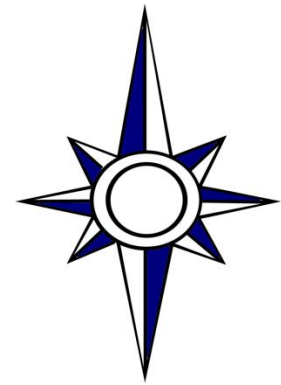


Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-Japan Relations: Pursuing a Path Forward

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The Abe government outlined an economic growth strategy and introduced a package of defense policy reforms aimed at enhancing Japan's leadership role on security. Bilateral dialogue on security cooperation and military exercises featured prominently, complemented by trilateral coordination with other US allies on the margins of multilateral gatherings in the region. The two governments conducted several rounds of bilateral trade negotiations related to the Trans-Pacific Partnership but were unable to make progress on sensitive market access issues that threatened to prolong efforts to boost the economic pillar of the alliance.

Economic and defense strategy

In late June, the Abe government released a blueprint for structural reform, the third element or "arrow" of an economic strategy known as "Abenomics" that also combines fiscal stimulus and monetary easing in a recipe for sustainable growth. The blueprint built on an initial framework introduced in June 2013 targeting 2 percent real annual GDP growth and 1 percent annual inflation over the next decade and identifying private sector competitiveness, labor market reform, and the promotion of new industries as key priorities. The first document was criticized for a dearth of details and this second package was meant to alleviate concerns about the government's commitment to structural reform by addressing several themes such as female labor force participation, deregulation through the creation of special economic zones, and health care sector reform. But the second version also fell short of expectations in certain areas such as corporate taxes, where the government pledged to reduce rates below 30 percent over the next few years but did not list specific targets or timelines for implementation. The relatively vague nature of the blueprint reflected political debates over reform and left observers wondering how much political capital Prime Minister Abe Shinzo would expend on this critical component of his growth strategy. An announcement in August that real gross domestic product fell 6.8 percent on an annualized basis in the second quarter of 2014, attributed to a tax increase that went into effect in April, also promised to further public debate on the tradeoff between economic stimulus and the need to reduce Japan's mounting public debt, as well as whether Abe can shoot additional arrows to sustain confidence in his economic plan.

Defense policy reform took center stage on July 1 when the Abe Cabinet announced reforms including measures that would allow the Japan Self-Defense Forces to exercise the right of collective self-defense, or aid allies under attack. The decision was based on a review of the legal basis for security policy and informed by the findings of an advisory panel submitted to the government in May, which recommended that the Cabinet Legal Bureau revise its interpretation of Article 9 of the constitution to enhance defense cooperation with the United States and other

countries for Japan's own national security. Article 9 renounces war as a sovereign right of the nation and prohibits the threat or use of force as a means of settling international disputes. Previous governments have reinterpreted that clause to allow the use of force for self-defense and revise security policy as necessary. Measures of self-defense have traditionally been permitted when an armed attack against Japan occurs, there is no other means available to repel an attack and ensure Japan's security, and the use of force is limited to the minimum extent necessary. The Abe government, in contrast to previous administrations, concluded that measures of collective self-defense (an inherent right under international law, specifically the UN Charter) also meet the standard interpretation of the minimum use of force and are permitted under Article 9 when an attack on a country with a close relationship with Japan occurs and as a result threatens Japan's security. The details of the policy would be subject to debate in the Diet, and after consultations with the Komeito, a junior partner in the ruling coalition, the Abe government determined that requisite legislation incorporating this reinterpretation of the constitution would be presented to the Diet in Spring 2015.

The decision was met with public demonstrations on the day of the announcement and Prime Minister Abe's public approval rating fell 10 points to just below 50 percent on average in the wake of the decision (the poll numbers later recovered for Abe in August). Public opinion on collective self-defense varied depending on how the question was asked: surveys that simply mentioned the policy revealed less support than those that placed the decision in the context of strengthening defense cooperation with the US. The Abe government began to expand on the policy in special parliamentary sessions in July and was expected to use the interval before legislative debates next spring to continue engaging the public on this issue. The Obama administration welcomed the decision as a means to enhance the US-Japan alliance and the two governments are expected to address this decision in the context of a review of guidelines for defense cooperation due at the end of this year. While the details of the policy will not be settled for some time, the Cabinet decision opens new avenues for dialogue on future defense cooperation including enhanced information sharing, contingency planning, and interoperability with the potential to strengthen deterrence and regional stability.

