

III. Conclusion

By almost every measure, the level and intensity of US-Japan policy dialogue and study has declined, leaving both countries less equipped to deal constructively with one another. Proponents of strong US-Japan relations can take some comfort in the knowledge that the temptation in both countries—and especially on the part of the United States—to look at the other side as a potential adversary has largely dissipated, making it less pressing in the short term to utilize policy dialogues to head off potential confrontations. However, the deterioration of nongovernmental policy channels presents very real long-term risks.

On the one hand, without sustained policy dialogue outside of official government channels, each side tends to forget how things look from the other's vantage point. Also, the personal networks that play such a central role in building mutual trust tend to wither away without regular cultivation. This leaves both sides less equipped to anticipate and react to developments with important implications for bilateral relations. The mutual misunderstandings and miscalculations that have cropped up in US-Japan relations in the past several years give a taste of what is liable to happen when policy dialogue channels become too weak and narrow.

On the other hand, there is also a price to be paid in terms of missed opportunities. The most pressing regional and global challenges facing both countries increasingly require deeper international cooperation, and American and Japanese interests are remarkably well aligned on most key issues. However, the less that Japanese and American policy experts talk to each other, the less likely they are to discover innovative ways that the two countries can effectively work together and the less capable they are of helping to build the political momentum needed to make bilateral cooperation successful.

KEY FINDINGS

- **US-Japan dialogue and study has declined significantly in the past decade.**

Outside of official government channels, the level of substantive interactions between policy experts and political leaders from the two countries has deteriorated significantly from what it was a decade ago, or even two decades earlier. US think tanks carry out considerably fewer Japan-related activities than before, and Japanese perspectives are less integrated into US policy debates than those of other US allies, or even other Asian countries such as China or Korea. The situation is even direr on the Japanese side, where the capacity of nongovernmental policy circles to engage in substantive dialogue with overseas counterparts is in decline. These trends in the think tank world have been accompanied by a steep drop in the level and intensity of US-Japan political exchange.

- **Mutual frustrations have accumulated in US-Japan policy circles.**

Both Americans and Japanese who interact regularly on policy affairs often express concerns that existing policy dialogue does not sufficiently deal with the most important long-term issues facing the two countries. Many Americans remark that they are weary of US-Japan discussions that tend to be inconclusive and repetitive without yielding concrete results as readily as similar talks with other countries. Meanwhile, Japanese policy specialists are concerned that the United States has been taking Japan for granted in recent years and that many US institutions and experts can be fickle, reluctant to do the hard work of sustaining dialogue and easily switching their attention to countries or issues that are momentarily trendy. These accumulated frustrations have added to the sense of stagnation in US-Japan policy dialogue and study.

- **The institutional base for US-Japan policy dialogue and study has been eroding since the late 1990s.**

Japanese and Americans have expended considerable time and effort over the last 50–60 years in building up institutions that can facilitate US-Japan policy interactions, but many of these institutions and their networks are now growing weaker. Over the past decade, financial difficulties have forced nongovernmental policy institutes in Japan to scale back their activities. There is a serious risk that some, if not many, of the key institutions in the field on the Japanese side will not survive another decade. Meanwhile, on the US side, many of the think tanks that operated Japan programs in the 1980s and 1990s have now ended them, and numerous Japanese organizations that were active in the policy field in Washington—such as the Japan Economic Institute of America and Keidanren’s Keizai Koho Center—have shut their doors. In addition, the aggregate size

and relative clout of the three major foundations funding US-Japan policy dialogue—CGP, JUSFC, and USJF—have declined over the past decade, even as the demands on them have increased.

- **Weak funding is likely to further accelerate the decline of dialogue and study.**

Perhaps the most decisive factor in the deterioration of US-Japan policy dialogue and study has been the decline in funding for the sector. Foundation grant making for US-Japan policy-related activities is now a mere fraction of what it was in the mid-1990s, and corporate and government support for the field has steadily declined. If drastic action is not taken, the funding situation will remain dire in the short term, further undermining the institutional basis of US-Japan policy dialogue and study. The budgets of many American foundations such as USJF are based on a three-year average of investment returns, so it will take a number of years for their funding to recover from the financial crisis. Meanwhile, there is little hope for a major rebound on the part of the larger, broadly gauged US foundations that had been involved in Asia-related funding. Furthermore, there is little indication that Japanese or American corporations are interested in expanding their funding. And perhaps most damaging in the short term, the Japanese government is drastically cutting its support for international affairs organizations, and the impact of this is only starting to be felt.

