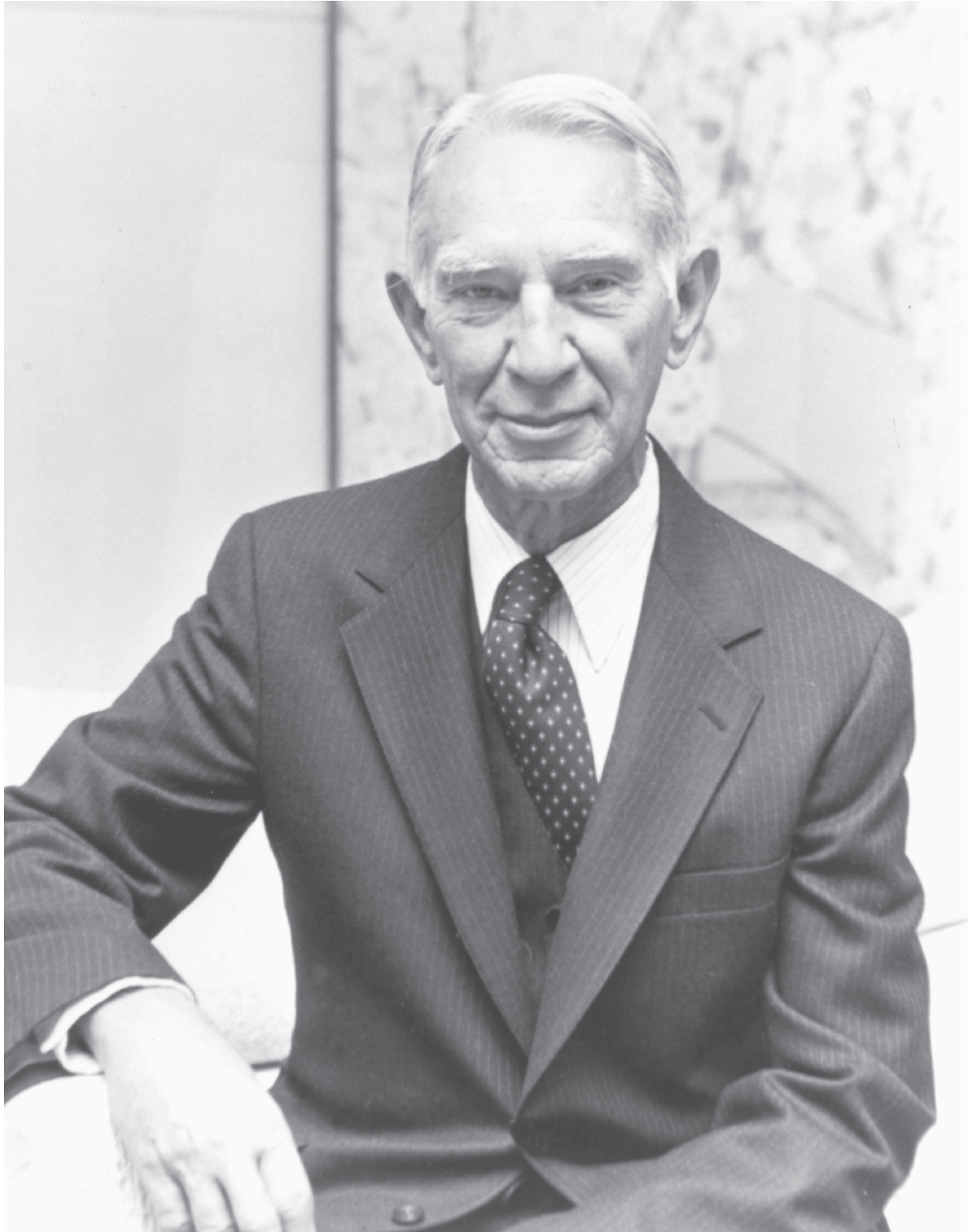


THE EDWIN O. REISCHAUER CENTER FOR EAST ASIAN STUDIES

# The United States and Japan in Global Context: 2011

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## INTRODUCTION

The Democratic Party of Japan (DPJ) swept into power on August 30, 2009, having taken 308 out of 480 seats in the House of Representatives (Lower House) election. It unseated the Liberal Democratic Party (LDP), which had ruled the country since 1955, with the exception of one year in the 1990s. On September 16, 2009, a three-party coalition of the DPJ, the Social Democratic Party (SDP), and the People's New Party (PNP) was formed under Prime Minister Yukio Hatoyama. But despite the DPJ's overwhelming victory and its first cabinet's initially high-support rates in opinion polls, the first year of the DPJ as a ruling party in coalition with two small parties was by all accounts unsuccessful.

The DPJ appealed to the electorate in their 2009 campaign for regime change by promising alternative solutions to a host of domestic issues, such as medical care, pensions, cutting waste in government, covering child-care costs, removing tolls on highways, and reviving agriculture through direct subsidies. Change would come through "political leadership" that by-passed the bureaucracy's monopoly on policy and legislation. But campaign slogans were not enough to make the news policy agenda work; implementation was at best spotty and some programs, such as child-care subsidies, were underfunded.

Prime Minister Hatoyama's approval rates started at a heady 70% but continued to plummet each month until his popularity dipped below 20% by May 2010. The embattled prime minister finally resigned in June 2010, the final blow being a "money and politics scandal" involving unreported political contributions and a highly unpopular decision in May on a volatile U.S. basing issue in Okinawa. Hatoyama reneged on a campaign promise to relocate a U.S. Marine base, Futenma Air Station, to a site outside of Okinawa. After months of searching for another site, he in the end went along with the original U.S.-Japan agreement in 2006 to relocate the base to another part of the prefecture.

Hatoyama's successor Naoto Kan came into office also with high public support rates, and at first seemed to be a popular choice. Taking a pragmatic approach to diplomacy, Kan attempted to repair some of the damage done to the U.S.-Japan relationship by his predecessor. But Kan, too, was plagued by internal party disputes and growing public disaffection. Faulted for a series of policy blunders, Kan rapidly lost his popularity in the polls, with the public faulting him for an alleged lack of leadership. Most damaging was Kan's ill-founded decision in the July 2010 Upper House campaign to call for higher taxes. That move cost the party the election. The DPJ took deep losses and lost its majority control of the Upper House to its rival the LDP, leaving the Diet divided and making it almost impossible to pass legislation. Gridlock in the Diet continued into 2011. Kan continued in office, but his popularity continued to plunge, reaching the levels of his predecessor.

### **Alliance under strain**

During the period starting September 2009 and ending in early 2011 that this yearbook covers, U.S.-Japan relations were under great strain, as a new and untested party came into power in Japan and for a while acted like a wrecking crew out to dismantle and somehow reconstruct the

alliance relationship, based on slogans and election campaign promises and not on a coherent strategic vision. From the start, the DPJ government under Prime Minister Hatoyama seemed to rub the Obama administration the wrong way. Hatoyama adopted a foreign-policy agenda that unnecessarily targeted areas or issues affecting relations with the U.S. The Hatoyama Cabinet came into office with an understanding based on the DPJ Manifesto – a list of election campaign promises adopted by the government as policy goals – that there would be a full review of all policies of the previous LDP administrations, especially relations with the U.S. The DPJ government wished to part with a perceived negative legacy of the LDP but in so doing it even targeted policies that worked well, even those that were linked to U.S.-Japan security arrangements that protected Japan's vital national interests. Hatoyama also failed to build up a relationship of mutual trust with President Barack Obama. The Prime Minister's now famous promise to the President, "Trust me," with respect to resolving a contentious basing issue was seen in Washington as just empty words.

Further complicating the matter were such constraints on normal patterns of decision-making as the DPJ's rejection of bureaucratic input into policy formulation. As we will see in James Pai's chapter on DPJ policy-making, decisions had to be political and top-down; advisory councils were shunned; and brain-trusts were avoided. The DPJ's muddled tripartite agreement with the two coalition parties, perceived in the U.S. as not alliance-friendly, created doubts about the new government's ultimate intentions. These words were especially worrisome:

"We will create an autonomous foreign policy strategy, and form a close and equal alliance between Japan and the United States. By promoting cooperation between Japan and the United States we will create a future-orientated relationship, thereby realizing a stronger bond of mutual trust. On this basis, from the perspective of reducing the burden placed on the residents of Okinawa prefecture, we will propose a revision of the Japan Status of Forces Agreement, and move in the direction of re-examining the realignment of US forces and the role of US bases in Japan."

Such security issues as host-nation support levels, the Status of Forces Agreement (SOFA), and the Okinawa base problem were all under review. Hatoyama's continued emphasis on transferring the operations of the US Marine Corps Air Station Futenma to a location outside of Okinawa Prefecture also contributed to U.S. unease.

In addition, the Hatoyama administration launched an investigation into alleged secret nuclear pacts with the U.S. that allowed the transit of nuclear weapons into Japan on U.S. warships and military aircraft. Most of these issues were either dropped or resolved in the months that followed, except for the Okinawa base issue, which ultimately proved to be the Prime Minister's undoing.

Campaigning in the 2009 Lower House election, the DPJ criticized the LDP's diplomacy of "overemphasis on the U.S.-Japan" and its "toeing of the U.S. line." The LDP in turn accused the DPJ of advocating an "Asia-centered diplomacy" and taking a "pro-China, anti-U.S." line. Prime Minister Hatoyama seemed to bear such suspicions out when, just after taking office, gave a speech at the UN General Assembly outlining his "vision for an East Asian Community." His concept of an EAC initially would exclude the United States, setting off alarms in Washington.



At a Japan-China-South Korea summit meeting, Chinese and South Korean leaders were disinterested in Hatoyama's ambiguous explanation of his EAC concept.

Eventually, the EAC concept would be altered to allow U.S. participation, but by then the policy line was being quietly shelved. Although the concept of an East Asian Community was nothing new –earlier articulations exist in Japan and the region – it failed to achieve any traction even in Japan for it had ignored the U.S. – a key stakeholder in the region – and puzzled even potential advocates with its complete lack of specificity. It was never later fully fleshed out, and disappeared from the DPJ Manifesto. Prime Minister Kan has never mentioned it.

### **End of SDF overseas missions**

The DPJ administration also put a quiet end to the overseas dispatches of Self-Defense Forces for non-combat, anti-terror activities that Prime Minister Junichiro Koizumi had begun in the aftermath of 9/11. On January 15, 2010, the Maritime Self-Defense Force (MSDF) withdrew from its refueling mission in the Indian Ocean, ending operations in support of the Afghan war that had continued for about eight years. While this mission has been referred to cynically as a "free gas station at sea," it has also demonstrated to a certain extent the security presence of Japan not only by making international contributions in cash, but also by providing military personnel. There was concern that the termination of this operation would impact Japan's national interests, including loss of access to intelligence on terrorism.

The Ministry of Defense (MOD) was able to send liaison officers to coordinate with the navies of other countries for the refueling mission in the Indian Ocean and subsequently anti-piracy operations in waters off Somalia in East Africa to Tampa, Florida, where the U.S. Middle East Command responsible for the Middle East area is located, and to Bahrain, where the headquarters of the multinational task force is located. Japan was able to share terrorism-related information with more than a dozen countries participating in the war against terrorism.

For the MSDF, whose activities were strictly constrained, the refueling mission for the U.S. and other foreign warships had little risk of becoming embroiled in active combat, but was highly appreciated internationally. It was a low risk, high return international contribution, but the DPJ found it of little value. In a way, it was perhaps time for the mission to end. The duration of the mission, including travel time to and from the site of operation, lasted from four to five months. Some MSDF members had been sent on this mission seven times, and the force was feeling the strain. While the total cost of fuel for military vessels was about 24.4 billion yen (as of October 2009), the frequency of refueling operations had been dwindling, sometimes taking place only once a month, raising doubts about cost-effectiveness.

Under the LDP-New Komeito coalition administration, the DPJ had opposed the refueling mission in the Indian Ocean for procedural reasons, asserting that it did not have the prior approval of the Diet. It was never negative about the refueling mission per se, and the reason it gave for the withdrawal was "diminishing need." The DPJ declared in its campaign manifesto that Japan would "participate in UN peacekeeping operations and other related activities and play a role in building peace." Many DPJ lawmakers would be willing to deploy the SDF under the clear framework of a UN resolution. Still, the DPJ's coalition partner, the Social Democratic Party (SDP), regarded the refueling mission as "rear support for armed attacks

(by the U.S. forces and others)" and openly demanded the MSDF's withdrawal. This party asserts that international contribution should be limited to nonmilitary areas and was a constant constraint on the DPJ government regarding the dispatch of the SDF overseas even for legitimate peacekeeping activities under Japan's PKO Law.

Prime Minister Yukio Hatoyama decided on the withdrawal under such political pressure from the SDP in the ruling coalition. Giving priority to maintaining the coalition, he decided to provide civilian aid totaling \$5 billion over as alternative reconstruction assistance for Afghanistan in place of the refueling mission. The program, as a demonstration of Japan's soft power, has been highly successful.

### **Okinawa basing problems**

One U.S. basing issue that dominated the policy agenda of the Hatoyama administration and still remains unresolved during the Kan government is the long-delayed relocation of Marine Corps Air Station Futenma in Okinawa. Often referred to as a thorn in the side of the U.S.-Japan alliance, the Futenma problem dates back to 1996, when the U.S. and Japan agreed to a reversion of the base, deemed dangerous due to its location in the middle of densely populated Ginowan City. Government-to-government agreements were reached through intensive negotiations in 1995-97 and again in 2005-2006 to relocate the helicopter function of the Marine facility to another part of Okinawa, Henoko Point in Nago City. But neither pact was implemented, the first indefinitely stalled by environmentalists opposed to land reclamation in pristine Oura Bay, and the second due to the DPJ's coming into power and putting the plan on hold. The DPJ, having campaigned on a promise to move Futenma outside the prefecture, embarked on a frantic search for alternate sites with the aid of its coalition partner. The effort was ultimately fruitless.

Prime Minister Hatoyama had a good chance to resolve the Futenma issue in December, through a high-level U.S.-Japan working group. The resolution seemed to be heading toward accepting the existing 2006 agreement. But Hatoyama quickly postponed the settlement after Mizuho Fukushima -- leader of the Social Democratic Party -- warned that the SDP would leave the coalition if the government agreed to transfer Futenma's functions to the Henoko site in the prefecture. Appointing Chief Cabinet Secretary Hirofumi Hirano to coordinate the issue, Hatoyama launched a joint government-ruling bloc panel to study the Okinawa base problem. He opened a Pandora's Box, as all three coalition parties outdid each other in trying to find someplace in or outside of Japan willing to accept Futenma's functions. The efforts only succeeded in angering the heads of local governments of candidate sites, such as Tokunoshima Island in Kagoshima Prefecture. In the meantime, distrust of the residents of Okinawa Prefecture continued to grow, and reached a critical mass in May 2010, when Prime Minister Hatoyama had to admit that all attempts to find an alternate site outside Okinawa had failed, leaving a version of the original relocation plan as the only choice.

Citing its slogan of "politics led by politicians," the Hatoyama administration did not allow bureaucrats who were knowledgeable about past developments regarding Futenma to be involved in the negotiations. This factor, too, made resolving the issue difficult.

### **Kan's pragmatic diplomacy**

Since its inauguration in June 2010, the Kan administration has tried to reset the DPJ's policy agenda. On the economy, long suffering from deflation, it drew up a new growth strategy that seeks to create new demand and boost exports. But the Kan government also has been wracked by internal feuds and disputes within the coalition and the DPJ, particularly with power-broker Ichiro Ozawa (who ultimately was indicted for an illegal political contribution and suspended from the DPJ), wrangling over domestic policy issues, sour relations with China and Russia over territorial issues, and serious fights in the Diet over the budget and related legislation. Ironically, relations with the United States, damaged seriously by Hatoyama, began to mend, thanks in large part to Kan's pragmatic diplomacy and his appointment of a savvy foreign minister, Seiji Maehara, who was known and respected in Washington. Maehara, however, resigned in early March 2011 over a minor political-contribution issue.

In January 2010, Kan delivered a speech focused on foreign policy in Tokyo on the eve of the opening of the regular Diet session. It was almost as if the Hatoyama era had not existed. Kan stressed that the U.S.-Japan alliance "should be maintained and strengthened as the linchpin of Japan's diplomacy, regardless of the change in administration," and he declared a "fresh start" in the bilateral relationship, seriously shaken under the Hatoyama administration. Kan continued: "It will not do for Japan to adhere to selfish pacifism and think that it is sufficient for Japan alone to enjoy peace," referring to a policy of active participation in UN peacekeeping operations (PKO) and other international contributions. The Prime Minister listed five foreign and security policy themes: (1) Japan-U.S. relationship as the linchpin; (2) new frontier in Asian diplomacy; (3) promotion of economic diplomacy; (4) tackling global issues; and (5) responding appropriately to the security environment. He then stressed that the government would "work persistently" on promoting bilateral ties with the U.S., reconfirming the May 2010 agreement on the relocation of the Futenma to another site in Okinawa.

On China, Kan's pragmatism showed, for he expressed "concern about the lack of transparency of its national defense buildup and maritime push," while indicating his intention to work for the improvement of relations by setting up a hotline between top leaders. In the economic field, Kan conveyed his commitment to "stake the fate of the nation on 'Japan's opening up in the Heisei Era'," to consider participating in the Trans-Pacific Partnership (TPP), to promote economic partnership agreements (EPAs) with various countries, and advance infrastructure exports – such as the export of nuclear power plants – and resources diplomacy.

Prime Minister Kan's foreign policy speech was a deliberate attempt to make a clean break from the policies of his predecessor Hatoyama. His commitment to a "fresh start" with the U.S.-Japan relationship as the cornerstone was a veiled rejection of Hatoyama's advocacy of an "equal Japan-U.S. relationship" that resulted ultimately in a serious deterioration of bilateral ties. He did not mention the concept of an East Asian Community, an idea had alarmed the United States. Kan also wanted to dispel growing public doubts about the DPJ administration's diplomatic capability. He obviously wanted to make up for his government's "blunders," such as its much criticized "weak-kneed" responses to the Chinese fishing boat collision near the Senkakus and Russian President Medvedev's unprecedented visit to the Northern Territories, four islands north of Hokkaido taken from Japan by the then Soviet Union at the end of World War II. Japan wants

them returned, and the two countries have been negotiating since the 1950s for a settlement of the dispute.

In general, Prime Minister Kan's diplomacy has lacked freshness and boldness; for the most part, it has rehashed elements of the former LDP administration's foreign policy but without much value-added. For example, DPJ policy toward North Korea has been just as hard-lined as that of the LDP, particularly after that country's aggressive military acts toward South Korea in 2010. But otherwise, the Kan government has been relatively passive or reactive, and it has only paid lip-service to the once top-priority LDP policy issue of pressing Pyongyang on the whereabouts of Japanese citizens abducted by North Korean agents. On the multilateral front, although the Prime Minister declared the promotion of international contribution by participating in PKOs, the government earlier had decided not to send the Ground Self-Defense Force on a PKO mission in Sudan, and it failed to realize a requested dispatch of SDF doctors to Afghanistan in 2010. Most diplomatic actions have carefully followed a cautious policy line, something that the DPJ even as opposition party, has long been famous for.

### **Tough line on Iran's nuclear program**

One exception has been the Kan government's surprisingly tough line toward a nuclear-ambitious Iran. The Japanese government announced on September 3, 2010, a set of additional sanctions on Iran over its nuclear program, including a freeze on the assets of those linked to nuclear development and tighter supervision of financial transactions. The new sanctions also placed restrictions on fresh Japanese investments in oil and gas development projects in Iran, but Tokyo decided not to impose any import restrictions on crude oil. Iran is the third largest crude-oil supplier to Japan.

The new punitive measures, approved by the Cabinet, were to be unilaterally implemented by Japan, in addition to steps announced on Aug 3 in line with a UN Security Council resolution. On June 9, the Council adopted a resolution to impose fresh sanctions on Iran after the country continued to defy international calls to comply with its obligations under the International Atomic Energy Agency in relation to its nuclear program. Iran has consistently maintained that its nuclear program is strictly for peaceful purposes. The move signaled the Kan administration's willingness to work closely with the U.S. and the European Union in taking punitive actions against Iran. The Kan government knew that such steps could adversely affect traditionally friendly ties between Japan and Iran and cause trade relations to deteriorate.

### **Senkaku row**

Prime Minister Kan's commitment to improve ties with China, while watching carefully that country's military buildup and actions, was sidetracked by one of the most intense diplomatic clash between the two Asian powers since normalization in 1972. Several essays in this yearbook cover from different angles this latest row with China over the Senkaku Isles, which both countries claim. It is ironic to see the DPJ, which came into power in September 2009 on a campaign promise to move closer to China and away from the United States, has ended up doing just the opposite.

The latest dust-off between Japan and China over the disputed isles ended with the Kan administration seemingly backing off. But although Japan allowed the release and return to China of the captain of the fishing boat that had rammed two Japanese coast guard vessels, there was an unexpected signal of strong support from an old ally, the United States. During the escalating standoff between Beijing and Tokyo, the Kan administration received a clear statement of U.S. backing, with Secretary Clinton citing Article 5 of the Security Treaty in case there was aggression against the isles. Of course, on the territorial dispute per se, the U.S. is neutral, having only transferred to Japan the administrative rights to the islands with the 1972 reversion of Okinawa. But Japan has effective control over the territory, placing it squarely under the treaty's jurisdiction.

The Kan administration took a drubbing from opposition parties, including the Japanese Communist Party, and the press for allegedly backing down to Chinese pressure and releasing the captain. Still, Kan's decision to end the escalating standoff was a proper one, for it showed the world that even though Japan was the aggrieved party, it was in the end the more reasonable one. China in contrast came across as an international bully. China's intimidation of Japan on the territorial issue followed a pattern of similar actions toward Southeast Asian nations with islands in their adjacent waters that China has claimed.

Although the Senkaku issue has flared up in the past, with China usually easing off in the end, this time it appeared that self-constraints were not being imposed, what with cancellations of top level exchanges and even the specter of a trade embargo of rare earths to Japan appearing. Cooler heads in Tokyo prevailed, and the Kan government should have been commended not criticized for its tension-easing action. If China was calculating that its strong reaction would expose a weakened U.S.-Japan alliance, eroded by the corrosive policies of the Hatoyama administration, it was wrong. Beijing's exploitation of the Senkaku incident resulted in an unexpected firming up the U.S.-Japan alliance – and a glimpse of the security reality in the area to Okinawa, which administers the territory. More than a learning experience, the incident was Prime Minister Kan's first crisis-management exercise. Though nationalists were denouncing him for being “weak-kneed,” and calling for strong measures against China, his following their advice would only have escalated the incident into areas that would not be in the interests of either country – or the region. As long as neither side even recognizes that there is a territorial dispute, thus ruling out future arbitration or some kind of joint resolution, such flare-ups are likely to occur from time to time, spontaneous or intentionally, and there is no guarantee that the next time around, the administration then in power will be so accommodating.

### **Impact of 3/11**

Although outside the scope of this yearbook, the massive earthquake and tsunami on March 11, 2011, that devastated parts of northern Japan and wrecked a nuclear-power plant, creating a radiation emergency, has significantly changed Japan – and U.S.-Japan relations – in ways that are just starting to play out. Certainly, the U.S.-Japan alliance has emerged stronger than ever, thanks to the extraordinary level of rescue and relief cooperation between the U.S. forces in Japan and the Japanese Self-Defense Forces in the earthquake zone under what anyone would compare to wartime conditions, so serious was the disaster.

## **Yearbook papers focus on alliance at 50, DPJ's first year in power**

The papers presented in this yearbook represent the result of intense research by the students in the course U.S.-Japan in Global Context that took all of them to Japan in November 2010 for interviews and meetings on common and specific research topics. The research topics examine the U.S.-Japan alliance under the DPJ, contradictions of Japan's nuclear policy, DPJ decision-making, Japan-China relations and regional integration, Japan's territorial dispute with South Korea, environmental policy, foreign aid, and the gender gap in Japanese society. As an added new feature, the yearbook features a guest contribution from a SAIS alumnus, a serious look at the early process of Japan procuring its next-generation fighter aircraft.

In his insightful and well-argued paper, "U.S.-Japan Security Alliance under the Democratic Party of Japan," Nicholas Phan takes a comprehensive look at the clash between the DPJ's idealistic approach to national security and the reality of Japan's functioning alliance with the United States. Ultimately, reality and pragmatism prevailed, particularly under the Kan government, but the first nine months of DPJ rule under Prime Minister Hatoyama was indeed a bumpy ride for the bilateral security relationship. Phan also found the DPJ, thrown into the seat of power after years in the opposition camp, initially inadequate for the daunting task of balancing domestic politics and national interests, with the former often receiving priority attention. Not unrelated was the DPJ government's tendency to dismiss those security-policy elements that smacked of the LDP, most notably the 2006 U.S.-Japan "roadmap" agreement that included the plan to relocate Futenma Air Station to another part of Okinawa. In addition, there was an initial misguided attempt – later abandoned as unfeasible – to steer U.S.-Japan relations toward an "equal" alliance, without a clear understanding about what such a goal would entail.

The corrective measures applied by Prime Minister Kan, Hatoyama's successor, to repair the damage done to the alliance are well covered in Phan's paper. He describes, for example, how Kan carefully treaded through the "landmine field" laid by his predecessor on the Futenma issue. Phan also probes at length into the DPJ government's ill-advised decision to sever the bureaucracy from the policy process, resulting in a haphazard state of top-down decision-making with nothing filtering up from below. Phan also carefully examines the external threat environment, focusing on China and North Korea, and how the DPJ government was forced to deal with it in a year filled with surprising and alarming incidents from both countries.

In the next paper, "Japan's Nuclear Allergy, Disarmament Policies, and the U.S.-Japan Alliance," Cordelia Chesnutt provides a fascinating and detailed look at how Japan under the DPJ government has reconciled the apparent contradiction of a country devoted to non-proliferation and disarmament goals, based on its peace constitution and its horrifying Hiroshima-Nagasaki legacy, with the stark realism that Japan, surrounded by nuclear powers, including China and North Korea, continues to need the U.S. nuclear umbrella as a key deterrent element in its bilateral security arrangements. She aptly points out that the potential synergy between the administration of President Obama, who is dedicated to move toward a goal of a world without nuclear weapons, and the Japanese government remains to be fully exploited.

In examining the DPJ's decision-making structure in his paper, "The Role of Non-Bureaucratic Actors in Japan's Foreign and Security Policy-Making," James Pai first lays out the

pluses and minuses of the traditional consensus-based policy-making of the LDP, which used the bureaucracy (or sometimes was used by them), advisory councils, think-tanks, and brain-trust advisers. He then shows how the DPJ, intent on breaking with the past by setting up a top-down decision-making system with politicians fully in charge, threw out the baby with the bathwater, so to speak, by rejecting bureaucratic participation and such non-bureaucratic actors as advisory councils and think-tanks. The Kan administration has tried to return in part to the traditional structure but much of the damage was done – policy failures and deep distrust from the bureaucracy after being ignored for a year. Pai offers some suggestions for improving the system, based on the best aspects of the former ruling party, but it would seem to come down in the end to smart leaders, like such superior LDP prime ministers in the past as Ohira, Nakasone, and Koizumi, to put together the right combination around them for effective policy making and implementation.

In her paper, “Japan’s Hedging Strategy toward China and Its Security Implications,” Yimian Li sees Japan hedging against potential problems between it and China as the two economies closely integrate by maintaining its strong alliance ties with the United States. In detailing the growing economic interdependence between Japan and China, she points out Tokyo’s heightened concerns in recent years about rising China becoming bolder militarily in the region and a source of potential instability. Japan even under the alliance-reluctant DPJ has had to latch onto the U.S. as the only power that can check China’s regional ambitions. The DPJ indeed was given cause for concern by the recent spat with China over the Senkakus and given much needed assurance by the U.S., which quickly invoked Article 5 of the U.S.-Japan security treaty to remind China not to treat the alliance lightly. Li also stresses the need to go beyond bilateralism. She sees need for a trilateral effort including the U.S. not only to boost mutual confidence and diplomatic communication – a reformulation of the “stakeholder” thesis in essence – but also to reinforce the process of economic integration. Such an arrangement would serve as an anchor against future “shocks” like the Chinese embargo of rare-earth metals during the Senkaku row.

In “Bridging the Gaps between Japan and China,” Yanan Wang approaches Japan-China relations from a somewhat different perspective by exploring the “gaps” – structural barriers – that have kept the two nations from fully normalizing the political dimensions of their bilateral relationship. The most well-known gap is the two countries’ views toward history as shaped by Japan’s wartime acts on the continent. Such centrifugal forces have resulted in a skewed relationship of “hot economics, cold politics,” as the two economies grow closer and more interdependent, political ties continue be relegated to a perpetual cold war-like status. Nationalism on both sides is another raging tiger that needs to be tamed. Efforts on the bilateral front to create a “mutually beneficial relationship based on common strategic interests” will help, but ultimately may not be enough. In that context, Wang argues, the role of the alliance is vital, not only for the physical security for Japan and the region, but also for providing Japan with psychological security, the “peace of mind” that the U.S. military presence in the region will greatly diminish the threat of instability and war.

In the next paper, “Japan’s Role in Regional Economic Integration,” Wallis Yu eloquently blends together in a detailed narrative the enormity of Japan’s domestic economic woes, the efficacy of the DPJ’s new growth strategy, and the way Japan’s trade and investment

are impacting on the regional economy. Japan's sagging economy needs to deepen its reliance on the regional economy for its growth, although such integration always carries a risk. Although she sees patterns of regional integration leading to a natural trade bloc, she doubts that a financial equivalent will ever be formed. The incentives are just not there, and the U.S. dollar remains the de facto currency of choice in Asia. Neither the Renminbi nor the Yen are likely to replace it soon.

“U.S. Role in the Liancourt Rocks Dispute between Japan and South Korea,” by Jason Park, goes deep into the background of the long-standing territorial dispute between Japan and South Korea over the Takeshima (Dokto in Korean) Isles, which are known internationally as the Liancourt Rocks. He found surprisingly that the United States, though ostensibly neutral on the issue of which country actually owns the tiny islets, has been inconsistent in its stances, flip-flopping over names, sending American jets stationed in Japan for practice bombing there, and showing both countries at times that it seems to favor one side or the other's claim. The U.S. may have aggravated the issue from time to time, but Park is careful to point out that neither side has ever been willing to negotiate or allow arbitration. Nationalism of course has played a role in keeping emotions high whenever one country or the other seemed to do something that violated the stalemate. The outlook for resolution in the future looks bleak, so putting this hot rock on back-burner and moving on with the productive aspects of the increasingly deepening bilateral relationship would seem to be the logical choice.

In her paper, “Consistencies and Contradictions in Japan's Environmental Policy” Jamie Shellenberger finds much to praise and much to criticize in assessing the current state of Japan's set of environmental policies under the DPJ. In many ways, Japan, the nation where the Kyoto Protocol was designed, has become a model for other countries to emulate in formulating their own policies, especially in such areas as energy conservation, recycling, clean water and air, public transportation, and applied green technology. But the country also carries a lot of baggage from its past when it comes to managing certain aspects of its own environment and protecting the international environment. Some of that reflects traditional culture and customary practices, such as Japan's addiction to whaling, even though the consensus in the world remains strongly against commercial exploitation of still very vulnerable stocks. The country's indifference to rampant international-logging practices that are contributing to global climate change also seems to place commercial interests over environmental concern. Parts of Japan's own beautiful environment, as Shellenberger points out, have and continue to be abused, though that is slowly changing. Urban planning in Japan seems to be a myth, with green zones in cities shrinking as plans are drawn and redrawn to show the status quo. Part of the problem may be the lack of political leadership, but the media have not been attentive either.

Calita Wood's detailed paper on Japan's foreign aid, “New Focus on Africa in Japan's Official Development Assistance,” is a welcome addition to the literature on the subject of ODA. Although Japan's foreign aid program has long been an indispensable soft-power tool its diplomatic arsenal, and highly regarded in the international community as a vital contribution to the developing world, there has been relatively little scholarly research on Japan's ODA in recent years. Woods has helped fill a too obvious gap, and her work dispels a persistent myth. Japan for too long has been depicted as a major donor that focuses on big-bucks bricks-and-mortar infrastructure projects that brought more benefits to Japanese companies than to aid recipients.



The myth should have been laid to rest decades ago, for Japan's aid program, as seen in Wood's paper, has improved in quality over the years and now has a major African component focused on smaller projects in the area of basic human needs and humanitarian concerns. As ODA budget cuts in recent years made massive infrastructure projects less possible, Japanese aid policy-makers have shifted gears admirably to development projects that fill a definite need.

Juliana Knapp's well-researched paper, "The DPJ Confronts Japan's Growing Gender Gap and Demographic Crisis," provides a fresh analytical look at how Japan under the current government is trying to address two serious issues: the demographic time-bomb of a rapidly aging society producing fewer babies, and the alarming lag in effective use of women in the labor market. The DPJ's plan involves direct subsidies to families raising kids – though budget cuts have trimmed the program – but women in Japan continue to marry late or not at all, avoid having children, and leave their jobs or careers to raise the children they may have, returning to the market years later (the M-Curve effect). Moreover, women are still vastly under-utilized in the labor force, although there has been slow change, such as in the fields of medicine and law. But the bottom line, as Knapp aptly points out is a lack of systemic approach to the problems: government programs are piece-meal and address symptoms, not causes. With better use of women in the labor market and improved social infrastructure to back those wishing to combine careers and having families, Knapp argues that Japan can effectively attack the "demographic demon" threatening to sap the life out of its shrinking society.

This yearbook introduces a special feature of inviting SAIS alumnus to submit a research paper of particular relevance to the themes of the current issue. Shoji Shin's "F-X: Japan's Response to a Changing Asia and Alliance Relationship with the U.S.," is a unique look into Japan's defense procurement policy, focused on the next generation fighter and the candidate models that are now being considered. Shin has his own favorite, as can be seen in the narrative. But the fact that for the first time, Japan is considering seriously a European model as its next generation fighter signifies a new era for the alliance, which has until now been exclusively dependent on the U.S. for equipment procurement.

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# **U.S.-JAPAN SECURITY ALLIANCE UNDER THE DEMOCRATIC PARTY OF JAPAN**

*“It is vital not to damage the bedrock of the bilateral alliance on which the fate of this nation rests”.*  
Okazaki Hisahiko

## **Introduction**

As of January 2011, it has been well over a year since the Democratic Party of Japan (DPJ) swept into power on August 30, 2009. The DPJ replaced the Liberal Democratic Party (LDP) that had been ruling Japan since 1955, with a one-year exception (1993-94). The DPJ won the House of Representative election by a massive landslide, sweeping 308 out of the 480 seats at stake (320 if one adds coalition partners). The LDP won only 119 seats – the worst defeat for a sitting government in postwar Japanese history.

Not surprisingly, the DPJ, once in power under Prime Minister Yukio Hatoyama, rushed to push through a series of policy initiatives, as espoused by the party in its campaign manifesto in the run-up to the election. One of the commitments that worried Washington was a promise to “move in the direction of reassessing the alliance” – vague language, but enough to portend a possible change in the basic fabric of the U.S.-Japan alliance.

The DPJ administration’s initial efforts, though, focused on tackling domestic issues considered to be of paramount importance to the public such as waste, fraud and government spending abuse. The flashy televised budget screening sessions was also aimed at consolidating the DPJ’s hold on power by convincing the public of its seriousness. But the priority placed on a domestic agenda also meant that Japan’s alliance ties with the U.S., which had always been the central pillar of the LDP’s foreign policy, inevitably became enmeshed with domestic politics to a far greater extent than any LDP administration would have ventured. One reason for placing domestic politics over national interests relates to the DPJ’s attempts to disassociate itself from the previous policies undertaken by the LDP. By extension, the DPJ rejected relying on what it perceived as suspect institutions for policy input – most notably the bureaucracy but also think tanks and academic specialists deemed loyal to the LDP. Though it was to learn over time through bitter experience the value of the alliance and those institutions ancillary to it, the DPJ in

its initial frenzy to gain an edge over the LDP did not rule out politicizing issues in the U.S.-Japan alliance if need be. And so indeed it happened, much to Washington's dismay.

While it may have been true that the DPJ's electoral pledge to steer the U.S.-Japan security alliance towards more "equal" terms had resonated well with Japanese voters, the party has since found it hard to put idealistic words into action. In spite of the U.S.-Japan Security Treaty – under which the U.S. agrees to defend Japan in return for the Japanese provision of land for U.S. bases – Japan constitutionally cannot reciprocate by coming to the U.S.' aid in case it is attacked. The alliance, thus, can never be entirely "equal". Moreover, events in 2010, centering on the Futenma base-relocation issue, seem to have convinced the DPJ leadership that politicizing Japan's bilateral ties may have done the DPJ government more harm than good. The self-destruction of the Hatoyama administration was the first case in point.

The decision by Hatoyama to revert to a version of the 2006 U.S.-Japan agreement to relocate Futenma at Henoko in Nago City, Okinawa, domestically led to a public backlash against the premier. The public viewed Hatoyama as having failed to live up to his campaign promise of moving the base out of Okinawa. Hatoyama eventually took full responsibility for the debacle and resigned in June 2010. He was also dogged by a personal "money and politics" scandal that hastened his political demise. His successor, Naoto Kan, learning from the mistakes of his predecessor, approached the Futenma issue gingerly, acknowledging the viability of the decision on it made by Hatoyama. Kan used a carrot and stick approach, sending aides to Okinawa to convince local officials to accept a compromise. But key decisions on the modality of the relocation have yet to be made.

There is no doubt that Kan came into office more favorably disposed towards closer ties with the U.S. than Hatoyama. Indeed, Kan appointed a pro-U.S. lawmaker, Seiji Maehara, as foreign minister in a bid to shore up bilateral relations. Maehara seems to have virtually been given carte blanche authority in dealing with bilateral issues. Washington was pleased with the selection of the conservative Maehara who was already highly respected within U.S. government circles.

Linked to its U.S. policy was also the fact that the DPJ government was faced with the paradox of whether or not to push for closer ties with China at a time when the regional power balance was seemingly tilting in Beijing's favor. The proposal to move Japan closer to China was backed by the then-powerful party Secretary General Ichiro Ozawa. The September 2010 Sino-Japanese maritime skirmish in the waters around the disputed Senkaku/Diaoyu islands, which quickly erupted into a period of simmering tensions before cooler heads prevailed, served to further fuel latent fears in Japan over the implications of a rising China. The bitter experience convinced DPJ policymakers of the strategic importance not only to maintain but also to strengthen the U.S.-Japan alliance. There are clear signs that such efforts are already taking place, ranging from increased joint training to closer military cooperation. The U.S. swiftly seized on the opportunity provided by China's assertive stance on the Senkaku issue in September last year to reiterate its strong commitment to the security treaty. These assurances, which were made by Secretary of State Hillary Clinton and other top U.S. officials, were meant to bolster the credibility of the alliance as well as to endorse the Kan administration's alleged weak-kneed handling of the crisis. Following the Senkaku dispute, Kan had come under severe domestic criticism. He was deemed to have bowed to China's pressure following a Naha district court decision to release the captain of the Chinese vessel that had collided with a Japanese Coast

Guard vessel (leaked footage of the collision shows the Chinese vessel apparently deliberately ramming the JCG ship).

As if tensions with China were not enough, Japan was further unnerved by provocative North Korean actions against South Korea that threatened to escalate into all out war. Again, cool heads in Seoul prevailed over the hot heads who wanted immediate military retaliation. Trouble on the Korean Peninsula is nothing new, but this time the North Korean regime's aggressive acts went beyond the usual brinkmanship script. Earlier in the year, on March 26, a North Korean submarine launched a torpedo that sunk the South Korean corvette *Cheonan* in waters near Inchon. Then on November 23, the North's army suddenly commenced shelling of a village on the island of Yeonpyeong in waters near the Northern border, killing and wounding civilian residents.

The effect on Japan cannot be overstated, for the provocations from an old enemy further underscored the country's vulnerability to attack from the DPRK at any time, particularly from Nodong missiles facing Japan, as well as a growing arsenal of nuclear arms that are now being secretly developed. The chilling effect of the two incidents on the Korean Peninsula served to further cement U.S.-Japan security ties. The events even drew Japanese and South Korean military ties closer together, as a peacetime Acquisition and Cross Servicing Agreement (ACSA) is now under discussion. This ACSA would allow for cooperation between the two services in the event of natural disasters, piracy, and other non-wartime incidents.

In the face of such regional challenges, Prime Minister Kan and President Barack Obama used their various summit meetings throughout the year to reconfirm the importance of the alliance. The UN General Assembly in September 2010 and the APEC Conference in November 2010 provided two optimal occasions for the strengthening of ties between the two. Although belatedly, the U.S. and Japan can still capitalize in 2011 on the commemoration of the 50<sup>th</sup> anniversary of the U.S.-Japan security alliance. The media has already picked up a flurry of diplomatic activities between the two governments, prior to Kan's planned visit to Washington (scheduled tentatively for June 2011 but possibly delayed by the massive earthquake that hit northern Japan in March). Plans include a proposal for both leaders to issue a joint declaration on security, akin to what President Bill Clinton and Prime Minister Ryutaro Hashimoto issued in 1996. The security statement will pave the way for both sides to amend the standing set of common strategic objectives to incorporate the latest security threats. This will be followed by an update of the Guidelines for Japan-U.S. Defense Co-operation, last issued in September 1997. The Guidelines aimed at creating a solid basis for more effective and credible Japan-U.S. cooperation under normal circumstances and during contingencies. The 1997 set included, for the first time, a provision for Japan's Self-Defense Forces (SDF) to provide logistical support to U.S. forces in case of a military contingency in areas surrounding Japan. The new set is likely to go a step forward.

In addition, Japanese policy makers and defense officials timed the release of the latest National Defense Program Guidelines (NDPG) for mid-December 2010 to highlight salient areas where the U.S. and Japanese militaries could further broaden their cooperation in line with mutual interests.

Against the background of such events, this paper, the result of research in Washington and Tokyo, aims to provide an overview of the state of alliance relations under the Hatoyama

and Kan administrations (as of January 2011). The intent is to examine the roles of the key DPJ players driving U.S. policy and assess their handling of bilateral relations so far. The paper presents several domestic and external events over the past year as case studies of the policy competence of Japanese leaders and discusses their implications for the future of the U.S.-Japan alliance. Finally, the paper will seek to identify emerging strategic trends and outstanding bilateral issues that could shape the future trajectory of the alliance.

