

COMMENTARY

Paucity of Japan hands vexes Japan-U.S. ties

By Satoshi Ikeuchi

Special to The Yomiuri Shimbun

WASHINGTON—In my capacity as visiting scholar at the Woodrow Wilson International Center for Scholars in Washington,

I am carrying out research on U.S. President Barack Obama's policy toward the Muslim nations and taking advantage of direct access to the latest U.S. studies of Middle East affairs.

My ultimate goal is to seek ways through which both Japan and the United States can engage themselves in a significant and cooperative way to tackle international issues involving the Middle East and the Islamic world.

What concerns me here in Washington is that

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the channels for political communication between Japan and the United States are excessively limited to a handful of U.S. experts on the bilateral relationship who are referred to as "Japan hands."

Prior to Obama's trip to Japan in November, many of them made threatening remarks with respect to Japan, saying that Washington had reached its patience threshold, while at the same time trying to show off to the White House their ability to influence the Japanese government. Such arguments left a sense of deep displeasure among Japanese.

Reliance on English-language info

This small number of Japan hands has an excessively large voice in these matters because there is relatively little interest in Japan-U.S. relations in the United States. Only a few U.S. experts can understand and analyze Japanese public opinion, decision-making and the way policies are implemented by reading Japanese-language media reports.

On this side of the Pacific, elegantly constructed argumentation based on a limited amount of English-language information is typically evaluated as expert foreign policy analysis.

Japan is not an elite-led society, so the public opinion of the middle class masses lays the foundation for politics. Policies are decided in the higher echelon of politicians and ministry officials, but their implementation cannot move ahead without public support. Japanese politics moves forward when the flow of policy debate and political conflict

among the elite merges with the tide of public opinion to find a point of compromise and consensus.

But Japan policy experts in the United States, who are unable to predict the path Japanese politics will follow, tend to fall easily into the habit of denouncing the Japanese decision-making process as irrational and labeling Japan as a bankrupt state whose policy-implementing institutions have broken down.

'Enemy nation' aftereffect

In the United States, political research into non-Western regions is conducted mainly by scholars hailing from those regions or descendants of immigrants from those regions. But this is not the case in regard to Japanese politics. Scholars from Japan and Japanese-Americans do not form the core of the Japan hands.

The fact that Japan was an enemy nation in World War II still has significance today. The United States' history as an immigrant nation has been marked by a series of movements seeking to empower new immigrants who organized themselves into groups and then demanded and obtained various rights.

However, in the case of Japanese-Americans, who suffered hardships during the war such as being forced into internment camps or having their assets forfeited, they refrained from asserting themselves as Americans of Japanese ancestry while at the same time keeping a distance from Japan during and after the war since they were

trying to show maximum allegiance to the United States, thereby losing an opportunity to call for political empowerment as an ethnic group.

In addition to this unfortunate past, the high growth of Japan's postwar economy resulted in a sharp fall in immigration to the United States, contributing to a further weakening of the potential for political influence among Japanese-Americans. The number of Japanese students at U.S. universities has been declining steadily, and in most

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cases students return home with the aim of finding jobs in Japan after finishing their studies without settling in the United States.

As far as Japanology is concerned, Japanese universities provide higher levels of education than their U.S. counterparts. The Japanese case represents a striking contrast with that of students from other non-Western countries in which they tend to study about their own countries at U.S. universities and seek to find jobs and obtain green cards or citizenship in the United States.

Japanese model as nation-state

But the Japanese model represents the way a nation-state should be. If living conditions in Japan were not comfortable, public safety problematic, the education system fragile and suitable jobs lacking, the best students from Japan would swarm to the United States. They would seek to settle there permanently and ascend the U.S. social ladder by taking advantage of their command and knowledge of Japanese language and Japanology. They might then try to exert an influence on their motherland by working on U.S. policy vis-a-vis Japan.

The U.S. administration often makes light of Japan in its foreign policy initiatives because Japan does not pose any threat to the United States. If opinion grew louder in favor of nuclear armament, and conflicts and terrorist attacks became rampant in Japan, policy toward Japan would become a major agenda item for U.S. diplomacy and thorough efforts would be made to understand the Japanese language, society and politics.

Needless to say, such a development would not be a desirable one for Japan-U.S. relations.

