

## *II. Trends in Policy Dialogue and Study*

### DIALOGUE AND STUDY ON JAPAN IN THE US POLICY COMMUNITY

There is a broad consensus among observers of US-Japan affairs that the intensity and relevance of policy dialogue and study on Japan in US policy circles has steadily declined over the past decade. Outside of a shrinking number of Japan specialists, few American foreign policy experts continue to follow US-Japan relations closely, and the general sentiment among many key figures interviewed for this study tends to be that US-Japan ties have become “more dysfunctional” and “less pressing” than other bilateral relationships.

#### *The Context*

In broad terms, the US policy community includes a wide range of experts based at universities, think tanks, charitable foundations, and private enterprises such as consulting firms and law offices. While university-based area specialists continue to play an important long-term role in shaping the intellectual context for the policy debate on US approaches to other countries, by and large it is the foreign policy think tanks based in Washington DC or with active programs there that are most adept at directly helping to shape US policy.

Two trends stand out when looking at the main US think tanks active on foreign policy. One noteworthy change is how rapidly they have expanded their operations in recent years, growing from an already strong financial base that would be the envy of any other country. For example, in the period from 2004 to 2009, the combined budgets of five of the most influential international affairs think tanks active in Washington—the American Enterprise Institute (AEI), the Brookings Institution, the Council on Foreign Relations (CFR), the Center for Strategic and International Studies (CSIS), and the Peterson Institute for International Economics (IIE)—grew from approximately \$120 million to \$200 million, despite the worst financial crisis in the postwar period.

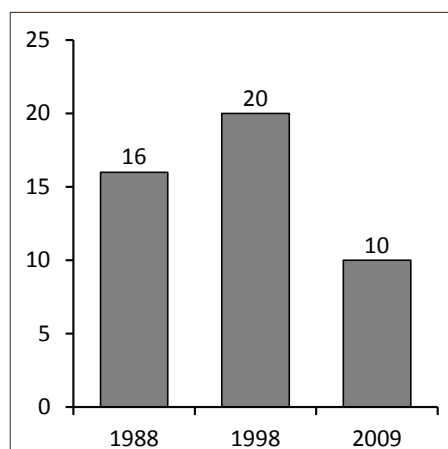
A second important development that has gained momentum since the end of the Cold War has been the globalization of these think tanks. They have sought to expand their reach overseas, for example, by establishing centers in key areas

such as China and the Middle East. (By 2010, at least four Washington think tanks had opened offices in China.) Meanwhile, they have competed to take the lead in studying and proposing policy solutions on global issues such as health and climate change in a way that attempts to target not just the US government, but also governments and international organizations around the world. In this way, the Washington think tanks (along with some in Europe such as Chatham House) have started playing greater roles in an emerging international competition for intellectual leadership.

### *Decline of Japan-Related Activities*

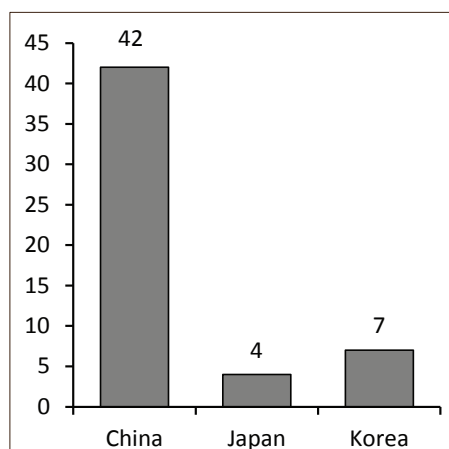
In stark contrast to the dramatic growth of their overall operations, the Washington think tanks have been steadily paring back their Japan-related activities over the past decade. The number of influential Washington think tanks with major activities dealing specifically with US-Japan relations fell from 20 institutions in 1998 to 10 in 2009. There are even significantly fewer think tanks carrying out Japan studies now than during the late 1980s. Only three of the major think tanks—CFR, CSIS, and AEI—have full-scale Japan programs and, with the possible exception of CSIS, these pale in scope when compared with the programs that many think tanks carry out on US-China relations. In fact, there are just four or five senior experts in total at the major think tanks who spend the majority of their time covering Japan-related affairs. Their numbers are buttressed by several key experts active in Washington from universities and other institutions, but the Japan policy community is still very small by any measure.

Figure 1: Think tanks with major US-Japan activities, 2009



Source: JCIE survey, 2010

Figure 2: Senior Asia experts at Washington think tanks, 2009



Source: JCIE survey, 2010

In interviews for this study, the presidents of the Brookings Institution, CSIS, and IIE each stressed their personal belief that it is important to strengthen US-Japan study and dialogue on a wide range of common challenges, but they also revealed considerable frustration with the difficulty of integrating US-Japan relations more deeply into their institutions. In a financial environment where it is crucial for think tanks to fully fund all of their projects, a wide range of think tank executives indicated that the difficulty in obtaining funding for US-Japan studies has tended to encourage them to put greater priority on other areas.

