



**US-Japan Relations:
Abe Settles In**

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Prime Minister Abe focused intently on economic policy and led his Liberal Democratic Party to a resounding victory in the July Upper House election, securing full control of the Diet and a period of political stability that bodes well for his policy agenda. Multilateral gatherings in Asia yielded several opportunities for bilateral and trilateral consultations on security issues, and the economic pillar of the alliance also took shape with Japan's entry into the Trans-Pacific Partnership negotiations and discussions on energy cooperation. Comments on sensitive history issues sparked controversy but did not derail bilateral diplomacy. The nomination of Caroline Kennedy as US ambassador to Japan marks a new chapter in the relationship.

The Upper House election and Abe's agenda: it's the economy, stupid

After introducing a fiscal stimulus package and monetary easing measures meant to provide a near-term boost to the Japanese economy earlier in the year, Prime Minister Abe Shinzo turned to the "third arrow" of his economic plan: a strategy for sustainable growth. On June 5, the government released a 90-page document including structural reform measures most analysts deemed critical to the success of "Abenomics." The growth strategy seeks to increase Japan's per capita income by ¥1.5 million (approximately \$15,000) over the next decade and incorporates numerous themes including measures to increase capital investment, special economic zones, infrastructure, health care sector reform, female labor participation, education, energy market reform, agricultural exports, and the pursuit of free trade agreements. Critics lamented the dearth of details in the growth strategy amid expectations that the government would confront issues such as deregulation, labor market flexibility, and tax reform. (Japan has the second highest corporate tax rates in the world after the United States.) But with an election for the Upper House of the Diet scheduled for July, observers would have to wait until later in the year to fully evaluate Abe's commitment to structural reform.

Government data showing the economy grew at an annualized rate of 4.4 percent in the first quarter helped Abe sustain a public approval rating above 60 percent on average, and with opposition parties in disarray after the December 2012 Lower House election that returned the Liberal Democratic Party (LDP) to power, the stage was set for another vote of confidence from the public in the Upper House election on July 21. The ruling coalition of the LDP and Komeito (Clean Government Party) won 76 seats out of 121 contested for a total of 135 in the 242-seat chamber, a comfortable majority that guarantees control of both houses and the legislative agenda after six years of political paralysis in the Diet. Having cleared two electoral hurdles and no polls constitutionally mandated before 2016, Abe is well poised to build on his economic growth strategy and pursue other elements of his policy agenda.

Numerous commentators in and out of Japan speculated that an Upper House win would embolden the nationalistic “dangerous” Abe and lead to renewed controversies over history issues with neighboring countries and the United States. Such warnings were entirely speculative and Abe sent signals after the July 21 polling that his priority would be on strengthening Japan’s economy and national security institutions and not the ideologically colored agenda that emerged during last year’s election. The Kantei (Prime Minister’s Office) is focused on implementing and supplementing as necessary the “third Arrow” economic growth strategy; building support for some resumption of nuclear power in Japan’s comprehensive energy mix; establishing a National Security Council aimed at centralizing and improving policy coordination across government agencies, expected to clear the Diet this fall; recognizing Japan’s right to exercise collective self-defense (enumerated in the UN Charter as a right of all states, but one the Japanese Cabinet Legal Office has determined Japan would not exercise, without ever explicitly stating it was unconstitutional); and managing the decision on a planned raise in the consumption tax. The controversial issues that emerged in the Lower House election last year were quietly put off. The prime minister did not visit Yasukuni Shrine on Aug. 15 (he sent an offering instead and three junior ministers went to the shrine); he has stuck with his pledge to craft a “forward looking” statement on the 70th anniversary of the end of the war (August 2015) rather than revise the Murayama and Kono Statements on the war and comfort women respectively as pledged during the Lower House election; he has put off Article 96 legislation, which would have lowered the bar to revising the Constitution; and he refrained from touching on controversial historical issues as he did in the first few months of his administration. None of this represents anything close to a “resolution” of the history issue, but the trend did not go unnoticed in other capitals, including Washington.

