

THE EDWIN O. REISCHAUER CENTER FOR EAST ASIAN STUDIES



# The United States and Japan in Global Context: 2010

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## FOREWORD

I am pleased to have an opportunity to contribute to this new collection of articles on recent developments in the U.S.-Japan relationship. An annual review of this type that focuses on emerging trends and leaders contributes greatly by keeping scholarly and public attention focused on the ongoing importance of our bilateral ties. From my perspective, our two countries have forged a remarkable partnership that has paved the way for even greater cooperation in the years to come.

This year marks the 50th anniversary of the signing of the Treaty of Mutual Cooperation and Security between the United States and Japan. When I'm asked to comment on the future of U.S.-Japan relations, I am often reminded of how far we have come since the first contact between our two peoples. One striking feature of Commodore Matthew Perry's interaction with Japanese officials when he arrived in Japan in 1853 was the mutual lack of information about the other side. From that rather difficult beginning, who could have imagined the deep and comprehensive partnership that we have since established between our two countries?

One of the reasons that I am optimistic about the future of our relationship is that I have seen firsthand the tremendous investment of effort by so many individuals on both sides of the Pacific in maintaining and strengthening our bilateral ties. Some of these efforts are quite visible – for example, it was a Japanese prime minister who was the first foreign leader to meet with President Obama in the White House, and both the President and Secretary of State Clinton made Japan the first stop on their inaugural visits to Asia.

But there are countless other efforts that fly under the radar, from the daily communication between U.S. officials and their Japanese counterparts, to long-established educational exchanges such as the Fulbright program, to the monumentally successful Japan Exchange and Teaching (JET) program, which has provided thousands of Americans and Japanese with the opportunity to learn about and from each other. Our Little League baseball teams compete against each other on a yearly basis; our astronauts work together on the International Space Station; our scientists and entrepreneurs work together to develop innovative and effective clean energy strategies from Okinawa to Hawaii and beyond. It is vital that we continue to work together to further strengthen and develop these types of educational, cultural, and scientific exchanges.

Yet another reason for optimism about our future revolves around our bilateral economic relationship. Across a wide range of sectors – from agriculture to health care to finance to telecommunications – the trans-Pacific business between our two countries is flourishing. Furthermore, I believe there is a vast, untapped reservoir of technological innovation and entrepreneurship in Japan, and by unlocking that potential we can create an even brighter future for our industries and businesspeople.

Of course, no discussion of the future of the U.S.-Japan relationship would be complete without referencing our indispensable security alliance. During his visit to Tokyo last November, President Obama stated that “the Alliance between the United States and Japan is a foundation for security and prosperity not just for our two countries but for the Asia Pacific region.” Recent events, including the attack on the South Korean naval vessel Cheonan, should remind us all of the critical importance of the U.S.-Japan

alliance. North Korea's ballistic missile and nuclear programs remain the most immediate concern, and the risks of proliferation and the possibility of regime collapse pose huge security challenges. But there are other challenges that have the potential to affect regional security and stability, including piracy on vital sea lanes, maritime territorial disputes, and the provocative actions of extremist groups. Unanticipated developments and unforeseen crises will undoubtedly surface, and we and our partners in the region should maintain the readiness to address them.

We have already begun laying the groundwork to prepare for these contingencies. Japan and the United States are cooperating bilaterally, regionally and globally. Japan's Self-Defense Forces are assisting with rescue operations in flood-stricken Pakistan, earthquake relief in Haiti, and anti-piracy efforts off the Horn of Africa. The Government of Japan recently announced new sanctions on Iran that go beyond UN Security Council Resolution 1929, an important and very welcome addition to the international community's united effort to combat proliferation and prevent Tehran's development of nuclear weapons. Our two countries are working together to find solutions to urgent global issues ranging from climate change to the rebuilding of Afghanistan.

I am under no illusions that there will not be periods of ups-and-downs in the relationship, but I am absolutely confident that ties between our countries will continue to evolve and grow. Our future relationship will thrive because the United States and Japan share the core values of freedom, a commitment to human rights, and building a better world for all of our citizens. Our strong alliance ensures prosperity and security throughout the region and the globe, and both our countries are better off with this enduring partnership than we would be without it.

During this anniversary year, we have had an opportunity to reflect upon all that has been accomplished between our two nations over the past fifty years. When I meet the leaders and citizens of Japan, our communication no longer highlights that which divides us, but rather reinforces the common bonds that unite us. As we continue to work together, our nations will achieve much more in the decades to come.

*John V. Roos*  
*United States Ambassador to Japan*

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## INTRODUCTION

For more than twenty years, the Reischauer Center has produced a report titled, “The United States and Japan in a Global Context,” a Yearbook chronicling the evolution of political, economic and cultural ties between the world’s largest industrialized democracies. The project represents the joint work of students in the PhD and Master’s Degree Programs at SAIS, many of whom are specializing in Japan Studies, with the collaboration of professionals at the Reischauer Center. The Yearbook is not and does not seek to be comprehensive. Rather, we try to focus on areas of the relationship where there have been major developments during the year and which have or are likely to have a significant impact on bilateral relations and the broader regional and international environment. The focus of each year’s project is also influenced by the interests and backgrounds of the participating students because we seek to give each student the utmost latitude in selecting and developing the individual chapters.

2009 was an epochal year in U.S.-Japan relations, if only because for the first time in more than half a century there was a real change of government in Tokyo. In September, a coalition, led by Prime Minister Hatoyama and the Democratic Party of Japan (DPJ), came into office with a “Manifesto” that called for, inter alia, a “more equal” relationship with the U.S. and more attention to Japan’s relations with Asia. In its first six months, the new government, while emphasizing its commitment to the U.S.-Japan Alliance, sought to revise many of the established policies affecting the relationship. These included terminating Japan’s refueling operations in the Indian Ocean in support of the coalition in Afghanistan; calling for the revision of the U.S.-Japan agreement on relocation of the Marine Air Station at Futenma in Okinawa; and demanding a revision of the Status of Forces Agreement that governs the operations of American bases in Japan.

The Obama administration welcomed the arrival of the new government in Japan as a natural evolution in a healthy democracy and initially expressed understanding of the Hatoyama government’s intention to review existing policies, including accepting with equanimity the government of Japan’s decision to end its Indian Ocean operation. However, frustration began to build on the U.S. side as the coalition in Tokyo appeared to be in disarray on the Futenma issue, and by the spring of 2010, U.S.-Japan relations seemed to be somewhat adrift. It is unclear whether 2010, the 50<sup>th</sup> anniversary of the revision of the U.S.-Japan Security Treaty and the 150<sup>th</sup> anniversary of the first Japanese diplomatic mission to the U.S., will mark a revitalization of the Alliance or the beginning of a less intimate relationship.

The changes underway in U.S.-Japan relations are not simply the result of the arrival of a new government in Tokyo, but reflect more fundamental shifts that are underway in both countries, the region, and the world. The chapters in the 2009-10 Yearbook examine many of these factors, including the rise of China, shifting trade and investment patterns, the growing role of Asian regionalism, and the weakening of grass roots connections between the two countries. Together, the authors describe a relationship that is clearly in flux but one that continues to enjoy many shared interests, values, and human connections. The challenge that lies ahead is for the leadership in both

countries to build on the impressive foundation that has been constructed over the last half century and to reshape the relationship to meet the challenges of the 21<sup>st</sup> century.

The first chapter of the book examines the key event in U.S.-Japan relations in 2009: The DPJ's victory in the August Lower House election. Vivian Wong looks at the platform of the DPJ and the other coalition parties and the key actors that shape the policies of the new government toward the alliance with the U.S. She then examines the personalities on the American side of the equation that are directing U.S. policy toward Japan. Ms. Wong then takes up the Futenma issue as a case study of the Hatoyama government's approach to relations with the U.S. and its decision making process. She concludes that while the immediate road ahead may be rocky, the change of government and the new approach to the alliance by the DPJ holds the promise of putting U.S.-Japan relations on a firmer, broader based foundation.

In the second chapter, Erin Kruth examines U.S.-Japan relations in the context of the 2008-2009 financial crisis. The author notes that Japanese exports to the U.S. fell by 53% in January 2009 (year over year) and Japan's indirect exports to the U.S. (components in products shipped from China and other Asian intermediaries) also fell dramatically. In response, the Hatoyama government is seeking to stimulate domestic demand and capitalize on the growing middle class in Asia as a market for Japanese exports. At the same time American demand for Japanese imports has declined as consumer spending in general has stagnated. In early 2010, the massive recall of Toyota vehicles further depressed imports from Japan, but this effect may be short-lived. Ms. Kruth then describes the debate in Japan over the value of the yen, with the strong yen hurting exports and adding to deflationary pressures in Japan. The author concludes that it appears unlikely that Japanese exports to the U.S. will return to pre-crisis levels, given the growing competition from China and other Asian exporters, but there is room for greater cooperation between the two governments to strengthen economic relations, including building the ground work for a free trade agreement (FTA).

Yi Yao picks up where Erin Kruth left off in her chapter on the prospects for a U.S.-Japan FTA. Despite Japan's displacement by China as America's largest overseas trading partner, the author argues that the U.S. and Japan remain economically interdependent through direct and indirect trade and capital flows. This interdependence and the need to strengthen U.S.-Japan cooperation in the face of growing Chinese competition suggest that the time for a comprehensive U.S.-Japan Free Trade Agreement has arrived. Ms. Yao examines the U.S.-South-Korea Free Trade Agreement (KORUS), now before Congress, as a possible model for the U.S. and Japan. She notes that while KORUS has put pressure on Japan to lower its agricultural barriers, protection of farmers remains a very politically sensitive issue in Japan and an early breakthrough is unlikely.

The author then looks at the idea of Free Trade Area of the Asia-Pacific (FTAAP) proposed by the U.S. She notes the difficult task of merging the existing heterogeneous FTAs in the region and the negative impact such an agreement might have on developing economies. There are competing U.S., Japanese, and Chinese models for FTAs that would need to be harmonized, as well as ideological competition with proposals for East Asian free trade arrangements that would exclude the U.S. Ms. Yao concludes by examining the risk that a U.S.-Japan FTA or a broader FTAAP could weaken the WTO based global trading system.

Turning to the strategic side of the U.S.-Japan relationship, Alan Burns examines the changing role of nuclear weapons in the Alliance. Noting that America's extended deterrence has been instrumental in regional stability and discouraging proliferation of nuclear weapons, the author describes the contradiction between Japan's "nuclear allergy" and its dependence on the U.S. nuclear umbrella. He notes the changing perception of the role of nuclear weapons since the end of the Cold War, as exemplified by President Obama's Prague speech calling for a "nuclear free world." The speech outlines an admirable and idealistic goal but one that could weaken Japan's confidence in the U.S. commitment to extended deterrence and therefore the credibility of the Alliance in the face of China's rising power and the North Korean nuclear threat. At the same time, the advent of the DPJ government has created new uncertainties about Japan's approach to the Alliance, including the nuclear umbrella. Mr. Burns concludes that in this shifting environment, both Washington and Tokyo should emphasize pragmatism over idealism as they engage in developing a common approach to emerging security challenges.

In the fifth chapter, Theresa Bates examines the role played in bilateral relations by a unique and important link between the two countries; American citizens of Japanese ancestry. The author traces the history of the Japanese-American community from the late 19<sup>th</sup> century emigration to Hawaii and the West Coast as contract labor in the wake of the Chinese Exclusion Act of 1882, through the difficulties in the early 20<sup>th</sup> century culminating in the internment camps, to the post-war integration into mainstream American society. Ms. Bates observes that as Japanese-Americans have become assimilated, the distinct political voice of the community has weakened, particularly compared to the much more active Korean-American and Chinese-American communities. Changing demography also accounts for the diminished voice of this community, with only 7.8% of the over 10 million American's of Asian origin tracing their lineage to Japan and with more than 50% of Japanese-Americans marrying outside their ethnicity.

The author notes that there are efforts to redress this trend, notably the establishment in 2009 of the U.S.-Japan Council to encourage young Japanese-Americans to become more active in preserving the history of the community and in building connections with Japan. Ms. Bates further observes that while Japanese-Americans are not active in political movements focused on their community, they are very politically active in general, with the highest percentage of registered voters among any ethnic group. They are also very active in defending the civil liberties of other groups, including Arab-Americans after the September 11, 2001 terrorist attacks. The author concludes that a new generation of Japanese-Americans, free of the history of prejudice and stigmatization, is demonstrating new interest in Japan and in playing a role in U.S.-Japan relations.

The Yearbook then turns to foreign policy, with chapters on the U.S.-Japan-China "strategic triangle," Japan's policy toward the Middle East, and the underdeveloped relations between Japan and the European Union.

Shin Yon-Kim examines Japan-China relations from the perspective of the complex triangle among Japan, China and the United States amidst shifting power dynamics that contain both forces for cooperation and elements of potential conflict. She notes that China's economic rise and increased military budget and naval activities,



particularly in the seas around Japan, have raised concerns in Tokyo about Beijing's long term intentions and revived fears of "Japan passing" as the U.S. pays greater attention to China. At the same time, China voices concern that the U.S.-Japan Alliance has become increasingly focused on "regional security," including the Taiwan Straits, to the detriment of Chinese interests. There are also persistent differences between Japan and China over the treatment of history and maritime boundaries. Ms. Kim then turns to the implications of the victory of the Democratic Party of Japan for Japan-China relations, noting the emphasis the new government is placing on strengthening relations with Asia, including building an East Asian Community. The author concludes that even if there are some adjustments in Japan's foreign policy orientation, the U.S.-Japan Alliance is likely to remain the cornerstone of Japan's foreign policy, given the North Korean threat and the rise of China. Ms. Kim ends on an optimistic note, suggesting that the three countries have good reason to overcome a zero-sum mentality and build a cooperative relationship.

In the next chapter, Sumiyo Nishizaki examines Japan's policies in the Middle East as they impact U.S.-Japan relations. She looks at four dimensions of Japan's relations with this region: energy security, conflict resolution, cooperation with the West, and non-oil business relations. The author notes that Japan's heavy involvement in the Middle East began with the 1973 oil shock, after which the GOJ began to use its aid as a strategic tool, not only to advance its "resource diplomacy" but also assist countries important to the West, such as Pakistan and Turkey, and the Middle East peace process. Ms. Nishizaki details the extensive assistance Japan has provided to Egypt, Jordan, Syria, Lebanon and the Palestinians. She then turns to Japan's current emphasis on relations with Iraq, Iran and the Gulf Cooperation Council countries, noting Japan's efforts to increase its participation in the construction and infrastructure development markets in the region. With respect to the implications for U.S.-Japan relations, the author argues that while there are points of divergence, particularly with respect to Iran, which is a major energy supplier to Japan, Tokyo will remain sensitive to Washington's policy interests in the region in view of the importance to Japan of the U.S. role in the Middle East and as Japan's key ally in East Asia.

The final chapter analyzes Japan's relations with the European Union, the underdeveloped side of the triad of industrial democracies that account for 62% of world GDP. Donatello Osti reviews the history of the post-war interaction between Japan and the E.U., noting that during the Cold War both depended on the United States for strategic security but did little to build political ties between Europe and Japan. In the post Cold War period, there have been efforts to develop closer relations, based on the proclamation in 2001 of a "Decade of Japan-Europe Cooperation." Nevertheless, for reason of geography, competing priorities, and institutional inadequacies, little has changed. The author speculates that the entry into force of the Lisbon Treaty, designed to strengthen the foreign policy of voice of the E.U., may help overcome this neglect on the European side of the equation. The author argues that the major problem may be on the Japanese side which is preoccupied with relations with the U.S. and Asia, beset with domestic challenges, and inexperienced at multilateral diplomacy. However, the author suggests that the new government under Hatoyama may focus anew on the E.U. which the Prime Minister sees as a model for Asian regionalism.

Turning to the opportunities for greater strategic cooperation between Japan and Europe, Mr. Osti suggests that global economic and ecological challenges, international peacekeeping, and stimulating greater innovation are natural areas for joint action. He argues that both sides need to focus on concrete projects, such as the establishment of an Emissions Trading Scheme, not general declarations, to move cooperation forward.

I would like to acknowledge the contributions made to this project by the three student editors, Erin Kruth, Vivian Wong and Sumiyo Nishizaki. I also wish to thank the student authors who put a great deal of time and energy into their contributions while balancing a heavy academic schedule.

In addition I wish to acknowledge the strong support of Dr. Kent Calder, Director of the Reischauer Center, who is the leading force behind this project. Kent offered regular guidance and encouragement and played the key role in lining up the sponsorship that made the year book possible. We are very grateful to all of our sponsors, who are listed in the volume, for their generosity.

Finally, I want to thank Ambassador Roos who has kindly written the foreword to the 2010 Yearbook. We traditionally alternate between American and Japanese leaders to do us this honor, and we are delighted that Ambassador Roos agreed to give us his perspective.

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# **THE DPJ EFFECT: IMPLICATIONS OF LEADERSHIP CHANGES IN JAPAN ON THE MANAGEMENT OF THE U.S.-JAPAN ALLIANCE**

## **Introduction**

### ***The Leadership Change***

On August 30, 2009, the Democratic Party of Japan (DPJ) won 308 seats in the Lower House elections, removing the long-time ruling Liberal Democratic Party (LDP) from power. The coalition government, formed on September 9, is an alliance between the DPJ, Social Democratic Party (SDP), and People's New Party (PNP), which combines viewpoints and personalities from across the political spectrum. As an amalgamation of diverse political groups, the DPJ-led government's pledges to change Japan will unleash various reform agendas and political forces that will impact the future of the U.S.-Japan Alliance.

How will the DPJ-led coalition government change the nature and formation of policies concerning the U.S.-Japan Alliance and the security relationship? Where are the prospective areas of tension, gridlock, or cooperation in the process and what are their consequences for the Alliance? To answer these questions, it is crucial to consider them in a broader context and understand how Japanese domestic politics affect them. Accordingly, this paper first examines the current political environment in Japan and the U.S. to determine the primary actors and their viewpoints on the Alliance and supply the larger setting in which policymaking takes place. Next, the interaction of different political forces, opinions, and individuals in the Futenma base relocation debate is evaluated to elucidate how decisions about the security relationship are made. Lastly, possible scenarios for the future of the U.S.-Japan Alliance are drawn, based on inferences from the case studies about the relative influences of primary actors and political factors.

## **Japan's Political Environment & Primary Actors**

Japanese security policy formation depends on the interplay of multiple factors, including political parties, prominent party members, leaders of the central government, bureaucrats, and prominent individuals in the local government. To understand how each group may affect policy, their basic policy stances on and philosophies toward the U.S.-Japan Alliance must first be explored. The main coalition parties and influential individuals in the policymaking process will be discussed in turn.

### ***The Parties***

Because the DPJ government is a coalition of three different political parties, the ideologies of each are important in deciding the ultimate nature of the new government's approach to security and the Alliance relationship.

### Democratic Party of Japan

In the manifesto of the party platform for government, published online in August 2009, the DPJ's stated approach to foreign policy is to contribute to the world through proactive diplomacy. One stated objective within the policy is to build a close and equal U.S.-Japan Alliance, where Japan plays a larger role in decision-making. Specifically, the DPJ suggests the development of an autonomous foreign policy strategy for Japan and subsequent sharing of functions and roles between the two countries. Revision of the Status of Forces Agreement (SOFA) and a re-examination of U.S. military forces and bases realignment are sought as well.

The previous DPJ policy manifesto, written by Ozawa Ichiro and published on the DPJ website in August 2009, contained tougher policy stances on important U.S.-Japan Alliance issues. It demanded the immediate withdrawal of the Self Defense Forces (SDF) from Iraq, declaring the Iraq Special Measures Law invalid and the use of force unjustifiable. U.S. military force realignment plans were criticized for their lack of public engagement and consideration of local communities' burdens. Accordingly, the DPJ would not give in to U.S. demands to pay for costs of force realignment without Diet approval and review. Most importantly, the manifesto highlighted the desire to re-examine the U.S. military's role in the security of the region and the significance of U.S. bases in Japan, hinting at doubts about the importance of the Alliance. The policy declarations were more critical of the U.S.-Japan relationship and reflect underlying party views that dominated the DPJ in the past.

Though the DPJ was founded as a group of mix-matched ideologies, common policy views have developed over time. As Leif-Eric Easley details in "Electing a New Japanese Security Policy" (2010), past Lower and Upper House voting patterns reveal that the DPJ embraces foreign policy that is less deferential to U.S. foreign policy and fears entanglement in U.S. global strategy and military operations abroad. Thus, while accepting the U.S.-Japan security relationship as the foundation of Japan's national security and regional stability, the DPJ struggles against expansion of the relationship beyond that purpose. Moreover, past policy statements consistently echo discontent with base agreements and U.S. military force realignments. Given historical patterns of action concerning critical security issues, the softer wording of the present manifesto does not reflect a fundamental change of ideology toward the U.S.-Japan Alliance.

The DPJ's approach to U.S.-Japan security relations, outlined in the August manifesto, centers around their promise to "create a world where politics values people above concrete projects and approach policy from the perspective of the citizens." In their effort to change Japan's policy-making process, Hatoyama and the DPJ are strengthening the ability of domestic politics to shape the nature of the U.S.-Japan Alliance.

### Social Democratic Party

The SDP's views on the U.S.-Japan Alliance magnify the populist, antagonistic tendencies of the DPJ toward the security relationship. As a party primarily concerned with social issues, the needs of local communities are a high priority, which is reflected in their public promise to rebuild stability in people's lives and form policies that prioritizes citizens' needs. Moreover, the party's strong beliefs about nuclear weapons

and renunciation of war make them a prominent voice against the U.S. military presence that forms the foundation of the Alliance.

Specifically, the SDP remains in firm opposition to critical elements of the U.S.-Japan Alliance and has incorporated those sentiments into their party platform. In the foreign policy section of their “10 Promises to Rebuild Lives” posted online, the party outlines their commitment to:

- Seek renegotiation of the U.S. forces realignment and recommend the reduction and removal of U.S. bases in Okinawa and elsewhere;
- Seek the closing and return of Futenma Air Base and oppose the building of new bases in Henoko and improvement of base facilities;
- Request the annulment of the Guam Transfer Agreement;
- Seek complete revision of the SOFA;
- Downsize the SDF to the lowest necessary levels and change it into an organization that is first and foremost devoted to nonaggressive defense;
- Seek immediate withdrawal of SDF from Indian Ocean refueling activities; and
- Oppose the enactment of permanent laws permitting SDF overseas dispatch.

Though the aforementioned promises are quite extreme, it is highly probable that the SDP’s opinions concerning bases, the SOFA, and SDF activities will play a visible role in the formation of the Hatoyama administration’s policies. With numerous items on its domestic agenda, the DPJ is dependent on coalition partners to help pass legislation in both the Lower and Upper House. The government’s hold on public support also hinges on its ability to deliver on the public promises embodied in its bills. Thus, to maintain the coalition government, good relations with the SDP are crucial for the DPJ and the perspectives of the SDP must be taken into account. As such, the public promises of the SDP will inform to some extent the content and direction of the DPJ’s policy stances concerning security and the Alliance.

### People’s New Party

The DPJ’s other coalition partner, the PNP, is less ideological and more conservative on foreign policy issues than the SDP, making it less vociferous on policies related to the U.S.-Japan Alliance. Its main concern in foreign relations and security policy is to protect Japan’s national interests, but it has no clear mandate to revolutionize the bilateral relationship. In the PNP’s “2009 Policy Plan,” published on their homepage, wording concerning the Alliance is fairly neutral, with a vaguely stated party policy to seek the adoption of a new U.S.-Japan Alliance and re-examine U.S. forces realignment to arrive at a new type of U.S.-Japan relationship. Additionally, because of its small size, the PNP’s influence on policy will be minimal.

### ***Key Players***

At the heart of Japan’s security policy and Alliance management are the individuals that are tasked to build relationships, make choices, and carry out a given purpose. Their ability to fulfill their roles greatly impacts the direction of policy and ensuing outcomes.

### Hatoyama Yukio (Prime Minister)

As the Prime Minister and head of the coalition government that won on a platform of bringing change to Japan, Hatoyama Yukio is the source of many transformations in Japanese foreign affairs and security policymaking process. In an effort to reform the policymaking process into one that is more reliant on politicians than bureaucrats, Hatoyama shifted the center of policy formation from the ministries to the Cabinet and Prime Minister's office. He also inserted numerous political appointees into the ministries, increasing the degree of participation by political appointees. Policy research councils, utilized extensively by the LDP to formulate policy, were dissolved in the DPJ, giving Cabinet members a larger role in decision-making. Stressing the new role of politicians in directing policy and encouraging the expression of their ideas as a means to distinguish the DPJ from the LDP, Hatoyama introduced additional participants into the policymaking process. The inclusion of more individuals and perspectives complicates the formation of foreign and security policy and creates a less coherent government stance, which can generate delay and confusion on important issues.

Due to the multitude of voices in the policymaking process, Hatoyama's ability to take decisive action on issues and handle competing domestic political forces will be important. As the leader of the government, his ability to consolidate different ideas and mediate amongst Cabinet, DPJ, SDP, and PNP members greatly impacts the speediness of policy decisions affecting security relations and the Alliance.

### Ozawa Ichiro (DPJ Secretary General)

Ozawa Ichiro's ability to solidify the DPJ's dominance in the Diet and engineer its victory in the upcoming Upper House elections is indispensable to the survival of the Hatoyama government. As Tokoi Kenichi explains in his article, "Hachi Shuudan no Kessoku to Zenbou" (The Coalition of the Eight Groups), in the *Asahi Shimbun's* *AERA Rinji Zoukan* (October 2009), Ozawa's 150 member Isshin-kai is the largest group within the DPJ and exceptional at amassing funds and fielding winning candidates for elections. In a *Yomiuri Shimbun* article on January 18, 2010, Kawakami Osamu and Shiraishi Yoichi note that the Secretary General commands a large political force because he also enjoys the backing of Koshiishi Azuma, leader of DPJ lawmakers in the Upper House and coordinator between the party and Rengo (the Japanese Trade Union Confederation), the DPJ's biggest supporter. As Ozawa's involvement in the defection of LDP Upper House member Tamura Kotaro to the DPJ highlights, his talents at manipulating the political scene are invaluable. Through his efforts, the party can more easily pass legislation in the Diet that is critical to upholding public promises which underpin the DPJ's mandate to rule.

At the same time, Ozawa's political funds scandal could transform him into a liability for the party. With public discontent growing and internal party divisions surfacing over Hatoyama's treatment of the issue, there is a danger that Ozawa's scandal will destroy the DPJ from within and without. *Asahi* and *Mainichi* polls on February 7, 2010 show high disapproval ratings for the government's handling of Ozawa's problem and many want the Secretary General's resignation. As reported by the *Yomiuri Shimbun* on February 8, 2010, Edano Yukio commented during a speech in Saitama that "Ozawa should personally disclose everything to regain the public's trust. If he cannot do so, he

needs to settle the issue, even if it means resignation.” The *Mainichi Shimbun*, on the same day, noted that other members of the anti-Ozawa camp in the DPJ, including Maehara Seiji, Okada Katsuya, Noda Yoshihiko, and Sengoku Yoshito had criticized Ozawa’s behavior and called for accountability. Internal party strife and public disapproval caused by Ozawa’s skeleton closet could escalate into political instability, shifting the focus of leadership away from urgent national matters to concerns for party viability and self-preservation. This would hamper the government’s ability to function, forestalling policy formation and resolution of issues, including those related to security.

### Okada Katsuya (Foreign Minister)

As the counterpart to the U.S. Secretary of State, Foreign Minister Okada sustains the two-way dialogue on U.S.-Japan Alliance issues from the foreign policy side. Leading the joint effort between the Ministry of Defense (MOD) and Ministry of Foreign Affairs (MOFA) on policies related to Realignment and the Alliance, Okada is also at the forefront of the DPJ’s efforts to reshape security relations with the U.S.

Serving as a coordinator of bilateral relations, the Foreign Minister is an essential cog in the clockwork of Japan’s security policymaking apparatus. Through repeated discussions with Secretary Clinton, Okada understands the views of the American leadership and importance of the U.S.-Japan security relationship, including bases, as the cornerstone of peace and stability in the Asia-Pacific. On the other side, Prime Minister Hatoyama, from the standpoint of alleviating Okinawa’s military burden, has publicly promised to move Futenma out of the prefecture. Analyzing Okada’s actions, journalist Igarashi Makoto notes in the *Asahi Shimbun*’s *AERA Rinji Zoukan* (October 2009) that Okada has taken the approach of careful contemplation, seeking a thorough examination of the decision-making process during the 2006 Realignment Agreement. Because his personal viewpoints on security are in line with Hatoyama’s, particularly in efforts to emphasize civilian contributions to international security over military involvement, Okada also brings the DPJ’s center-left stance into the policymaking process. Intermediating between two governments, the Foreign Minister must strike a balance between interests of the U.S. and DPJ government to ensure progress on the security and foreign policy fronts.

### Kitazawa Toshimi (Defense Minister)

In a similar fashion, the head of MOD, Kitazawa Toshimi, undertakes a vital coordination role in the U.S.-Japan security policy dialogue. Responsible for creating Japan’s security policy and U.S.-Japan bilateral defense cooperation, the Defense Ministry facilitates the interaction between officials representing domestic security interests and U.S. military and civilian security policy makers who seek to ensure U.S. deterrence capabilities in the region. As the head of the Ministry, Kitazawa contributes to shaping guidelines and strategies produced from this process, determining the relative weights of the two groups and integrating his policy viewpoints.

Kitazawa is a proponent of strict interpretation of Article Nine, adhering to the concept of exclusively defensive-defense. As Ishimatsu Hisashi highlights in his analysis of MOD in *Asahi Shimbun*’s *AERA Rinji Zoukan* (October 2009), despite the Hatoyama administration’s acknowledgement that U.S.-Japan cooperation needs to be increased to confront the North Korean threat, Kitazawa insists that it is necessary to uphold the

principle of non-exercise of collective self-defense rights. The Defense Minister's leftist view on self-defense rights combines with the center-left stances of Okada and the Prime Minister on international military contributions to imbue a pacifist tendency in DPJ security policy decisions.

### Hirano Hirofumi (Chief Cabinet Secretary)

Hirano Hirofumi's role as the Chief Cabinet Secretary and head of the Okinawa Base Issues Examination Committee is pivotal to the successful cohesion of security policy stances within the DPJ leadership. As Chief Cabinet Secretary, Hirano supports the Prime Minister in making political decisions and carrying out policy coordination, acting as a source of key information and bridge of communication between Hatoyama, the Cabinet ministers, bureaucracy, and public. Working closely with the Prime Minister, Hirano also helps push the central government's agenda on security and be assertive where the Prime Minister is not able to facilitate smooth cooperation of all players. His position as the leading decision maker in the Okinawa Base Issues Examination Committee provides him the leverage to guide domestic debate on base issues towards a favorable conclusion. Impairment of this mediation function of the Chief Cabinet Secretary could generate a chaotic, sectionalized policymaking environment and immobilize the central government's decision-making capacity.

### Matsuzawa Shigefumi (Governor, Kanagawa Prefecture and Chairman, Governor's Association for Military Facilities)

As a representative of prefectures hosting U.S. bases, Matsuzawa Shigefumi is a key figure in the debate on forces realignment and Japan's policies towards the Alliance. He has been critical of the DPJ government for taking the Realignment Roadmap lightly and reneging on the agreement, stressing that realignment must be considered within the larger picture of deterrence and strategic interests. His support for the continued implementation of existing agreement reflects the thoughts of the Governor's Association for Military Facilities, which acknowledges the importance of the U.S.-Japan Alliance. This generates pressure on the DPJ government to re-examine its policy stance. Through this avenue, changes in the Governor's Association's view on forces realignment and DPJ's foreign policies can aid or deter the formation of beneficial policy decisions by the central government.

### Nakaima Hirokazu (Governor, Okinawa Prefecture)

Governor Nakaima is a key spokesman for Okinawa prefecture, the location of the majority of U.S. bases in Japan and the primary source of friction for U.S.-Japan security relations. As a local representative, he forms the bridge of communication between the central government in Tokyo and the Okinawan people on sensitive base issues that are vital to the Alliance. He possesses a superior understanding of Okinawan sentiment and serves as both a spokesman for their thoughts and as a negotiator between them and the DPJ administration. His opinion is, therefore, extremely important in the formation or alteration of Japanese policy stances on security and U.S.-Japan military relations.

Despite his personal opinions about base location in Okinawa, Governor Nakaima recognizes the importance of the U.S.-Japan Alliance for Japan's security and is realistic



in his evaluation of the bilateral relationship. Cognizant of the arduous process to revise policy stances on base and military realignment issues and the national implications of such decisions, he dutifully conveys the frustration of the people of Okinawa but takes care to defer final policy decisions to the DPJ. According to Funabashi Yoichi in *Alliance Adrift* (1999), as governor of Okinawa, Nakaima also holds the power of proxy to expropriate land from those who refuse to provide their land for American military use—a method to enforce central government policy decisions in the face of uncooperative locals. History has shown that the power of Okinawa governors to delay and frustrate central government authority over security issues linked to bases is immense and that the support of the Governor is crucial for smooth implementation of the ruling party's policy decisions in that sphere.

### **U.S. Political Environment & Primary Actors**

Because Japanese security policy is formed in conjunction with developments in the U.S.-Japan relationship, the influence of the U.S. government and role of Japan's U.S. counterparts should not be overlooked. To understand the effects of U.S. primary actors on Japanese security policy and thus Alliance policy, an overview of their viewpoints and roles in the process is vital.

#### ***Current Leadership***

The transition in government from the Bush Administration to the Obama Administration in 2009 ushered in a government that is more willing to listen to international partners and is more open to entertaining new ideas. Japanese officials interpret the inauguration of a new government by the U.S. people on the motto of “change” as an opportunity for new beginnings and change in the U.S.-Japan relationship as well. This poses the danger of the Japanese possibly misinterpreting the Obama Administration as more willing than the previous administration to review past agreements and adopt a more flexible stance on security issues. Unrealistic expectations foster misunderstandings that could impede U.S.-Japan policy dialogue on security issues concerning the Alliance.

During his visit to Asia in November 2009, Barack Obama characterized the United States as a Pacific power with entrenched interests in the security and stability of the region. While meeting with Prime Minister Hatoyama at the Kantei, President Obama defined the purpose of the U.S.-Japan Alliance in support of those interests, providing the international context for U.S.-Japan bilateral security ties. However, current issues at home concerning health care reform, unemployment, economic recovery, partisan strife, and foreign engagements outside of Asia are pressing matters for the President, granting him little room to personally guide the U.S.-Japan relationship. This leaves management of the U.S.-Japan Alliance and security policy in the hands of his Cabinet and their staff, particularly the foreign and defense policy bureaus. Thus, the key players on the U.S. side of the security policymaking process are individuals at the State Department, Office of the Secretary of Defense, the Department of Defense, and U.S. military leaders in Japan.

### *Key Players*

As people intricately involved in the policymaking process, the experiences and personal viewpoints of U.S. government and military officials on security and the U.S. Alliance have significant impact on the nature of the environment that Japanese policymakers face. Actions taken by individuals in various U.S. posts and the tone that their words convey can serve as both constructive and destructive forces in the formation of Japanese security policy.

#### Hilary Clinton (Secretary of State)

Secretary Clinton is the spokeswoman for Obama's diplomatic agenda and general foreign policy interests of the U.S. Her high rank enables her to set clear goals for U.S.-Japan cooperation and deadlines for the DPJ to produce coherent policy in both the foreign and security realms. With the weight of the Obama administration behind her words, Clinton's meetings with Japanese officials will serve as a strong impetus for the Hatoyama government to take action and deliver results on Alliance matters.