### *A Comparative Perspective*

The decline in Japan studies at the Washington think tanks becomes even starker when examined from a comparative perspective. In 2009, more than twice as many think tanks had major activities on US-China relations than on US-Japan relations, and they carried out almost three times as many China-related studies and dialogues. More than 40 senior think tank staff focus primarily on China in their daily work—over 10 times the number of Japan experts—and almost twice as many can be considered Korea experts than Japan experts.

Some American think tank experts argue that, to a certain degree, the relatively high level of interest in China instead of Japan is both natural and desirable. China's global influence is rising rapidly, there is a growing potential for the United States and China to come into conflict on a wide range of issues, and it is essential for the US policy community to better understand China. In addition, the fact that China retains a degree of novelty and, for some, an aura of threat attracts greater media attention and makes it more fashionable for funders.

Meanwhile, the surprisingly high levels of activities related to Korea relative to Japan can be ascribed to the ongoing dangers of conflict on the Korean Peninsula as well as to a concerted effort by Korean funders to strengthen the institutional basis

**Table 1: US think tanks with major policy dialogue and study activities on Asia, 2009**

	Country focus		
	China	Japan	Korea
Institutions	22	10	7
Projects	55	20	16

Source: JCIE survey, 2010.

Note: Institutions are organizations that conduct significant policy dialogues and/or studies on bilateral relations that involve the Washington policy community. Projects indicate significant studies, dialogues, or conferences that focus primarily on an individual country or bilateral relationship. These estimates do not include activities that only take up bilateral relations as one of several country focuses.

of US-Korea policy dialogue. Still, an overwhelming number of American experts on US-Japan relations are concerned that the field of US-Japan policy dialogue and study is significantly less active and fruitful than it should be.

If China and Korea do not serve as entirely apt comparisons given Japan's global role and recent history, some insights can be gained by comparing the state of US-Japan policy dialogue and study with Washington think tanks' engagement with advanced postindustrial democracies in Europe. While most of the think tanks have programs and staff that focus specifically on European affairs, they tend to carry out a limited number of activities on bilateral US relations with individual European countries, or even on US-EU ties. What is striking, though, is that these think tanks sponsor a wide range of activities on common challenges that involve European institutions and experts, whether on thematic issues such as environmental concerns or on individual countries such as Russia or Iran.

To take one example, while the Brookings Institution operates the Center on the United States and Europe specifically to study developments in individual European countries and at the regional level, much of the Brookings Institution's collaboration with Europe involves other programs. It works with the University of Bern in Switzerland to run the Brookings-Bern Project on Internal Displacement, its Metropolitan Policy Program has carried out a major set of case studies on urban revitalization with the London School of Economics, and the Wolfensohn Center for Development works closely with European experts and institutions on issues related to the developing world. In a sense, US-Europe—and by extension, US-UK, US-French, and US-German—relations have become fully integrated into the core functions of the institution.

This integration is best demonstrated by the fact that almost 20 of the Brookings Institution's roughly 200 experts are European or of European birth and nearly half of them are resident in Washington. Of the Brookings Institution's five core programs of study, one is headed by a European, Kemal Dervis, and 3 of its 10 study centers are directed or co-directed by experts who have come from Europe. In contrast, there is currently only one senior expert born and raised in Japan at a Washington think tank and approximately 10 short-term visiting fellows from Japan—most of whom are practitioners rather than scholars—who are based at all of the major foreign policy think tanks in the city.

### *Japan's Declining Presence in Washington*

In the assessment of one leading Japan specialist active in the DC policy community, the declining level of US-Japan dialogue and study at Washington think tanks has meant that the understanding of Japan's policy and politics in Washington has become increasingly superficial. Meanwhile, the relatively minimal integration of

Japanese perspectives and experiences into the broader activities of these think tanks has contributed to the appearance of declining Japanese involvement in debates on key global issues.

In the eyes of many US policy experts, these trends have been accompanied by a withdrawal of Japanese institutional involvement in the Washington policy community. In March 2009, Keidanren shuttered its Washington office, which had regularly organized roundtables and other policy-related dialogues for US and Japanese experts. *Japan Echo*, a magazine that provided insight into Japanese policy debates for non-Japanese readers, was regularly circulated to more than 1,500 experts in the United States, but its distribution ended in April 2010 when its government funding was cut. Meanwhile, the declining number of Japanese participants in high-level international conferences around the world has become highly noticeable over the past several years. Japanese experts taking part in policy-oriented conferences that are not directly focused on US-Japan relations often find themselves to be the only Japanese present, while participants from elsewhere in Asia take on more visible and vocal roles.

There have been some new initiatives in Washington DC over the past several years, such as the launch of the US-Japan Council, which targets primarily Americans of Japanese descent. Overall, however, recent developments have led prominent observers in Washington to increasingly express their concerns in private conversations about the impression that Japan is turning inward and that, coupled with the lack of a proactive Japanese approach to many of the key foreign policy challenges facing Asia and the world, this phenomenon is contributing to the marginalization of Japan in American discussions of foreign policy.

## DIALOGUE AND STUDY ON US-JAPAN RELATIONS IN THE JAPANESE POLICY COMMUNITY

While American and Japanese experts express considerable concern about the decline in US-Japan–related activities and analysis in US policy circles, they tend to agree that the greatest challenge to US-Japan dialogue lies in the limited capacity of the Japanese policy community. In particular, they often point to the weakness of nongovernmental institutions in the field of international affairs in Japan.