- **Paradoxically, there is a deep reservoir of human resources that can be leveraged and a strong latent interest in deeper US-Japan cooperation in both countries.**

There is a strong latent interest in deeper US-Japan collaboration in both countries and a deep pool of potential human resources, but few opportunities to translate these into deeper institutional ties or greater engagement on policy issues.

A surprising number of senior leaders in policy circles in each country have considerable experience with and affinity for the other country, but outside of a small handful of US-Japan experts they tend to lack opportunities to refresh their base of knowledge and put it to use by working together on concrete, meaningful initiatives.

Moreover, there are many promising young professionals in each country with extensive experience operating in one another's societies, but there is often no place for them in the shrinking US-Japan policy world. Jobs that would allow enterprising young Japanese to work at nongovernmental institutions on substantive policy issues are rare. Meanwhile, there are only a handful of professional opportunities in the policy field for Americans who have gained valuable experience in Japan through the JET Program, university studies, or other work in Japan, so many of them eventually drift away from the field of US-Japan affairs.

- **There is fertile ground for greater US-Japan policy dialogue and study on a host of new policy issues.**

Policy experts in Japan and the United States agree that changes in the regional and global context provide numerous opportunities for expanded US-Japan dialogue and collaboration. Globalization and the ongoing shifts in the balance of power at the global and regional levels are raising the profile of nontraditional and transnational issues, and in many of these areas Japan and the United States share interests and capabilities that complement each other well.

Leaders on both sides often give lip service to the need to deepen US-Japan cooperation in areas such as climate change and clean energy, nontraditional security, global health, and development assistance. Nevertheless, there are still only a limited number of genuinely collaborative initiatives in these areas. One factor seems to be that the level of policy dialogue on these issues has remained relatively low, and thus there have been limited feasible proposals for cooperative initiatives that benefit both sides and minimal efforts to build the political momentum needed to actually implement them.

In addition, there seems to be considerable room for Japan and the United States to expand discussions on how to better coordinate their approaches to other countries, including policy toward China, Russia, and Iran. Plus, there is considerable potential for greater US-Japan dialogue on regional and global governance issues, ranging from their visions for regional community building in Asia to discussions on how the two countries can work more closely together in making global institutions more representative and effective.

PRIORITIES FOR REINVIGORATING US-JAPAN POLICY DIALOGUE AND STUDY

In light of the critical role of the US-Japan alliance, there is much to gain from strengthening bilateral relations and expanding US-Japan coordination and cooperation on regional and global issues. Among other things, this requires bolstering the underpinnings of the bilateral relationship by undertaking a concerted joint effort to reinvigorate US-Japan policy dialogue.

Any successful effort will require the active participation of a wide range of players in the policy field from both countries, starting with both governments and including philanthropic institutions, private think tanks and other nongovernmental organizations, academia, and business. There are a number of priorities that should be kept in mind in devising a viable and effective strategy.

- **Strengthen institutions**

The general consensus among Japanese and Americans involved in US-Japan relations is that the top priority needs to be strengthening the nongovernmental institutions that support policy dialogue and study and making them sustainable over the long term. Significant investments should be made on the US side in strategically strengthening Japan studies at think tanks and other institutions, but there needs to be special focus on the institutions on the Japanese side.

In particular, nongovernmental policy research and exchange institutes that are not affiliated with universities have a unique role to play in Japan. They also face the greatest need. Many of those involved in US-Japan policy dialogue and study have been scaling down their operations and are now struggling to survive year-to-year with little assurance of their long-term financial stability. It is imperative that this sector be strengthened, and efforts to do this should be designed while keeping in mind the following needs: (1) ensure that there is a diversity of institutions, enabling numerous major institutions to thrive and making sure that most of them are not dependent on a single funding source or clustered at one point on the ideological spectrum; (2) expand their financial stability by encouraging a move away from an overwhelming reliance on year-to-year project funding; and (3) help make them into a sustainable career option for younger professional staff.