While the economy is the centerpiece of Abe’s plan to strengthen Japan’s position (and his hold on power) overall, defense policy also featured prominently in this period. The Abe government prepared new National Defense Program Guidelines (NDPG) due at the end of this year. In July, the Ministry of Defense (MoD) issued its annual white paper explicitly addressing concerns about China’s military build-up and the need to enhance Japan’s defense capabilities with emphasis on maritime domain awareness and amphibious capabilities. MoD also issued an interim report of a defense policy review that garnered attention for a reference to exploring offensive strike capability, which would mark a departure from traditionally restrictive interpretations of Article IX of the constitution limiting the use of force. A government advisory panel is expected to issue a report this fall including recommendations on whether Japan should reinterpret the constitution to exercise the right of collective self-defense, which would have significant implications for the US-Japan alliance. These examinations of defense policy coincided with an event calendar that afforded multiple opportunities for Japanese and US officials to discuss defense issues and develop an agenda for alliance cooperation in other areas, as well as launch a bilateral review of defense guidelines.

Shoring up the bilateral agenda

With Abe’s tempered stance on history issues, determined focus on practical national security topics, and forward movement on the Trans-Pacific Partnership (TPP), the subterranean tensions that earlier seemed to characterize these two ideologically divergent leaders abated. The Obama

administration has warmed to Abe and is now settling in for a steady course of bilateral engagement on security, energy, and economic issues. The two governments also took advantage of multilateral gatherings to facilitate trilateral cooperation, a hallmark of the alliance in recent years. In June, Defense Secretary Chuck Hagel and Minister of Defense Onodera Itsunori conducted trilateral ministerials with counterparts from Australia and South Korea on the margins of the Shangri-La Dialogue in Singapore. The dialogue with Australia yielded plans for a joint study on defense capacity building in Southeast Asia and Oceania and strategic goals for trilateral cooperation such as promoting freedom of navigation and maritime security, the peaceful resolution of disputes based on international law, and leadership in humanitarian assistance and disaster relief (HADR). The ROK ministerial centered naturally on North Korea and areas for trilateral cooperation including counter-piracy operations in the Gulf of Aden, HADR, search-and-rescue, and counter-proliferation. Hagel and Onodera also met in late August on the sidelines of the ASEAN Defense Ministers' Meeting Plus (ADMM+) in Brunei to take stock of regional security developments and discuss a bilateral review of defense guidelines.

Secretary of State John Kerry also discussed North Korea in a trilateral dialogue with Foreign Minister Kishida Fumio and ROK Foreign Minister Yun Byung-se during the ASEAN Regional Forum in Brunei at the beginning of July. Prime Minister Abe and Vice President Joe Biden met in Singapore in late July to address a range of issues including the importance of bilateral coordination on North Korea and the TPP trade negotiations. Biden also reaffirmed US alliance commitments to Japan with respect to the Senkaku Islands and urged Japan and China to take steps to reduce tensions. On July 29, the US Senate also reaffirmed the alliance commitment to Japan when it adopted a resolution calling for the peaceful resolution of maritime and territorial claims in the South and East China Seas and condemning the use of coercion to assert disputed maritime or territorial claims or alter the status quo.

Motegi Toshimitsu, Japan's minister of economy, trade and industry (METI), visited Washington in late July to bolster the economic pillar of the alliance. Motegi met with Energy Secretary Ernest Moniz and called on the US government to approve additional permits for liquefied natural gas (LNG) exports to Japan following an announcement by the Department of Energy in May conditionally authorizing exports of domestically produced LNG from the Freeport LNG Terminal on Quintana Island, Texas, to countries such as Japan that do not have a Free Trade Agreement (FTA) with the US. METI and the Department of Energy issued a joint statement on energy cooperation including civil nuclear cooperation, climate change, clean energy technology, and natural gas. The two governments also agreed to pursue bilateral research on extracting natural gas from methane hydrates in the North Slope of Alaska and pledged further cooperation and consideration of a long-term gas production experiment in Alaska. Motegi also met US Trade Representative (USTR) Michael Froman to discuss Japan's participation in TPP and US-Japan cooperation on multilateral trade issues. The US and the other parties to TPP officially welcomed Japan as the 12th member country during the 18th round of negotiations in July and Japan participated fully in the 19th round held in Brunei in late August. USTR Froman visited Japan on his way to the Brunei negotiations after US and Japanese officials conducted the first round of bilateral trade negotiations on autos, insurance, and non-tariff measures designed to take place in parallel to the TPP talks.

