of the American population in the 1990s.<sup>33</sup>

The selection of newspapers was based on two criteria. First, the newspapers needed to have a large daily readership in order to maximize their influence on the American public. In 1995, the five largest newspapers were: *The Wall Street Journal* with 1.8 million readers, *USA Today* with 1.6 million, *The New York Times* with 1.2 million, *The Los Angeles Times* with 1 million, and *The Washington Post* with 840,000 readers.<sup>34</sup> Second, the selection aimed to include a variety of political perspectives, encompassing both right- and left-wing, or Republican and Democratic, ideologies. The American press is often viewed as politically biased, either towards the more conservative Republican Party or the more progressive Democratic Party. While studies show that the press was considered more neutral in the 1990s

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<sup>32</sup> Memorandum of Conversation: Telcon with prime minister Miyazawa of Japan," June 28, 1992, George H. W. Bush Presidential Library and Museum, <https://bush41library.tamu.edu/files/memcons-telcons/1992-06-28-Miyazawa.pdf>.

<sup>33</sup> Andrew Kohut, "TV news viewership declines: Fall off greater for young adults and computer users," *Pew research center for the people & the press* (1996): 38.

<sup>34</sup> Leslie-Jean Thornton, "The road to "reader-friendly": US newspapers and leadership in the late twentieth century," *Cogent Social Sciences* 2, no. 1 (2016): 3, DOI: 10.1080/23311886.2016.118905.

than it is today, some newspapers were still seen as leaning either Democratic or Republican.<sup>35</sup>

For this reason, the selection of newspapers consists of *The New York Times*, *The Washington Post*, *The USA Today*, and *The Wall Street Journal*. *The New York Times* and *The Washington Post* were considered to have a Democratic bias. *The New York Times* was viewed as progressive or liberal, while *The Washington Post* was seen as center left. *The USA Today* was regarded as centrist, with no strong preference for either party. *The Wall Street Journal* leaned more towards the Republican and conservative side, often promoting free-market economics and traditional values.<sup>36</sup> While *The Los Angeles Times* had more readers than *The Washington Post*, it focused primarily on regional politics and West Coast events, whereas *The Washington Post* covered mainly national and international politics, including U.S. foreign policy. Therefore, *The Los Angeles Times* was excluded from this analysis to maintain balance, as its inclusion would have led to an overrepresentation of center-left Democratic newspapers.

Due to the large volume of articles available in the online archives of various newspapers, the search commands had to be refined. For each newspaper, the most relevant articles were selected for each year. The number of articles per year varied, ranging from one or two to as many as seven or eight, depending on the newspaper. To narrow down the topics, the archives were searched using specific queries. These search terms included: “US Japan relations,” “Bush Japan,” “Clinton Japan,” “Japan trade,” “Japan trade deficit,” “Japan economy,” “Japan economic crisis,” and “Japan financial crisis.” It is acknowledged that news articles can never be completely objective and may therefore present a one-sided view of the story. However, it can be assumed that these widely respected press outlets present information as objective as possible. The final research question is mostly based on newspaper articles. Nonetheless, due to the diverse range of information within these articles, they can also contribute to addressing the other two sub-questions.

Lastly, to further analyze the public discourse about Japan, opinion polls conducted by Gallup have been used. As explained in the terminology section, public opinion is part of the overall public discourse. These polls show how the American public perceived Japan over time, providing a clear indication of how public opinion towards Japan changed and developed throughout the 1990s. This can be linked to certain events during that same period.

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<sup>35</sup> Robert Eisinger, “What Media Bias? Conservative and Liberal Labelling in Major U.S. newspapers,” *Harvard International Journal of Press/Politics* 12, no. 1 (2007): 26 – 29, <https://doi.org/10.1177/1081180X06297460>.

<sup>36</sup> Eisinger, “What Media Bias? Conservative and Liberal Labelling in Major U.S. newspapers,” 18-19.

This thesis recognizes that opinion polls do not perfectly capture the views of the entire population. However, Gallup is a respected and recognized analytic and advisory company, and its information can therefore be considered trustworthy.<sup>37</sup>

### Innovative Aspects

While many scholars have written about U.S.-Japan bilateral relations in the 1990s, most have analyzed the impact of economic tensions and the security alliance on shifting geopolitical dynamics as separate issues. Moreover, the role of U.S. public discourse about Japan in shaping foreign policy is often overlooked. The absence of an integrated analysis that combines public discourse with economic and geopolitical factors makes this research unique. It contributes to the academic understanding by offering a more comprehensive explanation of the U.S. response to Japan during the 1990s. Furthermore, in light of current tensions between the U.S. and its allies over trade and security, this thesis offers a historical case that may provide valuable lessons for de-escalation.

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<sup>37</sup> Gallup News Service, “Gallup Poll Series: World Affairs,” Princeton job, 2000: 14.

## 2. Geopolitical Factors

The strategic response of the U.S. towards Japan in the early 1990s reflected a mix of economic rivalry and a desire to involve Japan more fully in global affairs. Although tensions had carried over from previous years with the implementation of Section 301 of the 1988 Omnibus Trade and Competitiveness Act, American policymakers continued to emphasize the value of the U.S. military presence in Japan. This presence provided crucial access to East Asia and served as an ongoing base for maintaining regional influence. It was especially significant given the persistent communist presence in the region, particularly from North Korea and China.<sup>38</sup>

### Bush presidency (1990-1992)

While being close allies, the Bush administration simultaneously perceived Japan as a potential threat to American global hegemony. In March 1990, the Pentagon released a report concluding that Japan had surpassed the U.S. in five strategic technologies related to weapons development, including systems that could be applied to advanced weaponry, satellite communications, and radar. To stay ahead in technology, the U.S. put strong pressure on Japan and eventually forced it to stop its satellite program to avoid severe sanctions. In other technology areas, the U.S. pushed for joint research efforts, enabling American involvement in leading developments and helping to maintain its strategic superiority.<sup>39</sup>

While Bush did not want Japan to take over the U.S. as global hegemony, he did want Japan to become a leading country with greater political and military influence to maintain the global order dominated by the capitalist West. With the fall of the Soviet Union in 1991, he saw an opportunity to expand capitalism and democracy in the former Soviet states and the remaining communist nations. Bush viewed Japan, which had the second-largest economy, as the most suitable country to help foster a global partnership. In his view, Japan needed to take on a greater role in the international arena by strengthening its political dialogue with Europe, assisting the U.S. in supporting emerging democracies in Central America and other regions, and cooperating on issues such as counterterrorism, narcotics control, and human rights.<sup>40</sup>

Therefore, there was a growing sentiment within the U.S. government that Japan needed to take greater responsibility for its own security. In the early 1990s, Japan's military

<sup>38</sup> “The President’s July 8 meeting with Prime Minister Kaifu.”

<sup>39</sup> “U.S. and Japan reach agreement on Satellites,” *United Press International*, April 4, 1990, <https://www.upi.com/amp/Archives/1990/04/04/US-and-Japan-reach-agreement-on-satellites/2059639201600/>.

<sup>40</sup> “The President’s July 8 meeting with Prime Minister Kaifu.”

budget was just 1 percent of its GDP, whereas the U.S. allocated about 5.6 percent of its GDP to defense at the time. Japan was able to grow its economy under the security umbrella provided by the U.S., which allowed it to invest more in development projects and education while spending less on its military. This arrangement was also beneficial for the U.S., given its increasing strategic interests in the Middle East. With a Western-aligned global power in the Pacific, the U.S. could reduce its military presence in Japan without excessive concern about threats from North Korea and China.<sup>41</sup>

For Bush, the Gulf War was a pivotal moment for Japan to assume a role on the global stage, just behind the U.S. In response to Saddam Hussein's invasion of Kuwait on August 2, 1990, Bush began forming an international alliance to use military force against Iraq. He urged Japanese Prime Minister Toshiki Kaifu to join the coalition and send troops to the Middle East. Although Bush and Japan generally maintained good relations, tensions arose because Japan's constitution prohibited the deployment of its troops outside the country. As compensation, Kaifu announced that Japan would donate a total of \$2 billion to Jordan, Egypt, and Turkey to help cover the costs of housing refugees and supporting military logistics. Additionally, he pledged to contribute \$500 million annually to support U.S. efforts in the Gulf War.<sup>42</sup>

Bush was not satisfied with Japan's efforts during the Gulf War, stating to Kaifu that money alone does not make the world a safer place. In October, Japan passed a law allowing Japanese soldiers to be deployed as a self-defense force to help protect Saudi Arabia. However, this decision by the prime minister was overruled by the Japanese parliament, ultimately preventing the deployment of military troops to the Middle East. Instead, Japan sent one hundred medical personnel to assist in treating the wounded. Bush remarked in a telephone conversation with Kaifu that Japan's stance did not reflect the reality of the global situation.<sup>43</sup>

*“Japan is not a great power or hungry to become one.”<sup>44</sup>*

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<sup>41</sup> “Thorne to Armacost, Subject: Growing entanglement of U.S-Japan Trade and Defense issues,” July 26, 1985, Document 7, Memorandum (C), National Security Archive, <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB175/japan2-07.pdf>.

<sup>42</sup> Maureen Dowd, “Kaifu visits Bush and brings word of war payment,” *New York Times*, July 12, 1991, <https://www.nytimes.com/1991/07/12/world/kaifu-visits-bush-and-brings-word-of-war-payment.html?searchResultPosition=11>

<sup>43</sup> Steven Weisman, “Japan's chief and rivals agree on plan for civilian Gulf Force,” *New York Times*, November 9, 1990, <https://www.nytimes.com/1990/11/09/world/mideast-tensions-japan-s-chief-and-rivals-agree-on-plan-for-civilian-gulf-force.html?searchResultPosition=2>

<sup>44</sup> Ambassador Armacost to Department of state, “GOJ contributions and Gulf Crisis,” January 16, 1990, doc. 12, cable (S), National Security Archive, <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB175/japan2-12.pdf>.

Japan's reluctant stance during the Gulf War altered the U.S. perception of its ally. Americans had significantly overestimated Japan's willingness and ability to engage in foreign policy and manage international crises. Japan's pacifist sentiment, along with its limited motivation to contribute to the international community, had been misjudged. The conflict revealed that Japan was neither capable nor willing to become a global power that could help maintain Western dominance on the world stage, making it an unreliable partner in times of need. Combined with the trade disputes, this brought bilateral relations to their lowest point since the end of the Second World War.<sup>45</sup>

After the American realization of Japan's lack of willingness and capacity to become a global superpower, it also altered the American competitiveness with Japan over its hegemony. While it was still important for the U.S. to maintain technological superiority, the threat of potential Japanese dominance became less pressing. At the end of the day Japan remained a close ally and the U.S. could always request involvement in certain technological developments and programs. The American leverage over the Japanese had increased even more after the Gulf War, because the Japanese knew that the Americans were not satisfied with their efforts to contribute. The Gulf War also sparked renewed discussion about the necessity of the security alliance. The fall of the Soviet Union had ended the Cold War. Although Bush remained a strong supporter of the alliance, and the communist regimes in China and North Korea were still active, its relevance was increasingly questioned.<sup>46</sup>

In the aftermath of the Gulf War, the Bush administration had to reconsider how Japan could serve as a useful ally in other geopolitical areas. Although Japan had little value as a military partner, it was unwise to leave it entirely on the sidelines. The security alliance and Japan's strategic location for the deployment of U.S. troops in the Pacific were too important to risk allowing it to drift towards a more independent course without American involvement. As a result, Japan played an important role in the nuclear negotiations with North Korea. Although it was aligned with the West, Japan still held potential as a negotiator. It did not have a strong military, which made it less of a threat, but as the country with the second largest economy in the world, it commanded a degree of esteem and recognition due to the scale of the economy.<sup>47</sup>

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<sup>45</sup> Armacost to Department of State, "GOJ Contributions and Gulf Crisis."

<sup>46</sup> Armacost to Department of State, "GOJ Contributions and Gulf Crisis."

<sup>47</sup> "Briefing book, deputies committee meeting," December 13, 1991, National Security Archive, <https://nsarchive.gwu.edu/document/18227-national-security-archive-doc-06-briefing-book>.