#### Robert Gates (Secretary of Defense)

As an individual involved in continuing the process of military transformation outlined in the 2004 Pentagon Global Posture Review, Robert Gates deeply comprehends the military significance of the transformation of U.S. forces in Japan. To reach the goal of the Review, Secretary Gates must see the Realignment Roadmap through. His entrenched interests in pushing forward with the plan could translate into impatience on his part, which could inflame relations between the Department of Defense and the Japanese government, and hamper progress in the bilateral security policymaking process. At the same time, Secretary Gates' desire to reach a resolution could pressure the Japanese government to actively seek a viable solution to obstacles in the relationship.

#### John Roos (U.S. Ambassador to Japan)

Ambassador Roos is the steward of day-to-day relations with Japan, serving as an immediate link between the political leadership in Washington and Tokyo. Assigned to the U.S.-Japan Working Group on Futenma, Roos is also heavily involved in monitoring and managing security considerations surrounding the formation of Hatoyama's policy on base realignment. Because of his proximity to the Japanese, he and the Embassy staff can quickly respond to adverse developments in DPJ security policy stances and alleviate information asymmetries present in the policymaking community. Ambassador Roos' effective use of public diplomacy and his close relationship with Japan's Foreign and Defense Ministries allows him to communicate U.S. positions, and can help shape Japanese policy to effectively address bilateral concerns.

#### Lt. Gen. Edward Rice (Commander, U.S. Forces Japan)

General Rice occupies the principle role of coordinating relations among the different U.S. forces present in Japan, the Department of Defense, the Ambassador, Japan's Ministry of Defense and its other ministries. As a representative of U.S. Pacific Command and planner for contingency situations, Rice provides guidance to the U.S. Ambassador and the Japanese defense and civilian officials on the military needs of the Alliance relationship. His understanding of Japanese defense forces in the military

calculus of American forces and potential threats in the Pacific gives the Japanese leadership the broader military context that their security policies should address. The ability of General Rice and his staff to maintain strong communication channels with the Japanese government and clearly convey the importance of the military elements of the Alliance is vital in guiding Japanese security policy in a direction beneficial to both countries.

Kurt Campbell (Assistant Secretary of State, Bureau of East Asian and Pacific Affairs)

Having previously served as Deputy Assistant Secretary of Defense for the Asia and Pacific during the negotiations for the return and relocation of Futenma Air Station in the mid-1990s, Kurt Campbell has extensive knowledge of the U.S.-Japan security policymaking process. With this background, he brings to the diplomatic relationship a deep understanding of the strategic importance of the Alliance and problems in the security relationship. Experience managing the negotiations surrounding the 1995 rape incident also provided him with valuable insight on Okinawan sentiments and Japan's domestic politics that is applicable to current negotiations. As a result, Assistant Secretary Campbell is well placed to pragmatically communicate U.S. security interests to Japan and navigate both governments through sticky policy issues that affect the Alliance.

Wallace Gregson (Assistant Secretary of Defense, Asian and Pacific Security Affairs)

Assistant Secretary of Defense Wallace Gregson is an integral part of the dialogue between officials from the U.S. military, the Pentagon, and Japanese Ministry of Defense. Working closely with counterparts in the Japanese government, Gregson helps to produce policies that combine different needs of Japanese and U.S. forces, and the Department of Defense to support the countries' mutual security interests. Formerly the Commanding General of all Marine Corps forces in Japan, Secretary Gregson can also incorporate his understanding of concerns marines have over policy issues surrounding bases and forces realignment to help diffuse tensions over Futenma. The combined insights he has gained as a mediator between all sides enable Gregson to choose appropriate methods of engagement with the Japanese counterparts when disagreements over policy arise.

Marine Corps

As the foundation of U.S. deterrence in the Asia Pacific region, the forward-deployed Marines in Japan have significant clout in shaping U.S. security policy concerning bases in Japan and forces realignment. Due to Washington's recognition of their importance to the U.S. presence in Asia, the Marine Corps has the benefit of a strong backing from Washington and as a result, policies opposed by the Marine Corps often fail in discussions between the U.S. and Japan on Alliance affairs.

The experience of the Marines in Japan during the latter half of the 1990s colors their perspectives on Japanese security policy and contributes to the difficulty of negotiating agreements to base-related problems. As Funabashi Yoichi recalls in *Alliance Adrift* (1999), during discussions on Futenma relocation throughout 1996, the Japanese government continuously blew up the return of Futenma into an issue of relocation, reduction, and withdrawal of marines, becoming a game of marine-bashing. The Japanese central government's failure to support the Alliance and defend the marines in the face of

local agitation for their departure from Japan nurtured feelings of distrust and dissatisfaction. Furthermore, Funabashi notes that the Marines increasingly felt that “on Okinawa [... they were] increasingly being viewed as mercenaries to be isolated and caged away from the local populace in peacetime and only set loose in times of military emergency.” Doubts about the Japanese leadership’s commitment to the Alliance that surfaced amongst the Marine Corps at the time also extended to U.S. officials involved in bilateral defense management, leaving a bitter aftertaste that still lingers today around base issues.

### Case Study

As the first major security policy debate in the DPJ administration, the Futenma base relocation issue offers an opportunity to better examine the actual roles of different political forces and individuals in the decision-making process.

#### ***Realignment –Futenma Replacement Facility and transfer of Marines***

During his election campaign in September 2009, Hatoyama made a public promise to move Futenma out of Henoko or even out of Japan entirely. As reported by the *Mainichi Shimbun*, on October 10 Prime Minister Hatoyama declared that a decision on Futenma was important from a mid-term perspective, so he would wait until Nago’s mayoral or Okinawa prefectural governor’s elections in 2010 to give his decision.. Subsequently, the Defense and Foreign Ministers voiced disparate opinions, with Kitazawa pushing for adherence to the original plan and Okada suggesting co-location of the marines with the air force at Kadena. Hatoyama encouraged his cabinet to voice their policy suggestions, but reminded the press that, in the end, *he* would make the final decision.

The reaction from the U.S. Department of Defense was firm. At a joint press conference in Tokyo on October 20, 2009, Secretary Robert Gates confronted the Japanese, stating:

[The U.S.] view is clear. The Futenma relocation facility is the lynchpin of the realignment road map. Without the Futenma realignment, the Futenma facility, there will be no relocation to Guam. And without relocation to Guam, there will be no consolidation of forces and the return of land in Okinawa. Our view is this may not be the perfect alternative for anyone, but it is the best alternative for everyone, and it is time to move on.

He expressed the rigidity of the U.S. commitment to the pre-agreed timetable and unwillingness to renegotiate. Yet, Hatoyama stood by his initial statement to postpone a decision until after the January 2010 Nago mayoral elections. Explaining his actions to the Diet’s Upper House in a policy speech on October 30, Hatoyama stated that he wanted this case to serve as an example of how his administration would not follow the LDP’s path of subordination to the U.S.

While visiting Japan in November, Obama further reinforced Secretary Gates’ message, but Hatoyama continued to extend the timeline and increased the breadth of his reexamination of the Futenma relocation plan. On January 13, 2010, Foreign Minister

Okada met with Secretary of State Hillary Clinton in Hawaii to convey Hatoyama's intent to study the replacement site and come up with a conclusion in May. In response, Clinton stressed the importance of progress on the Futenma issue and emphasized that the realignment roadmap was the way forward. As reported by Reuters, after Inamine Susumu, an opponent of the Futenma relocation plan, won the Nago mayoral election on January 24<sup>th</sup>, 2010, Hatoyama informed reporters, "The government has promised to start from scratch and to be responsible in reaching a conclusion on this issue by the end of May."

After the Prime Minister's announcement in January, the number of participants in the Futenma debate ballooned. Proposals multiplied, unchecked except for occasionally announced rejections by Hirano Hirofumi, Head of Okinawa Base Issues Examination Committee and rare interjections by Hatoyama. On February 4, during an Upper House plenary session, the Japanese Communist Party (JCP) called for the unconditional return of Futenma and withdrawal of Marines from Okinawa. As reported in the *Akahata Shimbun*, Hatoyama dismissed their demands, asserting that the marines play an important deterrence role and that an unconditional return was impossible. The SDP and PNP put forth Tinian in the Northern Mariana Islands as a candidate site on February 11. Hirano later rejected their proposal on February 15, citing the lack of strategic value in placing marines in Tinian. Parliamentary Defense Secretary Akihisa Nagashima nominated Okada's Kadena integration plan as an option on February 12. That same day, the SDP held firm to Guam as an alternative despite rejections by its governor, Felix Camacho, to accept more Marines. Amidst the contention of opinions, Hatoyama and Hirano refrained from choosing a final candidate site.

Meanwhile, the U.S. government echoed its original stance and sought alternative routes to cope with the situation. Assistant Secretary of Defense Gregson, Ambassador Roos, and Assistant Secretary of State Campbell made numerous public statements throughout February that the existing relocation plan was the best option, stressing the importance of marines staying in Okinawa. However, in contrast to Secretary Gate's original message, on February 3, Assistant Secretary of Defense Gregson and Assistant Secretary of State Campbell expressed the State and Defense Departments' openness to dialogue on the issue, emphasizing that the U.S. was not imposing a solution but seeking a cooperative, joint resolution of the matter. Additionally, Campbell experimented with an entirely new approach, meeting with DPJ Secretary General Ozawa Ichiro on February 4 to discuss Futenma, among other Alliance topics. Campbell extended an invitation to Ozawa to meet with top U.S. officials and possibly President Obama in the U.S., suggesting Ozawa's future involvement of Ozawa in the Futenma and bilateral security dialogue.

### ***Analysis***

The coalition government's handling of the Futenma situation demonstrates the DPJ's priorities and changes to the policy making process on security issues. First, the adamancy of Hatoyama in upholding campaign promises to move Futenma highlights the DPJ government's attunement to public opinion and local concerns. Rather than determining policy on Futenma by assessing national security demands and Alliance needs, the Prime Minister treated it primarily as one of domestic politics. By rethinking

the relocation plan from zero and seeking the input of all political parties and local governments, the DPJ politicized defense policy formation, prioritizing the solicitation of public sentiment over pressures to stick to bilateral security arrangements. As Hatoyama highlighted, defiance of U.S. demands signified its non-LDP security approach. It can also be seen as a move to stay in favor of coalition partners, since the SDP opposes new base construction in Henoko and the PNP desires a new kind of U.S.-Japan relationship. This is logical, considering the Hatoyama Cabinet's low approval ratings and impending Upper House elections in July.

Second, the ambiguity of the DPJ government's stance on Futenma relocation underlines the lack of a coherent voice on policy issues due to the allocation of policymaking authority amongst various politicians. It also hints at Hatoyama's inability to consolidate opinions within the government to provide a clear policy stance on security issues as a strong leader. Lastly, the prolonged postponement of a final decision by the Prime Minister until prefectural election results illustrates that Hatoyama is, consciously or unconsciously, allowing local issues (elections for a mayor and governor) to dictate the direction of foreign and security policy.

At the same time, the Futenma issue underlines elements of the bilateral security relationship and policymaking process that have not changed under the Hatoyama administration. The interventions by Hirano Hirofumi on the Tinian proposal and the Prime Minister's rejection of the JCP proposal in the Diet exemplify the Japanese central government's commitment to the Alliance. Citing the importance of the marine presence in Okinawa as a source of deterrence, Hatoyama shows that he understands the significant contribution of U.S. forces and bases to Japan's defense. Hirano's comments on Tinian demonstrate the central government's recognition that strategic concerns must ultimately dictate the limits of public debate and input on security policy. These examples reveal the realistic side of the DPJ and gradual progression away from idealism in the face of pressures to find solutions to actual security issues.

### *Implications for the Policymaking Process and U.S.-Japan Alliance*

From the events surrounding the Futenma relocation debate, four elements stand out as key determinants of the future direction in the U.S.-Japan security relationship: the strength of political leadership, public support and election considerations, the influence of Ozawa Ichiro, and U.S. officials' response to the DPJ.

#### Political Leadership

If Hatoyama fails to exercise leadership in the policymaking process, management of the U.S.-Japan Alliance will become increasingly difficult, and without clear leadership, consolidation of opinions amongst Japanese officials will not occur. This would give rise to a plethora of independent policy stances, fragmenting decision-making within the central government and stymieing the creation of bilateral security policy. Moreover, an incoherent DPJ policy stance on key issues like bases and forces realignment arising from Hatoyama's weak leadership will prevent bilateral discussions from moving beyond specific Alliance problems to much needed discourse on broader goals in the international security realm.

### Public Support and Election Considerations

The stronger public support for the Hatoyama cabinet and DPJ as a whole, the smaller the role election considerations will play in dictating the ruling party's approach to security policy formation. With greater support from the public, the DPJ can gain control of the Diet without coalition partners, increasing its ability to maneuver through thorny situations like Futenma and quickly craft policy in the absence of ideological constraints imposed by the SDP and PNP. Coordination necessary to pass bills would also become more manageable, as the DPJ would have to interface with fewer groups. Able to eliminate fears of political demise at the hand of the electorate, the DPJ can focus more fully on fleshing out its security goals and engage the U.S. with its agenda to reshape the Alliance.

### Ozawa Ichiro

Ozawa Ichiro's influence on security policy increases as DPJ political leadership and public support wane. If Hatoyama cannot take command of the Futenma issue and the situation becomes unmanageable, a leadership void would be created that Ozawa will move into. Declines in public support will strengthen Hatoyama's dependency on Ozawa for internal party support and votes in the coming elections. As Ozawa's influence within the DPJ rises, the inclination for the U.S. to seek his counsel will increase, for Ozawa has a reputation as an effective mediator in sensitive, thorny foreign policy issues. In *Koizumi Diplomacy* (2007) Shinoda Tomohito thoroughly documents the predilection of government leaders to call on Ozawa when foreign relations are in dire straits. Once the pattern of consultation is established, Ozawa will become the de facto leader on the base issue in the government. Already, signs that U.S. officials are confiding in Ozawa about Futenma are appearing, the Campbell case serving as one such example.

If Ozawa Ichiro's influence on the resolution of Futenma expands, the U.S.-Japan Alliance could evolve very differently from the trajectory on which the DPJ has currently placed it. Ozawa's policy stances on security greatly differ from the center-left position occupied by Hatoyama, Okada, Kitazawa, and the SDP. His views on security are closer to the political right. As *Oriental Economist* reporter Daniel Sneider highlights in "Ichiro Ozawa: Ozawa in his own words" (June 2009), Ozawa calls for a more equal U.S.-Japan relationship and emphasizes the need for Japan to have an independent global policy separate from the U.S. Similarly, Michael Green points out in *Japan's Reluctant Realism* (2003) that Ozawa envisions Japan as a "normal nation" with a more assertive security policy and increased participation in UN peacekeeping that includes the use of force under UN collective security rights. Ozawa's security policy promotes greater Japanese engagement in the international security realm in a way that could strengthen or weaken the Alliance with the U.S.

### The U.S.

Because the DPJ seeks to be an equal in Alliance negotiations and display its non-LDP colors to the public by standing up against the U.S., the posture that U.S. officials take when dealing with bilateral issues is important. As the Futenma case highlights, hard stances on issues will not bolster the U.S. position and will instead strengthen the DPJ's resolve to resist U.S. demands and follow their own course. The DPJ will only comply with U.S. decisions if, after considering their domestic public image, it is politically

advantageous to do so. Thus, whether the U.S. side chooses to stand firm on their decisions or express willingness to reconsider and discuss problems that arise will play a pivotal role in shaping the nature of the bilateral security relationship.

Furthermore, the willingness and ability of U.S. leadership in Japan to engage the DPJ and the Japanese public in a dialogue about the purpose of the Alliance will be crucial. The DPJ's proclivity to politicize Alliance issues and frame them in domestic terms invites the potential for the Japanese government to lose sight of the fundamental security dimensions of the Alliance. Additionally, as Charlie Reed reports in an article in the *Stars and Stripes* (February 2010), the Japanese people do not understand what the U.S. military does in Japan and there is not much public discourse about the security Alliance. Speeches to explain the purpose of the Alliance and U.S. bases, like the one given by Ambassador Roos at Waseda University on January 29, 2010, can help mitigate the lack of understanding in the public and the demagoguism surrounding defense policy formation in the government. Recognition by military officials of the need to communicate the purpose of their presence in Japan to local communities, as U.S. Forces Japan commander, Lt. General Rice has done is another critical element in the readjustment of U.S. approaches to Alliance management. The more flexible, patient, and publicly engaged the U.S. side is, the more stable and constructive security relations with the DPJ administration will be into the future.

### Conclusion

Hypothetical scenarios aside, what is definite is that even as the DPJ moves up the learning curve to become more pragmatic, it will seek a new relationship with the U.S. that differs from the LDP one. As a young ruling party, the DPJ administration will re-examine old agreements and question entrenched norms to produce new challenges for the Alliance. Its efforts to understand and redefine the security relationship will force both countries to reflect on the foundations, meaning, and purpose of the Alliance, fostering a dialogue that has not occurred in the last 50 years. The Alliance will be stronger because of it.

*Vivian Wong*



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# **U.S.-JAPAN TRADE RELATIONS IN THE CONTEXT OF THE 2008-2009 FINANCIAL CRISIS**

## **Introduction**

There is no question that as the United States' fourth largest trading partner, Japan's economy and its recovery in the wake of the current financial crisis is of utmost importance to the U.S. economy and its recovery, and vice versa. Japan's export-led economic growth model worked well from 2002-2008, but in late 2008, the model collapsed as consumer spending in the United States, Europe, and Asian nations shrank due to the global credit crunch and tanking stock prices. This paper will follow Japan's exports through 2009 to see exactly how they were affected by the financial crisis and examine Japan's new strategy for economic growth—a strategy that largely focuses on expanding exports to its Asian neighbors and is less dependent on American consumerism. The second section explores U.S. demand for Japanese imports in 2009 and examines the prospects for the recovery of U.S. demand for Japanese imports in 2010. Finally, this paper will look at the role of the U.S. dollar and Japanese yen exchange rate and what a strong yen means for U.S.-Japan trade now. Issues of high export prices, deflation, and Japan's domestic consumer spending will also be explored.

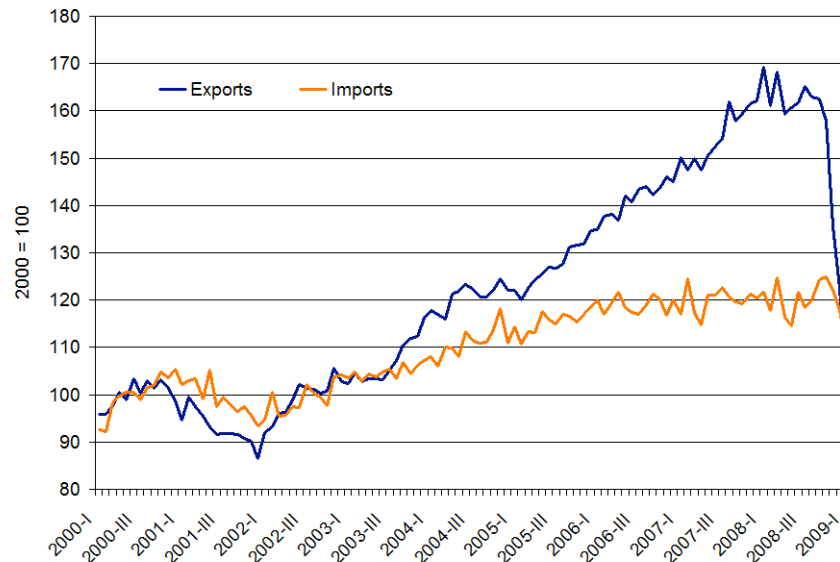
After examining several aspects of U.S.-Japan trade, it is important to ask how the changing trade relationship will affect U.S.-Japan relations in the long run. As Prime Minister Hatoyama continues to pursue policies on security issues that create tensions with Washington, what impact will this have on the trade relationship and the relationship overall? Will President Obama's efforts to create jobs in the U.S. improve the unemployment rate and increase the amount of disposable income that Americans have and can possibly use to purchase Japanese imports? These issues and questions will be discussed in the following pages.

## **Japan's Exports in 2009**

Perhaps Japan began to really feel the effects of the global financial crisis in October 2008 when Japanese exports saw their largest yearly decline in seven years, as *The New York Times* reported on November 20, 2008. Compared to a year earlier, exports had fallen a record 7.7%, shifting the trade balance to a deficit of ¥63.9 billion (\$668.5 million). The crisis not only hit Japan, but the rest of Asia as well, including China, as exports to the region experienced their first decline since 2002. This, combined with an already decreasing demand for Japanese goods from U.S. and European markets and a strengthening Yen, pushed Japan deeper into the recession and into a trade deficit.

*Bloomberg* reported in a February 25, 2009 article entitled "Japan Exports Plummet 45.7%, Deficit Widens to Record," that this trend was continuing into 2009, with a 35% decrease in exports in December 2008 followed by a 45.7% decrease in January 2009 (year-on-year comparison). As exports to the U.S. fell by 52.9%, exports to Europe plunged 47.4%, and exports to China and Asia fell 45.1% and 46.7% respectively. Irish economist Ronan Lyons demonstrated the magnitude of this decrease in exports

using data from the Dutch Bureau for Economic Policy Analysis to create the following graph:



**Figure 1: Japan's Exports and Imports, January 2000-January 2009**  
(Source: Ronan Lyons)

Throughout 2009, Japan's exports continued to fall based on year-on-year comparisons, but month-on-month exports began to flatten out in April and saw slight increases through the summer. *Reuters* reported in their September 2009 article entitled "Japan export recovery slows, worries remain," that exports to the U.S. were showing signs of recovery, falling "34.4% in August from a year earlier, less than the 39.5% drop in July." Despite these positive signs, August was a sobering month for Japanese exports as they fell once again for the first time since May. According to Ilya Spivak, in his article "Japanese Trade Surplus Shrinks on Export Weakness" for the *Daily FX* on September 24, 2009, this indicated that "the \$12 trillion or so in fiscal stimulus spent by the world's governments to stabilize growth that had boosted demand for Japanese products may [have been] running out of steam." Shirakawa Masaki, the Governor of the Bank of Japan, also expressed concern that Japan was relying too much on worldwide expansionary policies for their economic recovery, and worried that once those policies were reversed Japan would see a lapse in recovery. A *Bloomberg* article captured Shirakawa's further concern on September 17, 2009, quoting him as saying that even though Japan is implementing its own stimulus measures, such as buying \$20 billion of government debt a month to boost the economy, policy makers are "not confident about the strength" of consumer demand after those effects fade.

As 2009 came to a close *The Financial Times* indicated that Japan began to show good signs of recovery in exports, led by increasing demand for Japanese goods from its Asian neighbors: "Nominal exports to the whole of Asia, which accounted for more than half of Japan's total exports, were up by 4.7% on a year earlier in November, according to a separate report from the Ministry of Finance. Exports to China, Japan's biggest

single-country trading partner, rose by 7.8% year on year.” While statistics for the same time period show that Japanese exports to the U.S. were down, it is important to note that increased Chinese and Asian demand for Japanese goods is largely related to U.S. demand for imports from those countries. One reason why Japan has been so adversely affected by the financial crisis is the severe contraction in U.S.-China-Japan “triangular trade.” Triangular trade refers to the mechanism by which advanced economies such as Japan, South Korea, and Taiwan export key components to developing countries, like China, to be assembled and exported to the United States and Europe. This is simply a model in which each country specializes in what it is skilled at doing—Japan focuses on high value-added production processes and China focuses on low value-added assembly and manufacturing processes. According to a May 2009 study by Fukao Kyoji and Tanjun Yuan of Hitotsubashi University in Japan entitled “Why is Japan So Heavily Affected by the Global Economic Crisis? –An Analysis Based on the Asian International Input-Output tables,” this model has contracted very rapidly due to the sudden decrease in U.S. imports that is associated with the crisis, and as a result Japan has seen a decrease in both direct exports to the U.S. and indirect exports to the U.S. through China. Fukao and Yuan characterize the impact on advanced economies like Japan as follows: “As the exports of Asian developing countries to the United States decreased, so their imports from Japan, South Korea and Taiwan also decreased. Thus, Japan, South Korea and Taiwan suffered not only a decline in exports to the United States, but also in exports of key components to developing countries in Asia, and this is likely to be one reason that the impact of the global downturn on Japan has been so great.” Likewise, the increase in Japan’s exports to its Asian neighbors in late 2009 may very well be attributed to an increase in U.S. demand for Chinese and other Asian goods that are assembled using Japanese components.

With exports to the U.S. down 7.9% (year on year) and exports to Europe (11.8%) and the Middle East (34.7%) down as well at the end of 2009, according to the *Financial Times*, it is easy to look at the data and conclude that it was Asia alone lifting Japan to recovery. However, an increase in U.S. demand for Chinese goods could very well be part of the driving force behind the rise in Japan’s exports to China. In regard to lagging direct exports to the U.S., the value of the Yen—which reached its strongest levels in 14 years in November compared to the dollar, pushing up the cost of Japanese goods to American and European consumers—is undoubtedly to blame, and will be discussed in greater detail later in this paper.

### A New Strategy for Economic Growth

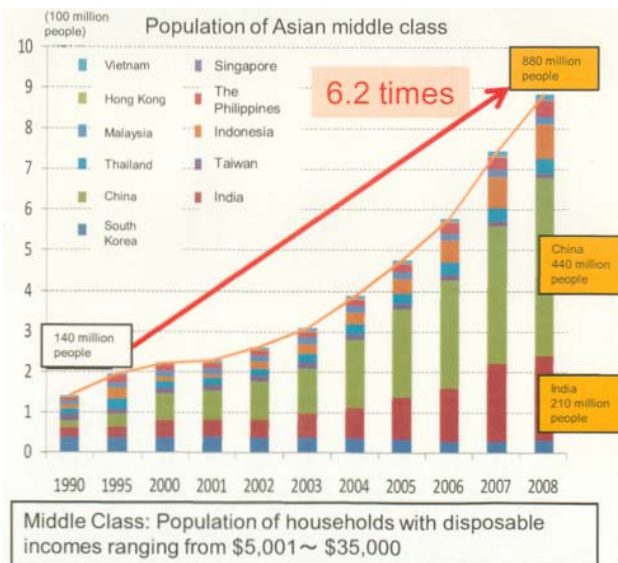
Although data for the end of 2009 was encouraging for Japanese exports, Japan is not out of the woods yet. As stimulus spending runs out around the world, salaries fall, and job security continues to be an issue in the United States, consumer spending in the U.S. faces an uphill battle and as such, so do Japanese exports to the United States. This begs the question: can the Japanese economy recover ahead of the U.S. economy and without a recovery in U.S. demand for Japanese exports? One representative that I interviewed at Japan’s Ministry, Economy, Trade and Industry (METI) in November 2009 believes that it can. His assessment is based on the following two observations:

Japan has only been an export-led economy since 2002 when the government began to heavily pursue a weak yen policy. Prior to that Japan experienced economic growth that was not based on exports, but based on domestic consumption. Therefore, it is possible for Japan to experience economic growth without returning to its status as an “export-led” economy, a status it would not be able to maintain if exports to the U.S. do not pick up.

The greatest potential for growth in Japanese exports lies in the Asian middle class, the population of which has increased 6.2 times since 1990. As long as Japanese exporters can capitalize on this growing class and export goods that appeal to them, Japan has great potential to expand its exports.

Expanding on the first point, Marshall Auerback, in his article “The New Japan, Domestic Consumption, and the Neo-liberal Thought Machine,” (2009) asserts that switching from an export-led economy to a domestic consumption-based model is likely to require large amounts of government spending in order to stave off massive unemployment, the latter of which inherently discourages consumption. Prime Minister Hatoyama’s seeks to boost consumer spending in the short term by funneling money to households instead of corporations, offering free high school education, and giving cash subsidies to families with small children. As for creating jobs, *The New York Times* reported on December 30, 2009 that the Prime Minister’s plan seeks to triple the number of foreign visitors to Japan by 2020, thereby creating jobs in the tourism industry, and to

create a “\$540 billion market for environmentally friendly technology and renewable energy that would employ 1.4 million people. It seeks to create 2.8 million jobs in the health and care-giving sectors to serve Japan’s aging population.” The goal of the total plan, which is pending approval by the Diet in June 2010, is to expand Japan’s economy by an average of 2% a year for the next ten years, and to reach a gross domestic product of ¥650 trillion (\$7 trillion). But critics say that Mr. Hatoyama lacks a clear vision of how these programs would be financed and underestimates the effect that Japan’s shrinking, aging population and low rate of immigration would have on these goals.



**Figure 2**The Expanding Asian Middle Class  
(Source: METI)

The METI representative’s second point echoes another key tenet of Mr. Hatoyama’s strategy, which emphasizes becoming less reliant on the United States and strengthening economic ties in Asia, largely through his goal to create a free trade zone in Asia by 2020. Commenting on the plan when it was unveiled on December 31, 2009, Prime Minister Hatoyama was quoted on December 31, 2009 in *The China Post* as saying: “Until now our connection with the U.S. has been very strong. Naturally this will

continue to be the case in maintaining security. But in terms of economic growth, it is necessary to look closely at Asia as a new frontier.” As mentioned above, the METI representative interviewed for this paper suggested that one strategy to target Asia as a “new frontier” would involve Japanese companies adapting their exports to appeal to the growing middle class in Asia. The graphic to the on the previous page illustrates the rapid pace at which the middle class has grown and the opportunity it presents for Japanese exporters. Toyota’s plans to unveil a \$7000 car in China next year is one example of how Japanese companies can adapt to this growing market, according to the METI representative. He explained that while Toyota has relied on the production of high-end cars such as the Lexus in the past, they will now need to shift strategies to compete with makers like India-based Tata instead of companies like Mercedes. This, however, presents a hurdle for Japanese manufacturers (not just in the auto industry) in that they face heavy competition from Korean manufacturers in China and similar competition from Chinese exporters in Southeast Asia and India.

Besides these two major strategies for recovery, Japan is also coordinating other smaller efforts to boost economic growth. For example, they are pursuing multi-layer cooperation, including industrial cooperation, with countries that are rich in natural resources such as Brazil, Africa, and Middle Eastern countries. While this has been a long-term strategy for Japan for some time, China’s recent moves to secure natural resources in Latin America, Africa and the Middle East have prompted Japan to make greater efforts to secure resources in these areas. As a country with limited natural resources, Japan needs to secure a stable supply of oil and natural gas, among other resources, but at the same time they need to increase exports. As a result this strategy focuses on connecting their policy to secure natural resources with their trade policy in the following way:

- Dispatch Ministerial-level top diplomats and public and private missions to resource rich countries; Promote economic partnership agreements (EPAs) and investment treaties
- Support resource countries by providing technologies and build reciprocity relations
- Strengthen international exchange in various fields such as sightseeing, education, etc

Japan is already actively implementing this strategy, as the Minister of METI has visited Brazil, the United Arab Emirates, Saudi Arabia, Kuwait, Iraq, Brazil, South Africa, Botswana, Uzbekistan, and Kazakhstan since 2007. Furthermore, it was announced in late December 2009 that Japan and India unveiled a joint action plan that focused on improving trade relations and left open the possibility of Japan cooperating with India on the issue of nuclear energy in the future. In regard to strengthening international exchanges, Japan is looking to establish direct flights from resource-rich countries to Japan and to introduce the Japanese education system into the Middle East, where it has a good reputation.

While the focus of this paper is trade and not investment, it is important to note that according to the METI representative interviewed, another important aspect of Japan’s economic growth initiative includes heavily promoting foreign direct investment into Japan, especially from the United States. The Japanese service sector is not very

open and as a result there is not much investment flowing into that rapidly growing sector. Another issue is that, currently, investment in China is more attractive to U.S. investors, so Japan needs to promote more investment in its service sector and possibly facilitate that by liberalizing barriers to investment.

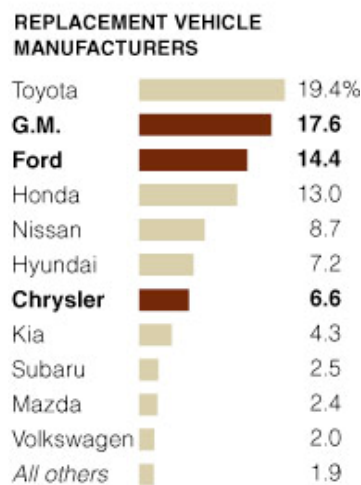
By seeking to increase domestic spending, targeting emerging markets in Asia, and cooperating with resource-rich countries, it is evident that Japan has a solid strategy in place to facilitate economic growth that is not dependent on an increase U.S. demand for Japanese goods. Nevertheless, the U.S. remains an important trade partner for Japan, even if it is not the primary target of its growth strategy.

### U.S. Demands for Imports from Japan

With the U.S. having the largest auto market in the world and North American sales accounting for more than half of Toyota, Honda, and Nissan's operating profits, it is inevitable that the dialogue concerning U.S. demands for imports for Japan is largely dominated by U.S. demand for Japanese autos. As such, this section will focus largely on U.S. consumption of Japanese autos and factors in the U.S. that might contribute to an increase or decrease in that consumption.

#### The Replacements

Although the Detroit automakers accounted for 38.6 percent of the vehicles sold under the cash-for-clunkers program, that was less than their 45 percent market share through July this year.



Source: Department of Transportation  
THE NEW YORK TIMES

**Figure 3 Cash For Clunkers  
Replacement Vehicle  
Manufacturers**  
(Source: *The New York Times*)

While 2009 was characterized by a decrease in U.S. imports of Japanese goods, and likewise Japanese autos, the “Cash for Clunkers” program that ran from July 1 to August 25, 2009 is largely believed to have helped Japanese automakers. Cash for Clunkers was designed to give Americans economic incentive to purchase new, fuel-efficient cars in exchange for their fuel inefficient “clunkers.” Through this program lawmakers intended to stimulate the U.S. economy by driving up U.S. car sales, however as it turned out Japanese automakers accounted for 41% of the new vehicles sold under the program—Toyota with 19.4%, Honda with 13 and Nissan with 8.7. On the other hand, U.S. automakers accounted for 38.6% of the new cars sold. By comparison, in the first seven months of 2009 U.S. automakers (General Motors, Ford, and Chrysler) had 45% of the market and Japanese automakers had 34%. While the program benefited U.S. automakers, there is no doubt that it boosted Japanese automakers’ share of the U.S. market and may have stimulated the Japanese economy more than the U.S. economy. This was also evident in trade data for the summer of 2009, which shows that in July 2009 the U.S. imported \$7 billion more in goods than they did on average for April through June. According to Bryan Banish, President of iGlobal Strategies, it is estimated that of that \$7 billion, \$2.8 billion worth of the imports fell into the category of vehicles and auto parts, largely due to increased auto imports from Japan (and Korea) under the cash for clunkers program.

Looking forward, private spending and income growth are not only factors that must be boosted in order for the U.S. to sustain economic growth throughout 2010, but are factors that must increase if U.S. demand for Japanese imports are to recover as well. However, according to the November 13, 2009 publication of *The Economist*, it is not expected that either of these factors will face significant improvement in 2010. This is because as of mid-2009 household had lost 19% of their wealth due to the tumbling of housing and stock prices, thereby decreasing their purchasing power and gradually increasing personal savings rates. Likewise, consumer spending, which makes up 70% of GDP, is predicted to grow slower than income. With the unemployment rate at 10% and hardly improving, it is expected that the U.S. will see wage cuts instead of wage gains. *The Economist* further asserts that all of this is exacerbated by swings in energy prices and inflation figures that are approaching zero. If inflation in fact turns into deflation in 2010 it is expected that debt burdens will rise and consumer spending will be further impaired.