Bilateral and regional engagement

Coordination with like-minded countries on regional security issues featured prominently at multilateral gatherings in the Asia-Pacific region. At the end of May, Defense Secretary Chuck Hagel, Defense Minister Onodera Itsunori, and Australian Defense Minister David Johnston participated in a trilateral defense ministerial meeting focused primarily on North Korea and maritime security issues during the Shangri-La Dialogue in Singapore. A trilateral defense ministerial with ROK Minister of National Defense Kim Kwan-jin also took place: it centered on North Korea's nuclear, ballistic missile, and proliferation programs. In August, Secretary of State John Kerry, Foreign Minister Kishida Fumio, and ROK Foreign Minister Yun Byung-se also conferred on North Korea in a trilateral during the ASEAN Regional Forum in Myanmar.

Kishida reportedly briefed his colleagues on Japan's decision to resume discussions with Pyongyang on the fate of Japanese citizens abducted in the 1970s and 1980s and plans to partially lift unilateral sanctions against North Korea should it initiate a new investigation of the issue. Kerry and Kishida also conducted informal telephone consultations periodically during

the summer on a range of issues including Russia's activities in Ukraine. Japan imposed sanctions on Russia in August but left the door open for a summit between Prime Minister Abe and President Vladimir Putin in the fall, possibly to pursue bilateral energy cooperation and dialogue over the disputed Northern Territories near Hokkaido.

US-Japan security cooperation over the summer was evidenced by multiple exercises, working-level dialogues on bilateral alliance issues, and bilateral engagement at senior leadership levels. Japan's Self-Defense Forces (SDF) participated in exercises with US counterparts and other militaries over the summer including the multilateral *Rim of the Pacific (RIMPAC)* exercises in Hawaii, a bilateral amphibious landing exercise with US forces on the margins of *RIMPAC*, and a search-and-rescue exercise (SAREX) with US and ROK forces off the Korean island of Jeju.

US and Japanese officials began consultations on a review of guidelines for bilateral defense cooperation and also conducted ongoing dialogues on space and extended deterrence. Defense Minister Onodera met Defense Secretary Hagel at the Pentagon on July 11 to exchange views on bilateral and regional security issues. Onodera also reviewed developments in Japanese defense policy in an address to the Center for Strategic and International Studies, stressing the need to strengthen deterrence in the face of Chinese coercion, but also a shared interest in China's peaceful rise and Japan's willingness to engage in dialogue with China. Rounding out a busy period of coordination, Deputy Secretary of Defense Bob Work visited Japan in late August for consultations on a range of bilateral issues, including the realignment of US forces on Okinawa, where underwater drilling surveys commenced at the site designated as the replacement facility for Marine Corps Air Station Futenma.

Trade negotiations

Bilateral discussions on trade featured multiple rounds of shuttle diplomacy between Tokyo and Washington in an attempt to sustain momentum after intense negotiations during the Abe-Obama summit back in April, when in a joint statement the two governments declared they had identified a path forward on bilateral issues related to the Trans-Pacific Partnership (TPP). Progress on sensitive market access issues related to motor vehicles and agricultural products remained elusive, however, and House Ways and Means Trade Subcommittee Chairman Devin Nunes (R-CA) and Ranking Member Charles Rangel (D-NY), together with 138 other House members, submitted a letter to President Obama in July expressing concerns about agricultural market access negotiations with Japan. Negotiators were expected to resume talks in September but the prospects for a breakthrough prior to the November Asia Pacific Economic Cooperation (APEC) Leaders Meeting in Beijing, an unofficial target for concluding the broader TPP negotiations, remained uncertain.

A busy autumn

Prime Minister Abe will likely remain focused on the economy with a decision on a second sales tax increase due roughly by the end of this year. The domestic political calendar also features gubernatorial elections in Fukushima and Okinawa prefectures, areas at the center of debates on energy and security policy, respectively, that could serve as referendums on his leadership. Meanwhile, Washington will be seized with the midterm congressional elections in November

and the prospects for Republican control of both houses. Bilateral dialogue will likely revolve around trade negotiations linked to TPP and revising guidelines for bilateral defense cooperation. President Obama and Prime Minister Abe also will have opportunities to coordinate on the sidelines of the United Nations General Assembly in New York and the APEC meeting in Beijing, where the complexities of engagement with China could come to the fore.