The North Korea issue shifted the focus of bilateral relations away from the tensions between Japan and the U.S. For the Japanese, it was also a sign of trust and recognition to be appointed as negotiators by the U.S. The talks with North Korea opened several channels, which helped lay the groundwork for progress towards a nuclear agreement signed in February 1992. The U.S. withdrew its nuclear weapons from South Korea, and both Koreas pledged not to develop nuclear weapons, aiming to keep the peninsula nuclear-free. However, North Korea did not honor its commitments and continued its nuclear program in secret.<sup>48</sup>

### Clinton presidency (1993-1999)

Clinton had won the presidency with the promise to tackle the trade deficit, which meant he had to take a tougher stance towards Japan. Under his presidency, bilateral relations between Japan and the U.S. worsened further. The major players during Clinton's first term can be divided into two groups: one focused on the trade deficit and took a hard line towards Japan, while the other prioritized the security alliance. The financial officials generally supported a tougher stance, while those responsible for security favored a more cooperative approach due to concerns about the geopolitical situation. This resulted in a mixed and sometimes inconsistent U.S. response.<sup>49</sup>

The most relevant security secretaries were Warren Christopher, William Perry, and Sandy Berger. Christopher was the Secretary of State, Perry the Secretary of Defense, and Berger the National Security Advisor. Their priority was maintaining a strong relationship with Japan to secure America's strategic interests abroad. Christopher was a dedicated diplomat who believed in long-term alliances. He often tried to persuade Clinton not to take an overly tough stance on Japan's economic behavior, even as trade representative Mickey Kantor pushed in the opposite direction. Christopher feared that a prolonged economic dispute with Japan could permanently damage the bilateral relationship.<sup>50</sup>

Perry had served in the U.S. military and had been stationed in Japan. He viewed Japan as essential to U.S. power projection in East Asia against China and North Korea, and

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<sup>48</sup> David Sanger, "The Korean Accord," *New York Times*, December 14, 1991, <https://www.nytimes.com/1991/12/14/world/the-korean-accord.html?searchResultPosition=3>

<sup>49</sup> David Sanger, "Clinton calls for tariffs on Japan Imports," *New York Times*, May 7, 1995, <https://www.nytimes.com/1995/05/07/world/clinton-advisers-call-for-tariffs-on-japan-imports.html>

<sup>50</sup> "Press Briefing by Secretary of State Warren Christopher and Counselor to the President David Gergen," July 6, 1993, *American Presidency Project*, <https://www.presidency.ucsb.edu/documents/press-briefing-secretary-state-warren-christopher-and-counselor-the-president-david-gergen>.

as a vital partner in defense technology and research.<sup>51</sup> Berger, who first served as Deputy and later as National Security Advisor, was the only non-cabinet official with significant influence on U.S.–Japan relations. The National Security Advisor does not oversee a department, and the sole responsibility is to advise the president on national security and foreign policy. Berger recognized early that China was emerging as a primary strategic challenge to the U.S., and he understood that Japan would be a key ally in balancing both China and North Korea.<sup>52</sup>

The friendlier stance of Berger, Christopher and Perry was important during the period of trade tensions with Japan, especially since Clinton took a more confrontational approach to push for greater economic openness. His political clumsiness worsened the situation. During a meeting with Russian President Boris Yeltsin, unaware that the microphone was still on, Clinton said: "When Japan tells us 'yes,' often it means 'no.' It is very important for the Japanese not to behave the same way with you." He implied that the Japanese did not always mean what they said. This caused a small international incident, prompting Japan's foreign minister to respond, "When we say yes, you can take our word for it." Warren Christopher, had to call the Japanese minister of defense to apologize and to clarify that Clinton's words had been taken out of context. This shows that the security alliance between Japan and the U.S. helped keep the two nations aligned even during periods of disagreement. While financial officials and presidents may have been at odds, security officials contributed to resolve some of the tensions.<sup>53</sup>

Not only in the U.S., but also in Japan, there was a significant political shift. The Japanese LDP had been continuously in power since 1955. Although it still won a majority in the 1990 elections, the party lost its absolute dominance in 1993 when ten members split off and formed a new government with opposition parties. This coalition government ruled from August 1993 until April 1994. The new prime minister, Morihiro Hosokawa, supported the U.S. security umbrella. However, he believed Japan had been too submissive to the U.S. Hosokawa primarily focused on pushing domestic reforms.<sup>54</sup>

After the Liberal Party left the coalition, the government collapsed in April 1994. Over the next two years, two more governments were formed but also failed. Tomiichi Murayama, from the Japan Socialist Party, served as prime minister until January 1996. His party was

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<sup>51</sup> Ralph Cossa, "American forces should remain based in Japan," *New York Times*, November 15, 1995, <https://www.nytimes.com/1995/11/15/opinion/IHT-american-forces-should-remain-based-in-japan.html?searchResultPosition=2>.

<sup>52</sup> "SRB Emails & Notes, 1/96–7/97," ID 7585692-20060191F-Seg1-001-004-2024, National Archives Catalog, <https://catalog.archives.gov/id/353746825>.

<sup>53</sup> "Yes means Yes," April 6, 1993, *Desert News*, <https://www.deseret.com/1993/4/6/19040685/yes-means-yes-Japan>.

known for its critical stance on the U.S.–Japan military alliance and had a more positive view towards China. Despite this, Murayama adopted a more supportive approach towards the U.S., often finding himself caught between his personal views and those of his party. This shift in leadership was unsettling for the Americans, as the Liberal Democratic Party had long been a reliable pro-American ally with strong ties to the U.S. There were concerns that if the security treaty, which served as the cornerstone of the alliance, came under threat, it could mark the end of nearly fifty years of partnership.<sup>55</sup>

During his presidency, Murayama sought to ease Japan's relationship with China. In 1994, he openly called for increased dialogue and economic cooperation between the two countries. This aligned with the stance of his Socialist Party which promoted a non-confrontational and pro-engagement approach. During the 50th anniversary of the end of the Second World War, he formally apologized for Japan's wartime actions. The Clinton administration viewed the improvement of relations between Japan and China with suspicion. China still represented a communist threat, and tensions in the South China Sea increased, particularly involving the U.S.' close ally and former colony, the Philippines. The Clinton administration responded by stating that they always encouraged stable relations and open dialogue, because, as one official put it, it was "the least they should say."<sup>56</sup>

To ensure the stability of the strategic alliance, Secretary Perry visited Japan twice, once in 1994 and again in 1995. During these visits, Perry stressed to Japanese officials the critical importance of maintaining the alliance without any alterations. Although Maruyama did not oppose the security alliance, the Clinton administration was determined to secure a clear and enduring commitment. As a result, Perry was tasked with negotiating a reaffirmation and updated version of the original joint security treaty. Given the political uncertainty in Japan at the time, the U.S. wanted to ensure that the alliance would remain strong under any circumstances.<sup>57</sup>

There was a clear shift in the American response towards Japan during the transition from the Bush administration to the early years of the Clinton administration. While Bush sought to involve Japan more actively in global political affairs, the Clinton administration focused on reaffirming the security alliance in response to political instability and leadership changes in Japan. Bush maintained a good relationship with Prime Minister Kaifu, which

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<sup>55</sup> "Bilateral Relations with Japan, 11/22/1995 – 12/23/1995," 24194018-20160420F-002-003-2021, Collection WJC-NSC: Records of the National Security Council (Clinton Administration), Series: Cables, National Archives Catalog, <https://catalog.archives.gov/id/209204696>.

<sup>56</sup> "Pacific [03/15/1995–3/31/1995]."

<sup>57</sup> Cossa, "American forces should remain based in Japan."

helped ease tensions, even during difficult moments such as the Gulf War. In contrast, Clinton did not develop personal relationships with Japanese prime ministers in his early years, largely due to their brief terms in office and ongoing trade disputes. As a result, his secretaries played a more prominent role in managing relations with Japan.

### Okinawa Rape incident

While relations between Japan and the U.S. were already strained due to trade disputes and threats of tariffs and sanctions, bilateral ties reached a new low point in 1995. In September of that year, three U.S. soldiers stationed in Okinawa, Japan, kidnapped, beat, and raped a 12-year-old girl. Public outrage intensified when it was revealed that newspapers had not published photos of the suspects, as both the U.S. and Japanese governments had prohibited it out of respect for the suspects' privacy and because of their African-American ethnicity. The case became even more controversial when it emerged that, under the U.S.–Japan Status of Forces Agreement, the suspects were not held in a Japanese prison during their trial, effectively granting them certain legal protections. Meaning that if they were convicted, they would be prosecuted and serve their time in the U.S. This led to public outrage and an increase of anti-American sentiment in Japan. Protests erupted in Japan calling for the closure of U.S. military bases and an end to the security treaty, putting Murayama under pressure from both the public and members of his own party to meet those demands.<sup>58</sup>

In January 1996, the pro-American LDP won the election and once again became the largest party. The newly elected prime minister, Ryutaro Hashimoto, was a strong supporter of U.S.–Japan bilateral relations. This development came as a relief to Clinton, who feared that Murayama might yield to pressure from his own party and the public to revoke the security treaty. Former prime minister Murayama's Socialist Party openly opposed the U.S. military presence in Japan and called for the closure of American bases. Although Murayama himself did not fully support this stance, he was not in a strong position to advocate for the military partnership due to the stance of his party. After Hashimoto took office in January 1996, he clearly expressed his support for the U.S. presence. The Liberal Democratic Party had always been a firm supporter of the alliance, so he had the backing of his party. For Clinton, this

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<sup>58</sup> "Japan relations [03/11/1996-03/20/1996]," 24194018-20160420F-002-005-2021, Collection WJC-NSC: Records of the National Security Council (Clinton Administration), Series Cables, National Archives Catalog, <https://catalog.archives.gov/id/209204700>.

made cooperation with Japan to solve the issue to sustain the security treaty easier, and it helped present a unified message to both the Japanese and American people.<sup>59</sup>

Although a meeting between Clinton and Hashimoto had already been scheduled for April, they held an emergency meeting in California in February to discuss the protests and the future of the U.S. military presence in Japan. Clinton publicly expressed his apologies but made no promises regarding the return of the base to Japan. The base was the cornerstone of the alliance and was strategically too important for the Americans to give up. In addition to the 45,000 soldiers stationed there, American nuclear weapons were also deployed on the island, and they could not be easily relocated. Clinton and Hashimoto did not seek to withdraw from the U.S.–Japan Status of Forces Agreement, as doing so would be seen as a sign of weakness in the alliance. However, they agreed on certain operational improvements to the agreement. Furthermore, Clinton made a concession by officially ordering the suspects to be extradited to Japanese authorities.<sup>60</sup>

In April 1996, a month after the trial of the rape incident, Clinton and Hashimoto met again in Japan, to sign a new joint security declaration which secretary of defense Perry had negotiated on since 1994. The meeting stood under pressure because there was a part of the Japanese population which was opposed to the treaty and wanted the U.S. military out of the country. The summit was meant as a reaffirmation of the Japan-US security treaty to emphasize the continuation of joint military cooperation. It was also a statement to the Japanese people that they would not stop the cooperation of joint security alliance.<sup>61</sup>

Within the Japanese coalition there was a disagreement whether Futenma air base should be returned to Japan. The LDP party from Hashimoto was firmly against this idea while the other two liberal parties wanted the U.S. to withdrawal from the base. However, the base was essential for the U.S. deployment and security in the region. Clinton and Hashimoto agreed that the U.S. would return the base eventually, with no agreement on the date. They further came to an agreement to decrease the amount of U.S. troops on Okinawa. However,

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<sup>59</sup> “Japan relations [11/12/1995-12/22/1995],” 26444925-20160420F-002-003-2021, Collection WJC-NSC: Records of the National Security Council (Clinton Administration), Series Cables, National Archives Catalog, <https://catalog.archives.gov/id/209204696>.

<sup>60</sup> “Japan relations [12/27/1995-03/09/1996],” 24194018-20160420F-002-005-2021, Collection WJC-NSC: Records of the National Security Council (Clinton Administration), Series Cables, National Archives Catalog, <https://catalog.archives.gov/id/209204700>.

<sup>61</sup> “Japan relations [04/06/1996-04/15/1996],” 24194018-20160420F-002-008-2021. Collection WJC-NSC: Records of the National Security Council (Clinton Administration), Series Cables. National Archives Catalog, <https://catalog.archives.gov/id/209204706>.

the number of troops in Japan would be the same the soldiers would be stationed elsewhere in Japan.<sup>62</sup>

Under the pressure of the Japanese public opinion, Clinton's attitude towards Japan changed to a more cooperative stance, which eventually had a positive effect on the U.S.-Japan relations. While the change to a more pro-American prime minister helped the alliance and the newly signed joint security declaration providing a clear message to the Japanese people, it was not the leading factor to a better U.S. Japan relationship on this matter. In the end, the pressure from the Japanese population forced the two nations to work closely together to keep the U.S. military bases in Okinawa active and thereby secure the security alliance. As a result, Clinton's tone towards Japan in the trade dispute also softened, which eased the trade disputes to some extent.<sup>63</sup>

### Upcoming China

Throughout the second half of the 1990s, the Clinton administration recognized that China was on the path to becoming a global superpower due to its rapid economic development. China's GDP had grown at an average rate of 9 percent per year over the previous decade. From the start of the decade, the Chinese annual GDP increased from \$360 billion to \$892 billion in just seven years. Alongside this economic growth, China's military capabilities were also advancing, with its defense budget rising from \$23 billion in 1989 to \$63 billion annually by 1996. With these developments and a standing army of 2.9 million, the largest in the world, China had become a force to be reckoned with.<sup>64</sup>

Secretary of Defense Perry was among the first to warn that this could pose a future threat. In 1995, the Defense Department submitted a report to Congress outlining America's security strategy in East Asia for the coming years. China's claims in the South China Sea and over Taiwan were expected to become more pressing if its economy and military continued to develop. The Department emphasized that Japan served as the cornerstone of U.S. foreign policy in the region due to its military cooperation and strategic location. Maintaining influence in East Asia was crucial for the U.S. to protect its interests and assert its global presence. These interests were tied to economic gains and the defense of key allies. According

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<sup>62</sup> "Japan relations [04/06/1996-04/15/1996]."