It is also important to consider the ability of Americans to borrow funds, as borrowing can increase their ability to spend. Despite the fact that interest rates are close to zero, consumer borrowing has not recovered. This largely reflects the lasting damage to financial infrastructure caused by the financial crisis. Not only has the number of willing borrowers decreased, but the number of institutions willing to extend credit has also decreased. In the words of *The Economist*:

Bank loans to business and consumers are falling, as are loans packaged into private, asset-backed securities. Only the government-backed mortgage agencies, Fannie Mae, Freddie Mac and Ginnie Mae, continue to expand credit[...] The government won't let any more big banks fail, but the survivors are neither inclined nor able to expand their lending much. Residential- and commercial-property values fell by \$8 trillion, or almost 20%, through to mid-2009, impairing existing loans and eroding the collateral for new ones.

Another factor to consider in the U.S. demand for Japanese cars is Toyota's January 2010 recall of 2.3 million cars in the United States due to sudden acceleration. According to *The Economist*, Toyota's sales were down 18.8% in January 2010 (month on month, excluding Lexus and Scion, which were not included in the recall), pushing their total U.S. market share down to 14.1% from 17.9% a year ago. Ford on the other hand posted a 25% sales gain for January. The long-term impact of this recall on Toyota's exports to the U.S. remains to be seen, as consumers may continue to look to other brands to replace their Toyotas. However, Toyota's outlook does not appear to be completely negative. Some consumers are outraged, but others appear to be loyal to Toyota. In a February 15, 2010 *Boston Globe* article tellingly entitled "Dealers Say Toyota Sales Holding on Despite Recall," one American shopping for a new car at a Toyota dealership expressed, "I just decided to stay with Toyota[...]It's a dependable, very sound car." Toyota's recovery from this recall is not only important to the brand, but also to Japan's economy. As Tanaka Masatomo, a professor at the Institute of Technologists, commented in a February 8, 2010 *New York Times* article, "If Toyota is not healthy, then Japan is not healthy."

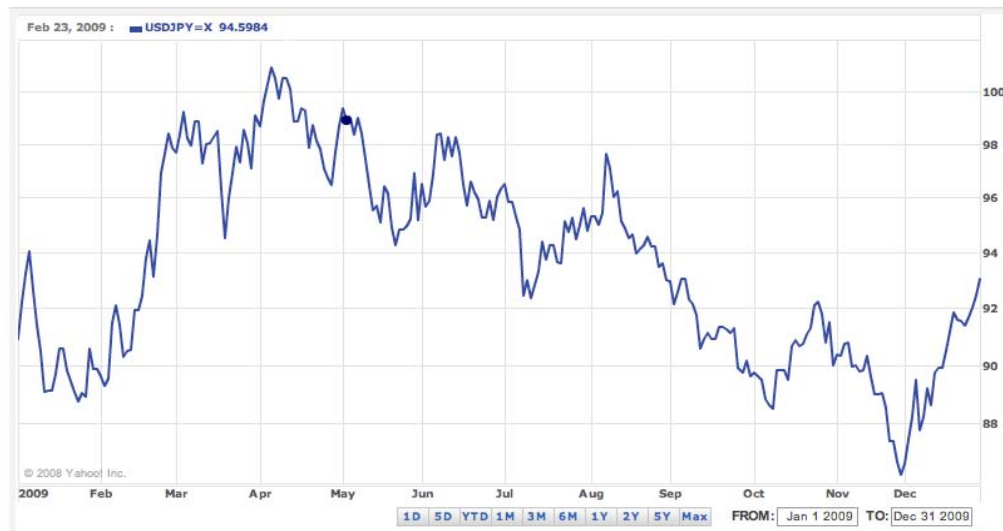
While stimulus programs such as "Cash for Clunkers" have positively impacted U.S. imports of Japanese goods, these are only short-term remedies for a financial crisis



that has proven to be long lasting. Without job creation in the U.S., further extension of credit to consumers, an increase in wages, and a quick Toyota recovery, it is unlikely that Japan will see a large increase in U.S. consumer demand for its autos in 2010. But there is more than one side to this equation, and the other side is also standing in the way of an increase in Japanese auto exports—the strong Japanese yen.

### The Strengthening Yen

2009 began with a relatively strong yen, with 1 USD equal to about 90 JPY. The yen weakened somewhat over the summer, however, and began to tank sharply beginning in September. On November 27, 2009 the U.S. dollar reached a new low against the Japanese Yen, dipping down to 86.28 yen to the dollar, the lowest level since 1995. This section addresses what caused the yen to strengthen and examines the prospects for a weaker yen in the future, a condition that Japanese exporters would favor.



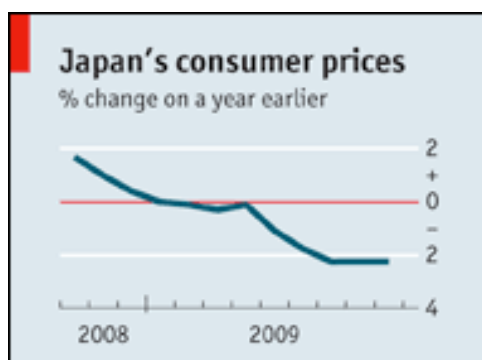
**Figure 4: The USD/JPY Exchange Rate in 2009**  
(Source: Yahoo! Finance)

In the past the 90-yen-per-dollar had been the trademark level at which the Japanese government would become concerned that the yen was becoming too strong and would consider intervention. The previous Japanese government had a policy of selling yen and buying dollars to keep its currency weak and its exports cheap, but the new Hatoyama government that was elected in August 2009 refused to intervene the following month when the yen rose to 89 yen per dollar. Prime Minister Hatoyama and the new leadership at the Bank of Japan suggested that a stronger yen would promote a rebound in consumer spending, thereby encouraging economic growth based on domestic consumption instead of foreign consumption (i.e. Japanese exports). In a September 28, 2009 article entitled “Stronger-Yen Policy Gets Put to the Test,” *The Wall Street Journal* quoted Finance Minister Fujii Hirohisa as telling U.S. Treasury Secretary Timothy Geithner at the G20 Summit, “I don’t think it is proper for the government to intervene in the markets arbitrarily.”



While the strong yen has its advantages, such as giving Japanese consumers incentive to buy cheap imported goods, it also has its disadvantages beyond pushing up the price of Japanese exports. Consumer purchasing power might rise, but in the same *Wall Street Journal* article, one economist at HSBC warns that increasing consumer spending alone is not enough: “The risk of the rising yen, notes Frederic Neumann, HSBC's senior Asia economist, is that any benefit in consumers' purchasing power is far outweighed by the negative effects on the export economy. ‘Exporters have been the engine of economic growth and continue to be so.’” With exports making up 12% of Japan’s economy (compared to 6% in the U.S.), according to *Bloomberg*, it is not surprising that it would be difficult for consumer spending to compensate for a loss of income in that sector. In April 2009 a *Bloomberg* survey of Japanese exporters revealed that they could remain profitable as long as the yen traded at 97.33 per dollar or weaker, a level that Japan has only seen once since June 2009.

*The Wall Street Journal* further reported on September 28, 2009 that deflation is also an issue with the strong yen: “A strong yen, by making imports cheaper, could also exacerbate Japan's persistent deflation, which discourages consumers from spending as they anticipate lower prices in the future. Combined with the waning effects of stimulus measures in a number of countries, a rising yen could even plunge Japan back into recession, says Yutaka Shiraki, senior equity strategist at Mitsubishi UFJ Securities Co.”



**Figure 5 Japan's Consumer Prices**  
(Source: *The Economist*)

Prime Minister Hatoyama finally acknowledged in November 2009 that Japan was in fact facing deflation, as consumer prices fell by 2.2% the previous month. The last time Japan saw a decrease in prices this steep it was able to export its way back to recovery, but this time around that does not appear to be possible as major trading partners such as the U.S. are also deeply entrenched in the financial crisis and the yen is too strong to allow Japan to export its way to safety. *The Economist*, in its November 26, 2009 issue, maintained that the Bank of Japan needs to fight deflation by increasing government-bond

purchases or by using negative interest rates on bank balances to encourage banks to lend money, and thereby weakening the yen. Yes, this means that the Hatoyama government would need to change course in its policy and support a weaker yen. But as another analyst, Richard Benson of Millennium Asset Management in London warned in a September 21, 2009 interview with *Bloomberg*, keeping the yen strong hurts more than exporters: “The DPJ’s strong-yen policy will hurt the Japanese stock market, leading domestic investors overseas in search of returns, selling the yen in the process.”

Although the strong yen appears to have several negative aspects for the Japanese, there is one positive effect that it could have in the United States—job creation. As exporting from Japan becomes more expensive for automakers, it is expected that they will shift production overseas. On January 12, 2010 *Reuters* quoted Honda’s CEO, Takanobu Ito as saying: “Exporting lots of cars from Japan is not thinkable at this moment considering the current strong yen.” He also went on to say that Honda was considering using more overseas production facilities as opposed to exporting vehicles

from Japan. In October 2009 it was widely reported that Honda would shift production of its Fit model to the U.S. and it still remains to be seen whether Honda will follow through. But with 62% of Japanese automakers' sales coming from U.S. factories in 2008 it is not unlikely that they would be willing to expand production in the U.S. to offset the losses they incur due to currency conversions associated with exporting. From a political point of view as well, this shift in production is a positive for Japanese automakers, as it allows them to claim that they are helping to create jobs in the United States. On October 20, 2009 *USA Today* reported that in 2008 U.S.-based Japanese auto plants employed 57,027 employees, a number that would likely grow if Honda and other Japanese automakers shift production to the U.S.

In sum, while the strong yen does have some potentially positive effects, such as job creation in the United States and increased consumer spending in Japan, it is clear that the negative costs associated with a the strong yen—deflation and expensive exports—far outweigh the positive. As consumer prices in Japan continue to fall and deflation looms, the Hatoyama government and the Bank of Japan need to act decisively to counter these measures. While maintaining a weak yen at levels of 120 yen to the dollar is not feasible or advisable in the near future, it would be in Japan and the United State's interest to take some measure to level out the yen at around 100 yen to the dollar. Until this happens, Japan's exporters face an uphill battle in their efforts to sell more cars and the Japanese economy faces a drawn out recovery.

### Conclusion

While the U.S.-Japan alliance remains strong, there is no question that it will face substantial challenges down the road. With Prime Minister Hatoyama's renewed emphasis on developing regional ties it is likely that U.S. policymakers will become increasingly concerned. While the alliance primarily refers to the security alliance, trade relations can also play a critical role, as they have in the past, in strengthening the overall alliance. The Obama administration must move swiftly to create more jobs in the U.S.—not only to address domestic criticism and concern but also to bolster consumer spending in the U.S., which will likewise have a positive effect on Japanese exporters. Furthermore, until U.S. banks recover and are once again extending credit to businesses and consumers, it is unlikely that we will see a significant rise in consumption. As such, it is up to the U.S. administration to take measures to see that banks are lending and consumers are spending. Finally, on the Japanese side, the Hatoyama government has to consider selling the yen (and likewise buying U.S. bonds) to weaken it somewhat. With the forecasted exchange rate for 2010 remaining in the 90's, it is likely that the Bank of Japan will need to intervene.

It is evident that cooperation is necessary on both sides of the equation in order for the U.S. and Japan to strengthen their trade relationship. The possibility remains that U.S. – Japan trade will not recover to pre-crisis levels given the difficulty Japan has faced in competing with cheaper Chinese exports. As global demand increases, both the U.S. and Japan have a critical role to play in redirecting their economies back towards growth. In this regard, cooperation on a U.S.-Japan free trade agreement (FTA) would be instrumental in strengthening the trade relationship. With the prospect of a U.S.-South

Korea FTA still lingering and China's exports on the rise, both the U.S., and Japan in particular, have much to gain from a potential bilateral FTA. Furthermore, with the uncertainty surrounding the realignment of the U.S. Marine Corps base at Futenma, the United States and Japan may look to emphasize the economic aspect of the alliance, an aspect that would be further championed by laying the groundwork for an FTA.

*Erin Kruth*

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# **U.S.-JAPAN TRADE RELATIONS IN THE NEW ERA**

## **Introduction**

The economic relationship between the U.S. and Japan is very strong and advantageous for both countries. The United States and Japan have put their bilateral economic relationship as a high priority for much of the postwar period. However, their bilateral economic relationship has diminished in a priority with the rise of China as a trade power. After transitioning through a period of extraordinarily rapid growth in trade both as an exporter and an importer, China is quickly becoming the largest export market for other Asian nations. Asian integration, based on the opening of China and other geopolitical changes, is creating a fundamentally more competitive Asian economy; China has replaced the U.S. as the largest trading partner for other East Asian countries. The United States and Japan have the ability to build on common interests in order to balance China's comprehensive ascent.

The U.S. often uses trade policy as an important tool of foreign policy. The Free Trade Agreement (FTA) is major foreign policy tool with which it promotes better relations with strategically important nations. Similarly, Japan has also paid much attention to FTA's in recent years because of both economic rationale and strategic considerations. In addition, the low or non-existent bilateral trade barriers between the U.S. and Japan on manufactured imports provide a good foundation on which to build a U.S.-Japan FTA. A U.S.-Japan FTA would strengthen the bilateral relationship, increase their political influence in Asia, and promote economic ties with Asian partners as well. However, there are a number of obstacles to a U.S.-Japan FTA in the future. The U.S.-Korea FTA (KORUS FTA) is a feasible model for a U.S.-Japan FTA to follow. KORUS FTA is an example of evolving economic integration and a strategic responses to promoting security and stability in the region. Agriculture, autos and intellectual property rights are three critical areas in the KORUS FTA that a U.S.-Japan FTA negotiation would have the most difficulties.

In comparison with a U.S.-Japan FTA, the idea of Free Trade Area of the Asia-Pacific (FTAAP) is attractive as well because it may lead to greater productive, lower consumer prices and greater specialization by Asian countries in industry comparative advantages. Nevertheless, a FTAAP may also create political economic imbalances both to global trade relations and within the Asia-Pacific itself. Additionally, there would be a long and difficult negotiation process for the FTAAP and there is no clear FTA model for a FTAAP to follow. Although Japan and China have both expressed their preference for an East Asia Free Trade Area (EAFTA) rather than an FTAAP arrangement, complicated factors may also decrease the possibility of an EAFTA in the foreseeable future. However, no matter what kind of FTA is created, the WTO's position will probably be undermined by the proliferation of FTA's, which neither in the interest of WTO members nor FTA supporters.

## **Mutual Dependence**

Japan and the United States are the two largest economic powers in the world. As stated in a Congressional Research Service report published on March 11, 2010, the U.S. and Japan account for over 30% of world domestic product for a significant portion of international trade in goods and services, and for a major portion of international investment. The U.S.-Japan economic relationship is very strong and advantageous to both sides. The two countries provide large markets for each other's exports and serve as important sources of imports. Japan and the United States are also closely connected through capital flows. As William H. Cooper highlights in "U.S.-Japan Economic Relations: Significance, Prospects, and Policy Options" (2007), since mounting U.S. debt needs to be financed and U.S. domestic savings is still insufficient, Japan will possibly remain an important source of funds for the U.S. in the short run. Japan is also a significant source of private portfolio and direct investment for the United States. Cooper also mentions that the United States is the origin of much of the foreign investment entering Japan.

In fact, the United States and Japan have put their bilateral economic relationship as a high priority for a long time. According to Japan, the importance of the relationship derives from: (1) the emergence of the United States as the world's largest economic power; (2) the dependence of large-scale Japanese manufacturing industries, such as autos and consumer electronics, on exports to the United States; (3) Japan's dependence on the United States for its national security, especially during the Cold War. In terms of the United States, the importance of the economic relationship with Japan is also due to a number of factors: (1) The U.S. relies on Japan as a critical ally; (2) Japan has emerged as an economic power in East Asia and a major economy in the world; (3) a large number of U.S. workers are employed in Japanese manufacture industries, such as autos and steel. Other factors include the U.S.'s rising trade deficits with Japan, and Japan's emergence as a major source of investment in the United States, which were discussed above.

## **The Rise of China**

Over the four decades after 1949, a series of political movements and controversial wars slowed China's development and separated it from its neighbors. As Edward Gresser describes in "U.S.-China Trade in Perspective: Asia's Emerging Union and Implications for the United States" (2005), during this period, Japan, South Korea, Singapore, Taiwan and Hong Kong industrialized and became financial and technological powers while China remained an isolated, relatively poor economy. After opening up in 1980s, China began to rise and reengage with the outside world. Its low labor costs, large and relatively well-educated workforce, and rapidly developing infrastructure naturally complimented the capital and technology of its smaller, wealthier neighbors. After the 1990s, a series of geopolitical and economic events further removed economic barriers between China and the rest of Asia. Taiwan removed its limits on mainland investment in the mid-1990s. Hong Kong's return to Chinese sovereignty in 1997 brought China a great deal of investment opportunities. Most importantly, as noted by Edward Gresser in "U.S.-China Trade in Perspective: Asia's Emerging Union and Implications for the United

States” (2005), China’s WTO accession in 2001 marked a new step in the globalization of the Chinese economy.

China is quickly becoming the largest export market for other Asian nations. Since the beginning of the 21<sup>st</sup> century, As Edward Gresser mentions in “U.S.-China Trade in Perspective: Asia’s Emerging Union and Implications for the United States” (2005), Asian investors have been opening 20,000 manufacturing facilities a year in China, which represents a huge shift in regional manufacturing capacity. China is also becoming the main trading partner for most Asian economies. In 2004, China’s combined import and export growth reached 35 percent. According to Gresser, between 1999 and 2004, U.S. imports from China grew from \$82 billion to just under \$200 billion, accounting for a quarter of all America’s import growth.

Historically, the economic relationship has been the main focus of the U.S.-Japan bilateral agenda. Thus, Japan’s trade has strongly influenced overall U.S. trade policy. However, the United States and Japan’s economic relationship has diminished in importance since the rise of China as a trade power. In “U.S.-Japan Economic Relations: Significance, Prospects, and Policy Options” (2007), William H. Cooper notes that since 2000, the U.S. trade deficit with China has exceeded the deficit with Japan and continues to grow. Cooper also cites that in 2006, the U.S. trade deficit with Japan was \$88.6 billion, while the one with China was \$232.6 billion.

The emergence of China and other East Asian countries has also played a role in the reducing the significance of the United States in Japan’s trade. As Edward Gresser points out in “U.S.-China Trade in Perspective: Asia’s Emerging Union and Implications for the United States” (2005), Asian integration, which combines China’s large, low-cost labor market with capital from more advanced regional partners, is creating a fundamentally more competitive Asian economy. In the last decade, Japanese trade flows have shifted decidedly towards East Asia away from the United States. In 1994, the largest economies in East Asia were the destination of 38.6% of Japanese exports and the origin of 33.0% of Japanese imports. According to William H. Cooper’s “U.S.-Japan Economic Relations: Significance, Prospects, and Policy Options” (2007), by 2006, these numbers rose to 45.6% for exports and 41.4% for imports, respectively. Additionally, China is becoming an important market for Japanese final products. The share of exports to Japan in China’s total exports is constantly falling, while the share of exports to China in Japan’s total exports is rising significantly (see Fig.1 and Fig.2 below). Exports from Japan to China accounted for 8.66 percent of Japan’s total exports in 2000 and jumped to 16.89 percent in 2005. One underlying reason for this is that many products Japan exports to the world are first produced in China. Thus, China plays a role as a trade bridge linking Japan and its global trade partners.

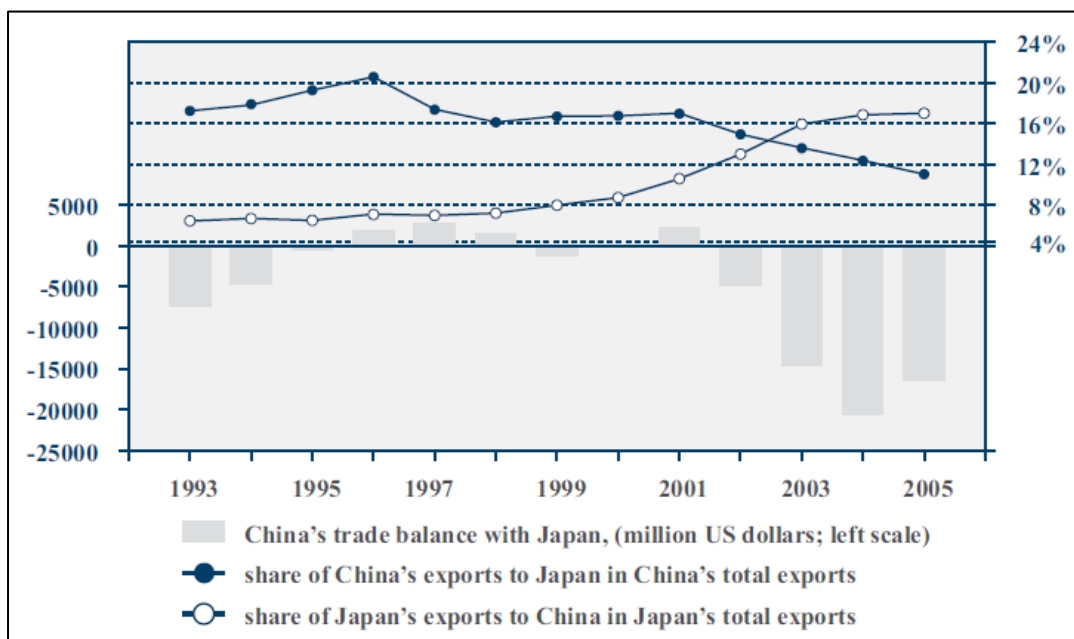


Figure 1 Bilateral Trade between China and Japan

Source: COMTRADE database online



Figure 2 Bilateral Trade between China and the U.S.

Source: COMTRADE database online

### U.S.-Japan Alliance against Chinese Power

The rapid economic rise of China drives it as the regional superpower. The Pentagon acknowledged in a July 2002 report by the U.S.-China Security Review Commission to Congress that China is seeking to diminish U.S. regional influence. The report also states that China views the United States as a significant long-term challenge and suggests that the United States proceed with far more prudence in formulating its policy toward China. In the 2009 Annual Report to Congress on the military power of People's Republic of China (P.R.C.), the U.S. Department of Defense writes that international conditions will generally be peaceful and conducive to China's rise to regional preeminence and global influence.

As Robert C. Fauver and Devin T. Stewart assert in their article "U.S.-Japan Comprehensive Economic Partnership Agreement" (2003), geopolitics, as well as economics, supports the idea of economic integration between the United States and Japan. Japan and the United States have the ability to build on common interests in order to balance China's comprehensive ascent. As mentioned by Fauver and Stewart in their article, the joint balance of Chinese power maintains "a shared and active role for both countries in shaping Asia's political and strategic landscape." In addition, formal U.S.-Japan economic integration would create the biggest single market with the highest per capita GNP in the world and enormous trade opportunities as well. Thus, as Fauver and Stewart conclude, a U.S.-Japan economic zone would represent a \$15 trillion economy that would certainly become the dominant force in this region.

The U.S. has been very active in enlarging its trade relations with other countries. As Gabriel H. Sahlgren notes in "The United States-South Korea Free Trade Agreement" (2007), the United States has supported trade liberalization since the end of World War II, mainly through the removal of trade barriers such as quotas, subsidies, and tariffs. According to the Congressional Budget Office Economic and Budget Issue Brief of July 31, 2003, the U.S. also has pursued multilateral negotiations with a large number of countries through the General Agreement on Tariffs and Trade and through the World Trade Organization.

There has been an increase in the last two decades in free trade agreements (FTA's) that seek to abolish direct trade barriers between America and other nations. Bilateral trade agreements are beneficial for the United States, which serve as more than just a purely economic function. They are also major foreign policy tools with which the U.S. can promote better relations with strategically important nations. In fact, as Sahlgren documents in his paper, "The United States-South Korea Free Trade Agreement" (2007), the U.S. has used trade policy as an important tool of foreign policy in the past. Through trade policy, America can demonstrate the benefits of open markets and free enterprise. Sahlgreen also mentions that it helps protect against anti-Americanism and consolidate good relations with important allies around the world. This approach has been used on a number of occasions since the last approval of trade promotion authority in 2002. For instance, Raymond J. Ahearn notes in "Morocco-U.S. Free Trade Agreement," (2005), that the Morocco-U.S. FTA signed by President Bush in 2004 helped strengthen ties with a moderate Muslim state and key Arab ally in the war on terrorism in the Middle East.



In the 1990s, as Wang Hwi Lee indicates in “Pulling South Korea away from China's Orbit” (2007), Japan also paid more attention to FTA's when major trading partners, including the EC, the U.S. and ASEAN formed regional and bilateral FTA's. A report by Japan's Ministry of Economy, Trade and Industry [METI] entitled “Japan's Policy on FTAs/EPAs” (2005), suggests there were both economic rationale and strategic considerations behind Japan's motivation: ensuring community building and stability and prosperity in East Asia; strengthening its economic power and tackling political and diplomatic challenges; and reinforcing its position in international society including the WTO talks.

Robert C. Fauver and Devin T. Stewart, in “U.S.–Japan Comprehensive Economic Partnership Agreement” (2003), argue that a healthy Japanese economy is synonymous with a strong U.S.-Japan alliance. Thus, the moment to realize a comprehensive U.S.-Japan free trade agreement has arrived. This is an attractive option since low tariffs and other customs restrictions on U.S.-Japan bilateral trade in manufactured imports provide a good foundation on which to build an U.S.-Japan FTA. A U.S.-Japan FTA would fit into the current Japanese and U.S. trade strategies to use FTA's to strengthen economic ties with Asian partners. Most importantly, the two countries could construct the FTA to cover policies and practices that are critical to the bilateral relationship and promote their political influence in Asia.

The KORUS FTA is a good example of an FTA that serves important foreign policy interests. Since it is important to participate in and help shape the course of economic integration in East Asia, it is critically important that the U.S. have a strong economic and political alliance with South Korea. As Gabriel H. Sahlgren explains in “The United States-South Korea Free Trade Agreement” (2007), China keeps pushing for negotiations exclusively among Asian states, like ASEAN Plus Three meetings, which don't include the United States. For this reason, a genuine FTA with South Korea would improve America's position in Asia and put it back at the forefront of Asian countries' economic deliberations. Moreover, Sahlgren suggests there is some evidence that a U.S.-South Korea trade agreement would help create a “domino effect” towards liberalizing trade by encouraging other countries in Asia to negotiate FTA's with the U.S.

### **KORUS FTA as a Model**

South Korea is the seventh-largest trading partner of the United States, while the United States is South Korea's third-largest trading partner. On June 30, 2007, United States Trade Representative Susan Schwab and South Korean Foreign Trade Minister Kim Hyung-chong signed the proposed U.S.-South Korean Free Trade Agreement for their respective countries. As William H. Cooper and his staff explain in a Congressional Research Service Report published on January 22, 2008, if approved, the KORUS FTA would be the largest FTA that South Korea has signed to date and the second largest (next to North American Free Trade Agreement) FTA the United States participates in. According to the Office of the U.S. Trade Representative (USTR), the agreement is expected to abolish about 95 percent of tariffs on all industrial and consumer goods within three years, and remove most of the lingering 5 percent within a decade. According to a study by the U.S. International Trade Commission, the deal would

increase U.S. GDP by \$10.1-11.9 billion, and may boost annual trade between the countries by as much as \$17.8 billion.

FTAs are making economic integration arrangements evolve. As Jeffrey J. Schott suggest in “The Korea-U.S. Free Trade Agreement” (2007), the KORUS FTA is one example and is also South Korea and the U.S.’s strategic response to ensuring security and stability in the region. It is a feasible model for a U.S.-Japan FTA to follow. However, there are three critical areas addressed in the KORUS FTA that a U.S.-Japan FTA negotiation may stumble on.

### ***Agriculture***

In agriculture, by eliminating and phasing out tariffs and quotas on a broad range of products, the KORUS FTA will create new export opportunities for American farmers and ranchers. Under the agreement, 64 percent of Korea’s agriculture imports from the United States will be immediately duty-free. An agreement that most remaining tariffs and quotas will be phased out over the first ten years is also in force.

However, in the terms of access for U.S. beef and rice, negotiators did not reach a breakthrough to resolve bilateral differences. Since the 2003 discovery of mad cow disease in the U.S. cattle herd, Korea’s human health concerns arose. As William H. Cooper and others explain in a January 2008 CRS Report for Congress, retail sales of U.S. boneless beef permitted to enter are now on hold. Only after an international animal health body presented its findings on the risk status of mad cow in the U.S. cattle herd did South Korea’s President Roh promise President Bush that South Korea then would open up its market at a reasonable level. Additionally, the KORUS FTA does not give U.S. rice and rice products any preferential access to South Korea’s market. As noted in Cooper’s January 2008 CRS Report, the agreement only requires South Korea to continue to abide by its multilateral trade commitments to increase rice imports.

### ***Auto***

Trade in autos and auto parts is among the most difficult issues tackled by U.S. and South Korean negotiators. As an increasingly competitive South Korean industry seeks to increase its market share in the United States, the U.S. industry has forced South Korea to eliminate policies and practices which apparently discriminate against U.S. auto imports. The main efforts in the KORUS FTA include eliminating most South Korean tariffs on U.S.-made motor vehicles; reducing discriminatory effects of engine displacement taxes; harmonizing standards and creating an Automotive Working Group; and eliminating of U.S. tariffs to some degree.

### ***Intellectual Property Rights***

The KORUS FTA also contains provisions on intellectual property rights (IPR) protection in U.S.-South Korean trade. Under the KORUS FTA the United States and South Korea would reaffirm their commitments under the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement and other international norms on intellectual property. However, as William H. Cooper and others note in their January 2008 CRS Report, the two countries would make IPR commitments beyond those agreements with provisions that would: require each government to extend national

treatment to IPR holders from the other country; require transparency through the publication of regulations and laws regarding intellectual property rights; facilitate the registration of and protection of trademarks and established limitations on the use of geographical indications; ensure the right of authors, performers, producers of recordings to determine use of copyrighted products; require copyright protection for no less than 70 years; thus, South Korea agrees to extend its copyright protection term, an objective of U.S. copyright holders; protect copyrighted material against piracy and provide penalties for those who abet piracy including the seizure and destruction of pirated and counterfeit products; protect copyrighted performances on the internet; and protect encrypted programming over satellites and cable signals.

In economic terms, the KORUS FTA is important because it opens up substantial new opportunities for bilateral trade and investment in goods and services. It is also controversial, as Jeffrey J. Schott points out in “The Korea-U.S. Free Trade Agreement” (2007), because the reforms it requires will increase competition for Korean and American firms, workers, and farmers and thus will require adjustment of the reforms. During the length of negotiations from the spring of 2006 through autumn of 2007, the KORUS FTA has met fierce resistance in both countries, with labor unions as its loudest opponent. Of course, the KORUS-FTA is not a perfect agreement, but it would generate large economic and political gains for both the U.S. and South Korea. Specifically, as calculated in Congressional Budget Office Economic and Budget Issue Brief of July 31, 2003, it would increase U.S. GDP by \$10.1- 11.9 billion and bilateral trade by \$17.8 billion annually, boost America’s standing in the region, and generate momentum for the cause of global free trade. Therefore, the benefits seem greater than the attendant problems. At a joint press conference with President Lee–Myung Bak on November 19, 2009, President Obama expressed his positive attitude on the KORUS-FTA, stating that it “holds out the promise of serving mutual interests,” and the U.S. and South Korea were “committed to working together to move the agreement forward.”

### **Challenges of the U.S. - Japan FTA**

With the conclusion of negotiations on the KORUS FTA on April 1, 2007 and the formation of FTA’s among other East Asian countries, interest seems to have increased in the possibility of a U.S.-Japan FTA. As Wang Hwi Lee highlights in “Pilling South Korea way from China’s Orbit” (2007), the KORUS FTA intensified strategic competition among Japan, U.S. and China. As William H. Cooper and his staff state in their January 2008 CRS Report for Congress, Japanese business leaders are also concerned about being adversely affected by the preferential terms of trade South Korean exporters would gain under the proposed KORUS FTA. The Wall Street Journal’s Sebastian Moffet reported on July 9, 2007 that, “after the KORUS FTA was signed a METI official said that ‘Japan is worried about this [The KORUS FTA]. We can’t get left behind Korea.’” As Claude Barfield cites in “U.S.-South Korea FTA: A Tipping Point” (2007), Japanese Prime Minister Abe urged Japan to consider forming an FTA with the U.S. The U.S. Ambassador to Japan, J. Thomas Schieffer, stated in a May 4, 2007 speech before the Asia Society, that the United States would welcome an FTA with Japan as long as agricultural trade is a part of it. However, as Hooper et al point out, it

seems that Japan's restrictions on agricultural imports will be a major stumbling block to a U.S.-Japan FTA in the future.

Japan has been the largest market for various U.S. agricultural exports. Access for U.S. agricultural products to Japan's highly protected market is a decades-long issue. As Hooper and his staff mention in their January 2008 CRS Report for Congress, for several years, the most contentious issue pertained to Japanese imports was U.S. beef. In December 2003, because the discovery of the first U.S. case of mad cow disease, Japan imposed a ban on imports of U.S. beef and retained it despite ongoing negotiations and public pressure from Bush Administration officials. The January 2008 CRS Report also details that after a long period time of bilateral negotiations, Japan lifted the ban in December 2005, only to re-impose it in January 2006 after Japanese government inspectors found bone material among the first beef shipments from the United States. On July 27, 2006, Japan announced it would resume imports of U.S. beef from cattle 20 months old or younger. On May 22, the World Organization for Animal Health (OIE) announced that the United States was a "controlled risk" regarding BSE. On May 25, the U.S. Department of Agriculture urged Japan to allow U.S. boned and boneless beef from cattle older than 20 months to enter Japan as a result of the OIE finding. As reported by *the International Trade Reporter*, on May 9, 2007, the Japanese government replied that "it need[ed] to verify the results of audits U.S. meat-packing facilities and obtain findings from the Japanese government Food Safety Commission."

In the case of the KORUS FTA, agriculture is also a big challenge. As Jeffrey J. Schott explains in "The Korea-U.S. Free Trade Agreement" (2007), the KORUS FTA will generate new competition for Korean farmers in some areas; in other areas, the new competition will be with farmers from other countries that export to Korea under existing FTAs (e.g., Chile, the European Union and Australia). Thus there are still a lot of efforts to make before reaching an agreement on a U.S.-Japan FTA.

An article published by *the American Journal of International Law*, "United States and South Korea Sign Major Free Trade Agreement; Prospects Uncertain" (2007), states that with regard to automobiles, the KORUS FTA marks an unprecedented step in eliminating the tariffs and non-tariff barriers that U.S. auto makers have identified as the impediments to their success in Korea's large market. In terms of requirements to change existing policies, the auto provisions of the KORUS FTA are unbalanced. As Jeffrey J. Schott comments in "The Korea-U.S. Free Trade Agreement" (2007), Korea is required to lower its barriers to trade and investment much more than the United States. If U.S. asks Japan for a similar agreement on autos, could Japan accept the similar requirement as the South Korea during the FTA process with the United States?

### **The Possibility of a Free Trade Area of the Asia Pacific (FTAAP)**

In addition to a U.S.-Japan FTA, there are other regional FTA's to consider. Japan was the first to suggest the creation of a Pacific Free Trade Area (PAFTA) in the mid-1960s. The original proposal didn't get sufficient support, however. As Christopher M. Dent outlines in "Full circle? Ideas and Ordeals of Creating a Free Trade Area of the Asia-Pacific" (2007), it helped set off an evolutionary organizational process which led to the establishment of APEC two decades later. In 2004 and 2006, proposals were made at

APEC summits to establish a Free Trade Area of the Asia-Pacific (FTAAP) by the United States. Dent describes the FTAAP proposal as “re-imaging” of an original vision for developing an Asia-Pacific regional economic community. Accordingly, an FTAAP is expected to create a free trade zone that would encircle the Pacific Rim economy and include the region’s large number of bilateral and sub-regional FTA’s into one unified one.