In interviews for this study, numerous experts and policymakers mentioned their sense that Japan’s presence in international dialogue has been waning. While the number of senior Japanese policy experts participating in international forums has always been circumscribed, it has noticeably declined in recent years. This has been accompanied by a growing reluctance on the part of many younger business leaders to be active on the international stage in the way that their predecessors often were.

### *Nongovernmental Institutions in Japanese Policy Circles*

Outside of government ministries and their affiliated institutes, Japanese policy dialogue tends to be facilitated by either universities or the type of free-standing policy research and exchange institutes that are generally described as think tanks, although there is some question as to whether they are truly comparable to Western think tanks in terms of capacity and function.

One bright spot has been the efforts by Japanese universities to make more substantive contributions to policy dialogue on US-Japan relations. A number of university centers have started to pursue more policy-relevant work and, with their strong resource base (at least compared with other institutions in Japan), they have managed to attract numerous skilled policy experts and ex-bureaucrats. However, it has remained clear that universities in Japan face inherent limitations on how much they can contribute to the policy debate on international affairs. By their very nature, they stand apart from the world of politicians and policymakers, and the imperatives of academia often make it difficult for them to make the types of cutting-edge and policy-relevant contributions that are needed for an active policy dialogue. Furthermore, Japanese universities are notoriously hierarchical with a stove-piped structure that inhibits the types of cross-disciplinary cooperation that is often needed to deal with many of the pressing policy issues of the day.

Compared with universities, Japan’s policy research and exchange institutes have faced an especially difficult period over the past decade. These range from organizations such as the Japan Institute of International Affairs (JIIA), the Institute for International Policy Studies (IIPS), and the Research Institute for

Peace and Security (RIPS), which were established with the backing of the foreign ministry and other government agencies, to JCIE, which operates independently from the government. During the 1980s and the 1990s, there were hopes that Japan would develop a vibrant think tank sector as part of its transition to a more decentralized system of governance. However, with the economic slump of the last two decades, these institutions have suffered deeply, giving away many of their earlier gains. Their decline is cited by a wide range of experts and policymakers in both countries as one of the core obstacles to a more productive US-Japan policy dialogue, in part because they should be the type of institutions best suited to work as counterparts to think tanks in the United States and elsewhere on policy dialogues and exchanges.

It is worth mentioning another group of nongovernmental institutions that has also been increasingly active in promoting US-Japan policy dialogue. This is the set of private Japanese foundations that are part of the Sasakawa family of foundations, such as the Sasakawa Peace Foundation, the Tokyo Foundation, and the Ocean Policy Research Foundation, that sometimes work as operating foundations, convening study groups, managing policy studies, and sponsoring conferences and lectures. They have carried out a number of important initiatives in recent years that have taken up some of the slack in US-Japan dialogue, and they are clearly playing an important and growing role in US-Japan policy dialogue and study at a time when other organizations are cutting back on activities due to their financial difficulties. However, many people in the field have voiced concerns that a tendency may emerge for their activities to reflect a similar ideological leaning and expressed the view that it thus would not be healthy if they come to be the sole or dominant voices in the nongovernmental sector.

### *The Decline of Japan's Policy Institutes*

One of the key factors contributing to Japan's weak institutional capacity in the field of international affairs has been the financial decline of Japan's policy research and exchange institutes. For example, the budget expenditures of Japan's five most active and established international affairs institutes—JCIE, JIIA, IIPS, the International House of Japan, and RIPS—fell nearly 40 percent in yen terms between 1998 and 2008, from ¥3.2 billion to ¥1.8 billion.<sup>1</sup> (By comparison, during the same 10-year period, the budgets of the five leading US think tanks active in Asian affairs jumped more than 150 percent in dollar terms, from \$79 million to almost \$200 million.)<sup>2</sup>

Furthermore, anecdotal evidence indicates that the decline in the budgets of the Japanese institutes has accelerated significantly in 2009 and 2010 as government funding has been cut and the weak economy has discouraged corporate giving and strained grant-making foundations. Institutions in Japan tend to

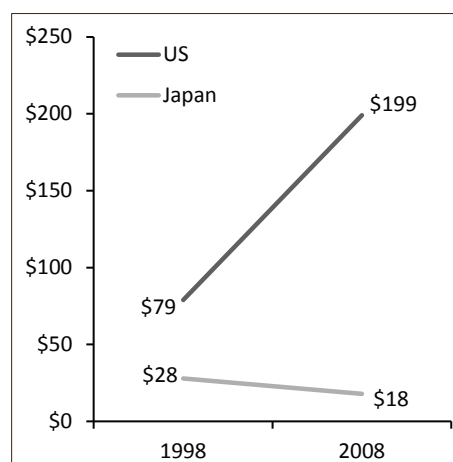


hold relatively small endowments and there has been little opportunity or even rationale to expand them in the climate of zero-interest rates and unstable stock market returns that has persisted over the past decade. As a result, as the head of one policy institute argued in an interview for this study, it is entirely possible that several of Japan's most established institutions may not survive for another decade.