<sup>63</sup> "Japan relations [04/06/1996-04/15/1996]."

<sup>64</sup> U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1996* (Washington, D.C.: U.S. Government Printing Office, 1996), 40, <https://2009-2017.state.gov/documents/organization/185645.pdf>.

to Perry, economic development in the region was made possible by America's military presence, which helped secure peace.<sup>65</sup>

There was, however, another camp in the U.S. government that no longer saw the security alliance as relevant, believing it had lost its purpose since the Cold War had ended nearly six years earlier. They argued that maintaining troop deployments in Japan was too costly. Furthermore, attention had shifted towards the Middle East due to the increasing demand for oil in the U.S. Both Perry and Clinton disagreed with this stance, arguing that communism had not disappeared in East Asia, as North Korea and China still posed significant concerns. The U.S. also became more financially involved with China due to a growing trade deficit. In 1990, China had a trade deficit of \$10 billion with the U.S., and four years later this figure had more than quadrupled to \$40 billion, which made U.S. politicians worry about how high the deficit might rise in the future.<sup>66</sup>

In March 1996, growing Chinese aggression became evident when China launched two ballistic missiles that landed approximately 40 kilometers off the Taiwanese coast. This missile incident occurred just two days before Taiwan's first democratic presidential election and was intended to intimidate voters from supporting the anti-China party. In response, Clinton deployed a naval fleet consisting of two aircraft carriers from the U.S. Seventh Fleet, based in Japan, to deter China from taking further action. The event was a wake-up call for critics of the U.S. security alliance, highlighting that American allies in the region remained vulnerable even after the Cold War.<sup>67</sup>

For Clinton, the ballistic missile threat and the growing development of North Korea's nuclear weapons prompted him to extend and modernize the U.S.-Japan security treaty. As noted earlier, relations between the U.S. and Japan had improved after the Okinawa rape incident, and trade tensions had eased. In 1997, Clinton and Hashimoto met twice, first in April and again in June. During their April meeting in Washington, the two leaders signed a new security declaration. The most significant change in the agreement was the expansion of the U.S. military's operational scope from solely Japanese territory to "situations in areas surrounding Japan." This allows the U.S. military to conduct operations in nearby regions

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<sup>65</sup> U.S. *Security Strategy for the East Asia-Pacific Region* (Washington, DC: Department of Defense, Office of International Security Affairs, February 1995), Defense Technical Information Center.

<sup>66</sup> U.S. Department of State, *The Trade Deficit with China*, June 17, 1997, U.S. Department of State Archive, [https://1997-2001.state.gov/regions/eap/fs-trade\\_def\\_china\\_970617.html](https://1997-2001.state.gov/regions/eap/fs-trade_def_china_970617.html).

<sup>67</sup> Brian Knowlton, "Second carrier is sent by U.S. as 'precaution': Beijing warns the U.S. on Taiwan intervention," *New York Times*, March 12, 1996, <https://www.nytimes.com/1996/03/12/IHT-second-carrier-is-sent-by-us-as-precaution-beijing-warns-the-us-on-taiwan.html?searchResultPosition=1>.

such as the Sea of Japan and the East China Sea, which are close to the Chinese, North Korean, and Russian territories.<sup>68</sup>

In 1998, North Korea launched a satellite that flew over Japan. Both the U.S. and Japan viewed this as an increased threat, as it could also have been a potential missile. In response, the U.S. and Japan significantly expanded their missile defense cooperation. While earlier efforts had focused mainly on joint research, the program was now extended to include the deployment of radar-based defense systems to protect Japan from future missile threats. The joint missile defense initiative reaffirmed the U.S.' commitment to maintaining a strong alliance with Japan. This was especially important as U.S.–China relations were strained following the accidental bombing of the Chinese embassy in Belgrade in May 1999, which resulted in the deaths of three Chinese journalists.<sup>69</sup>

## Conclusion

The U.S. response to Japan's geopolitical position changed over time due to both domestic developments within Japan and international factors beyond its borders. Bush aimed to involve Japan on the global political stage as a superpower alongside the U.S. However, Japan was neither willing nor capable of assuming this role, which became evident when it declined to participate in the Gulf War. This refusal increased tensions between the U.S. and Japan, as the Americans perceived it as a lack of commitment to maintaining Western hegemony. As a result, Bush's expectations for Japan diminished, and he shifted his approach to involving Japan in diplomatic missions to preserve the security alliance. During Clinton's administration from 1993, tensions stemmed primarily from trade issues, which negatively affected diplomatic relations between the U.S. and Japan. Direct contact between the presidents was limited, but American secretaries maintained good communication to keep the alliance intact. When Japan elected a socialist prime minister, the U.S. sought to avoid jeopardizing the security alliance and adopted a more cooperative stance, leading to efforts to update the security treaty. Notably, relations improved after the Okinawa rape incident. Clinton and Hashimoto worked closely to persuade the Japanese public of the alliance's necessity. The emergence of Chinese and North

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<sup>68</sup> “Japan relations [06/10/1997–07/30/1997],” 24194018-20160420F-007-002-2021, Collection WJC-NSC: Records of the National Security Council (Clinton Administration), Series Cables, National Security Catalog, <https://catalog.archives.gov/id/209204782>.

<sup>69</sup> “Japan relations [1/12/1999–08/23/1999],” 24194018-20101024F-013-004-2021, Collection WJC-NSC: Records of the National Security Council (Clinton Administration), Series Cables, National Security Catalog, <https://catalog.archives.gov/id/229030861>.

Korean threats further motivated the U.S. to strengthen its military presence and deploy advanced technological systems in Japan.

### 3. Economic Factors

#### Bush presidency (1990-1992)

In the early 1990s, the economic response of the U.S. towards Japan was driven by domestic economic concerns and trade issues. At that time, the U.S. was struggling with economic stagnation and stood on the brink of a recession, which occurs when a country's GDP stagnates for at least two consecutive quarters. This situation led to rising unemployment and a decline in overall spending. Although the overall U.S. trade deficit had fallen from \$160 billion to \$100 billion, and the trade deficit with Japan had decreased from \$56 billion to \$41 billion, trade tensions with Japan continued.<sup>70</sup> The decline in the trade deficit was primarily the result of economic stagnation, resulting that Americans purchased fewer imported goods. The stagnating economy increased the pressure on Bush to act tougher against Japan. The decreasing U.S. trade deficit increased the share of the Japanese trade deficit from 35 to 40 percent of the American total trade deficit.<sup>71</sup>

As explained in the literature review, the dispute between the U.S. and Japan centered on Japan's failure to purchase American products, the presence of non-tariff trade barriers, and unfair trade practices in the American market, such as dumping. To begin with the automobile industry, increasing competition from Japanese and German cars had significantly weakened the American car industry, which also negatively affected related sectors such as the steel and rubber industries. American cars were barely sold in Japan, frustrating the Bush administration. American car companies struggled to compete with Japanese and German brands, whose vehicles were generally cheaper and of higher quality. Furthermore, large American cars did not suit Japanese infrastructure, making them unappealing to consumers. The decline of the U.S. automobile industry led to the loss of 650,000 jobs.<sup>72</sup>

Another trade issue involved the subsidizing and selling of electronic products such as semiconductors and flat-panel displays on U.S. markets. Semiconductors are essential components in electronic devices, controlling the flow of electricity. Displays are used as screens for computers and televisions. Japanese companies received government subsidies for research and development, while American firms did not. By selling these products at lower

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<sup>70</sup> Reuters, "Trade panel meets in Japan," *New York Times*, April 9, 1991, <https://www.nytimes.com/1991/04/09/business/trade-panel-meets-in-japan.html?searchResultPosition=1>.

<sup>71</sup> David Rosenbaum, "Washington Talk; Bush and the economy: any cure for the jitters?," *New York Times*, November 28, 1990, <https://www.nytimes.com/1990/11/28/us/washington-talk-bush-and-the-economy-any-cure-for-the-jitters.html?searchResultPosition=3>.

<sup>72</sup> United States International Trade Commission, *Annual Report 1991* (Washington, DC: U.S. Government Printing Office, 1992), 8 – 12, [https://www.usitc.gov/publications/year\\_in\\_review/pub2490.pdf](https://www.usitc.gov/publications/year_in_review/pub2490.pdf).

prices, the Japanese aimed to outcompete U.S. producers and eventually take over the entire market. By 1990, Japan had surpassed the U.S. as the leader in producing reliable and precise semiconductors. The Bush administration viewed this as an unfair trade practice that undermined American industries. At the same time, however, the cheap supply of panel displays helped American laptop manufacturers lower their prices, making them more competitive against foreign computer makers. This situation demonstrates how cheaper foreign products can harm one domestic industry while benefiting another.<sup>73</sup>

What further frustrated the Bush administration was that it was nearly impossible for American companies to gain access to the Japanese commercial market due to non-tariff trade barriers. American firms faced higher logistical costs compared to their Japanese counterparts. In Japan, there was a strong preference for doing business with domestic partners, making it difficult for American companies to participate in or gain access to local business networks. Japanese firms operated within tightly interconnected corporate groups, from which American companies were often excluded. As a result, U.S. firms faced higher storage and transportation expenses because they had to build or rent independent logistical systems, which were less efficient. As discussed in the historiography, foreign companies were also required to navigate complex and bureaucratic procedures before being allowed to operate in Japan. These processes were time-consuming and difficult for foreign firms to manage. Furthermore, Japan maintained unique safety standards and certification requirements that differed from international norms, making it costly and inefficient for American companies to adapt their products and logistical systems solely for the Japanese market.<sup>74</sup>

As explained in the historiography, Japan was a member of GATT, which promoted trade and the reduction of trade barriers. However, the agreements under GATT were not binding, meaning there were no consequences if a country failed to uphold its commitments. Because GATT was an agreement rather than an organization, there was no independent body that could compel a nation to follow its terms. This made it easier for Japan to circumvent the rules and implement non-tariff trade barriers, making it difficult for countries such as the U.S. to accuse Japan of violating the agreement. Countries had to act independently against these practices, as the U.S. did with the Super-301 against Japan. The Section 301 of the 1988

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<sup>73</sup> U.S. Congress, Senate, Committee on Finance. *Oversight of the Trade Act of 1988: Hearings before the Committee on Finance, United States Senate, One Hundred First Congress, First Session, on Super 301—Foreign Trade Barriers and Special 301—Protection of Intellectual Property Rights, May 3 and June 14, 1989*. S. Hrg. 101-77, Pt. 3. Washington: U.S. Government Printing Office, 1989, 69,

<https://www.finance.senate.gov/imo/media/doc/hrg101-773.pdf>.

<sup>74</sup> U.S. Senate, *Oversight of the Trade Act of 1988*, 2-4.

Omnibus Trade and Competitiveness Act was a strong measure of Bush, by threatening with import restrictions and trade barriers. It started trade negotiations with Japan, which lead to some agreements on telecommunications and semiconductors. However, it did not fundamentally resolve the structural problems of trade barriers and the trade deficit, nor did it resolve all the issues on telecommunications and semiconductors.<sup>75</sup>

While Bush was under pressure to take further action against Japan due to the stagnating economy, his stance was noticeably softer than during the first two years of his presidency. The implementation of the 301 Act in 1989 had already increased tensions in the bilateral relationship between the two nations, and Bush did not want to worsen them. For Bush, preserving the bilateral relationship with Japan and maintaining the U.S.–Japan security alliance was more important than escalating trade disputes. Therefore, he did not place Japan on the Section 301 priority watch list as an unfair trading partner, especially since Japan had shown a willingness to negotiate over the disagreements.<sup>76</sup>

As mentioned in sub-question 1, Bush had a good relationship with Prime Minister Kaifu. Especially in the early years of his presidency, he attempted to persuade Kaifu in a friendly and diplomatic manner to further reduce the trade imbalance. During the two meetings between Bush and Kaifu in March 1990 and July 1991, Kaifu pledged to implement market reforms and promote import liberalization. He further emphasized the need to put more effort into making Japan a more consumer-oriented society, which would help the U.S. sell more products there. The most important agreement was that American companies would achieve a 20 percent market share in Japan. However, Kaifu did not agree on how this target would be reached.<sup>77</sup>

While Bush pushed for concrete agreements, including deadlines and quotas to guarantee a certain level of market access, Kaifu declined to commit to such measures. As a result, Japanese companies were not obligated to buy a specific quantity of American goods. Most of the reforms Kaifu supported were not legally binding and relied on voluntary cooperation. For example, he initiated talks with Japanese companies to encourage them to increase business with American firms. However, the companies were under no obligation to comply, which led to minimal change and continued difficulty for foreign businesses trying to access the Japanese consumer market. The soft approach proved effective in certain areas. Issues such as the blockage of investments by American companies in Japan were often

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<sup>75</sup> U.S. Senate, *Oversight of the Trade Act of 1988*, 7.