Dent explains that the idea of the FTAAP is attractive because it may lead to greater productivity, lower consumer prices and a greater specialization in industry comparative advantages. Nevertheless, it is also a difficult process, because an FTAAP should subsume all existing Asia-Pacific bilateral and sub-regional FTA’s into a unified framework. Moreover, the Asia-Pacific’s bilateral and regional FTA’s are very heterogeneous and it is not easy to merge them into one agreement. Thus, forming an FTAAP would involve a long and comprehensive negotiation process. However, as Dent emphasizes, agriculture sector protectionism might be a big obstacle in FTAAP negotiations; many sensitive industry sectors will make it difficult to reach an agreement.

Dent outlines that, in addition to the potentially difficult negotiation of a FTAAP, an FTAAP may also create political economic imbalances both to global trade relations and within the Asia-Pacific itself. Countries outside the region may suffer welfare losses from trade diversion effects, which would divert trade with more efficient exporters outside the Asia Pacific Region to less efficient exporters in the region. This could fuel new tensions in the trade relations of Asia-Pacific countries with the European Union, Brazil, India and others. On the other hand, because some Asia-Pacific developing countries have relatively weak exporting capacity, trade imbalances may arise. The situation is exacerbated if developed countries in this region insist on liberalization in certain sectors where developing countries have a comparative advantage. Therefore, as Dent concludes, the FTAAP liberalization may hurt the interest of the region’s developing countries where trade capacities are increasing. Those countries that want to create a FTAAP will have to consider the potentially serious economic imbalances that could arise from it.

Political factors are another key element in the process of an FTAAP formulation. Japan, China, and the United States, the three major powers of APEC, have developed their own distinct approaches to constructing free trade agreements, which have influenced the formation of other countries’ FTA’s. However, because an FTAAP requires a unified framework, so other FTAAP members need to choose one basic model to follow. Thus the question is which model will play a leading role in the region?

As Christopher M. Dent explains in “Full circle? Ideas and Ordeals of Creating a Free Trade Area of the Asia-Pacific” (2007), the United States typically demands wide-ranging, “behind the border” access to its FTA partners’ markets that can include infrastructural sectors (e.g. telecommunications), financial services, media and entertainment sectors, and a range of other areas. For instance, as Dent points out, the United States usually presses its FTA partners to adopt core elements of its own national intellectual property rights (IPR) regime that go well beyond the WTO’s Trade-Related Aspects of Intellectual Property (TRIPS) agreement. Additionally, with no directly designated provisions on economic cooperation or development assistance incorporated

into the FTA text, the U.S. FTA model is also concerned primarily with market access issues.

Japan's approach to FTA's shares some commonality with the U.S. approach. However, as is apparent from reports by METI in 2001 and 2005 on Japan's policy on FTAs and Economic Partnership Agreements (EPA), the ideational foundations of Japan's approach are the establishment of an "economic partnership" with its FTA partner, rather than forging a market access. Hence it prefers the term "economic partnership agreement" rather than "free trade agreement." Dent mentions that China has a preference for incorporating economic and technical cooperation measures in its own "developing country" FTA model. It prefers a relatively simple FTA framework with a narrow policy and regulatory focus, and prefers "cooperation" rather than "rights" when fields of commercial regulation (e.g. intellectual property, investment, finance) are covered. As Dent emphasizes, strong similarities exist between China's FTA model and other developing country FTA's in the Asia-Pacific, such as the ASEAN Free Trade Area and the Pacific Island Countries Trade Agreement.

Thus the resulting regional trade framework that would result is a matter of conjecture because the United States, Japan and China all have a preferred model on FTA formation. Dent explains in "Full circle? Ideas and Ordeals of Creating a Free Trade Area of the Asia-Pacific" (2007) that each of the three countries will try to champion their own policies and FTA model principles in forming the basis of future FTAAP agreement. The United States and Japan will likely push for incorporating measures on IPR, investment rights, competition policy, financial liberalization and other regulatory issues, whereas China as well as most ASEAN countries will oppose it. While both China and Japan will advocate economic cooperation measures in an FTAAP but not urging for market access, however, the United States will most probably resist this. Therefore, political factors may further complicate the FTAAP process.

### Other Choices and Thoughts

Because the prospect of an FTAAP is obscure, and it is the United States that has a particular strategic interest in promoting FTAAP, East Asia countries are looking forward to developing their own regional FTA. It is true that Japan and China have both expressed their preference for an East Asia Free Trade Area (EAFTA) rather than an FTAAP arrangement. As Dent alludes in "Full circle? Ideas and Ordeals of Creating a Free Trade Area of the Asia-Pacific" (2007), Japan and China are able to wield greater strategic influence within an EAFTA agreement than an FTAAP that would include the United States and perhaps U.S.-led. However, military rivalry, diplomatic conflicts and historical issues between the two countries may decrease the possibility of a China-Japan-led EAFTA in the foreseeable future. Moreover, as Wang Hwi Lee notes in "Pulling South Korea Away from China's Orbit"(2007), the two giant economics have pursued America-free FTA's in the form of the ASEAN+3 and the ASEAN+6 respectively; they may keep the current situation to compete with each other.

Of course, no matter what type of FTA is created, the WTO's status will be increasingly challenged by the proliferation of bilateral and regional FTA's. Compared with the WTO, FTA's are certainly much more convenient in several respects. They

promote regional cooperation in global trade while the WTO creates huge tensions among countries in its multilateral negotiations. As Qiao Xinsheng explains in “Handled with Tact, FTAs Can Do What WTO Can’t.”(2008), the FTA negotiations are more flexible than the multilateral ones, because they are often founded upon geopolitical relationships and focused on the substantial interests of each partner without paying much attention to the ideological issues. Therefore, it is easier to reach a consensus.

Take Japan as an example. Since Japanese trade policy increasingly prefers bilateral free trade arrangements with its East Asian trading partners, stronger regional cooperation among East Asian countries is important to Japan in order to boost Japanese trade and investment. Thus, as a Waseda professor Urata Shujiro stated in his July 15, 2003 speech, “Japan’s New Trade Policy: WTO or FTA”, the proliferation of FTA’s should be considered as a complement, not a contradiction to the multilateral framework of the WTO. Similarly, since the early 1990s, East Asian regional economic integration, which is largely market driven, has greatly accelerated. The FTA approach, which can be seen as a “WTO plus” approach, is a trade facilitation measure aimed at increasing labor mobility and stronger economic cooperation. Therefore, as stated Urata Shujiro in his speech, “Japan’s New Trade Policy: WTO or FTA” on July 15, 2003, the economic impact of FTA’s would be significant and dynamic, allowing for market expansion and investment creation.

However, there are also potential negative effects of the FTA proliferation compared to the WTO. FTA’s are discriminatory by definition and sometimes are exceptions from the WTO rules. FTA treats producers of its member countries differently from those outside the agreement while the WTO requires most favorable nation treatment. Generally speaking, the principle of nondiscrimination is applied equally to all the countries within the WTO rules. As Okamoto Jiro highlights in “Conflict of RTA/FTA with the WTO” (2001), though all economies negotiating FTAs assert that they are consistent with the WTO rules and show the concept of “non-discriminatory global free trade is the best way to benefit all”, the forming of FTAs keeps going without much coordination. It is possible that various local agreements on the new issues will emerge depending on the circumstances that each FTA faces, thus it is very difficult to unify varied rules after the formation of FTAs. The proliferation of FTAs would create different tariff rates applied to the same product, depending on from where it is imported. Therefore, as Okamoto concludes, it is possible that uncoordinated FTA proliferation will produce various rules of origin in an economy, and stall the progress in multilateral liberalization under the WTO.

In addition, an FTA may limit products from an FTA member country that are not necessarily the most efficiently produced in the world. As a result, an FTA could decrease the economic welfare of the member countries. There can be cases where allocation of resources would become less efficient in the FTA arrangement compared to one under the WTO. Thus WTO enables improved efficiency with less distortion. Because of the smaller number of parties involved, sometimes FTA negotiations are easier to be carried out, but there are possibilities of high tariffs on specific products. For instance, certain agricultural products often have high tariffs levied on them in some FTA’s. Moreover, as Abe Kenzo points out in “WTO and FTA” (2006), the practical cost of managing the FTAs could become large.

In short, the difficulty to reach an agreement in WTO leads a number of countries to turn towards FTAs for further liberalization in trade. However, since the principle of nondiscrimination is essential in realizing efficient allocation of resources, reaching an agreement in the WTO is still important. Thus the complementary advantages of the WTO and FTA should be incorporated to facilitate a better world economy. Critics have already asserted that an U.S.-Japan FTA between two economic powers could dramatically undermine multilateral efforts in the WTO. As Christopher M. Dent explains in “Full Circle” (2007), the prospective formation of the world’s largest regional FTA, the FTAAP, which covers almost 50 per cent of global trade, could make the WTO critically more redundant. This ultimately is neither in the interests of WTO members nor FTA supporters.

*Yi Yao*



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# THE CHANGING ROLE OF NUCLEAR WEAPONS IN THE U.S.-JAPAN ALLIANCE

## Introduction

The security alliance between the United States and Japan is the anchor of stability in East Asia. The Alliance serves U.S. interests by keeping the peace in a strategic theater, Japanese interests by forming the linchpin of its defense, and the interests of other Asian nations by preventing a power vacuum and an ensuing arms race in the region. One of the most significant elements in this Alliance is the American provision of extended deterrence to Japan. This practice prevents both the beginning of a nuclear arms race in East Asia and the escalation of conventional warfare into a wider regional war. It assures China and South Korea (ROK) that Japan will not acquire its own nuclear force, and therefore limits their incentives to create or supplement their own nuclear stockpiles. In other words, the role of U.S. extended deterrence is the key element in the most important security alliance in Asia and perhaps the second most powerful alliance worldwide after NATO.

Nuclear weapons and the maintenance of nuclear deterrence, however, are uniquely vulnerable to negative public opinion, misunderstanding, and differences in perception among states. The Cold War world of relative clarity is now long gone, and a number of new and more complicated challenges exist for the Alliance in the second decade of the 21<sup>st</sup> century. New security threats exist that are interpreted differently by American and Japanese observers and create a source of debate and friction in the Alliance. A nuclear North Korea (DPRK) in the short-term and a rising China in the long-term both have the potential to divide the Alliance.

Political forces in both countries are also changing the perception of the role of nuclear weapons. In the United States, President Obama's new policy on nuclear weapons and potential changes in this year's Nuclear Posture Review (NPR) may unnerve and encourage politicians on different ends of the political spectrum in Japan. Moreover, the historic elections in August 2009 that ended the decades-long rule of the Liberal Democratic Party (LDP) in Japan will undoubtedly affect every aspect of the Alliance, including the role of nuclear weapons. As the Democratic Party of Japan (DPJ) wrestles with its newfound control of the government, observers must watch carefully to see how its security policy evolves.

This paper will examine the history and prospects for change of the role of nuclear weapons in the Alliance. It will begin with a short overview of nuclear policy through the Cold War and continue with an analysis of modern security threats in East Asia. Finally, it will examine the key political and policy developments of 2009 and consider their future impact on the health and maintenance of the security alliance. This paper argues that many past and future challenges to its solidarity rest in key contradictions between public statements regarding nuclear weapons and their strategic necessity. In both the United States and Japan, the conflict between idealism and a pragmatic security policy threatens to weaken a key pillar of their security alliance.

## **Cold War Policies and their Consequences**

The role of nuclear weapons and nuclear deterrence throughout the Cold War was relatively clear. There was little to no fear of a “decoupling” between Japanese and American security interests, and the credibility of U.S. extended deterrence was never seriously questioned. The threat environment consisted initially of a Communist bloc perceived as a single actor, and later the Soviet Union alone as the U.S. and Japan both normalized relations with China. Any serious outbreak of military conflict involving Japan would have necessarily involved the United States as well, because it would have been seen through the lens of the bipolar system of the time. There was no possible scenario where Japan would be invaded or attacked without the direct targeting of American military assets. Finally, U.S. forces were clearly committed to maintaining Japan as an “unsinkable aircraft carrier” as long as communism remained a global threat. Counter intuitively, the existence of one large and clear threat, that promised immediate escalation, provided more security than the variety of more complex short and long term threats faced by the allies today.

In the same period when possession of a nuclear deterrent became a cornerstone of American defense policy, the situation was quite the opposite in Japan. A number of factors made it clear that the Japanese government would not attempt to obtain its own deterrent and would instead rely solely on the United States for its defense. First, the Yoshida Doctrine ensured that Japan would focus on economic development and resist rearmament, while depending fully on American security guarantees. It redefined power as economic and signaled a sharp break with the militarism of the past. Second, as Llewelyn Hughes explained in her article “Why Japan Will Not Go Nuclear Yet” (2007), the Basic Law on Atomic Energy, enacted in 1955, established that “the research, development, and utilization of atomic energy must be limited to peaceful purposes.” Third, Prime Minister Sato declared the “three nonnuclear principles” in 1967, which determined that Japan would not produce, possess, or permit the introduction of nuclear weapons. This was passed in the Diet as a resolution, however, and not enshrined into law.

On top of these formal and informal political moves, public opinion in Japan was, and still is, strongly against nuclear weapons and the use of nuclear technology for anything other than peaceful goals. Though they have been allies for decades, the United States and Japan share a unique relationship as respectively the only country that has used nuclear weapons in war and the only victim of nuclear attack. Widespread public rejection of nuclear weapons in Japan obviously began as a result of this. However, this sentiment is not only derived from the end of the war. Radioactive fallout from U.S. testing in the South Pacific in 1954 contaminated a Japanese fishing boat, killing one of its crew. Little-known in the West, this event nevertheless left another deep impression on the Japanese public, that anyone anywhere can be harmed by nuclear weapons, as Mataka Kamiya described in his article “Nuclear Japan: Oxymoron or Coming Soon?” (2002). Combined with a general sense of pacifism and antimilitarism derived from memories of the war, both government policy and public opinion ruled out the possibility of Japan becoming a nuclear power.

While the positions of the two allies seemed crystal clear, Japanese policy contained a key contradiction that continues to serve as a source of instability in the

Alliance today. While rejecting nuclear weapons so forcefully, Japan nevertheless relied on the U.S. nuclear umbrella to protect it from nuclear threats from China or the Soviet Union. Japanese leaders were perhaps so ready and able to reject the possibility of developing Japanese nuclear weapons simply because they truly did not need them, and not solely because the idea was abhorrent in principle. Despite the public message, certain Japanese leaders tacitly recognized this reality. In 1957, Prime Minister Kishi testified that there was no intention of acquiring nuclear weapons, but doing so would not be unconstitutional according to Article 9. In addition, a Ministry of Foreign Affairs (MOFA) report from 1969 cited by Richard Samuels in his book *Securing Japan* suggested that Japan should maintain the potential to manufacture a nuclear device, presumably as part of a hedging strategy in case the U.S. nuclear umbrella did not hold.

Evidence also exists of a series of secret agreements made between American and Japanese leaders in the 1960s regarding the introduction of American nuclear weapons into Japanese territory during an emergency. The renegotiated Security Treaty of 1960 introduced the principle of prior consultation into the Alliance, which required the United States to inform Japan of changes or additions made to its military assets in its territory. During the negotiations, however, the United States allegedly informed the Japanese that U.S. naval vessels equipped with or carrying nuclear weapons would make transit or port calls in Japan without prior consultation.

An alleged copy of another agreement, made in 1969, was recently disclosed by the family of former Prime Minister Sato, as described in an article that appeared in *The Japan Times* in December 2009. According to another article in the *Asahi Shimbun* published at the same time, the agreement stipulated that, “in a time of great emergency,” the American government would “require the re-entry of nuclear weapons and transit rights in Okinawa with prior consultation with the Government of Japan.” However, MOFA has long denied the existence of the agreement, despite the statements of former diplomats to the contrary. If genuine, it meant that the Prime Minister was willing to compromise the third of the “nonnuclear principles” described above. According to information provided by Wakaizumi Kei, who was Sato’s personal envoy at the time, no MOFA officials were informed of the agreement. In the content of the letter itself, published in the same *Asahi Shimbun* article from December 2009, the agreement was clearly intended to be confidential between the offices of President Nixon and Prime Minister Sato.

Even during the stability of the Cold War period, the tentative moves by Japanese leaders to leave open the option of building a Japanese deterrent demonstrate the steps they would have taken if confidence in the U.S. nuclear umbrella had been lost. Moreover, the existence of multiple secret agreements with the United States concerning nuclear weapons shows that Japanese leaders felt the need to hide the extent of Japan’s reliance on U.S. forces, at least in this case, and the hollowness of previous resolutions that were made public. This significant gap between the different opinions of Japanese security held by security experts and the public is a recurring theme in the U.S.-Japan Alliance. Throughout the relative stability of the Cold War security environment, this gap did not threaten to destabilize the Alliance. In the face of more complex threats and growing misunderstanding between the allies in the present day, however, this dilemma between idealism and pragmatism must be closely watched by policymakers.

### **Post-Cold War Threats: North Korea**

The most obvious threat to both Japanese and American security is a nuclear North Korea that remains unmoved by both the carrots and sticks of diplomacy. The nature of the Kim regime provides room for confusion and debate between the allies for several reasons. Primarily, it is unclear whether the DPRK leadership is truly rational or irrational. If the latter is true, then American extended deterrence will be ineffective in any case. If Kim Jong Il is a rational actor, however, it will still be unlikely that American nuclear weapons would play a role in any future conflict.

One security expert contacted for this paper outlined two possible scenarios of nuclear use in a conflict with North Korea. The first possibility is limited use by North Korea for purely diplomatic purposes. This could take the form, for example, of further provocations including nuclear testing outside the territory of the DPRK, or even detonation of a nuclear-tipped missile in the atmosphere or in the ocean to the east of Japan. In a desperate situation, it could serve North Korean interests to test the mettle of the Alliance. Another possibility is a total collapse of the regime, in which nuclear weapons are directly used against Japanese territory as a final act of revenge by Korean nationalists falling out of power. In either case, U.S. extended deterrence would be of little use to resolve or prevent North Korean actions.

Even if the United States chose to use force against North Korea, the use of nuclear weapons would arguably be too constrained by the circumstances to be feasible. First, in the case there is no doubt that only a small inner circle of leadership in the DPRK would be responsible for any attacks, and that it would not be in U.S. interests to punish the North Korean people and damage prospects for a unified and prosperous Korean peninsula with a nuclear attack. Second, such an action against a country bordering China could irreparably harm relations with that country. Third, the ROK would not approve of the use of nuclear weapons against their Korean “brothers” in the North and the ensuing radioactive fallout that would surely reach the South as well. Finally, conventional forces using guided missiles and “smart” bombs would be a much more feasible and safer option, given the development of modern technology since the end of the Cold War.

Nevertheless, it is clearly in Japan’s interests that the U.S. nuclear umbrella vis-à-vis North Korea remains in place and intact. According to Hughes (2007), there is evidence that Japanese officials have lobbied hard in the United States to ensure that their allies do not offer any concessions in talks with North Korea “that they judged could ‘punch a hole in the American nuclear umbrella.’” Yabunaka Mitoji, director-general of the Asia-Pacific Bureau in MOFA, urged that the United States never offer assurances that it would refrain from using nuclear weapons in return for concessions. For both historic and practical strategic reasons, Japan clearly feels more threatened by North Korea than the United States does. As Sheila Smith succinctly states in her article “Japan’s Future Strategic Options and the U.S.-Japan Alliance (2003), “Japan could be the first to be attacked, rather than the last to be involved, in a conflict with North Korea.” This is one important instance of newfound friction between the allies; regarding North Korean threats, U.S. and Japanese security interests do not perfectly coincide as they did during the Cold War.

In summary, it seems that the importance of U.S. extended deterrence in East Asia has certainly declined since the Cold War in the short-term. The threat posed by the DPRK may still not give Japan an incentive to acquire its own deterrent, because it would face many of the same difficulties outlined above. At the very least, the threat of future provocations or attacks against Japanese territory has demonstrated that the Alliance cannot protect Japan in every possible situation. However, a significant gap remains between the U.S. and Japanese perception of the North Korean threat and the utility of deterrence in this instance.

### **Post-Cold War Threats: China**

Both the United States and Japan acknowledge that China's rise, in terms of both economic and military strength, is inevitable. Managing this rise is a long-term challenge for the Alliance. Although the Japanese government will not explicitly state that China is a threat, Japanese security experts argue that Japan should hedge against China's military rise nonetheless. The key question is how China will use its newfound power in the future, as its military spending increases in pace with, or even faster than, increases in its GDP. As an example of this threat, some experts interviewed in Tokyo believe that a Chinese naval buildup, intended to establish a true blue-water navy, means that China at the very least wants to share hegemony in Asia with the United States. China's nuclear modernization program poses a particular worry for the Japanese defense establishment, and a Defense Agency white paper from 2003 makes it clear that the objectives of this program should be watched very carefully: "China has been modernizing its nuclear and missile forces as well as its naval and air forces. Careful deliberation should go into determining whether the objective of this modernization exceeds the scope necessary for the defense of China, and future developments in this area merit special attention."

Substantial increases and improvements in China's nuclear deterrent can especially serve to create controversy within the U.S.-Japan Alliance. Although China's nuclear arsenal will grow to match or exceed America's only in the very long term, some short term effects may also be seen. One expert contacted for this paper emphasized the role that a nuclear deterrent plays in the establishment of national prestige. Even if China never perceives a military threat from the Alliance, it would still seek to improve its deterrent because nuclear capabilities are characteristic of a true world power. China's military buildup will only accentuate Japan's relative decline and highlight its total dependence on U.S. extended deterrence. Furthermore, if Sino-Japanese relations declined, America would face the threat of being pulled into a conflict between the two Asian nations, even as the Sino-U.S. relationship grows in importance.

China's economic growth poses further challenges for the Alliance, even in the short term. Trade between China and the two allies is dramatically growing in importance, and will increasingly dwarf the economic relationship between the allies themselves. This mutual dependence on a third party will certainly complicate decision making in the Alliance. For example, the fear of "Japan passing," or in other words the threat that America will increasingly ignore its relationship with Japan in favor of China, may affect Japanese confidence in the credibility of U.S. extended deterrence.

### **Current Political Challenges: The Election of the DPJ**

The election of the Democratic Party of Japan (DPJ) is an enormous change in Japanese political history. After decades of almost-uncontested rule by the Liberal Democratic Party (LDP), the voters demanded serious change from their government. However, the DPJ victory derived more from the electorate's rejection of the atrophied LDP than by a clear mandate for specific new policies. Consequently, the new government may take some time to define its positions on national security. Prime Minister Hatoyama has stated that he plans to develop a more Asia-focused foreign policy, and emphasizes a vague sense of brotherhood and solidarity among Asian nations, but he has also reaffirmed his confidence in the future of the U.S.-Japan Alliance. Neither partner has any incentive to upset the Alliance, but these major domestic events in Japan combined with an increasingly complex security environment threaten to aggravate misunderstandings and disagreements between the two partners. At the end of the day, Prime Minister Hatoyama simply wants to strengthen Japan's bargaining position between the United States and the rest of Asia without dismantling the key components of the Alliance. Moves in this direction, however, could be misinterpreted by the United States and lead to unforeseen and unwanted consequences for Japanese security.

DPJ politicians in the governing coalition include a large number of members who have never held power on a national scale. Many of their pronouncements are vague and undefined, and many changes that they discuss for the Alliance are more symbolic than operational. The DPJ currently rules as the major partner in a coalition that includes the Socialist party, which is very much against sending Japanese troops to aid U.S.-led missions abroad. Furthermore, the DPJ must respond to constituents that do not always view the Alliance in a positive light. Okinawans are key supporters of the DPJ and will make sure that controversies over U.S. bases in Japan will not be easily resolved. The DPJ also ended the Maritime SDF's eight year refueling mission in the Indian Ocean, which supported the American-led war in Afghanistan. This move, along with Hatoyama's rhetoric, may create an atmosphere of distrust within the Alliance.

The DPJ's handling of new revelations about secret agreements on nuclear weapons made by the LDP in the 1960s will be one signal of how it will handle the Alliance. In an ongoing debate, a committee appointed by the DPJ is currently examining the evidence as it comes to light. Although policymakers have long been aware of the agreements, based on information from declassified American documents, the Japanese government has gone to great lengths to prevent their disclosure in the past. An excellent example was described in an article in *The New York Times* from February 2010: "The most sensational instance came in 1972, when a reporter who unearthed evidence of one of the treaties was arrested on charges of obtaining state secrets, reportedly by means of an adulterous affair." The current revelations about the agreements make little practical difference in the politics of the Alliance, since the United States announced in the early 1990s that it was no longer carrying nuclear weapons on most of its warships. However, a public examination of the agreements may open a new debate on the role of the U.S. nuclear umbrella in the Alliance, and lead some to ask if Japan would still allow nuclear weapons on its territory in a crisis today. At a time when the DPJ is struggling to define its own security policy, and controversy over U.S. bases in Japanese territory continues,

this public discussion has the potential to become yet another source of instability in the Alliance.

### **Current Political Challenges: Nuclear Disarmament Policy**

President Obama's speech in Prague in March 2009 marked a clear change in U.S. policy on nuclear weapons. He articulated a long-term goal of eliminating all nuclear weapons in the world, a sentiment quickly and easily matched by the Japanese public. This paper argues, however, that this seemingly harmless policy can in fact damage America's relationship with its allies. In the context of the U.S.-Japan Alliance, these policies present specific difficulties as they aggravate the contradictions inherent in Japanese security policy.

The President's goal is admittedly idealistic and extremely unlikely to be accomplished anytime soon. He even stated in his speech that it may not be met even in his lifetime, let alone during his presidency. When the difficulty of persuading isolated rogue states such as Iran and North Korea to abandon their nuclear programs is so formidable, greater powers such as Russia and China would be considerably more recalcitrant.

The consequences of the speech therefore rest in the margins of nuclear strategy. Arms reduction treaties, when they do not seriously affect nuclear strategy, should be pursued; however, any further implementation of the President's speech could unnerve America's allies, including Japan, and encourage its potential opponents. The goals of the Prague speech could influence the upcoming Nuclear Posture Review in a way that leads U.S. allies to rethink the usefulness of its nuclear umbrella. Changes in U.S. nuclear strategy would harm perceptions of and confidence in the U.S. commitment to extended deterrence, especially in East Asia, while making little progress towards the goal of nuclear zero.

Extended nuclear deterrence is the most important part of an American defense policy that constrains war around the world. Especially because the United States must face increasing fiscal and political constraints to maintaining bases abroad, and a decreasing willingness of its partners to shoulder the burdens of these bases, the nuclear component of its policies will only increase in value. The current dispute over U.S. bases in Okinawa between the Obama administration and the new DPJ government highlights this fact. Moreover, the value of nuclear deterrence is intimately tied to other nations' perceptions of its solidity and the willingness of the United States to use its weapons in a crisis. These perceptions prevent potential opponents from threatening U.S. or allied assets, and therefore prevent the use of nuclear weapons in the first place. This series of cause and effect could be disrupted by policy decisions that do not fully take into account the consequences of weakening these patterns.

Any serious efforts to reduce the role of nuclear weapons in U.S. strategy could have harmful and perhaps counterintuitive consequences, especially for Japanese perceptions of the security environment in Asia. It could encourage a revisionist China as it seeks to match U.S. capabilities in the region. The Kim Jong-Il regime in North Korea is unlikely to accept American leadership and disarm according to its example. Finally,

Japan is the linchpin in the security architecture of East Asia. If the Japanese lost confidence in the American nuclear umbrella, while already afraid of being overshadowed by the U.S.-China relationship, it would affect their support of U.S. bases in their territory and plans for the future of their own military. In an extreme case, Japan could even seek to build its own deterrent, and destabilize the entire region.

Historically, Japanese security experts have worried about reductions in the U.S. nuclear stockpile. Any potential changes to the stability of extended deterrence may pose trouble for the Alliance. One expert contacted for this paper explained that Japanese may wonder why the United States wants to reduce its arsenal and the role of nuclear weapons in its strategy while China is rising at the same time. Indeed, U.S. reductions may even encourage China, as it will help to close the gap between Chinese and U.S. capabilities. Furthermore, the abandonment of “no first use” policies in U.S. nuclear doctrine may worry the Japanese even more. When Japan could never face down a Chinese threat with conventional means, and may confront an unstable North Korea that cannot be safely deterred, it will not serve Japanese interests for its ally to limit its options unnecessarily.

Recent evidence provided by the Japanese media has confirmed the problems posed by U.S. disarmament policies for Japanese security. An article from November 2009 in the *Asahi Shimbun* provides evidence for the discomfort caused by U.S. policy and summarizes the contradictions described in this paper quite succinctly:

It has become clear that Japanese government officials under the Liberal Democratic Party and New Komeito administration expressed concern from last year through this year to a U.S. congressional panel that trust in the so-called nuclear umbrella, a guarantee by the United States to retaliate with nuclear weapons in the event Japan comes under a nuclear attack, might decrease due to nuclear disarmament. This means Japan, which is calling for the elimination of nuclear weapons as the only atomic-bombed country, was asking the United States to maintain its nuclear capability at the same time.

While the DPJ government is perhaps less likely to highlight its dependency on extended deterrence than its predecessors, its leaders will face the same dilemma going forward.

### Conclusions: A Way Forward?

Japan’s security strategy rests on two pillars which inherently contradict each other. On the one hand, a public commitment to nonproliferation and the elimination of nuclear weapons from the world reflects Japanese history and public opinion. On the other, however, Japanese politicians and security experts realize that Japan, for the foreseeable future, will depend on U.S. extended deterrence to protect it from potential threats from other nuclear powers. Barring some miracle of international diplomacy, this will remain so for the future. In an era when nuclear threats are more complicated and the foundations of the U.S.-Japan Alliance must be reevaluated, this contradiction in Japanese security policy will contribute confusion and misunderstanding to this process.

Significant political events of 2009 including the Prague speech and the election of the DPJ, as well as the continuing rise of China, have contributed greatly to this paper.



Reliance on current events is also a weakness, however, and readers should keep in mind a number of developments in 2010 that will be very pertinent to its arguments. The most recent U.S. Nuclear Posture Review, due to be released in March, will be an early sign of the administration's seriousness in diminishing the role of nuclear weapons in its national strategy. If a "no first use" policy is adopted, Japanese concerns about the reliability of U.S. extended deterrence should increase. The evolution of the Alliance as a whole will largely depend on how the DPJ handles upcoming controversies, including the dispute over the relocation of U.S. forces to Futenma and more revelations about the nuclear "secret agreement" made between the two nations during the Cold War.

In the future, politicians on both sides of the Pacific Ocean should stress pragmatism over idealism in their security policies. The United States should also adjust its policies to match Japan's perception of its threat environment, and realize that it does not always coincide with American interests completely. Unlike during the Cold War, both alliance partners must now take a much more active role in negotiating common positions on emerging threats, especially when nuclear deterrence may play a significant role. Otherwise, a pillar of the Alliance may eventually crumble, with unknowable consequences for the future of Japan and East Asia.

*Alan Burns*

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# **JAPANESE-AMERICANS: INFLUENCE ON THE FUTURE OF U.S.-JAPANESE RELATIONS**

## **Introduction**

American citizens of Japanese heritage are unique among other Asian groups that have immigrated to the United States. They are, on average, older, less connected to their roots, and more likely to intermarry or be of mixed heritage than other Asian American groups. The experiences of Japanese Americans since first immigrating to the United States have shaped the way their community interacts with the American political system and their potential impact on the U.S.-Japan Alliance. For the majority of their time in America, Japanese Americans have been seen as a type of threat to the United States. This has caused Japanese Americans to feel a sense of shame that prevents them from speaking out on most issues. With the stabilization of U.S.-Japan relations, this dynamic is changing, as the youngest generations rebuild connections and are no longer afraid to make their mark on America.

## **The First Immigrants: Connected to Japan**

The first wave of Japanese immigrants to the United States began after the Chinese Exclusion Act of 1882. The act placed a hold on all immigration from China as response to anti-Chinese sentiment and created a shortage of labor. Over the next few decades this shortage of labor was partly filled by Japanese immigrants. The demand on the American side was met with a supply and willingness by the Meiji government in Japan to allow its citizens to immigrate to the U.S. According to Professor Azuma Eiichiro in “Between Two Empires: Race, History, and Transnationalism in Japanese America” (2005), Meiji leaders defined emigration as a patriotic duty in support of Japan’s expansionist cause, whether commercial, political, or territorial. The desire to find trading partners for goods and ideas, to catch up with western expansionism, and the drive to find personal success resulted in the lifting of the Japanese ban on labor migration in 1885.

In the beginning, the Japanese government tried to keep close ties to those that left for the United States even as it was trying to foster a sense of nationalism at home. Though the Meiji government itself sent Japanese workers to the U.S. on short-term contracts, by 1894, Japanese export-importers had already begun to expand into the labor contract business in the U.S. Both the government and private contractors were reaching out to the poorer Japanese who could fill the U.S. labor gap and bringing them to the United States for mainly agricultural work. This all-Japanese run system created a sense of community and enforced closer ties to the homeland than would have been the case without government support for the “peaceful expansionism” of the first generation, the *Issei*, of Japanese immigrants. In fact, according to Azuma, by 1889 previously poor rural laborers were returning to Japan, building better lives and even beginning new enterprises in their own communities.

Another result of the relative wealth gained in America was the ability of those whose labor contracts ran out to make another trip to the U.S. No longer tied to short-term contracts, Japanese workers were able to find their own jobs, increasingly choosing the continental United States over Hawaii and staying as long as they liked. Although better for each individual worker, this new system began the process of disconnection between Japanese in America and their government back at home. The influx of Japanese people into the U.S. caused the same anti-Asian sentiment that led to the Chinese Exclusion Act, harming overall U.S.-Japan relations. New laws and agreements to address the problem were soon enacted and the 1907 Gentleman's Agreement was the first restriction put into place. The law stopped the introduction of new Japanese laborers into the United States but still allowed those already in America to bring in their families or new wives. This led to the practice of families of Japanese laborers in the U.S. arranging "picture brides" to be sent to live in America. According to Yu-Jin Jeong and Hyun-Kyung You in their article "Different Historical Trajectories and Family Diversity Among Chinese, Japanese, and Koreans in the United States" in the *Journal of Family History* (2008), by 1920 about 14,000 additional Japanese nationals immigrated to the U.S., despite the restriction, through this practice.

It was with the onset of the anti-Japanese reaction by American citizens that the California-based Japanese-American community began to take root. The Japanese Deliberative Council, led by elite immigrants, attempted to address issues created by low wage laborers in the American West. According to E. M. Boddy's "Japanese in America" (1921), the association attempted to "disseminat[e] information as to American customs" and "assist[ed] the incoming Japanese to place themselves" in the United States. When laws limiting the freedom of Japanese immigrants in America began to be passed, the Council, under pressure by their lower-class members, reached out to the Japanese government for assistance. Azuma, in "Between Two Empires" (2005), highlights that after its initial failure, the Council soon fell apart and was replaced by the Japanese Association of America in 1909.

The new organization was more of a representation of the Japanese Government as it attempted to impose morals and control the behavior of the immigrants to ease U.S.-Japan relations, not to address the specific needs of its membership. The Japanese Association of America simultaneously attempted to keep Japanese citizens in the U.S. connected to events in Japan, assimilate immigrants into American culture, and produce English-language pro-Japanese propaganda for dissemination in the media. The Association worked closely with organizations in Japan, such as the Japan Emigration Society, meant to prepare immigrants for America before they even left Japan.