An additional challenge that weighs heavily on Japanese policy institutes involves their relations with the government, both in the way it exercises oversight and in the way it provides support. The legal system governing the incorporation and operations of nonprofit organizations is in a period of transition in Japan, but inflexible government interpretation of regulations makes it extremely difficult for nonprofit organizations to obtain and retain tax deductibility for donations. Under the old system that is being phased out, organizations' tax-deductible status had to be renewed every two years through an onerous process that often required months of man-hours on the part of senior executives who are already stretched thin, and it is unclear how difficult it will be for these organizations to retain tax deductibility under the new system. Meanwhile, there is still a tendency on the part of government officials to expansively interpret regulations governing their ability to intervene into the internal workings of organizations in the field of international affairs.

On the other hand, the ways in which the Japanese government, especially the foreign ministry, is compelled to provide funding also strains the human and financial resources of policy institutes. The requirement that many projects—even those that require specialized expertise—be put to open bidding is intended to increase transparency, but it tends to overemphasize cost instead of the quality of the end results and it often places a great burden on already fragile organizations. This is exacerbated by the tendency for this process to result in contracts that do not include sufficient funds to cover reasonable personnel and overhead costs, which are needed to maintain institutional capacity. Meanwhile, the current trend of *jigyo shiwake* budget cutting threatens to eviscerate the funding that supports many of

Figure 3: Combined budgets of leading policy institutes (US\$ millions)



Source: JCIE survey, 2010.

Note: Figures indicate the combined expenditures for the five leading US and five leading Japanese policy research and exchange institutes in 2008 dollars.

US: AEI, Brookings Institution, CFR, CSIS, and IIE.

Japan: JCIE, JIIA, RIPS, IIPS, and the International House of Japan.



the very institutions that the government wishes to have become more active as an alternative to the current bureaucracy-dominated system of policy advice.

### *Decline in Interactions between US and Japanese Institutions*

The difficulties facing Japan's policy research and exchange institutes have exacerbated their weakness in terms of their ability to attract full-time policy experts and in terms of the numbers of professional staff they have who are capable of operating programs at an international level. This has left the small numbers of talented people at these institutions spread thin, further jeopardizing their ability to contribute productively to international dialogues. It has also limited their ability to contribute financial resources to joint initiatives with overseas institutions. One apparent result has been the decline in interactions between American and Japanese institutions.

The decrease in interactions is particularly noteworthy when compared with the interactions that US think tanks have with institutions in other countries. For joint projects, US think tanks tend to partner with European institutions, or even with institutions in other Asian countries such as China or Korea. However, they tend to have difficulty in partnering with Japanese institutions, in large part because institutions in Japan tend to be weaker and have fewer financial and human resources to offer for joint initiatives. Instead, US think tanks often end up going the route of selecting a Japanese expert to participate in their project on an individual basis rather than building up an institutional relationship.

As a result, in recent years, US think tanks have organized nearly twice as many joint studies and major conferences in partnership with Chinese institutions than with Japanese institutions. This has happened despite the awareness among US think tank specialists of the limitations that Chinese institutions face in terms of freedom of expression and the recurring concerns about their ability to participate in free and frank public dialogues. While understandable, this trend runs the risk of limiting the level of Japanese input into the types of dialogues being carried out and makes US-Japan policy dialogues more dependent upon personalities rather than institutional linkages.

**Table 2: Joint projects with US think tanks and research organizations, 2005–2009**

China	Japan
46	25

Source: JCIE survey, 2010.

## US-JAPAN POLITICAL EXCHANGE

One important but often overlooked component of US-Japan policy dialogue is the level of sustained interactions between political leaders. Congressional and Diet members have considerable influence over the dynamics of US-Japan relations and they can help shape the bilateral policy agenda, especially on second-tier issues where pressure from a few individual parliamentarians can go a long way. Astute observers in Japan and the United States have long understood that increasing mutual understanding among legislators and encouraging them to frankly discuss issues of common concern can help both sides forge deeper cooperation and avoid costly missteps.

This is why Senate Majority Leader Mike Mansfield publicly called for the establishment of nongovernmental parliamentary exchange between the Congress and the Diet in 1967. In response, JCIE's US-Japan Parliamentary Exchange Program was launched the following year, in 1968, as the first nongovernmental program of its kind. Since then, numerous institutions on both sides of the Pacific have invested considerable time and energy in trying to launch and sustain US-Japan political exchanges.

Meaningful parliamentary exchange requires face-to-face interaction, and there are two main ways for Congressional and Diet members to travel to one another's countries: with public funding or with private sponsorship. For the Congress, public funds typically come out of committee chairmen's travel budgets, or in the case of one US-Japan exchange recently established by the Senate, from a special Congressional allocation. Meanwhile, in the Diet, they tend to come from taxpayer funds used at the discretion of political parties. By and large, these trips are controlled by the committee chair or senior leader who sponsors them, and meetings are arranged primarily by the respective embassies in each country. This can limit the range of people the participants interact with, often giving short shrift to opposition parties, while bringing a more formal veneer to the proceedings. With a few prominent exceptions, they also tend to be one-time affairs rather than regular, sustained programs.