<sup>76</sup> U.S. Senate, *Oversight of the Trade Act of 1988*, 11.

<sup>77</sup> “The President’s July 8 meeting with Prime Minister Kaifu.”

resolved through diplomatic channels. However, as mentioned earlier, the structural causes of the trade barriers remained unresolved. Overall, the measures had a limited impact on imports and on opening Japanese markets, which were the outcomes Bush had prioritized.<sup>78</sup>

Bush tried to take a tougher stance on the newly elected Prime Minister Miyazawa, who took office in November 1991. Miyazawa agreed to promote market openness in Japan and reduce regulations. Bush's increasingly firm tone was largely driven by the upcoming U.S. presidential election in November 1992. During their meeting in January 1992, he demanded concrete agreements from Miyazawa regarding American car imports. During Bush's visit to Tokyo, they signed the Declaration on the U.S.-Japan Global Partnership, which redefined and broadened the bilateral relationship by emphasizing security cooperation, global partnership, and economic reform. Miyazawa agreed to continue and expand structural economic reforms towards a more open economy, including improved market access for foreign companies and goods.<sup>79</sup>

However, like Kaifu, Miyazawa did not want to agree to binding agreements or set targets. His promises remained largely symbolic and ineffective. He reduced some regulations, making it slightly easier for financial institutions to access the Japanese market, but the real obstacles for foreign companies remained in place. These empty promises and agreements were especially painful for Bush because the trade deficit had risen again to \$78 billion, an increase of \$26 billion compared to the previous year. For Miyazawa, the American trade deficit was the least of his concerns. Throughout 1991, the bursting of the economic bubble began to affect the Japanese economy. The GDP per capita was declining, falling from 6 percent growth in 1988 to negative 1 percent growth in 1992.<sup>80</sup>

### Clinton presidency (1993-1999)

Under Clinton, the U.S. adopted a tougher approach to push Japan for further openness to addressing the trade deficit. He regularly and openly accused Japan of unfair trade practices that the U.S. had tried for seven years to reform without success. While Clinton acknowledged that the Japanese government could not force its citizens to buy American products, he was correct in arguing that Japan had not upheld its end of the bargain. At the beginning of 1993, U.S. firms accounted for only 0.02 percent of Japan's construction market,

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<sup>78</sup> "Meeting with Prime Minister Kaifu," [OA 6897], Collection GB-SPE: Records of the White House Office of Speechwriting (George H. W. Bush Administration), *Series: Speech Backup Chronological Files, April 4, 1991*, National Security Catalog, <https://catalog.archives.gov/id/323153261>.

<sup>79</sup> "Memorandum of Conversation: Telcon with prime minister Miyazawa of Japan."

<sup>80</sup> "Memorandum of Conversation: Telcon with prime minister Miyazawa of Japan."

while Japanese companies held a 0.3 percent share of the U.S. market. This imbalance was largely due to complex bureaucratic regulations that made it nearly impossible to invest in Japan. Furthermore, the deal Bush had made with Kaifu to increase the U.S. share of the Japanese supercomputer market to 20 percent had only raised from 9 to 13 percent.<sup>81</sup>

There was an underlying reason for Clinton to pressure Japan for rapid openness. Since 1986, GATT members had been working on the transition from GATT to the WTO, which would be implemented in April 1994. The WTO aimed to establish an umbrella agreement that included provisions on non-tariff barriers, such as complex regulations, anti-dumping measures, market access, and financial investments. The Clinton administration feared that Japan would use the WTO to slow the process of market openness by filing lawsuits and exploiting loopholes in the agreement, as it had done with the GATT agreements. It was also unclear how long it would take to resolve trade disputes through the WTO. Therefore, the U.S. wanted to address its trade issues with Japan before the WTO came into force.<sup>82</sup>

Clinton appointed Mickey Kantor as the U.S. Trade Representative, assigning him the task of addressing the growing American trade deficit. Japan was his main target because it accounted for nearly half of the total \$106 billion deficit. Kantor was known as a bulldog, a tough negotiator who pushed hard to secure a free trade agreement with Japan. Within Clinton's first month as president, the American approach to Japan shifted rapidly from diplomacy and patience under Bush to deadlines and threats. Kantor accused Japan of discriminating against U.S. firms in business. He also set deadlines for Japan to open sectors such as automobiles, auto parts, telecommunications, and insurance to fairer competition. The U.S. threatened retaliatory trade measures, including tariffs and import restrictions, if these deadlines were not met. These comments were perceived as offensive in Japan, which increased tensions between the two nations.<sup>83</sup>

Miyazawa and Clinton met in April 1993 to discuss the trade dispute. The two leaders failed to reach an agreement on improving access to the Japanese market. Miyazawa was

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<sup>81</sup> "Kantor trade measurements [05/01/1993 – 05/06/1993]," 42-t-26444787-20070143F-Seg1-010-009-2016, Collection WJC-ARMS: Presidential Electronic Mail from the Automated Records Management System (ARMS), Series: Automated Records Management System (ARMS) Email from the Default Bucket, National Security Catalog, <https://catalog.archives.gov/id/40491219>.

<sup>82</sup> <sup>83</sup> Japan [4]," 42-t-7585702-20110516S-009-010-2015, National Security Council, office press and communications, Phillip Crowley files, National Archives Catalog, <https://catalog.archives.gov/id/34395707>.

<sup>83</sup> David Sanger, "Man in the news: Michael Kantor; Always the hard-edged deal maker," *New York Times*, April 13, 1996, <https://www.nytimes.com/1996/04/13/us/man-in-the-news-michael-kantor-always-the-hard-edged-deal-maker.html>.

unwilling to make specific commitments, whereas this was essential for Clinton. Both Miyazawa and Clinton were talking at cross purposes, as each presented strong arguments but did not acknowledge the other's perspective. Clinton emphasized that economic conditions were difficult across all developed countries but insisted that protectionism was not the answer. In response, Miyazawa pointed to the Plaza Accord, which had been designed to help the American economy but had negatively impacted Japan's. The Japanese economy had yet to recover from its crisis, which also contributed to a decrease in imports of American goods. Although both sides made valid points, they were ultimately unable to reach an agreement and disagreed on non-tariff trade barriers for cars, supercomputers and agriculture.<sup>84</sup>

Since the meeting between Clinton and Miyazawa did not achieve what the Americans had hoped for, they turned to alternative measures. Thirteen days after the meeting, Kantor placed Japan again on the Section 301 “watch list” of countries with weak intellectual property protections. While the watch list carried no immediate consequences, it served as a serious diplomatic warning for Japan to reach an agreement with the U.S., or face potential sanctions. Kantor stated that Japan had sixty days to take action, beginning on April 30<sup>th</sup>, 1993. He further emphasized that he wanted “measurable success,” sending a clear message to the Japanese government that vague promises without specific targets, which had been tolerated under Bush, would no longer be acceptable.<sup>85</sup>

Under pressure of the 301-watch list, Japan had to negotiate with the Americans again. Because the economy was faltering, they had little choice. About 30 percent of Japan's total exports went to the U.S. If Americans decided to impose import bans on Japanese goods, the impact on Japan's economy would be catastrophic. For the next months, the two nations worked towards a framework which existed out of a multi-year plan aimed at promoting structural reforms within the Japanese economy, with the goal of fostering openness from within. The Clinton administration recognized that market access could not be achieved through official channels alone, and that diplomatic pressure had failed. It concluded that Japan's economic structure needed to be transformed internally. As part of an agreement scheduled for signing in February 1994, Japan committed to increasing transparency in its government-procurement processes, making it easier for American companies to sell products

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<sup>84</sup> “Records of Japan-U.S. summit Meeting,” April 16, 1993, Wilson Center Digital Archive, <https://digitalarchive.wilsoncenter.org/document/record-japan-united-states-summit-meeting>.

<sup>85</sup> “Kantor trade measurements [05/01/1993 – 05/06/1993].”

to the Japanese government. Japan would reduce bureaucratic obstacles to selling products in Japan and to revise technical standards that discriminated against foreign goods.<sup>86</sup>

The framework included working groups focused on five key sectors: automobiles, telecommunications, medical devices, insurance, and financial services. Each working group was required to report to both the Japanese and U.S. governments on the changes implemented and the progress made in improving market access within their sector. A notable development was that Minister Miyazawa agreed to adopt a results-oriented focus for the working groups. This would allow the U.S. to set specific, measurable goals, something Japan had never previously accepted. To the Americans' surprise, the Japanese agreed to the demands of their framework proposal. In the past, the U.S. could only assert that Japan was not doing enough to encourage market access and apply diplomatic pressure. The new framework gave the U.S. the authority to demand specific quotas in various sectors of the Japanese economy.<sup>87</sup>

Although the framework agreements looked promising, early optimism in Washington soon turned to skepticism. In August 1993, Morihiro Hosokawa became Japan's new prime minister, the first socialist leader in decades. He pledged structural reforms to curb the financial sector's influence over legislation and to promote easier access to government contracts to all firms. Several Japanese companies had long enjoyed preferential treatment in securing such contracts and maintained an oligopoly in the domestic market due to these entrenched arrangements. Hosokawa's reform agenda overlapped with U.S. concerns about market access, but he paid little attention to the framework plan itself. American officials saw almost no progress on regulatory change or market liberalization, and doing business in Japan remained as difficult as ever. U.S. exports stagnated or even declined in several sectors, while imports from Japan kept rising, which widened the bilateral trade deficit.<sup>88</sup>

Hosokawa aimed to tackle domestic challenges, such as streamlining the government and curbing the influence that Japanese businesses wielded within it. Before entering into additional agreements with the U.S., Japanese officials preferred to wait for the WTO to come into force rather than conclude separate deals with Washington. They argued that the WTO

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<sup>86</sup> Ministry of Foreign Affairs of Japan, *Joint Statement on the Japan-United States Framework for a New Economic Partnership*, July 10, 1993,

[https://www.mofa.go.jp/mofaj/area/usa/keizai/framework/pdfs/fw\\_statement\\_e.pdf](https://www.mofa.go.jp/mofaj/area/usa/keizai/framework/pdfs/fw_statement_e.pdf).

<sup>87</sup> Ministry of Foreign Affairs of Japan, *Joint Statement*, July 10, 1993.

<sup>88</sup> U.S. Congress, Senate, Committee on Finance, "United States-Japan Trade Negotiations: Hearing Before the Subcommittee on International Trade of the Committee on Finance, United States Senate, One Hundred Third Congress, First Session," November 8, 1993 (Washington, DC: U.S. Government Printing Office, 1994), <https://www.finance.senate.gov/imo/media/doc/hrg103-399.pdf>.

would provide binding rules, making the bilateral framework talks unnecessary. Yet Hosokawa could not withdraw from the framework agreement outright, since doing so would have triggered direct sanctions from the U.S., which still considered the talks relevant for the reasons discussed earlier. Japan therefore sought to renegotiate the framework. During the new discussions the Japanese side refused to accept specific quotas, such as minimum targets for car imports and government procurement. These quotas were the crucial element of the negotiations because they would have held Japan accountable for meeting its commitments under the agreement.<sup>89</sup>

In February 1994, the same month the deal was originally supposed to be signed, the U.S. walked away from the framework agreement. It was unacceptable for the U.S. to sign the deal without specific quotas to measure progress. Signing such an agreement while the trade deficit had grown to \$60 billion that year would have damaged the Clinton administration's reputation. There was also widespread support among the American public, Congress and the business sector for taking a tougher stance on Japan. Furthermore, by walking away, the U.S. still retained the option to implement trade sanctions, which could force Japan back to the negotiating table.<sup>90</sup>

*“We will not accept agreements that do not produce real, measurable results. If we cannot reach agreements that are in the interest of the American people, then we will pursue other options.”<sup>91</sup>*

The Clinton administration responded firmly to the failed deal. Kantor accused Japan of “intransigence” and claimed the Japanese were unwilling to open their markets in the first place. Clinton reimplemented the Section 301 against Japan, putting the country back on the watch list as an unfair trading nation. Kantor was tasked with making a list of Japanese export products most harmful to the U.S., which would face tariffs of up to 100 percent by the end of September if Japan did not reconsider the quota agreement. That same night, the U.S. Department of Justice launched an investigation into alleged “cartel” practices in Japan that shut out foreign suppliers. This investigation made it possible to prosecute Japanese firms and individuals in the U.S. These Section 301 measures sent a clear signal from Clinton that he

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<sup>89</sup> Office of the United States Trade Representative, “Report on Trade Expansion Priorities Pursuant to Executive Order 12901 (‘Super 301’),” *Federal Register* 61, no. 196, October 8, 1996, 52827, <https://www.govinfo.gov/content/pkg/FR-1996-10-08/html/96-25763.htm>.