## **DPJ Strategy Towards the U.S.-Japan Alliance**

The DPJ government under Prime Minister Hatoyama entered power in September 2009 marked by a kind of naiveté or sense of complacency toward regional and global issues that contrasted sharply from the almost alarmist security views of predecessor LDP administrations. Experiences during the year that followed – the proverbial baptism by fire or in this case a number of fires flaring up – brought about a jolting transition to the DPJ leadership. The party which had started with bright-eyed idealism, fired up by the party’s rush to victory in the national election, was quickly facing sober realism not only in its bilateral ties with the U.S. but on a whole range of foreign policy issues. At the same time, the party and its leadership wanted only to work on the domestic agenda packed into its election manifesto. It took the better part of a year for the Hatoyama administration to arrive at a true understanding of the alliance and Japan’s vital defense and security interests. The DPJ government, particularly under Prime Minister Kan, emerged from an incoherent period of putting politics over national interests as a more mature administration that placed the country first in its new policy agenda. The first phase under Prime Minister Hatoyama, when the government was heavily influenced by Ozawa, can be characterized by its strict implementation of election promises. This resulted in muddled decision-making on the Okinawa base relocation issue and neglect of the alliance. The second “rude awakening” phase after Ozawa and Hatoyama resigned and Kan took over as prime minister saw an almost immediate reassessment of the security environment around Japan and a concerted effort to repair alliance ties with the U.S. Concurrently, the administration honored a prior agreement made during Hatoyama’s leadership to relocate the Futenma base to another site in Okinawa.

Under the stewardship of former DPJ chief strategist and kingmaker Ichiro Ozawa, who helmed the party from 2006 to 2009, the DPJ largely argued that post-Cold War geo-strategic dynamics necessitated a change in the nature of the U.S.-Japan alliance. Ozawa himself often used to argue that from a realist perspective, the alliance needed to be complementary and no longer asymmetrical. Japan would become a “normal country” that possessed significant military power, while its overseas activities would be subject to the command of the United Nations. Ozawa insisted that although Japan should be willing to shoulder international burdens for the

sake of international order, it should do so only under the auspices of a United Nations resolution.

It was in this context that the DPJ voted in an Upper House tally in 2007 to end the dispatch of the Maritime Self Defense Force (MSDF) deployed to the Indian Ocean for refueling activities in connection with the U.S.-led war in Afghanistan. Since the opposition controlled the upper chamber following an LDP rout in the 2007 election, the refueling operations were discontinued but later reinstated by a Lower House two-thirds override vote. In power, the DPJ finally had its chance to end Japan's six-year contribution to multinational force operations in the Afghan theatre by allowing the law to expire in January 2010.

During 2007, the DPJ further voted to end the Air Defense Force's (ASDF) airlift assistance to the U.S.-led coalition in the war in Iraq. The party's stance against Self Defense Forces' (SDF) overseas dispatches swiftly emerged as a key pillar in its foreign policy platform in the run-up to the 2009 Lower House elections. In its campaign manifesto, the four "pillars" pertaining to foreign relations and defense were: 1) the immediate withdrawal of SDF forces from Iraq 2) the lack of public engagement in the realignment of U.S. military presence in Japan 3) proactive diplomacy toward North Korea and 4) strengthening Japan's ties to other nations in Asia. In addition, in an effort to strike a different policy tone than the LDP, the DPJ leadership pledged to renegotiate the basis of the 2005 U.S.-Japan realignment agreement and to relocate the Futenma Air Station outside Okinawa. Following the DPJ's election victory, the policies adopted by Prime Minister Hatoyama, particularly towards base negotiations with the U.S., faithfully reflected these campaign promises. If Hatoyama had dealt with the Futenma relocation issue as a review of the earlier base negotiations, he probably would not have created for himself a dilemma that ultimately destroyed his overall political credibility. Instead, he boldly inserted himself into the process of finding an alternate solution for Futenma outside of Okinawa and politicized the issue by setting a fixed timeline, ultimately May 2010, to deliver on his campaign promise. Unable to find any place on mainland Japan or outside the country to accept the Marine base, Hatoyama in the end had to admit failure, apologize, and accept Okinawa's wrath for his "betrayal." The decision to relocate Futenma to basically the same site as in the 2006 roadmap agreement ultimately forced him out of office.

Following Prime Minister Hatoyama's resignation in June 2010 over the Futenma issue, his successor Naoto Kan immediately adopted a more nuanced stance in his approach to managing the alliance, starting with the Okinawa base relocation. This was evident in both words and deeds. The sea-change in DPJ attitudes towards the alliance is reflected in changes in its most recent campaign manifesto, which the party released on June 17 in the run up to the Upper House election. For instance, the DPJ not only retracted its earlier campaign pledge to pursue bilateral ties with the U.S. on more "equal" terms, but also expressed a desire to center the alliance on three pillars: "security, the economy, and cultural and people-to-people ties". This was a distinct departure from the party's policy outline issued in April 2008, in which it vaguely pledged "to seek a more mature relationship with the U.S." Kan's first major policy address to the Diet as premier on June 11 referred in traditional terms to the bilateral alliance as the axis or cornerstone of Japan's diplomacy. He further indicated that his approach to diplomacy would be guided by realism and not ideology. Significantly, Kan used his meetings with President Obama (on 23 September and 23 November 2010 at the sidelines of the UNGA and APEC conference in Yokohama, respectively) to further reiterate his administration's continued commitment to the

alliance. On his part, President Obama noted that the U.S.-Japan alliance remained a “cornerstone” of world peace and security, and that the American commitment to the defense of Japan remains “unshakeable”.

The Kan administration also has treated very carefully on the landmine field that is the Okinawa base issue. While the DPJ has repeatedly pledged to follow through with existing plans to relocate Futenma to Henoko while making “all possible efforts to reduce the burden on Okinawa in line with the agreement”, the Kan administration has specifically made it a point to steer clear of imposing a definite timeline on when this would take place. This decision has been further reinforced with the recent reelection of incumbent Okinawan Governor Hirokazu Nakaima. The Futenma issue will likely remain at an impasse, as it does not appear that Governor Nakaima will likely cave in to political pressure from the DPJ administration, having campaigned on a platform that the U.S. should relocate Futenma outside of Okinawa. Although Kan has sent aides to Okinawa to sound out views and dangle economic incentives, it does not seem likely that there will be any significant movement to resolve the relocation issue ahead of the next Obama-Kan summit. This meeting is now tentatively scheduled for June 2011, and Kan will want to sidestep any potentially sensitive issues that could derail his visit to Washington. It is conceivable that barring a breakthrough with the now intransigent Okinawa prefecture, the Futenma issue could be further kicked down the road even after the summit takes place.

### **Domestic Constraints Affecting the Alliance**

Because it took the DPJ a better part of 15 years to end the LDP’s stranglehold on power, the party’s main priority has, unsurprisingly, been to consolidate its hold on power and to shore up its domestic position in the immediate aftermath of the 2009 House of Representative election. This was clearly evident in Prime Minister Hatoyama’s politicization of the Futenma relocation issue, which until then had been handled within the context of the security apparatus. But since Hatoyama and his party were mainly intent on making the right noises to win over the Japanese public, and in this case Okinawa residents, there apparently was little forethought given to the implications of making lofty promises without preparing beforehand an effective implementation strategy. Even though the DPJ had unified in order to win the Lower House election, the party itself was divided into various power centers centered on its leaders and other powerful personalities. It remained preoccupied in the early months of DPJ rule with a series of power-brokering deals to ensure that their respective political interests were met. As a result of such internal power jockeying, even critical issues pertaining to the U.S.-Japan alliance were placed on the backburner. Sometimes this turned out to be a positive development for the alliance, such as the campaign promise soon forgotten to renegotiate the status of forces agreement (SOFA) between the U.S. and Japan. Other issues such as Futenma needed meticulous attention and turned into political performances for a domestic audience.



Interestingly, the view among Japanese defense intellectuals about Prime Minister Kan has not been complimentary when it comes to foreign and security affairs. One specialist at a think-tank noted that Kan essentially did not present a distinct departure from his predecessor Hatoyama, in that both came into office essentially as politicians focused almost solely on the domestic agenda. The difference from Hatoyama was that Kan, wisely noting his predecessor's mistakes in his handling of the U.S.-Japan alliance, came into office with the realization that he had better not "mess" with such sensitive issues as Futenma. He instead remained a "safe driver", continuing to push for the deepening of bilateral ties, leaving the details to Foreign Minister Maehara.

One American official privately acknowledged that it was not surprising to see the DPJ government struggling to come to grips with the challenge of conduct its own foreign policy, since the party had never had a chance to govern in the past and was still on a steep learning curve. In this context, the Obama administration was cognizant of the constraints facing the DPJ government and thus was willing to accord the necessary time and space for the DPJ to adapt to the reality of the situations it faced.

### **Friction with the Bureaucracy**

Another key problem that emerged in late 2009 and worsened in 2010 was a breakdown in relations between the ruling DPJ and the bureaucracy. Most scholars of Japan acknowledge that the DPJ's poor policy performance during its first year in power was in great part the direct result of its stubborn reluctance to engage the bureaucracy in the policy-making process. The DPJ distrusted the bureaucracy as loyal to the LDP and its policy lines. Prime Minister Hatoyama looked outside the government and brought in a number of private advisors on foreign and security policy issues, but the advice they gave tended to be academic rather than pragmatic and one by one they retreated quietly when their pet ideas proved unfeasible. DPJ leaders as a whole either did not see fit to consult the Japanese bureaucracy in policy formulation and decision-making, or were unwilling to accept their advice and policy recommendations even when given. This was a distinct departure from the past LDP practice of co-opting the bureaucracy into the decision-making process, thus making them stakeholders.

Japanese scholars point out that security relations with the U.S. during the LDP era had always been handled by an "alliance mafia", basically an ad hoc working group of LDP politicians, senior bureaucrats and academics who specialized in U.S.-Japan relations. After the DPJ took over the seat of power, its leaders were quick to distance themselves not only from this policymaking clique, they also shut themselves off from the very officials in the ministries whom they needed for both policy input as well as the day-to-day running of relations with America. One Japanese scholar explained that the DPJ's distrust of most senior foreign and defense

officials handling bilateral ties with the U.S. stemmed from a misguided view that these officials and their bureaucratic institutions were part and parcel of the LDP's political machinery.

Hubris among DPJ leaders may have clouded their reason. Some political analysts have noted that the DPJ leadership really believed they had enormous political influence, stemming from their overwhelming victory in the August 2009 Lower House election. Based on the bureaucratic and academic backgrounds of many DPJ politicians, the party leadership also believed it had the necessary experience and relevant knowledge to run the country, redefine Japan's role in the alliance, and set a policy course quite different from that of the LDP. This inherently led to friction between the DPJ leadership and Japanese bureaucrats, who had long been entrusted with guiding the country's foreign policy and overseeing the management of the bilateral relationship with the U.S.

One unfortunate result of this myopia was the Futenma debacle. Hatoyama, aided and abetted by an inexperienced and naïve group of coalition members with their own policy agendas, ran about helter-skelter trying to find a suitable alternate relocation site for Futenma Air Station anywhere but Okinawa. Politicians went searching far and wide for alternate sites, barging into communities in Kyushu and elsewhere, with the end result of nothing but adamant local refusals to cooperate.

Having hopelessly politicized the Futenma issue, the DPJ leaders eventually turned to the advice of officials and academic pundits, but by then it was too late. A former Japanese official reminisced that during the LDP era, the bureaucrats would have had "100%" confidence in their political masters. This time, however, the situation was just the opposite; with the bureaucracy viewing their ministers across the board with deep suspicion and mistrust. Officials, fearing the worst, were apprehensive about proposing policies they thought would be beneficial to Japan's interests because they expected to be rejected by their new political masters. In short, the bureaucracy found itself with little to do but watch the frenzied activities of politicians trying to do their jobs.

## **The Structure of DPJ Foreign Policy-Making**

With the DPJ hierarchy split internally on foreign and security policy issues, particularly those connected with the U.S.-Japan alliance, the government and by extension the party's decision-making apparatus soon became dysfunctional. A senior researcher at a government-connected think-tank acknowledged Prime Minister Kan's tendency to rely on the political advice of then Chief Cabinet Secretary Yoshito Sengoku, Defense Minister Toshimi Kitazawa and Foreign Minister Maehara to set his foreign and security policy agenda. Kan rarely inserted himself into the substance of a decision, leaving it up to the three other aides to sort out any problems. Of the

troika, Sengoku, known as the “shadow prime minister,” allegedly wielded the most clout on key diplomatic issues, and came to have the reputation of being the chief foreign policy decision-maker in the party and government. The differing leanings of these key decision-makers – Foreign Minister Maehara’s being right of center, whereas Sengoku, a former socialist party member, being left of center – underscores the difficulty such policy-makers would encounter in reaching a consensus on a given issue.

What was sorely lacking within the DPJ decision-making structure was a political mechanism capable of bridging the gap between the political leadership and the bureaucracy. To their credit, the DPJ does appear to have noted this problem and has since promised to look into the creation of a Japanese-style national security council within the Prime Minister’s Official Residence (Kantei), whose primary function would be to amalgamate the differing views within the party and the bureaucracy. So far, though, there has been no discernable movement to actually create an NSC – an idea that harks back to the LDP administration of Prime Minister Shinzo Abe.

### **Domestic Politicization of the Alliance**

Since the DPJ came into power, indications are that the new government grossly underestimated the complexities and intrinsic nature of the bilateral negotiations that took place under LDP tutelage between 2002 and 2005 to realign the U.S. forces in Japan or the intricacies of the roadmap to implement the agreement reached in 2006. Although Japan has committed a portion of its defense budget to cover new expenditures in support of transforming the U.S.-Japan defense structure, the DPJ’s real agenda has been to move toward a renegotiation of the terms of the force realignment that reflected its own thinking. In arguing that the U.S. should seriously consider Japan’s unilateral proposal, the DPJ government pointed out that the Japanese government already was shouldering the bulk of realignment tab, projected to be approximately \$26 billion from 2007-2014. These expenses include the cost of closing Futenma, the transfer of Futenma assets to the newly constructed base at Henoko (on the northeastern coast of Okinawa), the redeployment of 8,000 Marines and their dependants from Okinawa to Guam, the movement of the U.S. First Army Corps’ headquarters to Camp Zama, and the relocation of the SDF Air Defense Command to Yokota Air Base.

To a large extent, the DPJ overplayed its hand and in the process, oversold the public on what it could achieve. More importantly, the DPJ leaders miscalculated and failed to recognize from the outset the fundamental basis for the security arrangements with the U.S., namely, that Japan is beholden to the alliance as a strategic deterrent and source of stability in the region. While this fact seems obvious, it seemingly was overlooked in the frenzied effort of the

Hatoyama administration to implement campaign promises by the book without much regard for their intrinsic content or broader ramifications.

Although opinion polls show stridency among the Japanese public in postulating what they wanted out of the negotiations with the U.S. on the Okinawa base issue, the views of most Japanese on the broader issue of the relevancy of the U.S.-Japan alliance have been more nuanced. For instance, the general sentiments within Japan show that the majority of the populace wish to see greater autonomy for Japan when dealing with the U.S., but not to the extent that it would compromise the alliance.

According to the polling data, Japanese public support for the alliance remains strong. A poll taken by the Cabinet Office in October 2009 showed that 78% of Japanese harbored positive feelings toward the United States. More recently, a survey by *Yomiuri Shimbun* in late October 2010 (in the wake of the Senkaku/Diaoyu Islands maritime skirmish) showed that 75% of Japanese respondents continue to view the U.S.-Japan alliance as important to Asia. Prior to this, a separate *Yomiuri Shimbun* survey in early October 2010 also showed that 71% of respondents felt that Japan needed to deepen its alliance with the United States. Interestingly, on the Okinawa issue, while local Okinawans have consistently voted overwhelmingly for the relocation of the Futenma Air Station outside of Okinawa, the latest national polls conducted by *Nihon Keizai Shimbun* showed that the relative majority of its respondents (36%) felt that the Futenma base should remain at its current location, as opposed to 27% and 19% who wanted it to be relocated either outside of or within Okinawa respectively.

A diversity of views is also evident within policymaking and academic circles. Despite the DPJ's efforts to negotiate the basing issue on "equal" terms, some quarters within the Japanese defense circles have also stressed the importance of maintaining a sizeable U.S. presence in Japan. Satoshi Morimoto, Director of the Institute of World Studies at Takushoku University in Tokyo, publicly considers the presence of Marines as necessary to the defense of Japan and as a deterrence in the region in that the Corps projects "adaptability, flexibility for counter-attack and strike capability". Nationalists like Tokyo Governor Shintaro Ishihara have also propagated the view that Japan should discard the structural limitations of the alliance as it stands and push for an independence that would allow it to upgrade the Japanese military at a faster pace.

It is still an open question, however, whether or not periodic tensions between Japan and the U.S. could seriously jeopardize the alliance. Still, polling data does suggest that most Japanese believe in the importance of maintaining a security alliance with the U.S., albeit with certain caveats that allow Japan to play a more proactive role in it. The public's preference for the status quo – i.e., keeping the alliance as is – may reflect a sensitivity toward the unpredictable security climate that Japan faces in the region, and a stark realization that there is no viable substitute for the alliance at this point. What the polls also show is that the ongoing debate involving the relocation of U.S. bases in Okinawa continues to be mainly a local issue, since most Japanese recognize the merit in maintaining U.S. bases in Japan. Most Japanese accept the reality that keeping the bulk of the bases in Okinawa may be the most viable solution to an otherwise insolvable problem.

## External Threats

### *U.S.-Japan Security Paradigm*

The Hatoyama administration's inability to manage alliance relations with the United States, starting almost immediately after the DPJ took power in September 2009, reflects on the strategic level, differing views of Japan's role in the alliance in the post-9/11 era. The Bush administration's expectations of Japan during the administration of Prime Minister Koizumi and his three LDP successors were drawn from a view of a global alliance in which Japan played a pro-active role, gradually ratcheting up its contributions to include collective self-defense and SDF dispatches to different parts of the globe. The DPJ administrations under Hatoyama and now Kan have reacted sharply to that emerging paradigm created by the LDP and Washington. They rejected such U.S. expectations as largely the result of Prime Minister Koizumi's desire to seize upon every opportunity to show the U.S. and the world that Japan was living up to its tag as a reliable ally of the U.S. and a responsible member of the international community. The DPJ no longer felt compelled to respond to U.S. requests that Japan "show the flag" as it did by sending MSDF vessels into the Indian Ocean for refueling operations or to accede to the U.S. call for Japan to deploy "boots on the ground" in Iraq during the war. The DPJ was against the 2004 Japanese government dispatch of a 600-strong SDF contingent to assist the US-led reconstruction of Iraq. This controversial deployment marked a significant turning point in Japan's history since it was the first time since the end of World War II that Japan had sent its troops abroad on a military deployment, albeit non-combat, that fell outside the ambit of UN peacekeeping deployments. This move not only heightened American expectations of SDF participation in out-of-area U.S.-led campaigns, but it also whetted Washington's desire for Japan to adopt a proactive cooperative stance, tied into the global transformation of U.S. forces that would integrate Japan into the global strategy for the war on terrorism.

In contrast, the DPJ has held strictly to a regionally defined security relationship with its U.S.-ally and carefully avoided entangling itself in America's wars. Neither Hatoyama nor Kan has cultivated with President Obama anything like the "special relationship" that Prime Minister Koizumi shared with President Bush. Foreign Minister Maehara instead seems to have filled the personal gap somewhat by building a close rapport with Secretary Clinton.

It is not surprising that Washington has viewed Japanese leadership in recent years with great skepticism. Years of political turmoil in which there have been five Japanese prime ministers in four years have taken their toll on the alliance. Though Tokyo has struggled to maintain a consistent foreign policy in the midst of the frequent changes at the top, Washington has had to decipher the increasingly murky diplomatic and security visions of each prime minister that change sometimes dramatically, with each new leader coming to the helm.

U.S. expectations aside, shifting global trends have also significantly altered the nature of the alliance. Starting with a bilateral security arrangement that was primarily focused on the defense of Japan if attacked, the relationship is now developing into a fully integrated alliance where there is common risk sharing, similar to that in the U.S.-ROK alliance and NATO. The military aspect of the alliance continues to grow in that direction, but the political side, in other words, the DPJ, with its somewhat simplistic views, is presiding over an alliance that had grown too complex for it to easily comprehend.

When Hatoyama came into office as premier, he seemed to have wrongly assumed that the regional strategic environment was stable and conducive for Japan to reinvigorate its ties with China. He set out to rebalance the dynamics within the triangular relationship by moving Tokyo closer to Beijing. The goal would never be reached, and policy never went beyond vague slogans. It took the DPJ under Prime Minister Kan in late 2010 to recalibrate the administration's rosy-colored assessment of regional security in light of growing tensions with China and North Korea.

## *China*

The DPJ never had any illusions about North Korea being a long-term, direct threat to Japan, but the emergence of China as an increasingly assertive military player seems to have taken the party by surprise. Dealing with a rising China that is starting to project its military power in the region will arguably present the greatest test of the effectiveness and worth of the U.S.-Japan alliance. And the DPJ, particularly with Foreign Minister Maehara at the diplomatic helm, so far has stood up to the test that is only beginning.

China, by virtue of its size, proximity and history with Japan, will continue to loom large on Japan's foreign policy horizon as the Japanese government looks to cope with an increasingly dominant China not only at the regional level, but also on the global stage. In this context, China's growing military assertiveness, particularly in protecting its claims of sovereignty, sea lines of communications, and energy security, will serve as a timely stimulant compelling the U.S. and Japan to constantly reinvigorate their alliance. This has certainly been the case since the mid-1990s, when the U.S. and Japan unveiled their set of common strategic objectives in the wake of the 1995-96 Taiwan Strait missile crisis. Japan at the time broke with its traditional passivity and pledged logistical support for relevant U.S. military operations in its surrounding waters.

Since then, the spike in Chinese military maneuvers in the areas surrounding Japan and efforts to modernize the Peoples Liberation Army (PLA), involving heavy defense spending, have continued to unsettle China's regional neighbors, particularly Japan. For instance, Chinese naval research vessels, or "spy ships", have repeatedly been sighted roaming Japanese coastal waters without prior notification or declared purpose. Japanese fighters have also increasingly

been scrambling to turn away Chinese planes approaching Japanese airspace. There is also increasing evidence of Chinese intelligence gathering in the waters surrounding Japan. These vessels are ostensibly used by the Chinese military for marine-mapping activities. This is linked to the goal of the Chinese navy to operate beyond what China refers to as the “first island chain”, which extends from the Ryukyu Islands and Taiwan to the Philippines and Indonesia.

China also has significantly increased its naval activities in the vicinity of Japanese-claimed waters. For the first time in September 2005, Chinese naval vessels appeared at the Chunxiao/Shirakaba gas fields at the edge of disputed waters. These developments were a major contributing factor to the decision by the U.S. and Japan to issue in February 2005 an unprecedented joint statement expressing strategic concern for the peace and security of Taiwan. Subsequently, the 2004 National Defense Program Guideline (NDPG) referred to China’s growing military strength as a source of “concern”. Further emphasizing the advancement that the Chinese military had made, a Chinese submarine managed to slip through the U.S. 7<sup>th</sup> Fleet carrier group screen to stalk the U.S.S. Kitty Hawk in November 2007, reportedly catching the U.S. and Japanese military forces off-guard. More recently, the Pentagon’s “Annual Report on Military Power and Security Developments Involving the PRC,” issued on August 16, 2010, asserted that as the PLA’s modernization picks up speed, its naval fleet can be expected to make more frequent appearances in the waters around the “second island chain”, which includes territories in the South China Sea. These waters have been upgraded as a key component of China’s “core interests” in the region. The annual report also stated that the Chinese navy was looking to expand its current fleet to include five nuclear-powered attack submarines (SSN) and an anti-ship ballistic missile, which was a modification of a medium-range ballistic missile.

Most recently, this time on the DPJ’s watch, the apparently deliberate ramming of a Japanese Coast Guard (JCG) vessel on September 9 by a Chinese fishing trawler in waters near the Senkaku/Diaoyu Islands, which culminated in the arrest and later release of the Chinese crew, set off a row with China that has yet to fully subside. For the DPJ administration, however, the incident served as another “rude reawakening” to the reality of the strategic game going on in waters too close to home. It also was a timely reminder to a complacent Japan as to why the alliance remains a “cornerstone” of peace and stability in the Asia-Pacific. The experience has convinced Japanese leaders of the need to reassess the roles and missions in the alliance, as well as the need for a U.S. military presence in Japan and the region – something the DPJ had questioned earlier. The party was compelled to acknowledge the strategic importance of maintaining U.S. forces in Japan, not only to assist in its defense but also to maintain a deterrent against military flare-ups in the region. Drafters of the revised NDPG due out at the end of 2010 were therefore given a new set of marching orders reflecting this realization.

In a strong show of support for a regional ally, Secretary of State Clinton and other senior U.S. officials following the Senkaku incident publicly confirmed that the U.S.-Japan Security Treaty, which obligates America to defend Japan against an “armed attack” by another country, applied to the Senkakus as territory under Japan’s effective control (Article 5). This was not the first time for a U.S. official to publicly make such a remark, as some news media have claimed. On March 24, 2004, Adam Ereli, Deputy Spokesman at the State Department announced: “The Senkaku Islands have been under the administrative control of the Government of Japan since having been returned as part of the reversion of Okinawa in 1972. Article 5 of the 1960 US-Japan Treaty of Mutual Cooperation and Security states that the treaty applies to the territories

under the administration of Japan; thus, Article 5 of the Mutual Security Treaty applies to the Senkaku Islands. The sovereignty of the Senkaku Islands is disputed. The U.S. does not take a position on the question of the ultimate sovereignty of the Senkaku/Diaoyu Islands. This has been our longstanding view. We expect the claimants will resolve this issue through peaceful means and we urge all claimants to exercise restraint."

In February 2005 a U.S. spokesperson issued a similar statement through the State Department in the wake of similar Sino-Japanese tensions over the islands. This time in 2010, the high-level signature accorded by Secretary Clinton's comments not only sent an important signal to the Japanese public, but perhaps more importantly to the Chinese government that the U.S. continues to be strongly committed to the alliance. Ironically, the strategic comment served to bolster waning public support for the embattled Kan administration, which had come under intense domestic criticism for its alleged "weak-kneed" handling of the crisis, particularly the release of the captain without trial, as well as the failed attempt to hold back the video tape of the collision until a disgruntled JCG personnel leaked it to YouTube.

### *North Korea*

North Korea's recent provocations on the Korean Peninsula also have served to further cement alliance ties between Japan and the U.S. Although tensions have eased somewhat between the North and South Korea in recent months, the events of 2010 were the most dramatic witnessed in decades on the peninsula. It was North Korea's revelation of its nuclear program and subsequent development of an intercontinental ballistic missile in the mid-1990s that had led the U.S. and Japan to co-operate on a missile shield. This culminated in the development and advancement of the Theatre Missile Defense (TMD) program. The two countries have also cooperated closely on Japan's abduction issue.

For now, the uncertainty surrounding the ongoing leadership transition in North Korea, as well as the continued missile and nuclear threat posed by the Kim regime will further reinforce Japan's belief that it requires the U.S.-Japan alliance as a strategic hedge against Pyongyang. The recent escalation in tensions on the Korean Peninsula, which involved the North Korean sinking of the *Cheonan* and the shelling of Yeonpyeong Island will serve as a timely reminder of the possible uncertainties that could arise as Kim Jong-il instigates a more aggressive posture in an attempt to bolster his son's (Kim Jong-un) credentials and coaxes the powerful North Korean military leadership to stand behind his chosen successor. Further down the road, lingering uncertainties over how and when a potential reunification would take place will profoundly affect the shape of alliance relationship in Northeast Asia. A post-unification U.S.-Korea alliance and continued U.S. presence on the Korean Peninsula would reassure Japan that a unified Korea would be disposed to improving ties with Japan.



## The Road Ahead

By all accounts, there is no doubt among the vast majority of Japanese that the U.S.-Japan alliance remains a lynchpin in maintaining regional stability, and will continue to play a key role in the distribution of power in the Asia-Pacific. Virtually no one wants to change the status quo, as most polls in Japan in recent years have shown. Moreover, Washington and Tokyo, at this point, have no inclination to embrace any alternative to the alliance. Policymakers in both countries appear more than satisfied that the alliance remains a “unique” partnership, and as Kent Calder once put it, is “one of the very few transcultural and transracial alliances that exist between two democracies”. Deep economic ties aside, Japan understands that its national security is fundamentally dependent on the alliance with the U.S. and the extended deterrence (nuclear umbrella) that it provides. It is not lost on Japan that the looming uncertainties in the region and a somewhat perilous regional security outlook add to the synergy that already exists between Tokyo and Washington and the two military forces. Both countries have a common interest in ensuring that the strategic partnership remains deeply entrenched.

In this context, as much as the DPJ administration would want to expand its autonomy within the alliance to fulfill domestic demands for a “more balanced” relationship, reality sets in. Two DPJ administrations already have concluded that they must do what is required to maintain the alliance and keep ties with the U.S. on an even keel. The consequences of doing otherwise could be catastrophic for Japan’s national security interests.

There is already an understanding within Japan of the need to face up and adapt to a new security paradigm – one which sees global U.S. military commitments as over-stretched, leaving a growing power vacuum in East Asia. Such a condition could lead to the Chinese military playing a more assertive role in the region. Japanese awareness of this potential development is not new, as past LDP administrations have sought increased military cooperation with the U.S. Such proposals went beyond existing defense guidelines to improve inter-operability and joint training between U.S. and Japanese forces. These upgrades have to a certain degree had a noticeable strategic effect on regional and global stability and security.

On America’s part, it will continue to push for an alliance that is markedly different from the one that existed during the Cold War as it looks to take into account the current security challenges to U.S. predominance in the region. In this regard, the U.S. will want to further expand on the fundamental basis of the alliance and restructure or revise it by placing more emphasis on partnership and reciprocity. In doing so, the U.S. will have to convince Japan to expand the main objectives of the alliance beyond the current parameters, not only in the region but also in the global context – particularly the war on terrorism. At the same time, the U.S. needs to understand that an overly tilt on its part towards China could raise questions about Japan’s strategic posture. On the other hand, the emergence of a strategic Sino-U.S. rivalry could prove destabilizing for the region. While the U.S. has to walk a fine tightrope in dealing with China, no such ambivalence exists with Japan, which is still a natural ally for the U.S. The U.S.-

Japan alliance is built on shared values, principles and strategic goals, as well as the understanding that the alliance is a regional counterweight to China. As Kent Calder has argued, the U.S. should take advantage of Japan's sophisticated communications facilities, technologically advanced air and naval forces, powerful military-industrial base and economy that is one-eleventh of the global GDP.

There is evidence that both the U.S. and Japan are looking to harness the potential of the alliance. President Obama and Prime Minister Kan have specifically emphasized that the U.S.-Japan alliance continues to be the "cornerstone" in maintaining regional stability. The DPJ government has also shown that it sees a window of opportunity to reinvigorate the alliance and show that Japan is willing to "stand up and be counted". Marking a significant policy U-turn from its earlier stance (that Japan should not provide any form of military assistance unless it is under the UN ambit), the Kan administration has announced plans for Japan to play a more visible international role in the war on terror, including legislation for Japan to restart its contributions to Afghanistan. Specifically, Tokyo is mulling the possibility of dispatching a medical unit to that country and reportedly sent a fact-finding team to Kabul at the end of 2010.

In another notable policy reversal, the DPJ administration indicated in September 2010 that Japan would join the U.S. and its allies in imposing financial sanctions against Iran, following UN-sanctions agreed on over the summer. Prior to this, Tokyo had long loathed taking punitive actions against Iran, which is the third largest oil exporter to Japan.

U.S. and Japanese officials are continuing the smooth flow of diplomatic and security exchanges, with regular ad-hoc meetings at the senior working-level on regional security issues. The agenda in 2011 also calls for high-level Security Consultative talks – the so-called "two-plus-two" – first established in 1960 and upgraded in 1994 to involve the U.S. Secretary of State and Secretary of Defense, and their Japanese counterparts. These mechanisms for dialogue will continue to entrench bilateral cooperation and serve as an effective conduit and to smoothen the potential negativity arising from policy decisions made towards the U.S.-Japan security alliance. For example, a two-plus-two meeting involving then Secretary of State Condoleezza Rice, Secretary of Defense Robert Gates, Foreign Minister Taro Aso and Defense Minister Fumio Kyuma in May 2006 set the stage for the drafting of "The Japan-U.S. Roadmap for Realignment Implementation". This document laid down the common strategic objectives that underpinned the alliance and took into account aspects of the U.S. Department of Defense Global Posture Review and Japan's National Defense Program Guidelines (NDPG), both of which were released in 2004. According to the Japanese media, the U.S. and Japan are scheduled to convene a new session of two-plus-two talks in early 2011 in the run up to Prime Minister Kan's June visit to Washington.

As approved by the Government of Japan and released on December 17, 2010, the NDPG sets out three major security objectives: 1) to prevent and reject an external threat from reaching Japan; 2) to prevent threats from emerging by improving the international security environment; and 3) to secure global peace and stability and to ensure human security. Japan would achieve these objectives by promoting its own efforts, cooperation with the U.S., and "multilayered security cooperation with the international community." The NDPG includes proposals to strengthen the defense of Japan's southwestern islands by increasing the deployment of SDF troops to these areas, increased dispatch of SDF for international peacekeeping missions, and the establishment of a 20-personnel strong national security unit under the Prime Minister's Office

for policy coordination. However, the possibility that Japan will recognize its right to collective self-defense, now banned by interpretation of the Constitution, is unlikely as long as the new NDPG remains in effect (10 years). This is implicit in the section on defense principles that underscores the upholding of the “exclusively defensive defense policy” (senshu-boeisaku) and the three non-nuclear principles.

On North Korea, the NDPG warns that its “nuclear and missile issues are immediate and grave destabilizing factors to regional security.” Turning to China, the Guidelines are carefully written to downplay the threat factor, only stating, “military modernization by China and its insufficient transparency are of concern for the regional and global community.”

Away from the glare of the media, efforts undertaken by the U.S. and Japanese militaries to enhance joint training, cooperation, and interoperability are not only proceeding smoothly but, if anything, have been broadened to include a series of unprecedented measures. For instance, the recently concluded 10<sup>th</sup> edition of the U.S.-Japan joint military exercises from December 3-10, 2010, was the largest and most comprehensive of its kind since they began in 1986. This time, the exercise also involved South Korean military observers, sending a trilateral signal of unity to Pyongyang in the wake of its recent provocations. For the first time, the bilateral drill included the deployment of a missile defense system in a military contingency involving a simulated attack on Japan. Japanese defense experts, when asked, do not rule out the possibility of enhanced trilateral defense cooperation involving the U.S., South Korea and Japan, especially if the situation on the Korean Peninsula continues to deteriorate. So far, though, such cooperation is purely theoretical, given the traditional reluctance of Seoul and Tokyo to increase Japanese involvement for fear of riling North Korea.

Prior to this, on November 17-19, the Ground Self-Defense Force (GSDF) and U.S. Marines stationed in Japan convened a meeting for the first time involving every senior officer on both sides. The meeting focused on drawing up plans for bilateral defense co-operation involving Japan’s southwest islands in view of China’s increased military presence in the region.

Meanwhile, efforts are ongoing to implement the various elements of the realignment agreement on U.S. forces in Japan, which include the joint development of a missile defense shield, co-operation on defense production, joint use of military bases in Japan, and the strengthening of bilateral military institutions, such as the Bilateral Joint Operations Coordination Center at Yokota Air Base and Camp Zama. These moves will not only send a strong signal of intent, but may also help Japan to reconsider its reluctance to remove the constitutional ban on collective self-defense.

## Conclusion

The broad range of challenges facing the U.S. and Japan will sorely test the character and durability of the alliance in the months and years ahead. Even though the strategic alliance remains highly resilient in responding to major shifts in the bilateral and multilateral distribution of power, the U.S. and Japanese governments need to ensure that adjustments are made in a timely way to keep counterproductive domestic political pressures in check, while keeping the alliance relevant to emerging security challenges.

Beyond existing conflict management mechanisms, long-range issues exist that both sides will need to find a way to work around. Foremost among them is the need to address the fundamental structure of the security arrangements that has been shaped by Japan's pacifist constitution. The two countries also must deal with the constitutional constraint on Japan's offensive power projection capability, and they must resolve the limits to which Japan can provide host nation support (HNS) for U.S. forces based in Japan. Japan currently provides over \$4.5 billion annual in HNS, close to 60 percent of the entire bilateral HNS support that the U.S. military receives worldwide. Under Kan, HNS will not be cut, even though the previous Hatoyama administration wished to do so.

Meanwhile, the uncertain political climate within Japan could continue to challenge the very operation of the alliance. Following its loss of control over the Upper House in last July's election, the DPJ's grip on power has remained weak, and the LDP, still looking to return to power in the future, has been reinvigorated. Although the LDP and DPJ share a common interest in upholding the alliance and both stress its importance, there is a strong possibility that politics again will triumph over national interests as both parties pursue their domestic agendas. For example, the Kan administration recently omitted a Defense Ministry proposal to incorporate the easing of a longstanding ban on Japanese arms exports into the NDPG. This was seen in the media as an unabashed attempt to woo the pacifist Social Democratic Party to return to the ruling coalition after they split last year over the Futenma issue.

The precedent now set suggests that DPJ politicians may be willing to compromise on security issues in an attempt to hold on to political power. Such politicization of the U.S.-Japan alliance would continue to fuel the misperception held by many Japanese that the alliance should be seen less in strategic terms than in cost-benefit terms and how Japan can gain from it.

This paper has shown that despite its bumpy start and mishandling of the Futenma relocation issue, the actions of the two DPJ administrations have not seriously disrupted the main purposes and missions of the U.S.-Japan alliance. The security arrangements established for the defense of Japan continue to operate at all levels, both civilian and military. The rude awakening of the DPJ leadership by North Korea and China has made it realize that Japan's alliance with the U.S. is too important to take for granted. The DPJ hopefully is now aware that politicizing the alliance for domestic purposes can serve as a double-edged sword, actually thwarting the party's efforts to consolidate its position domestically. It also sends a message to Asian neighbors, friendly or not, of a possible weakening of the U.S.-Japan alliance that other countries

may want to exploit. Indeed, some analysts have interpreted the Senkaku incident last September in that way. Rank-and-file DPJ politicians may also not realize that Japan – their party included – needs the security arrangements of the alliance now more than ever, and that the U.S. and Japan continue to share mutual strategic interests. Moreover, Japanese opinion polls also suggest that the public remains overwhelming supportive of the security treaty and the alliance that goes with it. As it is with all “mature” relationships, however, such polls also demonstrate the Japanese desire for a more “balanced” relationship, built on their views and desires. For example, the still solid support of the public toward the war-renouncing Article 9 of the Constitution remains a constant and not a variable for defense policy makers in both Japan and the U.S. Taking these factors into account, the DPJ administration, and future governments in Japan for that matter, will be pressed to find that appropriate balance between domestic and external pressures, while maintaining a proactive stance in managing and strengthening the alliance ties with the United States.

*Nicholas Phan*

# **JAPAN'S NUCLEAR ALLERGY, DISARMAMENT POLICIES, AND THE U.S.-JAPAN ALLIANCE**

*“Let us set upon the realistic and responsible path towards a world without nuclear weapons. It is a moral responsibility”.* Katsuya Okada.

## **Introduction**

With President Barack Obama's Prague speech in April 2009 calling for a “world without nuclear weapons”, expectations were raised worldwide for comprehensive nuclear disarmament. In Japan, the August 2010 ceremony commemorating the sixty-fifth anniversary of the atomic bombings of Hiroshima and Nagasaki witnessed the first-ever official U.S. participation through the presence of Ambassador John V. Roos. These important events raised expectations within Japan that comprehensive international disarmament was now finally possible. It also gave cause for reconsideration of Japan's current and past stances toward nuclear weapons, including reliance on the U.S. nuclear umbrella for Japan's defense.

Considering these developments, several questions come to mind: Is Japan a staunch supporter of the movement to eliminate nuclear weapons, or is it actually more passive or ambivalent on the cause than what its historical legacy might suggest? How does Japan's so-called “nuclear allergy” affect the U.S.-Japan alliance? What has the Democratic Party of Japan (DPJ) government, in power since September 2009, done to contribute to the disarmament agenda? Moreover, what has been the DPJ government's approach to Japan's dependence on the U.S. extended deterrence for its national security?

This paper, based in part on extensive research and interviews in Washington and Tokyo, will demonstrate that rather than adopting a forceful stance on behalf of nuclear elimination, Japan has historically been gradualist in its approach – and remains the same today. This position emanates from the Japanese government's determination to place the nation's fate in the hands of the U.S. under a security treaty that includes the American nuclear umbrella. The decision made 50 years ago was and remains a pragmatic compromise between the need for security in a volatile region and the Japanese public's unswerving opposition to nuclear weapons.

The DPJ government has over the past year shown itself to be dedicated to the disarmament cause. But at the same time, it has not eschewed the basic course established by previous governments under the Liberal Democratic Party (LDP) since the Cold War, namely to

pursue a “realistic” and cautious approach towards the nuclear question as it affects Japan’s own national security.

## **Japan’s nuclear allergy**

Due to its unique position as the only country ever to have experienced nuclear attack, Japan considers itself a leader in the international nuclear disarmament realm. Japanese officials frequently refer to their “moral responsibility” to act on this issue. In 1954, U.S. Secretary of State John Foster Dulles referred to the Japanese aversion to nuclear weapons as its “nuclear allergy”, a term which is now universally used to describe Japan’s postwar pacifist stance. Indeed, despite some of the rhetoric of the vocal nationalist left, polls consistently demonstrate that the Japanese people remain strongly opposed to atomic weapons, and rule out a nuclear option for their country. Survey data show that four-fifths of the population reject the development of an independent Japanese nuclear weapons capability, and that 97 percent either agree (77%) or somewhat agree (20%) that an international treaty should be implemented to ban all nuclear weapons. This opposition to nuclear weapons stems not only from the country’s WWII legacy and memories of Hiroshima and Nagasaki, but it is also rooted in Japan’s war-renouncing constitution, and the spirit of pacifism that developed in the country and still remains strong. The DPJ, in part, reflects that pacifist tradition, and its coming into power in late 2009 would seem to reflect a reinvigoration of the anti-nuclear cause.

A central tenet of Japan’s nuclear disarmament policy for the past four decades has been its “three non-nuclear principles”: neither to possess, manufacture, nor introduce nuclear weapons into Japan. Prime Minister Sato Eisaku announced these principles in 1967. The policy was formulated, at least in part, as the culmination of a three-year policy process set off by the alarm created when China first tested nuclear weapons in October 1964. Soon after, Sato, in meetings with President Lyndon B. Johnson, suggested the possibility of Japan maintaining an independent Japanese nuclear deterrent, an option that Johnson immediately rejected. In a parallel move, Sato ordered a secret study of nuclear-policy options. The panel concluded that indeed, Japan’s civilian nuclear program possessed the capability of producing a nuclear weapon, but that domestic and international opinion would never allow such a choice. The Sato government thus chose a realistic compromise that continues today: Japan would protect its vital security interests in a neighborhood of nuclear powers by continuing to rely on the U.S. nuclear guarantee. At the same time, it would slowly pursue the goal of nuclear disarmament to assuage the pacifistic feelings of the Japanese people. The irony was not lost on senior officials in Tokyo. Recognizing the inherent paradox of their position, officials were loath to denounce the threat posed to global security of nuclear proliferation when their country was relying on the cover of the U.S. nuclear umbrella.