Fed's role in continuing bank oversight important

By Ben Bernanke

Special to The Washington Post

WASHINGTON—For many Americans, the financial crisis, and the recession it spawned, have been devastating—jobs, homes, savings lost. Understandably, many people are calling for change. Yet change needs to be about creating a system that works better, not just differently. As a nation, our challenge is to design a system of financial oversight that will embody the lessons of the past two years and provide a robust framework for preventing future crises and the economic damage they cause.

These matters are complex, and Congress is still in the midst of considering how best to reform financial regulation. I am concerned, however, that a number of the legislative proposals being circulated would significantly reduce the capacity of the Federal Reserve to perform its core functions. Notably, some leading proposals in the Senate would strip the Fed of all its bank regulatory powers. And a House committee recently voted to repeal a 1978 provision that was intended to protect monetary policy from short-term political influence. These measures are very much out of step with the global consensus on the appropriate role of central banks, and they would seriously impair the prospects for economic and financial stability in the United States. The Fed played a major part in arresting the crisis, and we should be seeking to preserve, not degrade, the institution's ability to foster financial stability and to promote economic recovery without inflation.

The proposed measures are at least in part the product of public anger over the financial crisis and the government's response, particularly the rescues of some individual financial firms. The government's actions to avoid financial collapse last fall—as distasteful and unfair as some undoubtedly were—were unfortunately necessary to prevent a global economic catastrophe that could have rivaled the Great Depression in length and severity, with profound consequences for our economy and society. (I know something about this, having spent my career prior to public service studying these issues.) My colleagues at the Federal Reserve and I were determined not to allow that to happen.

Moreover, looking to the future, we strongly support measures—including the development of a special bankruptcy regime for financial firms whose disorderly failure would threaten the integrity of the financial system—to ensure that ad hoc interventions of the type we were forced to use last fall never happen again. Adopting such a resolution regime, together with tougher oversight of large, complex financial firms, would make clear that no institution is "too big to fail"—while ensuring that the costs of failure are borne by owners, managers, creditors and the financial services industry, not by taxpayers.

The Federal Reserve, like other regulators around the world, did not do all that it could have to constrain excessive risk-taking in the financial sector in the period leading up to the crisis. We have extensively reviewed our performance and moved aggressively to fix the problems.

Working with other agencies, we have toughened our rules and oversight. We will be requiring banks to hold more capital and liquidity and to structure compensation packages in ways that limit excessive risk-taking. We are taking more ex-



PLICIT account of risks to the financial system as a whole.

We are also supplementing bank examination staffs with teams of economists, financial market specialists and other experts. This combination of expertise, a unique strength of the Fed, helped bring credibility and clarity to the "stress tests" of the banking system conducted in the spring. These tests were led by the Fed and marked a turning point in public confidence in the banking system.

There is a strong case for a continued role for the Federal Reserve in bank supervision. Because of our role in making monetary policy, the Fed brings unparalleled economic and financial expertise to its oversight of banks, as demonstrated by the success of the stress tests.

This expertise is essential for supervising highly complex financial firms and for analyzing the interactions among key firms and markets. Our supervision is also informed by the grass-roots perspective derived from the Fed's unique regional structure and our experience in supervising community banks. At the same time, our ability to make effective monetary policy and to promote financial stability depends vitally on the information, expertise and authorities we gain as bank supervisors, as demonstrated in episodes such as the 1987 stock market crash and the financial disruptions of Sept. 11, 2001, as well as by the crisis of the past two years.

Of course, the ultimate goal of all our efforts is to restore and sustain economic prosperity. To support economic growth, the Fed has cut interest

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rates aggressively and provided further stimulus through lending and asset-purchase programs. Our ability to take such actions without engendering sharp increases in inflation depends heavily on our credibility and independence from short-term political pressures. Many studies have shown that countries whose central banks make monetary policy independently of such political influence have better economic performance, including lower inflation and interest rates.

Independent does not mean unaccountable. In its making of monetary policy, the Fed is highly transparent, providing detailed minutes of policy meetings and regular testimony before Congress, among other information. Our financial statements are public and audited by an outside accounting firm; we publish our balance sheet weekly; and we provide monthly reports with extensive information on all the temporary lending facilities developed during the crisis. Congress, through the Government Accountability Office, can and does audit all parts of our operations except for the monetary policy deliberations and actions covered by the 1978 exemption. The general repeal of that exemption would serve only to increase the perceived influence of Congress on monetary policy decisions, which would undermine the confidence the public and the markets have in the Fed to act in the long-term economic interest of the nation.