The second mode of parliamentary exchange involves privately funded travel, which is typically sponsored by a nongovernmental and nonprofit organization. In principle, the nongovernmental organizations should be able to act as honest brokers, exposing political leaders to key issues that they had not been aware of, casting their net wider to include the participation of promising, junior leaders who may not have been selected by the senior figures who tend to dominate the publicly funded trips, and facilitating interactions with a broader and more representative set of political leaders than embassies tend to reach. In addition, these discussions can take on a more informal and frank nature rather than hewing close to each country's official positions. To make these exchanges successful, though, the

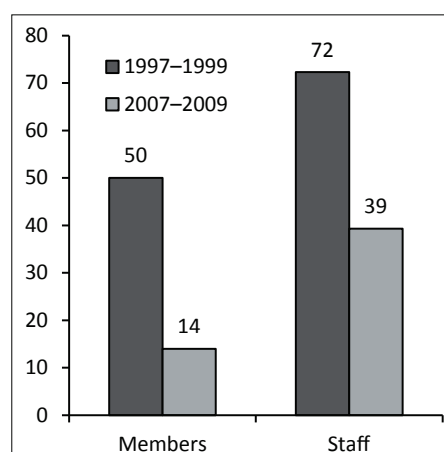
organizers need experienced, professional staff, who are often difficult for nongovernmental organizations to find and retain, and a solid base of funding from ethically unassailable sources. In recent years, there have been a number of scandals in the United States in which privately funded Congressional travel was egregiously exploited by lobbyists. As a result, participants in these exchanges are now more vulnerable to accusations that they are receiving perks from corporate interests, plus sponsors have a difficult time meeting increasingly stringent Congressional ethics guidelines.

### *Trends in US-Japan Parliamentary Exchange*

Regular US-Japan exchange started in earnest in 1968, in response to Mike Mansfield's appeal. As Japan's international stature rose in the 1980s, a number of other organizations launched successful exchanges, some for Congressional and Diet members and others for Congressional staff, who had begun playing increasingly influential roles in the US legislative process. These programs helped individual legislators in the two countries build close personal ties, including prominent figures such as Thomas Foley, Howard Baker, Donald Rumsfeld, Daniel Inouye, and Bill Bradley on the US side, along with Keizo Obuchi, Koichi Kato, Seiji Maehara, Shigeru Ishiba, and Motoo Shiina on the Japanese side. These participants and others have served an important stabilizing role when bilateral relations became strained over the past several decades.

It has always been difficult to encourage US Congressional members to travel to distant Japan; however, in recent years the level of interaction between the Congress and the Diet has dramatically declined. In the late 1990s, an average of 50 and as many as 80–90 Congressional members would annually visit Japan on publicly funded or privately sponsored travel. Over the past three years from 2007 to 2009, however, an average of only 14 Congressional members per year have visited Japan. Furthermore, the length of their visits has tended to be relatively short, often just two or three days, whereas weeklong trips were common in the past.

Figure 4: Congressional visits to Japan  
(average number of members and staff travelling to Japan per year)



Source: JCIE survey, 2010.

Likewise, the number of Congressional staff visiting Japan has also declined, although in less dramatic terms. Typically, in the late 1990s, 70–80 Congressional staff would visit Japan each year in connection with their official duties, but in the last several years, only half that number have traveled to Japan.

Data on the numbers of Diet members visiting the United States are harder to obtain, but the level of visitors has clearly declined. In late 2009, the spectacle of more than 140 Diet members visiting Beijing struck a nerve in Washington policy circles precisely because it stood in such stark contrast to the decline in Diet interactions with American leaders, particularly on the part of the relatively new Diet members from the Democratic Party of Japan.

There are various factors that seem to have contributed to the decline of US-Japan parliamentary exchange. In both the United States and Japan, intense electoral competition has made the legislative sessions more volatile, giving parliamentarians less time to travel and making their schedules more unpredictable. In the United States, in particular, Congressional travel scandals and heightened media scrutiny have made participating in parliamentary exchange more of a political risk for Congressional members and their staff. Meanwhile, American and Japanese parliamentarians are increasingly finding that other priorities compete for their attention. In the United States, Congressional members committed to traveling abroad face strong pressures to take at least one trip annually to Afghanistan or Iraq, where US troops are shedding blood, and there are strong incentives for new Congressional members to visit Israel. This ultimately limits the number of slots that Congressional members have for visits to other countries. Meanwhile, in Japan, it seems to have become relatively more appealing for Diet members to visit Asian countries, given that it requires less of a time commitment and that Asian political leaders tend to be more accessible than their counterparts in the United States.