There is evidence now that Japan at one time seriously reconsidered this contradictory policy. Recently declassified documents reveal the existence of fierce internal debates in the Foreign Ministry during the 1970s as to whether or not Japan should formally abandon its nuclear option prior to signing the Nuclear Non-Proliferation Treaty (NPT). Proponents argued that as a signatory of the NPT, Japan would be assured a steady supply of much needed peaceful nuclear energy. Opponents were skeptical as to the reliability of the U.S. security guarantee and worried about China's nuclear capabilities and future intentions. The political left argued against the treaty because it allowed the five original nuclear powers to maintain their arsenals, and the right was against it because it prevented Japan from entering the exclusive nuclear club. A memorandum written by Takuya Kubo, the director general of the Japan Defense Agency's Defense Policy Bureau in the early 1970s, argued convincingly that it would not be in Japan's best national security interests to possess nuclear weapons. His argument became the consensus view.

Tokyo ultimately decided to sign the NPT, and it was ratified in 1976. But tension has remained between the left and the right over Japan's right to own its own nuclear arsenal. The pattern has emerged of periodic bursts of arguments in nationalistic political, academic and media circles, calling for national debate to at least discuss the possibility of Japan considering the option of becoming a nuclear weapons state. Such advocacy inevitably causes public backlash, and if it involves a high-level official, pressures usually mounts until the person resigns. A case in point was when then Vice Minister for Defense Shingo Nishimura, a nationalist known for his outspoken views, was forced to resign in 1999 for suggesting that Japan could consider owning nuclear weapons. In recent years, though public opinion remains adamantly against a nuclear option, the taboo of not even discussing such a possibility has been removed, at least in media and academic circles, with a number of advocacy books out on the market.

Still, removing a taboo on public discussion has not diminished the anti-nuclear will of the populace. Although the three nonnuclear principles, first articulated by Sato in 1969 and reinforced by a Diet resolution, do not constitute national law, they carry such moral weight within Japan that attempts to undermine them are met with widespread anger. Indeed, strong opposition to nuclear weapons shows no sign of diminishing, having been reinvigorated by the new DPJ government. The recent crisis at a northern Japan nuclear-power plant, seriously damaged by the March 11, 2011, earthquake and tsunami, is likely to further strengthen popular opposition to nuclear weapons.

In September 2009, the new DPJ government launched an investigation under the leadership of Foreign Minister Katsuya Okada to probe into the existence of so-called "secret pacts" with the U.S. that allegedly allowed the entry of nuclear weapons into Japan. A blue-ribbon government panel was charged with investigating and reporting the findings, which it did in March 2010. Many details about the contents of the "secret pacts" had already been revealed in the U.S. through declassified documents from the 1960s and 1970s, but the Japanese government under past LDP administrations had never officially acknowledged their existence.

One of these pacts – and perhaps the most publicly discussed – was a document connected with the negotiations to revise the U.S.-Japan security treaty in 1960. During the closed meetings, disagreements emerged as to whether or not the U.S. should be permitted to "introduce" nuclear weapons into Japan. Reflecting ideas that would later be enunciated in the



three nonnuclear principles, Japanese negotiators insisted that U.S. forces carrying nuclear weapons by sea or by air should never be allowed to bring them into Japan. The U.S. conversely insisted that temporary transit of nuclear weapons-equipped vessels and aircraft would not constitute “introduction” and therefore should be allowed. The official outcome of this intense discussion was a “prior consultation” clause in the security treaty that in case of any major change in the U.S. posture in Japan, the Japanese government should be consulted beforehand. Although this clause was not originally intended for nuclear issues alone, it soon became synonymous with the introduction of atomic weapons. As long as the U.S. did not call for prior consultations, the Japanese government for decades insisted, whenever challenged in the Diet, that no nuclear weapons therefore had been introduced into Japan.

Japan’s see-no-evil, hear-no-evil, speak-no-evil solution to the “non-introduction” issue during the Cold War was to avoid ever inquiring as to the purpose of American transits through Japan. Since the official U.S. policy was no confirmation, no denial (NCND), the U.S. could not inform Japan, and Tokyo understood that it could not ask. As a result, Tokyo looked the other way, deciding to rely on a “tatemaie” or a public facade pose; namely, since there was never a request for prior consultation from the U.S., there had been no introduction of nuclear weapons.

In reality, Tokyo’s “honne” or true feeling was that nuclear transits did indeed happen, most likely frequently – at least until 1991, when Washington announced that it no longer would mount nuclear weapons on American ships. Under its NCND policy, no American government would ever consider admitting to transiting nuclear weapons through Japanese territory or ports – or any other part of the world. But the conventional wisdom in political, academic and media circles was that of course U.S. warships and aircraft during the Cold War carried nuclear weapons through Japan on numerous occasions. That the Japanese government would repeatedly deny the existence of these secret agreements in parliament, and protect the U.S. from public criticism by never demanding prior consultation, demonstrates the strength of the alliance that had developed over time. For Japan, the growing nuclear threat felt from the Soviet Union and then China necessitated an unflinching reliance on the U.S. nuclear umbrella, even if that meant turning a blind eye to potential violations of the nonnuclear principle.

The Foreign Ministry’s revelations in March 2010 that secret agreements had indeed existed, as seen in numerous documents previously held secret, only confirmed what most people in Japan had already suspected or knew: that indeed a secret agreement had been forged in the 1960s by which the U.S. was permitted to transit nuclear weapons through Japanese ports without prior consultation. The story had been fully revealed over the years by the media and various researchers. It was well known that Ambassador Edwin Reischauer had written in a State Department cable in 1963, later declassified, that he had achieved “full mutual understanding” on the issue during a meeting with then Foreign Minister Masayoshi Ohira. Reischauer even confirmed this in an interview with the *Mainichi Shimbun* in 1981. However, when Foreign Minister Okada presented the findings of the government panel in March 2010, he still would not state whether the U.S. had ever introduced nuclear weapons into Japan. He told the press conference: “We cannot clearly state that there was no nuclear arms introduction to Japan. We cannot dispel doubts about it.” Okada, however, did chide previous governments for having concealed the existence of such pacts from the public.

Another secret pact confirmed by the Foreign Ministry’s investigative panel described a formal understanding between President Richard Nixon and Prime Minister Eisuke Sato reached

at their summit meeting at the White House in 1969. Under this agreement, the U.S. would be allowed to reintroduce nuclear weapons to Okinawa, after its 1972 reversion to Japan, during emergencies and on condition of prior Japanese consultation. However, permanent storage of nuclear weapons at U.S. bases was forbidden. Special Envoy to Prime Minister Sato, Kai Wakaizumi, first revealed this understanding in 1994. After U.S. Marines removed the last nuclear weapons from Okinawa on March 6, 1972, nuclear weapons reportedly were always available on stand-by elsewhere, but never stored on location.

The batch declassification of countless U.S. documents under the Freedom of Information Act over the years have made available to the public scores of interesting details and anecdotes regarding the U.S.-Japan nuclear understandings during the Cold War. One of the more startling discoveries includes the story of an accident involving the arrival of the USS Ticonderoga in Yokosuka on December 5, 1965. During a loading exercise, an A-4 striker aircraft was loaded with a B-43 hydrogen bomb, but the aircraft rolled overboard and sank into the water. The pilot and bomb were still inside. The Japanese government was never informed of the accident.

### **Japanese nuclear disarmament initiatives**

What practical steps has Japan taken to live up to its self-proclaimed moral responsibility of promoting the nuclear disarmament agenda? Since the end of the Cold War, Japan has sponsored a Conference on Disarmament Issues every year under the United Nations (UN), starting in 1989 in Kyoto. The purpose of these conferences has been to provide a platform for dialogue and promote awareness of disarmament issues. These annual conferences run parallel with the long-standing Conference on Disarmament in Geneva, of which Japan has been a member since 1969. Another key feature of Japan's disarmament policy since 1994 has been to introduce a draft resolution to the UN General Assembly every year, calling for "the ultimate elimination of nuclear weapons". In addition, Japan annually sponsors visits to Hiroshima and Nagasaki for UN Fellows, training hundreds of diplomats in disarmament issues.

A cornerstone of Japan's nuclear policy is its active participation in the non-proliferation regime centered on the NPT. Japan is committed to the safeguards established in this treaty, particularly with respect to its provisions giving the International Atomic Energy Agency (IAEA) access to its nuclear power plants. To this end, Japan has promoted the ratification of the Additional Protocol, which increases the access of the IAEA to inspection sites, on the part of other aspiring nuclear energy states. Tokyo is also currently considering measures with which to strengthen the IAEA, especially now that the new director general is a former Foreign Ministry official, Yukiya Amano. Cooperation between the Japanese government and the IAEA has been noticeable in the course of the March 2011 nuclear crisis, as Tokyo has attempted to deal with the unpredictable events at nuclear sites.

Another major facet of Japanese disarmament policy has been its unwavering support for the ratification of the Comprehensive Test-Ban Treaty (CTBT). As a practical contribution to this endeavor, Japan proposed in 1984 a “step-by-step” formula for the gradual decrease of the scale of nuclear tests, as well as verification methods based on the exchange of seismological data. The Clinton Administration’s support for this treaty allowed Japan to promote it internationally during the 1990s without fearing negative U.S. repercussions. However, the U.S. Senate’s rejection of the treaty in October 1999 did not sit well with the Japanese government, and the indifferent attitude of the Bush Administration that followed only hardened these differences. A Foreign Ministry spokesman commented in 2003, “the passive and negative attitude of the Bush Administration toward the CTBT has become evident.”

With the change in U.S. administrations in 2008, Japanese and American priorities on disarmament issues are aligned once more, since President Obama has announced that his administration will seek the ratification of the CTBT. The U.S. President held off sending it to the Senate, however, in 2010 until the New Strategic Arms Reduction Treaty (START) with Russia was ratified. Given the results of the mid-term election in November 2010, with Republicans taking over the House of Representatives and the Democrats barely holding onto the Senate, it seems uncertain whether that body would go along with the President’s wish to ratify START, but it did late in the year to everyone’s surprise and Tokyo’s delight. On December 22, 2010, the Senate ratified START in a 71-26 vote. The President’s next challenge in 2011 will be to convince the Senate to ratify the CTBT – which would be hailed in Tokyo and the world as a major accomplishment.

Tokyo has also made the promotion of a Fissile Material Cut-Off Treaty (FMCT) a priority of its disarmament and non-proliferation agenda. Such a treaty would ban the production of fissile material usable in nuclear weapons, such as plutonium and uranium. President Obama outlined his support for such a treaty in his 2009 Prague speech. Both the CTBT and FMCT are considered by Japan as realistic and practical steps towards the gradual elimination of nuclear weapons. Japanese support for a FMCT is paradoxical, however, since Japan is one of the few countries that currently pursues a “closed nuclear fuel cycle”, as it produces plutonium through reprocessing. Indeed, Japan’s research efforts currently focus on the development of fast breeder reactors, which produce more plutonium than they consume and thus constitute a significant proliferation concern. Again, the nuclear crisis that has followed the devastating tsunami is likely to halt such developments, in light of the public outcry against nuclear power.

The above discussion demonstrates the range of initiatives either launched or supported by the Japanese government in pursuit of nuclear disarmament. None of them are revolutionary, however. Continuing to present the same annual resolution to the U.N. General Assembly is unlikely to push the world to significant nuclear disarmament. Rather than set its own bold agenda, centered on a process resulting in the abolition of nuclear weapons, Japan tends to follow the lead of other major powers and seek pragmatic compromises.

## **Effects of the DPJ on Japanese disarmament – change or continuation?**

In his April 2009 Prague speech, President Obama announced an “American commitment to seek the peace and security of a world without nuclear weapons”. For the first time, this gave Japan the opportunity to promote a bold disarmament agenda. But how has the government in Tokyo responded to this challenge?

Determining the response of the Japanese government is complicated by the many changes in Japanese leadership over the past few years. At the time of the Prague speech, the LDP was still in power and Hirofumi Nakasone was foreign minister. Nakasone reacted to the speech by releasing a statement outlining 11 practical steps for achieving Obama’s goal and linking them to Japan’s annual disarmament resolution to the UN. Needless to say, the Japanese public received Obama’s message warmly, seeing it as the first-ever firm American commitment to the nuclear disarmament agenda. As one Japanese official put it, President Obama’s call for a world without nuclear weapons came as a “positive shock” for Japan.

The euphoria was short-lived, however, for reality soon sunk in: what did Obama’s commitment mean for the U.S.’ extended nuclear deterrence? Part of the answer came in the 2010 Nuclear Posture Review, which ruled out nuclear attacks against non-nuclear weapons states in compliance with the NPT. The change in policy stance raised concerns in Tokyo that this would “punch holes” in America’s nuclear umbrella. Such concerns, interestingly, were not new. Before it fell from power in the 2009 elections, the LDP government had twice voiced similar concerns to members of Congress and strongly urged them to ensure the maintenance of an effective nuclear umbrella over Japan. At the same time, senior Japanese officials pressed the U.S. for an upgrade in the deterrent capability and asked that Japan be informed in advance about nuclear-tipped tomahawk missiles being decommissioned. Tokyo also wanted Washington to better inform Japan on its nuclear forces, posture, and war plans. In this way, Japan would be able to determine the situations in which the U.S. would be willing to use nuclear weapons to protect and defend Japan.

These consultations were historic, as Japanese officials for the first time were invited to Washington to express their views on and concerns over the U.S. nuclear posture. Japan no longer would be viewed as an outsider in the nuclear community. Its proactive stance portended the possibility of more robust future coordination of U.S.-Japanese policies in the nuclear realm. President Obama attempted to alleviate the fears voiced by Japan, and other allies, in his Prague speech by promising that “...As long as these weapons exist, the United States will maintain a safe, secure and effective arsenal to deter any adversary, and guarantee that defense to our allies ...” This promise was followed up by action in September 2010 when the Department of Energy conducted a subcritical nuclear test in Nevada, named “Bacchus”, in an effort to ensure “the safety and effectiveness of the nuclear weapons stockpile”. This was the first subcritical test since 2006, the first for the Obama Administration, and the first in a line of three tests envisaged within one year.

## Impact of regime change in Japan

How has the change in government from the LDP to the DPJ affected Japan's nuclear disarmament policy? Initially, there were indications that a major overhaul was in the cards. When the DPJ came to power in September 2009, Prime Minister Yukio Hatoyama appointed a strong proponent of nuclear disarmament, Katsuya Okada, to be foreign minister. Okada began his new job by reviving the old debate over whether the U.S. had "introduced" nuclear weapons into Japan. He stated that his position disallowed even cases of transit of vessels carrying nuclear devices to Japanese ports. The Foreign Minister initiated a "new policy of nuclear disarmament" by which Japan would clearly set as its clear goals the reduction of nuclear weapons in the world, and the diminishing of the role of nuclear weapons in international politics. Indeed, Okada promoted the notion that the "sole purpose of nuclear weapons" should be to serve as a deterrent. In a September 2010 article written for the *Wall Street Journal* with Guido Westerwelle of Germany, Okada wrote: "We welcome and support the Obama Administration's commitment to achieving a world without nuclear weapons and strengthening nuclear security". But Okada's optimistic choice of words met with some criticism among Japanese officials for having raised public expectations on disarmament to an unrealistic level. The disappointment felt in Japan over the snail's pace of disarmament may have been partly Okada's fault.

The DPJ government under Prime Minister Naoto Kan, too, has not kept up with its own commitment to proactively promote nuclear disarmament policies. This can be seen in Kan's appointment as his foreign minister, Seiji Maehara, who compared with his predecessor seemed rather unenthusiastic about moving forward with the party's disarmament and non-proliferation agenda. Maehara is one of the party's rarities, a defense hawk. He pays close attention to alliance relations with the U.S., has an interest in economic issues, but disarmament is clearly not a priority for him. Following Maehara's resignation in March 2011 in response to accusations of receiving illegal campaign contributions, Takeaki Matsumoto has been appointed foreign minister. It remains to be seen whether Matsumoto will pursue the disarmament issue more forcefully than did his predecessor, particularly in light of the many challenges Japan is now faced with following the earthquake and tsunami. Nevertheless, the U.S. Senate's surprise ratification of the New START seems likely to breathe new life into Japan's disarmament policy.

One indication of the DPJ government's pragmatic position on nuclear disarmament has been the way it has followed the LDP's old line on the question of nuclear testing. It may have taken its cue from U.S. Ambassador Roos, as well. On Wednesday, September 15, 2010, the U.S. Department of Energy conducted a subcritical nuclear explosive experiment under the NNS (Nevada National Security Site) facility in Nevada, formerly known as the Nevada Test Site. The subcritical test dubbed 'Bacchus' is the 24th such controversial 'almost' nuclear test whereby plutonium is bombarded by conventional explosives, short of blowing it up. The first subcritical test was conducted by the U.S. in 1997 and the most recent was 2006.

When confronted with the issue of the Bacchus test during a meeting with students at Kumamoto University, Ambassador Roos explained it away by saying that although the U.S. is

“aiming for a world without nuclear weapons ... Japan has been protected by the U.S. nuclear umbrella, so deterrence must be maintained.” The LDP position had traditionally been that the government accepted subcritical testing as a necessary evil. The DPJ demonstrated its continuation of this policy on October 14, 2010, when it announced that it would not launch any form of formal complaint against the U.S. government for the subcritical test. Seemingly flying in the face of its commitment to disarmament, the DPJ government has relied on the standard set by the LDP and publicly defended the U.S. need to test its nuclear arsenal in order to maintain its extended deterrence that protects Japan from nuclear attack.

In marked contrast, peace activists in Japan were outraged by the U.S. subcritical nuclear test. In a letter of protest, the Hiroshima-based NGO, Mayors for Peace, wrote to President Obama: “You aroused great expectations in us with your Prague speech in April of last year ... We are outraged by your trampling on the expectations and hopes of the A-bomb survivors...” The Social Democratic Party leader, Mizuho Fukushima, even urged Obama to return the Nobel Peace Prize he had received in 2009, arguing that it had been won because of his call for “a world without nuclear weapons”, and that he now no longer deserved it. Critics argue that conducting subcritical tests creates a norm that allows underground nuclear experiments, thus challenging the validity of the CTBT. However, then Chief Cabinet Secretary Yoshito Sengoku defended the test by stating, “This type of test does not come with a nuclear explosion,” which is prohibited by the CTBT. This was another affirmation of the firm divide that exists between civil society’s opposition to nuclear weapons and their pragmatic acceptance as a necessary evil by the Japanese government.

Such a stance, though, has not dissuaded the DPJ government from pursuing the greater goal of global nuclear disarmament. During the events associated with the 2010 NPT Review Conference, Japan teamed with Austria to draft and submit a working paper on how to reduce the number and role of nuclear weapons worldwide. In connection with the opening of the 65<sup>th</sup> UN General Assembly in September 2010, Japan co-hosted a Foreign Ministers meeting with Australia that resulted in a joint declaration reaffirming that “the only guarantee against the use or threat of use of nuclear weapons is their total elimination”. Only two days later, during his speech to the General Assembly, Prime Minister Kan announced the appointment of atomic bomb survivors – *hibakusha* – as “Special Communicators for a World without Nuclear Weapons” in an effort to further the education of the world as to the dangers of nuclear weapons. In a follow-up meeting to the NPT Review Conference, Australia and Japan agreed on setting a top priority on moving forward to “promote steady implementation of the sixty-four Actions adopted by consensus at the Review Conference to advance nuclear disarmament and strengthen non-proliferation.” They also encouraged confidence-building measures, including promoting increased transparency in nuclear disarmament through, inter alia, the development of a standardized method for nuclear-weapon states to report progress towards disarmament commitments. This latter proposal shows some capacity for creativity in the disarmament initiatives of Japan and its allies.

However, most observers agree that beyond the personal efforts of Okada, who is now the DPJ secretary general and out of the nuclear spotlight, there is little distinction between the policies of the DPJ and the LDP in terms of Japan’s disarmament agenda. Although the political left has historically been considered a strong proponent of nuclear disarmament as part of its pacifist agenda, the issue does not belong to any single party in Japan. Indeed, former Speaker of

the House Kono Yohei, who hails from the LDP, is well known for his disarmament views. He is a member of the Parliamentarians for Nuclear Non-proliferation and Disarmament (PNND) and committed substantial amounts of political capital to bringing the G8 summit to Hiroshima in 2008. Moreover, even within the Ministry of Foreign Affairs (MOFA), officials are split over the goals, positions, and methods of Japan's disarmament policy. Against this background, the DPJ once in power found the LDP's pragmatic and incremental approach to nuclear disarmament issues a logical choice to take, particularly since the party had no reason to challenge the security arrangements that guaranteed Japan's safety, namely, the U.S.-Japan alliance under the bilateral security treaty.

### **Disarmament and the alliance**

As noted above, the Japanese government is caught on the horns of a dilemma in determining its nuclear policy: on the one hand, it must respond to the majority of Japanese who are staunchly opposed to nuclear weapons – the nuclear allergy, and on the other, it must rely on the U.S. nuclear umbrella for its vital security interests. The 2008 LDP National Defense Program Guidelines (NDPG) reflects this inherent paradox by stating that “Japan will continue to rely on the U.S. nuclear deterrent. At the same time, Japan will play an active role in creating a world free of nuclear weapons by taking realistic step-by-step measures for nuclear disarmament and non-proliferation”.

The DPJ-sponsored NDPG for 2011 basically stated the same thing in a more roundabout way: “To address the threat of nuclear weapons, Japan will play an active role in international nuclear disarmament and non-proliferation efforts, and will continue to maintain and improve credibility of U.S. extended deterrence, with nuclear deterrent as a vital element, through close cooperation with the U.S.” Prior to the issuance of the NDGP in December 2010, the Defense Ministry's annual White Paper on Defense, which came out in September, states: “We will continue to adhere to the Japan-U.S. security arrangements and to maintain the basic parameters of our defense policy of independently building a moderate defense capability while ensuring civilian control and abiding by the Three Non-Nuclear Principles”. The paper stresses: “Japan will play an active role in efforts to create a world free of nuclear weapons by taking realistic and step-by-step measures for disarmament and non-proliferation”. The two documents are proof that the DPJ intends to follow in the LDP's security footsteps.

The U.S. and Japan, aiming at showing the strength of their alliance with regard to nuclear disarmament, has produced a “Fact Sheet on U.S.-Japan Cooperation on Reducing Nuclear Risks”. The document was released in conjunction with the summit meeting of Prime Minister Kan and President Obama on November 13, 2010. It reaffirms the goal of the 2010 Nuclear Security Summit of “securing all vulnerable nuclear material within four years”. Both

governments committed themselves to establishing a joint working committee to confer on nuclear safeguards, and they called upon North Korea and Iran to abandon their nuclear programs. Over and above reaffirming the traditional commitments to the CTBT, FMCT and other regimes, the document makes one interesting distinction; namely, that the Government of Japan “recognizes that while the United States is not prepared at the present time to adopt a universal policy that deterring nuclear attack on the United States, its allies and partners is the ‘sole purpose’ of nuclear weapons, it will work to establish conditions under which such a policy could be safely adopted”. Reflecting Okada’s idea of having a single purpose for nuclear weapons, this constitutes one of the few signs that the DPJ government is attempting to pressure the U.S. in the direction of tougher disarmament policies.

Some scholars argue that Japan’s promotion of nuclear disarmament is undermined by its reliance on the U.S. security umbrella. Tokyo justifies its position as a response to the security situation in Northeast Asia, which leaves Japan surrounded by nuclear weapons states in China, North Korea, and Russia. Reliance on the U.S. strategic deterrent is considered the only way of ensuring Japanese national security. Indeed, this paradox was at the heart of Prime Minister Sato’s formulation of the three non-nuclear principles, which was possible, in his opinion, only “because there was the guarantee that the war deterrent of America, including Okinawa, will work effectively for the peace and security of Asia”. Though certain scholars in Japan argue that if Japan sincerely wanted to promote nuclear disarmament, it should remove itself permanently from under the U.S. nuclear protection, such a position is hardly tenable, as it would leave Japan unprotected and more likely to pursue its own deterrent. Indeed, there are nationalistic advocates of a nuclear option who would willingly step in with cries to fill the void in the security posture. Proponents of the pacifist position, however, argue that it is hardly likely that China or Russia would launch nuclear weapons at Japan just because it is no longer under America’s nuclear umbrella. Such assurances ignore, or course, the North Korean nuclear threat. And if the U.S. were to remove its nuclear umbrella, a part and parcel of the U.S.-Japan security arrangements under the bilateral treaty, there is no guarantee that an insecure Japan would not be pressured from within to fill the gap with its own nuclear arsenal. At this point, however, few in Japan seem interested in testing this theory.

In pursuing its pragmatic disarmament policy, Tokyo has consistently recognized that any disarmament efforts are conditioned by the priorities of nuclear weapons states, particularly the U.S. Japan recognizes the difficulty nuclear weapons states face in disarmament initiatives, “because they already have them”. Although the government sets total nuclear elimination as its goal, its approach involves incremental, practical short-term steps that might someday lead to its realization. As Okada once put it, “Even if nuclear states cannot immediately agree to abandon their nuclear weapons, they can take practical measures to reduce clear and present risks”. He further noted that relying on nuclear deterrence for the time being does not necessarily contradict efforts to move towards nuclear disarmament over the long term. Back in 1989, then Foreign Minister Sousuke Uno, attending the first Conference on Disarmament Issues, realistically stated: “Disarmament is not such an easy matter that it can find a fruitful solution overnight.” The logic behind such a statement is that if all states were to commit to immediate disarmament, there would still be the latent fear of one or two non-complying spoilers, who would therefore have the capability of imposing their will on the rest of the world. Interestingly, if nuclear weapons were eliminated from the equation, the vulnerability of Japan’s Self-Defense Forces would then be exposed, particularly compared to China and other major players in the region.



This is not to say that the Japanese government does not earnestly support the goal of a nuclear weapons-free world, but rather that it would like to see an orderly transition to reach that state in view of current international conditions.

Looking back in postwar history, it is clear that Japan's disarmament agenda has been severely constrained by the alliance with the U.S. Especially during the administrations of conservative presidents, the Foreign Ministry's Disarmament Section tended to take a cautious approach, sensitive to U.S. policy preferences. For example, Japan decided not to join the New Agenda Coalition (NAC) – a group of countries that since 1998 has been aggressively pursuing nuclear disarmament – for fear of antagonizing the Bush Administration. Similarly, out of respect for the U.S., the Japanese government abstained from voting in 1994 in the international dispute on the legality of nuclear weapons, subsequently submitted to the International Court of Justice (ICJ). Japan's consistent approach has been to consult with the friendly nuclear powers, regarding steps toward reaching the amorphous goal of nuclear weapons elimination. This posture, though, has had its price, for it has undermined Japan's moral leadership within the international disarmament community. It has cost Japan the respect of anti-nuclear NGOs, which have turned to other countries to lead the way – such as Norway, Switzerland, and Brazil. The movement overlooks Japan because of its perceived deference to the U.S.

For several decades, anti-war NGOs have attempted to stimulate Japanese leadership efforts by pushing for a more idealistic policy direction. Every year, a ceremony is held in Hiroshima and Nagasaki, commemorating the events of 1945. Mayors for Peace is the co-organizer of the annual event. This organization, whose goal is to bring cities together for the purpose of nuclear abolition, now enjoys the support of some 4,200 cities worldwide. Interviewed in Hiroshima, Steve Leeper, the chair of the Hiroshima Peace Culture Foundation (the umbrella organization under which Mayors for Peace belongs), explained that his organization's purpose was to coordinate the actions of major players in the nuclear disarmament field and to facilitate communication among the main decision makers. Due to the prestige and unique location of this particular organization, the Foundation acts as a broker between anti-war NGOs and the diplomatic corps of various countries. It also launches independent pressure campaigns such as the 2003 "Emergency Campaign to Ban Nuclear Weapons". Since the overall goal of the organization is to facilitate the abolition of nuclear weapons by 2020, its agenda dramatically differs from the incremental, pragmatic approach to disarmament of the Japanese government. U.N. Secretary General Ban Ki Moon commended the work of this NGO during the Peace Ceremony in August 2010, saying, "Mayors for Peace have set a goal ... [of] a world free of nuclear weapons by the year 2020. That is what I call a perfect vision".

The extent to which such NGOs are incorporated into Japanese policy is disputed, however. According to MOFA, "The Japanese government exchanges opinions with NGOs in order to seek ways of advancing the nuclear disarmament process". In contrast, Leeper notes that there is little direct coordination between the Japanese government in Tokyo and the NGOs in Hiroshima and Nagasaki. He stressed: "There has always been a kind of tension between the national government and Hiroshima, as the latter is so much more abolition-oriented than the government." Whereas Tokyo wants to assuage Washington and take it slow, Hiroshima always wants to move quickly. Although such NGOs frequently request the government's attention on nuclear disarmament initiatives and seek its leadership at the UN, there are rarely if ever any direct meetings between the two sides. As one government official put it, Tokyo is "very aware" of the efforts of such civil society groups in Hiroshima and Nagasaki, and their belief that

Japan's nuclear disarmament efforts are not enough. The central government is also conscious of the fact that NGOs want the government to promote such causes as a nuclear weapons convention, and to seek ways to make such a body into a legally binding instrument. However, Tokyo considers such proposals to be too far-ranging, something far off into the future. The government does support, however, disarmament education, or the spreading of the personal stories of the Hibakusha so as to heighten awareness of the horror of the atomic bombings. Once again, the dichotomy between the government's pragmatic approach and the demands of civil society in Japan is evident.

Another aspect of the U.S.-Japan alliance that has served to restrain Japan's pursuit of nuclear disarmament has been the U.S. government's frequent preference for nuclear non-proliferation over nuclear disarmament. The former seeks to limit the further expansion of the number of states that have access to nuclear weapons, while allowing current weapon holders to maintain their capability. Nuclear disarmament, on the other hand, seeks reductions in the number of nuclear weapons already held by states. At times, Japan has criticized the U.S. preference for non-proliferation, stating in 2003 that it is "not acceptable" for nuclear weapons states to "only emphasize the nuclear nonproliferation aspect of the NPT regime and disregard their obligations for nuclear disarmament". This American preference was particularly pronounced in the immediate aftermath of the September 11 attacks, which made it difficult for Japan to advance any disarmament objectives. Indeed, the Japanese commitment to nuclear disarmament has historically varied with the government in power, not only in Tokyo, but perhaps even more so in Washington.

Following the participation of Ambassador Roos at the Hiroshima ceremony, some press reports wondered why that gesture was not coupled with an official apology on behalf of the U.S. government for the atomic bombings of Hiroshima and Nagasaki in 1945. The U.S. Embassy in Tokyo noted in a statement that Ambassador Roos was there to "pay respect to all victims of World War II." The Japanese government added that the purpose of his visit was to recognize the devastation caused by nuclear weapons in general, and that it did not imply a condemnation of U.S. actions.

The apparently coordinated statements underscore the closeness of the bilateral relationship in times of popular criticism of U.S. stances relevant to Japanese security. This time on disarmament, the Japanese government again came to the defense of its ally. Similarly, when President Obama visited Japan for the APEC Summit in November 2010, many had hoped he would take the time to visit Hiroshima, something he had earlier hinted at. The visit, however, did not happen, with U.S. and Japanese officials arguing that such a visit would be "premature". Only a year before, President Obama had responded positively to an invitation from former Prime Minister Yukio Hatoyama, saying he would be "honored" to visit Hiroshima at some point during his presidency.

It would be simple just to say that Obama did not have the time to visit Hiroshima this time, but one can also assume that the avoidance of a Hiroshima event this time suggests a loss of momentum in the drive toward nuclear disarmament in less than a year. As next year's APEC Summit will be held in Hawaii, some commentators are urging Japan's prime minister to take that opportunity to pay respects to the victims of the Japanese attack at Pearl Harbor. For now, such an event seems unlikely to happen.

Prime Minister Kan has suffered from low approval ratings following the perception by the public that he mishandled the Senkakus incident last September in which a Chinese trawler rammed a Japanese Coast Guard ship but was later released without a convincing explanation. Kan needs to build political capital, so it is conceivable that a stronger commitment to nuclear disarmament initiatives might strengthen his sagging image with the electorate. Indeed, after the revelations on the secret nuclear deals with the U.S. dating back to 1960, an opinion poll by the major daily *Asahi Shimbun* showed that 71% of the public approved of the DPJ's probe into the pacts. Whether Kan will seek to play the nuclear disarmament card to boost his popularity remains to be seen. However, considering the ongoing crisis at several Japanese nuclear power plants, following the devastating earthquake and tsunami, it would be natural for the government to pursue a stronger anti-nuclear platform in the future.

## Conclusion

President Obama's 2009 Prague speech and Ambassador Roos' participation in the 2010 Hiroshima peace ceremony boosted Japanese popular expectations for an eventual elimination of nuclear weapons from the world. Because of the renewed strength of the U.S.-Japan alliance under the Kan administration, and the positive stance of the Obama Administration toward disarmament and non-proliferation, Japan now can afford to more freely move in multilateral forums to promote its own agenda on this issue.

But Japan may have misread the U.S. President's intention, leading to an overly optimistic view that the Obama Administration would move decidedly toward a world without nuclear weapons – something that Obama in his Prague speech tried to avoid, if read carefully. Peace advocates in Japan may have failed to grasp the realities of the current international situation, and the continued commitment of the U.S. towards allies such as Japan to maintain an effective nuclear arsenal and extended deterrence. The subcritical nuclear test by the U.S. in 2010 demonstrated the U.S. commitment to maintaining a strong nuclear deterrent. This may have disappointed peace advocates in Japan, who protested bitterly, but without such tests, Japan would be stripped of its nuclear umbrella over time. The DPJ government, realists from the start, quickly stood by Washington and reaffirmed the Japanese commitment to the alliance. Bilateral ties have never been deeper. The Obama Administration's efforts in support of Japan in light of the nuclear crisis following the March tsunami further underscore the commitment of the U.S. to its Japanese ally.

China's overreaction to the incident near the Senkaku Islands and other signs of heightened tension in the seas around Japan have also served to bolster Japan's confidence in the U.S. as an ally, particularly when Secretary Clinton firmly declared that defense of Japanese territories, including the Senkakus, fall under Article 5 of the U.S.-Japan Security Treaty. Ambassador Roos commended the Kan government's handling of the issue, stressing that "the government's action cannot be criticized".

But North Korea's provocative acts on the Korean Peninsula, and its nuclear and missile threats to Japan, coupled with a rising China that is also a nuclear power, continue to feed nationalistic calls for Japan to develop an independent nuclear weapons capability. As long as the alliance remains strong, however, such rhetoric is likely to be stillborn. Japanese fears of their immediate neighbors, China and North Korea, rest upon a mistaken perception that the U.S. might not want to engage Beijing in a military conflict when push comes to shove. The series of recent provocative incidents by China and North Korea should serve as a warning to policymakers in Washington that unless the U.S. maintains strong support for its ally Japan and an unblinking focus on China and its regional intentions, Japan may at some point lose confidence in the U.S. security arrangements centered on the nuclear umbrella. As the late LDP statesman Kiichi Miyazawa once said:

“There is already a body of opinion in Japan which feels that dependence on the US nuclear umbrella is basically incompatible with national sovereignty. When the coming generations assume a greater role in the society, they may want to choose the lesser of two evils and opt to build their own umbrella instead of renting their neighbor's ... This may become likelier as time passes and memories of Hiroshima and Nagasaki recede.”

Still, given the long history of the alliance between Japan and the U.S. that has survived numerous challenges, it seems unlikely that any radical changes will occur in the security relationship anytime soon. The solid consensus in the Japanese society, government, and academic circles is to continue to rely with content on the U.S. nuclear security umbrella. And as far as Japanese public opinion is concerned, having it both ways – alliance with nuclear umbrella and nuclear-allergy stances – seems to suit it just fine.

The revelations of the DPJ as to the secret pacts concluded during the Cold War reintroduced the three nonnuclear principles into the public debate in Japan. However, this seemingly strong commitment from the DPJ to distinguish itself from the LDP seems since then to have receded, due in part to the absence of Okada from the foreign ministry's helm, and in part owing to lower international expectations vis-à-vis nuclear disarmament.

What will the future hold for Japanese disarmament policy? The DPJ government seems set to follow largely in the footsteps of the LDP, promoting gradual nuclear disarmament while relying on the U.S. nuclear umbrella. This position will likely continue so long as the DPJ has no clear foreign policy agenda, and certainly if the LDP regains power. If President Obama's mandate is strengthened by his reelection in 2012, and he continues to press for nuclear disarmament, Japan is likely to follow. However, if Washington experiences a change in direction, and reverts to policies such as those experienced in the first decade of the new millennium, the global emphasis on nuclear disarmament is likely to diminish, as is the importance attributed to it by the Japanese government. Nevertheless, while the August 2010 ceremony in Hiroshima and Nagasaki may have marked the apex of international focus on the topic, the recent incidents at the nuclear power plants in Japan, following the earthquake and tsunami, are likely to strengthen Japanese public opposition to any nuclear developments – whether in the form of energy supply or atomic weapons.

*Cordelia Chesnutt*

# THE ROLE OF NON-BUREAUCRATIC INSTITUTIONS IN JAPANESE FOREIGN AND SECURITY POLICY

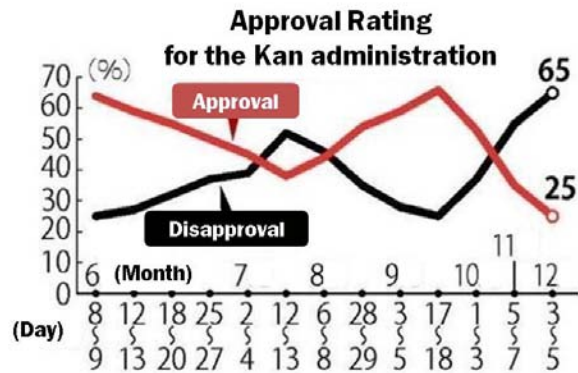
## Introduction

Since the Democratic Party of Japan (DPJ) won a landslide victory in the August 30, 2009 Lower House election, unseating the Liberal Democratic Party in power almost uninterrupted since 1955, Japan has finally entered a period of experiment with a two-party political system. As of the end of 2010, when this paper was written, the DPJ government is struggling to survive, having lost the Upper House to the opposition camp in the July election, and wracked by internal disputes, policy failures, a weak diplomacy, and an inability to pass even critical legislation due to the divided Diet.

Rumors of collapse abound in the media, presenting to domestic and international audiences an impression of political instability. According to the *Sankei Shimbun*, former DPJ Secretary General Ichiro Ozawa, having failed to maintain strong influence within the party, mentioned the possibility of breaking with it during a meeting with former Prime Minister Yukio Hatoyama on December 8, 2010. Both Ozawa and Hatoyama had resigned in June 2010 over personal political money scandals. Ozawa was eventually to be indicted. Close Ozawa aide, Kazuhiro Haraguchi, minister of internal affairs and communication in the Hatoyama and Kan cabinets, defended Ozawa by claiming that Prime Minister Naoto Kan, whose approval ratings were then plummeting, was using his mentor as a scapegoat. Political analysts predicted that a minimum of 60 DPJ lawmakers would follow Ozawa's lead. Ultimately, Ozawa was suspended from the party over the indictment issue, and only 16 loyal followers bolted the party.

In addition to such internal turmoil from a power struggle in the party, efforts were underway – so far unsuccessful – to form a grand alliance between the DPJ and LDP. Echoing an earlier brokering when the LDP was still in power, rumors of secret meetings were in the press. *Yomiuri Shimbun* President Tsuneo Watanabe reportedly met with Hatoyama and LDP President Sadakazu Tanigaki to discuss such a deal. The report was probably not accurate, but it reflected the mood of instability and tenuousness of politics in the ruling camp.

One fact is certain. Both DPJ prime ministers since the party came into power have been extraordinarily unpopular. Hatoyama resigned when his support rate in the polls reached an abysmal 19%. Prime Minister Kan has followed the same pattern, with polls in late 2010 and early 2011 showing support for his cabinet in the polls had fallen to the 20-25% range, with disapproval ratings over 60%.



Yomiuri Shimbun (December 6, 2010)

Why have two DPJ prime ministers in a row been unable to maintain popular support, even though the party swept into power in 2009 in a landslide victory? This paper, in examining the main reasons for plummeting public support for the DPJ government, focuses on the decision-making system that proved to be dysfunctional.

First, the initial policy agenda in 2009, based on the DPJ’s campaign promises (manifesto), was whimsically compiled to appeal to voters and not a coherent strategy that could be effectively implemented. This was especially true of the early phase of the DPJ’s foreign policy, which among other goals called for equidistance between the U.S. and China and the creation of an East Asian Community (EAC) that excluded the United States (later revised to make it inclusive), turned out to be a total failure. Prime Minister Hatoyama found himself under constant fire for trying to steer Japan toward China at the expense of the U.S. Later, when Kan took office, he threw out most of the Hatoyama agenda.

The alliance with the U.S., which the Hatoyama Administration at first seemed to take for granted, later proved to be invaluable, particularly when North Korea in 2010 began threatening acts against South Korea, and for Japan, when China chose to pick a diplomatic fight with Japan over an incident off the Senkaku Islands, which both countries claim. The U.S.’s support for Japan in the late 2020 spat between Japan and China over the Senkakus – Secretary of State Hillary Clinton stating that the islands if attacked were clearly under Article 5 of the U.S.-Japan Security Treaty, demonstrated clearly that Japan’s destiny in the region was linked to a strong alliance with the U.S.

Still, Prime Minister Kan’s handling of the Senkaku incident, in which the arrested captain of the Chinese fishing trawler who rammed a Japanese Coast Guard vessel, was suddenly released and return to China, upset popular opinion in Japan. Kan was only trying to steer his government toward pragmatism in its diplomacy after the ill-fated idealism of his predecessor, but he seriously misread the mood in the country. The seemingly “weak-kneed” resolution of the conflict resulted in an increasing lack of confidence in the DPJ government. Second, the

two administrations were plagued by scandals and mishaps involving DPJ politicians. For example, Kan was dealt a blow in late November when Justice Minister Minoru Yanagida was forced to step down over a gaffe – disparaging remarks over the usefulness of Diet deliberations. Opposition parties immediately formed a united front to call on Kan to fire Yanagida. The LDP called on the minister to quit or face a censure motion. The move by the opposition bloc was a new headache for Kan, amid growing public disappointment over the slow economic recovery and his diplomatic skills. Power struggles in the party at the time only made it easier for the opposition camp to carry out its attacks in the Diet.