The elitist nature of the Japanese Association of America made the organization unable to impose much change on the majority of the low-class Japanese laborers. Azuma points out that many ordinary workers turned instead to community gangster leaders that provided "social services [...] loans [...] meals for the poor and elderly, and the enforcement of unwritten law and order." By 1926, the Japanese Association of America was on the verge of collapse. For Japanese in America this marked a clear break from the Japanese government and the beginning of their own disconnected society in the U.S.

### Exclusion

Although the Japanese government's hold on the Japanese American community began to loosen, the passage of The Japanese Exclusion Act, as it was called in the Japanese press, was a rallying point for everyone of Japanese heritage on both sides of the Pacific. Actually titled The Immigration Act of 1924, The Japanese Exclusion Act stipulated "the absolute exclusion of the aliens ineligible to citizenship" and, in effect, completely halted immigration to the United States from Japan. The bill was drafted in response to increased anti-Asian sentiment by labor organizations and fears of an economically rising Japan. Ironically, as detailed in Masayo Duus's "The Japanese Conspiracy: The Oahu Sugar Strike of 1920" (1999), ideas that the Japanese in the United States were dangerous because they had a "great pride of race" that made them unable to assimilate and charges that the Japanese were coming to America for the "purpose of colonizing" were reflective of the original goals of the Japanese government when it first allowed emigration out of Japan. A proposed amendment, ultimately voted down but nonetheless harmful to U.S.-Japan relations, which would have barred citizenship to the children of Asian immigrants already in the United States, reflected these suspicions.

The Japanese government, citizens in Japan, and Japanese Americans vehemently protested the passage of the Act. While most Japanese people in the United States could not vote and therefore did not have many means to voice their opposition, the Ambassador of Japan, Hanihara Masanao, spoke out against the bill. In a letter commented upon by Duus, Hanihara pointed out to Congress that barring all immigration from Japan would be to "single out Japan as a nation, stigmatizing them as unworthy" and doing so would result in "grave consequences" for the future of U.S.-Japan relations. Hanihara's protest, made on behalf of the Japanese government – not of the Japanese laborers in the United States – backfired as members of Congress took his words as a threat and passed the bill with overwhelming majorities.

Reaction to the new law by the Japanese community in the United States was subdued, with very few protests, even though some newer immigrants were no longer able to have their families join them in America. Reactions in Japan itself were completely opposite from the calm and dejected acceptance of the Japanese community in U.S. Nationalistic protests and calls for war were more common in Japan than in America as those in Japan felt insulted by the restrictions placed upon their country. An April 1924 article titled "The Senate's Declaration of War" in *the Japan Times and Mail* newspaper, described the Act as the "most humiliating one to the Japanese race" that would "hurt and rankle for generations and generations."

In "The Japanese Conspiracy: The Oahu Sugar Strike of 1920" (1999), Duus draws attention to the Japanese American leaders who feared the effects that protests in Japan would have on U.S.-Japan relations and their overseas community in the U.S. They feared that anti-American attitudes in Japan would lead to a spiral in which boycotts and other actions would hurt American businesses, lead to increased anti-Japanese sentiments in the U.S. and result in more discrimination against the Japanese American community.

This fear by Japanese American leaders proved to be justified as backlash against Japan began to harm Japanese Americans in the U.S. Instances of violence against

Japanese people, communities and businesses, especially in California, began to increase as ultra-nationalistic rhetoric in Japan began to have negative effects upon U.S.-Japan relations. Tensions did not ease until after the Japanese defeat at the end of World War II.

### World War II and the Internment of Japanese Americans

The effects of the War on Japanese American's came to a head directly after the attack on Pearl Harbor on December 7<sup>th</sup>, 1941. The repercussions upon the population due to discrimination, internment and the eventual acknowledgment of wrongdoing by the United States government had irreversible effects on how the Japanese American community related to Japan, each other, and the political system they belonged to as American citizens.

As detailed by Duus in "The Japanese Conspiracy: The Oahu Sugar Strike of 1920" (1999), when President Roosevelt visited the islands in 1933, the year Japan left the League of Nations, Japanese Americans in Hawaii tried to demonstrate their loyalty to the United States by flying American flags and greeting him with the highest of honors. Despite their efforts, perceptions of the Japanese American community continued to decline, spurred on by nationalistic displays of support by Japanese immigrants as the Japanese escalated their war in Asia.

As news of Japanese aggression began to reach immigrants in the United States they began to collect money and "comfort bags" to send to Japanese troops who were fighting abroad. The fact that many Japanese people in America were still Japanese citizens led to a sense of obligation to support and help their nation of birth in its time of need. The outbreak of full war between China and Japan in 1937 only increased efforts to provide as many donations as possible by the *Issei* in America. Japanese nationalism in America became almost compulsory as social status became linked to patriotic efforts, even if each individual did not necessarily agree with the actions of the Japanese military. Azuma writes in "Between Two Empires" (2005) that true Japanese Americans, those who were born in the United States, who often "wished to have nothing to do with" the wars Japan was fighting were similarly pressured into giving support by the competitive community atmosphere.

Azuma further details how these efforts, along with efforts to counter Chinese propaganda with that of their own, were supported by the Japanese government through its consulates in America. After a lull in official ties to community organizations, the Japanese government again began to use the Japanese American population as a proxy to spread their version of events in Asia to the greater American public. The Japanese in America, spurred by community politics, increased their political presence and became spokespeople for their homeland and national heritage. While their motivations were different – the Japanese government wanted to prevent economic sanctions on Japan and the Japanese in America wanted to prevent increased discrimination – both the Japanese government and the Japanese people in America stood to benefit from better U.S.-Japan relations.

These efforts to use Japanese Americans as a public relations apparatus did not escape the notice of the American government. Instead of easing tension, as the efforts

were meant to do, the connection that many Japanese in America had with their homeland spurred distrust of the community as a whole. As relations soured and the U.S. government began to show aggression against the Japanese military, many Japanese immigrants began to scale back their efforts to raise donations and serve as community ambassadors for Japanese propaganda. They recognized that their efforts to support Japan – actions they had undertaken mainly to alleviate discrimination against their community – would be counterproductive in the new war-like atmosphere.

Cutting all ties with the Japanese government, the Japanese in America shifted their efforts from supporting their traditional homeland to supporting their new home country. Although the immigrants tried to show absolute loyalty, their actions came too late for the American government in the wake of Pearl Harbor. For many in the United States, the Japanese attack served as the ultimate proof of disloyalty that could be traced back through years of support by Japanese living in America to the larger Japanese war effort. The prevalent feeling that the country needed to act to protect against dangerous elements at home led to hastily accepted acts of discrimination after the United States entered into the war.

On the day after the attack, the Hawaiian population of Japanese Americans was drastically changed. Duus provides details about the manner in which many community leaders were arrested under suspicion of being loyal only to Japan. All Japanese language schools, temples and shrines were closed and some of their teachers and priests were eventually sent to Japanese internment camps. The community Japanese language schools in Hawaii were never re-opened, exacerbating the disconnection that many later generations of Japanese Americans have felt from their own Japanese heritage.

Executive Order 9066, signed by President Roosevelt on February 19, 1942, made it legal to detain people in the name of national security. According to Duus, this new law led directly to the relocation of 120,000 people of Japanese descent to internment camps, forcing them to leave their belongings, homes and livelihoods behind. 77,000 of the relocated were already U.S. citizens, and most were of the second *Nisei* generation, whose parents had come to America during the first wave of Japanese immigrants. Although living in a strategically more important part of the country, very few Japanese in Hawaii were moved to the camps and they were filled almost exclusively by those living in the western states. Many people entering the internment camps were asked to renounce their Japanese heritage and those who were not already U.S. citizens were suddenly thrust into a position of statelessness.

To deal with this sense of statelessness, many younger Japanese Americans attempted to prove their “Americanism” during the war. Although labeled “enemy aliens” and therefore not able to be drafted, many second generation Japanese Americans both from within the internment camps and from Hawaii volunteered to enter the military on behalf of the United States. Roy Brooks estimates in “When Sorry Isn't Enough: The Controversy Over Apologies and Reparations for Human Injustice” (1999) that the total number of Japanese Americans who volunteered to serve in the military during World War II was around 33,000.

The most famous of these attempts by Japanese Americans to prove their loyalty was the formation of the 442 Regimental Combat Team. This unit ultimately became the

most highly decorated regiment in United States history, and members, totaling 8000, included future Senator Daniel Inouye. Though not allowed to serve in the Pacific, the regiment was sent to Europe and received 21 Metals of Honor for their efforts and bravery there. Another, similar group of wartime Japanese servicemen, discussed by Brooks, served as linguists, utilizing the Japanese they learned from their parents and the English they obtained from growing up entirely in America. They served as translators in the Military Intelligence Service (MIS), and were credited with shortening the war by an estimated two years. Translations of battle plans, maps, orders and messages proved invaluable to the American military in the Pacific.

The publication of stories of heroism by veterans, their families and historians eventually shifted American perceptions of Japanese Americans away from one of disloyalty during the war. This changed perception helped lead to the passage of the Immigration and Naturalization Act of 1952, which finally gave the Japanese, and other Asians in the United States, the right to become naturalized citizens. Brooks points out that even decades later, the eventual support by veterans groups remembering the exceptional service of the Japanese Americans in the United States military was one of the keys to the passing of the redress bill that provided compensation to those who had been placed in internment camps.

Duus mentions that another postwar result of the service of these veterans was the furthered education and rising social and economic status of Japanese American families who were able to take advantage of the GI bill and go to college after returning from the war. Unfortunately, these gains were offset by the loss of assets that many Japanese Americans who were moved to internment camps were forced to suffer. Irene Hirano recalls, during a personal interview conducted on December 14, 2009, that upon returning home to nothing, the population as a whole lagged financially behind other groups of similar education levels. In light of these economic setbacks, it is remarkable that Japanese Americans now have a per capita income, as recorded in the U.S. Census Bureau's report titled "We the People: Asians in the United States" (2004), of over \$70,000, an amount tied with Indian Americans as the highest among Asian Americans.

### Effects of the War and the Redress Movement

Mrs. Hirano also provided comments about the profound effects World War II had on Japanese Americans. After the experience of being sent to relocation camps, where they were stripped of privacy, made to live like criminals and denied their rights under the law, many *Nisei* felt a sense of shame and had the strong desire to fully assimilate into American culture. They no longer wanted to be seen as either the "other" or as an enemy of America. Due to this shift of mindset, connections to Japan that were in place before the war collapsed and were not reestablished at war's end.

The legacy of the Japanese American World War II experience continued to affect the children of interned parents. Tsuchida Kumiko, discussed in "Collective Memory in the Japanese American Redress Movement" (2008), how, at first, many parents who had been moved into the camps did not wish to share their stories with their children. They felt ashamed of their heritage and did not want their children to feel the same. Instead, they wanted to have their children grow up as normal Americans without having to

experience the same pain they had when they had been defined as the “other”. They wanted their children to have opportunities they did not have.

Takezawa Tasuko’s “Children of Inmates: The Effects of the Redress Movement Among Third Generation Japanese Americans” (1991), demonstrated that as younger Japanese American children began to learn of their own history (and for many this did not occur until early adulthood), they began to feel a sense of guilt for their parents’ suffering. They had not previously realized what their parents had gone through, what they had given up, and how difficult it must have been for them to rebuild their lives after the war. The next generation felt ashamed that they took advantage of their parents’ sacrifice without sharing in the pain.

Although most internees never intended to bring their World War II experiences back into the public sphere, their children took it upon themselves to find redress for their parents. The Asian American Movement begun in the 1960s was a movement to fight against discrimination. Although not specific to Japanese Americans, this movement led to a renewed interest by the younger generation in Japan and in their own ethnicity. The knowledge of political activism that many Japanese Americans learned while working in the Asian American Movement carried over to help build up a strong and successful redress movement.

The redress movement of the 1970s and 1980s was the height of Japanese-American political activism. Tsuchida describes how Japanese American organizations, in particular the Japanese American Citizens League, actively tried to motivate their members to be involved. Before introducing legislation, a congressional study, the Commission on Wartime Relocation and Internment of Civilians, was undertaken for the purpose of making former internees more comfortable with their past and allow younger generations to learn about, and take ownership of, their own heritage. This acceptance of what had occurred during the war by not only the Japanese American community but also by the American public as a whole, brought all generations together into one committed political voice.

Also key to the movement’s success were coalitions built with other, non-Japanese, lobbying and social organizations, including civil rights groups, churches and labor unions, used to pushing their agenda in Washington DC. Brooks details the way that together, these organizations framed the debate in such a way as to avoid accusations of racial or affirmative action motivations. Instead, they based their claims upon equal opportunity, claiming that redress was not only a Japanese American issue, but an issue all Americans should care about based on constitutionality. The four Japanese American members of Congress served as vital points of inside support and managed to get record numbers of co-sponsors for the bill and ensure the passage of the final law in 1988.

The Redress Movement resulted in the 1988 Civil Liberties Act, which gave \$20,000 in reparations to each surviving Japanese internee of World War II. For most Japanese Americans the victory was not meaningful because of the monetary compensation, but for the broader recognition that they had been wronged by a government they had always remained loyal to. Although the population of Japanese Americans was still small compared to the United States as a whole, and therefore had very little representation in all but a few states, movement leaders managed to make their



voices heard to enact large scale political change. With their success, the potential to be further involved in issues important to the community was large, but leaders were unable to keep up the connections they had made with other lobbying groups and the political voice of the Japanese American community quickly declined.

### **The Decline of the Japanese American Political Voice**

Unlike the other Asian American groups, which are a younger and less well established, Japanese Americans are more assimilated into American culture. After World War II many Japanese Americans tried to distance themselves from Japan and its policies and subsequent generations have become less and less connected to their heritage. Tsuchida claims that the redress movement itself was never about setting Japanese Americans apart from society. Instead, it sought to permit the community to let go of its shame and sense of otherness to allow it to fully embrace their American citizenship. Taken in this light, the movement was not an anomaly in the history of the Japanese American political voice, but rather a strong push to alleviate those memories that were holding the society back from fully assimilating into the United States. Comparable to any other interest group that reaches complete success and then fades away, it is not surprising that once Japanese Americans won a sense of absolute citizenship their larger political voice was greatly diminished.

After the redress movement found success, the level of outright political involvement within the Japanese American community declined and has never recovered. There are no issues relevant to the entire Japanese American community to draw the group together as there are for other groups of Asian Americans. American officials familiar with Japanese cultural affairs pointed out in an interview conducted November 25, 2009, that Korean Americans are much more active than their Japanese counterparts because there are ongoing issues in U.S.-Korea relations that affect them. For example, Korean Americans were very active in pressing for the inclusion of South Korea into the U.S. visa waiver program so their families in Korea could more easily visit. Due in part to their activism, South Korea was granted inclusion in the program in 2008. In another example, Korean Americans were able to get Representative Mike Honda, a Japanese American, to introduce a bill in 2007 recognizing Japan's mistreatment of Korean 'Comfort Women' during World War II.

Another sector of political involvement where Japanese Americans lag behind their counterparts is in direct issues involving relations between their country of ancestry and the United States. Korean Americans, in an example detailed in KBS Global's article titled "Ethnic Korean Group Blasts Slander of U.S. Beef" (2008), have come out against the South Korean ban and protests against U.S. beef imports. Because these protests adversely affect the American opinion of Korea, it has the possibility of increasing discrimination and decreasing the likelihood of progress on other bilateral issues, such as the long stagnant U.S.-South Korean free-trade agreement. Japanese Americans have also been active in the past to work against friction between the U.S. and Japan. Mrs. Hirano, during her interview, cites the Ehime Maru incident of 2001, where a U.S. submarine sunk a Japanese fishing ship and caused the deaths of high school students, as an instance where Japanese Americans came together to mitigate damages to the U.S.-Japan alliance

and to their own community. However, the more recent silence by Japanese Americans about issues harming the U.S.-Japan relationship is deafening in comparison to the activism by other Asian American communities.

The demographics of the Japanese American population, as outlined in the Census Bureau's "We the People" (2007) report, also plays a role in their decreased political voice in America. In the last census there were over 10 million Asian Americans, but only 800,000 (7.8%) of those claim themselves to be at least partly Japanese. In contrast, a large proportion of the Asian American group, 2.4 million (23.8%), claim Chinese heritage. One reason for the smaller number is the decreasing rate at which new immigrants from Japan are coming to live in the United States. This is evidenced by Japanese Americans having a lower percentage of foreign born people than the average for all Asian Americans – 40% for Japanese Americans and 69% for Asian Americans overall. As a result, Japanese Americans are also the oldest group compared to other Asian Americans with an average age of 43 – only 16% are under 18, while over 20% are over 65 – a full ten years older than their counterparts.

Other demographic changes reflect the greater integration of ethnic Japanese into the broader American society. According to the 2000 Census, among Asian Americans the Japanese are most likely to marry outside their ethnicity with 51% entering into interracial marriages. Just as with future generations of European immigrants, their children are less connected to their Japanese heritage and to the Japanese American community as a whole. Many reasons have been cited for the above shifts in demographics, including Japan's relatively strong and mature economy, a declining population, and policies that make it hard for those going aboard to return. All of these factors serve to discourage people from emigrating abroad.

One organization trying to address the relatively low involvement of Japanese Americans is the U.S.-Japan Council. Opened in Washington, DC in 2009 by Senator Inouye's wife, Irene Hirano, the council runs multiple programs with the intent to encourage Japanese Americans to be more active and to create opportunities for younger generations to become involved. To accomplish this goal the U.S.-Japan Council works with existing Japanese American organizations, consulates, Japanese American newspapers, and through individual connections between people. It also strives to make sure that the history of Japanese Americans is preserved for future generations by ensuring it is included in textbooks and through the preservation of internment campsites.

Every year, with funds from the Japanese Ministry of Foreign Affairs and the U.S. based Japan Foundation, the Council takes groups of young Japanese American leaders across all sectors to Japan to build connections and learn about their heritage. This trip also builds networks in the United States so that Japanese Americans can be mobilized quickly to respond to any situation that may arise. The U.S.-Japan Council not only builds connections from the United States to Japan, but also tries to build connections from Japan to the United States. One current project is working with the Japanese NHK to develop a new television drama intended to help Japanese citizens in Japan accurately understand the lives and history of Japanese Americans in the United States. It is these connections that can influence the direction of U.S.-Japan relations.

## **The Future of Japanese American Involvement and the U.S.-Japan Alliance**

In some ways the decline of a distinct Japanese American voice in the United States' political system is a parallel to the problems inherent in the broader U.S.-Japan Alliance. The Japanese American's lack of a central rallying point after their success in obtaining redress for their time spent in internment camps can be compared to the fear that the end of the Cold War would remove the underlying reason of existence for the U.S.-Japan Alliance. This argument does make sense – both the Japanese American political voice and the U.S.-Japanese Alliance are suffering from a lack of reason to be actively motivated – but there are a number of reasons to be optimistic about the direction of political involvement by Japanese Americans just as a changing U.S.-Japan alliance, if managed carefully, will not necessarily lead to a souring of relations.

Because other Asian groups have had more accomplishments in getting particular single-issue concerns addressed, Japanese Americans seem to be less politically successful in comparison. There is, however, evidence that suggests that this common criticism is somewhat lacking in substantiation. According to the National Asian American Survey's report "Asian Americans and the 2008 Election" (2008), Japanese Americans have the highest percentage of registered voters among Asian American citizens and, of those registered, have the highest percentage of people who actually vote in elections. Furthermore, Paul Ong found in "The State of Asian America: Trajectory of Civic and Political Engagement" (2008), that Japanese Americans are more likely to sign a political petition, attend political gatherings, or donate to a campaign than any other Asian American group. Although in absolute terms Japanese Americans seem to have less of a voice than some of the other Asian groups, as a percentage Japanese Americans have influence larger than their numbers would suggest. Due to their deep integration and high levels of education, Japanese Americans are in fact very politically engaged on issues of interest to many Americans even as they are not as engaged on problems specific to U.S.-Japan relations.

Instead of being overtaken by the number of new immigrants from other Asian nations, Japanese Americans, and the organizations that represent them, have realized the benefits of acting together on issues that concern all Asians in the United States. The most famous case occurred in 1982 when Vincent Chin, a Chinese man, was killed as he was mistaken for Japanese as United States and Japan were beginning to experience heated trade disputes. Ong described how, after the death, the Asian American community realized something needed to be done, came together and began pressuring the public and government to be more responsive to anti-Asian hate crimes. Ong also cited another example in 1998, in which the Chinese and Japanese communities came together to protest against plans to remove Asian languages on business signs in California.

Additionally, although not always robust, there are signs that the separate Japanese American political voice is alive and, when motivated, can quickly become a force pushing the direction of American foreign policy. The Japanese American reaction to the treatment of Arab Americans in wake of the September 11<sup>th</sup>, 2001 terrorist attacks was quick, united and is, even almost a decade later, ongoing. An article titled "Recalling

Internment and Saying "Never Again" published in the New York Times by Evelyn Nieves only two weeks after the attacks highlighted the initial reaction of many Japanese Americans as they recalled their history of discrimination and internment; "It made us want to speak out and say, 'Never again.'"

In the time between 2001 and today the Japanese American community has stood in solidarity with their Arab American counterparts, adding their voices to the cry for tolerance and non-discrimination against the innocent. Japanese Americans have succeeded in getting Representative Honda to lead an effort to get the National Football League to read a statement, on-air and that targeted millions of viewers, denouncing violence against Arab Americans. Numerous newspapers over the years, like the Associated Press and New York Transfer News in 2002, the New York Times in 2004, and Watan Newspaper in 2009, have outlined occasions of Japanese American political activism on behalf of Arab Americans. Examples included invitations to Arab American leaders to take part in Japanese American days of remembrance and veteran memorial services, outcry against congressmen who have suggested the internment of Arab Americans, joint civil rights committee hearings, and offers of assistance to Arab legal associations. Japanese Americans were able to see the connection they shared with today's Arab Americans, recognized their voice and assistance was needed, and quickly step forward as a community to prevent the repetition of a historical mistake.

### Conclusion

There is no doubt that the Japanese American voice is changing, but it is unclear exactly in what way. Irene Hirano does not believe that it is shrinking and neither do certain American officials familiar with Japan. Both point to an increase in youth groups, sports teams and general interest in Japan as evidence that the next generation is more motivated to be involved in their heritage and identity politics.

The increase of interest by younger Japanese Americans can be connected to a change in the way Japan is perceived in the United States. For almost the entirety of the history of people of Japanese ancestry in America, Japan was seen as a kind of threat to the United States. The historic friction between Japan and the United States prevented Japanese Americans from proudly embracing their heritage and caused them to hesitate in speaking out on most U.S.-Japan issues. Now that Japan is a key ally of the United States which poses little military or economic threat, younger generations are free to be interested in their cultural homeland without fear of racial backlash. With the increase in the popularity of Japanese culture across youths of all ethnic backgrounds, the newest generations of Japanese Americans are exhibiting increased signs of curiosity. Mrs. Hirano pointed out that although Japanese American parents and grandparents did not feel comfortable displaying similar interest, they are actively encouraging their children to do what they did not. For example, in the past, despite the prominence of a few key politicians, Japanese Americans have been reluctant to run for office, but those of the younger generation, supported by groups such as the Asian American Action Fund, are increasingly likely to run at all levels of government.

This is not to say that there are no hurdles that must be overcome if the Japanese American political voice is to be significantly strengthened in U.S.-Japan relations, the

most fundamental of which is the learning of the Japanese language. Since many older generations have never mastered the language it is even more difficult for their children to complete the task. One interviewee mentioned on January 4, 2001, that not knowing the language can create problems when Japanese Americans travel back to Japan because their outward appearance causes Japanese citizens to expect them to be fluent.

Additionally, Christian Tsuji – a young Japanese American who has moved back to Japan to work at the Council of Legal Authorities for International Relations (CLAIR) – pointed out in an interview conducted on November 24, 2009, that even though many of his peers have made it a point to travel back to Japan, most only stay for a short time due to a lack of language skills. Evidence of this problem can be seen by the relatively higher number of Japanese Americans who quit the Japanese Exchange and Teaching Program (JET) because they feel uneasy not fitting into a society who expects them to be able to comfortably conform to social norms.

Despite the hurdles, Japanese Americans do have a robust and increasingly motivated community – just one with a different approach to politics than other groups. Since there is no single issue relevant to the lives of all Japanese Americans today, they appear disconnected from politics, but lying behind the surface is a tightly linked community ready and able to be active if some event begins to sour U.S.-Japan relations to the point of increasing Asian discrimination in the U.S. The U.S.-Japan alliance has been stable since the end of the trade wars of the 1980s and 1990s and the youngest generations today do not feel the shame that their parents and grandparents did for being Japanese. These upcoming leaders are increasingly interested in their heritage and will not be afraid to speak out against actions that affect their lives and community, though they will probably have no interest in becoming a lobby for Japan on issues that do not directly affect them. Small changes in the U.S.-Japan alliance will not break into the domestic politics of the United States and the larger Japanese American voice will most likely remain dim, but, if relations deteriorate, connections within the Japanese American community and connections with Japan are present just underneath the surface. These connections are strengthening and are ready to be utilized to push U.S.-Japan relations back in the right direction.

*Theresa Bates*

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# **THE U.S.-JAPAN-CHINA STRATEGIC TRIANGLE: A POSITIVE-SUM RELATIONSHIP: DIFFICULT, BUT NOT IMPOSSIBLE**

## **Introduction**

Few would doubt that successful management of Sino-Japanese relations will shape the geopolitics of Asia for years and decades to come. One additional important variable is the role of the United States. As Japan and China are closely interconnected with the U.S. in various aspects, including economics, politics, and security, the relationships and interactions in the U.S.-Japan-China triangle will shape peace and stability in East Asia. Fortunately, the strategic priorities of these three countries overlap in many issue areas deemed critical in determining regional stability, such as containing North Korea and Iran's nuclear programs, preventing terrorism, advocating for the nonproliferation of weapons of mass destruction (WMD) and nuclear weapons, and cooperating on economic recovery and climate change. Given this alignment of goals, U.S.-Japan-China trilateral relations can provide valuable opportunities for cooperation through which desperately needed mutual trust among the three can be established.

On the other hand, it is equally true that this trilateral relationship could become the major source of strategic conflict in the region if these countries fail to build mutual trust due to their differing threat perceptions and conflicting national interests. Difficulties in building trust largely stem from two factors: the shifting balance of power resulting from China's rise, and the deep-seated rivalry and enmity between Japan and China.

Without a European-style collective security mechanism in place, Northeast Asia in effect relies on the unstable balance of power for its stability, thereby resulting in an incessant contest for regional leadership between Japan and China—the two largest Asian powers—which in turn increases strategic uncertainty in the region. East Asia in the early 21<sup>st</sup> century has seen an accelerating shift in the balance of power due to China's rise, Japan's economic stagnation and America's relative decline in its global and regional sway, especially since the outbreak of the financial crisis in 2007. Having successfully passed through the financial crisis, China has become more assertive in their dealings with the outside world.

Such a trend has affected the perception of threats in each of the three countries in a way that has yielded an ominous scenario of two countries banding together against one. U.S. concerns over China's rise seemingly reflect aspects of the power transition theory. That is, China, a rapidly growing, dissatisfied challenger, will inevitably pose a threat to the United States, a satisfied, status quo hegemon. Another U.S. concern may be the possibility that the two Asian powers will forge an East Asia bloc that excludes the U.S. as a cornerstone of regional integration. Having experienced the fear of abandonment in history from the "Nixon shock" to President Clinton's "Japan-passing," Japan continues to harbor fears of being edged out as the closest U.S. ally as the U.S. proceeds to engage China. On the other hand, Japan is also anxious about the reinvigorated U.S.-Japan alliance that may drag it into a conflict with its large continental

neighbor in the case of a Taiwan contingency. Meanwhile, concerns about China's ambiguous motivations have led to a more upgraded, comprehensive U.S.-Japan security alliance, which in turn has exacerbated Chinese worries that the two allies may collaborate to contain China. Moreover, seemingly intractable mutual animosities existing in Japan-China relations that stem from disputes over a range of issues such as history, territory, resources, and Taiwan, have the potential to hamper the process of promoting effective trilateral cooperation.

Weighing the degree of trust involved as well as the extent of institutionalized strategic and political collaboration existing among these three countries, it seems clear that this triangle, in its current form, is not so much an equilateral as an isosceles one, so to speak in geometric terms. In its current form the U.S.-Japan side of the triangle measures much shorter than the U.S.-China or the China-Japan sides. Indeed, to the extent that political alignment between the U.S. and Japan remains firm in the form of the U.S.-Japan security alliance, the trilateral relations look somewhat more bilateral, with the U.S.-Japan alliance on one side and China on the other. This paper aims to elaborate on the process of the changing power dynamics underway in East Asia and its effect on the trilateral relations in the context of the isosceles triangle concept (U.S.-Japan versus China) and its ensuing implications on the Sino-Japanese relations. In addition, this paper seeks to explore the Taiwan factor, which contributes to the core of geopolitical disputes between Japan, China, and the United States. The paper also investigates factors that may invite tensions between the U.S. and China down the road, and takes stock of major sources of distrust in the Japan-China relationship as well as the changing political atmosphere brought about by the election of new leaders in Taiwan and Japan. Lastly, the paper will conclude with an investigation on what changes would be likely to occur in the foreseeable future in the trilateral relations in light of the recently perceived policy shifts under the DPJ government. It should be noted that this paper focuses more on Japan-China relations and the U.S.-Japan versus China antagonism, than the U.S.-China relations side of the isosceles triangle model.

### A Shifting Balance of Power

China's rise combined with Japan's enduring economic doldrums in recent years has yielded an inevitable rivalry between the two countries. Though not openly discussed, there is heavy concern in Asia over China's brisk ascendancy. Japan is particularly concerned about China's growing military capabilities and defense spending as well as the People's Liberation Army (PLA) Navy's increased activities in waters surrounding Japan. Many high-level Japanese officials, including Former Prime Ministers Abe Shinzo and Aso Taro, and Defense Minister Kyuma Fumio, have identified China as a "threat" to Japanese security.

The third Taiwan Strait crisis in 1995 and 1996, a crisis that brought China dangerously close to war with the United States and Taiwan, reinforced Japan's fear of China's rising military. The crisis was fueled by a U.S. policy reversal toward issuing President Lee Teng-hui a U.S. visa to visit his alma mater (Cornell University), where he delivered separatist statements peppered with the terminology "Republic of China on Taiwan," which in Chinese eyes flew in the face of China's "One China" principle. China

subsequently conducted a series of missile tests near the coast of Taiwan in an attempt to affect the choice of voters in Taiwan's first direct presidential election by popular vote scheduled for March 23, 1996. China's bellicose campaign turned out to be futile as the incumbent, President Lee Teng-hui, who China accused of campaigning for independence, became Taiwan's first democratically elected president winning with an overwhelming majority. The incident hit a raw nerve in Japan's security psyche, leading many Japanese to question the credibility of China's usual claim of military restraint and even China's no-first-use nuclear pledge.

### China's Latest Military Activities

U.S. and Japanese military personnel express concern that China's efforts to modernize its military forces may embody Beijing's ambitions to project power beyond the Taiwan Strait. For example, the *Asahi Shimbun* reported in January 2009 that China planned to build two conventionally powered aircraft carriers. The following month brought about news on China's planned construction of two nuclear-powered carriers scheduled for 2010. If China's missiles aimed at Taiwan were launched, they would reportedly cover Japan's mainland, as well as Okinawa where 70 percent of U.S. defense facilities in Japan are located. As for China's military expenses, official records of 2008 show an approximate total of \$60 billion for the military budget, or about a 20 percent growth from the previous year, though the Pentagon estimated the figure at around \$150 billion. The United States and Japan have long complained of what they see as a lack of transparency in China's military spending, a charge Beijing denies. Washington and Tokyo also harbor concerns about Beijing's anti-satellite (ASAT) systems development, an obvious indicator of growing Chinese military capabilities. Such concerns were enhanced with PRC's successful anti-satellite test on January 11, 2007, in which it used a ballistic missile to destroy one of its own aging weather satellites. With this success, China became the third country after the United States and the Soviet Union to conduct successful ASAT tests. The two predecessors had discontinued testing in the face of international criticism that the test contributed to the growing problem of space debris. Thus, the success of China's test along with the absence of prior notification by Beijing particularly riled American officials, who began to question the credibility of China's declared commitment to the peaceful use of space. The success of the test also exposed a potential vulnerability of U.S. space-based satellites that the U.S. military disproportionately depends on for operations utilizing high-precision weaponry and intelligence gathering.

Japanese defense personnel are particularly anxious about China's air and maritime buildup as these capabilities may enable the country to project power eastwards towards Japan. Moreover, Japan has expressed concerns over China's powerful conventional and nuclear submarine forces. In May 2008, *Jane's Intelligence Review*, a respected defense periodical, reported on the existence of China's underground nuclear submarine base on the southern tip of Hainan Island located near vital sea-lanes in Southeast Asia. Prompted by China's growing submarine forces, Japan launched a "Hyuga" class helicopter-carrier in August 2009. The destroyer was reportedly designed chiefly for anti-submarine warfare. In fact, China's naval capabilities still remain short of the level befitting a global power. However, the advancement of the PLA Navy



consistent with China's economic growth and its expanding global role have generated concern in the local region and the United States about China's motivations and its implications on the balance of power. The U.S. Department of Defense's 2009 Annual Defense Report noted that China would likely accelerate the development of aircraft carriers, stealth submarines, and long-range missiles as the country places a top priority on military modernization to achieve stronger naval capabilities. As China's maritime activities in the western Pacific are on the increase, U.S. naval presence in the region is reportedly losing dominance despite remaining more powerful than the Chinese navy.

### **Japan's Fear and the Resulting Rise of Nationalism**

With China's economic leverage and military prowess rapidly growing, many Japanese are taken aback by the prospect of China supplanting Japan as the leader in Asia and the world's second largest power. Beijing's putative endeavor to thwart Japan's bid for UN Security Council membership reinforced their concern. China's GDP is projected to be on par with Japan's within a year or two even though China's per-capita measurements lag far behind those of Japan. Furthermore, Beijing's role as the host of the 2008 Olympics was regarded as underscoring Chinese ambitions that are not limited to reclaiming a prominent status in East Asia. From the Chinese standpoint, a driving element at the core of its modern identity is the legacy of the "shame and humiliation" of the past century in which the country suffered under Western and Japanese colonialism and imperialism. The Chinese believe that this is a part of history that should be undone in the process of restoring China's place. Meanwhile, some U.S. officials cite the benefit of an additional regional forum such as a U.S.-China condominium, or Group of Two (G2), as a means to address global challenges and threats such as climate change, North Korea, Iran, and economic recovery. All of this has led to a "fear of abandonment" by Japan, that the United States may shift attention away from Japan (its long-time ally) in order to accommodate China. Such concerns have helped strengthen the hand of Japanese nationalists who make the case for the country to become a "normal" country—one that is allowed to take an important position in the international community that is commensurate with its economic clout, and not just as a simple follower of the U.S. The declining recognition of Japan in international institutions is frustrating in a way that has strengthened a nationalist rationale among a minority of right-wing radicals that military rearmament is what will get Japan the respect it deserves. Nationalist ideas such as constitutional revision, remilitarization, and rewriting of history were treated as heretical in post-war Japan but have begun resonating with the public in recent years with China's military build-up and North Korea's missile and nuclear tests.