- **Increase funding**

It seems clear that at the current levels of government, foundation, and corporate funding, the institutional infrastructure of US-Japan policy dialogue and study will continue to erode, especially in Japan. Some Japanese institutions can be creative in finding alternative funding, for example applying to American foundations that usually do not support US-Japan activities for grants to explore

bilateral cooperation on functional issues such as climate change or global health. Nonetheless, while such approaches can be helpful for individual institutions, this will only work in some limited cases and there are still many dialogue and study activities that are central to the management of the US-Japan alliance that cannot be supported this way. While it is an especially difficult time to expand funding, there is no ignoring the fact that significant new financial support for US-Japan initiatives has to be mobilized if we are to shore up the underpinnings of bilateral relations.

- **Limit government control and the potential politicization of funding**

Both governments, particularly the Japanese foreign ministry, are working to support US-Japan policy dialogue, and even more US and Japanese government funding is needed. At the same time, however, it is also important to explore ways of better insulating government funding from politicization and ensuring that it focuses more on the long-term goals of bolstering the institutional underpinnings of the field rather than on more short-term goals of promoting individual policy objectives or political viewpoints.

Following various instances in which organizations have become the target of criticism by Japanese politicians because the findings of their research diverge from government positions, a number of institutions in the United States have become reluctant to accept Japanese government money. A farsighted approach will trust that more active US-Japan policy dialogue serves the broader public good, even if the results of individual projects may not accord precisely with the specific government policies of the moment, and it would thus ensure that measures are put into place to insulate any new pools of funding from retroactive government intervention. It would also ensure that existing funding agencies such as CGP retain some degree of autonomy over their assets.

Furthermore, while there is clearly a need for accountability and transparency when dealing with taxpayers' funds, the simplistic open bidding process required for many government grants in Japan is incompatible with the long-term objective of strengthening the institutional infrastructure of US-Japan policy dialogue and study and, instead, plays a destabilizing role.

- **Nurture the next generation**

A generational change is underway in US-Japan policy circles, which makes it even more imperative to ensure a smooth transition of leadership to the new generation. At a time when the career options in the US-Japan field have been shrinking, it is important to encourage promising, younger professionals to stay in the field. In addition, the trend in academia in the United States has been away from regional and policy expertise, which makes it increasingly vital to help ensure that future intellectual leaders in US-Japan relations have sufficient

exposure to the policy process and personal networks in broader policy circles that will enable them to operate effectively.

- **Broaden the range of dialogue**

There is a clear need to continue broadening the range of issues covered by US-Japan policy dialogue and study beyond traditional bilateral approaches, for example to areas where Japan and the United States can work together to make regional and global contributions, to joint approaches to other countries and regions, and to global and regional governance.

POTENTIAL COMPONENTS OF A NEW STRATEGY

Any successful effort to revitalize US-Japan policy dialogue and study will require the active involvement of diverse sectors of society in both countries. There are a number of concrete steps that would be useful for these different sectors to consider as part of such an initiative.

General

(1) Raise awareness of the importance of maintaining a healthy institutional infrastructure to support US-Japan policy dialogue and study

It is important for political leaders, government officials, business leaders, the media, and the general public to better understand the importance of maintaining a vibrant nongovernmental base for US-Japan policy dialogue and study. This is particularly true in Japan, where nongovernmental institutions tend to be weaker. Greater respect for the autonomy of nongovernmental policy institutes by government officials as well as political leaders is needed. Efforts by policy institutes to reach out to other societal leaders who are not normally engaged in US-Japan policy dialogue and study can also be beneficial. In addition, one initiative that can be helpful is a “wisemen’s group” on US-Japan affairs, provided it is operated in a focused manner with sufficient political backing in both countries.

Government and Business Leaders

(1) Increase funding for US-Japan policy dialogue and study

A rough estimate is that, at a minimum, an additional \$5–\$10 million annually in funding is needed to return the level of funding for US-Japan policy dialogue and study to the levels of the 1990s, or at least to make significant progress in that direction. The three foundations dedicated to US-Japan affairs cannot fill this gap on their own; rather, this can only be done by mobilizing new resources from governments, the private sector, and elsewhere.

(2) In the short term, make a special effort to stabilize Japan’s policy institutes

Japan’s nongovernmental (and quasigovernmental) policy research and exchange institutes have been especially hard hit by declines in government, business, and foundation funding, and some have also have been hurt by the *jigyo shiwake* budget-cutting process. Once institutional capacity is destroyed, it takes years

of work to rebuild. From a long-term perspective, it is important for Japan to maintain a diverse base of vibrant, independent institutions engaged in policy dialogue and study; therefore, special effort should be made to ensure that these organizations survive the current difficulties and retain the institutional capacity to contribute to US-Japan relations.