Chronology of US-Japan relations

May – August 2014

May 1, 2014: United States Trade Representative (USTR) Michael Froman testifies before the US Senate Finance Committee on the Obama administration's trade agenda.

May 4, 2014: Japan's Ministry of Internal Affairs and Communications releases data indicating that the estimated number of people under age 15 in Japan decreased for the 33rd consecutive year to 16.33 million, the lowest total since comparable data became available in 1950.

May 9, 2014: The second meeting of the Japan-US Comprehensive Dialogue on Space is held in Washington, DC.

May 12, 2014: Survey by public broadcaster *NHK* finds 31 percent of the public supports Japan's participation in the Trans-Pacific Partnership (TPP) negotiations, 16 percent oppose, and 45 percent are undecided.

May 13, 2014: *Yomiuri Shimbun* poll reveals 63 percent of the public supports Japan exercising the right of collective self-defense in a limited capacity.

May 15, 2014: Government advisory panel submits a report to Prime Minister Abe Shinzo recommending changes in defense policy to exercise the right of collective self-defense.

May 19, 2014: USTR Froman and Minister for Economic Revitalization Amari Akira meet to discuss bilateral trade negotiations on the margins of the TPP ministerial meeting in Singapore.

May 19, 2014: *Mainichi Shimbun* publishes a survey indicating 54 percent of the public opposes Japan reinterpreting the constitution to exercise the right of collective self-defense and 39 percent is in favor.

May 26, 2014: Japanese and North Korean officials meet in Stockholm to discuss Japan's demand for a reinvestigation into the fate of Japanese citizens abducted by North Korea in the 1970s and 1980s.

May 29, 2014: Prime Minister Abe reveals that North Korea agreed to reinvestigate past abductions of Japanese citizens. Chief Cabinet Secretary Suga Yoshihide announces Japan will partially lift unilateral sanctions against North Korea once the investigation is under way.

May 30, 2014: Prime Minister Abe delivers the keynote address at the Shangri-La Dialogue in Singapore.

May 30, 2014: US Secretary of Defense Chuck Hagel, Japanese Minister of Defense Onodera Itsunori, and Australian Defense Minister David Johnston conduct trilateral defense ministerial talks regarding regional security and trilateral defense cooperation on the sidelines of the Shangri-La Dialogue in Singapore.

June 1, 2014: Secretary Hagel, Minister Onodera, and ROK Minister of National Defense Kim Kwan-jin hold trilateral defense ministerial talks regarding North Korea and regional security on the sidelines of the Shangri-La Dialogue in Singapore.

June 2, 2014: A survey by *Yomiuri Shimbun* on scenarios in which Japan might exercise the right of collective self-defense suggests 75 percent of the public would support authorizing the Self-Defense Forces (SDF) to guard US vessels carrying Japanese nationals fleeing a foreign country. The poll also finds 74 percent would support SDF involvement in minesweeping operations during armed conflicts at sea.

June 5, 2014: G-7 issues a declaration at the conclusion of a summit in Brussels including a statement on tensions in the East and South China Seas, declaring opposition to any unilateral attempt to assert maritime or territorial claims by the use of intimidation, coercion or force.

June 9-10, 2014: Acting Deputy USTR Wendy Cutler and Ambassador Mori Takeo lead US-Japan Parallel Negotiations to the Trans-Pacific Partnership (TPP) in Washington focused on motor vehicle trade.

June 10, 2014: Acting Deputy USTR Cutler addresses a conference on Asia-Pacific economic integration co-hosted by the Center for Strategic and International Studies (CSIS) and Japan External Trade Organization (JETRO).

June 10, 2014: US Special Representative for North Korea policy Glyn Davies hosts Ihara Junichi, director general for Asian and Oceanian Affairs, Ministry of Foreign Affairs, for consultations on North Korea at the State Department in Washington.

June 11, 2014: Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel visits Tokyo for consultations with Japanese officials on bilateral and regional issues.

June 10-12, 2014: US and Japan hold bilateral Extended Deterrence Dialogue in Albuquerque, New Mexico.

June 19, 2014: US Secretary of State John Kerry and Japanese Foreign Minister Kishida Fumio discuss the situation in Iraq as well as regional security issues in a telephone call.

June 24, 2014: Abe Cabinet approves a revised growth strategy including a blueprint for structural reforms.