The issue of Japanese military ambitions is anybody's guess, experts say. It seems worth noting, though, that there is growing support both at elite and grassroots levels to amend its pacifist constitution even though support for the country's postwar pacifism still remains strong. Article 9 of the Japanese constitution, which was drafted, or "imposed" in the eyes of some Japanese by American occupation authorities in 1947, renounces war and forbids Japan to maintain ground, sea, and air forces. The constitution is also interpreted as precluding "collective self-defense," limiting military response by the Japanese Self Defense Forces (SDF) to incidences in which Japan is attacked, and foreswearing it from using force to defend an ally or to settle international disputes. The

Liberal Democratic Party (LDP) pushed ahead with parts of former Prime Minister Abe's nationalist agenda by passing legislation designed to set the stage for revising the anti-war constitution and expanding the role of SDF by dispatching troops to Iraq and Afghanistan. The LDP also upgraded Japan's Defense Agency to a full ministry and endorsed school policies stressing patriotic education.

### **China's Fear: The U.S.-Japan Alliance**

The U.S.-Japan Alliance was launched during the height of the Cold War. At the time of the inception, the objective of the Alliance was two fold: to counterbalance the Soviet Union and to keep Japan's rearmament ambitions in check. As both of these themes properly matched China's anti-Soviet and anti-imperialist foreign policy agenda, China tacitly approved of the Alliance in its initial form. As for the latter goal, this function is still considered somewhat relevant. As it were, Japan's current inclusion under the U.S. security umbrella provides reassurance to some Chinese that Japan will not seek its own comprehensive defense capacity. That is to say, without U.S. protection, they believe, Japan may feel compelled to re-arm itself especially in light of the perceived threat from North Korea and China. One leading Chinese expert on Japan, Liu Jiangyong, Professor of International Relations at Tsinghua University, postulated that the U.S. presence in Japan can either be seen as a "bottle cap" or an "egg shell." The bottle cap refers to the Alliance's role in ensuring that the cork remains in the bottle of the Japanese militarist genie; the egg shell references the cultivation of the Japanese military power under U.S. protection with the expectation that it would one day become a full-fledged military force. China's faith in the bottle cap function of the U.S.-Japan Alliance has gradually given way to fears about its egg shell function in the post Cold War era.

Since the announcement in 1996 of the joint communiqué titled "Japan-U.S. Joint Declaration on Security-Alliance for the 21st Century", the alliance rationale began shifting from the narrow scope of defending Japan toward a broader, more abstract goal of managing regional security in the Asia-Pacific region. In short, the transformation of the Alliance was made in ways that expanded not only the geographical scope but also the functional range of the Alliance. Such a change has coincided with the expanding roles and missions of Japan's Self-Defense Forces, in most cases, at the behest of the United States. For example, the Maritime SDF were dispatched to the Indian Ocean in 2001 on a refueling mission for U.S. and other coalition forces in support of antiterrorism operations in Afghanistan. The deployment was conducted based on the Antiterrorism Special Measure Law, which the Japanese government implemented following the 9/11 terrorist attacks. The first ground SDF unit was dispatched to support Iraqi reconstruction efforts in 2004. Likewise, the 9/11 incident proved to be another stimulus in the U.S.-Japan Alliance, enmeshing Japan into the U.S. defense network through functional integration. In May 2007, Japan and the U.S. finalized military realignment initiatives in a document entitled the "U.S.-Japan Roadmap for Realignment Implementation", thereby laying the groundwork for the SDF to be integrated with U.S. forces through close command coordination and enhanced interoperability.

### **The Taiwan Strait Crisis Deepens Worries on Both Sides**

A downward spiral of mutual distrust that began with China's repeat of saber-rattling across the Taiwan Strait in July 1995 led to a dangerous chain of (re)actions. In response to China's missile tests in March 1996, Washington dispatched two aircraft carriers adjacent to the Taiwan Strait and moved to hold the Washington-Tokyo summit. China viewed this action as a sign of enhanced U.S.-Japan security collaboration now aimed at China. Alarmed at such a U.S. response, China became convinced about the need to build a submarine-based defense system designed to keep U.S. aircraft carriers from being deployed off the Taiwan coast. The Chinese bristled at the emergence of a new context in which the two allies could intervene in a Taiwan contingency. In a movement that reinforced Chinese concerns, the U.S. and Japan conducted the Review of the Guidelines for U.S.-Japan Defense Cooperation in 1997, whereby the two countries declared close cooperation not just for Japan's defense but "in areas surrounding Japan," a clear implication of Taiwan in Chinese eyes.

In February 2005, the United States and Japan declared Taiwan a "mutual security concern". Moreover, the 2005 Joint Statement of the U.S.-Japan Security Consultative Committee announced strategic objectives, one of which was "peaceful resolution of the Taiwan issues through dialogue." All this helped exacerbate Chinese worries that the reinforced U.S.-Japan Alliance would invite Japan to join Washington in coming to Taiwan's defense. Beijing, which sees Taiwan a renegade province, condemned the move by the Alliance as an attempt to interfere in China's internal affairs and warned the two allies to resolutely uphold the One China principle and stop emboldening independence forces in Taiwan. Beijing also expressed frustration at the strengthened U.S.-Japan security alliance at a time when the three countries were working together in the Six-Party Talks over North Korea's nuclear weapons program. In the meantime, Beijing itself was taking an action that alarmed Americans and the Japanese. The National People's Congress of China went so far as to pass an anti-secession law, which ostensibly aimed for peaceful resolution concerning Taiwan, but effectively established a legal basis for military action.

Moreover, China is particularly concerned about Japan's increasing involvement in U.S. theater missile defense (TMD) plans as Japan's Ballistic Missile Defense (BMD)-equipped destroyers have the capacity to defend Taiwan from Chinese missile attacks. Taiwan's support for the American TMD has also irritated Beijing, which in response, has deployed ballistic missiles along the coast of Taiwan. Japan signed a Joint Cooperation Research (JCR) on missile defense program with the U.S. in 1999 as part of a countermeasure against North Korea's test firing of a Taepodong missile over Japan in 1998. While Washington and Tokyo have been careful to identify North Korea as an intended target of the joint BMD program, there reportedly is consensus between the two sides that China's missile force can be at least an equal, or even more, serious long-term concern. Under Japan's new left-of-center coalition government, some internal disputes are reportedly underway over the joint BMD program – including over such issues as the budget for and legality of the program under the constitutional ban on collective self-defense. Nonetheless, any serious snag seems unlikely given the ongoing regional threats (of North Korea and China) and the current state of collaboration, as demonstrated in the successfully completed joint tracking exercise in October 2009.

## Historical Background of the Taiwan Issue

The ongoing controversy over Taiwan is intricately woven into the tension-riddled history of Sino-Japanese relations involving Japan's past militarization and fateful decisions made by the United States. At the end of the 1894-1895 Sino-Japanese War, the Qing Dynasty in China ceded the island over to Japan in perpetuity under the 1895 Shimonoseki Treaty. The island was ruled by Japan for half a century until Japan's defeat in World War II in 1945. The sovereignty of Formosa, the island's name under the Japanese colonization, was clearly stated in the 1943 Cairo Declaration drafted by the U.S., Britain, and the Republic of China. The Declaration stipulated the restoration of the island to the Republic of China (ROC), which was under the leadership of Chiang Kai-shek. However, a series of subsequent occurrences surrounding Taiwan all contributed to what would later become Taiwan's contentious political status. For example, the 1951 San Francisco Peace Treaty, which provided Japan's renunciation of all right and claim to Formosa, failed to determine Taiwan's ultimate sovereignty. It only prescribed the future status of Taiwan to be decided based on the Charter of the United Nations. The ROC government's flight to and physical occupation of the island in 1949, which was still under the occupation of the Allied Powers, was just another complication to the issue of Taiwan.

### *Japan-Taiwan Relations*

Although Japan switched diplomatic recognition from Taiwan to China in 1972 following the normalization of Japan-China relations and Japan's recognition of the One China formulation, unofficial ties between Japan and Taiwan still remain strong. Somewhat curiously, Japan-Taiwan relations have remained immune to the historical animosities that have constantly been a thorn in the side of Japan-China relations. Such an unusual affinity between a past imperialist power and its colony can be traced back to Japan's relatively benign colonization of the island for fifty years from 1895-1945, during which Japan heavily invested in the island's infrastructure and education. The Japanese colonial rule established the compulsory primary education system on the island although limiting the secondary, and post-secondary education to the Japanese nationals, leading to an education system with the highest primary school enrollment level in Asia—except for Japan. China is always suspicious of Tokyo's motivations in seeking closer ties with Taiwan, believing that Japan may be using Taiwan to unsettle China or counteract China's economic and social development.

### *Cross-Strait relations under Ma Ying Jeou*

Taiwanese politics have been tainted with a constant showdown between Mainlanders and Islanders with the nationalist Kuomintang (KMT) representing the former's more favorable view towards the PRC, and the Democratic Progressive Party (DPP) supporting the latter's cause of independence and thus adopting a more "estranged" approach from the Mainland. With Ma Ying Jeou elected as Taiwanese president by an overwhelming majority (winning 58% of the votes) in the May 2008 election, the KMT returned to power after 8 years in opposition. His stunning landslide victory in sharp contrast to a "miserable" defeat of the DPP was viewed as resulting from public dissatisfaction with the 8-year long ruling of an allegedly corrupt Chen Shui-bian.

Chen's tireless adherence to "Taiwan independence," after all, not only deteriorated cross-Straits relations but complicated U.S. policy during much of George W. Bush's administration. Washington's approach to Taiwan is commonly described as "dual restraint": deterring China's threat to use force against Taiwan while at the same time disapproving any move toward independence by Taiwan.

Ma's decidedly less confrontational, or more conciliatory, approach toward Beijing has gone a long way toward improving cross-Straits relations to the point where these ties currently look the best, or the most placid, ever since Chiang Kai-shek's rout in China's civil war in 1949. In a move representing the ongoing rapprochement, in May 2009, the PRC government chose not to oppose Taiwan's participation at the World Health Assembly in the observer's capacity although with "Chinese Taipei" on their name tags. President Ma has expressed his will to expand cultural and educational exchanges with the mainland. Hu Jintao, for his part, has backed off from his predecessors' outright demands for Taiwan's return while persistently pursuing China's long-term goal of political unification. The two sides currently seem somewhat content with the current path of expanded economic and cultural exchange. Especially in the economic realm, the cross-Straits ties appear to be thriving—bilateral trade between the two sides reached \$102 billion in 2007, up from \$8 billion in 1991; China has become Taiwan's biggest trading partner, and Taiwan ranks among China's top ten trading partners. On the political front, Ma's cross-Straits policy can be summed up as "no unification, no independence, and no use of force." Such a manifesto seems to indicate that the current *détente* is unlikely to extend into the political arena towards reunification or (*de jure*) independence. A large majority in Taiwan constantly define themselves to be in favor of the democracy and autonomy they currently enjoy and prefer the status quo of *de facto* independence to either reunification or *de jure* independence.

Tensions still linger between the two sides of the Strait. This is so not least because of weapons build-up on both sides. China has deployed batteries of hundreds of missiles pointed threateningly at Taiwan, and continues to modernize its missile and amphibious assault capabilities. The missile issue indeed is a big obstacle at a time when the two sides want to discuss a peace agreement. Meanwhile, Ma's election seemingly has not been of much help in Tokyo-Taipei relations. Some in Tokyo are concerned that Ma's expression of revanchist Chinese nationalism combined with his China-tilting policy may undermine the long-time amity between Japan and Taiwan.

### *U.S. arms sales to Taiwan*

U.S. arms sales to Taiwan remain undoubtedly one of the most sensitive issues in U.S.-China relations. Beijing has always vehemently objected to U.S. weapons sales to its "breakaway province," proclaiming such decisions as interference in China's internal affairs that potentially risk badly harming not only cross-Straits relations but also U.S.-China relations. The latest harangue came amid reports on Washington's decision to sell \$6.4 billion-worth of arms package to Taiwan, which included some sophisticated weaponry such as Black Hawk helicopters, Harpoon anti-ship missiles and Patriot interceptor missiles. In response, China moved to suspend some planned military exchanges between the U.S. and China, a response that has been largely consistent with China's previous measures taken following such sales. This time, however, Beijing went

a step further by threatening sanctions against American companies involved in the Taiwan deal and withdrawal of cooperation on global issues such as climate change and the Iranian nuclear program. One important question regarding the issue of U.S. arms sales is whether Washington will sell submarines and F-16 fighter jets, the two most controversial items, which were excluded from the latest deal. The George W. Bush administration refused to sell the advanced fighter jets that it had promised to Taiwan. This (partial) arms freeze was interpreted in Beijing as a clear indication of Washington's agreement with Beijing's rigid definition of the One China principle.

China has urged the U.S. to adhere to three U.S.-China Joint Communiqués, which provided the forthcoming reduction of U.S. arms sales to Taiwan and committed the U.S. to forgoing its long-term policy of such sales. Administration officials made clear, prior to President Obama's 2008 November trip to China, that arms sales to Taiwan would continue. Washington bases arms sales decisions on the 1979 Taiwan Relations Act, which mandates that the U.S. ensure that Taiwan has a means of self-defense by providing it with arms of defensive nature. Likewise, Taiwan's security essentially rests on tacit guarantees offered by the United States. Beijing seems to be very frustrated at its constant failure to influence Washington on this issue despite its growing economic prowess and rapidly improving cross-Strait relations in recent years.

### **Emerging Issues of Importance in U.S.-China Relations and Japan-China Relations**

U.S. policy toward China since the normalization of relations has largely focused on engagement, helping incorporate the latter smoothly into the international community. Bilateral relations have largely followed a smooth path, though there have been occasional bumps along the way, such as the U.S. bombing of China's embassy in Belgrade in 1999, U.S. purported attempts to block China's bid to host the 2000 Olympics, and the 2001 Hainan Island incident involving a mid-air collision between a Chinese fighter jet and a U.S. reconnaissance plane. During much of 2009, the United States and China have been on relatively good terms as the Obama administration apparently sought to set aside differences, at least in rhetorical terms, over sensitive issues such as Taiwan, Tibet, human rights and China's disputed currency policy. With the summit meeting scheduled for November 2009 between Obama and Hu in Beijing, Washington made some concessions to China, suspending Obama's meeting with the Dalai Lama as well as decisions on arms sales to Taiwan. Such goodwill gestures notwithstanding, tensions between the two nations have recently escalated. Aside from the usual irritant of U.S. arms sales to Taiwan, which was brought anew to the front burner with Obama's recent decision, lingering, unresolved issues such as the Dalai Lama, human rights, climate change, cyber security and Iran's nuclear program appear set to plague ties.

#### ***Trade, Human Rights, Tibet, Cyber Security***

The two sides went into vitriolic trade disputes in September 2009 with Washington slapping tariffs of up to 35 percent on Chinese tires and steel products and China, in a retaliatory move, levying duties on American exports of automotive parts and

poultry products. Considering that both governments are facing domestic pressure to take a decisive stand against the other on economic fronts, bilateral trade seems to be another area in which tension is in store. Furthermore, Obama's planned meeting with the Dalai Lama, Tibet's exiled spiritual leader and a fellow Nobel laureate, whom Beijing accuses of spearheading the Tibetan separatist drive, is also bound to put another strain on Sino-American relations. Regarding the issue of Tibet as relevant to the nation's core sovereignty interests, China usually denounces a foreign nation's high-profile meeting with the Dalai Lama as intervention in its internal affairs. Moreover, another human rights issue potentially serving as a lightning rod is the recent conviction of Liu Xiaobo, a prominent Chinese dissident and co-author of Charter 08, a manifesto endorsing human rights protection, constitutional rule and political reform of China's authoritarian system. Liu's sentence of 11 years in prison on the charge of incitement to subvert the state power was followed by Washington condemning Beijing and calling for his immediate release. All this appears to guarantee human rights being placed atop the U.S.-China agenda in the near future. Another source of potential friction in U.S.-China relations is China's alleged cyber assaults on U.S. infrastructure, businesses and government agencies. Such cyber security threats from China were driven home by Google's latest setback. The company's decision to stop censoring search results on its Chinese engine and to consider quitting business in China altogether followed what the company called a "highly sophisticated and targeted" attack on its infrastructure, which was traced back to China.

### *History*

Political and diplomatic tensions in Sino-Japanese relations are profoundly intertwined with historical grievances relating back to the 1894–1895 Sino-Japanese war, and more recently, the Japanese occupation of China from 1931 to 1945. Beijing has persistently demanded a "sincere" apology from Tokyo for Japan's wartime brutalities. There is a growing sense among the Japanese, especially generations born after 1945, that they have apologized enough and that it is time to move forward beyond historical disagreements. The Japanese have been frustrated at what they see as the Chinese obsession with history and their failure to acknowledge Japan's virtuous post-war records. Moreover, the Japanese believe that their munificent grant of Official Development Assistance (ODA) to China should be regarded as compensation for the past and thus their sincere apology. For a number of reasons, many Chinese are not well aware of this grant. It is true, though, that Japan's ODA to China since 1979 has played an important role in China's social and economic development. Over the past 30 years Japan and China have been respectively the largest donor, and recipient country of the fund to one another. Even in the wake of the Tiananmen incident in 1989, after which Western countries imposed an all but universal ban on dealings with China, Japan was persistent in making disbursements to China.

### *Apology*

Some Japanese are keen to portray their country as the victim, as opposed to the victimizer, of the atomic bombing of Hiroshima and Nagasaki and its own militarist past. Many Japanese believe the nuclear devastation wrought on their soil washed away much of the country's wartime guilt. In fact, Japanese leaders have sought to find a way to deal with the issue by expressing apologies since 1972. From the Chinese perspective,

however, periodic statements of apology have conflicted with their deeds. The only apology China says was “acceptable” was a landmark statement of contrition made by Prime Minister Murayama Tomichi in 1995. Other words of remorse have sounded somewhat “routinized” to Chinese ears. The divergence in apologies between the two countries was brought home during former President Jiang Zemin’s visit to Tokyo in November 1998, a state visit that was characterized as being “disastrous”. Prior to Jiang’s travel to Tokyo, Japan appeared willing to issue an apology they believed would be “acceptable” even by the Chinese standard if China assured that the issue would no longer be raised. And yet, Jiang refused to accommodate out of his concern for the political risk he was presumed to take after appearing soft on Japan. Instead, he lectured about Japanese wartime misdeeds and warned his Japanese hosts not to forget history. Prime Minister Obuchi Keizo, for his part, refused to offer a written forthright apology similar to the one that had been given to South Korean president Kim Dae Jung earlier in the year.

### *Yasukuni*

As for the issue of history, the focus has constantly been on Japanese prime ministers’ visits to Yasukuni Shrine, a Shinto shrine that honors the Japanese war dead, including 14 convicted Class A war criminals. Yasukuni, which China and South Korea regard as a symbol of Japanese nationalism, has become such a major source of mutual distrust and a virtual diplomatic wall that the two countries tend to avoid the topic at the highest levels. The Japan-China relationship literally reached its nadir during Koizumi Junichiro’s term in office from 2001 to 2006, during which the country’s foreign policy largely revolved around the U.S.-Japan Alliance. Koizumi’s sixth homage--his last as a prime minister, at the shrine was paid on the sensitive date of August 15, the anniversary of Japanese surrender to the Allied Forces. In response, an angry Beijing moved to raise vigorous objection to the 2005 Japanese bid for a permanent seat at the UN Security Council. China also cited Koizumi’s visit as the reason for its refusal to hold a bilateral summit with Japan.

The deteriorating Sino-Japanese relationship during the Koizumi years began improving as mutual state visits resumed with Koizumi’s successor Shinzo Abe’s travel to Beijing early in his tenure in October 2006 and Premier Wen Jiabao’s reciprocal visit to Tokyo in April 2007. Despite his occasional tough rhetoric on China and pre-premiership visit to Yasukuni shrine, Abe refrained from paying homage to the shrine during his year-long term. Even Abe’s conservative LDP successor Aso Taro did not visit the shrine as the sitting prime minister. As reflected in the Yasukuni-related choices made by Koizumi’s successors, from Abe Shinzo to the incumbent prime minister, Hatoyama Yukio, Japanese politicians, regardless of their political inclinations, have sought to avoid provoking Asian neighbors with this issue .

### *The Textbook Issue*

Japanese middle school history textbooks also remain a recurring theme in much of the debate on history. The Japanese government’s reliance on private publishing houses for textbooks makes it possible for the conservative view of right-wing activists to be reflected in public school textbooks. Every four years the Japanese Ministry of



Education conducts the process of textbook authorization and its decisions have almost always been met with public outcry from China and South Korea. In 2005, as the first municipality to do so, Otawara, Tochigi Prefecture, adopted the Fusosha textbook, which was known for its distorted view of history. Coming on the heels of territorial disputes between Japan and China (and between Japan and South Korea), the protests from Japan's two neighboring countries were particularly vocal. This controversial textbook reportedly lacks self-critical awareness of Japanese aggressions in China and Korea, and presents an emperor-centered view of history by justifying Japanese invasions and emphasizing the country's suffering. For instance, references of the 1937-38 Nanjing massacre were relegated to a footnote with a rather innocuous title of Nanjing "incident". The textbook also attributed Japan's wartime actions to its aspirations of "self-preservation" and Asia's liberation from Western control. Many right-wingers, including former Prime Minister Abe Shinzo, claim that Japanese textbooks fail to shed light on the positive advances and contributions that Japan has made. In protest against this decision, tens of thousands of Chinese took to the streets and anti-Japanese demonstrations quickly turned extremely violent. The Japanese government subsequently demanded an apology for anti-Japanese riots in China, but the Chinese government rejected this demand. Many Japanese suspected that the anti-Japanese demonstrations were deliberately provoked by the Chinese government, which they believed had a tendency to politicize the history issue to stoke nationalist sentiments among the Chinese as part of efforts to legitimize the Chinese Communist Party's (CCP) authority. Whereas anti-Japanese sentiment was prevalent in China, the majority of the Japanese held a generally favorable view of China. This trend in large part was reversed in the wake of the terror of the 1989 Tiananmen Square incident. In a move to pave the way for the debut of another controversial textbook, Japan's Ministry of Education authorized in April 2009 a middle school history textbook published by the Jiyusha publishing company. Written by the Japanese Society for History Textbook Reform, the very entity that published the Fusosha textbook, this new textbook is reportedly almost identical to the Fusosha version when it comes to the narratives and descriptive tones. While only a small number of schools (0.4 percent) have adopted the controversial textbooks, experts indicate that some palpable spillover effects have begun to appear as some Japanese textbooks lack descriptions of comfort women and others exclude statistics of the Nanjing Massacre.

### *Territorial Disputes*

The territorial disputes mostly concern the sovereignty of the Senkaku--or Diaoyutai in Chinese--Islands and the maritime boundary of the Exclusive Economic Zone (EEZ) between Japan and China. Japan and China have competing claims regarding the boundary of the EEZ; Japan argues for the median line delimitating the two countries' EEZ while China claims an EEZ that goes beyond the median line and deep into the boundary that Japan claims to be its EEZ. About 40,000 square kilometers of EEZ are in contestation. This area covers four proven natural gas fields: Chunxiao, Tianwaitian, Canxue, and Duanqiao.

The territorial disputes between the two countries have become more intense as they implicate a growing competition for energy resources estimated at 7 trillion cubic feet of natural gas and about 100 billion barrels of oil. The dispute started with the release of the 1969 Emery Report which accounted for significant crude oil reserves located in

the seabed of the East China Sea. Many Japanese policy-makers suspect that Chinese efforts to explore for energy sources were driven by its strategy of “creeping expansionism” aimed at expanding Chinese influence across the East China Sea beyond Japan and into the Pacific Ocean.

Furthermore, the territorial disputes have exacerbated existing bilateral tensions and contributed to rising nationalism in both countries. With the Sino-Japanese relationship already struggling due to Koizumi’s Yasukuni visits, Japan announced its planned exploratory drilling near the median line in February 2005 and proceeded to declare formal possession of the Senkaku Islands. Such moves were preceded by the incident that Japan described as an incursion of a Chinese nuclear submarine into its waters. In September, the show of force of the People’s Liberation Army Navy (PLAN) near the disputed Chunxiao gas field further heightened the tension. A dangerous sequence of events helped fan the flame of the Chinese nationalism, which was represented in the form of (history text book-triggered) anti-Japanese riots in 2005.

In a development many hailed as a potential breakthrough in the four-and-a-half-year-long dispute over the Chunxiao gas field, a consensus was reached between the two countries in June 2008 on joint exploration for oil in the East China Sea and development of one of the eleven proven gas fields, or the Chunxiao gas reserve. The announcement followed President Hu Jintao’s visit to Japan in May. However, the subsequent developments that occurred were seemingly symptomatic of festering bilateral tensions. Each country provided differing interpretations of the agreement. For example, following the agreement Chinese Vice Foreign Minister Wu Dawei stressed that private Japanese investment should recognize China’s sovereignty over the Chunxiao gas field and thus be conducted in accordance with Chinese laws.

### ***2009 developments***

The report in early January 2010 on China’s drilling activities in the Tianwaitan/Kashi gas field in the East China Sea further elevated tensions in an area involving contentious sovereign claims. China’s drilling reportedly began after the June 2008 agreement and their unyielding position was that “the Tianwaitan gas field is within China’s Exclusive Economic Zone and thus not a subject for joint development.” With regard to the media report in mid-July on Chinese ships identified in the vicinity of the Chunxiao gas field, China claimed the activities were only for maintenance of its drilling platforms. All this led Japan to question China’s willingness to observe the June 2008 agreement. Moreover, repeated appearances of Chinese vessels in the waters surrounding the Senkaku Islands also fretted Japan. In mid-July, five Chinese vessels equipped with high-powered military armaments were observed exercising military training off Okinotorishima in the Senkaku Islands chain.

### ***U.S. Stance on the Territory Issue***

In March 2009, while visiting the United States, Japanese Prime Minister Aso Taro twice mentioned Japan’s ownership of Senkaku islands. He was the first prime minister to make such a statement in the United States. The United States has been noncommittal on the question of the ultimate sovereignty of the disputed Islands, though it occasionally acknowledges that the islands have always been under the “administrative

control” of Japan since 1972, when these islands were returned as part of the reversion of Okinawa, and that the Treaty of Mutual Cooperation and Security between Japan and the United States would apply to this territory.

### **DPJ’s foreign policy**

The Democratic Party of Japan (DPJ) won a landslide victory in the August 30, 2009 general election, bringing an end to the LDP’s nearly uninterrupted 54-year rule. Even though the new government’s rule has been brief and certainly more time will be needed for its comprehensive foreign policy to become evident, it seems at least clear that the DPJ’s foreign policy will follow a different path from its predecessor’s. Departing from the foreign policy agenda under the LDP, which placed greater focus on the U.S.-Japan alliance, Hatoyama is championing a more sound relationship with China and other Asian neighbors as well as an “equal partnership” with the United States in contrast to what he called the LDP’s “subservient” relationship with Washington. The new leader clarified that the substance of an equal U.S.-Japan relationship lies in seeking bilateral, not unilateral, undertaking of obligations.

In a move that signals altered tones in the new government’s foreign policy, the DPJ government has decided to put off the decision on whether to relocate the Marine Corps Air Station Futenma to Nago in the north of Okinawa, as stipulated in a 2006 bilateral deal, suggesting that the base would likely depart the island altogether. Moreover, the DPJ declined to renew its maritime SDF anti-terrorism refueling mission in the Indian Ocean that expired in January 2010. The new government has also demanded a review of the existing Status of Forces Agreement. Such changes in tone were made into headlines and interpreted as signs of the new government reconsidering the U.S.-Japan Alliance in which Japan has often seen itself the junior partner.

Meanwhile, Hatoyama, having advocated building an East Asian Community (EAC) —one that would exclude the United States, though later implied the inclusion of the U.S. — on his campaign trail, broached the idea with Chinese President Hu Jintao in New York days after taking office. Hatoyama’s version of the EAC is an economic bloc pursuing long-term economic and political integration of Asian countries. Furthermore, his declaration not to visit the Yasukuni shrine and the appointment of Okada Katsuya, a purported China-friendly figure, as the new foreign minister, all seem to prove the new leader’s emphasis on working with, rather than against, a rising China. Moreover, the new government’s recent China-friendly moves such as DPJ Secretary General Ozawa’s mission to Beijing comprising of a 600-strong delegation in December 2009, and his arrangement of the unprecedented audience with the Emperor for Chinese Vice President Xi Jinping all combined to engender concern in Washington that the new Japanese leader is edging away from Washington toward Beijing.

It is true that the new government’s apparent restiveness over Japan’s post-war dependency on Washington for its security was taken by some U.S. policy makers as a snub from a country that has been a traditional U.S. stalwart. Tokyo’s actions were interpreted by some pundits as being indicative of how China’s rise is challenging Washington’s once-dominant clout in the region. While Japan’s more Asia-centric strategy lead many observers to wonder if the Prime Minister is engineering a significant

policy shift away from the U.S. toward China, the view that the new government's actions were likely driven by a desire to avoid being caught between the U.S. and China sounds more convincing. If anything, Japan may want to strike a better balance between this new relationship and its existing ties with Washington. It seems all the more so considering that China has replaced the U.S. as the leading trading partner of Japan—South Korea and the ASEAN nations as well—and that boosting the country's ailing economy tops the government's agenda.

Even if some fine-tuning is very likely in the near future with regard to the U.S.-Japan Alliance (including the base realignment accord), a range of factors, from North Korea's nuclear program to China's military rise and their continued economic importance to one another, seemingly guarantee a continued close U.S.-Japan partnership. Hatoyama has also pledged that the U.S.-Japanese Alliance would "continue to be the cornerstone of Japanese diplomatic policy."

### Conclusion

The Sino-Japanese relationship is arguably one of the most important relationships in East Asia and at the same time, among the most complex and paradoxical ones, as reflected in commonly borrowed idiomatic expressions like "cold politics, hot economics" or "love-hate relationship." The relationship is difficult to manage especially since every dispute is complicated and mostly associated with conflicting historical memories. It is encouraging, though, that Sino-Japanese relations have remarkably improved since Koizumi's departure, and there are signs that appear to ensure a continued optimistic outlook at least in the short or medium-term: the agreements on territorial disputes, Japanese leaders' choice not to visit Yasukuni shrine, reciprocal port calls by naval vessels, and expanding cooperation in the economic sphere.

Meanwhile, the Sino-American relationship, arguably the most important relationship in today's world, has largely come off with few, if any, major hitches during year 2009 in part because of Washington's delicate overtures to Beijing, although the latest developments seemingly signal some downturn in the relationship. Nonetheless, increasingly thawing cross-Strait relations and efforts to build a U.S.-China strategic partnership amid the ever broadening scope of transnational challenges involving shared interests of the three powers will hopefully provide another opportunity to promote more cooperative U.S.-Japan-China trilateral partnership.

Another encouraging factor in terms of the trilateral relations is that the United States, as the current hegemon, has a great potential to play a crucial role of stabilizer or balancer between Japan and China such that their mutual mistrust does not deteriorate into dangerous rivalry. The leaders of the three countries should make efforts to improve trilateral relations and overcome the zero-sum mentality that any bilateral relationship in this triangle would entail trade-offs for the other bilateral relationships.

*Shin Yon Kim*

# JAPAN'S ROLE IN THE MIDDLE EAST: THE SEARCH FOR AN INDEPENDENT FOREIGN POLICY

## Introduction

Japan has historically traded with the Middle East through the Silk Road, however, the country has never fully appreciated Muslim culture. It was the oil crisis that first brought a strong awareness of the Middle East to the Japanese general public. Realizing for the first time that its economic security was tied to this region, Japan's foreign policies shifted to protect its economic interests. The country quickly established diplomatic presence in Jordan, the United Arab Emirates, Qatar, Oman, Bahrain, and the two Yemens after 1973.

In addition to energy security, the country's Middle East policies are influenced by U.S. policies because Japan has relied on the United States for its military protection. Japan, however, has recently sought to play a more active, though cautious, role in this region and has been involved in conflict resolution and development assistance. This paper examines Japan-Middle East relations in the following four areas: energy security, cooperation with the West primarily through official development assistance, conflict resolution, and growing non-oil business relations. The degree of significance of these four dimensions has varied every decade as a result of external factors, such as the tightness of the energy market, pressures from the United States to follow its foreign policies, and Japan's desire to raise its international profile. Using the case of Japan's foreign policies in the Middle East, this research analyzes how the two important factors — energy security and relations with the United States — have influenced Japan's foreign policies and presents future implications for U.S.-Japan relations.

<b>Japan's Political Agenda</b>	<b>Energy Security</b>	<b>Cooperation with the West</b>	<b>Conflict Resolution and Reconstruction</b>	<b>Non-oil Business Relations</b>
(In Parenthesis: Examples of Related Countries)	(GCC countries, Iraq, Iran)	(Turkey in the 1980s, Iran, Iraq)	(The Middle East Peace Process: Egypt, Israel, Jordan, Lebanon, Palestine, Syria; Iraq)	(GCC countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE; Israel)
1970s	Strong	Weak	Medium	Weak
1980s	Medium	Medium	Weak	Weak
1990s	Medium	Strong	Strong	Weak
21st Century	Strong	Strong	Strong	Medium but Growing

**Figure 1 Influence of Four Political Factors of Japan's Involvement in the Middle East**

### **The 1970s: the Oil Shock and Japan's Focus on Energy Security**

Until the first oil crisis in 1973, Japan's relations with the Middle East were limited, mostly in the area of oil trading. The oil crisis was a shock to the Japanese economy, which heavily relied on oil. When the Yom Kippur War against Israel began, the Arab oil-producing countries imposed an oil embargo against countries that supported Israel. Japan found itself in a difficult position in the wake of the crisis because the country had based its national security fully on the United States. However, Japan placed priority on its own economic interest. To secure its oil supply, Japan shifted to a pro-Arab position in order to be exempted from the oil embargo imposed by the Arab states. According to "Japanese Policy in the Middle East," published by the Palestine Academic Society for the Study of International Affairs in 1999, the Japanese government was fiercely attacked in Washington for deviating from U.S. policies, especially by the pro-Israel lobby. However, the country desperately hoped to secure a steady energy supply to support its rapidly expanding economy.

At that time, Japan began to offer a significant amount of financial aid to the Middle East in order to express Tokyo's "concern" about the Arab-Israeli conflict. As the next chart shows, Japanese aid to this region dramatically increased after the oil crisis and then stabilized at a level of approximately 8-10% per year after the 1980s when the price of oil declined and the country's fear of energy security receded.

Year	Percentage of Overall Aid Disbursed to the Middle East
1972	0.8
1973	1.4
1975	10.6
1977	24.5
1979	10.6
1985	7.9
1990	10.2
2000	7.8
2004	17.3*
2008	21.2*

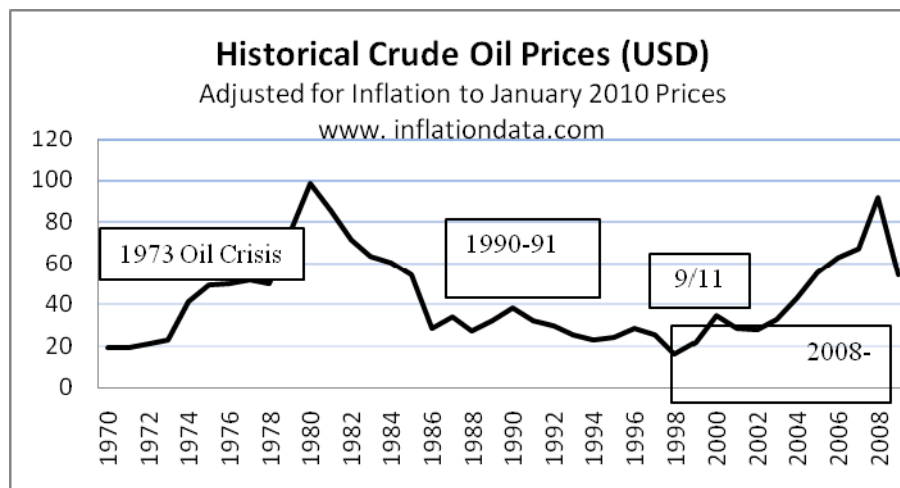
**Figure 2 Japan's Aid to the Middle East**  
(Source: The Ministry of Foreign Affairs of Japan)

\*After the Iraq War began, and especially since reconstruction programs took off, Japan has been willing to increase aid to Iraq in order to show its willingness to be involved in the War on Terrorism

## Cooperation with the Western Countries

### *The 1980s: Oil Glut and Japan's Increased Strategic Aid*

In the 1980s, Japan's relations with the Middle Eastern oil-producing countries moved from one-way dependence on their energy resources to a more balanced exchange. In addition to the low oil price of the 1980s, oil stock piling policies of oil-consuming countries, including Japan, worked not just as a solution for crisis situations, but also as a check on the monopolistic power of oil producers. The Arab oil producing countries became more eager to maintain stable oil exports to consumer countries, especially to those that needed vast quantities of oil over a long period. These changes expanded Japan's foreign policy options in the Middle East, including those towards Israel, without offending Arab countries.