<sup>90</sup> Office of the United States Trade Representative, “Report on Trade Expansion Priorities Pursuant to Executive Order 12901 (‘Super 301’),”

<sup>91</sup> U.S. Congress, *United States-Japan Trade Negotiations*, 1993.

remained open to negotiations, but if Japan showed no immediate initiative, he would act with harsh measures.<sup>92</sup>

In May 1994, the two nations resumed trade talks, reaching partial agreements based on the original framework. Japan pledged to increase transparency in government procurement and agreed to give foreign financial firms greater access to its domestic market. In addition, Japan promised to strengthen legislation on intellectual property rights, such as patents, and committed to reducing regulations that made it difficult for foreign companies to enter the Japanese market. While the agreement was seen as a win for Clinton, the Japanese refused to accept strict quotas, which made it harder to hold Japan accountable if the deal failed to reduce the trade deficit. Instead, they agreed to periodic evaluations of progress without any direct consequences if targets were not met. However, the U.S. could reimplement Section 301 measures if it chose to do so. In this way, Japan could claim it had avoided managed trade quotas, while the U.S. could claim it had achieved “managed results.”<sup>93</sup>

The following year, the establishment of the WTO fundamentally transformed the way the U.S. and Japan settled their trade disputes. From that point on, there was an independent third party that could evaluate and resolve disagreements based on rules both countries had agreed to. In May 1995, The Clinton administration threatened to impose 100 percent tariffs on Japanese car imports due to a growing trade deficit and a lack of progress in U.S. car sales in Japan. In response, Japan filed a complaint with the WTO, which helped facilitate a compromise between the two countries. The agreement included Japan’s commitment to increase imports and to take further measures to open its market. In return, the U.S. agreed not to implement any tariffs.<sup>94</sup>

Between 1995 and 1999, the WTO handled nine cases between the U.S. and Japan. While the U.S. continued to threaten action under its Section 301 unfair trading law, it never implemented actual sanctions. The Section 301 law was mainly used as leverage, but it was not permitted under WTO rules since disputes had to be resolved through the organization. As a result, the U.S. stopped using the controversial law in 2000 after complaints by the European Union and Japan. Of the nine cases, five were resolved through formal rulings, and

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<sup>92</sup> Ricard Lacayo, “Take That! And That!,” *Time*, February 28, 1994, <https://time.com/archive/6724813/take-that-and-that/>

<sup>93</sup> U.S. Congress. *Congressional Record – Extensions of Remarks*, 103rd Cong., 2nd sess., October 7, 1994, <https://www.govinfo.gov/content/pkg/CREC-1994-10-07/html/CREC-1994-10-07-pt2-PgE27.htm>.

<sup>94</sup> Ministry of Foreign Affairs of Japan, *Diplomatic Bluebook 1996, Section I-d*. Tokyo: Ministry of Foreign Affairs of Japan, 1996, Accessed June 18, 2025, <https://www.mofa.go.jp/policy/other/bluebook/1996/I-d.html>.

two were settled through negotiations before a panel was formed. In one case, Japan voluntarily repealed a law under WTO pressure. The final case became irrelevant after a U.S. court ruled in Japan's favor. Of the five rulings, Japan won three and the U.S. won two.<sup>95</sup>

The WTO was beneficial for both parties. For the U.S., Japan could no longer make vague promises without consequences, as the U.S. could now file a new complaint. For Japan, the U.S. could no longer pressure Japan into buying more American goods, as such demands were not related to free trade. The organization also gave Japan the confidence to challenge American practices it considered unfair. Out of the nine disputes, Japan was the complainant in four cases. The WTO further helped reduce tensions between the U.S. and Japan. Although both countries had long claimed that trade issues would not affect their broader relationship, these disputes often strained diplomatic ties. By addressing disagreements through the WTO legal system, leaders found it easier to separate trade conflicts from other aspects of their relationship. This allowed them to focus on cooperation in areas such as security and regional affairs, contributing to a more stable and constructive diplomatic climate despite ongoing economic disagreements.<sup>96</sup>

The trade talks, agreements, and their implementation finally paid off in 1996. The U.S. trade deficit with Japan fell from 68 billion dollars in 1994 to 48 billion dollars in 1996. Total U.S. exports to Japan rose by 32 percent, surpassing imports from Japan for several months. Sectors addressed in the 1993 negotiations, when Clinton took a tougher stance, recorded average export growth of about 80 percent. The trade deals and the WTO were not the only drivers, however. A weaker dollar against the Yen and strong Japanese demand for new American technologies also boosted sales. During the Asian financial crisis, Japanese demand dropped and the dollar strengthened again, pushing the deficit back up to 73 billion dollars and cutting U.S. exports by 15 percent. This increase led to some tension, but most of it was resolved by the WTO.<sup>97</sup>

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<sup>95</sup> World Trade Organization, *Dispute Settlement: The Disputes*, last modified June 2025, [https://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_status\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm).

<sup>96</sup> U.S. General Accounting Office, *U.S.-Japan Trade: Evaluation of the Market-Oriented, Sector-Selective Talks*, GAO/NSIAD-00-210 (Washington, DC: U.S. Government Printing Office, September 2000), <https://www.govinfo.gov/content/pkg/GAOREPORTS-NSIAD-00-210/html/GAOREPORTS-NSIAD-00-210.htm>.

<sup>97</sup> Board of Governors of the Federal Reserve System, “*Monetary Policy Report to the Congress*,” *Federal Reserve Bulletin* 82, no. 4 (April 1996): 290-292, <https://www.federalreserve.gov/pubs/bulletin/1996/496lead.pdf>.

## Asian financial crisis

While the Japanese slowly took some action to tackle the causes of the Japanese economic crisis, such as the reorganization of the government and the slow openness of the Japanese economy, it increased competition and thus more efficiency for domestic companies.

However, most reforms remained modest and the structural causes of the crisis were not addressed. Memos from the U.S. Treasury Department reveal that, there were some hopes of economic revival, but the Japan's economy remained highly vulnerable to another crisis.

Economic growth had stagnated for years, and despite the dramatic crash at the beginning of the decade, the Nikkei index was still considered overvalued.<sup>98</sup>

However, the greatest concern among economic analysts was the Japanese banking system, which was under immense pressure due to a large volume of non-performing loans (NPL). These NPL's were still a consequence of the collapse of the Nikkei and the bursting of the real estate bubble. Non-performing loans are those where the borrower is unlikely to repay the full amount, or to repay at all. Japanese authorities recognized the seriousness of the situation but expressed confidence that the country's 21 national banks, which held 60 percent of total banking assets, could manage the crisis and expected it to be resolved within five years. However, the remaining 40 percent of assets were spread across 130 local banks, and the Bank of Japan was uncertain whether these smaller institutions would be able to manage the NLP on their own.<sup>99</sup>

Between 1995 and 1997, American analysts feared that the situation could trigger another financial crisis in Japan. Cleaning up the banks' balance sheets was estimated to cost around \$200 billion, but there was no political consensus yet on the use of taxpayer or financial resources to resolve the issue. Some foreign banks had already stopped lending to Japanese banks out of fear of another crisis. Analysts advised Clinton to adopt a firmer stance on Japanese financial reforms "before all hell breaks loose." The U.S. was also concerned that Japan's financial instability could harm the American economy. At the same time, Clinton wanted to avoid constant finger-pointing, as it could damage bilateral relations.<sup>100</sup> The memos

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<sup>98</sup> Undersecretary of Treasury for International Affairs Lawrence Summers to Secretary Robert Rubin, Subject: "Japanese recession and the global economy," memorandum (C), document 7, June 9, 1995, National Security Archives, <https://nsarchive.gwu.edu/document/23943-memorandum-c-under-secretary-treasury-international-affairs-lawrence-summers>.

<sup>99</sup> Undersecretary of Treasury for International Affairs Lawrence Summers to Secretary Robert Rubin, "Subject: update on Japan," July 27, 1995, memorandum (S), document 8, National Security Archives, <https://nsarchive.gwu.edu/document/23944-memorandum-s-undersecretary-treasury-international-affairs-lawrence-summers>.

<sup>100</sup> Senior deputy assistant secretary of treasury for international affairs Timothy Geithner to secretary of treasury Robert Rubin and deputy secretary Lawrence Summers, Subject: "briefing for your meeting with Hiroshi

reflect the internal conflict within the U.S. government. On one hand, there was a strong desire to pressure a struggling ally into action. On the other, there was a clear recognition that the situation was deteriorating, but without a clear way to intervene effectively.

The Asian financial crisis revealed that the Japanese banking system was not resilient to external shocks, leading the country into another financial crisis. As explained in the historiography, Japan experienced a banking crisis in which many small banks, financial institutions, and three national banks went bankrupt. For the Clinton administration, it was a “we told you so” moment, and they were not eager to provide aid to the effected countries. In September, Hashimoto was frustrated with Clinton's reluctance and the IMF's strict loan conditions. In response, he proposed the creation of an Asian Monetary Fund (AMF) with a budget of \$100 billion to support the affected countries. Hashimoto had hoped for Chinese financial backing for the initiative, but Beijing was hesitant to share the costs.<sup>101</sup>

Clinton was also irritated that Hashimoto had not consulted him before advancing the idea of the AMF. The U.S. strongly opposed the AMF proposal, fearing it would diminish American influence. To counter the AMF proposal, Clinton recognized that the U.S. needed to take a leading role in resolving the crisis. This would maintain American financial influence in the region and prevent a global economic meltdown, which could eventually harm the American economy. Clinton also realized that this crisis could jeopardize the security alliance because of economic and political instability. A similar situation occurred in Indonesia in May 1998, when the Western-aligned dictator Suharto was deposed as a result of the poverty and chaos caused by the crisis.<sup>102</sup>

The Americans also saw the crisis as an opportunity to push for the financial reforms and openness. The creation of the WTO had helped significantly; however, its rulings take time, and this opportunity could speed things up. The Japanese government acknowledged the need for structural reforms, which the U.S. tied to boosting domestic demand and fostering greater openness. Such reforms, in turn, could help reduce the trade deficit, while heightened competition would drive the continued improvement of Japanese industry and ultimately

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Mitsuzaka, minister of finance, Japan,” memorandum (X), document 9, April 27, 1997, National Security Archives, <https://nsarchive.gwu.edu/document/23945-briefing-memorandum-original-classification-unknown-senior-deputy-assistant>.

<sup>101</sup> “Memorandum of telephone conversation between Clinton and Hashimoto,” December 17, 1997, document 34CF41A2.FIN, Clinton Digital Library, <https://clinton.presidentiallibraries.us/items/show/118550>.

<sup>102</sup> “Memorandum of telephone conversation between Clinton and Hashimoto.”

strengthen the economy. In this way, greater openness would serve both American interests and Japan's economic recovery.<sup>103</sup>

The Americans argued that Japan was the most crucial player in the Asian crisis. As the world's second-largest economy and the largest in the region, Japan's trade and financial stability were essential for many Asian nations. Hashimoto welcomed the American engagement and was willing to play this role. In short, the U.S. and Japan helped lead the development of the Manila Framework, a regional initiative aimed at preventing and managing financial crises through enhanced cooperation among Asia-Pacific economies. The agreement included 14 economies: Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Japan, China, Hong Kong, South Korea, Australia, New Zealand, Canada, and the U.S. The framework consisted of four main components: enhanced regional surveillance to detect economic vulnerabilities, improvements to domestic financial systems and increased market openness under proper supervision, additional financial support from wealthier countries to IMF funding in the event of a potential financial threat, and development programs through the IMF.<sup>104</sup>

The Manila Framework is regarded as only a partial success. It failed to spark the deep reforms needed to avert future crises and was soon eclipsed by new initiatives in the 2000s. In contrast, the 2000 Chiang Mai Initiative devised by ASEAN+3, which includes China, Japan and South Korea, created a stronger network of bilateral currency swap arrangements that gave members rapid access to emergency liquidity during periods of stress. The Manila Framework's influence was further limited by its lack of enforceable obligations, especially when countries ignored IMF guidance. Even so, it proved that meaningful international cooperation was possible, with the U.S. and Japan at its center.<sup>105</sup>

For the Clinton administration, the shift towards fully resolving the crisis began with the Manila Framework, and from that point, they were committed to following through. By June 1998, the Japanese Yen had fallen to a dangerously low level of ¥140 per dollar. A further devaluation threatened financial stability across the region because cheaper Japanese products would outcompete exports from other countries, forcing them to lower their prices

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<sup>103</sup> Senior deputy assistant secretary for international affairs Tomothe Geithner to deputy secretary of the treasury Lawrence Summers, subject: "Briefing for your lunch with Eisuke Sakakibara, Vice minister of financial international affairs," August 12, 1997, memorandum (U), document 10, National Security Archives, <https://nsarchive.gwu.edu/document/23946-briefing-memorandum-u-sensitive-senior-deputy-assistant-secretary-international>.