We have come a long way in our battle against the financial and economic crisis, but there is a long way to go. Now more than ever, America needs a strong, nonpolitical and independent central bank with the tools to promote financial stability and to help steer our economy to recovery without inflation.

*Bernanke is chairman of the U.S. Federal Reserve Board.*



Obama's deadline put ball in Afghans' court

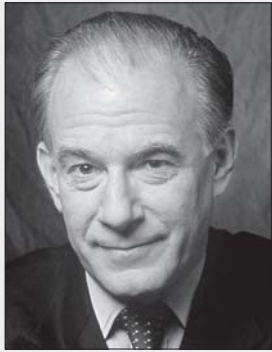
By David Ignatius

WASHINGTON—U.S. President Barack Obama has been deliberating for months over his Afghanistan strategy. But when it came time to explain that decision Tuesday, he was cool and analytical—and seemed almost serene about a policy that he knows will be attacked from both sides of the aisle.

"I am painfully clear that this is politically unpopular," Obama told a small group of columnists. "Not only is this not popular, but it's least popular in my own party. But that's not how I make decisions."

Obama spoke during a lunch in the White House library. Shelved on the walls around him were books recording the trials and triumphs of his predecessors, who waged wars with sometimes agonizing consequences. But this president doesn't do agony—at least not in public.

His presentation of the details of the new strategy was focused and precise. He didn't talk about victory, and he didn't raise his voice. He did not attempt to convey the blood and tears of the battlefield, or the punishing loneliness of command. Even in this most intense and consequential decision of his presidency, he remains "no drama Obama."



Obama has made what I think is the right decision: The only viable "exit strategy" from Afghanistan is one that starts with a bang—by adding 30,000 more U.S. troops to secure the major population centers, so that control can be transferred to the Afghan army and police. This transfer process, starting in July 2011, is the heart of his strategy.

Military commanders appear comfortable with Obama's decision, although they wish it hadn't taken so long. Adm. Mike Mullen, chairman of the Joint Chiefs of Staff, is said to be especially pleased that Obama decided to rush the additional troops to Afghanistan in just six months, sooner than Gen. Stanley McChrystal had requested. The speedy deployment "gets McChrystal the most U.S. force in the fight as fast as possible and enough to help him gain the initiative," said one senior military officer.

But politically, it's an Afghanistan strategy with something to make everyone unhappy: Democrats will be angry that the president is escalating a costly war at a time when the struggling economy should be his top priority. Republicans will protest that by setting a short, 18-month deadline to begin withdrawing those forces, he's signaling the Taliban that they can win if they just are patient.

Obama insisted Tuesday that "given the circumstances, this is the best option available to us." At another point, he conceded: "None of this is easy. I mean, we are choosing from a menu of options that are less than ideal."

There has been much talk about how this war is Obama's Vietnam, but the president rejected the analogy. The Vietnamese never killed 3,000 people in America, as al-Qaeda did; we aren't

fighting a nationalist movement in Afghanistan, and he isn't making an open-ended commitment.

"To pretend that somehow this is a distant country that has nothing to do with us is just factually incorrect," he told the columnists. I agree with him—Afghanistan is vital to U.S. security interests. But I don't think he will convince many House Democrats.

The most important question about Obama's strategy isn't political, but pragmatic: Will it succeed? He has defined success downward, by focusing on the ability to transfer control to the Afghans. He shows little interest in the big ideas of counterinsurgency and insists he will avoid "a nation-building commitment in Afghanistan." That will make it easier to declare a "good enough" outcome in July 2011, if not victory.

When I asked Obama if the Taliban wouldn't just wait us out, he was dismissive: "This is an argument that I don't give a lot of credence to because if you follow the logic of this argument you would never leave. Right? Essentially you'd be signing on to have Afghanistan as a protectorate of the United States indefinitely."

Obama thinks that setting deadlines will force the Afghans to get their act together at last. That strikes me as the most dubious premise of his strategy. He is telling his adversary that he will start leaving on a date certain, and telling his ally to be ready to take over then, or else. That's the weak link in an otherwise admirable decision—the idea that we strengthen our hand by announcing in advance that we plan to fold it.