**Figure 3 Historical Crude Oil Prices (USD)**  
Source: [www.inflationdata.com](http://www.inflationdata.com)

During this period, Japan also began to use its aid programs more “strategically,” not only to secure energy resources, but to follow and assist U.S. Middle East policies. In the 1960s, the United States urged Japan to increase yen loans to various countries outside Asia. Japan's trade surplus in the 1970s caused friction with the United States, and the pressure from the latter to share the financial burden of foreign aid programs increased. The United States and other Western countries also claimed that Japan's aid programs were excessively tied to its commercial interests. As a result, the Japanese government decided to redesign its aid programs and expanded loans to Lesser Developing Countries (LDCs), especially those that the United States deemed strategically important.

In 1980, for example, after political upheaval in Turkey, the United States attempted to stabilize the country because it saw Turkey as a major Western partner in the Middle East after it lost Iran, due to the revolution. The United States requested that Japan provide economic assistance to Turkey, and Japan accepted this request to prove its ability to share America's financial responsibility. This aid program to Turkey became

one of the earliest examples of Japan's strategic aid programs to the Middle East. Japan has also offered aid to Palestine and countries that have been involved in the Palestinian-Israeli Peace Process, such as Egypt, Jordan, Syria and Lebanon. The original goal of these aid programs was to secure oil by appeasing Arab countries, but the broader strategic nature of aid has become more prominent.

### *The 1990s: Iraq — Japan's Search for New Roles in the Middle East*

In the 1990s, despite the collapse of the Soviet Union, the U.S.-Japan Alliance continued, but both sides had to redefine the meaning of the Alliance. For the United States, the Alliance was still important to maintaining its political and military presence in Northeast Asia. In Northeast Asia, competition between China and Japan for leadership gradually emerged and motivated Japan to seek a higher international profile. Japan recognized that the U.S.-Japan Alliance was still useful in balancing China's military and political rise and in securing American support for Japan's international position. In order to maintain strong U.S.-Japan relations, Japan has attempted to expand its role in the Middle East in a way that supports American Middle East policies.

Iraq's invasion of Kuwait and the following Gulf War in 1991 had a significant impact on Japan's foreign policy. Despite the fact that Japan contributed \$13 billion, as the largest non-regional donor, Japan's contribution was criticized as "too little, too late." Many Japanese regarded the country's Iraq policy as a major diplomatic failure. Internal debates concerning the need for rewards and recognition of Japanese contributions to the Middle East emerged. After the war, Japan continued to support the United States in Iraq by participating in economic sanctions, reducing development aid and cutting business ties. The Iraqi government, in response, decided not to allocate oil to Japan in 1997. However, Japan continued to follow U.S. policies because the country believed that it was critical to prove its ability to participate in an international effort to contain an authoritarian regime.

When Koizumi Junichiro became Prime Minister in 2001, he attempted to align Japanese Middle East policies even closer to those of the United States. The Japanese government passed the Humanitarian Relief and Iraqi Reconstruction Special Measures Law in 2003 and sent Japanese Self Defense Forces to Iraq. However, there has been a considerable gap between Japan's capacity to support U.S. policies and the expectations of the United States; the United States hoped to see more active involvement on the part of the Japanese forces. Japan was not able to do so due to its constitution, which prohibits the Self Defense Force from engaging in combat.

Furthermore, Koizumi's attempt to increase the involvement of Japan's military forces in the war against terrorism did not gain the full support of Japanese policymakers. As Eric Heginbotham and Richard Samuels argue in the 2002 *Foreign Affairs* article, "Japan's Dual Hedge," some LDP politicians were concerned that following American policies would undercut Japan's economic relations with the Middle East. Thus, in October 2001, former Prime Minister Hashimoto Ryutaro was sent to the United Arab Emirates and Egypt as a government envoy to make clear to the Islamic world that Japan would not engage in combat in Iraq, and that Japan's role would be to aid refugees, set up transportation and provide medical care. In spite of the fact that Japan has continuously sought to expand its strategic roles in the Middle East since the 1990s, this desire has



sometimes been countered by concerns that it would undermine Japan's energy security and the legitimacy of American policies in the Middle East. These domestic debates have influenced the country's Middle East policies, and they have been largely decided based on the power balance between these opposing forces.

### **Japan's Growing Involvement in Conflict Resolution Since 1994**

The Middle East peace process started in 1991 in Madrid, and Israel and the Palestine Liberation Organization (PLO) signed the Oslo Accord in 1993. The peace process aligned with Japan's growing desire to expand its role in the international community after the Cold War. Japanese policy with respect to the peace process has been based on the following principles: facilitation of political dialogue through confidence-building conferences, economic assistance to the Palestinian Authority, and Japanese participation in UN peacekeeping forces in the Golan Heights since 1996. Moreover, Japan, along with the United States and the European Union, has offered aid to Egypt, Jordan, Syria and Lebanon, all of whom are key stakeholders in the peace process. For the Koizumi Administration that took office in 2001, fostering better relations with Arab countries became increasingly important as it pledged to seek permanent membership in the UN Security Council. The Japanese government attempted to construct a multi-layered relationship with the twenty-two Arab members of the United Nations. Involvement in the Palestinian problem was an important strategy for Japan in securing the support of the Arab states.

The peace process also provided an opportunity for Japan to improve its relations with Israel. In 1994, Israel announced that the country would open its stock market to Japanese investors. The two countries also signed an agreement on economic and technological cooperation. One example of Japan's policies in the Middle East peace process is the Corridor of Peace and Prosperity Initiative, which Prime Minister Koizumi announced in 2006. The goal of this policy was to establish an agro-industrial park on the West Bank of the Jordan River through the collaboration of Israel, Jordan, and the Palestinian Authority. According to the plan, the park would grow and process agricultural produce, and sell it to neighboring oil-producing countries via a distribution center in Jordan. In this way, the Japanese government hoped to improve the economic situation in the region and improve relations between the Arab and Jewish people. Unfortunately, the plan has been slow to develop due to the recent interruption of the peace process.

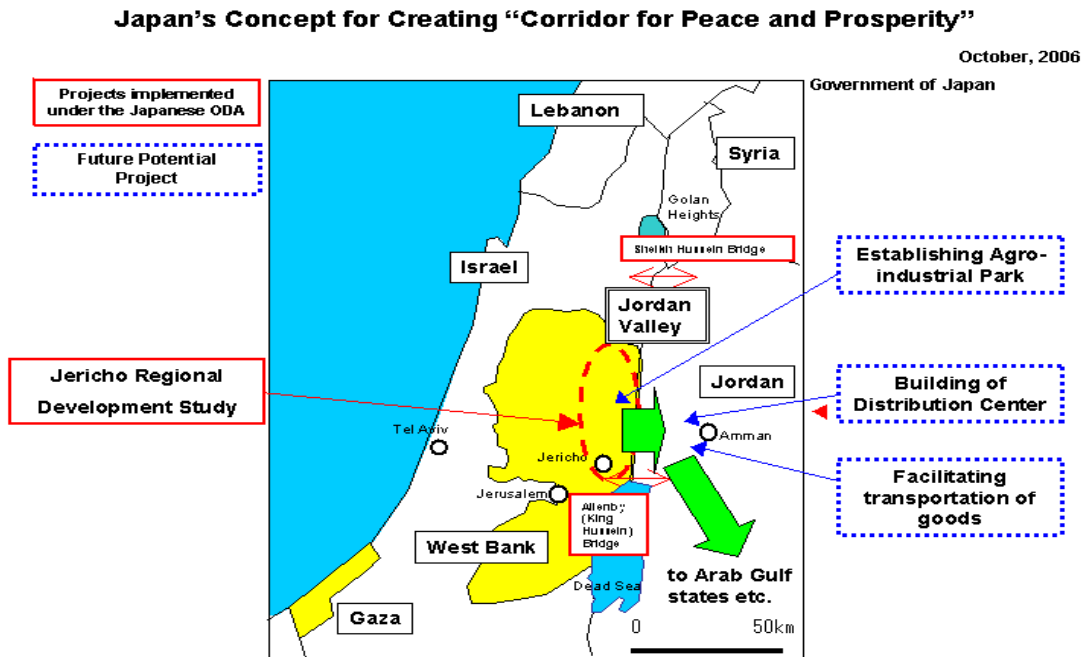


Figure 4 Japan's Concept for Creating "Corridor for Peace and Prosperity"  
Source: [www.mofa.go.jp/region/middle\\_e/palestine/concept0607.html](http://www.mofa.go.jp/region/middle_e/palestine/concept0607.html)

## Growing Economic Relations with the Gulf Cooperation Council (GCC) Countries

Since the 1980s, as previously mentioned, the oil glut and stable oil prices allowed Japan to relax its energy security policies in the Middle East. However, the Middle East continues to be an important energy provider for Japan as the following graph shows.

### Japan's Oil Imports (2007) Source: International Energy Agency

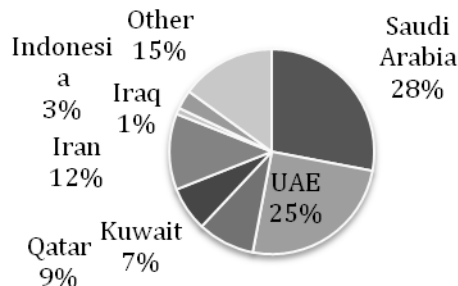


Figure 5 Japan's Oil Imports (2007)  
Source: International Energy Agency

Since the 1970s, the country has consistently diversified its energy sources and reduced energy consumption. By the first decade of the 21st century, the share of oil, in

terms of Japan's total energy sources, had decreased to approximately 50 percent, but oil imports from the Middle East had increased, and reached approximately 90 percent of Japan's total oil imports in 2007. Skyrocketing energy prices after 2008 and escalating competition for energy resources have also necessitated stronger relationships with these oil-producing Arab countries.

As argued in this paper, Japan has traditionally used its official development assistance to the Middle East for energy security, strategic purposes in line with U.S. Middle East policies, humanitarian purposes (as is the case in the Middle East peace process), and to enhance its international profile. However, Japan's official development assistance to oil-producing countries decreased as a result of the growing income of these countries. For this reason, Japan has attempted to diversify and strengthen its economic and cultural relations with oil-producing Arab countries. In addition, the political and economic concerns of following American policies have led the country to strengthen relations with pro-U.S. oil-producing countries that have less strategic influence on Japan's Middle East policies. For example, Japan's economic relations with the Gulf Cooperation Council (GCC) countries, including Saudi Arabia, the United Arab Emirates and Kuwait, improved because of their pro-U.S. stance. Japanese construction companies, for example, are seeking to penetrate the growing market in the Middle East, where the construction of infrastructure is crucial. In fact, the construction market for the GCC countries in 2007 was \$1280 billion, three times as large as Japan's domestic construction market. Taisei Corporation, a major Japanese construction company, signed a contract for a water pipeline project in 2002 and for the Palm Jumeila Undersea Tunnel project in 2004 with the United Arab Emirates. In May 2005, a consortium consisting of Mitsubishi Corporation, Mitsubishi Heavy Industries, Obayashi Corporation and Kajima Corporation won a \$3.4 billion contract for the Dubai Metro system. In December, 2009, Japan held its first ministerial economic conference with Arab nations in Tokyo. Approximately 900 Japanese government officials and business people, as well as 300 representatives from Arab countries, participated in "the Japan-Arab Economic Forum." Panel topics included finance, water business, alternative energy, business and trade, environment and tourism.

Because of Japan's policy emphasis on securing energy resources from the Middle East, the Ministry of Economy, Trade and Industry (METI) and business sectors have become heavily involved in the country's Middle East policy. METI has worked to secure energy resources and to increase Japan's economic and trade relations with the Middle East, while the Ministry of Foreign Affairs (MOFA) covers general foreign policies, including conflict resolution. In 2007, for example, Prime Minister Abe Shinzo accompanied the 180-member mission of the Japan Business Federation to the Middle East in an attempt to strengthen and diversify Japan-Middle East economic relations. At the beginning of the 21st century, the Japanese government appointed at least two ambassadors to this region from the private sector: Hatano Takuma who had worked for the Japan Bank for International Cooperation (JBIC) was the Ambassador to the United Arab Emirates from 2006 to 2009, and Ambassador Kondo Takeshi to Bahrain (appointed in 2007) had worked for a major Japanese trading company, Itochu Corporation. Japan's foreign policy has mainly been conducted by career diplomats, and the appointments from the private sector were a rare practice. These examples of atypical

political appointments emphasize the growing importance of the Japanese private sector in the country's Middle East policies.

### **Conclusion: Japan's Domestic Politics, Middle East Policies and Future Implications on U.S.-Japan Relations**

Japan's Middle East policies have traditionally been formed in consideration of the combination of four factors: energy security, strategic interests in cooperating with the United States, humanitarian concerns in conflict resolution, and growing non-oil business interests. In addition to these factors, Japan's Middle East policies are influenced by its domestic politics. In 2009, the Liberal Democratic Party (LDP) of Japan, which had ruled the country since 1955, was defeated by the Democratic Party of Japan (DPJ). This brought a significant change in the nation's politics and its security alliance with the United States. Both the LDP's dominance (until 2009) and the Alliance were central parts of the postwar Japanese political order and Japan's politics and economy were controlled by "an iron triangle" consisting of the LDP, the bureaucracy, and major businesses. The country has also maintained its postwar peace constitution and has been willing to submit to security protection from the United States throughout the postwar period. In spite of the collapse of the Soviet Union, the U.S.-Japan Alliance continued as the United States and Japan attempted to cope with new threats posed by China, North Korea, and global terrorism. For the United States, this relationship has enabled it to project its military power throughout Northeast Asia. As previously mentioned, competition with China for leadership in Asia has motivated Japan to seek a higher international profile. Japan recognized that the U.S.-Japan Alliance was still useful in order to counter China's military and political rise and to secure American support for Japan's international recognition. According to the Yomiuri-Gallop Opinion Poll, released on December 9, 2009, 75 percent of Japanese people still believe that the Alliance is useful or somewhat useful.

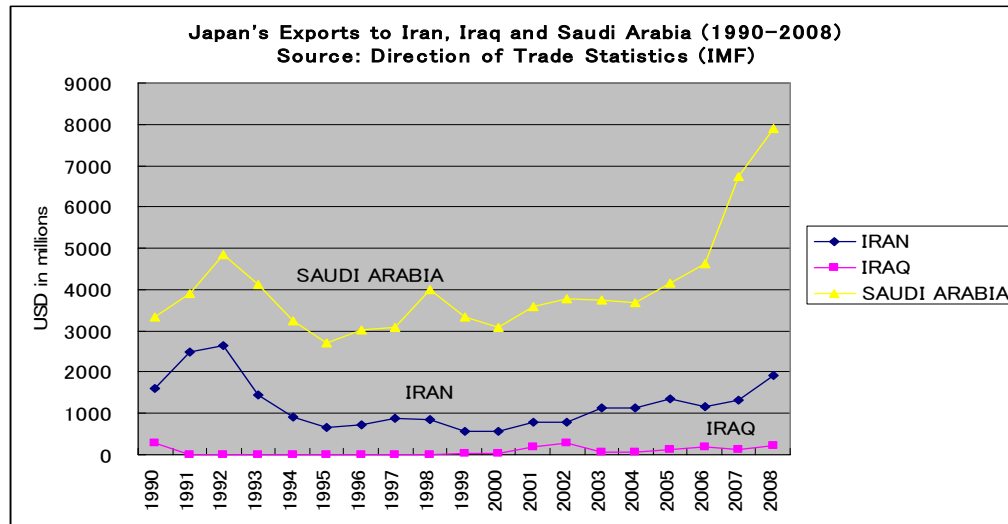
However, the absence of the Soviet threat changed the nature of the Alliance. As Leon Hadar argued in his article in *The Business Times Singapore* on December 15, 2009, the advent of China's economic and military rise, at a time when the influence of the United States is declining in East Asia, has made the Japanese reconsider its dependency on the United States and the possibility of a more Asia-oriented strategy. This vision seems to be shared by DPJ leaders, who have emphasized the importance of Japan-Asia relations.

Middle East affairs also tend to attract public attention in Japan, in terms of its relations with the United States and its Asian neighbors, as Ikeuchi Satoshi of Tokyo University argued in his article in *The Daily Yomiuri* on November 17, 2007. When political leaders insist that Japan take independent policies in the Middle East, their argument usually includes an appeal to potential anti-American sentiment among the public. Furthermore, in its Middle East affairs, Japan does not have to feel the guilt shouldered by European nations, as previous colonial rulers in the region. This provides Japan with an advantage in dealing with Middle Eastern countries. At the same time, Middle East countries favorably view Japan as a non-Western country that achieved "miraculous" postwar economic prosperity. Moreover, they appreciate Japan's strong

cultural heritage that respects seniority and hierarchical social order, which is somewhat similar to Middle Eastern values. Japan appreciates this positive attitude in the Middle East and sometimes sees it as a potential ally, which provides relief from pains associated with Japan's often imbalanced relationship with the United States and its own colonial history in Asia. Japan, under the pro-Asia DPJ administration, will likely continue to maintain favorable relations with the Middle East. In order to precisely predict Japan's future Middle East policies, the following section briefly examines the current situation regarding Iran and Iraq.

### *Iran*

In Japan's Middle East affairs, most policies towards Iran are somewhat controversial, and Japan sometimes hesitates to follow the American strategy toward Iran. In the 1990s, the United States under the Clinton Administration regarded the Iranian regime as a threat and pressured Japan to decrease investment and reduce loans and economic assistance to Iran. However, Japan, as well as Europe, preferred more indirect policies in which Japan attempted to support Iranian moderate factions through financial assistance. Strong economic interests also contributed to the preference of Japan, as well as Europe, for a more moderate approach. As the next graph shows, in 1992, when the Clinton Administration came to power, EU and Japan's exports to Iran exceeded \$10 billion and \$2.5 billion respectively. Japan's economic relations with Iran declined after this year. However, 12 percent of Japan's oil imports still came from Iran in 2007 and Japan's exports to Iran were stable at around \$1 billion between 1993 and 2007. In 2008, Japan saw its exports to Iran reach almost \$2 billion. This fact offers a clear contrast with Japan's relationship with Iraq; Japan's exports to Iraq never exceeded \$300 million. It would be fair to argue that cutting its relationship with Iraq was much easier for Japan than reducing its economic involvement in Iran. According to Shirzad Azad, Japan maintained a cautious stance because it also feared that the United States might unexpectedly change its policies on Iran at any moment, as seen in the 1970s, when the United States suddenly attained rapprochement with China. One example of Japan's reluctance to follow U.S. policies on Iran was the Azadegan oil project. Between 2005 and 2006, the United States continued to pressure Japan to not be involved in the development of Iraq's Azadegan oil field, which is one of the biggest oil fields in the world. Japan had been negotiating with Iran about this oil field since 2000, and the Japanese government regarded the project as critical in securing a long-term oil supply. In 2006, however, Japan agreed to reduce its share of the oil field from 75% to 10%.



**Figure 6 Japan's Exports to Iran, Iraq and Saudi Arabia (1990-2008)**  
Source: Direction of Trade Statistics (IMF)

Regarding Iran's nuclear development, Japan has attempted to persuade the country to address international concerns. In December 2009, in cooperation with the United States, Japan offered an option to enrich uranium for peaceful use. On February 24, 2010, according to *the BBC Worldwide Monitoring*, Japanese Foreign Minister Okada Katsuya told Iran's parliament speaker, Ali Larijani, that Iran should suspend its nuclear enrichment activities to resolve the nuclear standoff, saying, "If a resolution against Iran is adopted at the UN Security Council, Japan cannot help but comply with it."

At the same time, Iran is still a major supplier of oil for Japan, and Japanese companies are seeking access to the potentially huge commercial and infrastructure market in Iran. Iran is desperate for economic links and international legitimacy and is seeking Japan's cooperation, as Nassrine Azimi stated in his article in *BBC Worldwide Monitoring* on May 2, 2009. In order to strengthen its economic ties with Iran and to solve Iran's nuclear problem, Japan has sought a balance between the containment strategy of the United States and a more sympathetic approach that is closer to that of European countries.

### *Iraq*

The stability and reconstruction of Iraq is vitally important to Japan, a country that relies heavily on crude oil imports from the Middle East. After the withdrawal of its Self Defense Forces in 2009, Japan provided financial support to Iraq, including approximately \$80 billion for thermal and water power projects. Japan has also sought a way to reestablish business relations, with a Japanese mission consisting of corporate and governmental representatives visited Baghdad in March 2009. In the same year, another Japanese delegation of approximately 100 individuals met with Iraqi government officials in Baghdad to deepen bilateral economic relations. Iraq, on the other hand, is aiming to attract more investment from Japan. In January 2010, Japan Petroleum Exploration Corporation and Malaysia's state-owned Petronas Carigali reached an agreement with the

Iraqi government to develop an oil field in southern Iraq. Japan has been hoping that these economic activities will provide an opportunity for it to promote its entry into the Iraqi economy.

### *Japan's Middle East Policies and Implication for the U.S.-Japan Alliance*

When considering U.S.-Japan relations, the Middle East offers interesting cases that help explain Japan's international diplomatic behavior. Based on the evidence presented in this paper, the nature of Japan's Middle East policies can be summarized below:

#### Energy

- Energy security is still the most decisive factor in Japan's Middle East policies.

#### U.S.-Japan Relations

- The country has followed U.S. foreign policies throughout the post-WWII era and almost never deviated from them. However, its fear of energy security brought at least two exceptions in the Middle East —Japan shifted to a pro-Arab position during the oil shock in the 1970s and its more conciliatory policies toward Iran despite pressures from the United States to reduce economic relations.
- Overly aggressive U.S. policies also discourage Japan from following U.S. policies wholeheartedly. For example, Japan's anxiety about a sudden change in U.S. policies has led Japan to choose cautious and moderate approaches with Iran. The country prefers to work as a mediator, rather than as a partner of the United States.
- The country also aims to maintain and strengthen U.S.-Japan relations by undertaking a larger and more equal role in the U.S.-Japan Alliance.

#### Search for an Enhanced International Profile

- After the 1990s, Japan has consciously attempted to enhance its international standing through its active participation in the War on Terror, conflict resolution and postwar reconstruction in the region.
- Middle East affairs also offer opportunities for Japan to increase its presence in non-Western countries. Its generally favorable relations with the Middle East offer Japan relief from its sometimes imbalanced relations with the United States and tense relations with neighboring Asian countries.

#### Strengthening Business Relations

- Japan hopes to increase non-oil business activities in the Middle East, especially with pro-U.S. oil-producing countries in the Persian Gulf. These business activities are closely related to the country's desire to secure energy resources by strengthening economic ties with these countries.

Since the 1990s, Japan has constantly sought to increase its strategic role in the Middle East in the context of the U.S.-Japan Alliance. However, this desire has sometimes been countered by a concern about Japan's energy security and about the

legitimacy of American Middle East policies. The country's Middle East policies have been largely determined based on the power balance between these opposing forces.

Because Japan's foreign policies, including those in the Middle East, are formed as a result of fierce domestic debate and tend to consist of demands from both parties, the country's foreign affairs sometimes appear to be unclear and ambiguous. The decision-making process in Japan can also take a considerable amount of time. For Western policymakers, it is difficult to wait for Japan to come up with new policies, not only in the Middle East, but also as regards the Futenma Base problem. U.S. policymakers should be aware of the Japanese way of thinking in order to reduce their frustration. They should also note the fact that there are almost always conflicting forces inside and outside of the Japanese government, some of which the United States could collaborate with.

The Japanese government, on the other hand, should always attempt to exercise its leadership more clearly and send clearer messages to its foreign counterparts about the status of domestic debates. Regarding the U.S.-Japan Alliance, one thing the Japanese government should do is determine whether the country really needs the U.S.-Japan Alliance. If the country decides the Alliance is unnecessary, Japan should analyze what should be changed if the Alliance is abolished, for example, whether Japan should dramatically increase its own military capability so that it can defend itself. This type of debate has long been regarded as taboo in postwar Japan due to a strong post World War II pacifist sentiment and the country's renunciation of the right to engage in combat. Almost two decades after the end of the Cold War, however, it is time for Japan to clearly define its relations with the United States. If Japan believes it still needs a strong U.S.-Japan Alliance, considering the political uncertainty regarding factors such as the nuclear problem on the Korean Peninsula and the rise of China, the government should define the nature of the Alliance and clearly explain the positive aspects of the bilateral relationship to the Japanese people. If both governments can find solutions to these problems, the U.S.-Japan Alliance could become more solid and stronger in the decades to come.

*Sumiyo Nishizaki*



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# **THE EUROPEAN UNION - JAPAN RELATION GAP AND ITS IMPLICATIONS FOR THE UNITED STATES**

## **Introduction**

The best way to describe relations between the European Union and Japan is one of “benign neglect”. As Tsuruoka Michito notes in “How External Perceptions of the European Union Are Shaped: Endogenous and Exogenous Sources” (2008), European Commissioner for External Relations Sir Christopher Patten once indicated that the problem in E.U.-Japan relations is that there is no problem.

The purpose of this paper is to analyze the “neglect” and attempt to answer why political relations between these two economic giants are indifferent to scholars and countries around the world. Furthermore, the paper addresses the implications of E.U.-Japan relations on U.S. foreign policy.

The U.S.-E.U.-Japan Triad makes up 62% of world GDP. Strong institutional and strategic ties exist between the U.S. and the E.U. and the U.S. and Japan but, in comparison, E.U.-Japan relations are weak. Historical reasons underpin the U.S. military presence in Japan and Western Europe. However, this paper will only briefly touch upon the military and defense relationship. Instead, the focus will be on issues in the political, economic and cultural realms of E.U.-Japan bilateral relations.

The timing is of particular significance, as 2010 marks the end of the so-called “Decade of Japan-Europe Cooperation 2001-2010” envisioned in the 2001 Action Plan. Furthermore, current events such as the election of the Democratic Party of Japan and the coming into force of the Lisbon Treaty are pivotal moments for both Japan and the E.U. Underlying questions remain: What weaknesses lay at the heart of this bilateral relation? Is the E.U.’s common foreign policy not understood in Tokyo? Does the Japanese government suffer from a hyper-power problem in its relation to the U.S.? Answers to these questions will shed light to the nature of the U.S.-E.U.-Japan triad.

The paper is structured into two parts. The first part analyses the political dimension, addressing the causes of neglect in the relationship and concludes that we are at an inflection point in the bilateral dialogue. The second scrutinizes how the relationship between the E.U. and Japan plays out today, arguing that more can – and must – be done. It also analyzes the rise of China as a catalyst for greater engagement among the E.U., Japan, and the U.S. The section ends by highlighting the implications of the E.U.-Japan relation on the U.S. Before delving into the political analysis, however, a brief historical introduction to the bilateral relationship is necessary.

## **Historical introduction**

In comparative terms, the post World War II experiences of the Federal Republic of Germany and of Japan is similar. Both countries were defeated in the Second World War and subjected to military restrictions. U.S. military bases were locally established in both Germany and Japan. Furthermore, both Germany and Japan flourished economically

with the support of American foreign aid. Nonetheless, the experiences of Germany soon differed greatly from those of Japan. The signing into the North Atlantic Treaty Organization (NATO) and the beginning of European integration - with the pooling of resources in the European Coal and Steel Community (ECSC) –tied Germany’s foreign destiny to the fate of France, Italy and the Benelux. This setting was institutionalized in 1957 with the signing of the Treaty of Rome, which established the European Communities (E.C.). Japan, on the other side, was reluctant to engage in foreign exchanges on its own and was tied down to U.S. command. For these reasons it is possible to argue that at the outset the relationship Japan and the E.C. with the U.S. was somewhat similar. While at the beginning Japanese relations with the U.S. can be compared to that of Germany, at the turn of the new millennium the U.S. Japan relationship resembled more of a “special relationship” between Washington and London.

The first sign of the weakness in the E.C.-Japan relationship was evident during the Cold War period. For once, both Europe and Japan faced a common territorial threat from the U.S.S.R. Nonetheless, other than the emergence of the G7 framework at the Williamsburg Summit of 1983, no formal exchange at the multilateral level developed. Moreover, the G7 dialogues presupposed a strong commitment on the part of the U.S., as both the E.C. and Japan relied on Washington for their strategic security. It is not surprising then to assess the historical weakness of the E.C.-Japan relation as normative in the run up to the end of the Cold War.

The reunification of Germany and relatively peaceful decade of the 1990’s set in motion a more engaged partnership between the E.C. and Japan that developed through the signing of the Joint Declaration on Relations between the E.C. and Japan at The Hague in 1991. The document explicitly called for greater dialogue and cooperation in the form of regular consultations. The underlying assumptions was the shared vision both the E.U. and Japan had of market principles and their attachment to the values of freedom, democracy, the rule of law and human rights. With the strength of this partnership both the E.U. and Japan rose as global civilian powers within the institutional setting of multilateralism. Some commentators, like Tiberghien et al in “Minerva’s Portrait” (2010), go as far as defining the E.U. and Japan (alongside Canada) at that time as Minervian powers; a group of like-minded states that support the creation of credible institutions, possibly backed by limited but effective use of force.

However, the attacks of September 11, 2001 brought back the influence of power politics and illuminated the relatively inadequacies of E.U. and Japanese responses. In the immediate aftermath, the E.U.-Japan partnership was revamped with the signing of “Shaping Our Common Future: An Action-Plan for E.U. Japan Cooperation” in December 2001. Within the document a “Decade of Japan-Europe Cooperation 2001-2010” was envisaged, attained through greater focus on concrete measures and concerted actions. Whether the 2001 document was a joint, rapid response to 9/11 or an attempt to move the bilateral relation forward remains unclear. What evidence has shown is the lack of effective changes in the E.U.-Japan relationship in the past decade amidst official expressions of willingness to strengthen the relationship.

The subsequent section analyzes this last decade in greater detail. It will highlight the reasons behind the neglect and ineffectiveness of the bilateral relationship in both Europe and Japan.

### Part 1: The Greater Political Dimension

There are many reasons as to why the Japan-E.U. relationship is disregarded by many scholars and countries around the world. The first reason is geography. The E.U. and Japan are thousands of miles apart and do not share similar maritime or territorial borders. Why should they interact in the first place? However, the shift in power dynamics favoring Asia creates a case for greater E.U.-Japan exchanges. Their status in the world is being challenged by rising powers like China and India. For this reason alone the E.U. and Japan should strengthen ties. This, topped with the threat of global terrorism, undermines the importance of border proximity. It is reasonable to argue that geographical closeness in today's world is not as important as it might have been a decade ago. Therefore the geographical argument still exists but has been washed out. A second reason why the E.U.-Japan relation is weak is related to domestic political inadequacies on both the part of the E.U. and of Japan, to which we now turn.

Domestic inadequacies run parallel to the case of Brussels and in the management of foreign policy on behalf of the Liberal Democratic Party (LDP) of Japan. The recent ratification of the – much anticipated- Lisbon Treaty in November 2009 and the election of the Democratic Party of Japan might be positive catalysts for change in the bilateral relationship. Never in the recent history of E.U.-Japan relations have had two pivotal events occurred in such linear succession. As a representative of the European Union Delegation in Tokyo noted: “the stars of the E.U.-Japan relation are aligned as never before – we must take advantage of this situation to redesign the bilateral relation once and for all. We are now at an inflection point of the relationship, it can either be revamped or it will continue its *indifference* path.” What is the significance of the Lisbon Treaty and the Democratic Party of Japan (DPJ) winning the election?

The entry into force of the Lisbon Treaty has changed the way the E.U. conducts its foreign policy. It addresses – and should resolve - the structural weaknesses that have plagued European foreign policy since its inception. As Tsuruoka Michito explains in “Expectations Deficit in EU-Japan Relations” (2008), the establishment of the E.U.’s foreign and security policy, the launching of the single currency Euro and the enlargement are factors that have contributed to the increased awareness and expectations to the E.U. in many countries, including Japan. He also mentions that, conversely, repeated failures to act in common and speak in a single voice in international relations and economic underperformance of the Euro-zone have led to negative views on and lower expectations of the E.U. For these reasons the Lisbon Treaty is a much-needed breath of fresh air, as it establishes the new position of a long-term President of the European Council – Mr. Van Rompuy. He is added to the six-month rotating presidencies of European Member States. Furthermore a High Representative of the Union for Foreign Affairs and Security Policy– Baroness Ashton – has been created to present a united position on E.U. policies. The goals of these reforms are not only to ensure greater coordination and consistency in E.U. foreign policy, but also to simplify the perception of the E.U. abroad. Whilst the changes brought by the Lisbon Treaty are necessary to enhance the E.U.’s credibility as a single actor at the international level, many structural

problems persist in the E.U.'s approach towards third countries and in particular Japan. The most important challenge the E.U. faces is the inborn problem of reconciling the positions of the single member states within an overall European consensus. This unclear definition of what the roles of the member states are and what of the Union in relation to third parties has negatively contributed to the E.U.-Japan relationship. Tsuruoka notes that, on Japan's side, the lack of understanding of the E.U. and Tokyo's preference to deal with major countries of Western Europe bilaterally rather than talking to Brussels have contributed to Japan's low expectations for the E.U. In practice, relations between single European countries and Japan are extremely strong, especially in the case of the United Kingdom, France, Germany and the Netherlands. Although this difficulty is part and parcel of European foreign policy, the E.U. must do more to promote a cohesive view and try to speak with a single voice.

Another challenge is the perceived role of Japan. Whilst Japan is on the E.U.'s radar, most efforts in Brussels are directed towards its neighborhood policy in Eurasia and the Mediterranean. The fundamental problem with European engagement in Asia is that its strategic stake in the region remains undefined. As Tsuruoka notes in, "Linking Japan and the Transatlantic Community in the Age of Asia's Rise" (2009), the E.U. does not seem to have a clear idea of what role it wants and is prepared to play in Asia. A more comprehensive regional approach to Asia is needed, coupled with a new ability for the E.U. to take rapid actions on the ground. To date, the E.U. political and military involvement in Asia is limited to a monitoring mission in Aceh, Indonesia.

Overall, the failure to establish a strong bilateral relationship on the E.U.'s side is caused by the repeated malfunctioning of its common foreign and security policies and its general indifference towards Asia and Japan in particular. Notwithstanding these crucial elements, continuous Japanese conservative governments are equally responsible for such neglect in the bilateral relationship.