Leadership-level exchanges were scarce in this period, and the Japanese press highlighted the lack of US-Japan summits in contrast to President Obama's extended meetings with President Xi Jinping in Sunnylands, California in early June. However, Obama's nomination of Caroline Kennedy to succeed John Roos as US ambassador to Japan on July 24 captured the Japanese media's attention and added positive atmospherics to the relationship.

History: still a wrinkle

While Abe himself has tempered his public positions on sensitive history issues, there were nevertheless small- and medium-sized controversies in this period that demonstrate how difficult this problem will remain going forward. In mid-May, Osaka Mayor Hashimoto Toru brought tensions over history back to the surface when he noted that so-called comfort women were necessary to support Japanese soldiers during World War II. Hashimoto's comments sparked international condemnation and he was forced to cancel a visit to the US. The distasteful off-the-cuff remarks also sank public support for Hashimoto's political party "Ishin no Kai" going into the Upper House elections – a teachable moment for other politicians who might have thought about using hyper-charged nationalist rhetoric to advance their political careers. In late July, Deputy Prime Minister and Minister of Finance Aso Taro also invited controversy by making a clumsy reference to Nazi Germany in the context of Japan's current debate on constitutional revision – a statement he unequivocally retracted, which again indicated both the continued penchant for such statements from Japanese politicians, but also their recognition (particularly after Hashimoto) of the significant political downsides.

A challenging agenda

Prime Minister Abe will continue to focus on economic policy and have to decide whether to increase the consumption tax per legislation passed last year and offer more details on structural reform. The end of the year also serves as a deadline for strategy documents on energy and defense that will round out his policy agenda. And the participants in the TPP negotiations continue to aim for completing "substantially all" of the TPP negotiations. Any one of these items would be a heavy political lift, and the Abe administration is trying to achieve them all at once. His popular support appears to be holding steady, though new revelations about leaks at the Fukushima nuclear power plant and uncertainty caused by China's economic slowdown or possible conflict with Syria all hang over the LDP's future. President Obama and Prime Minister Abe will have multiple opportunities to confer on the margins of multilateral forums over the next several months including the G20, the United Nations General Assembly, the Asia Pacific Economic Cooperation (APEC) Leaders Meeting, and the East Asia Summit. Bilateral agenda-setting across a range of issues areas could culminate in a session of the bilateral Security Consultative Committee ("2+2") and a joint vision statement for the alliance.

Chronology of US-Japan Relations May – August 2013

May 1, 2013: Assistant Secretary of State for South and Central Asia Robert Blake, Jr. and Acting Principal Deputy Assistant Secretary of State for East Asia and Pacific Affairs James Zumwalt co-host the fourth US-Japan-India trilateral dialogue in Washington.

May 2, 2013: Eighty-nine percent of over 120 Japanese corporations surveyed by *Mainichi Shimbun* express confidence in Japan's economic recovery.

May 6-8, 2013: Acting Under Secretary of State for Arms Control and International Security Rose Gottemoeller visits Tokyo to discuss extended deterrence, missile defense cooperation, and arms control and nonproliferation issues with Japanese counterparts.

May 6, 2013: A report on military and security developments in China issued by the US Department of Defense states that in September 2012, China began using improperly drawn straight baseline claims around the Senkaku Islands, adding to its network of maritime claims that are inconsistent with international law.

May 7, 2013: Foreign Minister Kishida Fumio states that Prime Minister Abe shares the views expressed in the 1995 Murayama Statement apologizing for Japan's actions during World War II and Chief Cabinet Secretary Suga Yoshihide indicates that the government would abide by the 1993 Kono Statement on the issue of comfort women.

May 8, 2013: Prime Minister Abe reflects on World War II during an Upper House Budget Committee hearing, stating that Japan "caused tremendous damage and suffering to the people of Asian nations."