(3) Over the long term, explore new or expanded funding mechanisms

Grant making by the three major foundations dedicated to US-Japan affairs has declined dramatically and external factors are likely to prevent it from recovering significantly in the short to medium term. Meanwhile, the trend of declining funding from other foundations is likely to continue. Therefore, the best option to ensure sufficient funding to maintain nongovernmental US-Japan policy dialogue and study over the long term is for governments, businesses, and others to mobilize new resources to permanently expand the assets of current funders or establish new funding mechanisms that are sufficiently insulated from political or government interference. It would be wise for the top leaders of both countries to seriously explore this as part of their efforts to strengthen the underpinnings of bilateral relations.

(4) Encourage a more farsighted approach to government budget cutting

Governments in both countries are coming under growing pressure to reduce budget deficits, and in Japan, foreign ministry funding for international exchange, dialogue, and study has come under particular scrutiny. In general, the amount of money that can be saved by cutting support for policy dialogue and study is comparatively small, especially when weighed against the potential long-term benefits that this can yield for international relations. Therefore, it is important for political leaders to find ways to take more farsighted approaches to budget cutting that take into account the qualitative contributions of policy dialogue and study rather than just simplistic, quantitative measures of its efficacy.

(5) Provide greater incentives for charitable giving and improve the process of obtaining tax benefits for Japanese institutions engaged in policy dialogue and study

There are two areas where improvements in Japanese government regulation of the nonprofit sector could be particularly constructive. First, philanthropy remains underdeveloped in Japan, and changes in regulations to encourage greater giving would be beneficial. Second, as part of the historic reform of public interest corporations, most of the international affairs organizations in Japan, including those engaged in US-Japan relations, are required to change their legal status and reapply for tax deductibility by 2013. While the scope of tax deductibility has been expanded, in reality this is putting an additional burden

on institutions that already are grappling with severe financial challenges and, depending on how high the bar is set to obtain tax benefits and how the application process is managed, it may result in the loss of or temporary lapses in tax deductibility for these institutions. Political and government leaders should place special priority on making sure that the transition process goes as smoothly as possible for institutions engaged in international affairs.

(6) Explore ways to improve the provision of Japanese government funding

Japan's current *nyusatsu* system of open bidding for government-funded projects encourages competition primarily on the basis of short-term costs without sufficient consideration of the long-term outcomes of individual initiatives. Pressures to reduce costs cause nongovernmental institutions to continually undercharge for personnel and administrative expenses, saving the government small amounts in the short term, but undermining efforts to establish the kind of vibrant institutional base for policy dialogue and study that is in the public interest over the long term. Also, the standard practice of waiting until the end of the fiscal year to reimburse nongovernmental institutions for commissioned activities compels them to dig into their own meager resources to cover expenses carried out for the government, in essence forcing nongovernmental institutions with limited resources to lend money to the government for up to a year. A serious exploration of ways to improve the current system of government funding for international policy dialogue and study should be undertaken, involving both Japan's governmental and the nongovernmental sectors.

(7) Reexamine travel regulations for the US Congress

US-Japan parliamentary exchange programs sponsored by nongovernmental organizations can play an important role in bilateral relations. However, new Congressional ethics rules introduced after a series of scandals have been applied in such an onerous manner and have created such a backlog of work for ethics committee staff that they have had a deeply chilling effect on the willingness and ability of Congressional members to take part in even the most substantive, high-level exchanges. It would be advisable for Congressional members to explore how to strike a better balance in terms of ensuring integrity while encouraging the types of parliamentary interactions that further the broader national interest.

Foundations and Funders

(1) Help strengthen the institutional capacity of Japan's policy institutes

The top priority in building a long-term base for vibrant US-Japan policy dialogue should be to strengthen Japan's policy research and exchange institutes. They tend to be financially unstable in part because, unlike their American counterparts, they draw little support from endowments and often depend heavily on unstable project-based funding. They also have limited professional staff and face other administrative challenges, many of which are interconnected with their financial weakness. Funders, especially those with more extensive resources than the three main US-Japan foundations, can make a great contribution by working with Japanese institutions to find ways to make them more financially sustainable and also by directly helping them in building up pools of assets that can provide some long-term financial stability. Also, funders, especially in Japan, can contribute significantly by ensuring that project grants sufficiently cover personnel and overhead costs.

