

DECEMBER 2020

# The U.S.-Japan Alliance in 2020

## AN EQUAL ALLIANCE WITH A GLOBAL AGENDA

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Richard L. Armitage

Joseph S. Nye

### STUDY GROUP PARTICIPANTS

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A Report of the CSIS Japan Chair

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# Acknowledgments

This report is made possible by general support to CSIS. No direct sponsorship contributed to this report.

# Dedication

This report is dedicated to the memory of Yukio Okamoto (1945-2020). He and his wife Kyoko have enriched our lives, strengthened our alliance, and illuminated our path forward.

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# Introduction

At this time of great uncertainty and rapid change, the United States and Japan face extraordinary challenges. These include an unrelenting pandemic, rising nationalism and populism, global economic turmoil, multiple technological revolutions, and renewed geopolitical competition. **The U.S.-Japan alliance itself is one of the most important sources of stability and continuity in this period of great uncertainty, but there should be no doubt that together both countries must be prepared for a regional and world order under more stress than at any time in the last 70 years.**

In Washington, the United States will meet these challenges with an incoming Biden administration and the prospect of a Republican-controlled Senate. Despite the potential for a divided government, **there is strong reason to believe that the United States can move forward with a positive agenda for the U.S.-Japan alliance, as it is one of the key areas of bipartisan consensus.**

This is the latest in a series of bipartisan “Armitage-Nye” reports that have assessed the state of the U.S.-Japan alliance and suggested a new agenda for the challenges and opportunities on the horizon. This current iteration has special importance because of shifting power dynamics in Asia and new expectations of Japan. Indeed, for the first time in its history, Japan is taking an equal, if not leading, role in the alliance: setting the regional agenda, championing free trade agreements and multilateral cooperation, and implementing new strategies to shape a regional order at a time when the United States has been unsteady. **Encouraging Japanese leadership and getting the most value out of a more equal alliance is a critical task for leaders in both Washington and Tokyo.**

Japan’s more proactive stance can be attributed to two factors. First, Japan faces an increasingly harsh national security environment. Second, inconsistent leadership in the United States has empowered Japan to lead on strategic issues in Asia and the rest of the world.

Much of the credit for this transformation should go to former Prime Minister Shinzo Abe. He realized a long-overdue reinterpretation of Article 9 of the Japanese Constitution to allow Japan’s right under the United Nations Charter to engage in collective self-defense and therefore embark on a new level of joint international security cooperation with the United States and other like-minded states. He led the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to completion. And he crafted a strategic framework for countering China’s illiberal ambitions through his Free and Open Indo-Pacific vision.

Japan’s innovative and dynamic regional leadership benefits the United States and the region. **As such, the authors enthusiastically support Prime Minister Yoshihide Suga’s efforts to maintain Japan’s**

**leadership role and encourage him to be one of the earliest visitors to meet with President Joe Biden.**

Public opinion polls show that trust in Japan has never been higher in the United States as well as in South and Southeast Asia. There was a time when Japanese initiative might have prompted concerns in Washington, but it is clear today that Japan's strategy aligns well with U.S. objectives. The United States and Japan share a set of common interests. But both countries also share a common set of values, which form the bedrock for the U.S.-Japan alliance. Despite fears of U.S. retrenchment, leading gauges of public opinion show consistent support for an active U.S. role in the world. Polls also reflect that the alliance remains popular in both countries.

The United States and Japan need each other more today than at any other time in their history. The two allies are perhaps the only countries in the world that are vital to all four strategic challenges—geostrategic, economic, technological, and governance—that are needed to manage China's rise and put in place a positive future vision across each of these domains. Developing a common framework and aligning priorities and execution should be the alliance's top mission in the years ahead.



# Advancing the Security Alliance

**Japan has become not just an essential and more equal ally but also an idea innovator.** From the Free and Open Indo-Pacific concept to networking regional partnerships, Tokyo is doing much of the thought work to push common values forward. **As a result, the U.S.-Japan alliance is moving from interoperability to interdependence, as both sides increasingly need each other to respond not only to crises but also to long-term challenges.** This is a major shift from the days of American gaiatsu to Japanese leadership.