May 9-10, 2013: US and Japanese governments host first US-Japan Cyber Dialogue in Tokyo.

May 12, 2013: Survey by *Yomiuri Shimbun* reveals a 72 percent approval rating for the Abe Cabinet. Fifty-five percent of respondents support Japan's participation in the Trans-Pacific Partnership (TPP) trade negotiations, while 28 percent disapprove.

May 13, 2013: Osaka Mayor Hashimoto Toru states that comfort women were necessary for Japanese soldiers during World War II.

May 16, 2013: The Cabinet Office of Japan announces the economy grew at an annualized rate of 3.5 percent in the first quarter.

May 16-18, 2013: US Special Representative for North Korea Policy Glyn Davies visits Tokyo for meetings with senior Japanese government officials.

May 17, 2013: The US Energy Department conditionally authorizes exports of domestically produced liquefied natural gas (LNG) from the Freeport LNG Terminal on Quintana Island, Texas to countries that do not have a Free Trade Agreement (FTA) with the United States.

May 17, 2013: Prime Minister Abe outlines his government's growth strategy in a speech to business leaders in Tokyo.

May 20, 2013: Prime Minister Abe posts a 65 percent public approval rating in a survey by *Asahi Shimbun*.

May 20, 2013: Fifty-two percent of the Japanese public opposes amending Article 96 of the constitution, which includes criteria for revising the constitution; 41 percent support the measure.

May 24, 2013: US Special Envoy for North Korean Human Rights Issues Robert King visits Tokyo for consultations with Japanese government officials.

June 1, 2013: Australian Minister for Defense Stephen Smith, Japanese Minister of Defense Onodera Itsunori, and US Secretary of Defense Chuck Hagel meet on the margins of Shangri-La Dialogue and issue a joint statement outlining strategic goals for trilateral cooperation.

June 1, 2013: Japanese Minister of Defense Onodera, Republic of Korea Minister of National Defense Kim Kwan-jin, and Defense Secretary Hagel meet on the margins of the Shangri La dialogue in Singapore to discuss the regional security situation and North Korea.

June 5, 2013: Prime Minister Abe unveils additional details of his strategy to revive the Japanese economy.

June 7, 2013: The Abe government approves legislation to set up a National Security Council housed in the Prime Minister's Office.

June 10, 2013: The government of Japan revises first quarter economic growth numbers to an annualized rate of 4.4 percent from 3.5 percent.

June 10, 2013: *Yomiuri Shimbun* survey on the Upper House election in Japan finds 44 percent support for the ruling Liberal Democratic Party (LDP), 7 percent for the Democratic Party of Japan (DPJ), and 5 percent for the Japan Restoration Party (JRP). When asked which policy issues are most important, 86 percent of respondents cited the economy and employment, followed by social security at 84 percent and recovery from the March 11, 2011 disasters at 79 percent. Prime Minister Abe's approval rating stands at 67 percent.

June 10-26, 2013: Japan Self-Defense Forces participate in the amphibious exercise *Dawn Blitz* hosted by the US Navy and Marine Corps at Camp Pendleton, California.

June 12, 2013: Japanese Diet ratifies the Hague Convention on the Civil Aspects of International Child Abduction.

June 13, 2013: President Obama telephones Prime Minister Abe to brief him on his meeting with Xi Jinping at the Sunnylands resort in California.

June 14, 2013: The Abe Cabinet approves the economic revitalization strategy outlined previously by Prime Minister Abe.

June 19, 2013: US Special Representative for North Korea Policy Glyn Davies hosts a US-Japan-South Korea trilateral meeting in Washington to exchange views on North Korea.

June 20, 2013: Japan's Nuclear Regulation Authority issues new safety regulations for nuclear power plants.

June 23, 2014: The LDP makes a strong showing in the Tokyo Metropolitan Assembly election, taking 59 of 127 seats.

July 1, 2013: US Secretary of State John Kerry, Japanese Foreign Minister Kishida, and Republic of Korea Foreign Minister Yun Byung-se conduct a trilateral meeting on the margins of the Association of Southeast Asian Nations (ASEAN) Regional Forum meeting in Brunei. Kerry and Kishida also confer separately on bilateral issues.