<sup>104</sup> Michael Richardson, "Plans for Asian rescue fund are modified: Tokyo defers to IMF on regional loans," *New York Times*, November 14, 1997, <https://www.nytimes.com/1997/11/14/business/worldbusiness/IHT-plans-for-asian-rescue-fund-are-modified-tokyo.html?searchResultPosition=2>

<sup>105</sup> Richardson, "Plans for Asian rescue fund are modified."

and triggering a downward economic spiral. The weakening Yen also put pressure on China's currency, the yuan, which had been held artificially stable to prevent a competitive devaluation race and to help stabilize Southeast Asia's financial system. On the condition that Japan would continue implementing economic reforms, the U.S. purchased \$2 billion worth of Yen to boost its value. The intervention helped prevent a deeper recession in Japan and supported an economy that had suffered from stagnant exports. The U.S. acted as a sign of goodwill and trust in Japan's reform efforts, and it was viewed as a symbol of partnership and cooperation to the world.<sup>106</sup>

As the worst effects of the economic crisis in Southeast Asia subsided, the U.S., Japan, the Asian Development Bank, and the World Bank launched the Asian Growth and Recovery Initiative (AGRI) to help restore the private sector in the crisis-affected countries. The cornerstone of this program was to support and recapitalize banks and other financial institutions so they could resume investing in businesses across the region. AGRI also provided private capital and trade-related loans, which boosted commerce in the region. The initiative had a significant short-term impact on reviving investment and trade. It also demonstrated how bilateral relations between Japan and the U.S. had evolved from initial tensions at the onset of the crisis into a foundation for two major cooperative initiatives.<sup>107</sup>

## Conclusion

In conclusion, Japan maintained a protectionist economy that made it difficult for foreign companies to invest or sell their products in its domestic market. It relied on non-tariff trade barriers, such as complex bureaucracy and stringent product standards, and Japanese firms often preferred to do business only with one another, leaving little room for foreign competitors. Meanwhile, Japanese companies exported their products abroad with few obstacles. In several instances, Japanese electronics outperformed American brands because they received government subsidies. These practices contributed to a widening U.S. trade deficit, with Japan accounting for nearly half of the total American shortfall of about \$40 billion each year. The U.S. therefore sought to reduce the bilateral trade gap through various

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<sup>106</sup> Art Pine, "U.S. acts decisively to stabilize the Yen," *Los Angeles Times*, June 18, 1998, <https://www.latimes.com/archives/la-xpm-1998-jun-18-mn-61210-story.html#:~:text=gripping%20Asia>.

<sup>107</sup> "Working to strengthen the global economy, promoting security in Asia," The White House, November 18, 1998, <https://www.nytimes.com/search?dropmab=false&endDate=1998-02-01&lang=en&query=manila%20framework&sort=best&startDate=1997-11-01>

economic measures, such as opening the Japanese market to American products and boycotting Japanese goods that were subsidized by the Japanese government.

In the first three years of the 1990s, Bush tried to change Japan's trade practices through diplomacy. The year before, he had placed Japan on the Section 301 watch list to pressure Tokyo to open its economy. Bush hoped that this threat, together with his close relationship with Prime Minister Kaifu, would reduce the trade deficit. Although some agreements were reached in the following years, no structural changes occurred, and Japan refused to accept specific quotas. The U.S. response shifted sharply when Clinton took office in 1993. Washington moved from quiet diplomacy to threats and concrete measures aimed at dismantling Japanese trade barriers and boosting American exports. Because Japan's economy was stagnating, Tokyo could not simply ignore these threats. Clinton's tough stance initially seemed effective, and the Japanese government accepted measures to open its markets, though it never agreed to strict quotas. Thanks to these agreements, the WTO's implementation, technological advances, and a weaker dollar, U.S. exports rose, and the trade deficit narrowed. However, the Asian financial crisis reversed this trend, and the deficit widened again. Even so, the WTO fostered greater openness in Japan and helped ease tensions between the two countries by acting as a neutral arbiter in trade disputes when necessary.

Although Washington was initially hesitant to intervene in the Asian financial crisis, it did not want to lose its economic influence in the region. By channeling assistance through the IMF, the U.S. ensured that no other monetary initiatives would be established or accepted by other countries. The U.S. also wanted to avert additional economic turmoil in Japan that could have jeopardized their security alliance. Working together, the U.S. and Japan took a cooperative lead in resolving the crisis, which strengthened their partnership. Under their initiative, the Manila Framework and the Asian Growth and Recovery Initiative promoted economic development across Southeast Asia.

## 4. Public discourse

### The newspaper articles

The current literature suggests that U.S.–Japan relations received significant coverage in the American media during the 1990s. The media plays a crucial role in informing the public about the nation’s economic and political conditions, addressing both domestic and international issues. Politicians and policymakers utilize them to communicate with the public, allowing them to explain and promote their views and policies. Additionally, the press holds politicians accountable, alerting the public to any unlawful or unethical actions. This oversight function has led to the media being regarded as the “fourth power” in the *trias politica*, alongside the legislative, executive, and judicial branches.<sup>108</sup>

The media also has influence on the public and political debate. Journalists write about topics they find important or will get the most attention by the public. Thereby, the media’s role in informing the public is sometimes at odds with the goals of entertainment and sales. The “juiciest,” most dramatic, or most negative stories tend to sell better than articles that simply present the facts of an event. As a result, journalists often emphasize political clashes between parties instead of focusing on the underlying issues.<sup>109</sup>

In doing so, the media frames an event in a particular way. Framing is the process by which certain pieces of information are made more noticeable or meaningful to the audience. This allows journalists to influence how readers interpret the message and, in turn, shape how they view the world, events, people, and issues, according to how those are portrayed in the media. Furthermore, it is in human nature to want to be right. As a result, when people consume media that frames topics in a way that aligns with their beliefs, they often avoid reading opposing viewpoints. Their gut feelings are constantly reinforced without being challenged by contradictory perspectives.<sup>110</sup>

Framing does not only affect public opinion; it can also influence policymaking. When the media heavily covers a particular issue and shapes public sentiment, politicians often adopt this opinion to gain public favor. This can lead to policy changes driven by media coverage. Studies show that media framing affects people’s voting behavior by influencing how they perceive the world. It is estimated that framing can cause a shift of 5 to 15 percent

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<sup>108</sup> Eiyitayo Adanlawo, “Media and democracy: Is conventional media performing the role of the fourth state of the realm?” *Journal of African films & diaspora studies* 4, no. 2 (2021): 1, [https://hdl.handle.net/10520/ejc-aa\\_jafdis-v4-n2-a3](https://hdl.handle.net/10520/ejc-aa_jafdis-v4-n2-a3).

<sup>109</sup> Youngju Kim, “The effects of political Conflict News Frame on Political Polarization,” *International Journal of Communication* 14 (2020): 937 – 938.

<sup>110</sup> Kim, “The effects of political Conflict News Frame on Political Polarization,” 939-940.

in voter preferences across the population, which can make the difference between winning and losing an election. As a result, politicians take media coverage and public opinion seriously and adjust their behavior accordingly.<sup>111</sup>

Trust in the American mass media declined during the 1990s. At the beginning of the decade, 60 percent of the population believed the media reported events truthfully and fairly. By the end of the decade, that number had dropped to 51 percent.<sup>112</sup> Meanwhile, the proportion of Americans who expressed doubt about the media rose from 29 percent to 37 percent. However, the percentage of those who did not trust the mass media at all increased only slightly, from 11 percent to 12 percent. Although both the influence and trust in newspapers declined during the 1990s, newspapers still held a level of public trust over the course of the decade, for the credibility of this research.<sup>113</sup>

There is a slight difference in media usage between Republicans and Democrats. While TV news programs were more popular among Democrats, Republicans were more likely than Democrats to listen to news on the radio. Interestingly, the difference between Democrats and Republicans was minimal when it came to news magazine consumption: 51 percent of Democrats and 50 percent of Republicans reported reading news magazines regularly or often.<sup>114</sup>

The sentiment of the press varies according to the political bias of each newspaper. Newspapers often reflect the perspectives of their affiliated political parties or present issues in a way that aligns with how their preferred party would interpret them. For example, Republican-aligned newspapers were less critical of Bush during his term from 1989 to 1992, while Democratic-aligned newspapers were less critical of Clinton from 1993 to 2001. In the U.S., the president and his cabinet are primarily responsible for shaping foreign policy, making Congress and the Senate somewhat less influential in this area. Therefore, most research focuses on the actions of the President and its cabinet. However, the views of Congress are still included in this research, as they represent the positions of political parties and are reflected in congressional hearings, which are covered by the press.<sup>115</sup>

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<sup>111</sup> Poland Pfister, “Headlines win elections: Mere exposure to fictitious news media alters voting behavior,” *PloS one* 18, no. 8 (2023): 7 – 9.

<sup>112</sup> Frank Newport, “A Matter of Trust,” *Covering News*, 1998, <https://www1.udel.edu/comm245/readings/MatterofTrust.pdf>.

<sup>113</sup> Megan Brenan, America’s trust in Mass Media, *Gallup*, Accessed March 25, 2025, <https://news.gallup.com/poll/651977/americans-trust-media-remains-trend-low.aspx>.

<sup>114</sup> Kohut, “TV news viewership declines,” 30, 38 & 44.

<sup>115</sup> Jonathan Masters, “U.S. Foreign policy Powers: Congress and the President,” *Council on Foreign relations*, Accessed April 2, 2025, <https://www.cfr.org/backgrounder/us-foreign-policy-powers-congress-and-president>

## Portrayal of Japan in the newspapers

In the early 1990s, the general sentiment towards Japan in American newspapers was overwhelmingly negative. The prevailing view was that the trade deficit with Japan was “unfair” and harmful to the American economy and its blue-collar workers. Japanese trade practices were portrayed as secretive and protectionist, with trade barriers seen as a direct cause of economic harm in the U.S. Japan was criticized for not making sufficient efforts to purchase more American goods, often without acknowledging that Japanese cars were generally of higher quality than their American counterparts. While some of the trade barriers were indeed unjust, media coverage often failed to present the full picture. As a result, Japan was used as a scapegoat for the decline of certain American industries, even when those losses were not directly caused by Japanese actions.<sup>116</sup>

The Japanese government was frequently referred to as “Japan Inc.” due to its close, behind-the-scenes collaboration with major Japanese corporations, which was seen as giving them an unfair advantage. Newspapers accused Japan of being unwilling to cooperate in addressing the trade imbalance, attributing the growing \$50 billion deficit to what were described as unfair trade practices. The trade dispute was often framed as a cultural clash, with media narratives suggesting that the cultural differences between the two nations were too significant to bridge. Japan was depicted as ungrateful, with some commentators arguing that the U.S. had helped Japan rebuild its economy, only for Japan to now refuse to engage in fair trade practices.<sup>117</sup>

There is a difference in how various media outlets negatively portrayed Japan. The more Democratic-aligned newspapers, such as *The New York Times* and *The Washington Post*, primarily focused on the loss of American jobs caused by unfair trade practices and Japan’s reluctance to buy American products.<sup>118</sup> The Democratic Party traditionally represented blue-collar workers in heavy industry areas, which had been hit hard by the relocation of industries to countries with cheaper labor. In contrast, the Republican-aligned *Wall Street Journal* focused more on the challenges faced by American companies trying to enter the

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<sup>116</sup> Andrea Stone, “Japan is politically Incompetent,” *USA today*, April 5, 1991, <https://www.newspapers.com/newspage/1143090749/>.

<sup>117</sup> Thomas Reid, “Funding Japan’s economic recovery plan,” *Washington Post*, September 30, 1992, <https://www.washingtonpost.com/archive/politics/1992/08/31/funding-japans-economic-recovery-plan/793e402a-1591-417b-92c9-dbac6f3be26b/>.