**The biggest security challenge for the alliance is China.** Beijing's efforts to alter the status quo in Asia have heightened security concerns among most of China's neighbors. Demonstrating U.S. support for Japan's air and maritime activities, reaffirming that the U.S. Article 5 commitment extends to the Senkakus, and conducting joint planning to bolster military capacities in Japan's southwestern islands are key parts of the alliance response. **But there is a broader challenge that must be addressed by the United States, Japan, and other like-minded nations: how to develop a new framework for competitive coexistence.**

China's so-called "grey zone" coercion has illuminated the importance that the United States and Japan place on the strategic integrity of the first island chain, which stretches from Japan through Taiwan and the Philippines to Malaysia. Japan does not have a legal or diplomatic obligation to support Taiwan's security as the United States does through the Taiwan Relations Act, but there should be no doubt that Tokyo shares Washington's concern over growing Chinese military and political pressure on Taiwan. **This growing Chinese pressure calls for increased coordination between the United States and Japan on their respective political and economic engagement with Taiwan.**

**A second regional security concern is North Korea.** After 25 years of unsuccessful diplomacy, it should be clear that denuclearization is unrealistic in the near term, though it remains a long-term goal. That does not mean the United States should shut the door to fresh approaches, but it does mean that the priority should be figuring out how to contain a nuclear North Korea by strengthening deterrence and defense in the face of new North Korean capabilities. The good news is that Kim Jong Un cares about regime survival; he is not suicidal. Therefore, deterrence and containment are possible, although they will not be easy. This should be a priority for both the U.S.-Japan and U.S.-South Korea alliances. It also underscores the imperative of enhancing U.S.-Japan-Korea trilateral intelligence and defense cooperation.

**These challenges call for greater coordination and devotion of more resources to regional security challenges.** Yet, defense budgets are coming under more pressure in both Tokyo and Washington. **This will put a premium on technology co-development and related efforts to increase the efficiency of alliance cooperation.** Japan's military budget, now roughly \$50 billion annually, has increased for six straight years as Tokyo realizes its "multi-domain defense force." A critical upcoming test is how Japan will pursue counterstrike capability and missile defenses, which should be part of a larger discussion within the alliance framework about respective roles, missions, and capabilities; bilateral and internal command and control relationships; and how these capabilities could contribute to regional peace and stability. Similarly, missile defenses can be useful, but the allies must work together to avoid overly expensive or duplicative investments that could impose undue costs on the alliance. The quality of Japanese improvements in capabilities will matter as much as quantity—but numbers will matter. Japan spends only 1 percent of its gross domestic product on defense, and while the total amount of Japan's defense budget now surpasses that of the United Kingdom, it remains a fraction of China's expanding budget for the People's Liberation Army.

Another opportunity for deeper cooperation would be the inclusion of Japan in the Five Eyes intelligence sharing network with the United States, the United Kingdom, Australia, Canada, and New Zealand. **The United States and Japan should make serious efforts to move toward a Six Eyes network.**

**The United States and Japan today share power—power to enhance their alliance, to build regional cooperation, and to integrate the regional and global economies.** It is this power sharing that matters, and discussions over how to better leverage the alliance should focus on this concept. Alliances are not burdens, and as the authors have argued, the U.S.-Japan alliance must now turn its attention and efforts to realizing a shared strategic vision. **The United States must reset the conversation and conclude a Host Nation Support Agreement with Japan as soon as possible.** Operationalizing strategic cooperation, bilaterally and across the region, should be the focus of U.S. attention looking forward.

# Expanding Partnerships and Coalitions

**The U.S.-Japan alliance must also be augmented with a number of other complementary and cooperative arrangements, both in the region and with like-minded states in Europe and beyond.** A series of networked coalitions based on shared interests and values is critical to protecting common geostrategic, economic, technological, and governance objectives. These coalitions should aim to deter coercion and the use of force, renovate the international economic order, protect critical supply chains and information flows, and set global standards on emerging technologies that advance an updated rules-based order. **The U.S.-Japan alliance should become the nucleus of this set of coalitions.**

**Over the past two decades, Beijing's activities have spurred new patterns of intra-Asian cooperation facilitated by Japanese and American support.** Japan has enhanced bilateral and trilateral coordination with Australia and India, leading the Quad to take on a promising new role. If the Quad is to become a more integral part of the region's order, however, it will have to be inclusive to avoid overshadowing other regional institutions or coalitions. U.S.-Japan-Korea trilateral policy coordination on North Korea continues to be critical to regional security. Unlike institutionalized fora, such as the Association of Southeast Asian Nations (ASEAN) Regional Forum, ASEAN Defense Ministers Meeting, and East Asia Summit, these types of informal networks are centered on functionality, not process. **Reinforcing this web of institutions is critical to protecting shared interests and values in Asia.**

**Washington and Tokyo will have to overcome several challenges in building these coalitions. Foremost among these is the continuing tension between Japan and South Korea.** The United States needs its two allies in Northeast Asia to work together constructively and pragmatically on a variety of regional and global issues. They are both critical to addressing challenges, from North Korea to China, as well as setting broader economic, technological, and governance agendas. **Both sides need to focus on the future, not the past.** Consolidating Tokyo-Seoul relations strengthens U.S. bilateral ties with each ally. **There are hints of incremental progress, which Prime Minister Suga and President Moon should seize as a critical opportunity for a fresh start.** A near-term opening in this regard involves bilateral cooperation for the upcoming Olympics.