Third, and this is the main point of this paper, the DPJ came into power and sought to change dramatically the existing bottom-up and consensus-oriented decision-making apparatus that included close coordination between the political and bureaucratic sides of the government, but the effort floundered early on. The goal of top-down decision-making was admirable but the notion of removing the bureaucracy from policy formulation instead of better using it was ill-founded. As a result, the DPJ government, particularly under Hatoyama, avoided such traditional policy-planning devices as the use of advisory councils (“shingikai”), think-tanks, and brain-trusts. Advisory councils were often simply artifices used by the ministries to rubber stamp policy ideas that came from the bureaucrats, but such councils when established by prime ministers were important means to promote serious policy reforms.

Under the DPJ government, the cabinet ministers in essence were to be their own counsel. Under the slogan of unifying outer policy-making institutions, the bureaucracy was to come under the control of the cabinet members. But shunned by their political leaders, the bureaucracy responded by removing themselves from even their legitimate roles. Moreover, DPJ cabinet ministers and other senior lawmakers tended to be ineffective in finding realistic and implementable policy options for the bureaucracy. Policy was being made in a vacuum. A case study of the frenzy to come up with alternate solutions to the problem of relocating a U.S. base in Okinawa – MCAS Futenma – would show that without the involvement and the institutional memory of the foreign and defense ministries, senior politicians ran about trying to find new solutions that essentially had been vetted and rejected in the past

Under Kan, the bureaucracy was finally brought back to fulfill its rightful role in the policy-making process. Foreign policy has become more realistic and amenable to senior members of the Foreign Ministry, for example. What Japan still needs is a return to some form of decision-making system in which non-bureaucratic institutions – including advisory councils -- provide realistic policy options not only to the political administration but also to members of the Diet as representatives of the people of Japan. There is nothing new about exerting political control over the bureaucracy, but it must be balanced by a willingness to tap and use its strengths.

This paper critically examines the role of non-bureaucratic institutions in foreign and security policy-making under both LDP and DPJ governments. It also provides suggestions on how Japan could improve its decision-making system.

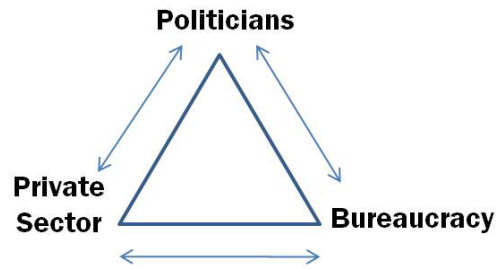
## LDP use of advisory panels

The DPJ's attempt to establish political control over bureaucracy is far from new. Even during the decades of LDP government, effectively using the bureaucracy and not letting the bureaucrats use you, was a perennial problem for prime ministers. The idea of using non-bureaucratic policy-making devices evolved over the years of LDP rule into a sophisticated system.

One device was to use the ruling party's own deliberative bodies, such as the Policy Research Council, General Council, specialized LDP departments (*bukai*) and committees, to build consensus in the party, formulate policy proposals, and essentially to end run the bureaucracy by placing policy-making activities under party control. Party and bureaucracy both formulated policy in parallel that had to be reconciled in the end. However, over the years, a cooperative arrangement grew between party and government officials in the form of *zoku* -- policy cliques or literally "tribes" with channels to relevant ministries or agencies, and importantly to relevant industries. LDP lawmakers, having become policy specialists from long membership in party departments or committees, and by extension, similar Diet committees, developed expertise that rivaled that of the bureaucrats in charge of the same policy areas. Such policy specialists as a group could set both the policy agenda and budget contents for programs in their respective areas. They could take advantage of the regulation whereby passing or amending legislation, setting budgets, hiking or lowering taxes, and ratifying treaties needed to be vetted first in the LDP's deliberative bodies.

The system effectively allowed the party to check the power of bureaucracy, which was augmented by an even more formidable system of advisory councils (*shingikai*) attached to ministries and agencies as well as the Prime Minister. At one time, there existed about 200 advisory councils with a total number of over 5000 members. The councils were usually attached to ministries and agencies or to the prime minister's office. The number of councils after 2001 was reduced by half with members totaling 1,800. Even though the central government was not obliged to adopt policy recommendations emanating from the party, the institution played an important role in facilitating communication among officials, business interests, and politicians. As the LDP's long hold on power continued, the cohesion and cooperation among the bureaucracy, politics, and the private sector formulated the so-called "iron triangle" or better yet small iron-triangles based on close or collusive relations of specific protected industries with relevant agencies and their political mentors.





Iron Triangle

Narrow interests in the private sector approached politicians with political funding for election campaigns. The politicians then exerted influence over the relevant parts of the bureaucracy on policy making, regulatory matters, and legislation. The senior officials in turn to reserve plush jobs for after their retirements, a practice known as “amakudari”. Public corporations and other semi-official organizations were established in large numbers to serve as a second career outpost for retired officials. Amakudari became so rampant that it was attacked by reformist-minded LDP prime ministers such as Junichiro Koizumi, and later by the DPJ, which designated the practice for radical reform.

### **Ohira the master of the use of advisory panels**

Several visionary LDP prime ministers used external bodies and advisors as a means of drafting long-term strategies for the nation without bureaucratic interference. Masayoshi Ohira was the first prime minister to successfully and extensively use advisory groups to chart the nation’s course. Although in office only 19 months (1978-1980) until his death from stress and fatigue, Ohira established nine policy study groups involving leading academics, business leaders, and senior bureaucrats. One of his panels is famous for having conceived the notion of “comprehensive security strategy” that involved the creative use of development assistance on behalf of national interests. The goal of the study groups was to devise long-term strategy rather than offer the usual short-term policy options. Ohira encouraged young scholars and experts to join the study groups. His panels produced such long-lasting reports as “A Plan for Pacific Rim Solidarity,” and “A Design for Rural Cities” that were far ahead of their time. Ohira’s early demise meant that many of the concepts were still-born, unfortunately, but Prime Minister Yasuhiro Nakasone, when he came into office in 1982, used a similar advisory structure to promote his administrative reform agenda. Nakasone also enlisted a private advisory council to

issue the so-called Maekawa Report (after the chairman) that set an agenda for radical structural reform of the Japanese economy to open its markets to the world.

The 1970s also saw the founding of a number of government-related and independent policy think-tanks that fed advice and proposals to the government, often under contract. The most famous of these institutions as NIRA or National Institute for Research Advancement. Founded in 1974 as a semi-governmental organization under the National Institute for Research Advancement Act, the organization was used by Ohira to commission its national security study. In 1978, the Defense Agency and the Ministry of Foreign Affairs established another think-tank, the Research Institute for Peace and Security (RIPS). The Institute, which draws on the talents of specialists from many fields in its research projects, aims to provide the Japanese government with policy recommendations from an independent and objective viewpoint. It also is charged with deepening international communication and informing other nations about Japan's policy views.

### **Contributions of the Nakasone Administration**

Prime Minister Nakasone was a master in the effective use of official and private advisory councils, not only to push his administrative-reform and foreign policy agendas, but also to elicit the support of the media for it. He was able to cleverly by-pass those in the LDP who would oppose him and the sectionalism or fragmented nature of the bureaucracy that could have slowed his efforts down. Nakasone, having carefully read the reports of Ohira's study groups, tapped some of the same experts from the late prime minister's advisory panels to form his own brain trust. The body of experts comprised some 30 advisory councils that covered a range of issues, from foreign aid to education. To get around bureaucratic constraints and enhance the importance of the councils, Nakasone made them report directly to him.

Prime Minister Nakasone himself regularly attended the meetings of the key advisory councils and made sure that their activities and his participation were well publicized. One concept that he embraced was Ohira's "comprehensive national security", since Nakasone, long known as a defense hawk, supported the buildup of Japan's own military capabilities while emphasizing alliance cooperation with the U.S. He was able to leave his mark on Japan's security policy for the next two decades

After his long tenure as prime minister that lasted from 1982 to 1987, Nakasone established his own foreign policy think-tank, the Institute for International Policy Studies (IIPS) in 1988. It remains a respected institution that continues to carry out relevant research in the fields of international politics, economics, security, energy, and the environment, with researchers recruited from the public and private sectors.

## **Contributions of the Koizumi Administration**

Unlike Nakasone, who used private advisory councils to promote his policy reforms, Prime Minister Junichiro Koizumi (2001-2006) practiced top-down policy-making by establishing and chairing a number of official advisory councils with implementing authority. For example, he himself chaired the Cabinet Office's Council on Economic and Fiscal Policy (CEFP), which consisted of 11 members, including 6 ministers, the governor of the Bank of Japan, and four members from the private sector. The council made important decisions on budgeting, privatizing the postal service, and streamlining the government.

Koizumi also took direct control over aspects of security policy that resulted in the Self-Defense Forces entering uncharted waters, including the first overseas dispatches since World War II. Koizumi took advantage of the 9/11 terrorist attacks to gain the approval of the Japanese Diet to dispatch the Maritime Self-Defense Forces to the Indian Ocean for refueling services for the ships of the multinational forces led by the U.S. engaged in anti-terrorism operations. He sent the Air and Ground Self-Defense Forces for non-combat support of the U.S.-led effort in Iraq after the war and reconstruction activities. He effectively tested the limits of interpretation of the Japanese Constitution in the overseas use of the SDF, but was careful to avoid breaking with the constitutional interpretation preventing implementation of "collective defense."

## **DPJ shifts gears**

The DPJ government has been reluctant, particularly under Prime Minister Yukio Hatoyama, to rely on advisory panels or other non-bureaucratic policy-making bodies. Why? First, the DPJ wants to reset the way that the Japanese government has been run during the LDP decades, so anything smacking of policy-making preferences of the former ruling party is anathema. Second, DPJ lawmakers came into power highly overconfident about their ability to independently come up with successful policies without any help from external sources. Third, the DPJ thought of itself as a "revolutionary" party that would overturn the status quo created by the LDP.

Such hubris is understandable. During the early months of the Hatoyama administration, the DPJ focused on eliminating LDP remnants and establishing a new institutional structure. The

party viewed the “iron triangle” as collusive, corrupt, and creating autonomous strongholds in the bureaucracy (“sectionalism”). The DPJ saw the LDP’s decision-making system as seriously flawed. First, LDP politicians ceded too much power to the bureaucracy for making important policy decisions. Second, decision-making under the LDP government was divided, a “two-track system” that pitted the cabinet against the ruling party. Third, the Prime Minister’s Official Residence (“Kantei”) was too weak to control and coordinate national policy at the cabinet level. By default, the bureaucracy filled the gap. On balance, the DPJ pointed out that it was unclear who made the final decision under the LDP governments since the burden of responsibility was unclear. The buck never stopped anywhere.

In order to reform the old LDP system, the DPJ government pushed forward with a three-point agenda. First, the DPJ replaced the council of administrative vice ministers (“jimujikan kaigi”) with a council of cabinet ministers. Vice ministers were relegated to a limbo status in the decision-making process. Second, the DPJ inserted by appointments about 100 lawmakers into the bureaucracy in sub-cabinet positions, such as vice-minister and assistant to the minister. Third, the DPJ abolished the two-track policy-making system, deeming that the party and government would be one. And important from the policy perspective, the party established a National Strategy Office directly under the prime minister. This office has since gathered the best and brightest from both public and private sectors to formulate a national strategy and scope out the budget.

The aim being to unify government and party policy-making and in the process, relegate to the historical dustbin the two-track policy-making system associated with the LDP, the DPJ abolished the Policy Research Council in the party to prevent competing policy agendas. It even scrapped its own think-tank in 2009. This institution, called the Public Policy Platform or Platon, was established in November 2005 by then DPJ President Seiji Maehara. Platon initial mission was to focus on pension-system reform. Coincidentally, the LDP also established its own think tank called Think Tank 2005. This body has been severely downsized after the LDP lost power, due to the party’s financial difficulties.

Once Hatoyama left office in June 2010, however, the Kan government continued for awhile to emulate a unified policy-making system but it subtly began to return to a system of dual policy making by resurrecting the Policy Research Council in the party. Suddenly, the voice of the party, as articulated by the secretary general or the chair of the PRC, could be heard articulating policy notions that did not necessarily mesh with those coming from the government.

Another concession was to downgrade the functions and role of what was supposed to have been the DPJ government’s control tower under the prime minister, the newly established National Strategy Office. After the DPJ lost control of the Upper House in the July 11 Upper House election, Prime Minister Kan abandoned the plan to legally upgrade the National Strategy Office and instead removed some of its functions. By default, the power to direct policy shifted away from the Prime Minister’s Office (Kantei) to the party and more importantly the bureaucracy. The DPJ “revolution” essentially was over.

Where did the prime minister, then, obtain his policy advice? Prime Minister Hatoyama, having nowhere to turn for institutional policy counsel, tended to bring in unofficial advisers, one after the other. The most influential one early on was Jitsuro Terashima, a former Mitsui Bussan executive who headed the Japan Research Institute. He was brought in to advise the prime

minister on foreign policy and alliance issues. But Terashima was an idealist unused to pragmatic thinking. He was a proponent of downsizing U.S. bases not only in Okinawa but all across Japan due to what he felt was a changing environment in East Asia that would lessen regional threats and tensions. Needless to say, his thinking was not welcomed by the U.S., and when Terashima visited Washington on a personal trip to explain his stance on Futenma and other issues, ostensibly on behalf of Hatoyama, he was snubbed by officials at the State Department and other agencies. Terashima's influence over foreign policy faded along with Hatoyama's waning popularity.

Hatoyama's next choice as foreign policy adviser was diplomat turned international consultant Yukio Okamoto, a former special advisor to Prime Minister Koizumi on the Okinawa base problem. Defense Minister Toshimi Kitazawa introduced Okamoto to the prime minister in December 2009. Following Okamoto's advice, Hatoyama eventually dropped unrealistic plans that proposed moving Futenma Air Station out of Okinawa to Guam and the like. With Hatoyama falling under Okamoto's influence, Kitazawa stepped in to fill the gap by establishing a team of ministry officials tasked with finding a realistic solution that could satisfy both the U.S. and residents of Okinawa. This proved to be impossible in the end.

With the Hatoyama government foundering around, the Defense Ministry bureaucracy was called on to reinsert itself into the decision-making process and extinguish the fire in Okinawa set by Hatoyama's unrealistic policy. The Ministry was determined to rescue the alliance from further damage, even if that meant reneging on Hatoyama's promise to move Futenma out of Okinawa. The bureaucracy at least on this issue was back in charge of the policy-making process. But it did not represent a return to the LDP days of bureaucratic supremacy, for the motivation was linked to national interests and not to narrow sectional interests. In the end, Hatoyama went along with the inevitable and accepted the solution of relocating Futenma essentially to the same spot planned under the 2006 U.S.-Jaan agreement. This time, the DPJ government was the recipient of the damage, and Hatoyama in June had to take responsibility and resign his position as premier.

The Kan administration that followed has certainly moved away from Hatoyama's progressivism and toward a pragmatic conservatism. This can be seen especially in security affairs. Kan has a preference for setting up private advisory teams such as the Council on Security and Defense Capabilities in the New Era, chaired by Shigetaka Sato, CEO of Keihan Electric Railway Co. The panel submitted a report to the prime minister in August 2010 that became the material used in compiling the National Defense Program Guidelines that came out in late 2010. But the more sensational of the proposals were simply too much for Kan, despite his pragmatism. The report called for altering one of Japan's three no-nuclear principles to allow nuclear transit by the U.S. It also argued that America's hegemony in East Asia is not on absolute terms because of rising China and a nuclear-weapons possessing North Korea. Third, it called for the implementation of collective self-defense to allow Japan's military to shoot down any North Korean ICBM heading toward the U.S. Fourth, the report also requested that restrictions on Japan's arms exports be eased.

## Conclusion

The DPJ government's fatal flaw particularly under Prime Minister Hatoyama was its failure to recognize that implementable policies and effective decision-making are as important as establishing political control over the bureaucracy. It also rejected the system of advisory panels that past LDP administrations had used, sometimes quite effectively, to push a policy agenda over the resistance of political and bureaucratic elements. Hatoyama himself fell into the trap of relying on a personally picked adviser whom he would suddenly discard to move on to the next when it seemed that the advice was not working.

The DPJ came into power vowing structural reform that placed politicians in charge of policy and removed the bureaucracy from the process. But the Hatoyama administration, saddled with unrealistic and incoherent policies such as its Futenma relocation scheme, ultimately was forced by circumstances to revert to the previous LDP government's version of the status quo, undermining its credibility in Okinawa and the rest of the country. The once reform-minded administration, unable to implement its policy agenda, retreated in defeat. By default, the power of the bureaucracy was reasserted, and a broad pragmatic conservatism returned to the forefront. Having ignored the crucial importance of establishing and using a careful selection of external institutions and brain-trust advisors to provide effective, realistic policies, the DPJ government under Hatoyama foundered and ultimately collapsed.

Prime Minister Kan, much more pragmatic than Hatoyama, was able to learn from the mistakes of his predecessor. He was smart enough, for example, to move away from confrontation with the U.S. over base and other alliance issues, and discarded idealistic notions, such as the EAC concept. But the DPJ under Kan was torn apart by internal power struggles – essentially an agenda-setting fight between the political administration side (the Kan cabinet) and the party – ostensibly led by Ichiro Ozawa until his indictment for a money scandal. More germane to this paper, the inexperienced Kan government made new mistakes as unanticipated foreign and security policy issues and even crises were encountered, such as the flare up with China over the Senkaku Islands. The DPJ was supposed to have a rosy relationship with China, as originally conceived, but the two countries ended up glaring at each other across the waters. With the alleged mishandling of the Senkaku issue, the perception that the Kan government lacked leadership and competence grew, and contributed significantly to its plummeting popularity in the polls.

Second, it is ironic that the unification of policy-making institutions reduced the number of policy options for DPJ leaders. This weakened their authority instead of strengthening it. The situation echoes a basic theory of finance: if you diversify a portfolio, your risk of going wrong diminishes. Thus, the cabinet minister who seeks more advice from outer institutions or advisors will have more policy options, and this asymmetry of information between the minister and the bureaucrat will bring the minister to a more advantageous position than the bureaucrat. However,

even though he or she can use many different outer advisors, the final bearer of responsibility should be the minister who makes the final decision.

Third, the DPJ refused to acknowledge that its old nemesis the LDP accomplished many positive things while in office. It refused to give credit when deserved and instead arbitrarily dismissed any policy that smacked of LDP leadership as suspect. The rejection of the U.S.-Japan realignment agreement that included the Futenma resolution was an outstanding example. If the DPJ had objectively studied LDP history, it would have realized, as seen in Prime Minister Nakasone's case, that advisory councils can be used to strengthen the prime minister's leadership while allowing him to bypass opposition from the bureaucracy. The DPJ also should have noted that the LDP's use of study groups to effectively draft long-term national visions – harking back to Prime Minister Ohira – was worthy of emulation.

Fourth, it is puzzling why the DPJ suddenly decided to shut down the party's think-tank instead of reinforcing it. In preparing for the next election, the party should be able to provide a new, effective policy, particularly on domestic issues, surpassing that of the current administration. The DPJ's think-tank certainly could have provided background and proposed solutions. Apparently, the DPJ did not seriously seek advice from existing private think-tanks, as well. Long term connections between the party and specific think-tanks would of course create the possibility of the think-tanks becoming highly politicized like those in America. But this could facilitate policy debates between the two major parties that are more substantial than now.

Fifth, although the golden parachute or amakudari system of retired official landing cushy jobs in the private sector has been much maligned in Japan, an enlightened version of that – like the revolving door system in the U.S. – should be encouraged. For example, think-tanks or policy institutes would indeed benefit from hiring former government employees who have policy-making experience. Such a practice would provide those institutions with more realistic insights from those with previous field experience. In addition, personal ties between the think-tanks and the bureaucracy would grow, as both sides benefited from the cross-fertilization from government officials detailed to think-tanks for a year or more.

Finally, there is no equivalent in Japan to an institution similar to the U.S.' Congressional Research Service (CRS). Politicians rely on their small staffs for data and analysis. Japan certainly has the National Diet Library to provide limited assistance, but it would be productive for legislators if the analytical functions of the Diet Library were strengthened. Japan's CRS could develop into the nation's official think-tank providing Diet members with specific analysis of policy issues. The result would enhance the role of the Diet in drafting legislation or critiquing the cabinet's policies. This new institution also would give the political sphere more authority to challenge the monopoly on information and institutional memory now enjoyed by the bureaucracy. The competition between the Diet's think-tank and the bureaucracy would create better policy options for politicians to consider.

*James Pai*

# **JAPAN'S HEDGING STRATEGY AND ITS IMPLICATIONS FOR REGIONAL PEACE AND SECURITY**

## **Introduction**

As the world's three largest economies, the United States, China and Japan have become more strategically interdependent in terms of economic cooperation and political interactions. With China's rise as a regional power and an economic powerhouse in the global arena, it has become increasingly critical for Japan to advance into the Chinese market to boost its economy and strengthen trade ties with its Asian partners. However, recent political friction between Japan and China, particularly the recent diplomatic clash over the Senkaku Islands, which both nations claim, cast a shadow over bilateral relations. The incident had the unintended effect of rallying the U.S. to back Japan, with Secretary Hillary Clinton clarifying that the islands fall under Article 5 of the Security Treaty, and served to reinforce the alliance.

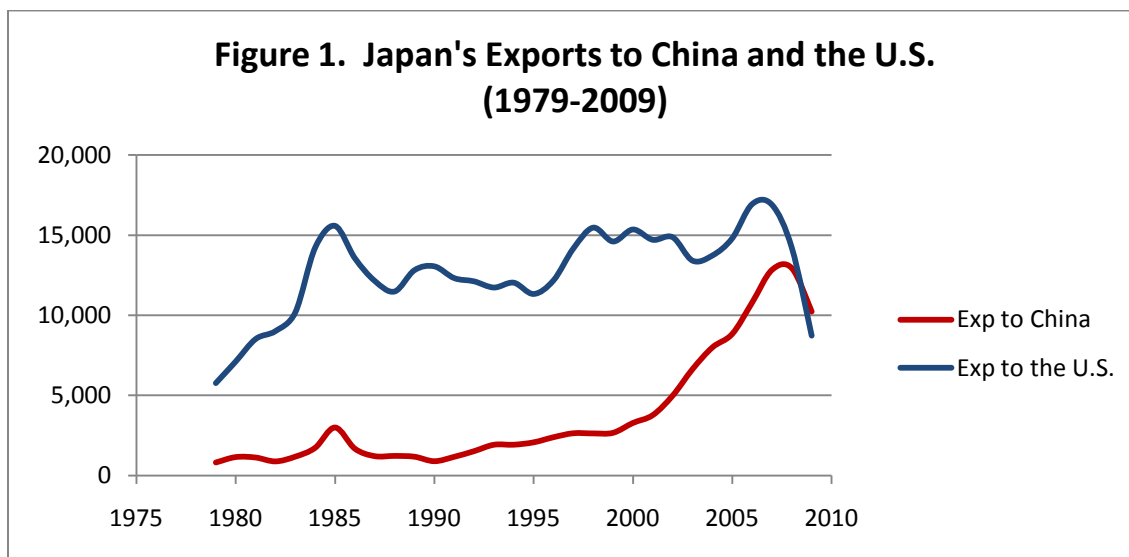
China's rise may represent an opportunity for Japanese businesses eager to enhance trade and investment with that country, but in the eyes of many Japanese, China's growing economic might – its economy now surpasses Japan's in GDP – is viewed with concern. Many attribute China's economic rise as affecting the political stability of the region and threatening over the long run the peace and equilibrium in the region. Ultimately, the role of the U.S. in this equation is critical. A form of triangular cooperation among Japan, the U.S., and China is a key to ensuring that the region remains peaceful, stable, and prosperous. This paper examines on aspect of the equation, the economic interaction among these three countries and its importance to Japan's economic revitalization. How will such trilateral ties develop in the future? It also delves into how vulnerable Japan to actions China might take politically and diplomatically to “shock” its neighbors, as it did last year by cutting off shipments to Japan of rare earths that industry needs in producing high-tech products.

## **Revitalizing Japan's Economy**

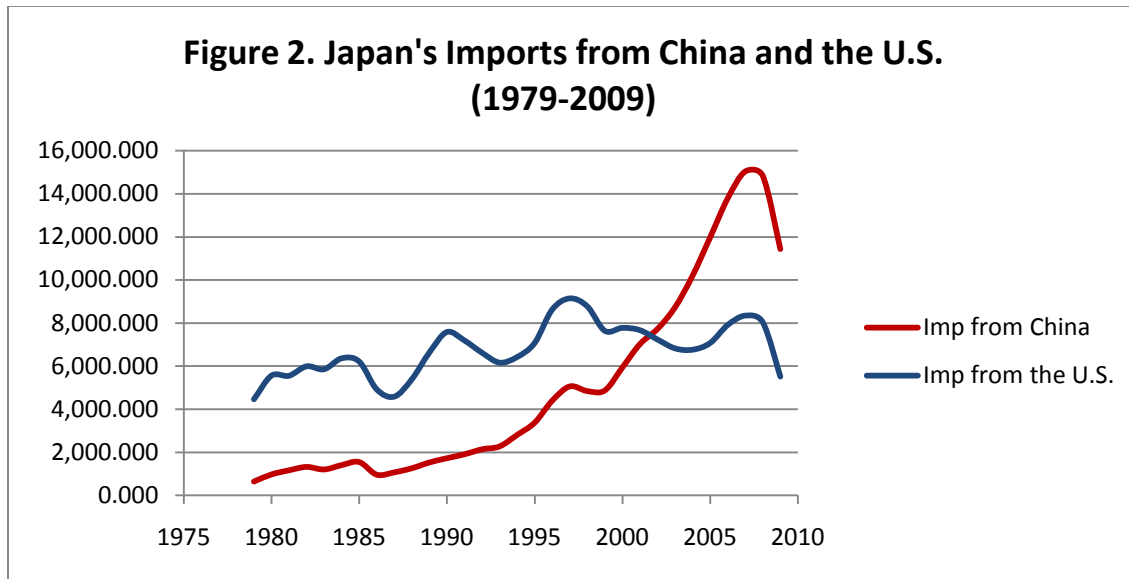


The world's economic structure has significantly changed since Japan's so-called "lost decade" of the 1990s. The bursting of Japan's assets bubble in 1990 that plunged Japan into a long recession was so far reaching that it changed the global image of the country from a manufacturing giant and financial powerhouse into a weakened, stagnant economy and demoralized society. During the same 1990s, the United States, by sharp contrast, enjoyed an unprecedented upsurge in productivity and growth, which was heralded as the dawn of the "new economy" based on information technology and other high-technology areas. This was followed by China entering the 21<sup>st</sup> century with robust economic growth that outperformed most advanced economies, surpassing Japan as the world's second-largest economy in August 2010. In per capita GDP, however, China remains far down the international scale. Still, China has made out the best over the last decade, with Japan continuing to remain in the economic doldrums, and the U.S. hit hard by the 2008-2009 global financial crisis, sparked on Wall Street, the most severe challenge since the Great Depression, characterized by high unemployment, failing financial markets, an enormous public debt, and a constantly weakening dollar. The U.S. may be slowly recovering now, thanks to infusions of public money and other emergency measures, but Japan, after recovering somewhat in 2010 owing to its export growth to China and other Asian countries, has suffered a major setback with the massive earthquake in northern Honshu that knocked out at least 3% of GDP in one blow.

With Japan's economy slipping to third place after the U.S. and China in 2010, the country was taking steps to revitalize itself amid the global financial crisis when the March 11, 2011 earthquake struck. Those measures continue to operate and should help the country recover over time. Importantly, Japan has deepened its economic interdependence with China with respect to expanding trading volume and outward direct investment. The two economies have even been called complimentary now, given the extensive production network that Japanese FDI has created in China. From Figure 1 and 2, we see that China outperformed the United States to become Japan's largest source of imports as early as 2002. Later, China overtook the U.S. in exports to Japan, as well, becoming by 2009 its largest supplier of goods, with trade volume consisting of 10.2 trillion yen in exports to Japan and 11.4 trillion yen in imports from that country.



Data Source: Trade Statistics from the Japanese Ministry of Finance



Data Source: Trade Statistics from the Japanese Ministry of Finance

There was a peculiar political dimension in 2009-2010 to the deepening economic relationship between the two Asian powers. The Democratic Party of Japan (DPJ) in August 2009 won a landslide victory in the Lower House election unseating the incumbent party, the Liberal Democratic Party, after decades in office. The DPJ came into power advocating “closer relations with China and a distancing from the U.S.” – based on its election campaign promises. Tokyo’s sudden decision to tilt toward Beijing politically took it by surprise, not to mention Washington, and for a while severely complicated ongoing efforts to build a productive triangular relationship among China, Japan and the United States, based in part on the U.S.’s “stakeholder” concept toward China in its diplomacy. However, the outcome of the DPJ’s rebalancing of “Japan’s relations between the United States and Asia by emphasizing a more independent Asia-oriented diplomacy with an East Asian Community as the centerpiece” did not last long. Washington was openly critical; the DPJ itself was split and ambivalent about such a radical departure, although the party did want to move away from an excessive tilt toward the U.S. that allegedly was practiced by LDP governments.

China, too, apparently rejected what might be described as a burgeoning G2 relationship between it and Japan. Symbolic of that rejection was the highly volatile diplomatic clash between the two governments following the collision of a Chinese fishing trawler and a Japan Coast Guard Vessel in September 2010 near the Senkaku Islands, which both countries claim. If there ever was a sudden ending of the “honeymoon period” between China and Japan, it happened then. Eventually, bilateral ties returned to normal, but the aftereffects of distrust and suspicion remain, particularly following China’s brief trade embargo of rare-earth exports to Japan. Thus, instead of a smooth and mutually beneficial relation with China as envisioned by

the DPJ in its campaign rhetoric, the reality is that China's rise in economic and political terms has a "shock" to Japan that it has yet to address in a clear and calculated way. By default, the territorial dispute and other sources of friction the DPJ government has encountered in its relations with China, drove Japan back into the welcoming arms of the U.S. as constant friend and ally. The party's long-sought triangular relationship remains as elusive as ever.

## **The "China Shock" and the Trend of Bilateral Cooperation**

It was a psychological shock for the Japanese people to hear the news in 2010 that China had overtaken Japan as the second-largest economy in the world. For most Japanese, the former recipient of Japan's development assistance is seen now as a strong rival in the region and other parts of the world where the two countries compete for markets and resources. Japan once was the biggest contributor of Official Development Assistance (ODA) to China, but now, again to the surprise of many Japanese, has become a major donor of aid to developing countries. Indeed, Japan ended concessional yen loans to China some years ago due to criticism of China's providing aid to other countries while taking Japanese ODA. China's growing economic strength was another factor to "graduate" it from ODA.

At the corporate level, Chinese markets have relied heavily on Japanese firms for their products, particularly parts and other key intermediate goods used in assembling finished goods. There has been concern since political relations became frayed in 2010 that even such levels of industrial cooperation might be affected. Already, some Japanese companies are diversifying their investment strategies after the rare earth embargo and due to increased labor costs and inflation in China.

## **Cooperation at the National Level: The Role of ODA**

*"He who gives, dominates." – Fernand Braudel*

Japan since 1979 was the largest ODA donor to China, significantly contributing to China's socioeconomic restructuring, in terms of infrastructure improvements in the coastal regions, environmental improvements, and human resource development. Most of the ODA consisted of yen loans. But Japan's ODA disbursements to China started to decline during the administration of Prime Minister Junichiro Koizumi (2001 – 2006), when Sino-Japanese relations were first labeled as “politically cold and economically hot”. From Table 1, we can see the downtrends of yen-loan aid and grant aid during this period. In part the cuts in ODA to China since the start of the 21<sup>st</sup> century was due to Japan's domestic economic downturn and cuts in the ODA budget, but the real driving force was a domestic political backlash from diplomatic tensions with China. Spurring the policy change were widespread public reaction in Japan to China's campaign against Koizumi for paying homage to the war dead at Yasukuni Shrine, where Class-A war criminals were also enshrined, and a growing public dissatisfaction with providing ODA to what appeared to be an increasingly wealthy country. Japanese were angry that China did not express gratitude for the years of aid disbursements for the country's modernization and there were suspicions that China might be using continued assistance to reinforce and expand its military power.

<b>(Net disbursements, \$ million) Year</b>	<b>Loan Aid</b>	<b>Grant Aid</b>	<b>Technical Cooperation</b>	<b>Total</b>
<b>1999</b>	<b>811.5</b>	<b>65.68</b>	<b>348.79</b>	<b>1,225.97</b>
<b>2000</b>	<b>397.18</b>	<b>53.05</b>	<b>318.96</b>	<b>769.19</b>
<b>2001</b>	<b>386.57</b>	<b>23.02</b>	<b>276.54</b>	<b>686.13</b>
<b>2002</b>	<b>508.53</b>	<b>54.92</b>	<b>265.25</b>	<b>828.71</b>
<b>2003</b>	<b>386.96</b>	<b>72.63</b>	<b>300.13</b>	<b>759.72</b>
<b>2004</b>	<b>591.08</b>	<b>50.8</b>	<b>322.8</b>	<b>964.69</b>
<b>2005</b>	<b>794.5</b>	<b>34.03</b>	<b>235.73</b>	<b>1,064.27</b>
<b>2006</b>	<b>231.51</b>	<b>19.05</b>	<b>318.84</b>	<b>569.4</b>
<b>Total</b>	<b>14,008.31</b>	<b>1,129.31</b>	<b>4,983.16</b>	<b>20,120.80</b>

Source: OECD/DAC

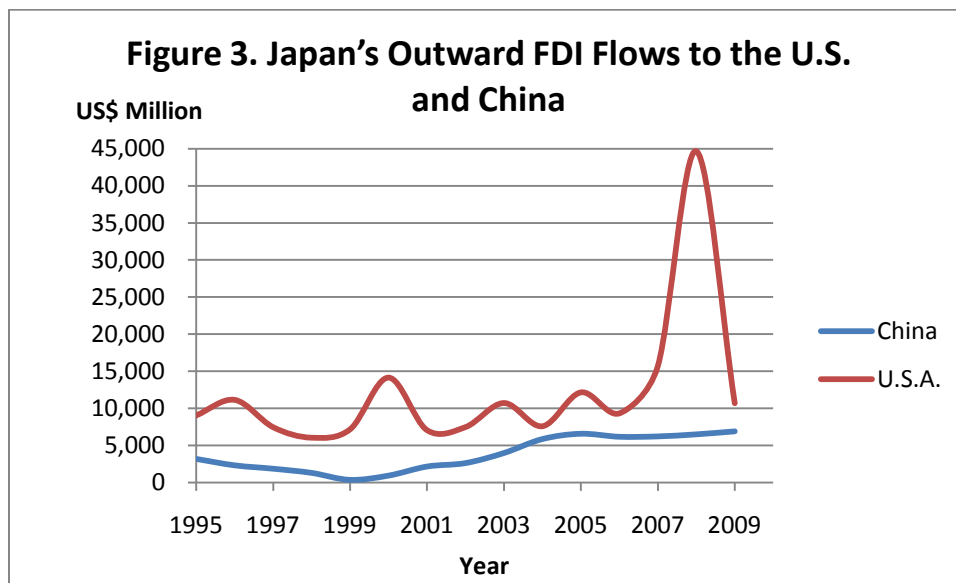
Coincidentally, with China's hosting the 2008 Olympic Games -- a kind of rite of international passage that Japan had experienced in 2004 -- the Japanese government halted its yen loan program to that country. Grant aid and technological cooperation, continued but focuses mainly on addressing such common challenges as climate change and infectious diseases.

Despite the harsh criticism against ODA to China, the reality is that it has always been in Japan's national interest to combine ODA with trade and direct investments and support that country's economic modernization. In this way, Japan has been able to take advantage of China's lucrative potential as a production site for Japanese firms setting up networks across Asia. Japan's FDI outflows, in turn, have helped Japan revitalize its economy from a decade-long recession, making up a substantial amount of Japan's current account surplus.

Even today, the work by economists Tamim Bayoumi and Gabrielle Lipworth. (*Japanese Foreign Direct Investment and Regional Trade*, <http://actrav.itcilo.org/actrav-english/telearn/global/ilo/globe/japani.htm>) on the role of Japan's FDI in 1997 still applies:

“Japanese firms are diversifying the location of their production and moving to other countries those parts of their operations in which they are losing comparative advantage... Japanese FDI outflows are part of a necessary restructuring of the Japanese economy, reflecting globalization and economic growth in the rest of Asia. Despite the pain involved, such a restructuring will produce a domestic economy better able to face the rigors of the world economy in the future.”

Figure 3 shows the steadily growing FDI flows from Japan to China and fluctuated annual FDI inflows into the United States.



Data Source: Japan External Trade Organization (JETRO)

Econometric analysis of decisions by Japanese investors to localize in China also has shown that there has been a spill-over effect of Japan's aid programs on direct investment inflows to China. But while Japan's ODA has acted as a prerequisite and a catalyst for Japan's FDI in China, the effect on Japan's domestic production has been a zero-sum game for Japan. The fast growing Chinese economy has served to hasten the “hollowing out” of Japan's manufacturing industries that are shifting production to that country. Still the benefits outweigh the downsides of long-term ODA, particularly in the implications for regional stability, for which Japan can take partial credit. The fact that the countries in East and Southeast Asia in general have had smooth economic development, achieved economic interdependence and general political stability, and have had a smoother transition from underdeveloped states to emerging economies with less authoritarian forms of government can be seen in part as thanks to Japan's long-term infusions of aid, trade flows, and investments in the region.

Japan's Official Development Assistance White Paper for 2009 is an eloquent statement of a vastly successful policy, even today:

“[Japan’s] grant aid to China is being implemented with its focus narrowed on: (1) areas conducive to resolving common challenges faced by the people of Japan and China such as the environment and infectious diseases, and (2) areas conducive to promoting mutual understanding and increasing exchanges between Japan and China. Also, in terms of technical cooperation, Japan is particularly focusing on projects aiming for the transition to a market economy, observance of international rules, promotion of good governance, and energy conservation. Exchanges of people can serve as an important means for transmitting Japanese values and culture to China. Based on the conditions surrounding bilateral relations, the cooperation will be conducted with appropriate deliberation from a comprehensive and strategic viewpoint.”

Along with technology transfer, China’s potentially huge market for ecologically-friendly (“green”) autos and other motor vehicles presents another precious opportunity for Japan to boost its economy. Environmental cooperation, namely, exports or local production of environmentally-friendly products and the transferring of green technologies to China will also help boost Japan’s economy. China may not want to openly admit it, but it must realize that Japan’s enormous contributions of ODA and other financing to China has mutually benefited both countries and not been a one-way street. It would be a mistake to write it off as simply “compensation” for China’s renouncement of all rights to war reparations from Japan. Therefore, despite the rocky political relationship between the two countries, both government deep-down recognize that the profitability of the Chinese market is and will be the major determinant and basis for continuing bilateral economic cooperation, though it will no longer be in the form of ODA. This trend in turn will have a significant impact on the regional economic and even political structure in the Asia-Pacific region. Japan’s influence in Asia will hinge mostly on its ability to revitalize its economy through regional cooperation, as well as the exertion of soft power, such as humanitarian aid, cultural programs, and education.

### **The Implication of the Rare-Earth Embargo**

China’s extraordinarily harsh response to the Senkakus incident shattered the DPJ’s final illusion that its pro-Beijing diplomacy would repair ties that had been frayed since Prime Minister Koizumi defied political convention by boldly visiting Yasukuni Shrine. The incident not only triggered a barrage of anti-Japan actions by the Beijing government, it led to an unexpected firming up of Japan’s alliance with the U.S. Although relations have improved since the fall of 2010, and indeed China’s sympathetic response to the massive Tohoku earthquake has ameliorated ties even more, the Senkakus row is an important reminder how potentially vulnerable the increasingly interdependent economic relationship between Japan and China has become. In retrospect, Japan’s reaction, which was unfairly faulted by domestic critics as weak-kneed and conciliatory to China, was appropriate in that it gave priority to the national interest goal of maintaining peace and stability in the region.

But for awhile after the Senkakus incident, relations between Japan and China deteriorated to an unprecedented extent, particularly when nationalistic sentiment erupted in both countries. According to a joint survey conducted by The *Yomiuri Shimbun* and a weekly magazine published by China's official Xinhua News Agency in late October, 2010, a record 87 percent of Japanese respondents considered China to be untrustworthy, while 79 percent of Chinese respondents found Japan to be untrustworthy. Moreover, 90 percent of the Japanese public and 81 percent of the Chinese public thought that bilateral relations were in bad shape. Those Japanese who felt “friendly toward China” dropped to a record low of 20 percent, down 18.5 percentage points from the previous survey in 2009.

In retaliation for Japan’s arrest of the captain of the fishing boat that rammed the Japan Coast Guard, China cancelled some high-level diplomatic visits and cultural exchanges, and scaled back tourism to Japan. But the one measure that alarmed not only Japan but the rest of the trading world was Beijing’s ban on exports of rare-earth elements to Japan – a key component in many high-tech products.

As a resource-poor country, Japan has depended on China for 90 percent of its rare-earth supply. Since China produces 97 percent of the world's rare earths, the retaliatory restriction on rare-earth metal exports to Japan caused a sharp increase in the global price of such material. Ample supplies of rare-earth metals are critical to the manufacturing of energy-efficient electric appliances and high-tech items, such as mobile phones, hybrid cars, solar panels, and wind turbines. China’s unexpected embargo was interpreted as the uncalled for use of trade as an economic weapon in the territorial dispute. It raised the awareness of Japan and the rest of the world, which began to search for other sources to line up to replace China’s commodity. To obtain adequate supplies, Japan quickly diversified its import portfolio and expanded its economic partnership with other countries, including India, Vietnam, and Australia. China’s embargo also raised alarm bells in Germany and the United States, in which pressure soon build for the U.S. to rebuild its rare-earth industry as a critical element for countries aiming for a transition to clean fuel.

### **Cooperation at the Corporate Level: China plus One Strategy**

China’s rapid economic growth has not been without costs to its socio-economy. Inflation and labor costs have soared since late 2007. The impact on corporate planning has been predictable: Japanese multinational firms have started to pursue a strategy of diversification of risk concerning the excessive concentration of production activities in China. A growing number of Japanese corporations have begun to target other Asian countries to set up production bases, and so far, up to 30% of orders have been relocated from China to other countries. This diversification of manufacturing strongholds -- known as the “China plus one” strategy – sends a signal to China that it is no longer the single most popular destination for foreign industrial

investment in the world. The beneficiaries of the new corporate strategy are such fast-growing emerging economies in Asia like Vietnam, Bangladesh, and Cambodia, all with attractive investment environments as alternate production bases for Japan and other countries looking for places to manufacture offshore.