June 26, 2014: Advisory panel supports a report to Foreign Minister Kishida including recommendations for revising Japan's ODA charter.

June 26-August 1: *Rim of the Pacific (RIMPAC)*, the world's largest international maritime exercise, is hosted by US Pacific Fleet in Hawaii. Japan's Maritime Self-Defense Force leads a scenario-based humanitarian assistance/disaster relief (HA/DR) response portion of the exercise and conducts an amphibious landing exercise with US counterparts on the margins of *RIMPAC*.

June 30, 2014: Deputy USTR Cutler visits Tokyo to resume parallel negotiations to TPP, meeting Ambassador Oe Hiroshi and Ambassador Mori Takeo to discuss agriculture and automobile market access issues, respectively.

June 30, 2014: *Mainichi Shimbun* poll shows 58 percent of the public opposes Japan reinterpreting the constitution to exercise the right of collective self-defense.

July 1, 2014: Abe Cabinet issues a decision on defense policy reforms including measures that would allow the Self-Defense Forces to exercise the right of collective self-defense.

July 3, 2014: Abe Cabinet posts a 48 percent approval rating in a public opinion survey published by *Kyodo News*.

July 9, 2014: North Korea launches multiple ballistic missiles toward the Sea of Japan.

July 9, 2014: Secretary of State Kerry and Foreign Minister Kishida discuss North Korea issues in a telephone call.

July 11, 2014: Defense Secretary Hagel and Minister of Defense Onodera discuss bilateral defense cooperation and regional security issues at the Pentagon in Washington.

July 11, 2014: Defense Minister Onodera addresses the Center for Strategic and International Studies (CSIS) in Washington.

July 15, 2014: Japanese and US officials meet in Tokyo to begin talks aimed at revising guidelines for bilateral defense cooperation.

July 15, 2014: US Marine Corps begins relocating *KC-130* refueling aircraft from Marine Corps Air Station (MCAS) Futenma in Okinawa to MCAS Iwakuni in Yamaguchi Prefecture.

July 18, 2014: *Jiji Press* poll posts a 44 percent approval rating for the Abe Cabinet.

July 21, 2014: South Korea, Japan, and the US conduct a search-and-rescue exercise (SAREX) near the island of Jeju.

July 30, 2014: House Ways and Means Trade Subcommittee Chairman Devin Nunes (R-CA) and Ranking Member Charles Rangel (D-NY), together with 138 other House members, submit

a letter to President Obama expressing concerns about agricultural market access negotiations with Japan and Canada in the TPP negotiations.

July 31, 2014: Prime Minister Abe and Vice President Joe Biden discuss regional and global security issues in a telephone call.

Aug. 4, 2014: *Yomiuri Shimbun* survey reveals a 51 percent approval rating for the Abe Cabinet.

Aug. 4-5, 2014: Acting Deputy USTR Cutler and Ambassador Oe meet in Washington to continue bilateral trade talks on agriculture market access issues.

Aug. 5, 2014: Government of Japan imposes sanctions against Russia, restricting imports from Crimea and freezing assets in Japan of individuals and organizations associated with Russia's involvement in Ukraine.

Aug. 5, 2014: Japan's Ministry of Defense publishes its annual defense white paper focused mainly on concerns over North Korea and Chinese assertiveness in the East China Sea.

Aug. 10, 2014: Secretary Kerry, Foreign Minister Kishida, and ROK Foreign Minister Yun Byung-se meet on the margins of the ASEAN Regional Forum (ARF) in Myanmar.

Aug. 13, 2014: Cabinet Office announces that Japan's real gross domestic product fell 6.8 percent on an annualized basis in the second quarter of 2014.

Aug. 13-14, 2014: Japanese and US officials continue bilateral trade talks on automobile market access issues in Tokyo.

Aug. 18, 2014: Japan's Defense Ministry begins an underwater drilling survey at the planned site for the Futenma Replacement Facility off the coast of Nago in Okinawa Prefecture.

Aug. 22, 2014: Deputy Secretary of Defense Bob Work meets Defense Minister Onodera, Parliamentary Senior Vice Minister of Defense Takeda Ryota, and Parliamentary Senior Vice Minister of Foreign Affairs Kishi Nobuo in Tokyo.

Aug. 29, 2014: Japan's Defense Ministry approves a draft budget totaling approximately \$49 billion for the fiscal year beginning April 2015, a 3.5 percent increase over current fiscal year.