The domestic political inadequacies in Japan are equally culpable for the failure of the E.U.-Japan relationship. However before analyzing the situation in recent years it is important to highlight how the election of the DPJ - at least theoretically - presupposes the opportunity for a radical change in the way Japan conducts its foreign policy especially vis à vis the U.S. One reason behind the lack of strong E.U.-Japan ties is linked to the "hyper-power" towards the U.S. There are many manifestations of the Japanese preference of the U.S. First, Japanese foreign policy has commonly been influenced by Washington. Second, elites and academia are focused on the U.S. and have little knowledge or interest in Europe. The high number of Japanese students and scholars that choose to study in the U.S. continues to reinforce this trend. Numerous exchange programs across the Pacific, ranging from Fulbright to JET Program, constantly train future experts in U.S.-Japan relations. Although the relative numbers of U.S.-Japan exchanges are decreasing, they are still tenfold larger than those between the E.U. and Japan. Third, most FDI in Japan is conducted by U.S. corporations and multinationals, again reinforcing the existing links.

Another reason behind the problems of the E.U.-Japan relation is Japan's focus on Asia and domestic political issues which prevent it from further engaging Europe. Especially on the domestic front, Japanese governments are confronted with the challenges of an ageing population and a mounting national debt. Although France and

Finland have been heralded as successful models to tackle Japan's demographic problems, domestic issues limit the amount of attention Japan can put on foreign policy. The growing national debt is also a cause for concern in Japan, which diverts attention away from other international considerations.

A third reason for Japan's inability to engage with the E.U. is its diplomatic culture. Japan is not as proactive a player in multilateral settings as it could be. As the T.J. Pempel states in Tiberghien's "Minerva's Portrait" (2010): Japan is quite prepared to actively support multinational organizations, even opposing the U.S. on specific matters, as long as those actions do not compromise its close security ties with the United States. It faces far more of a dilemma when multilateralism comes at the expense of pro-U.S. bilateralism. The fourth reason is tied to the complexity of the E.U. system and the – justified – lack of understanding on the E.U. side. As Tsuruoka notes in, "Linking Japan and the Transatlantic Community in the Age of Asia's Rise" (2009), E.U. foreign policy is still a work in progress and its shape and structure keep changing. It is therefore not easy for outsiders to understand the actual state of these developments.

Notwithstanding these challenges and problems, the election of Prime Minister Hatoyama Yukio is a landmark change in Japanese politics that can revamp the E.U.-Japan dialogue. Hatoyama has already explicitly referred to the European Union on a couple of occasions since his election in August of 2009. First in reference to climate change and again when proposing a model of Asia regionalism. Furthermore, Tsuruoka explains that, in the domestic political spectrum, centre-left parties are generally close to European idea of soft power and social-democracy. It seems all necessary ingredients are present to renew Japanese commitment to a stronger E.U. partnership. As mentioned above, Hatoyama implicitly referred to the E.U. when addressing the UN General Assembly in September 2009. He stated his government was committed to reduce greenhouse gas emissions 25% by 2020 compared to 1990 levels – if an agreement was reached at the COP15 Copenhagen Summit. This statement echoes the so-called "20-20-20" initiatives by the European Commission of January 2008. The E.U.'s goal is to reduce its overall greenhouse gas emissions to at least 20% below 1990 levels by 2020 and to increase the share of renewable energy use to 20% by 2020. As part of these promises, the Japanese government is also considering the introduction of a domestic Emission Trading Scheme (ETS) and imposing a carbon tax. Although both the Japanese and European statements are extremely ambitious – and there is little evidence these goals are possible to meet - there is no doubt this expressed willingness on the part of Japan and Europe has tied them to a mutual path.

Furthermore, Hatoyama Yukio, during a heads of state summit in Beijing in October 2009, referred to the E.U. as a model to build an East Asian Community (EAC). Hatoyama's ideas on an Asian political union conceived on the model of the E.U. sound highly utopian at the moment. However some commentators, like Kopper in "Yukio Hatoyama and the Politics of Fraternity" (2009), argue that it was no different in the case of the European Union at the time of Count Richard Coudenhove-Kalergi when he raised the banner of Pan-Europeanism. Whether an EAC is utopian or not, it is undeniable that Hatoyama is personally intrigued and attracted by the European model of regional integration. This belief might simply be a personal trait of his character, identity or a family legacy. In fact, Yukio's grandfather Hatoyama Ichiro translated one of the works

of Count Richard Coudenhove-Kalergi into Japanese in 1953.<sup>1</sup> This translation used the word *yuai* which has attracted great media attention and political stir in recent months. Nonetheless what is crucial is the substance of the work translated by Hatoyama Ichiro and in particular the idea of *Pan-Europa*. Kopper also comments that Japan's *Pan-Europeanism* applied to Asia today amounts to the belief in multilateral forms of cooperation as superior to bilateral ones, especially in resolving disputes of a territorial and security-related nature. Kopper continues to say that this is why Hatoyama points to the E.U. as the model that Japan should promote for Asian countries to pursue. While Hatoyama's vision caused some stir in Washington and Beijing it was well received in Brussels. On the same occasion, the Japanese prime minister also explicitly referred to the creation of a common Asian currency in the future – which again undoubtedly draws on the positive experience of the Euro. Whilst from an international monetary point of view the creation of a single Asian currency is at least a couple of decades away, Eisuke Sakakibara, former Vice Minister of Finance in Japan, stated at the Regional Outlook Forum in Singapore on January 7, 2010: "it may be the time to start thinking about [a common currency] because Asian economic integration is gradually approaching the level of Europe." As Tanaka et al explain in "Cast in America's Shadow: Perceptions of the EU in Japan" (2007), in broader terms, in the development of Asian regionalism, the European Union is not the only model for Asians to emulate, but it will surely be used as a benchmark or reference when Asian are going to proceed for more cooperation and/or integration in the region.

Overall, as noted by the examples of climate change and Asian regionalism, the Hatoyama administration has brought about a sea of change in the way Japan refers to the E.U. It is now necessary to move from ideas to actions for the E.U. and Japan to become interlocking partners.

The macro-area in which the E.U. and Japan share a common view - and destiny - is in the nature of the international system. As Tsuruoka concludes in, "Linking Japan and the Transatlantic Community in the Age of Asia's Rise" (2009), the center of gravity of world power is shifting to the East, there is a strong case—stronger than in the past—to be made for linking the transatlantic community and Japan.

### Part 2: Ongoing Partnerships

The second section of the paper focuses on the areas in which mutual partnership already exists and should be further strengthened. Fundamentally, Japan and the E.U. are *strategic partners* as they share fundamental values such as democracy, freedom and the rule of law, human rights and market economies. These values translate into: (1) a global responsibility, namely global warming, Millennium Development Goals and responses to the global financial crisis. (2) The strengthening of peace and security, especially in North Korea, Afghanistan, Iran, in the Gulf of Aden and in international peace

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<sup>1</sup> Hatoyama's translation of the book "Totalitarian State against Men" appeared in 1953, under the title of "Jiyu-to-Jinsei" (literally, "Liberty and Life"). Hatoyama was moved especially by its last chapter, "Revolution to Fraternity". He decided to organize a movement for this revolution for fraternity, and he found YUAI (Young Men's Association for Fraternity) in December 1953

operations. (3) Cooperating for greater economic prosperity through the promotion of innovation, international standards and consumer safety. We now start to analyze in detail these aforementioned issues.

As Richard Whitman discusses in “Road Map for a Route March” (2006), in terms of global responsibility, both Europe and Japan share a common view of the importance of multilateral actors such as the UN as both entities see themselves primarily as civilian powers. Cooperation between E.U. and Japan can be envisaged in the areas of environment, human security, and human rights and culture. For instance, as T.J. Pempel notes in Tiberghien’s “Minerva’s Portrait” (2010): “Japan was an ardent supporter of the Kyoto Protocol ratified in 2002, the International Criminal Court, the cultural diversity treaty built around UNESCO, and the International Agreement to Ban Anti-Personnel Landmines [...] In all such cases, Japan worked closely with the E.U., Canada and other powers to create new regimes that expanded multilateralism.” One instance of disagreement between Japan and the E.U. has been over the reform of the U.N. Security Council (UNSC). On the front of multilateral dialogue, the global response to the financial crisis in 2008, which brought about the establishment of the G20 meeting, exacerbates the relative power decline of the E.U. and of Japan. In this context some commentators have argued for a renewed G4 alliance comprised of the U.S., the E.U., Japan and China. Whilst this position does not accommodate Russia, it is a reasonable way to renew the limits of today’s increasingly anachronistic G8 meetings. However, as in the case of the UNSC reform, the European member states are reluctant to give up their membership in the G8 club and until the E.U. can effectively speak with one voice, little progress is at the forefront.

The case of global warming has already been dealt with above; here it is necessary to add how the common vision of the E.U.-Japan positively influenced the outcome of the COP15 negotiations in Copenhagen in December 2009. Whilst some can argue the final deal was struck by the joint positions of the U.S. and China, it is undeniable the common commitment of the E.U. and Japan in reducing greenhouse gases that influenced the U.S. decision.

On the topic of Millennium Development Goals, the E.U.-Japan partnership has reaffirmed its commitment to increase Overseas Development Assistance (ODA), especially towards Africa. As expressed in a joint press statement at the 18<sup>th</sup> E.U.-Japan Summit in Prague on May 4, 2009, the two countries have decided to hold an annual development policy dialogue to further promote mutual cooperation for aid and development effectiveness. Whether these decisions are simply rhetoric or will echo into actions is an open question.

What is important to remember is that the 2007-2008 periods saw the outbreak of the global financial crisis. Although it originated in the U.S., it quickly spread to Europe and Japan. The causes of the crisis are partly seen in the excessive leverage banks and insurance companies put in complex financial instruments. This behavior was followed in both Europe and Japan, but in the aftermath some sectors of their society have criticized the deregulation of the financial sector. The financial crisis is of particular concern as it might help narrow the gap between the E.U. and Japan. In particular, as Tsuruoka points out in “How External Perceptions of the European Union Are Shaped” (2008), expectations to and favorable views on Europe are often stimulated by anti-American

sentiment or more mild uneasiness toward the U.S. (*kenbei*) and resultant sympathy with a European model of social-economy. Additionally, it is not a small number of Japanese who prefer European social, economic, and political model to those of the U.S. (or of Anglo-Saxon). It is true that from an economic perspective neither Europe nor Japan have been capable of forging a better model for economic growth. For this reason it is hard to criticize the U.S. without offering an alternative solution. One Japanese commentator exemplified the difference in the Japanese and European approach towards the U.S., saying that “Japanese do not blame the U.S. for the crisis whilst the Europeans find the U.S. as scapegoats for their problems.” Therefore, whilst the election of the DPJ might have been a form of backlash against the government’s handling of the financial crisis, it is unrealistic to assume that Japan or Europe – let alone together – can threaten the U.S. economic model. The only instance in which their cooperation has proved effective in challenging the leadership of the U.S. is in the debate on climate change.

In terms of peace and security both Japan and E.U. rely on the U.S. for strategic defense. While Japan and Europe share common values of freedom, democracy and the rule of law, there is little on-the-ground interaction. The only area where there is a joint response is in the efforts for international peace cooperation. Again, this instance demonstrates the “civilian” nature of their foreign policy approach. Given that the peacekeeping operations in which Europe and Japan work together are less than a handful, they are worth analyzing individually. Firstly, the E.U. and Japan are both active in the Gulf of Aden to combat piracy. They are both responsible for escort and surveillance of the seas. Japan’s mission involves two destroyers and two patrol aircrafts, whilst the EU is working as part of its EU NAVFOR Somalia mission. Secondly in Afghanistan, Japan is cooperating within the auspices of NATO on a provincial reconstruction team whilst the E.U. has launched a police mission. Thirdly, in the Indian Ocean they were both combating the fight against international terrorism. In particular, Japan until very recently was in charge of refueling operations for the E.U. member states’ ships. Fourthly, as part of the Golan Heights UN peacekeeping operation, Japan is conducting logistics and transport operations alongside other E.U. member states. It is evident from these four examples that the level of significance of the E.U.-Japan relationship in security and defense is – again - not well developed. Nonetheless there are positive signals too: the number of joint operations is on the rise, the threat of international terrorism decreases the importance of geographical location and Japan and the E.U. share the same fundamental values.

The third common issue between E.U. and Japan is cooperation for greater economic prosperity. In this regard the E.U.-Japan relation has always been strong and should continue to be so. As mentioned earlier, the E.U. and Japan together makeup 38% of world GDP according to the International Monetary Fund. E.U. and Japan’s trade relations are also significant, with Japan exporting to the E.U. about twice as much as it imports from Europe. According to Eurostats 2008 numbers, Japan is its 6<sup>th</sup> largest trading partner of the E.U., with roughly 75 billion in imports and 42 billion Euros in export to Japan. In terms of investment, the flow of foreign direct investment (FDI) from Japan to the E.U. amounted to 18billion Euros and the FDI from the E.U. to Japan amounted to 13billion Euros. In comparison to trade levels, the amount of FDI between the two countries is much smaller than foreseen. Stronger economic links would cause positive secondary effects in the political and cultural realms. The E.U. in particular is



advocating greater market access for European companies in Japan. At the same time, both parties are trying to formulate an economic partnership agreement to bring about a free trade agreement (FTA). Businesses on both sides favor such a deal. As Shadam Islam comments in “Revitalising EU-Japan Relations: Time to Move from Rhetoric to Action” (2009): “European exporters who face tough regulatory and non-tariff barriers in Japan, including stringent standards and testing for consumer goods, say an Economic Integration Agreement will help remove obstacles to trade and also ease strict and complex Japanese rules and regulations which currently stifle European investments in the country.” However, in October 2009 the E.U. signed a Free Trade Agreement with South Korea, creating resentment in Japan because this may hinder the competitiveness of Japanese manufacturers in the European market. Whilst Japanese frustration is understandable, the E.U.-Korea FTA might hopefully allow negotiations for an FTA between the E.U. and Japan to move at a faster pace. An example of the complexity of negotiations in the E.U.-Japan’s relationship is the two-way Regulatory Reform Dialogue (RRD) in place since the mid-1990s. These dialogues are aimed at reducing the number of unnecessary and obstructive regulations that hamper trade and foreign investment. The dialogue has resulted in an incremental easing of restrictions in a whole host of sectors, from telecommunications to legal practice, pharmaceuticals to FDI. However, there is widespread belief that too many issues and technicalities are part of this regulatory dialogue and more emphasis should be put on limiting its scope and the body should act more decisively. An industry which is a particularly sensitive to political issues in both Japan and Europe is agriculture and fishery. In both countries, this industry is extremely protected and subsidized. Given the high stakes farmers have, agricultural issues often attract great attention and halt multilateral negotiations. It is also for this reason that Japan and the E.U. have some of the strictest norms on the imports of genetically modified food.

Overall the economic picture is much brighter than the political one. Vast business interests exist between the E.U. and Japan. Notwithstanding this position, more can be done to increase market access and deregulation. In this regard, a consequence of the financial crisis will probably be an increase in protectionist measures. Whilst these policies are justified to their respective domestic audiences, they come at a time where the E.U.-Japan relationship needs everything but further restrictions.

Having analyzed both the case of the political as well as the economic interchange between the E.U. and Japan, attention now turns to one of the biggest challenges they face both economically and politically – China.

The rise of China can be a catalyst for enhanced cooperation amongst the E.U. and Japan. The existence of a change to the international governance system –either an opportunity or a threat – and the strong economic growth of China can reshape the priorities of the E.U.-Japan relation. When faced with China, the E.U.-Japan relation is much stronger than usually acknowledged. On topics like the respect of human rights, the reduction of greenhouse gases and the recognition of intellectual property rights, the E.U.’s and Japan’s positions are very close. Japan, however, has criticized some aspects of the E.U.’s relation to China, especially over the arms embargo. Europe implemented an arms embargo on China in 1989 and in recent years statements to lift it have been regularly made. Even as recent as January 26, 2010, the newly appointed Spanish

Presidency to the E.U., Foreign Minister Miguel Angel Moratinos made a statement at an E.U. Foreign Ministry meeting about reconsidering the possibility of lifting the embargo. Whilst the actual removal of the embargo on behalf of the entire E.U. is far away – it would require the unanimity of all its 27 member states – Japanese officials have criticized this European position. As Tsuruoka points out in “Linking Japan and the Transatlantic Community in the Age of Asia’s Rise” (2009), Japanese (and Americans), would argue that the only expectation of Europe is that it should do no harm in Asia. This is a view primarily derived from bad experience with the issue of lifting the E.U. arms embargo on China, to which there was vehement opposition. He stresses that, at the very least, there needs to be a recognition that this kind of negative and minimalist view still lingers.

The Chinese perspective on the issue is the opposite; they hope that the E.U. will become a viable counterweight to the United States. This striking conclusion is reinforced by looking at the result of a public opinion poll conducted by the Asia-Europe Foundation. According to a poll conducted by Dai Bingran and Zhang Shuangquan, *EU Perceptions in China* (2007), when asked what country will be the most important partner to China in the future, the majority of Chinese answered Europe. Overall, Japan must understand the fascination the E.U. has in China and the E.U. must recognize that Tokyo plays a crucial regional role in its relations with Beijing.

The paper has addressed the goals of the Decade of Japan-Europe Cooperation (2001-2010), which are: (1) the promotion of peace and security, (2) strengthening the economic and trade partnership utilizing the dynamism of globalization, (3) coping with global and societal challenges, (4) bringing together people and cultures, including people to people exchanges. The last section will briefly address the issues involved in societal challenges. Although public opinion, social policy models and social behaviors are hard to grasp empirically, it is reasonable to argue that the societies of the Japanese and Europeans converge more than, for example, those of U.S. citizens. Ideals of a just and equitable society, in which the state must guarantee a social safety net, are embedded values for the vast majority of the population. However, due to the difference of American society from their own, Japanese elites and the political establishment are attracted to the U.S. model and suffer from what was referred to above as the hyper-power problem. This excursus paves the way for an analysis of the implications the E.U.-Japan relationship has for the U.S.

As stated from the outset, both the E.U. and Japan rely on Washington for their security, hence on this front this relation is of little concern to the U.S. At the same time, it does not appear that Tokyo and Brussels are competing for Washington’s attention. U.S. efforts are concentrated in Iran, Iraq, Afghanistan, and Pakistan and on the war against terrorism – not to mention domestic challenges. Because priorities lie elsewhere, it is difficult for the U.S. to be responsive to the E.U. or Japan. However, what this paper has tried to highlight is that in certain soft-power, civilian issues the E.U.-Japan relationship can challenge U.S. prominence. When the E.U. and Japan agree to cooperate and state their strong commitment, as in the case of combating climate change, it becomes harder for the U.S. to pursue a unilateral agenda. Nonetheless, such cases are so rare that the U.S. has little to worry. In the economic realm, the financial crisis has been a hit to U.S. financial supremacy. Using a boxing metaphor from Ellen Frost: “the U.S. has

been hit and does have a black-eye but it has not been knocked-out.” Neither the E.U. nor Japan, respectively the second and third most important economic blocs, were able to come-up with a solution to the crisis or to propose an alternative model out of the recession – other than a little more regulation in the financial markets. With the rise of China, greater concerted efforts between the U.S., E.U. and Japan are needed in addressing fundamental values such as democracy, freedom, human rights and the rule of law and market economies. As Tsuruoka states in “Linking Japan and the Transatlantic Community in the Age of Asia’s Rise” (2009), “it cannot be persuasively argued that Europe, the United States or Japan has a better chance of influencing China independently than in cooperation with each other.”

### Conclusion

Overall, this essay has tackled the “*benign neglect*” issue in the E.U.-Japan bilateral relationship. The nature of the relationship stems from an *inadequacy of mutual awareness*. Whilst geographic distance has played a contributing role at the outset, misperceptions and domestic political shortcomings – on both sides - are to blame for such neglect. Notwithstanding, we are at a critical inflection point in the relationship – in 2011 a new agreement between the countries will be signed. Never before have pivotal changes like the election of the DPJ and the signing of the Lisbon Treaty occurred at a more fruitful time. Whether the E.U. can deliver on its mission to speak with one voice remains to be seen. However, all the ingredients are in place for the E.U.-Japan relationship to renew itself. One point must be clear: the scope of the bilateral relationship should be scaled down and concrete actions must take place. All efforts should be focused on increasing cooperation in key issue areas such as combating climate change and facilitating trade and investment, in particular, the establishment of an Emission Trading Scheme (ETS) in Japan and the signing a free trade agreement. Furthermore, if the Hatoyama administration is committed to Asian regionalism, there is great scope for the E.U. to share its ‘best practices’ in political integration methodology. With a view to the next decade and beyond, the challenge posed by China can prove a catalyst for further cooperation. The E.U. and Japan, in accord with the U.S., should continue to set global standards in freedom, democracy and the rule of law. Maybe there is a simple reason behind the *indifference* in the E.U.-Japan-U.S. triad. As Tsuruoka Michito, in “Linking Japan and the Transatlantic Community in the Age of Asia’s Rise” (2009), points out: “Ironically, Japan is such a natural partner for both North America and Europe that it is too often taken for granted, and as a result, gets less attention than it should. It is human instinct that more attention is paid to those countries that cause harm than to those who do not pose a threat.”

Donatello Osti

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## CONCLUSION

As the 2009-2010 edition of the Yearbook goes to press in May 2010, U.S.-Japan relations remain under strain, largely over the efforts of the Hatoyama government to revise fundamentally the 2006 agreement between the two governments to relocate the Marine Air Station at Futenma to the Henoko area of northern Okinawa. After exhausting all other possibilities, it appears that the new government in Tokyo is returning to a variation of the original plan, which may or not still be viable in terms of gaining local consent in Okinawa.

The strains in U.S.-Japan relations are not simply the result of the Futenma issue or a new government and an iconoclastic prime minister taking office in Tokyo. Sixty five years after the end of the war and fifty years after the conclusion of the U.S.-Japan Security Treaty, fundamental power relationships in East Asia have changed. In addition, there is a new generation of leaders in both countries who have a post-Cold War view of the world. In sum, U.S.-Japan relations are entering a new era where the fundamental assumptions of the past will need to be revisited.

I am confident that such a fundamental review will reaffirm that Japan and the U.S. continue to share many strategic interests and that close cooperation remains vital to both countries. At the same time, I expect that the two governments will conclude that we need to adjust the mechanisms and focus of the alliance to reflect new realities. President Obama's visit to Japan in November 2010 for the Yokohama APEC Summit offers an opportunity to begin this process of developing a new joint vision for the U.S.-Japan Alliance to meet the challenges of the 21<sup>st</sup> century. Hopefully, by that time both governments will have refined their own views about the future of the alliance and be ready to engage in a constructive dialogue on building the foundation for future cooperation. Next year's addition of the Yearbook will be an opportunity to chronicle the progress the two countries have made in this direction.

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## **CELEBRATING THE REISCHAUER CENTER'S FIRST QUARTER CENTURY: THE 2009-2010 ACADEMIC YEAR IN REVIEW**

Since its foundation in 1984, the Reischauer Center has steadily expanded its role in promoting understanding between the United States and Asia, with a special emphasis on U.S.-Japan relations. 2009-2010 has been a special year in that regard, for two auspicious reasons. 2009 marked the twenty-fifth anniversary of the founding of the Center itself. 2010 also marked the centenary of the birth of Edwin O. Reischauer, in whose name, and with whose personal support our center was founded.

The Center was favored during 2009-2010 with a significant expansion of its research staff, building on previous strength. Apart from Professor Kent Calder, director since 2003; and Ambassador Rust Deming, formerly Deputy Assistant Secretary of State for East Asian Affairs, and principal advisor to this year's Yearbook, the Center also added Dr. William Brooks, director for fifteen years of translation services at U.S. Embassy Tokyo, as a senior advisor and affiliate faculty member. Only after joining the Center, Dr. Brooks published an important new monograph on the history of the Futenma base controversy, and commenced in-depth research on decision-making processes within the new ruling Democratic Party of Japan.

The Reischauer Center also expanded its cohort of Visiting Fellows to the highest level in recent history, involving a broad range of participants for the private sector, government, and mass media. Among this year's fellows were Eiichiro Ito of Tokyo Electric Power; Katsuhiro Oshima of Mitsubishi Research Institute; Norihiko Saiki of Japan's Ministry of International Trade and Industry; Keiichi Tanaka of NHK; Yasuyuki Kimura of Japan's Ministry of Defense; and Toshimitsu Kishi of *Mainichi Shimbun*. The fellows, pictured below, met regularly with Professors Calder, Deming, and Brooks, as well as outside visitors, including U.S. government officials, to discuss issues of current public importance. Upon their return to Tokyo, alumni fellows also meet periodically to discuss common concerns, and to support the Reischauer Center.



Over the course of 2009-2010, the Reischauer Center co-sponsored five international conferences. Three were held with the support of a major new grant which the Center received from the Japan Foundation during 2009, to undertake cooperative policy research on institution-building in the Pacific and Arctic regions, jointly with the Japan Institute of International Affairs and the Canadian Center for Asia-Pacific Studies. A preparatory mini-conference was held at the Canadian Embassy in Tokyo during June, 2009, followed by a major conference in Vancouver, involving senior Canadian policymakers, as well as major U.S. and Japanese academic and think-tank representation, in October, 2009. The second major conference under the project, involving major policy, academic, and think-tank representation from Japan, the U.S., and Canada, took place at the Japan Institute for International Affairs (JIJA) in Tokyo, on August 30-31, 2010.

In addition to pioneering U.S.-Japan-Canada mini-lateral dialogue through working with major think tanks in Japan and Canada, the Reischauer Center also co-sponsored a conference on “New Governments and New Relationships in Japan and the United States”, together with Kyodo, Japan’s largest news agency. The conference was held in Tokyo on January 12, 2010. It involved as speakers State Secretary for Foreign Affairs Koichi Takemasa, and Akihisa Nagashima, Parliamentary Secretary of Defense, as well as Reischauer Center Director Kent Calder and Michael Auslin of the American Enterprise Institute, together with a broad range of prominent local participants.

The Reischauer Center also co-sponsored, jointly with Keidanren’s Keizai Koho Center, a conference on “2010: Crucial Turning Point in U.S.-Japan Relations”, on August 27, 2010, at which Kent Calder and Bill Brooks spoke.



In addition to conferences, the Reischauer Center also periodically hosts a variety of receptions, to bring alumni and friends together. During 2009-2010, a special reception was held at the Roppongi Hills Club in Tokyo, to commemorate the twenty-fifth anniversary of the Center. Among the speakers and participants were U.S. Ambassador to Japan John Roos and his wife Suzie, together with recent Japanese Foreign Minister Yoriko Kawaguchi and Dr. Shoichiro Toyoda, Honorary Chairman of Toyota Motors, pictured below cutting the ceremonial anniversary cake.



One of the academic highlights of the year was the panel, chaired by Kent Calder, at the September, 2009 annual conference of the American Political Science Association in Toronto, involving three members of the Center, dealing with “Global Political Cities”. Mariko de Freytas presented a paper on “Comparative Global Political Cities: Brussels and Paris”. Eunjung Lim presented “All Roads Lead to New York: New York’s Status as a Global Political City, from the Perspective of Korea-Related Cases”, while Kent Calder spoke on “Washington, D.C. as a Global Political City”.

Out of this broad range of academic and policy activities, with the important assistance of Visiting Fellows; as well as in-house research staff, including Yukie Yoshikawa, Mariko de Freytas, Michael Boyd, Haillie Lee, and Vivian Wong; the Center has published a broad range of books, monographs, and articles over the past academic year, apart from this Yearbook, which has been a mainstay of the Center’s activities throughout its history. The academic year began with the publication under the auspices of the Center of Kent Calder’s Pacific Defense (Yale University Press, June, 2009). In April, 2010 came Edwin O. Reischauer and the American Discovery of Japan (Columbia

University Press), authored by George Packard, founder of the Reischauer Center, and currently President of the U.S.-Japan Foundation.

The Reischauer Center also published several new scholarly monographs, on a broad range of East Asian regional topics. First came a provocative new analysis China-Iran relations: Moving (Slightly) Closer to Iran: China's Shifting Calculus for Managing its "Persian Gulf Dilemma", by John Garver, Flynt Leverett, and Hillary Mann Leverett, and published in October, 2009. In February, 2010, the Center published The Politics of the Futenma Base Issue in Okinawa: Relocation Negotiations in 1995-1997 and 2005-2006, by William Brooks, the first scholarly study to explore the full fifteen-year history of the Futenma controversy. In August, 2010 it also published Japan's Asianism, an intellectual history of pre-World War II Japanese thinking about Asia, by Yukie Yoshikawa.

Center affiliates also published several academic articles individually. These included: Kent Calder, "A New Era in U.S.-Japanese Relations: New Regime, New Relationship?", *Foreign Affairs* (on-line edition), *Foreign Affairs*, September, 2009; Kent Calder and Mariko de Freytas, "Global Political Cities as Actors in Twenty-First Century International Affairs", *SAIS Review of International Affairs*, Winter/Spring, 2009; and Yukie Yoshikawa, "Can Japanese Agriculture Overcome Dependence and Decline", *The Asia-Pacific Journal: Japan Focus*.

Apart from publications, the Reischauer Center also uses other media vehicles to convey an understanding of its activities. For the past four years, it has also prepared an annual "activities CD", which serves as a chronicle of the previous year's Center-related developments. Mika Brooks, Junko Dyokas, Courteney Blackwell, Ken Blackwell, Izumi Sano, Yanan Wang, and Lauren Witlin have been deeply involved over the past year in its preparation.

Over the course of this past year, the Reischauer Center reached out to the dual worlds of scholarship and policy through a broad range of individual activities, apart from Center conferences and publications.

Kent Calder, for example, presented Congressional testimony in July, 2009 before the U.S. House of Representatives Committee on International Affairs Asia-Pacific Subcommittee, concerning the future of U.S.-Japan relations. An additional major element, of course, was student research, including the completion of doctoral research by Sara Konoe and Hiromi Murakami. MA students were also active, even beyond this Yearbook, with Sumiyo Nishizaki presenting a paper on Japan's relationship with the United Arab Emirates at the U.S. Naval Academy that was ultimately published. Michael Boyd, MA '10, also undertook significant research and publication at The Institute of Energy Economics-Japan in Tokyo.

The faculty members of the Reischauer Center also lectured widely—in the U.S., Japan, and elsewhere in the world. Kent Calder spoke at the Shangri-La Dialogue, Stanford University, Cambridge University, the Harvard University HPAIR Singapore conference, Waseda University, Nagoya University, the Japan Society, the Liaoning Institute of Social Sciences, and elsewhere concerning current research, while participating in major cross-national cultural dialogues in Rome, Abu Dhabi, Moscow, and Seoul. One major meeting, pictured below, was with Crown Prince Abdullah of the



UAE, in Abu Dhabi during December. Rust Deming spoke at the U.S.-Japan Friendship Foundation's Tokyo conference on cross-national cultural relationships, while Bill Brooks spoke to a broad range of Japanese and American groups, during three major trips to Tokyo.



As globalization proceeds, the Reischauer Center is also expanding its use of the Internet as a means of scholarly communication. Yukie Yoshikawa coordinated a Reischauer Center Skype dialogue with researchers throughout the U.S. and Japan, in cooperation with the Temple University Center for Japan Studies in Tokyo. This dialogue involved bi-monthly sessions on a broad range of political and economic topics.

Although the activities of the Reischauer Center have broadened and globalized in recent years, the Yearbook of U.S.-Japan Relations, presented here, represents our most enduring publication. It is now approaching its own quarter-century, and remains the only annual review of the state of U.S.-Japan relations in existence. The Yearbook, which we publish in both English and Japanese, is fundamental to our teaching program in Japan Studies, and to the preparation of young policy analysts for the governments and private sectors of many nations. It is with pride that we present it here, together with this chronicle of our broader research concerns.

*Kent E. Calder, Director  
Reischauer Center for East Asian Studies  
Washington, D.C.  
July 30, 2010*

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## REISCHAUER CENTER 2009-2010 EVENTS

- September 1, 2009**      ***“Japan’s Historic General Election: Implications for U.S.-Japan Relations”***  
Kent Calder and Rust Deming, Reischauer Center
- September 30, 2009**      ***“Pacific Alliance”***  
Kent Calder, Reischauer Center
- October 13, 2009**      ***“China’s Persian Gulf Dilemma and Deepening Relations with Iran”***  
John Garver, Professor of Georgia Institute of Technology  
Flynt Leverett, Director of Iran Project, the New America Foundation  
Hillary Mann Leverett, CEO of Strategic Energy and Global Analysis
- October 14, 2009**      ***“What Does ‘A More Equal Alliance’ Mean for the U.S.-Japan Relations?”***  
Kuniko Tanioka, Member of Japan’s House of Councilors in the Diet, Democratic Party of Japan
- November 5, 2009**      ***“Environmental Issues and the U.S.-Japan Security Relationship”***  
Shigefumi Matsuzawa, Gov. of Kanagawa Prefecture  
Hirokazu Nakaima, Gov. of Okinawa Prefecture
- November 16, 2009**      ***“Is Japan Turning European?: Inertia and change in Japan’s Climate change Politics”***  
Yves Tiberghien, Faculty Associate at the University of British Columbia
- December 2, 2009**      ***“The Mass Media and U.S.-Japan Relations”***  
Bill Brooks, Recent Director, Translation Services, U.S. Embassy in Tokyo
- December 2, 2009**      ***Japan Studies Reception***
- January 6, 2010**      ***“Emerging Energy Issues for Japan and the United States”***  
Tokio Kano, Japan’s foremost National Diet energy specialist
- February 16, 2010**      ***“Global Challenge in Space Policy: Possible Cooperation between the U.S. and Japan”***  
Norihiro Saeki, Ministry of Economy, Trade and Industry (METI)
- February 17, 2010**      ***“A Journalist’s Perspective on U.S. Public Diplomacy: The Obama Administration and U.S. Japan Relations”***  
Keiichi Tanaka, Reporter, NHK Japan Broadcasting Corporation
- March 8, 2010**      ***“Outlook of the Japanese Economy and The Hatoyama Administration”***

- Naoki Kobayashi, Koki Sakano, Atsushi Sugita, Takuya Kobayashi, Economists, Japan Center for Economic Research
- March 23, 2010**      ***“Central Asia’s Oil and Gas Sector Since the 2008 Financial Crisis: The Rising Role of China”***  
Hirokazu Saito, General Manager, Mitsubishi Corporation
- March 30, 2010**      ***“Toward a Low-Carbon Society: The Role of Nuclear Power”***  
Eiichiro Ito, Environment Development Engineer, Tokyo Electric Power Company
- April 5, 2010**      ***What were “The Secret U.S.-Japan Nuclear Pacts”?***  
Toshimitsu Kishi, Senior Writer, The Mainichi Shimbun
- April 12, 2010**      ***“Japan’s Liquidity Trap: Price level Targeting as the Answer”***  
Katsuhiro Oshima, Economist, Mitsubishi Research Institute
- April 15, 2010**      ***A Book Launch Reception of “Edwin O. Reischauer and the American Discovery of Japan”***  
George R. Packard, President, United States-Japan Foundation, Former Dean of SAIS
- April 30, 2010**      ***Japan Studies Reception***
- May 17, 2010**      ***“The Politics of Base Relocation in Okinawa: The Futenma Negotiations, 1995-1997, 2005-2006”***  
William Brooks, Acting Director, Japan Studies, SAIS
- May 25, 2010**      ***“The Emergence of Multi-Polar Asia: Implications for Security, Economy and Energy”***  
Norihiro Saeki, Ministry of Economy, Trade and Industry (METI)

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## CONTRIBUTORS



*From left to right: Alan Burns, Theresa Bates, Lauren Witlin, Kent E. Calder, Donatello Osti, Vivian Wong, and Erin Kruth*



*From left to right: Rust M. Deming, Sumiyo Nishizaki*

*Not pictured: Yi Yao, Shin Yon Kim*

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(Listed in alphabetical order)





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