Originally, Japan's dual hedge approach involved Tokyo balancing its reliance on America for its security with an economic strategy to heavily invest in Asia and the Middle East. Such a rebalancing tilted Japan closer to Asia, especially China, in economic terms. The result was a zero-sum game approach to international relations, under which attention to the alliance with the U.S. waned somewhat as all eyes turned toward the economic benefits of hitching up to a rising Asia. The declining influence of the West was further underscored by the global financial crisis that was launched in the U.S. but spared most of Asia.

But compared to a decade ago, the tide has changed recently, and Japan's dual hedge strategy seems now to be tilting away from China. Recent political tensions and growing distrust of China's long-term military intentions are eroding Japan's sense of commitment to growing economic interdependence with China as mutually beneficial. The new hedging strategy being promoted by Tokyo involves boosting cooperation with other newly emerging economies and resource-abundant countries. A sure sign of the shift was seen in Foreign Minister Seiji Maehara's signing in November 2010 two significant memorandums of understanding with Australia that place emphasis on it supplying rare-earth metals to Japan. Japan also resumed free-trade agreement with Australia and several Asian countries. Japan's current aggressive global trade strategy involves a new resolution to hedge itself against China. Its new interest with Australia reflects more than simply shared values and a mature relationship; it instead is the first important step in Japan's diversification strategy to lessen its dependence on China.

## **Conclusion**

Japan's long period of growing economic interdependence with China did not lead to closer political ties. In fact, in recent years, just the opposite has happened. It is as if the limit has been reached for economics to help better diplomatic relations. The recent tensions in the region and diplomatic row over a disputed territory have been a major setback for bilateral relations that started out with great optimistic hopes when the DPJ came into power in late 2009. What the DPJ government has learned for the first time how important the U.S.-Japan alliance is to Japan, still remaining the linchpin of Japan's security strategy in Asia. There is no doubt that despite the recent frictions, common economic interests between China and Japan will continue to help deepen economic corporation, albeit without the boom-like euphoria of the last decade, and both countries will continue to contribute jointly to promote regional stability. What has changed is that Japan now under the DPJ is seeking a more "reliable" political partnership with the U.S. to secure its interest of balance of power in Asia. A sound U.S.-Japan security alliance also allows the U.S. to maintain global power. The future political structure of Asia; with China's rising power, Japan's economic recovery, and the U.S. military presence, will hinge mostly on the economic and political interactions of these three great powers. Japan's hedging strategy will



allow it to minimize the risk of relying excessively either on China economically or the U.S. politically. The future of determination of stability in the Asia-Pacific region will be determined in conjunction with these power shifts – not only in terms of hard, but also soft power.

*Yimian Li*

# **BRIDGING THE GAPS BETWEEN JAPAN AND CHINA**

## **Introduction**

Since the normalization of diplomatic relations in 1972, Japan and China have developed over time a close and mutually beneficial economic relationship, which stands in stark contrast to the political relationship that in recent years has become increasingly competitive and confrontational. Bilateral ties are now often described as “hot economy, cold politics”, raising questions of how long such a skewed relationship can last and whether the leaders of the two countries can somehow find the means to bridge the growing gap, particularly after the late 2010 flare-up over the disputed Senkaku islands. This paper analyzes the nature of the widening gulf between the two Asian powers and will present possible ways to bridge them, despite the complexities of the issues that seem to be driving them farther apart.

## **Forces Driving Japan and China Apart**

On the face of it, Japan and China do not seem to mesh well on even the basic aspects of their relationship. Their social systems, economies, political systems, values, and approaches to national security are worlds apart. There seems to be little in common to bring the two societies together, and indeed the relationship since normalization of ties has been plagued periodically by conflict over such social issues as conflicting views of history, centered on Japan’s militarist past. The perennial issue of prime ministerial visits to Yasukuni Shrine, where Class-A war criminals are enshrined, revisionist school textbooks that prettify Japan’s wartime acts, war compensation, and recently, even food safety – triggered by incidents of poisonous dumplings exported to Japan – have contributed to a strong mutual distrust between the two peoples that even with recent reconciliatory steps by their leaders will take years perhaps generations to erase. Nationalistic sentiment welling up on both sides with every incident has exacerbated the situation. China’s military buildup and its creation of a blue-water navy have heightened Japanese perceptions of an imminent security threat from that country. Japan’s Defense White Paper for 2011 spends 20 pages of text detailing the military progress of China.

Polls show the deep schisms between the countries in broad relief. The 2010 survey of Japanese attitudes toward China by Genron, a non-profit organization, is dominated by strong negative impressions. In the survey, more than 70 percent of Japanese have an unfavorable image of China. Specifically, 11.0 percent said they have “an unfavorable image” of China, compared with 10.5 percent in 2009, and 61.0 percent said they have “a generally unfavorable image,” compared with 62.7 percent in 2009. Thus, the combined proportion of 72.0 percent of

Japanese expressed negative feelings about China, showing virtually little change in their image of China from the comparable figure of 73.2 percent in the 2009 poll.

When it comes to economic relations, China and Japan are much closer, reflecting a growing interdependence. However, China's status as a world economic powerhouse has brought increased competition with Japan, and accompanying Japanese worries about the rise of China weakening its influence in Asia. Along with China's increasing economic power, China has increased its military expenditures in recent years. China's unclear military intention creates anxieties for Japan, due to its own territorial issue -- the Senkakus -- and the fate of Taiwan. The absence of effective lines of communication between the political leaders of these nations further widens the gap. When summit diplomacy breaks down, Japan and China have little to fall back on. The recent uproar over the Senkakus is one example. The issue may have been blown out of proportion, resulting in a rapid deterioration of bilateral diplomatic relations, in great part because of the lack of effective communications, starting at the top of the two governments.

China, with its dynamic growing economy, is a key factor in how each of these developments has played out. The rise of China, not only economically but also militarily, has led Sino-Japanese relations into a new era, which is characterized more by conflict than convergence, as both nations pursue fundamentally similar long-term policy objectives. These goals, some competing, include sustainable economic growth, recognition as Asia's main regional power, and greater influence in international affairs. The economic benefits derived from this relationship are important to both countries, and awareness of that reality is therefore likely to prevent the occasional dispute from deteriorating seriously.

This paper contends that Japan has continued to pursue a diplomacy of some rigidity that has contributed to the current uneven state of Sino-Japanese relations, and that has left Japan unable to adjust to the current challenges it now faces from China. In a sense, Japan's relationship with China helps to outline its role and identity in Asia, enhance Japan's ability to become a more equal partner in the U.S.-Japan alliance, and finally give it a broader identity in the international community. The current generation of leaders in Japan would like to see their country take a more assertive and proactive role in foreign affairs, starting in the neighboring region. The constraints they face include a foreign policy model adopted more than 50 years ago and still influenced heavily by it, namely, the Yoshida doctrine. Under that model, Japan has focused too heavily on exploiting economic opportunities while paying little attention to the development of close political relations. The worst case scenario was the period of sour relations with China under the administration of Prime Minister Junichiro Koizumi -- once summitry collapsed, there was little to fall back on. But Japan's diplomacy has also been undermined by its failure to resolve to the satisfaction of Asian neighbors the negative legacy of World War II and memories of Japan's military past.

Japan has had its opportunity to move forward as political leader in the region, based on major international developments over the last two decades that have forced the government to reassess foreign policy objectives. Two goals now in place involve maintaining a leadership role in Asia, and becoming internationally recognized as an "equal partner" with the U.S. in its alliance relationship. The five factors that have ushered in change in Japan's diplomatic stance are: 1) the impact of the ending of the Cold War on Japan's strategic role in Northeast Asia; 2) China's rapid rise to become Japan's chief competitor in Asia economically and politically; 3) Japan's long recession after the bubble economy burst in 1990; 4) changes in American security

priorities and strategies after 9/11 and the long war on terror; and 5) the U.S. subprime crisis and the global economic downturn.

Japan recently has sought to reestablish itself as peace-seeking nation in the international community. It has tried to use this image to help it pursue economic opportunities that will help it exit from its prolonged economic recession. But the one country that refuses to acknowledge Japan's peaceful image is China. Hence, the "cold" political relationship with China has overshadowed "hot" economic ties. Nonetheless, the two countries in reality are pursuing similar goals and share similar interests, such as energy security, greater political and economic influence, and building a strong national identity.

### **The Nationalism Barrier**

China and Japan are fully aware of the importance of their growing trade and investment ties on their economic growth. The volume of trade flows between the two countries is phenomenal. China has replaced the United States as Japan's largest export destination, absorbing almost 20% of Japan's total exports. In 2007, China surpassed the U.S. as Japan's number one trading partner, with a record trade flow of \$237 billion. To prevent political issues from derailing such a prosperous relationship, Japan and China agreed to work together to construct a "mutually beneficial relationship based on common strategic interests" during then Prime Minister Shinzo Abe's visit to China in October 2006. The visit and the new commitment indeed raised the bilateral relationship to a higher level. But ties remain fragile, as seen in the recent spat over the Senkakus. Why have both sides sometimes appear eager to provoke each other and risk undermining their current and future economic prospects? True, both countries always pull back from the brink after a period of friction, but could not such clashes be prevented or avoided?

One of the contributing factors is nationalism, on both sides. A surge in anti-Japanese sentiment in China usually means widespread anti-Japanese protests. Violence has even occurred as during the 2004 Asia Cup soccer finals between China and Japan in Beijing, and the Japanese ambassador's residence was attacked by rioters in early April 2005. Such incidents stem from periods of unbridled nationalism in China. The Japanese rarely protest these days, but it is common to see China slammed in emotional terms in conservative media circles. Even mainstream media in Japan can become nationalistic in tone, such as reactions to the Senkaku row, when even leaders of the pacifist Japanese Communist Party were red-faced with anger at China's responses. China's military moves in neighboring waters, coupled with North Korean provocations and that country's nuclear and missile development, have added fuel to Japanese nationalist sentiments, with conservatives calling for a stronger and even more independent Japanese military posture and revisions to the peace constitution. The DPJ government has abandoned such a course – reasserting a liberal bent in Japan's foreign policy and vowing that its leaders will never set foot in Yasukuni Shrine again – but it has not been immune to the forces of nationalism when provoked by its prickly neighbor.

Until the DPJ came into power and made special effort to replay the regrets stated in the past regarding Japan's wartime aggressions in Asia, previous LDP administrations seem to

afflicted by a kind of “apology-fatigue”, claiming they done enough to make up for past acts. During the 2000s, there was a period of backlash against China for berating Japan constantly on the historical issue. Revisionist views that Japan had really did not do that much harm on the continent and even rescued Asians from Western imperialism raised fears in China especially that Japanese militarist thinking was on the rise. That most Japanese were oblivious to such radical views did not seem to matter. But some Japanese were convinced that their country was being treated unfairly by China and that its economic contributions over the years were being ignored. Such a mood resulted in a growing stubborn pride among the public and as a resulting unwillingness by the government to be seen as giving in to Chinese demands.

The historical gap between the two countries definitely complicates Sino-Japanese relations, and even though the DPJ government has taken steps to assuage Asian sentiments on the wartime issues, the history card that China can use is always ready in case Japan is perceived as backtracking on its related commitments. One point at issue, not well-known among the Chinese people but a big concern for Japanese, are allegations that Chinese immigrants or illegal entrants are committing an increasing number of crimes in Japanese society. Add this to the food security problem, which is still fresh in Japanese memories, and the result is a still greatly negative Japanese perception of China, as seen in many polls. Though younger generations of Japan feel unconnected to the historical problem, it is not enough to simply say that such will eventually be washed away by time. By contrast, nationalistic education has been strengthened in China. The youth, who never experienced war, carry even stronger hatred toward Japan than their ancestors. Nationalism thus remains a major hurdle for the Sino-Japanese relationship that must be addressed and overcome.

## **The Security Barrier**

Closely tied to the nationalism challenge of Sino-Japanese relations, military expansion is becoming another source of friction. The ongoing military expansion and mutual sensitivities and threat perceptions are deteriorating the relationship between China and Japan. This issue clearly increases the chances that Beijing and Tokyo may be entering a malicious cycle of hostility and suspicion that could, if left unchecked, have far-ranging consequences beyond the state of their relationship. The key security concern for China undoubtedly remains the significant U.S. presence in Northeast Asia. As the major American ally in the region, Japan figures prominently in China’s security calculations.

The U.S.-Japan alliance is a dilemma for both China and Japan in that it offers advantages and disadvantages for both countries. In China’s case, it is clear that the Communist Party would prefer a smaller U.S. presence in Asia. The U.S. remains China’s only significant military threat in the region, and is of particular concern to China and its plans for Taiwan. Japan is the only Asian power with the capacity to threaten China’s regional military dominance, and Japan’s potential for further independence in the region’s security environment further complicates the issue of the U.S.-Japan alliance for China. In Japan, scholars view the U.S.-Japan alliance as the strength of Japanese foreign policy, whereas its weakness is Japan’s lack of a strong independent military.

To Japan, the most obvious security threat in Northeast Asia at the moment is North Korea. But a less overt, and potentially more dangerous, threat to the region's stability is developing as a consequence of Japan and China's escalating political tensions. Under the Democratic Party of Japan (DPJ), Japan has struggled to reconcile its own ambitions within the current conditions of the U.S.-Japan alliance and will most likely need to reconsider the dependency on the U.S. it currently maintains. The most significant threat to regional stability in the Asia-Pacific remains the possibility of a Chinese response to Taiwanese moves towards independence. But growing competition between China and Japan over access to energy supplies is now providing additional scenarios, capable of igniting military conflict.

Many Japanese, if not all, believe that China is a clear threat to Japan. According to some Japanese scholars, Japan has three major reasons to fear China. First, the size of China is overwhelmingly large. China's population and influence are much larger than any of its other neighboring countries. Although the number of Chinese residents in Japan, including both short- and long term stays, has increased tremendously over the past two decades. Japanese people do not see this as a wholly positive development. As an islander country, Japan is mostly afraid of being transformed by foreign cultures. Second, Japanese people believe that China traditionally carries the "middle-kingdom" mentality. As China's economy rapidly grows, it is regaining its "center" position, and this deeply worries Japan. Last, Japan sees China a non-democratic country. The Chinese Communist Party has great power over the country, creating the perception that China could declare war overnight. Because Japan is constrained by its constitutional limitations on the use of force, Japan is fearful of China. Based on the above analysis, the U.S.-Japan alliance is still valuable to Japan from a psychological perspective, as well, for it provides Japan with some peace of mind in an increasingly complex and threatening external environment. In this sense, the alliance assuredly will remain vital to Japan for the foreseeable future.

In the current situation, the major security factor for both countries is the U.S.-Japan security alliance, which has remained at the core of Northeast Asian security since its inception in 1960. China views the alliance as a major security concern, and has repeatedly stated that it regards itself (and the threat of an attack from China on a misbehaving Taiwan) as the rationale for the alliance's continued existence. China's perceived threat to U.S. interests continues to be reinforced by policy advisors and commentators. For Japan, the alliance is the major pillar of its national security and political relationship with Washington; it is also, in its current form, an obstacle to Japan's aspirations for a more independent regional and global identity. The enlargement of Japan's military activities and responsibilities - as for example peacekeeping in Cambodia and its support role in Afghanistan and Iraq - has to date only prompted sustained criticism from China.

By the turn of the century, with Japan feeling isolated and lacking in confidence, its ongoing image as a junior partner in the security alliance with the U.S. rankled among Japanese policy makers and the public. Embarrassment among many Japanese over domestic incidents involving U.S. service personnel and unresolved issues, particularly Okinawa, has caused many Japanese to express their dissatisfaction over the current alliance arrangements. Considering both Sino-Japanese and U.S.-Japan security relations, we can conclude that Japan struggles with its foreign policy making.

Some Chinese scholars believe that on one hand, a more independent Japan could be seen as an opportunity for China to undermine American power and influence in the region. At the same time, China could use such an opportunity to forge closer ties with Japan, while obviously preferring Japan to be the junior partner in a China-led regional economic community. This view, however, is somewhat unrealistic and cannot explain why Tokyo would not just remain a competitor with Beijing instead. The view among some Chinese analysts is that the U.S.-Japan alliance is 'keeping the genie in the bottle'. This appears to reflect China's current position and attitudes towards Japan. However, even this seemingly straightforward perspective is more complicated than it first appears.

Japanese and Chinese perceptions of the U.S.-Japan alliance, then, are focused on many of the same issues but raise quite different problems. The U.S., for its part, needs to be mindful of these concerns, if it is to maintain the alliance in a way that neither threatens China, nor its neighbors, with the prospect of a militarily resurgent Japan. Stable relations between these three countries clearly are critical for both regional and global stability, particularly at a time when the U.S. is risking military and economic overstretch.

Perhaps the biggest challenge to Sino-Japanese relations is that of energy security. The two nations are both gaining access to reliable oil and gas supplies. Neither country is gifted with adequate energy resources, making both economies heavily reliant on external sources. Securing and maintaining a supply of energy imports is therefore crucial for both countries in order to continue developing their economic and national security interests. Indeed, building and maintaining economic growth is critical for both governments, so as to avoid domestic instability.

In 2004, the waters around the Senkaku/Diaoyu Islands served as the location of a dispute over Exclusive Economic Zones (EEZ), demarcation and the rights to oil and gas reserves contained within. China has already begun the development of gas reserves in an area close to Japan's claimed EEZ boundary. Tokyo has responded by demanding evidence that the Chinese operation is not tapping Japanese reserves, and by commencing its own development with test drilling. The Japanese government indicated the importance of the disputed reserves by tripling its 2005 budget for energy exploration in the East China Sea from 3.8 billion yen to 12.9 billion yen. The islands issue, with its prize of potentially huge oil and gas deposits, is now a matter of national pride for both countries, as demonstrated by the regular clashes between Chinese protestors and the Japanese Coast Guard. There is, therefore, little chance of either side backing down. On the contrary, an escalation of the dispute and further damage to Sino-Japanese relations now seems the most likely short-term outcome.

With China increasing its military expenditures to modernize its army and Japan's announcement of a new set of national defense program guidelines aimed at reinforcing an already significant military competency, there are fears in the regional media of an arms race developing in Northeast Asia. Such concerns may be unwarranted – Japan's defense spending is less than 1% of GDP and budget cuts are envisioned, particularly after the massive earthquake destroyed a large area of northern Honshu – but certainly the capabilities exist for conflict should the Senkakus, for example, become a flashpoint again. Still, one would hope that the two countries would challenge their energies not on sizing up their military power vis-à-vis each other, but on facing the common economic challenges as their interdependence and by extension, regional integration grows.

## Economic Relations

The fact of the matter is that despite tense political relations between Japan and China in recent years, the two countries unexpectedly continued to deepen their economic ties, as part of the overall economic integration of Asia as a region. In that context, rivalry has ensued, with China keen to assume regional leadership, taking the initiative to negotiate and sign a free trade agreement (FTA) with ASEAN as early as 2001. Since then, Japan has appeared to be playing catch-up diplomacy with the ASEAN nations in an effort to counter China's ambitions in the region.

Japan's postwar efforts to rebuild and expand diplomatic and economic relations with the nations of Southeast Asia have generally been a success story. The skilful use of foreign aid, trade, and investment by successive Japanese governments has largely managed to remove the stigma of Japan's wartime aggression. Japan's close diplomatic and security relations with the U.S. have also given Japan legitimacy in the region, reinforced in recent years by its broad ties with other Western allies such as Australia. But there has been a price to pay for allying too closely with the West and tilting too much to the U.S.: Japan has seemingly lost its identity as an Asian nation and weakened its commitment to regional development. Its own economic woes have contributed to the perception. Uncertainty has grown in Southeast Asia in particular about Japan's waning ability to drive economic growth and development, as seen by Japan's declining levels of trade and investment in the region in recent years. The result has presented trade and investment opportunities for China.

Such rivalry in the region does not necessarily lead to a future military showdown between the two powers, as nationalists tend to predict. Despite suspicions between the two governments over China's military build-up and Japan's potential remilitarization, there is little evidence to support the view that a military confrontation between the two countries is inevitable in the near future. The economic stakes that each country has in each other and in the region are too high to allow potentially volatile issues, such as the territorial dispute, from dominating the agenda. Economic growth will remain the overall priority for both countries and neither government can afford, politically or economically, the consequences of military action, even a small skirmish. As the level of economic interdependence grows, the possibility of military conflict diminishes. Although scenarios can be posited – a flare-up between China and Taiwan or an energy-related dispute in waters between China and Japan -- the possibility of either scenario being played out remains low, given the huge consequences for China, Japan, and the region. The priority focus then for both countries will be on preventing military conflict, such as confidence building measures, defense exchanges, security dialogue, and trilateral approaches with the U.S. Since the global economic downturn, Japan has been struggling to recover its economy, and the recent massive earthquake has only added to the challenge. China, too, seems to have only the health of its economy on its collective mind. It is only logical to conclude that



for the near to foreseeable future, the two countries will focus on their economic cooperation rather than on magnifying the existing gaps.

As China recently took over Japan's position as the second largest economy in the world, Beijing is now eager to change its low-wage and export-led growth model. One of the problems the Chinese economy is facing is the manufacturing sector's reliance on low wage costs for its competitiveness, and low investment levels in research and development. This approach has made China extremely attractive as a production site for foreign companies, and has led to China becoming Japan's biggest export destination. At the same time, however, it does little to help Chinese products compete domestically and internationally against foreign brands. China's heavy dependence on foreign investment for its trade growth also exposes the compelling need for the Communist Party to avoid any kind of confrontation that could disrupt the country's reliance on trade or cause existing capital flows to suddenly dry up. While China wants to absorb more technologies from Japan, Tokyo is afraid that Beijing might "steal" its technology and remove Japan's comparative advantage. Other trading battles, such as the rare earth incident, have served to lower levels of trust between the two countries and undermined the Sino-Japanese relationship. China seems to be aware of its recent tactical mistake on the trade front, which had global consequences, and is taking steps to reboot confidence in itself as supplier.

## **Conclusion**

The future of Japan-China relations, though complex, is likely to continue to be a productive one. As this paper has argued, over the short-to-medium term, bilateral economic ties are likely to remain "hot" and continue to provide both governments with enough motivation to constrain tendencies of mutual hostility. Leaders, intent on preserving a strong economic commitment by each side, will likely resist the temptation to submit to transient political issues that might cause the still delicate relationship to deteriorate further. The challenge will be how to overcome the contradiction of economic interdependence and mutual suspicion. The internal clash is affecting Japanese diplomacy and international identity in much the same way that external forces and crises historically have shaped the outlook and actions of Japan's leaders. In other words, the political uncertainty, symbolized by frequently changing Japanese leaders and policy stances, have brought uncertainty among Chinese leaders, who consider it difficult to establish long-standing relationships with a musical-chair like parade of Japanese leaders.

Japan's diplomacy over the long run has evolved slowly rather than changed radically. Regardless of whether the LDP or DPJ are in power, little has changed in terms of Japan's objectives and strategy during the postwar period. The postwar period is characterized by a heavy reliance on the alliance with the U.S. for security and strategic direction, coming to terms with Japan's militarist past, albeit with some ambiguity, and a single-minded pursuit of economic and business interests while maintaining a minimum necessary capability for Japan's defense. The three elements form the core of postwar foreign policy. These priorities remain high today.

Japan has an easy task if it intends to fill the gap between China and Japan related to economic ties. The security gap obviously cannot be easily resolved, but it can be managed better than it has been. The gap in social viewpoints, affected by nationalistic sentiments on both sides and biases that distort the facts, may be the hardest to change. It will likely take generations to change the mindsets and fixed ideas among people in both countries. Sino-Japanese relations have always been top heavy, relying too much on summitry between the leaders to keep relations on course. Pursuing better communications at all levels between the two countries will help improve mutual understanding and erase stereotypes. Chinese and Japanese scholars have long suggested that Beijing and Tokyo should set up hotlines between both military and political leaders. The two governments also should encourage more open and direct talks in academic and media circles as an important step toward mutual understanding. Such steps may not solve all the problems but will certainly help create a better environment for tackling them.

*Yanan Wang*

# **JAPAN'S ROLE IN REGIONAL ECONOMIC INTEGRATION – REBALANCING POWER WITH A WEAKENED JAPAN**

## **Introduction**

With China replacing Japan as the largest Asian economy in 2010, Japan is at both an economic and political crossroads. Real GDP growth was sluggish for most of the early 2000s and exhibited a sharp fall following the 2008 financial crisis. Although Japan's economy recovered somewhat – prior to the March 2011 earthquake that devastated the Tohoku region – its export-led growth policy is challenged by the strong yen, rising oil prices, and weakened demand from the U.S. and other major Western trading partners. The ruling Democratic Party of Japan (DPJ) has introduced a new economic policy that lays out an array of avenues for growth, including pursuing regional trade liberalization, including possibly joining the U.S.-led Trans-Pacific Partnership (TPP). The challenge, however, is whether these avenues will actually stimulate growth, revitalize the economy, create jobs, and stem the tide of mounting government debt.

The health of the Japanese economy has significant implications for its relationship with East and Southeast Asia, specifically the Association of Southeast Asian Nations (ASEAN). The “economic miracle” and role model for Asia in the late 1960s, Japan was also a source of capital and aid for developing nations in the region. For most of the past decade, Japan has been the leader of regional initiatives such as the attempted Asian Monetary Fund and its successor, the Chiang Mai Initiative (CMI). The DPJ's first Prime Minister, Yukio Hatoyama, was a significant proponent of re-aligning Japan towards a more Asia-oriented foreign policy. Although his successor, Naoto Kan, has tilted Japan back toward the U.S., in part for security reasons, long-run discussions are pointing to the inevitability of growing economic regionalism. Examples of this development include the annual East Asian Summits (EAS) and the development of an Asia-wide free trade agreement (FTA). Such regional efforts, though, are complicated by periodic security and territorial tensions between Japan and China. For Japan, the challenge is to smoothly meet China's emerging regional dominance and assertion of political power, while recognizing its own domestic limitations.

Asian regional economic integration is occurring in two different markets: the goods and services or free-trade market, and the financial markets. The theory of economic regionalism was the brainchild of economist Béla Balassa, who set the stages of economic integration to include FTAs, customs union, common market, economic and monetary union, and finally a political union. The European Union (EU) is the key example of this framework's progression, which first integrated the goods market, and then the financial market. The concept of a regional Asian economy, such as Hatoyama's still-born East Asian Community (EAC), demonstrates a nascent desire in Japan to pursue this goal. The concept remains, however, in the theoretical realm, for various inhibitions exist in Japan – particularly within protected portions of its domestic economy – and the East Asian region.

Despite having slipped to being the number two Asian economy behind China, Japan still far surpasses other countries in the region. For example, its economy is over two-and-a-half times larger than all ten ASEAN countries. Japan also remains the largest developed economy in Asia, with one of the highest GDP-per-capita ratios, second only to Singapore's. Although its domestic economy may be suffering from sluggish growth, Japan remains a major player in Asia whose wealth and influence cannot be disregarded. Still, Japan must now contend with an influential rising China and an increasingly affluent Southeast Asia. Compared to prior decades, when Asian economies were dependent upon Japanese investment and aid, power dynamics have shifted. Japan must now look to Asia as a critical source of growth.

This paper will first examine Japan's domestic economic challenges and evaluate the current Kan administration's economic growth policy. From there, the analysis switches to Japan's external economic policy, focusing on regional economic integration and trade liberalization. It concludes with discussion of Japan's future options within the region.

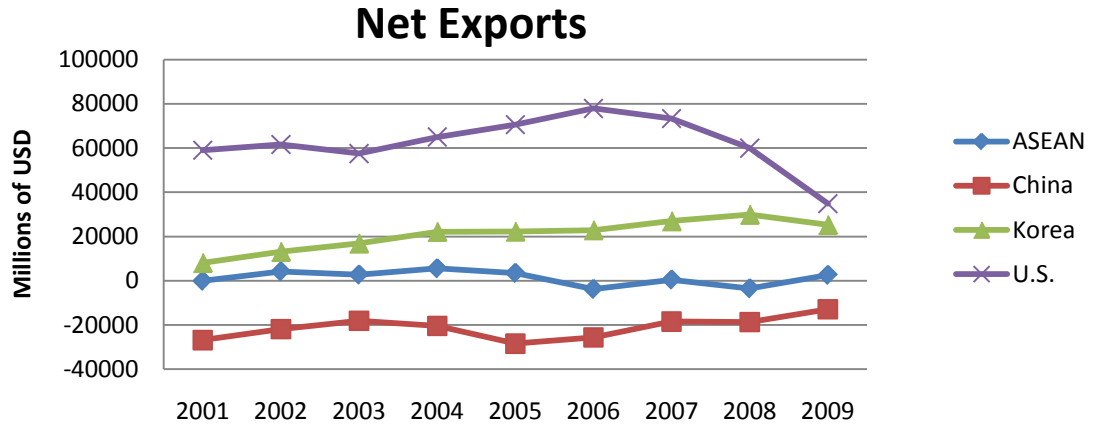
Country	Nominal GDP in Billions of USD (2010 Projected)
China	5745.13
Japan	5390.90
Korea	986.26
Indonesia	695.06
Thailand	312.61
Malaysia	218.95
Singapore	217.38
Philippines	189.06
Vietnam	101.99
Myanmar	35.65
Brunei	11.963
Cambodia	11.36
Laos	6.34
ASEAN	1800.35

Source: IMF WEO database

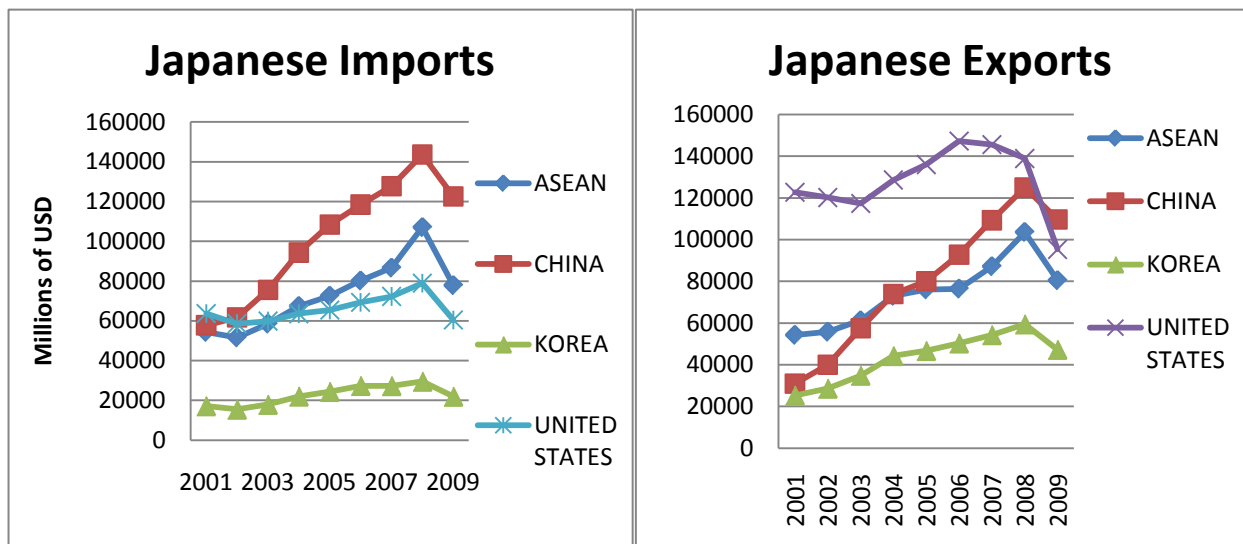
## **International Outlook Regional Economic Overview**

The past decade has seen a steady increase in Japanese two-way trade with the countries of East and Southeast Asia. While trade with individual Southeast Asian countries may not be that significant, in aggregate terms, it is huge, with ASEAN being Japan's second highest source of imports and almost overtaking the United States as the destination of Japanese exports. China, however, is both far and away Japan's trading partner.

Japan's trade with its Asian neighbors has generally increased over the past decade, with the exception of the period following the 2008 financial crisis, when exports and imports to and from all of Japan's major trading partners fell, as demonstrated below.



Japan's trade figures recovered in 2010, with Asia's demand for capital stock comprising roughly 30% to Japan's exports. Previously, over the past decade, exports to Asia were not the driver of the Japanese economy. Instead, Western demand filled that role with net exports, or the overall positive trade balance, as the driver. As demonstrated in the graph on "Net Exports," Japan's trade surplus with the U.S. exceeds its balance with Asian countries. While Japan's trade deficit with China has been decreasing since 2005, it still remains negative. Clearly trade is a critical supporter of Japan's domestic economy.

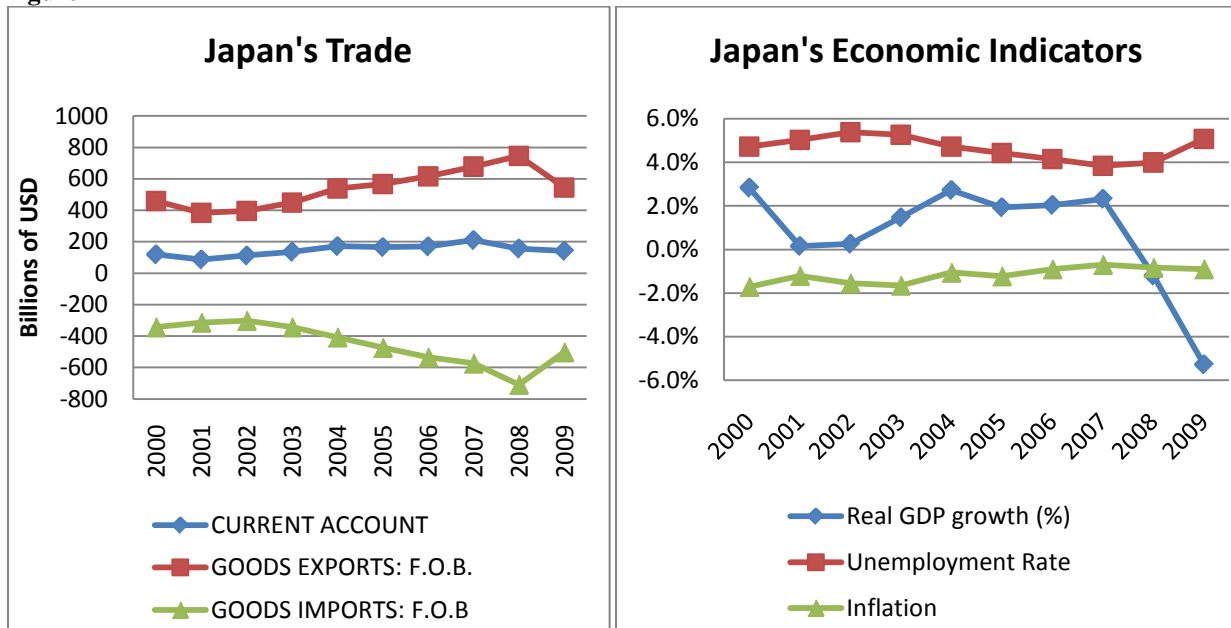


# Domestic Economy

## Overview

Japan's domestic economy has remained relatively stagnant over the past decade. Key problems include unemployment rates remaining consistently between 4-5%, and real GDP growth averaging a mere 1% over the past decade, reflecting a persistent deflation problem (See figures below). During the financial crisis of 2008-2009, Japan's economy even demonstrated real negative growth. Japan's steady price deflation acts as an incentive for savings rather than investment. The deflationary spiral has also contributed to the strong yen, with foreign investors seeing the yen as an attractive choice. Although Japan has experienced a steady increase in its current account balance, driven by exports, the overall drop in the global economy also led to a decrease in the demand for exports in 2009. Japan's exports recovered in 2010, thanks to Asian growth, but the earthquake disaster has seriously affected growth in 2011, complicating the serious challenges the domestic economy already is facing.

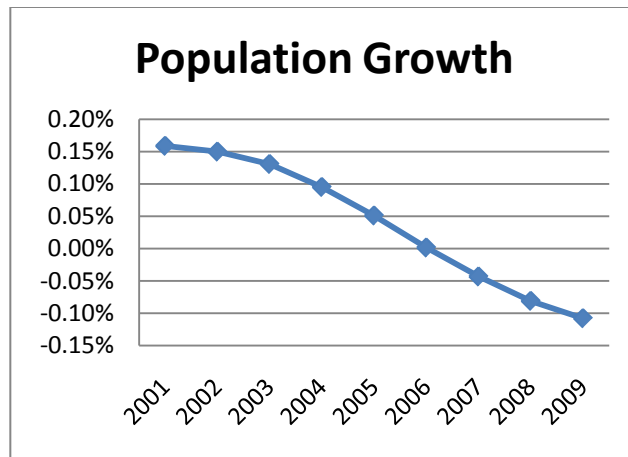
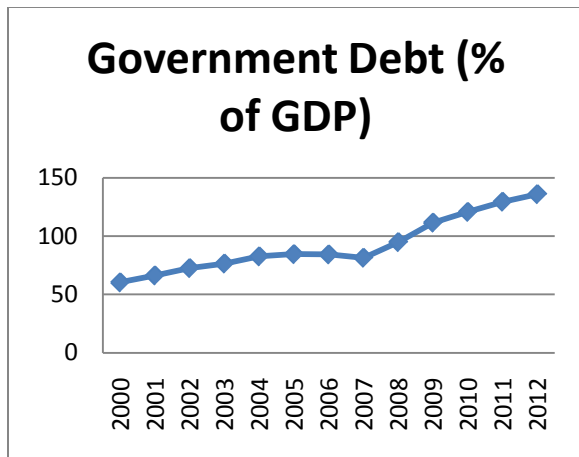
Figure 1



One of the challenges, not easily tackled, is the enormous national debt Japan faces, now at 200% of GDP. It is among the highest of all the developed economies. More and more of the annual budget is going into servicing the debt. Moreover, despite, or perhaps because of, the increasing demand for the yen, Japan faces an increased sovereign risk. This will not happen immediately but over the long run, when the national debt rises above the relatively flat rate of total household savings – stagnant due to the rapidly aging society and other demographic factors.

Japan has been running a current account surplus, dominated by returns from overseas investments, that has helped the economy overcome weak domestic demand. The government would like to strengthen domestic demand to boost GDP growth and thus help mitigate the size of the debt. The DPJ has been unable so far to decrease government expenditures, despite cuts to such accounts as ODA, due to the growing gap between government spending and sluggish revenues. An exercise in government screening of the budget to cut programs was showy but far from successful in making significant cuts in government expenditures. Another problem becoming critical is the strain on social security that the aging population will place. One inhibitor of growth is the regressive tax system, particularly the corporate tax (over 40%), which is among the highest of the industrialized economies, or the rest of Asia (around 25%). The government lowered the rate by 5% and promises eventually another 5% cut, but these measures are deemed insufficient. The option of raising the consumption tax to pay for social security is seriously being considered, but such if done while the economy is still vulnerably weak runs the risk of limiting consumption and further dampening economic growth.

The domestic economy has limited options for growth, both from the demand side and the supply side. From the demand side, given the aforementioned decreasing population and high government debt, Japan's future consumption and government spending will inevitably decrease. Future demand will have to continue to come from net exports and overseas investment. From the supply side, Japan's population growth rate has been on a steady decline over the past decade, and the entire population has been shrinking since 2006. In an interview, economist Robert Feldman of Morgan Stanley highlighted the critical relationship between labor productivity and living standards. As the overall labor force continues to fall, at an estimated 0.7% rate, overall output will fall. Japan's standard of living will fall therefore as its population ages, unless the government and business sector are able to introduce measures and techniques, respectively, that will significantly improve labor productivity.



Source: International Monetary Fund, World Economic Outlook

### *The Current Growth Strategy*

Japanese policymakers are facing the urgent challenge of how to grow the Japanese economy. The DPJ won a landslide victory over the long-term ruling party, the Liberal Democratic Party (LDP) in the August 2009 Lower House election. The LDP had been in power since 1955, with the exception of 1993-94. On key factor explaining the DPJ's sweep was the public's frustration with the way the LDP was running the economy, resulting in "the two lost decades" of recession or sluggish growth. Yet when it arrived in office, DPJ lacked a clear growth strategy to tackle Japan's domestic issues only a scattered bunch of campaign promises. But Prime Minister Yukio Hatoyama was only in office for nine months before resigning due to an unpopular decision on a contentious U.S. base relocation issue and a personal scandal over illegal political contributions he had received. He was then succeeded by Naoto Kan, who remains in office as of this writing. Kan, too, has fared poorly in the eyes of the public due to a series of policy blunders, including his handling of a ship-ramming incident in waters near the Senkakus, small isles under Japanese administration but claimed by China. The Kan cabinet has suffered from plummeting ratings in the polls, with support down by half in recent months to about 22%. Many fault the Prime Minister for a lack of leadership, including his recent handling of the great Northern Japan earthquake, tsunami, and nuclear plant triple disaster. The disapproval rate has been running at about 60%. The Kan administration in the eyes of the public just cannot seem to make the right decisions on the economic and foreign security fronts.

In June 2010, the Cabinet finally issued a new growth strategy, penned by the Ministry of Economy, Trade, and Industry (METI). An earlier version issued by then Prime Minister Hatoyama was put together in two weeks and deemed inadequate. Kan during his time as Finance Minister under Hatoyama initiated the drafting of a more comprehensive new strategy. It



was unveiled about the same time Kan became prime minister. It has been endorsed by the Cabinet and is now being implemented. The stumbling block for much of the plan is the lack of a budget and concomitant funding for the strategy. It is therefore being implemented in bits and pieces. Criticism of the plan goes beyond finding money to promote it. It has been blasted for setting targets that are seen as too limited and insufficient to seriously grow the economy. Others complain that the strategy fails to target the true issues facing the Japanese domestic economy, such as deflation or the supply-demand gap. The plan identifies seven target areas for economic growth:

1. Technologies and industry sectors for “green innovation”
2. Revitalizing the healthcare and social security sector for “life innovation”
3. An Asian economic strategy that will assist countries struggling with rapid “urbanization and industrialization as well as the accompanying environmental problems”
4. Tourism
5. Science and technology
6. Employment and human resource strategies
7. Develop the financial sector

The (pre-earthquake) targets are cumulatively supposed to achieve average real economic growth in excess of 2% between 2010 and 2020. The presumption was that the previous decade's trend of approximately 1% annual growth would be built on, but growth during the 2000-2007 period was export led. When exports plunged following the financial crisis, the economy had nothing to fall back on. Demand from the U.S. and Europe is unlikely to recover that quickly to pre-crisis levels, and critics have pointed out that the DPJ administration cannot expect the economy to even reach 1% average annual growth over the long term in the absence of good policy.

The DPJ government also has set the objective of reversing deflation and experiencing positive increases in price levels by fiscal year 2011. Needless to say, the earthquake disaster has derailed that goal. Over the past decade, Japan has been unable to extricate itself from a deflationary spiral, with prices decreasing 1-2% annually. The Bank of Japan (BOJ) sets monetary policy, not the party in power. Given that the BOJ has a high degree of independence, the DPJ's goal in the new growth strategy is unrealistic. The BOJ is now pursuing an expansionary monetary policy, through the purchasing of additional bonds. But expanding the money supply is not a new policy, and even the BOJ itself realizes that monetary policy is not enough to combat the underlying drivers of deflation.