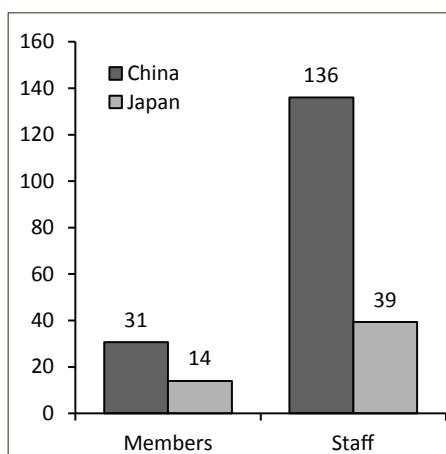
### *A Comparative Perspective*

No matter which country is the destination, political exchanges have become more difficult to operate in both countries. Nevertheless, it is instructive to contrast trends in US-Japan political exchange with those in other bilateral relationships. For example, on the US side, there has been a clear rise in attention to China, and this has been reflected in Congressional travel trends. In the late 1990s, slightly more Congressional members tended to travel to Japan each year than to China, but over the past five years, the numbers visiting China have averaged nearly twice that of the numbers traveling to Japan. These trends are even starker for Congressional staff, who have more freedom to travel than their bosses. In the late 1990s, roughly equal numbers of Congressional staff

traveled to Japan and China. However, this has dramatically shifted and now more than three times more staff annually visit China.

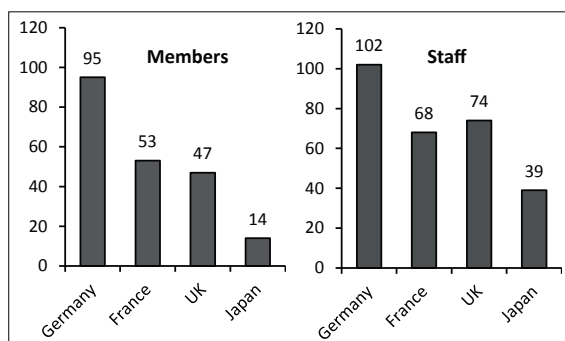
It is easy to ascribe the relative increase in Congressional exchange with China vis-à-vis Japan to a growing interest in a rising China, but Congressional interactions with America's allies in Europe have also managed to withstand the pressures that make Congressional travel more difficult. Although they fluctuate from year to year, roughly the same numbers of Congressional members and staff annually visited countries such as France, Germany, and the United Kingdom as visited Japan in the late 1990s. Now, however, almost seven times as many Congressional members visit Germany than Japan, and more than three times as many go to France and the United Kingdom each year. Similarly, over the past three years, roughly twice as many Congressional staff visited each of America's major European allies than went to Japan.

Figure 5: Congressional visits to China and Japan (average annual visits, 2007–2009)



Source: JCIE survey, 2010.

Figure 6: Congressional trips to US allies (average annual visits, 2007–2009)



Source: JCIE survey, 2010.

### *Factors Contributing to Successful Parliamentary Exchange*

One factor in the gradual decline in Congress-Diet interactions seems to be the weakening institutional base for US-Japan parliamentary exchange. The number of nongovernmental institutions with regular exchanges that bring Congressional members to Japan dropped from four in the mid-1990s to two currently, and overall the number of publicly supported and privately sponsored exchange programs for legislators and their staff has fallen from eight to six. Furthermore, the programs that remain have been troubled by low levels of participation and insufficient funding. These trends have been accompanied by a generational

**Table 3: Key US-Japan exchange programs for the Congress and the Diet**

1994	2010
CELI Staff Exchange	JCIE Congressional Staff Exchange
Congressional Research Service US-Japan Legislative Staff Exchange	JCIE Parliamentary Exchange
JCIE Congressional Staff Exchange	MOFA Staff Invitation Program
JCIE Parliamentary Exchange	US-Japan Interparliamentary Exchange Program (Senate/“Inouye program”)
MOFA Staff Invitation Program	US-Japan-Korea Legislative Exchange (GWU)
US-Japan Legislative Exchange (George Washington University)	US-Japan Strategic Leadership Program (CSIS)
US-Japan Legislators Committee (“Shiina program”)	
US-Japan Parliamentary Committee on Science and Technology	

Source: JCIE survey, 2010.

change that has seen many of the key figures committed to US-Japan parliamentary exchange leave the Congress and the Diet.

It is also illuminating to examine how bilateral exchanges with other countries have managed to remain active in the face of similar pressures. China’s case is difficult to compare with that of Japan since US-China relations are at a very different stage and China naturally attracts considerable attention in the United States, both as a source of dynamism that is not sufficiently understood and as a potential threat. However, there has clearly been a concerted effort in recent years by the Chinese government to support exchange programs for Congressional staff by partnering with and funding US nongovernmental organizations such as the US-Asia Institute, the US-China Policy Foundation, and the National Committee on US-China Relations. In the past decade, exchanges operated with Chinese government funding have brought roughly 500 Congressional staff to China. These exchanges vary widely in terms of the level of substantive content, and many former participants say that, when traveling in China on the government-arranged programs, they are aware that they are being presented the government perspective and shielded from other viewpoints. Nevertheless, they have considerable utility in exposing Congressional staff to China.

Germany, France, and the United Kingdom present more useful comparisons. Germany stands out in particular, since the number of Congressional members and staff visiting the country has been quite high. One reason is that a handful of annual events and programs that are backed by strong and active institutions provide an appealing opportunity for Congressional travel to the country. These include the Munich Security Conference, which annually convenes leaders and policy experts; the US Association of Former Members of Congress’s annual Congress-Bundestag Seminar; and the German Marshall Fund’s yearly Congress-Bundestag Forum.