<sup>118</sup> Peter Passel, “Economic Scene; Does Japan play fair?” *New York Times*, January 31, 1990, <https://www.nytimes.com/1990/01/31/business/economic-scene-does-japan-play-fair.html?searchResultPosition=94>.

Japanese market and criticized what they saw as anti-capitalist practices that hindered free trade.<sup>119</sup>

*“Japan’s economy was on steroids. Now they are facing the drug test,”*<sup>120</sup>

Due to trade tensions, the American press showed little sympathy for the Japanese regarding the bursting of the Nikkei Index bubble and the decline in Tokyo real estate prices. The financial crisis was portrayed as the result of governmental mismanagement and reckless speculation, implying that the crisis could have been prevented if the government had acted more cautiously. There was no significant difference between Republican- and Democrat-aligned newspapers; all agreed that Japan needed to resolve its own economic problems without assistance from the U.S. As the *Washington Post* stated, ‘Japan’s big brother no more,’ indicating that the newspaper opposed providing financial aid to Japan due to its ongoing protectionist trade policies.<sup>121</sup>

Japan’s refusal to actively contribute troops to the Gulf War was widely covered in the newspapers. It was described as a betrayal, with some calling it a stab in the back. Japan was protected under the American security umbrella, with U.S. soldiers stationed in the country, yet it chose not to offer military support when the U.S. called on its allies. Notably, the Japanese constitution, written by the Americans in 1946, explicitly states that Japan cannot use force to resolve international disputes. However, this legal constraint received little attention in the media. Furthermore, Japan’s financial contribution to the war effort was portrayed as an attempt to buy its way out, while American men and women were left to do the fighting and dying on the battlefield.<sup>122</sup>

Around the mid-1990s, a noticeable shift occurred in the discourse about Japan in the newspapers. Reporting moved from a predominantly negative tone towards a more neutral or even positive one, for several reasons. The first reason was the prolonged and severe financial effects of the crisis in Japan, which ultimately transformed Japan from an economic competitor into an ally in need. While there were still frictions over trade, it was in everyone’s

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<sup>119</sup> David Hamilton, “Is Japan serious about reforms,” *Wall Street Journal*, September 14, 1998, <https://www.wsj.com/articles/SB900012043130258731305000000000000>.

<sup>120</sup> Thomas Reid, “Japan’s scandalous summer of 91’,” *Washington Post*, August 2, 1991, <https://www.washingtonpost.com/archive/politics/1991/08/03/japans-scandalous-summer-of-91/e066bc12-90f2-4ce1-bc05-70298b675340/>.

<sup>121</sup> Hobart Rowen, “Japan’s ‘big brother,’ no more,” *Washington Post*, May 19, 1993, <https://www.washingtonpost.com/archive/opinions/1993/05/20/japans-big-brother-no-more/30bae23d-7cac-4d74-b179-55b712cfdf6e/>

<sup>122</sup> Robert Samuelson, “The Japan problem,” *Washington Post*, April 9, 1991, <https://www.washingtonpost.com/archive/opinions/1991/04/10/the-japan-problem/53612e3d-db17-44db-9950-7d579a4dcf3e/>.

interest for Japan's economy to recover to its former strength. Especially in the Democrat-leaning *New York Times* and *Washington Post*, and neutral USA Today articles shifted from focusing on trade tensions to adopting a more neutral tone. In contrast, the Republican-leaning *Wall Street Journal*, remained more critical of Japan due to persistent trade barriers.<sup>123</sup>

The second reason that changed the discourse about Japan was the implementation of the WTO in January 1995. As explained in the second sub-question, the WTO helped ease trade tensions between the U.S. and Japan by introducing a third party to resolve disputes. As a result, there were fewer negative topics to report on, since disagreements diminished and politicians spoke less about unfair trade practices. The discourse in articles about trade disputes shifted from politically driven criticism to more explanatory arguments provided by the WTO's rulings. This change transformed the tone of reporting from negative framing to a more neutral, informative approach.<sup>124</sup>

*“From conflict to cooperation... from mistrust to partnership”<sup>125</sup>*

The third change in the discourse followed with the Okinawa rape incident in November 1995. The focus of newspaper coverage changed from trade disputes, which had been reported with a cold and harsh tone, to a more empathetic tone centered on Japanese grief and anger over the assault of a schoolgirl. The press extensively covered the anti-American protests and Clinton's apology, in which he attempted to ease public outrage. Reporting also emphasized the core of the Japanese-U.S. alliance, reintroducing its human dimension after years of negative media portrayal. Japanese Prime Minister Hashimoto was portrayed as a leader who united the country in a time of crisis and helped preserve the alliance in the face of anti-American sentiment. This marked a contrast to earlier portrayals of Japanese leaders as incompetent and corrupt businessmen.<sup>126</sup>

The fourth and final cause of the shift in discourse was the significance of the security alliance in light of the emerging threat posed by China. In the U.S., there was a growing realization that the communist threat had not entirely disappeared after the Cold War, which

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<sup>123</sup> Bloomberg News, “A slow recovery is seen in Japan,” *New York Times*, November 27, 96, <https://www.nytimes.com/1996/11/27/business/a-slow-recovery-is-seen-in-japan.html?searchResultPosition=9>.

<sup>124</sup> Keith Bradsher, “US Called Ready to Compromise on Date for Japan trade talks,” *New York Times*, June 1<sup>st</sup>, 1995, <https://www.nytimes.com/1995/06/01/business/us-called-ready-to-compromise-on-date-for-japan-trade-talks.html?searchResultPosition=24>

<sup>125</sup> Alison Mitchel, Clinton urges broad global role for Japan,” *New York Times*, April 18, 1996, <https://www.nytimes.com/1996/04/18/world/clinton-urges-broad-global-role-for-japan.html?searchResultPosition=1>.

<sup>126</sup> Nicola Wasson, “Japan bases crisis to greet Clinton,” *USA Today*, April 12, 1996, <https://www.newspapers.com/image/1146846958/?match=1&terms=US%20Japan%20relations>.

once again made Japan a crucial ally in countering the rise of China. The rise of China also posed a direct threat to America's close allies, Japan and Taiwan, which the U.S. had pledged to defend in the event of an attack. The discourse surrounding Japan shifted to depict it as an essential partner, necessary for protecting American interests and maintaining military pressure on communist forces in the region.<sup>127</sup>

A clear example of this change in discourse in the newspapers appeared during the reaffirmation of the security alliance in April 1996. As explained in the second sub-question, this reaffirmation took place seven months after the Okinawa rape incident. Before the shift in discourse, trade issues and bilateral tensions would typically be highlighted during such events. This time, however, Japan's contributions to the international community were praised, such as the financial aid to the UN Yugoslavia mission. This is a remarkable change, as Japan was widely criticized by the American press for sending only financial aid and not troops during the Gulf War. Although trade tensions were still mentioned, they were framed as issues that could be resolved, reflecting a new discourse of problem-solving within a partnership.<sup>128</sup>

### Public opinion

Table 1 shows a graph of public opinion in the U.S. towards Japan. The blue line represents the percentage of U.S. citizens with a favorable sentiment towards Japan, while the orange line represents the percentage with an unfavorable sentiment. In this context, sentiment refers to the feelings and opinions people hold about Japan, including its culture, society, government, international behavior, and overall national image. Applications could offer the response options: very favorable, mostly favorable, mostly unfavorable, very unfavorable, or no opinion. The graph in Table 1 displays the average results across these categories. In the 1990s, around 15.000 to 20.000 respondents participated in this survey.<sup>129</sup>

As shown in Table 1, favorable public opinion in the U.S. towards Japan was declining but remained relatively high at the start of the 1990s. This trend can be directly linked to the rise of "Japan bashing" in the media, where Japan was used as a scapegoat for the stagnating economy and declining manufacturing industries in the U.S. While the decline

<sup>127</sup> Pierre Goad, "Asian Nations back rescue plan reinforcing us economic role," *Wall Street Journal*, November 19, 1998, [https://www.wsj.com/articles/SB879944850366406000?mod=Searchresults\\_pos2&page=5](https://www.wsj.com/articles/SB879944850366406000?mod=Searchresults_pos2&page=5).

<sup>128</sup> "New priorities in Japan," *Washington Post*, March, 16, 1996, <https://www.washingtonpost.com/archive/opinions/1996/04/17/new-priorities-in-japan/13b1a31e-b916-46a6-b7d7-1b071344ffa0/>.

<sup>129</sup> Gallup News Service, "Gallup Poll Series: World Affairs," Princeton job, 2000: 14.

is noticeable, a strong majority of 62 percent still held a favorable sentiment towards Japan in 1991. At the time, 88 percent of Americans believed that Japan's trade surplus was a serious problem, and 66 percent thought the U.S. should impose restrictions on trade with Japan. Half of the population believed such restrictions were necessary to protect domestic industries, and 45 percent felt that Japanese investments posed a threat to the American economy.<sup>130</sup> Japan's refusal to send troops to the Gulf War had a significant negative impact on American public opinion. For the first time since the Second World War, more Americans (50 percent) held a negative sentiment than a positive sentiment (48 percent) towards Japan.<sup>131</sup>

In the following year, more Americans expressed a positive sentiment towards Japan than a negative one, but the approval rate remained historically low for several years. The disapproval rate later declined in connection with the Okinawa rape incident. The rape sparked widespread outrage across the U.S. that American soldiers had committed such an act against a schoolgirl. At the same time, the incident generated feelings of guilt and sympathy towards the Japanese people, which increased the approval rate from 46 to 65 percent while the disapproval rate fell from 45 percent to 25 percent within one year. The shift in press discourse about Japan, due to the rise of China and the resolution of trade disputes through the WTO, further boosted Japan's approval rating among Americans in the second half of the 1990s. By 1999, 75 percent of Americans had a positive sentiment, while only 20 percent held a negative sentiment towards Japan.<sup>132</sup>

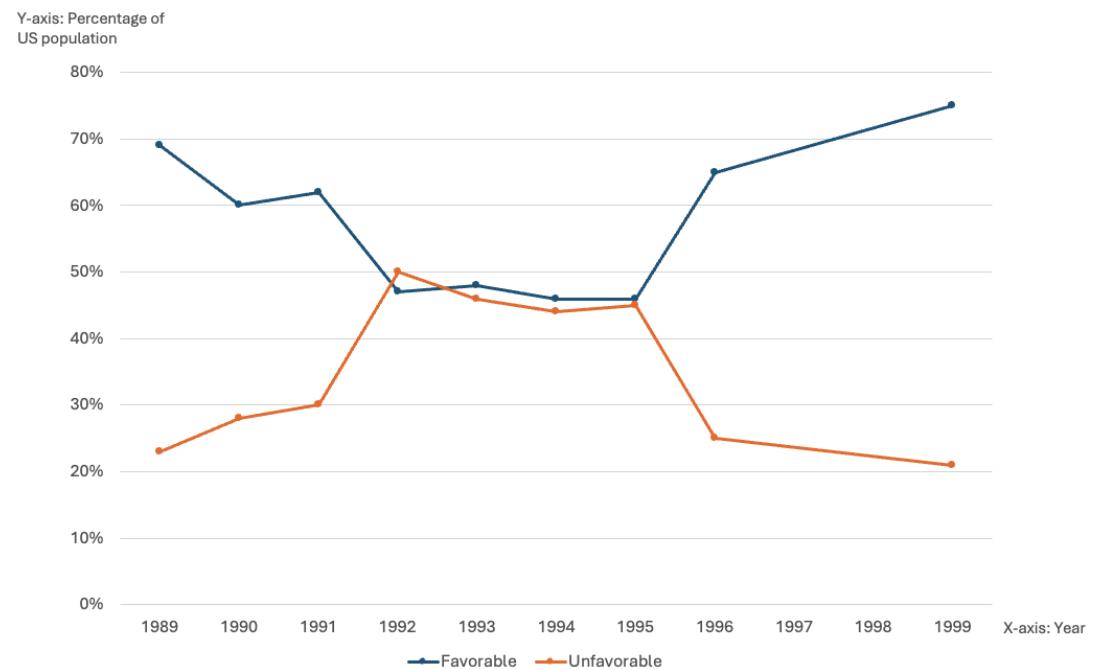
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<sup>130</sup> Roper Center for Public Opinion, "How we see Japan," (1990): 86 – 91, <https://ropercenter.cornell.edu/sites/default/files/2018-07/21086.pdf?utm>.