The more specific growth strategy targets may be overly ambitious. For example, one target is to increase the number of foreign visitors by 2020 to 25 million. This would theoretically bring 10 trillion yen into the economy and create 560,000 jobs. The DPJ government's argument is that Asia's rapid economic growth will lead to increased travel to Japan as tourists with much spending money. But relying on tourism to bolster the economy is a risky business. Many of the anticipated tourists would come from one country, China, which could turn fickle and turn off the flow at any time. It is only common sense to assess tourism as a

flawed strategy for pursuing economic growth, for such is highly susceptible to shifts in international politics and economic situations.

The third target – “Asian economic strategy” – is predominantly a continuation of the strategy of the LDP and the bureaucracy to promote trade liberalization. Though this will be discussed below, the DPJ believes it can do better than its predecessor in this area. For example, Kan has come out for Japan joining the U.S.-led Trans-Pacific Partnership concept that will reduce trade barriers across the board among the participating countries. The DPJ believes it is more committed in depth than the LDP to an “open Japan” and its willingness to reform domestic sectors in order to liberalize trade. It has already joined the aviation sector’s Open Sky regime.

The DPJ’s “New Economic Growth Strategy” faces significant challenges. Although it attempts to promote various targets and identify areas for economic growth, it skirts the underlying structural economic problems, such as the aging society and the shrinking labor force. The high government debt will crowd out the money supply and inhibit the amount of funding for projects associated with the DPJ growth strategy. More importantly, the plan is vastly unpopular with the public, with polls showing up to 83% of the respondents faulting Kan for not “properly responding to the current economic situation”. The strategy also could be short-lived, for if the current DPJ leadership changes, the entire plan might be pulled back or revised.

### **International Impact: Asian Regionalism and the DPJ**

As evidenced by the third target of the New Growth Strategy, the incentive to capture Asia’s growth and growing demand is at the top of Japan’s priorities. This may seem like a likely target of opportunity, but achieving it may not be that simple. Japan’s position in the region has changed significantly in recent decades. Japan’s private sector is a key source of investment in Asia, and the Japanese government’s policies for the region are largely trying to play catch up for the private sector integration that has already taken place. Regional integration is taking place because of the countless number of business transactions among Asian countries. Japanese businesses have already shifted a significant amount of their production to China and Southeast Asia, where labor costs are cheaper. As discussed earlier, a roadmap to achieve complete economic integration, such as the EU, does not exist. Even more so than the EU, Asian countries are made up of widely divergent political and economic systems, cultures, and histories.

Although Japan remains the largest developed power in the region, and clearly has a leadership role to play, China has also been expanding its political and economic presence. It can play a balancing role if it wishes, or a potential spoiler role, depending on its current disposition. While Prime Minister Hatoyama’s agenda included increased financial and trade integration

through the East Asian Community concept, it is not clear where his successor stands on such a scheme. The Kan government, however, has been positive about opening the region and not making it more exclusive, as seen in its commitment in principle to joining the Trans-Pacific Partnership (TPP) initiative, now being negotiated

### ***Background: Asian Regional Developments***

Japan's presence in East and Southeast Asia has been complicated by its historical track record in the region. Asian countries still remember the legacy of World War II, shaped by Japan's advances and aggression before and during the war. Japan's inability to satisfy China and Korea with adequate apologies and compensation for its wartime and colonial actions has limited its ability to assert political leadership in the region during the postwar period, despite its unrivaled economic strength. Postwar Japan has been classified by political scientists thus as a "reactive state", given its failure to proactively undertake major independent diplomatic initiatives while relying instead on prodding from outside pressures. True, Asia would have resisted any attempts by Japan to act in a hegemonic way after the war, and Japan was aware of that reality in crafting its foreign policy. Still, Japan admittedly remained highly resistant to taking an "active" role and, content with U.S. military protection, focused solely on economic growth and overseas development assistance.

Such a tendency to react can be observed in the realm of economics, as well. During the postwar decades when much of the world engaged in breaking down regional trade barriers through the GATT system, and such developments emerged as the North America Free Trade Agreement (NAFTA) and the EU, Asian governments, with the exception of the formation of ASEAN, did not exhibit much inclination to follow suit. Instead, economic regionalism over time took place informally through the efforts of the private sector.

As the dominant economic power in Asia, Japan during its high growth period was perceived with distrust. Asian countries feared that a rising Japan would result in some form of regional domination in the end. As Japan's economy developed and it sought first-world status, it continued to leave its regional neighbors far behind. In 1975, Japan joined the G7 as one of the most developed nations in the world. With a strong domestic economy that exported enormous amounts of goods to the West, Japan felt it did not need Asia for its growth, and it oriented its foreign policy accordingly.

When Asia finally began to pursue free trade agreements (FTAs), Japan initially avoided such entanglements, believing that free trade should be pursued exclusively through the World Trade Organization (WTO), the successor to the GATT. FTAs were considered a less efficient means of pursuing trade liberalization. Eventually, Japan realized that it instead was being left behind and began to compete with Asian neighbors to sign as many pacts as possible, taking care to leave out sensitive areas such as agriculture when negotiating the agreements.

Relations between Japan and Southeast Asia strengthened first in the 1970s and 1980s as Japan pursued a policy of “soft power” in the form of enormous quantities of development aid to that region. Japan’s close relations with ASEAN that started in the mid-1970s is a testimony to an effective strategy that balanced economics and diplomacy in a mutually beneficial way. Japan also impressed the region following the 1997 financial crisis in Asia, ushering in a constructive role for regional financial institutions and launching a currency swap mechanism that remains relevant. Japan has continued to take steps towards strengthening such institutions as the Asia Development Bank over the past decade.

As discussed above, as Japan's domestic economy floundered during the past two decades, Asian economies have grown by leaps and bounds, with China now outpacing Japan as the number two economy in GDP terms in the world. With the DPJ coming into power, Japanese policymakers finally have recognized the need to look beyond the West for sources of economic growth, and Japan is now deepening its economic ties with Asia where it already has established complex production networks through years of direct investment.

### *1997 Asian Financial Crisis*

The 1997 Asian financial crisis, set off by a run on the Thai baht, proved to be a critical turning point in Asian economic cooperation, both in the financial market and manufacturing sector. In particular, the West’s inadequate response to regional meltdown greatly embittered affected Asian countries and convinced them to look to regional cooperation mechanisms instead. While the crisis did not hit Japan directly, it propelled it to assume a greater leadership role in the region.

The International Monetary Fund (IMF) in its response to the financial crisis opened the door for Japan to launch its own initiative. In return for bailouts given to countries that were hit hard by the 1997 financial crisis, the IMF imposed conditions that were not at all suited to Asian economies, particularly in the cases of Thailand, Indonesia, and South Korea. Disgruntled Asian countries saw the IMF as acting to protect the interests of Western lending institutions and to open Asian markets for Western businesses at the expense of Asian workers and the sovereignty of Asian countries. Asian countries were also disappointed with the U.S.-led APEC for failing to come to the aid of a region in crisis.

Seeing the situation deteriorating, Japan proposed the concept of an Asian Monetary Fund as an equivalent, localized version of the IMF, with Asian countries helping other Asian countries. Japan’s proposal failed on two accounts: opposition from the U.S. (for fear of undermining the IMF’s role) and opposition from China (for fear of Japan’s leadership). Faced with stiff U.S. resistance, Japan backed down, but it later came back with another proposal that surprisingly worked quite well: the Chiang Mai Initiative. The resentment over the behavior of

the West during the financial crisis and the American refusal to lend additional funds led to the desire of Asian countries to strike out on their own, with the ultimate goal in mind of the creation of an independent financial body in the region.

### *Economic Integration: Trade*

In 2002, Japan, Foreign Ministry (MOFA), realizing Japan was falling behind Asia in the race to sign FTAs, launched a drive to catch up – only it did not call them that. Bilateral FTAs were named Economic Partnership Agreements (EPAs) and were carefully negotiated to keep sensitive products like rice off the table. Frustration with the failure of WTO negotiations, particularly with the Doha Round that stalled in 2001, and the fear of being shut out of markets as other countries negotiated FTAs, led to this change in policy. Japan's trade policy change was justified particularly because the U.S. and the EU were pursuing similar strategies. MOFA prioritized the benefits derived from liberalized trade with Asia. When it compared its main trade partners and export destinations, tariffs were highest among the Asian countries: the United States, 3.6%; the European Union, 4.1%; China, 10%; Malaysia, 14.5%; the Republic of Korea, 16.1%; the Philippines, 25.6%; and Indonesia, 37.5%.

As a result of its efforts, Japan has signed a number of EPAs over the past decade. Currently Japan has EPAs with India, Australia, and ASEAN, and there are ongoing discussions with South Korea. Multilaterally, there are several competing proposals for a region-wide FTA with the main contenders being:

1. ASEAN+3, or East Asian Free Trade Agreement (EAFTA)
2. ASEAN+6, or the Comprehensive Economic Partnership in East Asia (CEPEA)
3. Free Trade Area of the Asia-Pacific (FTAAP), which would include all twenty-one of the member economies in APEC (Asia-Pacific Economic Cooperation). The initial FTA for this would be the Trans-Pacific Partnership (TPP), in which the U.S. has now taken the lead, with negotiations aimed for a pact by the APEC meeting in Hawaii in November 2011.

Since ASEAN has already signed FTAs with six additional Asian countries, the Association does not feel the need to push alternate initiatives. With Korea and China also having signed FTAs with ASEAN, the ASEAN+3 trade bloc seems the most likely to materialize. Australia and New Zealand also have FTA agreements in place with ASEAN. Japan remains wary of the development of an ASEAN+3 FTA, for it wishes to continue to protect vulnerable sectors, particularly agriculture, from international competition and penetration. The same vulnerability

has hindered an early decision by Japan to join TPP discussions. Still, Japan also realizes it must pursue some form of regional FTA as a means of ensuring cooperation among like-minded countries in the region concerned about China's moves.

## **Current Developments in Regional Free Trade Agreements under the DPJ**

The DPJ administration has largely kept intact the trade and trade liberalization policies of its LDP predecessor. Prime Minister Naoto Kan's policy on economic partnerships states that a strong domestic economy will require "deepen[ing] economic relations with Asian and emerging countries whose markets are expected to grow and with Western and resource-rich countries". As mentioned above, Japan's own domestic economic limitations have deepened its sense of urgency to reach out and integrate its economy with others in the greater region. As part of the third target of Kan's New Growth Strategy, Japan has set a 2020 target of achieving the Free Trade Area of the Asia-Pacific (FTAAP), under the auspices of APEC. Because APEC is a U.S.-driven association, the possibility of achieving this target is uncertain, given the current U.S. political and economic climate. On TPP, although Kan was expected to firm up his intention in June to join the TPP, which is also APEC-driven, the massive earthquake that devastated farming communities in northern Japan, has postponed that decision.

The ASEAN-commissioned study group is examining possibilities for both ASEAN+3 and ASEAN+6 FTAs. The tension between the latter two regional FTAs is as such: China's policymakers support the former, while the latter has been promoted by Japan. China prefers the EAFTA, ostensibly for the reason of it being an easier relationship to manage first, and allows for the possibility of adding new members in the future. In turn, Japan prefers the ASEAN+6 arrangement that includes India, Australia and New Zealand. Having EPAs already in place with these three countries, Japan views the +6 FTA as liberalizing the established private sector integration that already exists among these 16 countries. The additional benefit is, of course, the inclusion of India and Australia, who would balance out China's economic and political power.

At this point, the most critical trade negotiation for either of the two arrangements is dependent upon the three northeast Asian countries: China, Korea, and Japan. Making up 87% of the total GDP of the ASEAN+3 countries and approximately 70% of the ASEAN+6 countries, either of the economic regional agreements sets the nexus of economic power squarely within northeast Asia. Currently, the FTA is only at the level of a joint study and discussions among each country's private sector representatives. If China, Korea, and Japan are unable to satisfactorily agree on trade liberalization among themselves, further discussion of Asia-wide trade negotiations is moot. Currently, Nippon Keidanren, Japan's leading business organization, is engaged in discussions with Chinese and Korean counterparts regarding tariff reduction and trade liberalization. Business interests in all three countries are strongly committed to realizing

such an FTA. But politically-charged industries must be included in FTA discussions, as per WTO regulations, and their presence could slow discussions. For example, China's recent imposition of regulations that delayed, if not altogether stonewalled, the exports of critical rare earth minerals to Japan was most certainly a political machination. As a highly protected industry, and also a significant portion of China's exports to Japan, any FTA would require the removal of tariffs and other barriers. Korea and China's protectionist policies on automobiles and steel industries, respectively, could also act as a bottleneck to negotiations. While the political sphere might be less committed, the business sector has expressed strong support and in Japan will play a key role in pushing this forward.

The Joint Statement from the business sector in May 2010 stated:

“The economic sector of three countries greatly welcomes and appreciates the industry-government-academy cooperation for the trilateral Free Trade Agreement among China, Japan, and South Korea with expectation of seeing a furthered trilateral win-win and comprehensive model of FTA.” (Joint Statement of the 2nd Business Summit of Korea-Japan-China 1)

The roadmap targets 2013 as the earliest time for a signed FTA and 2015 as the latest.

Although TPP will not be discussed extensively in this paper, since it is not a fully regional FTA, it nevertheless is a competing FTA that would exclude China while including the U.S. Consequently, if Japan were to concurrently pursue the TPP and ASEAN+ agreements, it could position itself to gain significant leverage in negotiations on rules and other specifics. Compared to the TPP negotiations, an ASEAN+ regional agreement would be more feasible given that there are fewer restrictions, and given that it will not require Japan to reform its agricultural sector. In comparison, joining the TPP would require immediate implementation of liberalizing policies in a number of politically sensitive industries—something that the DPJ does not necessarily have the political capital for.

### ***Barriers to Trade Liberalization***

The current approach towards trade liberalization lacks prioritization and consists merely of the concurrent pursuit of all the aforementioned trade agreements. Arguably, the ASEAN+ regional agreements will eventually converge towards the broader FTAPP. In the meantime, however, the

current timeline for these initiatives within the 2011 fiscal year are a spaghetti-bowl of overlapping discussions, which include discussion of the ASEAN+3 and ASEAN+6 arrangements, joint study of a Japan-China-Korea FTA, the resumption of the Japan-Korea EPA negotiation, and the overall acceleration of the discussions on FTAAP with APEC. While the argument that these initiatives are complimentary rather than contradictory is valid in the long-term, in the interim, such varying pursuits suggest a lack of focus and prioritization, as well as an underlying fear of being left behind.

The Kan administration has expressed its commitment to pursuing the domestic reforms necessary for the FTAs to take place. Of central concern are Japan's agriculture sector and its subsidies. Agriculture has been a declining industry in Japan; however, reforms in agriculture for the purposes of trade liberalization are also hoped to revitalize the agriculture sector itself. Nevertheless, with Kan's declining approval ratings and a split Diet (the ruling party controls the Upper House, and the opposition camp has gained control of the Upper House in the July 2010 election), new reforms requiring consensus building and legislation are highly unlikely in the current environment. The impact of the earthquake on DPJ decision-making also is a major new factor. While the need for trade liberalization is recognized across all government ministries and is generally popular with the public, the DPJ, and specifically Kan himself, lacks the political support needed for bold reform moves.

In spite of domestic constraints, Japanese policymakers in both parties remain committed in principle to pursuing regional FTAs. Regardless of whether there is a change in leadership or even political party, the government, as well as the foreign and international trade ministries will continue the process of pursuing regional FTAs. Such FTAs are considered as both a means for economic growth, and a preventative measure from foreign market exclusion. But progress inevitably will be slow.

### ***Economic Integration: Financial Markets***

While the overall prognosis for Asian economic integration in the goods, services, and investment sector is that it will continue forward, the remaining question is how far this integration will continue, and whether or not it will include more invasive financial integration.



## **Chiang Mai Initiative**

In the aftermath of the Asian financial crisis, the CMI emerged as a replacement for the AMF. During the first critical meeting of the ASEAN+3 Finance Ministers in Chiang Mai, Thailand in May 2000, the idea of establishing a currency swap-arrangement arose. At the time, Japan had the largest amount of foreign reserves in Asian. The meeting thus “recognized a need to establish a regional financing arrangement to supplement the existing international facilities”. Although Southeast Asian countries were the ones in most need of the CMI, the success of the proposal hinged upon Sino-Japanese cooperation. As seen in the earlier discussion, China and Japan are by far the two largest Asian economies, and provided the bulk of the financial support.

The CMI remains distinct from the original AMF proposal. First, it is not a formal institution with its own governing body and board. Consequently, rather than having centrally-managed resource pool, from which to draw upon, the bilateral currency swaps are “based on a contractual agreement among the central banks to activate those swaps based on their respective foreign exchange reserves”. Secondly, the Chiang Mai Initiative Multilateralization (CMIM) now requires that there be IMF agreements in effect, or in negotiation, in order for currency swaps to take place. This improves monitoring of the swaps and increases international pressure for repayment. Rather than a complete replacement for the IMF, the CMI acts in conjunction with it. In addition, the CMI is not an assistance vehicle as all of the countries charge market price.

## ***Current Developments***

From its beginnings as a “network of bilateral swap arrangements” in May 2000, CMI has grown significantly. At the time of the most recent December 2009 meeting, the amount of financial liquidity available had quadrupled in size from 36Billion to 120Billion USD. The CMI expands its goals to address the challenges Asia faced during the 1997 financial crisis and to provide alternative financing to the IMF. Through the CMI, Japan has been able to broaden the use of the yen, and involve China’s cooperation in the financial institution. Japan and China are by far the two largest contributors and are providing 38.4B USD each, or 64% of the total.

In 2009, the change in the ruling party of Japan also brought an attempt to revitalize financial integration. Prime Minister Yukio Hatoyama articulated a vision of re-aligning Japan with Asia and developing an East Asia Community (EAC). In an August 2009 essay, Hatoyama advocated the need for increased regional integration, motivated by a desire to “restrain U.S. political and economic excesses [and]... to reduce the military threat posed by our neighbor China while ensuring that China’s expanding economy develops in an orderly fashion”.

Hatoyama wanted to develop an EAC that would be similar to the EU, with the long-term goal of having a uniform currency base. But his proposal found no traction inside Japan and the region. It was most critically opposed by both China and the U.S.

Yet the regional tensions that Japan was facing – sandwiched between a rising China and a U.S. still strong in the region despite the perception of it being a power in relative decline – revealed the naiveté of Hatoyama’s vision. While Hatoyama was not necessarily wrong in his view of a balanced economic policy, and the growing economic power of East and Southeast Asia, he gravely misread the changes needed for pursuing financial market integration. He also underestimated the costs of pursuing a uniform currency system. Resigning in June 2010, a scant nine months after his inauguration, Hatoyama totally misread Japan’s need for the U.S.-Japan security arrangements, and the challenges of rising China. With regards to foreign policy, Hatoyama, and by extension the DPJ, have largely been criticized as idealists who could not match their vision with reality. Consequently, the DPJ has since largely discarded Hatoyama’s EAC and tilted back toward the U.S. Prime Minister Kan is committed to “promoting a foreign policy which establishes a firm relationship of trust with the United States, while at the same time creating firm relationships of trust with Asian nations that are currently experiencing rapid growth”. Kan has picked up the cudgel for trade liberalization, despite the political risk involved. In addition, he has rejected the exclusiveness of his predecessor by pursuing potential trade arrangements that would include the U.S.

The possibility of further financial integration with regards to the currency is limited by a number of factors. The idea of an Asian Currency Unit, which would be similar to the European Currency Unit, was first proposed in 2005. However, discussion has not translated into concrete proposals on convergence criteria or explicit macroeconomic policy coordination, which would be necessary for managing stable exchange rates among countries with open economies. The strongest reason for the stalemate of these discussions is China’s pegged currency. While most of the Southeast Asian countries left a pegged exchange rate after the financial crisis in 1997, they have a “managed float” system relative to the Renminbi (RMB) and the US dollar in order to maintain their export competitiveness. In order for the RMB to dominate, there are two requirements: free and open capital markets, and a completely independent Bank of China. Currently, China lacks both of these characteristics and thus further financial integration is largely impossible. The U.S. dollar is the de facto currency in Asia, and neither the RMB nor the Yen are likely to replace it in the near future.

## **Conclusion: Long-Term Prospects for Economic Integration**

To once more pose two earlier questions: How far will economic integration go, and will the de facto trade bloc develop into a formal EAC, operating under a single currency? Over the long

run, further trade liberalization and the development of an Asian trade bloc seems quite certain. Financial integration, however, appears unlikely. A uniform Asian currency would force independent monetary authorities to subscribe to a single monetary policy and sacrifice their autonomy. As evidenced by the recent struggles in the EU over Greece's financial mismanagement, a single currency system can prove disastrous. In addition, given the diverse monetary systems in ASEAN+3 – not to mention the political climate in Japan, it seems unlikely that either the Japanese public or the DPJ would be willing to sacrifice the independence of their monetary policy, which could harm domestic economic growth.

Will trade liberalization and economic integration assist in helping Japan's domestic economy grow? Again, over the long run, probably yes. Japan's demographics and governmental budget constraints leave its policymakers no other recourse than to continue to pursue this goal. Still Japan has long run a significant trade deficit with China, and a near-zero trade balance with ASEAN. The question then is how much Japan's net exports will grow, with the removal of trade barriers among the rest of Asia? It is not at all clear. Asian economies need to generate enough demand to replace the pre-crisis Western demand levels for Japanese goods. The Japan-ASEAN FTA came into force in December 2008, during the crisis, and so, net exports do not seem to have changed significantly. Given the overall uneven growth of net exports, Japan's domestic growth will likely remain stagnant in the near and medium-term future, if policymakers rely solely on an Asian-oriented export-led growth policy.

The DPJ under Prime Minister Kan has re-affirmed Japan's security alliance with the U.S., the result in large part of growing tensions with China and North Korea. But economic relations are increasingly centered on Asia. Though Japan will remain the undisputed number two powerhouse in the region, it must over the medium-term, re-assess its position and determine what policy mix it needs for attaining sustainable economic growth. The international financial crisis of 2008 revealed a significant need for global re-balancing. America's position at the top of the economic ladder was significantly undermined, and the country is not likely to be the consumer of first resort in the future. The priority on economic growth will drive the government of Japan to continue pursuing free trade agreements, and potentially even a customs union in Asia. In general, however, even though prospects for increased trade are likely, Japan is inhibited domestically and politically from pursuing regional economic integration to the degree that it should. The danger is that under such a scenario, Japan risks being left behind as a dynamic Asia begins to soar to new economic heights.

*Wallis Yu*

# **THE LIANCOURT ROCKS DISPUTE - A “LOVE TRIANGLE” AMONG JAPAN, KOREA, AND THE U.S.**

## **Introduction**

The Liancourt Rocks (Takeshima in Japanese; Dokdo in Korean) territorial issue has been a hotbed of controversy between Japan and the Republic of Korea ever since the ROK gained independence in 1945. The official U.S. policy on this issue has been one of neutrality and non-interference since the end of the Korean War in 1953. This essay examines the current status of the Liancourt Rocks dispute from an international scholarly, legal and administrative perspective, and argues that the dispute has not been resolved in any of these three crucial areas. But a major contention of this paper is that the United States government, despite its official policy, has tended more often to interfere in or further muddle the issue because of the apparent lack of a coherent objective and position. Evidence indicates that such interference only served to further aggravate the bilateral territorial dispute and ultimately eroded both Japan and South Korea's trust in the diplomatic accountability of the United States.

It should not be inferred from this contention that the U.S. is solely to blame for the way the territorial issue escalated into a significant irritant between Japan and the ROK. It is just that American involvement even from the sidelines and perhaps unintended tended to further complicate an already complex dispute. In examining the interactions of the U.S., Japan and Korea on this territorial dispute, research reveals a persistent perception gap has existed among the three countries, particularly volatile between Japan and Korea, which has rendered rational discourse and resolution of the island issue virtually impossible. Even in general diplomatic terms, one can argue that the United States in the past sometimes seemed to come between Japan and Korea rather than being the means to bring them closer together. Moreover, there almost seems to be zero-sum mentality in Japan and South Korea regarding how they perceive each other's relationship with the United States. The two countries tend to compete fiercely at times in order to occupy a position of relative priority in U.S. foreign policy. Such competition to win the favor of the U.S. has led to a tendency to interpret American actions through a lens distorted by mutual envy and distrust.

Not much has been written in scholarly literature about U.S. policy toward Japan's three territorial disputes: Takeshima, Senkaku Islands, and the Northern Territories. A search of the record finds occasional official statements, some ambiguous, explaining in cautious tones the U.S. view. Recently, though, Washington has shifted policy gears and is no longer reluctant to take a diplomatic stand or vocally intervene in at least one of Japan's territorial disputes, the claim to the Senkaku Isles. The reason for the change is growing concern about China's naval

activities in waters near Japan. China's aggressive pursuit of naval access to the open seas around it has created security concerns among its Asian neighbors. An alarmed U.S., too, has become willing to risk compromising its neutrality on the Senkakus, sending a strong message to China to step back, and assuring Japan that it is not alone in defending its remote islands. This paper looks at Japan's territorial dispute with South Korea. It proposes that the Liancourt Rocks dispute is similar to the Senkaku Islands situation in that U.S. reactions in both cases have been fluid and malleable, and certainly susceptible to pressures from various domestic and international interests. It remains to be seen how successfully such policy shifts will play out.

The territorial dispute between Japan and the ROK will never be easily resolved. Even the international rules regarding such counter claims are ambiguous, and despite the claims on both sides, it is simply unclear which country actually owns the rocky isles. As a result of that ambiguity of both sets of claims, the dispute remains a source of emotional confrontation and acrimony between Japan and South Korea. Various international bodies and regimes have tried and failed over the last half-century to finally settle the matter in favor of South Korea or Japan. South Korea would seem to have the edge since it currently holds de facto control over the rocky isle. But neither side is willing to submit to international arbitration.

From the point of view of both sides in the dispute, the U.S. has not been helpful, only willing to send diplomatic messages assuring its commitment to non-interference. Washington has never been eager to get involved in a dispute between two close allies. But best intentions tend to run afoul of reality. Despite its assurances to the contrary, the U.S. in fact interfered in the issue a number of times at official and unofficial levels, often to the confusion of both Japan and South Korea. U.S. ambivalence only added credence to the belief that the U.S. was weak-kneed on the issue, and gave critics more ammunition to hit the alliance relationship for serious flaws. Only a coherent and consistent American position on the Liancourt issue will prevent further confusion and escalation of disputes between South Korea and Japan.

### **The debate surrounding Liancourt Rocks**

Historians and geographers continue to debate the merits of the claims to the Liancourt Rocks, but no consensus has emerged from the long-standing discourse. It would appear that the claims of both sides have merit, but without international arbitration, it is unlikely that Japan and South Korea will ever resolve their claims on their own. Both countries have presented a large number of documents and other historical evidence to support their claims. This body of evidence includes historical records allegedly from the Korean Three Kingdoms Period (1<sup>st</sup> Century BC to 7<sup>th</sup> Century AD) to the Treaty of San Francisco signed in 1951. Naturally, Korean and Japanese interpretations of these documents vary extensively, and the sheer volume of evidence involved suggests the unlikelihood of a conclusive settlement based on historical evidence alone. The unsettled nature of the scholarly debate has made it susceptible to exploitation by nationalists on both sides, such as the publication of revisionist history textbooks that support the territorial claim. Predictably, Koreans have protested these claims as "provocations". Ever since the establishment of the Republic of Korea in 1948, Korean textbooks have maintained the country's claim towards the islets, so Japanese textbooks with counterclaims are nothing new. A group of

nationalist-minded scholars who support the territorial claim have been instrumental in promoting the publication of revisionist textbooks. Almost all South Korean scholars oppose the claim. There has been no common ground among academics in both countries when it comes to the territorial claim. The prospect of agreement unfortunately weakens as both sides continue to present more historical evidence to support their side of the debate.

With scholars in both countries hopelessly embroiled in dispute over conflicting claims to the isles, it is no wonder that popular views are skewed toward an emotional, nationalistic response to anything the other country says or does regarding the isles. What about taking the case to an international court? The many attempts so far to resolve the issue legally have been stillborn. It would seem to have been better to have been taken the dispute to neutral international body for arbitration or resolution, and indeed Japan has attempted several times to bring the dispute to the International Court of Justice (ICJ), as well as the United Nations Security Council. On every occasion, however, South Korea rejected the proposal. Such rejections led to various interpretations about Korean and Japanese intentions. Japanese researchers, scholars, and officials involved in the dispute have often claimed that the Korean refusal to take the issue to an international tribunal implies that Koreans are unable to legally justify their claim to the rocks, or that Koreans are unwilling to accept a judgment on the issue from a neutral body.

The argument the Koreans have used to justify their refusal to accept Japan's proposal is simply that Korea already possesses the islets legally so has no need to resolve the issue through legal means. A second, more oft-cited reason for the Korean reluctance to resolve the dispute at the ICJ is that the current president of the Court is a Japanese national, while Korea does not have a single judge on the bench. The Japanese have claimed that this explanation is insufficient. According to the ICJ, a country that is involved in an international dispute has a right to elect an ad-hoc judge who possesses equal power and authority as permanent judges of the Court. Therefore, if the Liancourt Rocks issue is brought before the Court, a Korean judge would participate in the arbitration. Many Koreans have responded that significant differences exist between the influence of a permanent judge and an ad-hoc judge. This deadlock has continued for well over fifty years, and has prevented an international legal resolution of the dispute.

In terms of territorial administration, South Korea has de facto control over the islets. South Korea currently maintains a police garrison over the easternmost of the two islets, and an old couple has been living on the islets for more than thirty years. Japan has criticized this as an illegal occupation unsupported by international law. Critics have argued that the Korean couple living on the islets is employed by the Korean government, whose harsh days on the islets are intended to elicit emotional support and sympathy from the rest of Korean population, as well as the international media. The international perspective on the Korean occupation (or administration) of the islets is unclear. Most foreign media have refrained from judgment, and continue to merely observe the dispute, while neither Japan nor Korea is willing to conclusively withdraw their claim to the islets.

## **U.S. involvement in the Liancourt Rocks dispute**

From a scholarly, legal and administrative perspective, it is clear that the Liancourt Rocks dispute remains hopelessly deadlocked with neither Japan nor South Korea willing to budge an inch on their stances, let alone offer compromise solutions. Barring outright military conflict between the two countries, the dispute will likely to continue to periodically flare up in angry debate in academic, legal and political realms. Because of the two countries' inability to even address the issue, let alone put it on track toward resolution, they have looked in the past to the U.S. as a potential arbitrator. Given the U.S.' deep involvement in the military, economic and political affairs of East Asia, Japan and Korea have deemed American perspectives on the dispute to be of the utmost importance, perhaps finding a clue to eventually resolving it.

The United States since the end of the Korean War in 1953 has officially maintained its adherence to neutrality regarding the isles. Since the U.S. has signed security treaties with both countries, it was undoubtedly deemed unwise for it to actively take sides in the dispute. In 1953, then Secretary of State John Foster Dulles proclaimed that the newly inked U.S. treaty to protect Japanese security did not authorize U.S. action in favor of Japan in the Liancourt Rocks dispute. While the U.S. has not officially endorsed Korea's de facto administration over the islets, it also has not made any attempt to dissuade Korea from its occupation of the islets. Neutrality seemingly was being enforced in official statements.

Despite its neutral stance, the U.S. arguably failed in at least three instances to strictly keep its word. The first example occurred between the tail end of the Truman administration and early part of the Eisenhower administration (1952 - 1953). The incident involved intra-governmental discussions to determine in which geographic areas the United States Forces Japan (USFJ) would conduct their military exercises. The second incident occurred during the Carter Administration in the late 1970s. At the time, the U.S. Board on Geographic Names (BGN) changed the name of the islets from "Dokto" to the "Liancourt Rocks". The third case took place during the George W. Bush Administration in the 2000s. In this instance, President Bush asked the BGN to revert its identification of the Liancourt Rocks from "undetermined sovereignty" to that of South Korea.

### **U.S. involvement – Case 1**

One common feature is present in all three cases of U.S. interference in the Liancourt Rocks dispute. In each circumstance, Washington apparently lacked a coherent objective and goal, and hastily revised its position after its initial action created new controversy. The first misjudgment occurred during the Korean War when the Pentagon decided that U.S. forces in Japan (USFJ) would be carrying out military exercises that included Liancourt Rocks. This decision was greatly upset South Korea's Rhee Syng Man government. Adding fuel to the fire, an American bomber allegedly stationed in Japan conducted a bombing exercise around the disputed isles and

unintentionally targeted a ship in the area, injuring South Korean civilians. Because of the chaotic wartime situation at the time, the Korean government neither seriously challenged the training decision nor protested the bombing incident. But the incident played into the hands of Japanese officials, who interpreted the U.S. decision as an obvious acknowledgement that the Liancourt Rocks was territory under USFJ jurisdiction, and taken thus as proof of Japan's claim to sovereignty over the islets.

Interestingly, when the Korean War was drawing to a close in 1953, the U.S. reversed its stance and halted USFJ exercises in the Liancourt Rocks area. This about-face was in part the result of protests by the Rhee government protest against the training decision. It is important to note that at this time, the Rhee government was under strong domestic criticism for having hired former Japanese collaborators. To shore up its political vulnerability, Seoul had to come up with a deflecting strategy and so lodged complaints to the U.S. about its Liancourt decision. The Rhee government wanted to prevent critics from accusing it of implicit acknowledging that the Liancourt Rocks belonged to Japan by letting U.S. forces launch bombing runs from Japan.

The U.S.' reversal of decision was welcomed in South Korea but lamented in Japan. Now the interpretation in Japan was that the Americans were acknowledging implicitly that the isles actually belonged to South Korea, not Japan. Subsequently, the U.S. Forces Korea (USFK) began to conduct military exercises in tandem with the South Korean forces. For Washington to have changed its mind in less than a year suggests that the initial decision was not based on the serious consideration of the long-term impact. The flip-flop created the impression that the U.S. was favorably disposed toward Korea on the issue and inclined not to side with Japan. The Japanese bristled, while the South Koreans cheered. Both countries concluded that the U.S. had compromised its original stance of neutrality towards the territorial dispute. The change in position also suggested to Tokyo and Seoul that Washington was malleable in its foreign policy implementation: with enough tough bargaining and complaining, one party could persuade it to favor its own policy interest over that of another party.

## **U.S. involvement: Case 2**

The second time the U.S. government interfered with the status quo on the disputed isles occurred during the administration of President Jimmy Carter in the late 1970s. Washington allowed its geographers to change the "official" name of the isles from "Dokto" – the Korean name – to "Liancourt Rocks". The action this time created an uproar in South Korea and jubilation in Japan because the Korean name was gone. Again, South Korea interpreted the move to mean that the U.S. was implicitly refusing to acknowledge the legitimacy of Korea's claim to the territory. South Koreans feared the U.S. was moving away from its alleged pro-Korea position on the issue. Although the United States Board on Geographic Names (BGN), the agency under the Department of the Interior responsible for the renaming, refused to acknowledge any such intention and stated its commitment to neutrality, the damage had been done.



Making matters even worse, BGN's assignment of a Western name for the islets resurrected old complaints about vestiges of Western neo-colonialism and arrogance. The apparently clueless change in America's stance on the territorial issue considerably damaged the public's perception of the U.S. in Japan and Korea. Koreans saw the decision to rename the island as the Liancourt Rocks as implicit support of the Japanese claim. There was concern about the U.S.' apparent lack of will to strictly maintain neutrality in the dispute. The Japanese in turn now believed that the U.S. was less willing to support South Korea on the issue as previously believed. Overall, the decision gave the impression of a U.S. willingness to change its course of action, depending on shifting factors, such as perceptions of communist threats during the Cold War and which political party was in power. Indeed, research suggests that the Democratic Party was more likely to break away from strict neutrality than the Republican Party.

### **U.S. involvement: Case 3**

The most recent and perhaps most controversial interference in the dispute came during the administration of George W. Bush in 2008. The BGN for reasons known only to geographers decided to re-label the sovereignty of Liancourt Rocks from "Korean sovereignty" to "undecided". The BGN in one word change seemed to be explicitly denying South Korea's claim to sovereignty over the islets. Koreans exploded with outrage at the news, while Japanese expressed their quiet approval. Many Koreans called the move a "betrayal" by the U.S., even speculating that the Bush administration had decided to "reward" the Japanese in the Liancourt Rocks dispute because of Japanese support for American policy objectives during the Iraq War. Korean civic organizations and non-governmental groups involved in the dispute even raised doubts about U.S. diplomatic integrity, accusing the U.S. government of being susceptible to "subversive" Japanese lobbying efforts in Washington. The BGN's labeling decision reopened historical suspicions and fear-ridden perceptions that Koreans have had about Japanese influence in the nation's capital.

The panicky South Korean government started to heavily lobby the U.S. to try to convince Washington to reconfirm Korean sovereignty over the islets. South Korea mobilized virtually every diplomatic asset it had in the U.S. in order to reverse the American labeling decision. Korean efforts were not limited to formal channels and forums. Diplomats and lobbyists engaged American policy makers on every level. Korean diplomats contacted policy makers such as then Deputy National Security Advisor James Jeffrey. Upon meeting Jeffrey, Korean diplomats strongly protested the BGN decision to reverse the labeling decision, and news of this protest reportedly reached the desk of President Bush, who apparently intervened to ultimately achieve a reversal of the decision. Furthermore, the Korean ambassador to the U.S., Lee Tae Shik, reportedly visited President Bush several times in an attempt to persuade the him to acknowledge Korean sovereignty over the Liancourt Rocks. Only a week after the BGN decision to label Liancourt Rocks as "sovereignty undecided", the fickle agency re-labeled it as "Korean sovereignty".

This episode demonstrates the lack of a coherent American position as regards the Liancourt Rocks issue. While the Koreans rejoiced as the U.S. acquiesced to their demands, the Japanese government was appalled at what they perceived as outright interference and breach of neutrality by the U.S. With suspicions sharply aroused about American neutrality on the territorial issue, the Japanese began to worry about South Korea's ability to influence U.S. diplomatic decision-making through formal protests and informal lobbying. Both countries, moreover, were surprised by the speed with which the BGN reverted its decision, which indicated that there likely had been no substantial or meaningful discussion within the U.S. government before it approved the Board's decision on the sovereignty label change. After this incident, the U.S. again publicly announced that its neutrality on the Liancourt Rocks issue, as well as its adherence to the principle of non-interference. Despite these claims of commitment to neutrality, the damage had been done. It created the strong impression in Seoul and Tokyo that Washington was open to lobbying efforts from their countries, and that the American position on the Liancourt Rocks issue was anything but conclusively settled.

The U.S. to date has done nothing to change the strong impression abroad that it has a coherent and sound policy toward the Liancourt Rocks issue. Washington sometimes acted favorably toward South Korea and other times toward Japan, creating nothing but confusion in those countries. The possibility that the U.S. can act as an interfering power in the dispute led both governments to engage in efforts to persuade Washington to act in their favor. This has not only provided an additional arena of distrust and competition between Japan and Korea, but has also led critics in both countries to question U.S. foreign policy integrity and commitment to neutrality. The pressure is on the U.S. to finally adopt a more convincing position in the Liancourt Rocks dispute, and then, sustain that position, once it is determined.

### **U.S. approach to another territorial dispute: Senkaku Islands**

A comparison of the similarity and differences in U.S. government's approaches to the Liancourt Rocks and the Senkaku Islands, which both Japan and China claim, is relevant, because the Senkaku dispute similarly demonstrates the malleability of American foreign policy in spite of its claims of neutrality. The essay will now examine three recent instances, which have been interpreted by Chinese, Japanese and other international observers, as breaches of neutrality by the U.S. in the Senkaku dispute. Particularly striking is that Washington alternated between pro-Japanese and pro-Chinese stances in the dispute during a very short time span, resembling its historic behavior in the Liancourt Rocks dispute.

The first instance came during the summit meeting in New York between President Barack Obama and Prime Minister Naoto Kan on September 23, 2010. President Obama reportedly gave his backing to Kan on the Senkaku dispute, apparently placing it in the context of Article 5 of the U.S.-Japan Security Treaty. This led many observers to state that the U.S. had decided to abandon its commitment to neutrality on the issue and now supported Japan. Some

commentators observed that Obama's demonstration of support for Japan was a veiled warning to China not to pursue actions that would deny U.S. Navy access to international waters.

The second instance occurred on the very same day. At the time, Japanese authorities had detained and were holding in custody the captain of a Chinese fishing boat for violating Japanese law by entering the Senkaku area without permission and then for ramming a Japan Coast Guard vessel when approached. Secretary of State Hillary Clinton reportedly called on the Japanese government for a swift resolution of the issue. This may have contributed to the early release of the Chinese captain.

The third and most significant U.S. intervention were the words of Secretary of State Clinton on September 24 to then Foreign Minister Seiji Maehara. Clinton clearly stated that the Senkaku Islands in the East China Sea are covered by the U.S.-Japan security treaty that allows for Washington to retaliate against a military strike on Japanese territory. In addition, State Department spokesman Philip Crowley said the same day that the United States would not make its position clear on whether the islands belong to Japan or China. The Japanese-controlled islands are also claimed by China and Taiwan. According to the Japanese foreign minister, Clinton said that the Senkakus, known in China as the Diaoyu and in Taiwan as the Tiaoyutai, are subject to Article 5 of the bilateral security treaty, which authorizes the U.S. to protect Japan in the event of an armed attack "in the territories under the administration of Japan."

Clinton's statement can be taken as a couched warning to China that the U.S. would not hesitate to intervene militarily, if an armed conflict were to occur between Japan and China over the isles. This was the first time for the U.S. to violate its own principle of strict neutrality in the Senkaku dispute. U.S. strategic thinking posits a rising China with regional ambitions that include military hegemony in the South China Sea. Clinton had earlier given assurances of support to Southeast Asian countries, and now, the U.S. is proactively promoting Japanese interests at the expense of China. Since that country's rise to the threshold of military and political dominance in East Asia is a matter of grave concern for the U.S., it is reasonable to conclude that the shift in American policy on the Senkaku dispute is part of a response to the geopolitical shift in the region.

This explanation gains further credibility when considered in the context of the evolving dynamism in Japan's defense policy. Under the new paradigm, Japan has abandoned its former static model of defense, where the Self Defense Forces were relegated to a passive and purely reactive role in the case of foreign aggression. Now, Japanese forces will assume a more proactive stance to deal with security threats in the region. The U.S. has enthusiastically welcomed the new defensive posture, and anticipates Japan's increased participation in joint military exercises, weapons development, and overall security coordination. America sees its geopolitical interests now solidly aligned with Japan's security interests. Under such circumstances, the U.S.' new willingness to back Japan in the Senkaku dispute -- assuming military confrontation not diplomatic negotiations -- fits in well with its new approach to the region.