July 9, 2013: Japan releases its annual defense white paper expressing concern about China's military build-up.

July 12, 2013: Daniel Russel is appointed assistant secretary of state for East Asian and Pacific affairs.

July 18, 2013: US Trade Representative Michael Froman testifies before the House Ways and Means Committee on the Obama administration's trade policy agenda.

July 20, 2013: Deputy Prime Minister and Minister of Finance Aso Taro meets US Treasury Secretary Jacob Lew on the margins of the G20 Finance Ministers Meeting in Moscow.

July 21, 2013: Ruling coalition of the LDP and Komeito secure a majority in elections for the Upper House of the Diet, together winning 76 seats out of 121 contested for a total of 135 in the 242-seat chamber.

July 23, 2013: The US and the other parties to the Trans-Pacific Partnership (TPP) trade talks welcome Japan as the 12th member country at the 18th round of negotiations held in Malaysia.

July 24, 2013: President Obama nominates Caroline Kennedy to succeed John Roos as US ambassador to Japan.

July 24, 2013: Minister of Economy, Trade and Industry (METI) Motegi Toshimitsu meets Energy Secretary Ernest Moniz in Washington and issue a joint statement on bilateral energy cooperation. Motegi also meets USTR Froman to discuss Japan's participation in the TPP negotiations and US-Japan cooperation on multilateral trade issues.

July 26, 2013: Japan's Ministry of Defense issues an interim report of a government review of defense policy that will inform new National Defense Program Guidelines due later in the year.

July 26, 2013: Prime Minister Abe meets with Vice President Joe Biden in Singapore to discuss a range of bilateral, regional, and global issues.

July 29, 2013: US Senate adopts a resolution condemning "the use of coercion, threats, or force by naval, maritime security, or fishing vessels and military or civilian aircraft in the South China

Sea and the East China Sea to assert disputed maritime or territorial claims or alter the status quo.”

July 29, 2013: Parliamentary Senior Vice Minister of Defense Eto Akinori meets Deputy Secretary of State William Burns and Deputy Secretary of Defense Ash Carter in Washington to discuss the Japanese government’s review of defense policy.

July 29, 2013: Deputy Prime Minister and Minister of Finance Aso references lessons to be learned from Nazi Germany while discussing the debate in Japan over whether to revise the constitution during a speech in Tokyo.

Aug. 1, 2013: Deputy Prime Minister and Minister of Finance Aso issues a statement retracting his comments on Nazi Germany in reference to Japan’s debate on constitutional revision.

Aug. 5, 2013: US military helicopter crashes on the grounds of Camp Hansen in Okinawa.

Aug. 7-9, 2013: US and Japanese officials conduct the first round of bilateral trade negotiations on autos, insurance and non-tariff measures in parallel to the TPP trade talks.

Aug. 12, 2013: Government of Japan reports that the economy grew at an annualized rate of 2.6 percent in the second quarter.

Aug. 12, 2013: Public opinion survey by *NHK* reveals a 57 percent approval rating for the Abe cabinet and a disapproval rating of 29 percent.

Aug. 15, 2013: Sen. Robert Menendez (D-NJ), chairman of the US Senate Foreign Relations Committee, visits Japan and meets Prime Minister Abe and other Japanese government officials.

Aug. 19, 2013: USTR Froman visits Tokyo for meetings with counterparts on TPP.

Aug. 21, 2013: Sen. John McCain (R-AZ), ranking member of the US Senate Armed Services Committee visits Japan and meets Prime Minister Abe and other Japanese government officials.

Aug. 22-30, 2013: The 19th round of TPP negotiations is held in Brunei.

Aug. 26, 2013: METI Motegi announces the central government will assume control of efforts to contain radioactive water leaking from storage tanks at the Fukushima Daiichi nuclear plant.

Aug. 28, 2013: Defense Minister Onodera and Defense Secretary Hagel meet on the sidelines of the ASEAN Defense Ministers Meeting Plus (ADMM+) in Brunei.