Organizations affiliated with German political parties are also active in sponsoring exchanges, often covering the costs of American participants. In addition, one particularly noteworthy aspect of US-German parliamentary exchange is the high number of issue-oriented exchanges that attract Congressional members and staff who may not have initially had a specific interest in US-German relations. For example, a number of programs have been arranged so that Congressional staff can visit Germany to discuss environmental issues and clean energy, while other programs have been held on high-speed rail, taxation, and health care.

In contrast to Germany, Congressional travel to France and the United Kingdom has dipped in recent years, although the numbers who visit these countries remain considerably higher than those who go to Japan. In the mid-2000s, high numbers of Congressional staff traveled to France and the United Kingdom on narrowly focused trips funded by corporate interests, but these have declined rapidly as Congressional ethics regulations prohibiting these trips have been introduced. However, publicly funded travel to France and the United Kingdom has remained relatively frequent, perhaps partly reflecting the relative ease of travel to Europe, but also presumably due to a sustained interest among Congressional members and staff in discussing issues of common concern with their European counterparts.



## FUNDING FOR US-JAPAN POLICY DIALOGUE AND STUDY

Funding for US-Japan policy dialogue, study, and exchange has plummeted in the past decade, as the field has been hit by a “perfect storm” of financial crises, low interest rates, declining corporate and foundation funding, and Japanese government budget cuts.

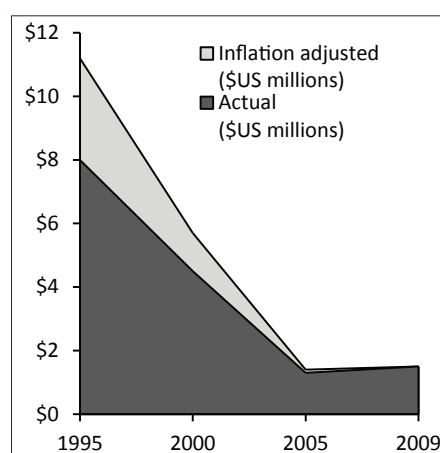
### *Three Core Funders for US-Japan Activities*

Unlike most other bilateral relationships, US-Japan relations benefit from the fact that three separate institutions have been created to provide funding for US-Japan policy dialogue and study. The Japan-US Friendship Commission (JUSFC), a US government agency, was established in 1975 with funds from the return of US facilities in Okinawa and postwar US aid to Japan; the United States-Japan Foundation (USJF) was launched in 1980 as a private US foundation with a contribution of \$45 million from Ryoichi Sasakawa’s Japan Shipbuilding Industry Foundation; and the Center for Global Partnership (CGP), part of the Japan Foundation, was established with great fanfare in 1991 after the Japanese Diet allocated ¥50 billion as an endowment.

In recent years, however, all of these funding institutions have run into financial difficulty. The budgets of JUSFC and CGP have suffered as their investments in government bonds have yielded minimal returns, while USJF faced substantial stock market losses in the early 2000s as well during the 2008–2009 financial crisis.<sup>3</sup>

As a result, by 2009, the combined program expenditures of the three institutions had fallen to less than 40 percent of the levels of the mid-1990s. The decline in CGP’s funding has been most severe, but all three of the foundations have seen their budgets fall dramatically. For example, the three foundations’ overall program expenditures for their 1995 fiscal years totaled \$25.4 million (¥2,425 million), but by 2009 this had declined to \$9.8 million (¥917 million). This funding has typically been spread out over a wide range of activities, including support for area studies and education, artistic and cultural activities, and grassroots

Figure 7: Funding for policy dialogue & study by the three major US-Japan foundations



Source: JCIE survey, 2010.

**Table 4: Expenditures of foundations specializing in US-Japan relation**

	Overall program expenditures			Grant making specifically for policy dialogue and study		
	US\$ (current)	Inflation-adjusted (2009 US\$)	Yen (current)	US\$ (current)	Inflation-adjusted (2009 US\$)	Yen (current)
FY1985	\$5,602,144	\$11,148,266	¥1,350,951,785	\$1,798,042	\$3,578,103	¥420,600,892
FY1990	\$8,599,421	\$14,103,050	¥1,217,354,697	\$2,820,144	\$4,625,035	¥404,943,722
FY1995	\$25,363,374	\$35,762,358	¥2,424,630,587	\$7,970,744	\$11,238,748	¥763,739,799
FY2000	\$16,948,819	\$21,186,024	¥1,846,450,875	\$4,545,058	\$5,681,322	¥305,110,011
FY2005	\$8,640,727	\$9,504,800	¥966,413,812	\$1,300,882	\$1,430,970	¥145,704,171
FY2009	\$9,812,649	\$9,812,649	¥917,223,871	\$1,549,154	\$1,549,154	¥144,641,209

Source: JCIE survey, 2010.

Note: The figures reflect expenditures by CGP, JUSFC, and USJF. The 1985 and 1990 figures do not include CGP, which was founded in 1991. “Overall Program Budgets” refers to the budgets for grants and self-initiated projects, but excludes administrative expenses and other expenses for operating the foundations.

exchange.