## **Tensions between Japan and Korea made in Tokyo and Seoul**

The U.S. may have aggravated tensions by its clumsy handling of the Liancourt Rocks issue, but Japan and South Korea must share the blame for the periodic escalation of tensions over competing claims to the isles. The rivalry between the two countries has led even to emotionally charged competition for attention in Washington and influence over the U.S. This final section of the essay examines how the Japanese and Koreans perceive each other's relations with Washington. It will be argued that mutual perceptions between Japan and Korea still remain emotionally charged, and that this has created a situation in which both countries feel the need to compete for influence over the U.S. Furthermore, because of this sense of competition for American attention and favors, every policy move by Washington that deals with issues between Japan and Korea risks being over-interpreted and misperceived by either side.

South Korea has long felt it was always being surpassed by Japan in terms of influence on the U.S. People in South Korea have a habit of competitively comparing their country with Japan socially and economically. There is even a sense of cultural rivalry. Such Korean sensitivities are often accompanied by a sense of relative weakness and lack of ability vis-à-vis Japan. Such perceptions carry over to ROK relations with the U.S., for Koreans have long tended to exaggerate the level of Japan's influence on the U.S. People believe that the U.S. is susceptible to Japanese pressures and lobbying. This has led to Korean interests trying to do the same thing in Washington – in one sense, “Japan money” inside the beltway being replaced perhaps by “Korean money.”

Even the first case of American interference involving the unwitting decision by the USFJ to carry out bombing exercises in the Liancourt Rocks area, Korean historians have suggested without a shred of proof that the seeming policy change actually was the result of Japanese lobbying of the U.S. government! There has never been any track record of Japanese government lobbying of Washington in order to secure Japan's right to sovereignty over the Liancourt Rocks. Such exaggerated fear of Japan's ability to influence the U.S. in its foreign policy decisions persists today. As mentioned above, Koreans are unwilling to take the Liancourt Rocks issue to the ICJ, partly because the current president of the Court is a member of a prominent Japanese family. Many Koreans see this as representing Japan's powerful influence in international organizations such as the ICJ and other agencies under the United Nations – never mind that the current secretary general of the UN is Korean! They believe that the U.S. as a result views Japan to be a more “useful” ally, as Japan's economic preeminence makes it a more able partner to the interests of the U.S.

This illusion is not something new, for Koreans still like to cite as an example the ill-fated statement by Secretary of State Dean Acheson at the National Press Club on January 12, 1950. Acheson stated that South Korea lay beyond the American line of defense against communism in East Asia, whereas Japan was included. Of course, the speech was a kind of direct signal to North Korea that the South was ripe for its picking, and sure enough, a war soon

began. But given such long-lasting insecurity about their own relative position in the alliance with the U.S., it is no wonder that overheated emotions may sometimes influence Korean interpretations of innocent American actions, including those clueless moves regarding the Liancourt Rocks issue.

Japan, too has its own sense of insecurity. In recent years this has particularly been the case, as Korea has begun to exhibit outward signs of increased ability to compete with Japan in various areas (especially export industries such as electronics and automobiles). Most recently, the decision in 2010 to let Seoul host the G20 meeting and not Tokyo upset some Japanese. According to Professor Masao Okonogi of Keio University, Japanese awareness about Korean capacity to strongly perform in the world market has recently increased. One event has especially attracted the attention of the Japanese people: Korean electronics maker Samsung has caught up with Japanese Sony in terms of sales and arguably even in brand recognition in the world market. This sense of increased “threat” of competition from Korea has certainly influenced Japan’s perception about its relations with the U.S., as well. As Korea moves up the economic ladder and gains international prestige, it is only natural that its influence on U.S. diplomatic thinking may strengthen, too. Even the recent Free Trade Agreement between the U.S. and South Korea has raised alarms in Japan, with some fearing that a KORUSFTA will give Korean companies a price advantage over Japanese brands in the American market.

There is even security competition between Japan and South Korea. Recent aggressive acts by North Korea against the South, which resulted in beefed up American commitments to the alliance on the Korean peninsula, has worried some in Japan that U.S. security efforts will now focus more on South Korea than on Japan, which is aware that its security ties with America have been plagued by basing problems in Okinawa. The upshot of such seesaw-like developments suggest that South Korea may feel it has gained a relative position of superiority over Japan in the game of moving closer to the U.S. at its expense. We may next see another round of Japanese over-interpretation and reaction should America take any action even tangentially on the Liancourt Rocks dispute. Silence for a while then may indeed prove again to be golden.

*Jason Park*

# **JAPAN'S ENVIRONMENTAL POLICY: CONSISTENCIES AND CONTRADICTIONS**

## **Introduction**

Although a nation with deep-rooted connections to nature, Japan is relatively a newcomer when it comes to international environmental policy. Not until the American occupation after World War II, with its inflow of western values and ideals, did the Japanese people and its government recognize the necessity of a proactive policy to protect the country's environment and natural beauty. Although Japan is often seen these days as a leader in environmental standards, inconsistencies remain as to goals, policy implementation, and tangible results. This paper, in addressing these issues, will focus also on evaluating the impact on environmental policy of the rise to power of the Democratic Party of Japan (DPJ) in the fall of 2009.

## **Background**

Japan's Environment Agency (now a ministry) issued its first White Paper in 1984 as a first policy step in tackling the then formidable environmental issues in the country. In 1992, Japan joined the global effort by participating in the enormously significant United Nations Conference on Environment and Development, commonly referred to as the 'Earth Summit', in Rio de Janeiro, Brazil, which led to the United Nations Framework Convention on Climate Change (UNFCCC), and the Convention on Biological Diversity (CBD). A year later, Japan formulated a set of basic environment laws, which were mainly focused on domestic issues, and the nation received its first Environmental Performance Review by the Organization for Economic Cooperation and Development (OECD) in 1994. Still, despite such significant developments, it was not until 2001 that Japan upgrades the Environment Agency to a ministry as a means of seriously address the issues of setting international environmental standards and regulations.

Japan's national approach to environmental preservation was greatly influenced by the oil crisis in the 1970s that compelled the nation to begin in earnest energy conservation policies.

The Minamata tragedy in the 1960's was also an important turning point in the formulation of meaningful environmental policy. The disaster was caused by methyl mercury drainage from chemical factories in the Kumamoto Prefecture, which contaminated local water sources and caused serious medical problems, as well as birth defects in the local community. Victim demands for government intervention and compensation were at first ignored by the central government, but escalating public outrage and media attention, coupled with the official embarrassment, finally forced the central government to develop sweeping environmental regulations, not only related to the Minamata catastrophe, but also including a broad range of environmental issues.

## **Environmental Policy Consistencies and Contradictions**

### *Air and Global Warming*

The learning curve was a long process but today, among the OECD members, Japan is a frontrunner in curbing greenhouse gas (GHG) emissions per unit of GDP. Since the 1990's, Japan has had some of the lowest sulfur and nitrogen dioxide emissions in the world. Japan hosted, and signed on to, the 1997 Kyoto Protocol, which committed signatories to reduce GHG emission by 5% 2012, using 1990 as the base year. The Kyoto Protocol was a major accomplishment for Japanese environmental policy, and awarded Japan international acclaim for its commitment to reversing climate change. Additionally, the current DPJ government, reflecting its activist roots, impressed international audiences by committing Japan to reduce GHG emissions by 25% in 2020, again using 1990 as the base year.

In an effort to meet this lofty goal, Japan has strategized and formulated different methods to reduce GHG emissions across a broad range of actors. The Ministry of Environment (MOE), for example, focuses on fixed emissions from factories and automobiles. Since 1968, sulfur oxide from factories has been subject to a 'k-value' control as well as total pollutant load controls in industrially concentrated areas of the country. These measures regulate the amount of air pollution, factories can release into the atmosphere. Additionally, factories emitting sulfur oxide are subject to a tax whose funds compensate victims of air pollution damage.

The first automobile emission gas standard was introduced in 1966, and many other related laws have been adopted or augmented since. Most recently, the 2001 Automobile Knox-PM Law prohibits vehicle registration of automobiles producing high levels of pollution. The Japanese government also subsidizes and provides technological support to industries that produce environmentally-friendly products. Government subsidies of 10% toward the cost of the Toyota Prius Hybrid have increased that model's sales, further helping the effort to lower vehicle emissions. Toyota has utilized the profits from Prius sales to design and build new, more price-competitive and energy-efficient automobiles for the domestic market.

However, despite such innovations, Japan is unlikely to meet its Kyoto Protocol GHG emissions reduction target. In 2008, total emissions in Japan had actually risen 6.3% from their

1990s base levels. This rise has been attributed to an increase of emissions in the household and transport sectors. Japan's failure to meet its original Kyoto Protocol reductions makes the DPJ's recent goals for a 25% reduction in GHG emissions highly uncertain, if not completely unrealistic. This could have serious implications for Japan's credibility as leader in future environmental programs. Yet officials from the MOE are neither daunted, nor embarrassed, at the possibility of failure. Instead, they stress the importance of the propensity and penchant of the national mentality to honor commitments. Although Japan may not meet the Kyoto target by the original deadline, the MOE is confident that the full GHG emissions reductions will be completed at some point in the future.

Other Japanese government ministries are dedicated to environmentalism as well. The Ministry of Economy, Trade, and Industry (METI) has articulated its unwavering support for public and private sector environmental research, and it has expressed a desire to contribute to the 'international standardizations for more efficient energy on a world wide scale.' This translates into support for the discovery and innovation of renewable energy, as well as other technological advances, such as rechargeable batteries for electric vehicles.

The DPJ government has found other ways to intertwine economic and environmental interests. In 2009, the Japanese government began its 'Eco-Point' program to encourage consumption of energy-efficient products (such as air conditioners, refrigerators, and TVs). This program not only boosts domestic consumption, while generating corporate profits, working wages, and economic growth; the program makes consumers more conscious of their purchasing decisions, and the effects such decisions have on the environment. Consumers receive 'points' each time they buy environmentally friendly products (each point is worth one yen), and these points are exchanged in the future for coupons, prepaid cards, and other green products, thereby reinforcing a cycle of green consumption and economic growth. The Eco-point program also encourages green innovation, and is helping build a competitive manufacturing industry that could have significant international reach, as more nations seek environmentally friendly products.

Yet even with these improvements, Japan is still an island nation highly dependent on trade for its survival. Japan imports large amounts of environmentally sensitive commodities such as minerals, wood, agricultural and fish. The energy required to transport these goods is substantial, and the various methods of transport result in large-scale pollution, adding to greenhouse-gas emissions. Japan realizes that it must address these issues, if it is truly dedicated to GHG emission reductions.

### ***Biodiversity***

In accordance with the United Nations' (UN) declaration of 2010 as the "Year of Biodiversity", the MOE has unveiled a national biodiversity plan, outlining its first comprehensive and phased implementation targets to stop biodiversity loss and destruction. In the short to medium term through 2020, Japan aims to conduct extensive research programs to understand the root causes



of biodiversity loss, and by 2050, Japan hopes to have begun a transformation and re-growth of more vibrant and sustainable ecosystems.

A 2010 report by the OECD, however, reveals that Japan is not meeting its biodiversity rejuvenation goals, either within its own territory or in the world. Although woodlands account for 67% of Japan's total topography, domestic forests available for harvesting are unable to meet Japan's insatiable appetite for wood. In the 19<sup>th</sup> century, in fact, much of Japan's forested land was denuded, the result of booms in construction as the country industrialized. Cedar trees were replanted in their place to be harvested as wood. But when the domestic lumber industry collapsed decades ago due to cheaper imports, the cedar forests were left unattended and uncut, producing enormous pollen. Today, cedar pollen has rendered an estimated 10% of the population sensitive to allergies and hay fever.

Japan now imports 76% of its timber needs from North America, Southeast Asia, and Russia, due to the various types of wood and competitive prices available in these regions. Because environmental scientists have attributed nearly 20% of global greenhouse gas emissions to deforestation, Japan's reliance on international logging to meet construction needs indirectly links the nation to global climate change.

Japan is active in the UN Collaborative Initiative on Reducing Emissions from Deforestation and Forest Degradation (REDD). This program assists developing nations to establish environmentally conscious forest policies to limit the GHG emissions from logging practices. Japan's private sector has also addressed controversial timber harvesting in developing nations. The 2006 Act of Promoting Green Purchasing provides incentives for Japanese firms to purchase lumber from certified international sellers who follow responsible and stable forestry policy.

## *Whaling*

Japan faces international criticism for alleged animal and marine-life abuses. Although Japan is home to a diverse range of animal species, nearly 200 of them are considered threatened, due to poor environmental standards, and inadequate protection measures within the nation. Furthermore, despite the government's efforts to halt them, Japan remains the largest international importer of endangered species. Most recently, Japan received international media attention for its controversial marine practices, including killing of dolphins by local fishermen.

The long-term issue, though, remains whaling. Despite the International Whaling Commission's (IWC) 1986 moratorium on commercial whaling, Japan continues to hunt under the legal exception of scientific research. However, anti-whaling nations contest the true nature of Japan's 'research', believing instead it is a cover for the sole intention of harvesting whale meat for domestic sales. Japan justifies its whaling on historic and cultural reasons. Whaling can be traced in Japan back to the 7<sup>th</sup> century. For a great portion of history the Japanese obtained food, oil, and other materials from whales. Ironically, when Commodore Matthew Perry docked in Edo Bay (now Tokyo bay), he was seeking a whaling base for the United States in the northwest Pacific Ocean.

Japan maintains that annual whaling is sustainable and necessary for scientific study and management of whale stocks. Based on its research findings, Japan argues that whales eat enormous quantities of fish and that controlled harvesting of whales is necessary to prevent fish stock depletion to the extent that human demands and consumption requirements are threatened. But environmentalists point to the Japanese themselves as a more significant threat to sustainable fish stocks. Japan is the third-largest consumer of fishery products worldwide, consuming more than four times the global average. Japanese research whaling ships, however, continue to be dogged across the globe by environmental activists who have sometimes violently disrupted their activities. Although opposed by many nations and international environmental organizations, Japan nonetheless continues to hunt whales for research purposes but with the hope that someday soon, the IWC will remove the ban on commercial whaling so that Japan can again profit from the sale of the meat in international markets.

Research has shown that Japan's economic development and environmental policy are marked by a clash of values and social divisions. No longer are animals and nature solely beautiful existences to be enjoyed in their natural state and used for survival purposes. They are also resources and tools that enhance economic growth and support national industries. This is evident in the evolution of small-scale, coastal town whaling into the technologically sophisticated, commercial whaling operations in world oceans today.

## *Water*

According to the 2010 OECD review of Japanese environmental policy, the overall quality of Japanese waters continues to improve. Japan has addressed international water shortages and pollution, by sharing its water distribution and distillation technologies and water utility managerial expertise with developing nations. This has been done in an effort to improve access to and quality of water, as outlined in the UN Millennium Development goals.

Yet Japan still engages in questionable environmental practices that jeopardize water quality. For example, although Japan is located along a major earthquake fault-line, various landfills have been constructed in waters off the coast, such as Tokyo Bay. In the event of a natural disaster, these structures become severely unstable and have the potential to liquefy and pollute surrounding waters. This occurred in 1995 when the Kobe earthquake destabilized local landfill and caused serious harm to local ecosystems and water quality. Apparently, the same phenomenon occurred in March 2011 with the massive earthquake in the Tohoku area that impacted also on the Tokyo Bay landfill area in Chiba Prefecture.

## *Sustainability*

Japan is committed to sustainable consumption and production activities. Japan's 'Eco-town projects' have received widespread acceptance and support in local communities. These projects target waste and seek innovative methods for waste disposal and management. Not only have 'Eco-town projects' reduced environmental degradation, they also contribute tangible economic benefits to local communities by reducing waste disposal and energy supply costs. Japan also launched its 3R Initiative in 2005 to reduce, re-use, and recycle products for a more efficient materials management system. The 3R Initiative has received international attention and similar recycling programs in other nations have been modeled on the basis of the 3R program.

Additionally, Japan's Renewable Portfolio Standards (RPS) law, implemented in 2003, requires electricity retailers to supply a minimum supply of electricity through renewable energy sources. Electricity providers use solar, wind, and hydro generation, as well as biomass and geothermal substitutes. These measures have significantly contributed to the yearly decrease in energy used per unit of output in Japan.

Consumer consciousness of environmental issues is also on the rise in Japan. In a Cabinet Office public opinion poll in 2009, 81.8% of respondents said they are voluntarily trying to use recyclable products. This can be seen in the growing use of LED light bulbs, and electric car sharing arrangements.

Japan's Top Runner Program fuels the rise of consumer consciousness by requiring that specific consumer goods be produced from energy efficient end-use products, factories, transportation vehicles, and buildings. Since its implementation, all targeted items have increased energy efficiency by a rate between 20 and 80 percent.

Underlined in each of these policies is the MOE's desire to decouple economic growth and environmental destruction. Typically, as nations develop and populations expand, waste and environmental destruction increases. Japan hopes to do just the opposite and decrease its environmental footprint through technological innovation, consumer consciousness, and international engagement.

## **Contradictions Explained**

Since Japan is a nation deeply influenced by its environmental surroundings, and a leading economy in the industrialized world, the international community has come to expect nothing less than complete and progressive environmental protection and activism from Japan. However, there are major cleavages between Japanese environmental policy and western practices and ideals.

## *Economics vs. the Environment*

Economic growth is one the biggest challenges facing Japanese environmental reform. During Japan's industrialization in the late 19<sup>th</sup> century, like countries in the West, the government and business elite typically put economic progress over environmental considerations. Perhaps they assumed that the environment could be restored once a modern industrial state was formed.

During Japan's postwar recovery in the mid 20<sup>th</sup> century, when the economy grew by 9 percent a year, there was little thought given to protecting the environment. The economic bubble years of the 1980s saw a wave of public works and private development projects that often encroached on the natural environment. Although attitudes toward the environment have changed today, the damage has been done. Even protected areas such as national parks and forests have suffered environmental damage due to poor management. In urban areas, green spots are hard to find. Tokyo has the smallest number of parks per capita of any major city in the world. Urban planning maps from the postwar decades show significant shrinking of national green space over time. In the regions, destruction or shrinking of the natural habitat has pitted residents against native animal species, with farmers fighting birds, monkeys and deer coming in to ransack their fields. Just last year, towns at the foot of Mt. Fuji have witnessed over 60 monkey attacks against humans. In recent years, there have also been noticeable increases in bear attacks on humans in northern Japan.

Slow economic growth since the 1990s has compounded the problem of neglect and abuse of the environment. Some environmentalists note that Japan's inability to effectively balance economic and environmental interests has led to the exploitation and destruction of both domestic and international resources. During the decade of economic stagnation following the bursting of the bubble economy in 1990, national policies were focused on little more than overcoming the recession. Although environmental activism reached its peak in this period, outcry over the poor state of the economy dwarfed that of environmental concerns. Government and businesses were devoted to construction and investment to ignite the economy, no matter the ramifications of such projects on local and international environments. The Ministry of International Trade and Industry (MITI) encouraged Japanese corporations to access overseas resources for domestic construction, never considering the implications this increase in demand would have on the supply or sustainability of foreign resources. Import tariffs for natural products, such as wood and minerals, were lowered, making resource exploitation less costly and more desired.

Still, it is not unreasonable to believe any other nation, in a similar economic situation, would have acted differently. More importantly, one must realize that environmental improvement and sustainability do not come cheap. Ironically, Japan needed the economic wealth that it worked so fervently, and sometimes haphazardly, to accumulate in order to pay for its own environmental restoration and sustainability programs in later years.

Today, Japan continues to face slow economic growth, hurt further by the global financial crisis in 2008-2009 and by the massive earthquake disaster in 2011. MOE officials, nonetheless, are confident that economic concerns will never override environmental management. Rather, they see Japan as utilizing the latest downturn to build 'revolutionary

environmental technology and investment.’ As the Ministry of Economy, Trade and Industry (METI, which used to be MITI) and corporate entities realize the potential that ‘green’ manufactures can have on economic growth, economics will become a driver of environmental improvement, rather than a hindrance.

### ***Structural Barriers to Environmental Reform***

As in the U.S., the political structure of the Japanese government determines the formation and implementation of national policies. During the early decades of single-party rule by the Liberal Democratic Party’s (LDP) that started in 1955, (the party ruled until August 2009, with the exception of 1993-1994), consumer movements rose up, sparked by growing domestic pollution, and convinced the government to launch its most radical environmental reform to date. This period saw the rise of political activism, as well, in the so-called ‘Pollution Diet’ that passed in December 1970 fourteen bills covering environmental pollution and reform.

Still, for most of the LDP’s half-century of rule, environmental policy has tended to be a peripheral issue, brushed aside and used as a tool for opposition party doctrine. Although not a main platform in the DPJ’s historic win against the LDP, the DPJ has tried to use the environment as a tool to distinguish itself in the political arena, as seen in its lofty aspirations for a 25% reduction in GHG emissions. Never before has the environment been used for political distinction in Japanese elections. At close inspection, the DPJ’s environmental policies are fundamentally no different from the LDP (the main differences lie in mere percentage point discrepancies for emissions targets—they do not differ on their outlining commitment to environmental improvement); however, in light of the major political turmoil and changes happening within Japan, the environment could become a more polarizing topic in future elections.

Although the current DPJ administration touts itself as environmentally dedicated, oddly, it has thus far proved to be ineffective, if not completely uninterested, in environmental policy. MOE officials have expressed dismay at the current DPJ administration for cutting the ministry’s budget and demonstrating a lack of flexibility and cooperation when it comes to fulfilling MOE’s objectives. The DPJ’s attitude could partly stem from its basic mistrust of the bureaucracy as still linked to the LDP. Yet more to the point, as of November 2010, the Special Advisor to the Prime Minister on the Environment reported that he had yet to be called in for consultation about the status of Japan’s environment. As the Director for International Strategies in the MOE put it, ‘... the government of Japan is a Ferrari—great if you can drive it.’ Clearly, the ministry is not in the driver’s seat, let alone a passenger in charge of navigation, when it comes to protecting the nation’s environment. Given the huge earthquake disaster that Japan now faces in 2011, it is possible now that the DPJ government will no longer be able to relegate MOE to the back seat of its environmental policy affairs.

Japan's business community has come out against the DPJ government's international vow to cut greenhouse gas (GHG) emissions by 25 per cent by 2020 compared with 1990. The steel and cement industries in particular have opposed stricter environmental standards. This opposition is not solely due to an inherent disregard for the environment, but rather a sense of unequal commitment to the goals of the Kyoto Protocol by other nations, such as China. Opponents argue that by comparison, Japan has made substantially more reductions than the other major GHG emitting and developed nations. Japanese businesses refuse to make further cuts (which come at a substantial cost) until other nations agree to their fair-share cuts first.

Although businesses have until recently opposed environmental restrictions as cutting into corporate profits and shareholder value, some savvy companies are jumping on the green bandwagon, with government encouragement through price and tax incentives. They are producing environmentally-friendly products and services and making money. The Nippon Keidanren, Japan's oldest business association, has historically had significant policy influence over government affairs, though that has waned in recent years. The LDP in its heyday was often criticized for favoring business and industry interests over those of the public. The equation has changed today, and businesses are increasingly becoming environmentally conscious, responding to consumer demand for green products, and generally revolutionizing their production processes in ways that will reduce energy and protect the environment, while generating profits.

The traditional nature of the Japanese bureaucracy that is rigidly segmented – called “sectionalism” in Japan -- also precludes efficient environmental change in Japan. Environmental journalist Junko Edahiro explains why:

Japan's governmental bureaucracy is well known for its compartmentalized structure. Each ministry and agency strongly protects its own jurisdiction. This structure limits the power of Japan's Ministry of the Environment (MOE) when it comes to directing national environmental policy, compared to similar ministries in other countries. For example, the MOE cannot take action on issues relating to energy and industry, because they fall under the jurisdiction of the Ministry of Economy, Trade and Industry (METI). Construction and transport are under the Ministry of Land, Infrastructure, Transport and Tourism. Forestry and food are under the Ministry of Agriculture, Forestry and Fisheries. In effect, many environmental-related issues are outside the MOE's formal jurisdiction.

In short, structural barriers to coherent and streamlined ministry cooperation delay environmental information processing, policy implementation, and contribute to Japan's inability to meet international environmental demands. According to one official, relations between the MOE and the Ministry of Agriculture, Forestry, and Fisheries are amicable. But the innate structures and policy imperatives of the two ministries preclude the possibility of meaningful cooperation to influence environmental policy. More streamlined inter-agency mechanisms would not only

allow for more efficient policy implementation, but would also potentially lower policy implementation costs and allow for more effective information sharing.

Institutionally, the legal structure and court systems in Japan are not effective instruments for enacting environmental change. In contrast to the U.S., where environmental lawsuits abound, in Japan, the legal process is time-consuming, costly, and difficult. In the U.S. and other Western nations, Greenpeace has effectively utilized the court systems to tie government legislation into knots, delaying controversial environmental policies, and calling media attention to these issues. In Japan, because the Supreme Court does not challenge the Diet's interpretation of the constitution, government policies face little meaningful opposition from the court system.

Private responsibility for environmental integrity is also different in Japan. Private corporations are not legally required to restore land to an unpolluted condition when they move locations. Currently, the governor of Tokyo is faced with a dilemma over whether to relocate the famous Tsukiji fish market from central Tokyo to a larger and more efficient space outside the city to grounds previously occupied by the Tokyo Gas Company. Unfortunately, Tokyo Gas has left this land highly polluted, and the government has determined that the only way to safely relocate the fish market is to remove the top two meters of soil from the gas company site. This would come at tremendous cost to the local government and taxpayers, and the mayor is unsure of whether or not he could justify such expenditures. Without any legal incentive to keep private land clean, Japan's government faces large expenditures to clean up polluted land. If they choose not to restore the land, local environments face irreversible damage and lose potential value from its use.

### ***Public Participation***

Japanese citizens have long played an important role in raising public awareness of environmental issues. Japan has lacked national movements, but there have been many smaller, issue-specific or region-specific movements over the years that have left their mark on environmental history in Japan. As characterized by Michael Reich's 'outside initiative model,' environmental movements tend to precipitate within the general public, before spreading to affect the policies of government agencies. Public mobilization is most effective when environmental issues directly affect human health and livelihood. This 'victim mentality' was seen in the Minamata sickness case. The movement spread until it became an undying force that ultimately led to compensation for the victims and environmental reform. But it took decades of legal confrontation with the government.

The absence of a 'victim mentality' is also one way to understand Japan's most controversial environmental policies, such as the lack of public awareness about whaling and deforestation as international issues. When the Japanese people are not directly impacted by harmful environmental policies, these policies seem less severe, and receive less media and political attention and public mobilization. There is no significant constituency in Japan of anti-whaling advocates. No groups picket outside any of the few restaurants serving whale meat.

Perhaps the most revealing aspect of environmental activism in Japan is the relative insignificance of the role of Non-Governmental Organizations (NGOs). Compared to western nations, Japanese NGO membership and funding is miniscule. In 2000, the World Wildlife Fund (WWF) Japan had 50 members, WWF Germany had 180,000 members, and the WWF USA had over one million. Americans also represent some of the largest private donations to environmental causes throughout the world. However, Japan lacks big benefactors, such as a Japanese Bill Gates, who are able and willing to donate personal wealth to environmental and social causes. This ineffective donor culture – an absence of philanthropy – is also affected by indifferent tax codes and few incentives to donate. Japan might see a significant jump in charitable contributions if citizens were allowed tax deductions when giving to such causes.

According to the Director of the International Strategy Division of the MOE, greater public participation in environmental organizations is more likely to occur, if NGOs were more active in international conventions. Alternatively, public participation could be driven by support from the Imperial Family or local celebrities. The director also stresses the importance of using scientific analysis to explain environmental problems, instead of moral arguments. In Japan, the public is more receptive to solid facts and evidence, he believes.

### *Culture*

Japanese environmental policy is better understood when framed within its unique cultural context. ‘Racially and culturally, Japan is the most homogeneous of the world’s major powers - which is a prime reason Japanese have been able to Westernize their society yet still preserve a keen sense of their own identity,’ Robert C. Christopher posits. Although the U.S., as a young nation, had environmental policies in place in the late 19<sup>th</sup> century, Japan seemed oblivious to its growing ecological damage, caused by rapid industrialization, until decades after the end of the war. ‘Isolation permitted the Japanese to hold onto outmoded forms and institutions even when reality had passed them by,’ Edwin O. Reischauer once stated. Because Japan, an island nation, has been relatively isolated throughout most of its history, the relationship between its population and the environment has manifested itself in ways quite different than continent-based countries.

Japan’s rich national heritage conveys the sense that all living things, whether human or not, coexist as one within heaven and earth. Whereas the West sees environmental preservation issues in black and white, Japan is influenced by the complimentary Asian concepts of yin and yang -- or the balancing of forces. This leaves the Japanese in a more utilitarian position, where they accept harm to their environment as part of the natural life cycle. Yet at the same time, it does not preclude Japan from appreciating and nurturing its natural environment for future enjoyment.

This ability to simultaneously appreciate and exploit nature is found in many national parks, which are replete with luxury hotels, amusement centers, golf courses, and of course litter. It is also evident at Sea World amusement parks, where Japanese patrons can enjoy not only live



shows of whales splashing around and doing performing tricks, but also can consume a lunch of whale meat served at the Sea World cafeteria.

“Harmony” or “wa” as a traditional concept has always been valued highly within Japanese culture. Japanese abhor direct personal confrontation and, to avoid it, almost always interact by the use of formalities and politeness. Consensus seeking is the ideal form of decision making. This attitude is a result of generations of Japanese living close together, having to share space and goods, and being pressured by the society around them to conform to a common set of mores, rules, and understandings. The militarists were able to exploit such latent docility when Japan fell under their rule in the 1930s, and made any dissent against the imperial order a capital offense. Society has changed radically since the war, but the emphasis on collective agreement remains, and can be witnessed in all aspects of Japanese life, whether at home, in the work place, or in national politics. As one social anthropologist put it, ‘Japan has no tradition of organized orneriness.’ Though this traditional ethic is breaking down in urbanized areas, it is one of the reasons why public environmental protests are less common in Japanese society than in the West. Conformity and collective responsibility are still respected values and traits, and the “nail that sticks out” still gets hammered down.

Another factor is the knowledge base of average Japanese citizens. The Japanese public might be more outspoken about environmental problems, if they were made more aware of the true nature of the issues and recognized the inconsistencies between what they learn from domestic sources, including their own government, and from the rest of the world. The Japanese public’s apparent naïveté about environmental issues that should be conventional wisdom seem to stem from a lack of significant input from the rigidly uniform educational system, the political center, and mass media. Mainstream journalism, with the occasional exception, particularly when there is a hot issue that cannot be avoided, normally tends to ignore environmental issues.

In contrast, for example, The Institute of Cetacean Research (ICR) spends millions of dollars on public relations materials and campaigns to instill a positive image of Japanese whaling within the nation. Furthermore, the ICR has convinced the Japanese that whaling and marine practices are necessary for scientific research. The media do not challenges such pseudoscience as allegations that whales are overpopulating the oceans and eating much of the fish stocks. Another example of inculcation regards dolphin kills. Some of the meat from the slaughtered dolphins in Taiji is donated to local schools to win over public support for their controversial practices. Such propaganda shields the public from environmental practices that might raise their consciousness to question them. Only the media at this point can help to remove public apathy and raise awareness.

### *Tradition*

Some inconsistencies, between Japanese and western environmental policies, can be attributed to differences in national tradition. Japan defends its whaling practices through claims of historical and culinary traditions. The Japan Whaling Commission (JWC) has stated:

Asking Japan to abandon this part of its culture would compare to Australians being asked to stop eating meat pies, Americans being asked to stop eating hamburgers and the English being asked to go without fish and chips.

The statement is disingenuous for whale meat consumption is quite rare in Japan and has never been high on the national diet scale. The Japan Research Center's 2006 survey revealed that only 4.7% percent of respondents reported to having eaten whale meat. Western governments and international environmental organizations are reluctant to accept such a rationale as the JWC's as a legitimate reason to continue whaling.

Furthermore, the notion of the 'Nihon' culture as synonymous with a cohesive Japanese society with the same values and practices is inaccurate. As in any nation, the Japanese public is fractionalized; different regions and social classes practice differing customs and traditions. Historically, whaling has only been a traditional livelihood of certain coastal towns. However, even among these seaside towns, whaling is not overwhelmingly important, as evidenced by Japan's lobbying of the International Whaling Commission (IWC) to grant special whaling quotas to only four coastal communities. For something purportedly ingrained in the national tradition, one would imagine Japan would have asked for more than four towns to be granted such privileges.

Traditional Japanese whaling was practiced from the shore with spears and other small weapons. Mass whaling with harpoon vessels and factory ships out in the oceans, far from Japanese territory, is only a recent phenomenon. In pre-modern times, Japan was a vegetarian country in principle. This changed, and ocean whaling was introduced during the 19<sup>th</sup> century with the rise of western influence and modernization. After World War II, food shortages and the then cheap price of whale meat prompted Japan to rely on that product for sustenance.

### *Nationalism*

Japan is one of the world's most integrated nations in terms of trade, cultural sharing, and financial markets. Due to its poor supply of natural resources, Japan relies on international trade relationships for its very survival. Modern Japanese society has embraced and melded many western traditions and ideals into its own culture. These imports include a market economy, democracy, human rights, and environmental standards. The U.S. Environmental Protection Agency (EPA) and Japan collaborate on scientific studies and environmental innovation, yet the two nations still diverge in their respective environmental policies.

Japan refuses to align with international environmental standards that do not match its strong cultural predilections. The 2009 documentary, *The Cove*, addresses Japan's treatment of dolphins and egregious fishing practices, and suggests that Japan's sometimes-controversial environmental policies are not about economics or politics, but purely about national pride. As an Asian nation with strong ties to the West, non-compliance towards certain international environmental norms is a way of maintaining a sense of independence and national autonomy. This is evident in Japan's long-standing international battle over whaling. As more Western nations call for the cessation of questionable oceanic practices, and as western-led organizations, such as Sea Shepherd, continue to terrorize Japanese whaling crews (with stink bombs, illegal boarding of Japanese whaling ships, and blatant interruptions to Japan's commercial whaling activities), Japan is unlikely to give in to western 'bullies'. In the absence of legally binding principles against such practices, relenting on its position would be a devastating and embarrassing defeat to Japan.

## Conclusion

There is little reason to believe that Japanese environmental policy will undergo significant transformation in the near future. Although the DPJ would like to distinguish itself from the LDP as more dedicated to the environment, the current government actually appears unmotivated to tackle difficult climate issues. In the DPJ's first national manifesto, the only reference to the environment concerned GHG emissions. This has not changed over the last year.

Japan is furthermore unlikely to back down from its most controversial policies, such as whaling, anytime soon, especially considering the few mechanisms at the international community's disposal with which to challenge its position. The whaling issue could even come down in Japan's favor, as more nations (albeit nations that do not participate in whaling themselves) are supporting Japan, and arguing for the end to the international whaling moratorium.

However, there is reason to believe that Japanese and Western environmental policies will grow closer together in the future, although this will not occur overnight. Just as other Western customs have infiltrated Japanese hearts and minds over the years, public sentiment and concern for the environment has clearly shifted. The recent devastating earthquake that has damaged habitat and beautiful scenic areas in northern Japan may also have a significant impact on public awareness of the fragility of the natural environment that must be protected.

As long as information continues to flow between Japan and other environmentally progressive nations, and as long as the international community's commitment to environmental issues does not wane, there is much to be accomplished. Japan is sure to be the leader in many of these future achievements.

*Jamie Shellenberger*

# **JAPAN'S AFRICAN AID STRATEGY**

## **Introduction**

Japan's official development assistance (ODA) has come a long way from the early days in the 1960s and 1970s when under the rubric of "economic cooperation," concessional financing doled out in increasing amounts to developing countries while tied to procurement of Japanese goods and services was synonymous with mercantile pursuits. These days, Japan's ODA is praised by the OECD for its high quality, humanitarian aspects, and a policy preference for grant aid, particularly to the poorest countries, over loans to middle-income countries. ODA even has a philosophy, as articulated in the ODA Charter, issued in 2003. Under the Charter, the overarching vision for Japanese development cooperation is "to contribute to the peace and development of the international community, and thereby help to ensure Japan's own security and prosperity." For Japan, its ODA is one of the country's most successful diplomatic tools that serves the nation's long-term national interests. It is interwoven into the fabric of the country's foreign policy, and serves as a tool for building friendships and trust relations with developing countries. Seen in that light, ODA has broad support among the Japanese public as an important contribution to the international community and as a bridge to the developing world.

## **Characteristics of Japanese ODA**

Japan places a high priority on public support for development cooperation. The Japanese government monitors public opinion to determine appropriate levels of overseas assistance. During the 1990s, when the Japanese economy was in recession and budgets were being slashed, the public consensus supporting foreign aid seemed to be weakening. Opinion polls showed a decline in public support for increasing overseas development assistance (ODA). To counter the worrisome trend, the Ministry of Foreign Affairs (MOFA) and the Japan International Cooperation Agency (JICA) developed a public relations and development education strategy, focusing on the concept of "human security." (Human security is an emerging concept that challenges the traditional notion of national security by arguing that the proper referent for security should be the individual rather than the state. It attempts to transcend the traditional notion that security must have a military component, and it includes a concern for the welfare of vulnerable groups in society, particularly women and children.) The JICA Global Plaza was opened in 2006 as a public education centre for development cooperation.

Japan rose in the 1980s to become the world's largest donor of ODA by 1989 (OECD statistics), disbursing approximately \$9 billion, and it remained on top (with the exception of

1991, when it slipped behind the United States) until 2000. After that, as ODA budgets were cut, Japan fell to second place in 2001, and then to third when overtaken by Britain in 2006. It slipped two spots in 2008 to fifth place among major aid donors. In 2009, Japan disbursed \$9.4681 billion (about 884.4 billion yen), a decrease of 1.4% from 2008. However, it remained the fifth largest provider of ODA in the world, after the United States, France, Germany, and Britain. Of that amount, \$6.124 billion (63.4%) was in bilateral assistance and \$3.467 billion (36.6%) was in multilateral assistance through international organizations.

While Japanese ODA policies cover many of the same issues as other donors, Japan also distinguishes itself in certain areas and methods. The primary emphasis of Japanese ODA is placed on stimulating economic growth in order to reduce poverty. Although its stated priorities cover many of the human development issues, highlighted by the Millennium Development Goals (MDGs), the core Japanese approach remains economic growth. Having recently added the human security “pillar”, Japan is now promoting poverty reduction through a growth orientated outlook. Another factor, which may have helped integrate poverty reduction into the formulation of ODA, is the reference to the MDGs in Japan’s Medium Term Policy. MOFA regards Japanese ODA as a diplomatic tool that can be used to promote Japan’s national interests. Its forum of choice is the United Nations (UN), where Japan has solicited the support of many African countries, especially in the Security Council.

## **Japanese Politics**

Since 2006, Japan has had five prime ministers, the current one being Prime Minister Naoto Kan. Despite rapid changes in leadership and the Democratic Party of Japan’s (DPJ) rise to power following a landslide victory in the House of Representatives election in August 2009, the current DPJ government remains committed to upholding the previous Liberal Democratic Party (LDP) government’s pledge of doubling aid to Africa. In reality, no substantial increase in aid to Africa has been required in order to honor the commitment.

As Asian countries that were once recipients of Japanese aid begin to pay back their loans, Japan is able to use these funds in Africa. Moreover, Asian countries as a whole represent a smaller share of ODA recipients. Therefore, Africa receives a priority share of ODA outlays, currently ten percent. Considering Japan’s ongoing economic woes, and the direct link between government approval ratings and the state of the economy, the fiscal budget has long been politically sensitive and even volatile topic. The last two national budgets were soundly criticized for not introducing enough spending cuts. While some of the aid-related officials interviewed for this paper were optimistic that ODA spending for Africa would be maintained at ten percent, others thought cuts to funds for Africa would be more likely, particularly once the three-year doubling commitment ends in 2012.

## MOFA / JICA / NGOs

Japan's long-standing multi-pronged approach to ODA – a mix of loans, grants and technical cooperation – underwent a substantial change in 2006. Reforms resulted in the creation of the Overseas Economic Cooperation Council (OECC), chaired by the Prime Minister, with participation from three cabinet members and the Chief Cabinet Secretary. The purpose of the OECC was to deliberate on overseas economic cooperation and development matters. The bilateral and multilateral aid responsibilities of MOFA were merged into one bureau, while the ODA loan function of the Japan Bank for International Cooperation (JBIC), and a part of the grant aid function of MOFA, were merged into JICA on October 1, 2008. Part of the budget is administered directly by MOFA and the Ministry of Finance (MOF); another is allocated to JICA. MOFA plays the central coordinating role among the ODA-related government ministries and agencies.

Development assistance allocated either to or through non-governmental organizations (NGOs) constitutes a very small component of the Japanese bilateral aid budget. Only three percent of the budget in 2008 was devoted to this cause. Japan tends not to make use of either Japanese or local NGOs as implementing partners. When support is provided to NGOs, such funds are usually earmarked for specific and small-scale projects. Only small sums are available for NGOs in partner countries. Currently, despite the relatively small volumes involved, there are a number of different NGO funding schemes; some are run by MOFA, others by JICA. Each funding mechanism is managed differently, involving detailed and time-consuming procedures.

Japanese NGOs are just now coming to the fore in terms of their interaction with MOFA and their engagement in Africa. American NGOs have long been lobbying the U.S. government in order to promote the missions of their organizations, find members of Congress that are sympathetic to their causes, and increase funds to the Foreign Assistance Budget. American NGOs also deliver aid, provided by the United States Agency for International Development (USAID) other government agencies. Japanese NGOs have formed ties with NGOs and civil society organizations throughout Africa. The Africa-Japan Forum (AJF) coordinates a conference for Japanese and African civil society to liaise and share expertise. While NGOs in Japan are gaining momentum, and now have a clearer sense of how to “lobby” MOFA, they have a long way to go before they are able to reach the capacity needed to become JICA implementing partners. A number of Japanese NGOs run small projects in African countries; however, only three NGOs are currently implementing partners for JICA. A senior JICA official indicated that this situation would likely remain unchanged, until Japanese NGOs have sufficient capabilities and have demonstrated their expertise in the field.

## **The China Factor**

China's sphere of influence in Africa continues to grow through its unique brand of development aid. China offers African leaders infrastructure, hospitals, and even soccer stadiums, with few strings attached, except for access to and extraction of natural resources. Although drawing scrutiny and criticism from the West, the assistance that China provides is certainly in partnership with and has the consent of the countries involved. China even holds development summits with African leaders to further ties and build relationships on the continent.