**Working with Russia and China will be another challenge.** Both Japanese and American leaders have learned that negotiations with counterparts in Moscow and Beijing can take much time but yield few tangible results. **Nevertheless, defining modes of cooperation with these countries will be necessary to address a variety of regional and global challenges, from North Korea to climate change to pandemics.**

# Strengthening Economic and Technology Cooperation

**Deepening U.S.-Japan economic and technology cooperation is fundamental to the alliance.** Article II of the U.S.-Japan Security Treaty calls on the two countries to “seek to eliminate conflict in their international economic policies and . . . encourage economic collaboration between them.” Absent a robust economic component—encompassing trade, technology, infrastructure, and energy—any strategy in the Indo-Pacific will be empty and unsustainable. Trade and technology rules, standards, and norms in the region are no less contested than in the South China Sea, and the United States and Japan are closely aligned on most of these issues. Space is another increasingly contested domain where the United States and Japan should intensify cooperation in both the civilian and military sectors. Moreover, as the Covid-19 pandemic underscores, both countries have a stake in trusted, secure supply chains, which are vital to sustaining prosperity and economic security in the region.

**The United States should join the CPTPP to align with Japan as leaders in shaping economic rules.** The political difficulties of joining are clear, but a larger risk to U.S. prosperity and security makes joining imperative. The November 15 signing of the Regional Comprehensive Economic Partnership (RCEP), a broad Asia-Pacific trade deal that does not include the United States, should be a wake-up call in Washington.

The CPTPP is an essential vehicle for the United States to recapture regional economic space and work with Japan to bolster leadership on economic rulemaking. Japan’s bold gambit to salvage the original Trans-Pacific Partnership agreement after Trump’s withdrawal in early 2017 was an important affirmation of the rules-based order. Tokyo structured the new agreement to facilitate the United States rejoining the accord. Although the new administration may reasonably expect changes to the CPTPP, these can be accommodated through negotiations with existing members—but first, Washington needs to indicate a willingness to join and have a seat at the table. In addition to the economic and strategic benefits to the United States, Japan, and other partners in the region, a CPTPP that included the United States would encompass over 40 percent of the global economy, giving its standards and norms global weight and leverage to coalesce with like-minded states for reform of the World Trade Organization.

**One of the virtues of the CPTPP is its high standards in digital governance.** Data is the oil of the twenty-first century economy, yet the internet is beginning to fragment into three digital regimes—led by the European Union, United States, and China. The disciplines in the CPTPP, which were further

strengthened in the U.S.-Mexico-Canada Agreement (USMCA) and the U.S.-Japan digital trade accord of September 2019, could be built upon to globalize rules and norms in this critical area. These include principles such as free cross-border flows of data, no customs duties on digital products, and no data localization requirements. Japan played an important leadership role in winning endorsement at the G20 Osaka Summit of a process to advance principles such as these in the World Trade Organization e-commerce negotiations. **Washington and Tokyo could carry forward this work by mobilizing like-minded nations through the G7 and Asia Pacific Economic Cooperation (APEC) bodies to build consensus for a more cohesive system of data governance.**

Meanwhile, new technologies—including artificial intelligence, robotics, biotechnology, nano-engineering, new materials, and 5G networking—are merging the digital and physical worlds and will drive economic growth and shape geopolitics in the decades ahead. **The United States and Japan have a critical interest in collaborating to ensure that the technical standards and rules governing new technologies are open, inclusive, and promote interoperability.**

This requires enhancing U.S.-Japan coordination in international standards-setting bodies such as the International Telecommunications Union to ensure that technical standards and norms governing key emerging technologies (e.g., 5G, the Internet of Things, and artificial intelligence) are compatible globally. With its “China Standards 2035” initiative, Beijing is seeking to shape new standards to favor Chinese technologies. **The United States needs to up its game in international standards setting, working with Japan and others to foster more effective public-private partnerships.**

**5G is a key enabling technology in the twenty-first century knowledge economy, and the United States and Japan should prioritize joint work in this area.** Both governments should facilitate private sector efforts to create alternatives to Huawei. Japan has been a leader in development of the Open Radio Access Network (O-RAN), a software-based approach to 5G (and eventually 6G) that could be a cost-competitive and interoperable alternative to the vertical procurement model.