(2) Promote greater US-Japan dialogue at US think tanks

There is less immediate need at US think tanks than at their Japanese counterparts, but continuing efforts should be made to shore up the institutional base for Japan studies and encourage the greater integration of Japanese perspectives into general policy discussions. One measure to consider is the endowment of one or two chairs or fellowship programs at key US think tanks for resident Japanese scholars—not specifically on US-Japan relations, but rather to work on thematic or global issues such as energy, health, or global governance that have relevance for US-Japan bilateral relations.

(3) Encourage the development of a new generation of leaders in US-Japan relations

A generational shift is underway in the field of US-Japan affairs, and it is important to encourage the most promising young experts to stay in the field and develop their leadership skills, especially as less attention and fewer resources are showered on the field. A number of institutions—including USJF, CGP, and the Maureen and Mike Mansfield Foundation—have begun sponsoring “young leaders programs” that are making important contributions. These organizers should be encouraged to continue and further institutionalize their programs, while leaders from other sectors of society should be urged to support their efforts as well. Also, foundations can help by placing special priority on funding projects that provide opportunities for younger experts to interact more with senior figures in the field and play more prominent roles in US-Japan affairs.

(4) Expand support for US-Japan parliamentary exchange

The current interpretation of new Congressional ethics rules makes it extremely difficult for Congressional members and their staff to travel on nongovernmental exchange programs that are funded by businesses, foreign governments, or foreign foundations. US foundations are now practically the only acceptable source of funding, and they can make a major difference by expanding their support for a handful of exchange programs.

*Think Tanks and Policy Research and Exchange Institutes***(1) Focus more on US-Japan cooperation on thematic issues and in a broader context**

Institutions in both countries have made efforts to promote US-Japan policy dialogue and study on issues that are broader than just bilateral relations, but there is a need for more of this. There is considerable potential for more active policy dialogues and studies on the role of the US-Japan relationship vis-à-vis third countries, in the regional context, and on the global level. Also, there is a need for more trilateral and multilateral dialogues that have US-Japan relations at their core. Additionally, there would be significant benefits from deepening US-Japan policy dialogue and study on thematic issues such as energy, official development assistance, human security, and global health, and this should include efforts to engage policy experts in both countries who are not normally involved in US-Japan policy dialogue and study.

(2) Better integrate US-Japan relations into broader foreign policy debates

Both countries would benefit from greater Japanese involvement in US foreign policy circles and, similarly, from deeper American understanding of Japanese foreign policy debates. US think tanks should explore ways to engage Japanese experts in discussions in Washington on global and regional issues that are not specifically on bilateral relations, for example by creating short-term fellowship posts for Japanese and by working to involve a broader range of Japanese experts in conferences and dialogues. It would also be useful to have more programs such as CFR's Hitachi Fellowship that allow scholars from US think tanks to be based at Japanese institutions for periods of a year or two.

(3) Explore innovative steps to engage experts who are not US-Japan specialists

Japanese policy institutes might explore ways to bring American leaders and foreign policy analysts who are not Japan specialists to Japan on a regular basis. One possible model is Germany's Munich Security Conference, which annually

convenes influential international affairs experts and parliamentarians from Europe, the United States, and elsewhere. Holding a similar high-level dialogue with international appeal in Japan on a pressing topic of broad interest—for example, on the strategic future of Asia—might play a catalytic role in encouraging additional US-Japan interaction on a wide range of issues.

(4) Redouble efforts to reenergize parliamentary exchange

Parliamentary exchanges that focus solely on bilateral relations have become less appealing for parliamentarians, particularly on the American side. However, innovative approaches, such as issue-oriented exchanges on key challenges such as energy technology, healthcare, and global financial imbalances, may appeal to a broad range of US and Japanese parliamentarians and help encourage them to focus more on US-Japan relations.

(5) Prioritize the greater professionalization of staff

For a variety of reasons, including the hierarchical nature of Japanese organizations and the limited size of institutions engaged in US-Japan affairs, it is difficult for younger staff at policy institutes in Japan to distinguish themselves professionally and develop their ability to effectively engage in international forums in a substantive manner. It would be useful for these policy institutes to explore ways to encourage younger staff to work on more substantive issues, take on more responsibility internally, and be more visible in public settings that are usually reserved for senior figures. Also, it would be easier to develop promising, young Japanese policy experts and retain them in the field if they could more readily move to government posts on a short-term basis and if policy institutes could provide compensation in a manner that is competitive with universities and the business sector.