The three foundations’ grant making specifically for US-Japan policy dialogue and study fell even more dramatically than overall program expenditures, plummeting to a fraction of the amounts that were standard in the early and mid-1990s. For instance, while the foundations made \$8 million (¥764 million) in grants in this area in FY1995, they were only providing a mere \$1.5 million (¥145 million) by FY2009—a drop of more than 80 percent. If these figures are adjusted for inflation, the purchasing power in the United States of their 2009 grants for policy dialogue and study was barely 13 percent of the 1995 levels.

In fact, the amount that the three foundations could muster for policy dialogue and study in 2009 was even less than 25 years earlier in 1985, before the creation of CGP, when only USJF and JUSFC were active. Moreover, if the figures are adjusted for inflation, 2009 funding was a mere 43 percent of the 1985 levels in dollar terms and less than 30 percent in yen terms.<sup>4</sup>

Some of the decline in funding for US-Japan policy projects may be related to a sense by foundation officials that the grant proposals that they receive for policy projects are now less compelling, but much of this is clearly due to a difficult external financial environment and a lack of additional private and governmental contributions to the foundations to help them sustain and expand their asset base. Given how their budgets have shrunk, even if the three major US-Japan foundations diverted 100 percent of their funding from grassroots exchanges, arts and culture, university and high school education, and so on in order to dedicate their support solely to policy dialogue and study, they would still not be able get back to the levels of the early 1990s.

*General Trends in Government, Foundation, and Corporate Support*

On the Japanese side, this decline has coincided with a long-term slump in private funding for international affairs. Japan's economic troubles have made it difficult for foundations to sustain their asset base over the past decade—the benchmark 10-year Japanese government bonds have yielded less than 2 percent in interest since 1999 and the Japanese stock market remains lower than it was two decades earlier. As a result, grant making by the major private Japanese foundations has fallen by roughly half since the early 1990s, a trend that has clearly affected the field of US-Japan policy dialogue and study.<sup>5</sup> This has been exacerbated by the growing tendency of Japanese foundations involved in foreign policy to conserve resources by carrying out research initiatives internally instead of making grants, which further diminishes the pool of resources available to grant seekers. Moreover, unlike in the United States, where nongovernmental contributions to international affairs have been energized over the last decade by the emergence of powerful new funding sources like the Bill & Melinda Gates Foundation, there are few new foundations being established in Japan. In FY2008, only 5 new grant-making foundations were established in Japan, and just 17 were established in the five-year period from FY2004 to FY2008.<sup>6</sup>

At the same time, other sources of funding in Japan have remained limited. Individual contributions for policy-related activities remain negligible, and foreign ministry funding for intellectual exchange and policy studies has been steadily declining for the past decade. This downward trend seems to have become much steeper with the *jigyo shiwake* budget review process, which singled out key institutions such as the Japan Institute for International Affairs, the Japan Foundation, and the *Gaiko Forum* journal for potentially drastic budget cuts. Meanwhile, corporate funding has also been in a long-term decline—cash donations from the largest Japanese companies in 2008 were nearly 22 percent less than in 1990, averaging just \$2.8 million (¥286 million) per company.<sup>7</sup> Plus, these corporate donations have historically tended to go for activities in areas such as arts, culture, and education, while the amounts used to support policy-related activities are very limited.

Meanwhile, in the United States, with a few exceptions, the broadly gauged foundations that focus on international relations such as the Ford Foundation and the Rockefeller Foundation are no longer interested in US-Japan policy dialogue and study and have shifted their funding away from this area. They occasionally fund projects carried out by Japanese institutions on thematic issues of global concern such as health and development, but there are few Japanese institutions with the capacity and necessary connections to work with US counterparts on such issues.

A few US foundations specialize in US-Asia relations and thus fund US-Japan projects, but by and large they have suffered disproportionately as a result of the recent financial crisis. The two largest US foundations providing funding for

US-Asia affairs, the Starr Foundation and the Freeman Foundation, were both established with money from American International Group (AIG) and both were heavily invested in AIG stock, which lost 97 percent of its value in 2008. As a result, the Starr Foundation's assets tumbled from \$3.4 billion in 1998 to \$1.3 billion in 2009. Meanwhile, the book value of the Freeman Foundation's assets nosedived 73 percent from \$1 billion to \$276 million between December 2007 and December 2008. AIG itself had also been making charitable contributions to support US-Japan policy dialogue, but it has had to curtail these due to its financial problems.

Even the foundations that were not associated with companies deeply affected by the financial crisis have been cutting back their giving due to the financial crisis. The Henry Luce Foundation, for example, was forced to decrease its overall grant making by 40 percent in 2009. Perhaps the only bright spot has been that the MacArthur Foundation launched a new "Asia Security Initiative" in late 2008 that is funding a handful of US, Japanese, and other institutions to look at regional security issues.

With the decline in the budgets of the three major foundations funding US-Japan relations, the slide in support from other sectors of society in Japan for policy dialogue and study, and the migration of the more broadly gauged US foundations to other areas, funding for US-Japan policy dialogue and study has now dipped below the levels of the mid-1980s. Despite concerted efforts on both sides of the Pacific to strengthen the financial underpinnings of the field after the trade battles of the 1980s—most notably including the successful push to establish CGP—we have not managed to move forward in a sustainable manner and have, in fact, ended up slipping backwards.