**Another important area of Japan’s leadership in the Indo-Pacific has been in regional infrastructure and economic development.** Growing indications that China’s Belt and Road Initiative is foundering on corruption, debt, and poor standards suggest an opportunity to shape viable, transparent infrastructure projects. In 2015, Tokyo established the \$200 billion Partnership for Quality Infrastructure, which enshrines principles such as open procurement, environmental and debt sustainability, and transparency in infrastructure finance. Japan won G20 leaders’ approval of these principles at the 2019 Osaka Summit. **The new U.S. International Development Finance Corporation, with an enhanced balance sheet and strategic mandate, should partner with the Japan Bank for International Cooperation (JBIC), the Asian Development Bank, and the World Bank Group to address the \$25 trillion in regional infrastructure needs to 2030.** Coordinating these activities among Washington, Tokyo, and other key regional and extra-regional players, such as Australia and South Korea, will be an increasingly important role for leaders in both capitals. **The United States and Japan should also expand assistance to recipient states to facilitate good governance and accountability so that decisions on infrastructure are made with full transparency.**

**Finally, energy and climate change are a vital dimension of the U.S.-Japan economic alliance.** Prime Minister Suga’s pledge that Japan’s economy will be carbon-neutral by 2050, matched by a similar pledge by South Korea, underscores the urgency of scaling up clean energy. To meet its domestic and international commitments, Japan will need to curb use of and investments in coal. **Building on**

**nuclear and natural gas cooperation, the United States and Japan should expand their clean energy and climate partnerships.** Priority clean energy technologies for joint development include hydrogen; battery storage (key to transportation electrification and scaling up renewables); carbon capture, storage, and recycling; and smart grids. These technologies hold promise for effective market-based climate change mitigation.

# Conclusion

As outlined here, developing a more equal U.S.-Japan alliance is critical to addressing both regional and global challenges. Japan is the ally most aligned with U.S. interests and values across the board. In some areas, Japan has already taken the lead, promoting shared values, high standards, and liberal norms. Indeed, the United States would benefit from closer alignment with Tokyo's approach in a number of areas. The U.S.-Japan alliance is positioned to lead in the evolving multipolar world. This report has identified issues that both allies should prioritize to advance their relationship as well as global security and prosperity. The new administrations in Tokyo and Washington should rise to these challenges.

## About the Authors

**Richard L. Armitage** is the president of Armitage International, L.C. He is a former deputy secretary of the Department of State and has served as the assistant secretary for international security affairs and deputy assistant secretary for East Asia and Pacific affairs at the Department of Defense. In addition, Ambassador Armitage has held a wide variety of high-ranking U.S. diplomatic positions; including, Presidential Special Negotiator for the Philippines Military Bases Agreement, Special Mediator for Water in the Middle East, Special Emissary to King Hussein of Jordan during the 1991 Gulf War, and Ambassador directing U.S. assistance to the new independent states of the former Soviet Union. Ambassador Armitage is the recipient of the Department of State Distinguished Service Award, the Department of Defense Medal for Distinguished Public Service (four times), the Secretary of Defense Medal for Outstanding Public Service, the Chairman of the Joint Chiefs Award for Outstanding Public Service, and the Presidential Citizens Medal, awarded by President H.W. Bush to citizens who have performed exemplary deeds of service. He has received the Grand Cordon of the Order of the Rising Sun from the Government of Japan and was awarded a KBE from Her Majesty the Queen of England. Ambassador Armitage also has been appointed as an Honorary Companion of The New Zealand Order of Merit and as an Honorary Companion of the Order of Australia. The President of Romania conferred upon Ambassador Armitage Romania's highest civil order, The Order of the Star of Romania, with the rank of Commander. Most recently, he received an honorary doctorate from Keio University in Japan. Ambassador Armitage graduated in 1967 from the U.S. Naval Academy. For his service to the nation, Ambassador Armitage received the Distinguished Graduate Award from the U.S. Naval Academy in 2013.

**Joseph S. Nye Jr.** is university distinguished service professor and former dean of Harvard University's Kennedy School of Government. He received his bachelor's degree summa cum laude from Princeton University, won a Rhodes scholarship to Oxford University, and earned a Ph.D. in political science from Harvard. He has served as assistant secretary of defense for international security affairs, as chair of the National Intelligence Council, and as deputy under secretary of state. His recent books include *Do Morals Matter?* (Oxford University Press, 2020); *Soft Power* (PublicAffairs, 2004); *The Power Game: A Washington Novel* (PublicAffairs, 2004); *The Powers to Lead* (Oxford University Press, 2008); *The Future of Power* (PublicAffairs, 2011); *Presidential Leadership and the Creation of the American Era* (Princeton University Press, 2013); and *Is the American Century Over?* (Polity, 2015). He is a fellow of the American Academy of Arts and Sciences, the British Academy, and the American Academy of Diplomacy. In a recent survey of international relations scholars, he was rated the fifth most influential over the past 20 years, ranked as the most influential scholar on American foreign policy, and in 2011, *Foreign Policy*



named him one of the top 100 Global Thinkers. In November 2014, Emperor Akihito of Japan conferred the Order of the Rising Sun, Gold and Silver Star, on Dr. Nye in recognition of his contribution to the development of studies on Japan-U.S. security and to the promotion of mutual understanding between Japan and the United States.

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