<sup>131</sup> Gallup News Service, "Gallup Poll Series: World Affairs,"

<sup>132</sup> Gallup News Service, "Gallup Poll Series: World Affairs,"

Table 1. America's sentiment towards Japan<sup>133</sup>



### Presidential debates

The presidential campaign of 1992 was contested between Bush, Clinton, and Ross Perot, an independent candidate with no party affiliation. Japan was often used as a scapegoat for the stagnating economy and the growing trade deficit by both Clinton and Perot. They criticized Bush for being too soft on Japan regarding its unfair trade practices. Earlier that year, Bush had visited Asia to discuss America's economic relations and post-Cold War policies. During a banquet in Japan, he fainted and vomited on the lap of the newly elected Japanese prime minister, Miyazawa. The incident became a symbol of what was portrayed as Bush's weak foreign policy, which had failed to reduce the trade deficit with Japan. Bush tried to emphasize the importance of free trade and maintaining good relations, and he avoided openly blaming Japan for the deficit. As a result, he was accused of being too lenient towards Japan.<sup>134</sup>

Clinton, on the other hand, argued that Bush's policies were harmful to American workers. He claimed that Bush allowed the tech industry and car factories to move to Japan

<sup>133</sup> Gallup News Service, "Gallup Poll Series: World Affairs."

<sup>134</sup> "The 1992 Campaign; transcript of first TV debate among Bush, Clinton and Perot," *The New York Times*, October 12, 1992, <https://www.nytimes.com/1992/10/12/us/the-1992-campaign-transcript-of-first-tv-debate-among-bush-clinton-and-perot.html>

and Germany. With the phrase “It’s the economy, stupid,” Clinton campaign made it clear that the primary issue for America was the condition of the economy and its direct impact on personal financial security. He also emphasized the record trade deficit with Japan and the economic recession the U.S. was experiencing. In a debate, Clinton stated, “We must have a trade policy that stands up for American interests. We cannot continue to have one-way trade with countries like Japan.” It is clear that the negative U.S. public opinion about Japan prevented Bush from fully defending his diplomatic efforts to change Japan’s trade policies. Clinton was able to capitalize on this by framing Bush as having not done enough, knowing that the public would side with his perspective. This demonstrates that public opinion about Japan influenced the presidential debate.<sup>135</sup>

Both Clinton and Bush supported the security alliance with Japan. Bush claimed that his relationship with Japan maintained a successful alliance without any problems. During his campaign, Clinton did not focus heavily on the alliance but stated that it would continue if he became president. For Clinton, addressing the trade deficit was a higher priority. Although he supported the security alliance, he was cautious about showing too much support because the public was critical of Japan after the Gulf War. Perot had a more nationalistic view of the alliance. He criticized Bush for allowing the second-largest economy in the world to continue relying on American protection while spending less than one percent of its GDP on its military. Clinton eventually won the presidency with a convincing 370 out of the total 538 electoral votes, as well as a majority of the popular vote.<sup>136</sup>

During the 1995 presidential elections, Clinton had to defend his position against Republican Bob Dole and independent candidate Ross Perot. In the debates, Japan was less central than it had been in the 1992 elections. Because the economy was growing, it was no longer necessary to use Japan as a scapegoat. In addition, it became possible to resolve trade issues through the WTO, which was implemented that same year. Dole still tried to blame Clinton for the trade deficit, which reached sixty billion dollars that year. He argued that Clinton was too soft on Japan, the same accusation Clinton had leveled at Bush during the previous elections. However, Clinton had concluded more than twenty agreements with Japan that year, generating one million American export related jobs and allowing him to refute the allegations.<sup>137</sup>

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<sup>135</sup> “The 1992 Campaign; transcript of first TV debate among Bush, Clinton and Perot.”

<sup>136</sup> “The 1992 Campaign; transcript of first TV debate among Bush, Clinton and Perot.”

<sup>137</sup> “The Second Clinton-Dole Presidential Debate Transcript,” October 16, 1996, Commission on Presidential Debates, <https://www.debates.org/voter-education/debate-transcripts/october-16-1996-debate-transcript/>.

A second reason Japan received less attention was the shift towards China. As explained in the first sub question, China's growing economy led to an increasing trade deficit with the U.S. Americans also began to see China as an emerging threat. Consequently, when East Asian affairs came up, the candidates were more likely to discuss China than Japan. In light of China's rise, both Dole and Clinton considered the security alliance vital for the region and for American interests. Dole wanted to strengthen the alliance by deploying missile defense systems on the islands. Clinton preferred to maintain the alliance as it was. Perot took the most nationalist stance, arguing that Japan should contribute more to its own defense and that the U.S. should reduce the number of troops stationed there. Clinton eventually won the presidency again, with 379 out of the total 538 electoral votes, as well as a majority of the popular vote.<sup>138</sup>

## Conclusion

The discourse about Japan evolved significantly in the U.S. throughout the 1990s. In the press, Japan was often blamed for the growing trade deficit and for engaging in unfair trade practices. The practice of "Japan bashing," which involved disparaging Japanese people and their culture, was common in newspapers during this period. The media also showed little sympathy for Japan's economic crisis. This hostility intensified after the Gulf War, when Japan was accused of being ungrateful and disloyal for not contributing troops in support of the U.S. military effort.

Moreover, these events led to negative public opinion towards Japan. Favorable views dropped to 48 percent of the population, while unfavorable views rose to 50 percent, representing the most negative perception of Japan in the U.S. since World War II. However, in the second half of the 1990s, coverage began to shift towards a more neutral or even positive tone. This change was influenced by the ongoing Japanese economic crisis, the establishment of the WTO, the Okinawa rape incident, and the emerging threat posed by China. These factors marked a turning point in the portrayal of Japan and the U.S.–Japan security alliance, while trade tensions gradually faded into the background. After the Okinawa rape incident, approval rates towards Japan climbed to 64 percent, driven by empathy and a sense of guilt towards the Japanese population. As trade tensions eased in the latter half of the decade, public opinion improved further, reaching a 75 percent approval rate by 1999. During the 1992 presidential debates, Japan was used as a scapegoat for the U.S. economic stagnation

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<sup>138</sup> "The Second Clinton-Dole Presidential Debate Transcript."

by both Clinton and Perot. They accused Japan of dishonest trade practices that contributed to the U.S. trade deficit. Bush was criticized for being too lenient, which led to Japan's failure to uphold its commitments to dismantle trade barriers. By the 1996 presidential debates, however, Japan had largely disappeared as a focal point. The U.S. economic recovery and the formation of the WTO had eased trade tensions, and attention had begun to shift towards China as a rising threat, reducing Japan's relevance in American political discourse.

## 5. Conclusion

This thesis has explored how geopolitical, economic, and public discourse developments shaped U.S. policy towards Japan during the 1990s. By examining these factors interrelated to each other, the research aimed to build a more coherent narrative that links events often studied in isolation. In doing so, this thesis sought to answer the research question: *What economic, geopolitical, and public discourse developments shaped U.S. foreign policy towards Japan between 1990 and 1999?* The findings reveal that the U.S. response to Japan during its economic crisis and beyond was shaped by a mixture of economic competition, security priorities, and a changing public discourse.

Geopolitically, the U.S.–Japan security alliance evolved in the post-Cold War period. The collapse of the Soviet Union ended the Cold War and sparked debate about the necessity and scale of U.S. troop deployments in the Pacific region, especially as American interests shifted towards the Middle East because of its oil resources. Despite these changes, both Bush and later Clinton continued to recognize the value of the security alliance, given Japan’s strategic location as a gateway to the rest of Asia. Additionally, the threat posed by communist North Korea and China had not disappeared. As Japan had become an economic superpower, Bush saw an opportunity for Japan to act as a partner to the U.S. on the international stage. He wanted Japan to join the international coalition during the Gulf War. However, Japan’s constitution prohibited it from sending troops abroad, and there was little interest or willingness within Japan to become involved in military deployments. This led to widespread frustration in the U.S., where many perceived Japan as ungrateful for the American efforts to protect it through the security alliance.

During the Clinton administration, bilateral relations came under new tension due to trade disputes and political changes within Japan. The Socialist Party adopted a more nuanced tone towards China and took a more critical stance towards the U.S. The rape incident in Okinawa in November 1995 caused widespread anti-American sentiment in Japan, which forced the two nations, to work closely together to sign a new security treaty. This led to closer cooperation, which helped reduce trade tensions. Eventually, China’s economic and military development gave the security alliance a new purpose which enhanced cooperation.

Economically, relations between the two nations were deeply strained during the first half of the decade of 1990s. The persistent U.S. trade deficit with Japan, along with Japan’s continued protectionist trade practices, led to growing frustration. Japan’s economic stagnation further contributed to its unwillingness to open its markets. There was a clear

difference between the approaches of Bush and Clinton towards Japan. In 1989, Bush had placed Japan on the controversial Section 301 “watch list,” hoping to encourage Japan to adopt a more open stance. To avoid worsening relations further, he pursued a more diplomatic and friendly approach during the 1990s, even after Japan’s two-year period on the watch list ended. However, Bush’s diplomatic approach did not result in significant changes to address the trade barriers or the deficit.

Clinton’s stance towards Japan was much tougher compared to Bush. He placed Japan back on the Section 301 watch list and, together with Trade Representative Mickey Kantor, publicly pressured Japan to grant other nations greater market access. Most of these trade negotiations failed because Japan resisted agreements involving specific quotas, although some deals were successful. Ultimately, the implementation of the WTO helped to reduce trade tensions by establishing stronger international agreements and providing a mechanism to judge and resolve disputes. This development, combined with economic growth in the U.S., made the trade deficit less urgent. The Asian financial crisis also led to closer cooperation between the two nations in order to maintain American financial influence and prevent further spread of the crisis.

Although economic and geopolitical concerns had a greater influence on U.S. policy toward Japan, public discourse should not be underestimated. At the beginning of the 1990s, public opinion about Japan declined significantly due to trade tensions and Japan’s unwillingness to participate in the Gulf War. Japan was portrayed as greedy in the newspapers, appearing to let the American economy suffer for its own benefit. It was further seen as trying to pay its way out of the Gulf War while Americans had to carry out the difficult military work.

Bush’ diplomatic attempts to open Bush’s diplomatic attempts to open the Japanese market, combined with negative public opinion toward Japan following the Gulf War, made him appear weak on foreign policy. This gave Clinton a head start in the presidential debates to blame Bush for these failures. The negative public discourse also pushed Clinton to adopt a tougher stance towards Japan to keep his election promise. The public perception of Japan shifted in 1995 after the Okinawa rape incident. A sense of national guilt arose in the U.S., leading to greater understanding and sympathy towards Japan. This also changed the tone of discussions about Japan concerning trade disputes and the security treaty. As Japan’s financial crisis continued, it was no longer portrayed as an economic rival but instead as an ally in need. The decrease in trade disputes, due to the establishment of the WTO and the emerging

rivalry with China, also led to less media attention on Japan, which was supported by a more nuanced public discourse.

Overall, the combined findings point to the conclusion that U.S. policy towards Japan in the 1990s cannot be fully explained by looking at trade, geopolitics, or public discourse in isolation. Instead, these factors were closely connected and influenced one another. Public discourse affected the U.S. economic stance, which in turn influenced the security alliance, and vice versa. Economic tensions threatened the security alliance, which was also used as leverage during trade conflicts. Public discourse shaped the playing field for politicians, who had to find a balance between diplomacy and domestic pressure. As a result, Bush and Clinton had to adopt a strategy of balancing: maintaining the security alliance while pressuring Japan for economic reforms, and managing domestic expectations while protecting long-standing security interests. At the same time, they had to adapt to regional developments such as the rise of China and the nuclear threat posed by North Korea.

This balance illustrates a paradox: while the U.S. and Japan viewed each other as undisputed allies, they also regarded each other as competitors. The U.S. relied on Japan for its military bases, which served as a gateway to the rest of Southeast Asia and as a counterbalance to China and North Korea. However, at the same time, Americans saw Japan's protectionist stance as a threat to their economy. This conflict characterized the U.S. position throughout the 1990s and explains why its policies shifted between cooperation and confrontation. The establishment of the WTO, economic prosperity in the U.S., and the Okinawa rape incident helped ease the most severe tensions. This was followed by China's economic development, which shifted American focus and further strengthened the security alliance.

The U.S.-Japan relation gives a clear example of how allies constantly need to adapt to the changing geopolitical, economic and societal realities. Future research could build on this by analyzing how the lessons of the 1990s have affected U.S. and Japanese relations in the 21<sup>st</sup> century, especially in light of the increased security treat of China. In addition, further research could also use this research as a case study to research today's security and trade tensions between the U.S. and the European countries. This study shows that alliances are neither fixed or assured, they require management, adjustments and reaffirmation to responds to domestic and geopolitical circumstances.

## **List of abbreviations**

AGRI Asian Growth and Recovery Initiative  
AMF Asian Monetary Fund  
BOJ Bank of Japan  
GATT General Agreement on Tariffs and Trade  
GDP Gross Domestic Product  
IMF International Monetary Fund  
LDP Liberal Democratic Party  
Non-Performing Loans  
R&D Research & Development  
U.S. United States  
WTO World Trade Organization

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