Increasingly, Japan is in competition with China for the provision of development assistance to Africa, and in some cases simply cannot compete at all. While Japanese agreements with recipient countries result of requests from the recipients themselves, the burden of preparing the required documentation to make the request, in addition to the time necessary for both the requests and agreements to go through formal channels, present significant obstacles. China is able to initiate and sign agreements with quickness and ease, easily outpacing Japan. In this way, Tokyo has actually lost agreements. The volume of China's aid to Africa also outpaces that of Japan.

## **Japan-Africa Relations in the Recent Past**

For generations, Japanese have perceived Africa as being a distant continent far removed from Japan and its concerns. Historically, relations between Japan and Africa have been non-existent, weak, or tenuous at best, although things are now slowly beginning to change. The perception of Africa as a far-off continent is part of the national psyche, and certainly includes the Japanese government. There has not been a precedent for focused, ongoing contact. From the Meiji Restoration until World War II, the Japanese did not have a distinct perception of Africa, a situation that changed little during the postwar period. Opportunities for engagement arose during the 1950s, 1960s and 1970s, when many African states achieved independence from European colonial rule. However, the prevailing attitude within the Japanese government was that it was the responsibility of the advanced nations of the West to promote African development. This conviction was not deeply questioned in Japan. As a result, the lack of contact between Japan and Africa seemed natural to most Japanese, if they gave the matter any consideration at all.

In late 1974, Toshio Kimura was the first Japanese foreign minister to officially visit Africa. In October 1973, when the first oil shock hit Japan (as a result of the fourth Arab-Israeli war), resource security quickly surfaced as a large and pressing issue. Kimura's trip to Africa, almost exactly a year later, was regarded as being part of Japan's "resource diplomacy." Explicit about Japan's opposition to colonialism and racial discrimination, Kimura pledged Japan's moral support for struggles toward national liberation. Tokyo unveiled an expanded policy of economic and technical cooperation, in recognition of the new circumstances African nations faced, as they rushed to reorient their priorities toward economic development. The year 1974 also marked the start of a dramatic upturn in both the actual amount of Japanese ODA to Africa and the proportion of total ODA earmarked for Africa. In 1973, Japan's bilateral ODA to African

countries amounted to \$18,580,000 (2.4% of total bilateral ODA). In 1974, it was \$36,350,000 (4.1%), and by 1975 it had increased to \$59,070,000 (6.9%).

In January 2001, Prime Minister Yoshiro Mori made a five-day visit to Africa. There was precedence for trips to Africa by former Japanese prime ministers, including Ryutaro Hashimoto's 1999 tours of Kenya and South Africa, and, later in the same year, Nigeria and Ghana. But Mori's was the first-ever state visit to Africa by an incumbent Japanese prime minister. Why did he go? The answer is a combination of three factors: a continuation of Japan's post-Cold War policy of striking out in new diplomatic directions, including building ties with Africa, the leadership style and priorities of Mori himself, and broader considerations of the nation's vital interests.

The visit launched a decade in which Japan increasingly played a leading role as a donor to Africa with genuine initiative and independence. Not other ODA donor with the exception perhaps of the U.S. could come close. During the Cold War, Japan was hesitant to politically and diplomatically interact with the Third World, mindful of the overall geopolitical implication of such in the East-West rivalry. With the end of the Cold War, ideological considerations became relatively unimportant, allowing Japan to carve out its own diplomatic agenda with the developing world, including Africa. The initiatives to hold the Tokyo International Conference on African Development (TICAD) in 1993 represented both the indication and effect of such a philosophical shift. The holding of TICAD II in 1998 was even more telling. As the late Prime Minister Keizo Obuchi put it in his opening address to the Conference:

"Many countries in Asia, including Japan are in the grip of a severe economic crisis. However, as people say, a friend in need is a friend indeed. This is the spirit with which we approach the challenges of the times, and which indeed underlay TICAD II, and for that reason I believe the holding of this conference is significant."

At the 2000 G8 Okinawa Summit too, Obuchi took the initiative to invite to Tokyo three African heads of states -Thabo Mbeki of South Africa, Olusegun Obasanjo of Nigeria and Abdelaziz Bouteflika of Algeria – in order to hear their development views and make sure such were reflected at the Summit. This was, as Prime Minister Mori later stressed in his policy speech in South Africa, "something which had not been attempted before." In this sense, the Prime Minister's visit marked one significant stage in a process that had been underway for some time.

Mori's trip to Africa also reflected his own positive attitude towards the continent and other developing countries. He gave this explanation in his speech for his visit: "I definitely wanted to stand on the soil of the African continent and express directly to the African people the firm determination of the Japanese people to open our hearts along with you, to sweat and expend all our might to aid in the process of Africa overcoming its difficulties and building a bright future."



## Current ODA Commitments to Africa

Japan has traditionally focused its bilateral development aid on Asia, especially East Asia. However, on African issues, Japan has increasingly played a leading role with genuine initiative and independence over the past decade. The outcome of the fourth Tokyo International Conference on African Development (TICAD IV) in 2008 suggests that Japan's aid policy for Africa is changing, from conforming to international norms to being autonomous and result-orientated. The focus has narrowed in on the interests of client countries, and those of Japan itself. As Africa is becoming increasingly important, politically and economically, the Japanese government appears determined to mobilize its main diplomatic tool, ODA, to create closer ties with the continent.

In parallel with the recent upward trend of global assistance flows to Africa, the amount of Japanese ODA to the region has rapidly increased since 2004, mainly because of the expansion of grant aid to Sub-Saharan African countries. Since 2004, debt relief has constituted roughly 60-80% of Japanese grant aid to the region. This could be viewed as a success of assistance through the TICAD framework, as TICAD III in 2003 upheld debt relief as one of the major elements in Japanese assistance policy towards Africa. The amount of grant aid, excluding debt relief, is also on a relative rise, realizing an increase of 20% in 2006. Japan's 2008 ODA to Africa totaled approximately \$1.75 billion, which exceeded 2007's ODA by approximately \$670 million, or 61.7%.

Japan made a series of commitments to increase the volume of its aid to Africa. Japan's promise to double aid to Africa by 2007 was met due to large amounts of debt relief. There was a second commitment in 2008 to double ODA to the continent by 2012, excluding debt relief. The target was based on a doubling of average disbursements from 2003-2007, and had almost been met when it was set. Tokyo will provide up to four billion in yen-denominated loans to Africa over five years, beginning in 2008, and will initiate a \$2.5 billion fund within the Japan Bank of International Cooperation devoted to doubling private investment in Africa. In actual terms, there will be only a small increase between 2008 and 2012. Japan has been working to actively mobilize loans, by expanding the number of loan recipient countries, while considering the persistence of debt and specific development needs of respective countries. Also in 2008, Prime Minister Yasuo Fukuda announced that Japan had established a network of international agencies to help double rice production in Africa to 14 million tons over the next ten years.

At the TICAD Ministerial Follow-up Meeting, held in Botswana in March 2009, the impact of the financial and economic crisis on Africa, as well as measures to counter it, were discussed among donors, aid organizations, and African countries. Although its economy was affected by the global financial and economic crisis, Japan announced that it would fulfill its commitments made at TICAD IV and more actively assist Africa. Furthermore, Japan pledged to expedite the implementation of approximately US\$2 billion grant and technical assistance as quickly as possible. In keeping with its emphasis on human security, Japan announced it would

provide food and humanitarian assistance, totaling approximately US\$300 million, as well as disburse approximately US\$200 million to the Global Fund to Fight AIDS, Tuberculosis and Malaria, in order to mitigate the impact of the financial crisis on those most vulnerable.

Japan continued to push for increased aid to Africa on the global stage throughout 2009. That April, at the G20 Summit on Financial Markets and the World Economy held in London, Japan called for scaling up assistance to Africa. In September, at the G20 Pittsburgh Summit, Japan affirmed the need to strengthen assistance for the most vulnerable populations. Again in September, at the 64th Session of the General Assembly of the UN, Prime Minister Hatoyama announced that the new government intended to continue and strengthen the TICAD process. In October, Foreign Minister Okada announced to the African Diplomatic Corps that the two fundamental principles of Japan's policy towards Africa were, first, to provide assistance for the development and growth of Africa, and, second, to contribute to the peace and stability of Africa.

Japan has subsequently worked to identify and design projects for each priority area, (including infrastructure, agriculture, health, education, water and sanitation, environment, and climate change), with the intention of carrying out Japan's commitments made at TICAD IV. Japan has conducted more than 130 preparatory surveys in African countries and continues to make progress towards the steady realization of its assistance goals. Japan has pledged to continue to cooperate with donors and aid organizations, such as the World Bank and African Development Bank, as well as NGOs, in order to provide detailed assistance activities in Africa.

## **Partnership / Ownership**

Under Strategy Three of its mission statement, JICA states the following, regarding its approach to the promotion of development partnerships:

New JICA aims to be a good partner for developing countries, accurately grasping their changing needs through a focus on the field and promoting their own self-help efforts swiftly and effectively through a focus on results. We will also promote public-private partnerships, pooling the experience, technologies, and resources of local governments, universities, nongovernmental organizations, and other actors. Furthermore, to fulfill our responsibilities as one of the largest donor organizations in the world with more than 40 years of experience, we will strengthen partnerships with international organizations and other donor institutions, leading the creation of a broad framework for development assistance in a global community that is seeing growing numbers of players in the international cooperation field and increasingly diverse forms of aid to developing countries.

In the spirit of Africa-Asia cooperation and partnership, the Coalition for the Development of Rice in Africa (CARD) was jointly proposed by the Alliance for a Green Revolution in Africa (AGRA) and the Japan International Cooperation Agency (JICA). The aim of the initiative is to respond to the increasing importance of rice production in Africa, and to provide an international framework to support African countries' efforts to increase rice production, building on existing structures, policies, and programs, such as the Africa Rice Center (WARDA), the Comprehensive Africa Agriculture Development Program (CAADP) and the Africa Rice Initiative (ARI).

Triangular (or trilateral) development cooperation is development assistance funded by Japan, and executed by Southern partners (developing countries about to graduate from that status), in developing partner countries, often by means of technical assistance. It has come to be increasingly valued for its effectiveness and lower implementation costs. Southern contributors, as countries still going through the development process, are well placed to respond to the needs of countries in similar circumstances.

According to JICA Senior Vice President, Kenzo Oshima, JICA is building a new development model to encourage increased agricultural production in Africa. This model seeks to prevent another global food crisis and to deter land grabs by foreign enterprises across the continent. The new model, which includes a project planned for Mozambique, is designed to reduce overall poverty in developing countries, by enhancing the agricultural productivity of small farmers, while simultaneously stimulating regional growth with programs such as the establishment of agricultural processing systems. Beginning in the 1970s, Japanese experts and financial assistance helped transform Brazil's *cerrados* (closed land) into viable, successful farmland, growing large harvests of soybeans, corn, rice, cassava and sugar. Later, this initiative was hailed as "one of the great achievements of agricultural science in the 20th century."

JICA now attempts to duplicate such success in Mozambique with Brazil's assistance. JICA, Mozambique and Brazil signed a tripartite agreement in 2009 to launch the project. Three main factors are involved: Mozambique's strong commitment to its success, Brazil's experience in developing its own savannah grasslands, and Japan's experience and knowledge of agricultural development. Brazil's emergence as an agricultural power is crucial to global food security, which has been completely dependent on the United States for grain production. JICA officials believe that developing Africa as the world's third major agricultural producer will stabilize food supplies, ultimately working in favor of major food importers such as Japan.

Brazil will also benefit from assisting Mozambique, exemplifying the emerging economy's shift from aid recipient to donor nation. In addition to the agricultural project, JICA is also working on other related programs in Mozambique, including infrastructure improvement, such as roads and ports in the savannah region, in order to buttress the farming scheme.

## **TICAD (Tokyo International Conference on African Development)**

TICAD was launched in 1993 as an initiative for African development through the joint effort of the Government of Japan, the United Nations Office of the Special Advisor on Africa (UN-OSAA), the United Nations Development Programme (UNDP), and the World Bank. Its stakeholders consist of all African countries and development partners, including Asian countries, donors, international agencies, private sector, and civil society organizations (CSOs). The TICAD process aims to promote high-level policy dialogue between African leaders and their partners, and to mobilize support for African-owned development initiatives. Summit-level meetings are held every five years, while four ministerial conferences and other meetings have been held in-between. The two main principles of the TICAD process are: ownership by African countries, and partnership of the international community. With the TICAD process at the cornerstone of its assistance to Africa, Japan has actively been supporting Africa's efforts to address its development challenges.

As declining productivity, a rising population, and low levels of investment have all served to hamper African agriculture development, the region has little choice but to continue to import food. Food prices increases may result in short-term crises, but they may also be a long-term opportunity for Africa's 80 million farmers. Realizing their potential, however, requires cash from donor countries in order to get the necessary fertilizer, seeds, and irrigation. Even more important is investment in the transport and storage infrastructure to bring crops to market; currently, as much as 50% of Africa's harvests spoil before they reach consumers.

### **Criticism of TICAD**

TICAD is still far from fulfilling the optimism with which Africa's leaders and policymakers embraced the process at its inception. This pessimism was echoed in the view of the African ambassadors' group in Tokyo that "...measured against the broader yardstick of the Millennium Development Goals, it is not clear that the TICAD Process has met Africa's expectations - in terms of making a significant impact in driving or progressing sustainable development on the continent." In particular, the group questioned the practical operation of what Japanese policymakers have described as a "unique" aspect of the TICAD process: the idea of Africa's ownership of its own development as a crucial aspect of the framework. In clear reference to China's recent initiatives in Africa, the ambassadors continued, "TICAD is no longer alone in terms of Asia-based fora focused on Africa... the action-oriented approach, and the aggressive, highly-visible character of some of the other initiatives to have emerged over the past few years [make] it clear the TICAD Process risks being overshadowed - especially in terms of delivery and effectiveness on the ground."

These comments reflect the fact that the original optimism of African leaders, who expected immediate and tangible outcomes from TICAD, is becoming increasingly distant. It is possible that this optimism was misplaced, however. Despite the attention that has been given to TICAD and its projects, TICAD has always been what Tokyo saw it as from the beginning – a process and developmental framework, not a funding commitment. Moreover, Japan's ODA to

Africa through the TICAD process still fails to incorporate cross-sectoral issues, such as gender equality, environmental protection, and dialogue with civil society, all of which form an important part of the global development agenda. As such, donor and recipient expectations seem to have been misaligned, with differing outcomes in mind.

### **NERICA (New Rice for Africa)**

New Rice for Africa (NERICA) is a cross between an ancient, hardy African rice variety, and a high-yielding Asian variety and was originally developed by scientists of the West Africa Rice Development Association (WARDA), an intergovernmental rice research centre. It combines features of both types: resistance to drought and pests, higher yields with little irrigation or fertilizer, and a higher protein content than other types of rice.

In May 2008, JICA, the New Partnership for African Development (NEPAD) and the Alliance for a Green Revolution in Africa (AGRA) launched the Coalition for the Development of Rice in Africa (CARD) under TICAD IV, presented as the new primary platform for NERICA. In its founding declaration, CARD criticized traditional African agricultural practices for their low productivity, and declared its intention to double the continent's rice production to 28 million tons by 2018. This doubling was envisaged by distributing more NERICA seeds and chemical inputs to farmers through the private sector, introducing better farming techniques and education, upgrading irrigation projects, and expanding cultivable areas.

Among staple food crops, rice represents Africa's best opportunity to reduce its imports. It is believed that the price of rice and other grains in the international markets will stay at high levels in the foreseeable future. Such expectations are driven by increased demand, changing consumption patterns in countries with growing economies, competition from production of bio-fuels from grains, and the effects of climate change. Hence, innovative plans are called for that will contribute to improving self-sufficiency in staple food grains, including rice. Any increases in local production will replace rice imports purchased with foreign exchange. Rice is a cash crop, but differs from other cash crops such as tobacco and coffee in that it can be consumed at home. Thus, it is an important crop from the standpoint of food security at the level of farmers as well.

The history of Japan's ODA to Eastern Africa spans longer than any other parts of Africa, and a wide variety of assistance schemes have been developed in that region over the course of time. Uganda plays a key role in one of JICA's biggest agricultural initiatives in Africa to date. The two partners are involved in a series of inter-related programs to promote the wider cultivation of rice and development of institutional capacity.

"Japan has the expertise and history in growing rice. We started helping Africa after finding out that rice consumption there was lacking and the continent was losing a lot of foreign currency through importing rice." (Goto Akio, coordinator of the New Rice for Africa (NERICA) project at the Japan International Cooperation Agency (JICA)).

Uganda spent \$90 million on rice imports in 2005, but with improved varieties, the cost has been cut to \$60 million a year. Land under rice cultivation has grown from 10,000 hectares just a few years ago, to 160,000 hectares. Japanese experts and JICA volunteers have trained more than 2,000 farmers and other stakeholders in modern rice technologies. To promote further rice research, train local officials, and construct viable infrastructure and dissemination networks, JICA has helped establish a research and training center at the country's main Namulonge Crop Resources Research Institute, a project which will be completed in 2012.

GRAIN.org questions the benefits of pushing NERICA and suggests that its actual yields are not nearly as high as reported. Is this another case of "aid gone wrong" or acceptance and promotion of a technology that seems like an easy solution to a very large and complicated problem? Despite the publicity, so far there has been very little practical discussion about the consequences that such rapid and massive distribution might have on the continent, especially for small farmers.

The experiences so far indicate that NERICA is not fulfilling its promise and raise significant concerns about both its performance and long-term effects. NERICA is being promoted in a "top-down" manner that jeopardizes the survival of local rice varieties and other traditional subsistence crops. Moreover, the spread of NERICA is associated with the explosion of private investment in African rice production, which threatens to displace Africa's small-farm rice systems with plantation-style rice production managed by big agribusiness.

## **American Aid to Africa for Agriculture**

The U.S. government has only recently started to prioritize the type of assistance that would actually contribute to improved agricultural practices and outputs in Africa. Projects implemented by NGOs sometimes focus on smallholder farmers, especially women farmers. Until the Global Food Security Initiative was launched, there had not been a coherent policy with the goal of increasing yields and providing substantial technical assistance for agriculture in Africa. The U.S. has become exceptionally good at sending surplus foodstuffs to African countries through the Office of Food for Peace at USAID (some use the term 'surplus' to define U.S. food aid). Such interventions are appropriate in complex emergencies or disasters, but long-term provision of food aid does ultimately have a deleterious effect on agriculture, self-sufficiency, and markets for local agricultural goods. The U.S. is the largest donor to the United Nations World Food Program, giving food and cash contributions totaling roughly 40% of the organization's budget. In contrast, Japan has made a significant move away from food aid.

## **US-Japan Cooperation**

While there are instances when the U.S. and Japan work together in specific countries or within specific projects to further food security in Africa, collaboration has generally not existed. In other sectors, such as public health, the U.S. and Japan work together frequently and effectively. Although the TICAD framework was created by Japan, it has dozens of stakeholders representing various international, regional, and country agencies. The U.S. was invited to participate in TICAD, and American representatives did attend initial planning meetings, but ultimately the U.S. has not become an implementing partner in the framework. It is difficult to speculate as to whether or not this low degree of U.S. involvement stems from the lack of a precedent in working with Japan in such a manner on food and agriculture issues, or whether it is the result of a conscious desire to create and maintain U.S. programs.

### **Japan versus the U.S. in terms of foreign aid**

American aid is an extension of U.S. foreign policy in order to serve American foreign policy interests. Whereas Japan has focused its foreign policy on attaining political rehabilitation in the international community, economic success, and its security alliance with the West, U.S. foreign policy has focused on supporting political allies, global free trade, the spread of democratic values, and humanitarian concern.

Japanese ODA has been criticized for “following” U.S. aid in that it goes to those countries that the U.S. prioritizes in its foreign policy. This assertion is in true, to some extent, as Japan seeks to win respect with Western allies and within its alliance with the U.S.

## **Conclusion**

Over the last several decades, Japan’s interest in Africa has increased, leading to the continent’s prioritization in Japanese aid policy. Japan’s pursuit of natural resources, desire to see its interests represented in the United Nations, and genuine humanitarian concern have resulted in a

substantial monetary commitment to Africa. However, Japan's economic problems belie a reality that some in its development cohort are unwilling to face; namely, that Japan will have to cut its ODA budget and face difficult decisions in the near future. MOFA will have to weigh JICA projects, TICAD processes, and CARD initiatives against each other. Will the various pieces that currently constitute aid to Africa be consolidated in a meaningful and strategic way? Will Japan be able to maintain a recognizable, yet downsized presence in Africa, while competing with China, fulfilling its role in the U.S.-Japan alliance, and trying to keep up appearances with the West?

Despite the March 2011 earthquake in Japan that has devastated the eastern Tohoku region, and the likelihood this year that budget funds, including ODA, will be diverted toward the enormous reconstruction effort, the commitment to African development, bolstered by an aid doubling program, will continue. Japan indeed now has a global perspective that has elevated previously low-priority regions like Africa to priority status.

Moreover, new ways of using ODA funds are being applied on the continent. Japan recently has begun to export infrastructure to Africa as a latest effort to enhance its ODA programs and entice the private sector to become involved. The global financial crisis of 2008-9 hit Africa as well, cutting the continent's growth from an average 5 percent per annum to the 1 percent level. The continent desperately needs capital inflows to help recover its previous momentum.

Africa's infrastructure is especially weak when it comes to electric power and transportation. Shipping costs are excessively high, severely hampering the economies of the African states. It desperately needs investments from overseas in those two areas, as well as waterworks and sewerage, on an average of \$45 billion a year until 2030. This would create a market one-twentieth of that of Asia. Japan's ODA program can provide financing for such infrastructure, particularly in the southern and eastern portions of Africa.

The country risk factor is the biggest concern of investors when it comes to Africa, but this could dramatically drop if there is back-up from the Japanese government. JICA has revived the system of investing in projects with a high probability of success. In cases where usage fees for infrastructure are set up politically low, such means as viability gap funding – a subsidy system – can be used as a strong back up for promoting the advance into Africa of the infrastructure-building industry by ensuring their profitability. In this and other ways, Japan is coming up with new ways to effectively use its increasing limited ODA resources in promoting the development of African nations.

*Calita Woods*



# **THE DPJ CONFRONTS THE GROWING GENDER GAP AND DEMOGRAPHIC CRISIS IN JAPAN**

## **Introduction**

Even before the massive earthquake/tsunami disaster of March 11, 2011, Japan was in a state of socio-economic crisis. For the past two decades, the country's stagnant economy has been ensnared in a downward deflationary spiral, suffering from high unemployment, low growth rates, enormous budget deficits, and price deflation. A strong yen has noticeably hurt Japanese trade exports, especially in regional competition with China's undervalued renminbi. The 2008 global financial crisis only exacerbated Japan's already serious economic woes, although trade picked up in 2010.

The Japanese society, too, is just as troubled. The country faces a number of time-bomb-like demographic issues, specifically a rapidly aging society in which already over 23% of the population is over 65 and growing, and a plummeting fertility rate now at 2.01, placing Japan near the bottom in world ranking. Japan is confronted with generational challenges, as an increasing number of younger Japanese are marrying late or remaining single – a trend that is skewing traditional family structures. The country desperately would seem to need a sudden influx of immigrants to address the demographic – and labor-shortage – problem, but anti-immigrant sentiment remains strong in society and Japan has yet to seriously confront that challenge in an ever-globalizing world.

Politically, the country has been turned on its head after a historic transfer of power in the August 2009 general elections when the ruling party since 1955, the Liberal Democratic Party (LDP), was rejected by the electorate. Regime change did not lead to political stability, however, for the new ruling party, The Democratic Party of Japan (DPJ), was upended in the July 2010 election, when it lost control of the Upper House to the LDP. Political turmoil ensued, the Diet being split and legislation passed in the Lower House unable to make it through the Upper House, with neither political camp able or willing to compromise, ensuring that political instability in Tokyo will continue at least until the next election. Multiple scandals in the ruling camp have resulted in the resignations of several prominent political figures including the DPJ's first prime minister, Yukio Hatoyama, and the indictment of the DPJ's chief power broker, Ichiro Ozawa. With Prime Minister Naoto Kan now at the unsteady helm, Japan has witnessed the installation of five prime ministers since 2006, when the popular Junichiro Koizumi left office. Such political turmoil and paralysis, compounded by economic crisis and now a massive earthquake disaster, have seemingly pushed into the background the other serious socio-economic issues that the country should now be addressing. One of those crucial issues, the subject of this research paper, is the unequal social and economic status of women in Japan –

alarmingly out of kilter compared to other advanced countries – that has exacerbated the countries growing demographic crisis.

The facts are alarming, starting with such social norms as the traditional division of household duties between husband and wife that hark back to America in the 1950s. The United Nations (UN) has repeatedly put Japan on notice for its lack of effort in advancing equality between the sexes, pointing to unequal laws on marriage and divorce, discriminatory treatment of women in the labor market, and the low representation of women on elected bodies. The UN Committee on the Elimination of Discrimination Against Women (CEDAW) said Japan's efforts were "insufficient," urging the country to take stronger measures to eliminate gender inequality.

In politics, Japanese women hold a smaller share of seats in the legislature than in any other industrial democracy. Sparse representation of women in professional ranks, and the low wages of Japanese women compared to men, earned the world's third-largest economy a poor 54<sup>th</sup> place in the United Nations Development Programme's (UNDP) measure of gender empowerment. Japan also ranked 94<sup>th</sup> out of 134 for the second consecutive year in the World Economic Forum's 2010 global gender gap report, trailing far behind other developed nations. It is therefore possible to conclude that Japan is "arguably the most gender-inegalitarian industrialized country."

If the results of the dramatic 2009 elections are any indication, Japan should be ripe for change. But, is it ready for a social agenda of sweeping reforms? At this point, having promised change, inspired by President Barack Obama's 2008 election campaign, in the way Japan is governed, the DPJ has been seen as the country's hope for progress. But the DPJ spent the first year of its administration mired in internal political disputes, and unable to tackle some of the broader policy issues that were promised during the election campaign. With the DPJ's dwindling popularity, and loss of the Upper House in last July's national election, some would say the window of opportunity has already closed. The April 2011 unified local election also dealt the party a heavy blow: the DPJ lost out to the LDP in 40 out of 41 prefectural assembly races and it lost three key gubernatorial races to LDP-backed candidates. If the DPJ hopes to regain electorate support, it should begin by acting decisively to fulfill its campaign promises, which includes those made to the voters who played a crucial role in putting them in power: Japanese women.

Since 2003, the DPJ has made an active effort to appeal to female voters, even distributing specially commissioned guides to its candidates on how to appeal politically to women. An overwhelming 65 percent of unaffiliated female voters cast their ballots for the DPJ in the 2005 elections, and a similar trend repeated itself in 2009. In calling on female voters' support in 2009, the DPJ promised to abolish traditional tax deductions for spouses, introduce a raft of benefits including generous child allowances, and allow married couples the choice of using separate surnames.

The economic and political instability of modern Japan would thus appear to have a strong gender component. Throughout the course of this paper, I will be examining the role of women in politics, the workplace, and the household. I intend to illustrate the positive impact women should have on the political, economic, and societal landscape of modern Japan, if given a fair opportunity. Before analyzing these themes through a broader, long-term, socio-economic context, I will outline the aforementioned policy measures the DPJ should enact immediately.

Surely there is no one panacea for such a large agenda, but what specifically can the DPJ-led government do to reverse Japan's worrisome social, political, and economic trends? How can Japan use its own resources – in this case, Japanese women – to pull itself out of the current crisis? I will begin by addressing these questions.

## **The DPJ's Policy Program**

After more than half a century of nearly uninterrupted rule on the part of the Liberal Democratic Party (LDP), the 2009 general elections marked a pivotal shift in traditional Japanese politics. On August 30, 2009, in a resounding victory over the LDP, the DPJ won 308 of 480 contested seats, 40 of which went to women. The DPJ set a record high for the number of female politicians elected from a single party in Japan. The government now has more female politicians in the Diet than any prior government. A total of 54 women (11.25 per cent) were elected to the lower house. It was the first time in the country's history that the percentage of women reached double figures.

To some, the triumph of the DPJ suggested that Japan had reached a historic turning point and now had a unique window of opportunity to enact an agenda of progressive reform. Perhaps no one feels as strongly about the need for change as Japanese women. After three decades of remarkable economic growth, the last 20 years have brought tremendous uncertainty to Japan, with ramifications for the role of women in national politics. The "lost decade" of the 1990s saw the collapse of the Japanese economic miracle and the LDP's first electoral loss in 2007 after 40 years of uninterrupted rule.

In fact, researchers have shown that the LDP's surprising defeat in the 2007 Upper House election was attributed in part to discontent among women voters. Many Japanese went to the polls, including a flock of independent voters, to express their frustration with the LDP's outmoded policies that were seen as having led the country into a period of economic stagnation and social disparity. The same trend can be seen in the 2009 Lower House election that totally rejected the entrenched ruling party and propelled the DPJ into power. But so far, the voters have not seen the policy results they had expected. Japanese women, in particular, having jumped on the bandwagon for change and voted for the DPJ, are still waiting for the new ruling party to deliver on its campaign promises. Even after more than a year in power, the DPJ in most of its actions, with the exception of modest child-care allowances to parents, has hesitated to depart from the traditional policy-making of its predecessor, the LDP. Women may feel that they are no better off under the DPJ than they were under the LDP.

Some would argue that there is little ideological difference remaining between the ruling DPJ and its opposition party, the LDP, and that any differences are largely tactical. Such observers note that many members of the DPJ formerly belonged to the LDP. "Since taking over last year," they argue, "the DPJ has thrown out or modified much of its manifesto to the point where its policies are not that much different from those of the LDP." The DPJ, for example, has essentially adopted the LDP's agreement with the U.S. to move the Futenma air base to Nago. In

addition to scaling back on many of its public welfare schemes, the DPJ has appropriated the LDP's idea of increasing the consumption tax, originally promoted by the LDP to distinguish itself from the DPJ. Furthermore, the DPJ, starting out under Hatoyama as anti-bureaucracy, has become under Prime Minister Kan increasingly friendly with the bureaucracy. The pledges to reduce its power by elevating decision-making to political levels have proved impractical to implement.

The July 2010 Upper House election was in effect a revealing referendum of sorts on DPJ performance to date that revealed voter disappointment and even disillusionment. According to Takao Toshiyama, an independent political analyst, the perceived lack of progress on highly touted campaign promises of reform drove many voters away from the DPJ. He believes the “failure to pass the bills could mean the DPJ would lose voters, particularly young women” who have supported some of the party’s more liberal policies.

The DPJ pledged three reforms in its election platform that, “if realized, would be a historic changeover, as it will bring about a profound change in women’s lifestyles.” In calling on female voters' support, the DPJ promised to:

- Abolish traditional tax deductions for spouses.
- Introduce a raft of benefits including generous child allowances.
- Allow married couples the choice of using separate surnames.

The tax deduction system, enacted by the LDP in 1961, allows a family’s primary breadwinner, usually the husband, to claim tax-exemption for his spouse, if his wife’s income is below 1.03 million yen per annum. But, the DPJ is considering scrapping the system, believing it discourages women from attaining economic self-reliance. At a press conference on September 4, then DPJ Secretary General Katsuya Okada commented that, “the current tax system that particularly gives nonworking housewives preferential treatment is problematic and we think it should be rectified.” The government is specifically studying abolishing spousal tax deductions for wealthier people among other measures. “We should impose an income cap” for recipients of the allowance, Senior Vice Finance Minister Mitsuru Sakurai said at a news conference.

Indeed, Japanese women, in order to take advantage of the system, have admitted to explicitly limiting their work schedule to part-time, not to allow more time for housework and child-rearing, but rather to keep their income below 1.03 million yen per annum, so as not lose their status as a tax-exempt spouse. The 1.03 million income ceiling for spouses compares with the average annual salary of 4.37 million yen for private-sector employees in 2007 – 5.42 million yen for men and 2.71 million for women – according to the latest data released by the National Tax Agency.

DPJ party officials see abolishing tax deductions, for both spouses and dependents, as a way of securing the resources to partially finance the promised monthly child allowances. These

'generous' allowances of 26,000 yen (about \$300) per child are to be fully implemented by the 2011 fiscal year (in fact, the earthquake has curtailed allowances with funds being directed toward earthquake relief instead). Critics argue, however, that money will barely cover the cost of diapers and food, and that the allowances fail to address an even larger concern: the country's shortage of affordable child day-care services.

With hourly babysitting fees starting around 1,750 yen (about \$20), and private day-care costing in the region of 65,000 yen per month (about \$765), depending on the age of the child, many Japanese families would prefer to opt for public childcare, if only they could. According to a welfare ministry tally from September 2010, the number of children unable to enroll and waiting for vacancies at publically licensed day-care facilities as of April shot up 29.8% from the year before to 25,384, a record surge amid an increasing number of job-seeking mothers in the economic slump.

The DPJ has yet to sufficiently explain how it intends to fully finance public childcare. Depending on household income, families pay up to a maximum of 36,000 yen (about \$424) per child per month. For tots aged two and over, the maximum monthly fee is 24,000 yen (\$282). Also, discounts are given to families with two or more children in childcare. However, administrators for public childcare estimate that, with actual costs around 140,000 yen (\$1,647) per child per month, the math does not add up. In other words, local governments in Japan are running large deficits in their childcare operations. In some cases, it would actually cost less for the Japanese government to pay women to stay at home with their children than to subsidize the cost of keeping the children at a childcare facility.

Finally, the DPJ has promised, in the name of gender equality, to promote a highly controversial reform bill allowing married couples the option to adopt separate surnames. Under Japan's current Civil Code, couples, in order to be legally recognized as married, must choose a single surname, which, in light of underlying social pressures, is almost always the husband's. The rule is tied to Japan's traditional concept of the family institution, which in the past has ensured that properties, businesses, and surnames were passed on to men within the family unit.

Last August, the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) urged Japan to "take immediate action to amend the Civil Code" and drop the one-surname requirement, calling the provision "discriminatory." As Justice Minister Keiko Chiba described it, the current system "often one-sidedly imposes burdens on women, inconveniences their social activities, or causes the loss of their identity," and therefore "poses a problem with the fundamental equality of men and women."

Japan is the only G-8 nation that requires married couples to have the same family name. Asian neighbors China and South Korea do allow married women to have different surnames than their husbands. As frustrations mount with the daily inconveniences caused by the country's refusal to legally recognize maiden names, a growing number of Japanese women, including those who have advanced in corporate and academic ranks, are demanding the right to choose.

While the government is still far from granting the wish of many women to revise the Civil Code, married women are going by their maiden names on an increasing number of occasions. Many Japanese women already use their maiden names as aliases at work to such an extent that it can now be considered common practice. According to civic group mNet

Information Network for Amending the Civil Code, there are examples of women who open bank accounts, have credit cards issued, file tax returns, and pay utility bills under their maiden names. Miki Okabe, leader of another group lobbying for a change to the law to allow couples to use their own surnames, has stated that at this point, "It is imperative to legislate a new system to avoid confusion."

The social push for amending the Civil Code gathered momentum in the early 1990's and culminated in a draft government bill in 1996, when the Legislative Council, an advisory organ for the justice minister, proposed a Civil Code change to create a new name system, and called for legislation more accommodative to people's increasingly diverse values. The proposal was shelved at the time, as it met with a stiff opposition campaign from the LDP and other conservative opponents. Since its de facto foundation in 1998, the DPJ has repeatedly submitted its own bill to revise the Civil Code to the Diet, but was continuously blocked by a reluctant LDP then in power. The proposed revisions included not only allowing married couples to maintain separate surnames if they so choose, but also eliminating distinctions in inheritance between legitimate and illegitimate children, and changing the sanction against women remarrying less than 300 days after a divorce has been finalized.

The movement had begun losing steam, due in part to the recent trends of fewer people getting married and more women being allowed to use unofficially their maiden names in the workplace. The issue was reignited in 2009, however, with the formation of a DPJ-led government. Although the policy was not in the DPJ's election manifesto of priority issues, it was stipulated in the party's 2009 policy index, providing enough reason for advocates to develop high hopes for an amendment of the Civil Code. Expectations continued to rise with the promotion of two individuals who have long led the drive to amend the law: the DPJ's Keiko Chiba became justice minister and the SDP's leader Mizuho Fukushima became state minister in charge of gender equality. Former DPJ Prime Minister Yukio Hatoyama had even stated, "I'm in favor of the law change in principle and it is not premature (to introduce a new name system) because it has been debated for a long time."

"Much turmoil has been created due to use of maiden names by married women," said Sanae Takaichi, a female LDP member of the House of Representatives. "The issue should be addressed as soon as possible through the political process." Yet since the DPJ's rise to power, the bill remains stalled perhaps indefinitely. Conservative politicians, including Sadakazu Tanigaki, president of the LDP, accuse the DPJ of pushing a radical agenda that, if implemented, would wreck family traditions and "would destroy the country." To these politicians, allowing a woman to have a different name than her husband's is the beginning of the end of the Japanese family.

Reform advocates' high hopes for the DPJ may be misplaced, as strong opposition from the DPJ's tiny coalition partner Kokumin Shinto (People's New Party or PNP), led by a staunch conservative formerly in the LDP, Shizuka Kamei, has stalled moves to submit the bill to the Diet, and the DPJ has quietly removed it from its list of campaign promises. The PNP alleges that allowing women to retain their maiden names could undermine family unity and even cause more divorces. Even within the DPJ, members are split over the issue with

conservative members arguing, much like the LDP, that allowing married couples to bear separate names would break up families and harm the country's traditional values.

DPJ supporters of the bill told the *Asahi Shimbun*, a national daily, that they were disappointed it was not incorporated into the manifesto. "Citizens care about this issue," one anonymous member said, "and it doesn't cost any money." However, another member paints a different picture: "The reason we submitted that bill was because we were then the opposition party." In other words, the DPJ was supporting Civil Code revision only for the sake of form, safe in the knowledge that it would never pass with the LDP in power.

In the past, when the DPJ submitted its Civil Code bill, it did so in league with other opposition parties, like the Social Democrats, whose leader, Attorney Mizuho Fukushima, was at the forefront of the movement to change the Civil Code as long ago as the 1980s. The bill never passed because of resistance from the ruling LDP, but it did make it through the Upper House after the DPJ took it over, only to die in the legal-affairs committee for lack of attention.

Some DPJ members reportedly are just as opposed to revising the Civil Code as anyone in the LDP. When the DPJ leaders realized they were set to take over the government, they shelved the revision plan for the sake of party unity. In July 2009, a popular weekly sent questionnaires to 111 DPJ lawmakers and candidates. Forty-four responded, and while none clearly stated they were against revising the code, several wrote comments such as, "It is difficult to say yes or no," and "It's OK to change the remarriage rule, but we need to talk more about the others." Justice Minister Keiko Chiba, however, continues to insist that she still plans to submit the already-drafted maiden names bill for Diet debate in the near future.

The Japanese public is split down the middle on the issue. A poll conducted by the Japan Public Opinion Survey Association in December 2009 found 49 percent of the respondents in support of legislation to allow married couples to bear separate surnames, and 48 percent against. But among women in their 20s and 30s, 66 percent favored the proposed name system, while 32 percent were against. Those against changing the civil code say it is a matter of family unity and are wary of the impact on children's identities and a possible increase in divorce if the law is amended.

If the DPJ manages to implement any or all of these policy reforms, the changes, experts say, would give working women a supportive push. With added support, women would rethink their career possibilities and might change their life plans. These policies could also contribute to a gradual societal change in Japan, leading to greater equality between the sexes and ultimately reshaping traditional attitudes on gender issues.

## **Changing Role of Women in Society**

*"Kekkon wa josei no hakaba de oru" -- "marriage is a women's grave."*



### ***I. Women as wives and mothers***

Since the “marriage boom” era of the early 1970’s, Japan has seen a number of significant social trends that have contributed to the country’s demographic problem. One is a striking change in Japanese rates of marriage and divorce. The marriage rate (per 1,000 people) has dropped sharply from 10.0 in 1970 to 5.7 in 2007. The divorce rate, however, has more than doubled, rising from 0.93 in 1970 to 2.02 in 2007.



Younger generations of Japanese are marrying and having children later than their fathers and mothers. More and more are remaining single longer and longer. The average age of those marrying for the first time has risen. For men, it has risen from 26.9 years in 1970 to 30.1 in 2007. For women, it rose from 24.2 years in 1970 to 28.3 in 2007. In 2000, more than one in four Japanese women in the age bracket 30-34 were unmarried. As a result, women are having children much later, if at all. The average age of Japanese mothers at the time of their first birth has risen from 25.6 years in 1970 to 29.7 in 2009.

To address such demographic crises, experts agree that governments need to remove obstacles that make it hard for women to combine work with having and raising children. This can be done by:

- Encouraging parental leave for mothers and fathers
- Allowing for more flexible working hours
- Reducing the cost of childcare
- Providing effective incentives for childbearing

Moreover, in an aging society such as Japan, there also needs to be more infrastructural support for the elderly. Having promised to unify the existing pension funds and to guarantee a minimum pension of JPY 70,000 per month (\$750), the DPJ-led government should look into providing improved healthcare and financial benefits for senior citizens. By doing so, it can lighten the burden Japanese women shoulder, as they are often expected to care for elderly relatives.

*“A good husband is healthy and absent.” Japanese Proverb.*

## ***I. Parental Leave***

In terms of childcare, traditional gender roles remain entrenched in Japan, just one reason for the country’s exceptionally low birth rate. Japanese workers are famously reluctant to take time off after the birth of a child, even though Japanese law now allows either parent to take up to fourteen months leave. As of 2008, only one percent of Japanese fathers took childcare leave. In contrast, more than 70 percent of women quit their jobs when they have a child. The percentage of women taking childcare leave has increased from 56.4% in 1999 to 90.6% in 2008.

Many Japanese men in their 30s and 40s say they do not remember their fathers playing or even communicating with them as children. A study by Japan’s Gender Equality Bureau found

that the average Japanese father spends just 33 minutes per day on childcare, less than the U.S. and industrialized nations in Europe. The government can help mitigate Japan's demographic issues by encouraging a more equal distribution of time spent on childcare and housework. Even government employees themselves should consider taking paternal leave to set an example for Japanese society.

There are signs that the attitudes among the younger generation in their 20s and 30s are changing as more Japanese companies have implemented policies allowing paternity and maternity leave. In 2004, for example, Masato Yamada became the first male bureaucrat to make use of parental leave, taking a year off to help his wife with their children. According to the Hiroshima prefecture's government personnel section, 32.5% of male employees took paid parental leave, which ensures five days off before and after the child is born, in fiscal 2009.

In March 2010, Hironobu Narisawa, the mayor of Bunkyo Ward, Tokyo, made media headlines when he announced he was taking two weeks of paternal leave. He became Japan's first local government chief to take time off work to care for a child, a move he hopes will encourage other men to do the same. In a nationally-televised news conference, Narisawa announced he was aiming to change attitudes. "I want to take time to raise my son and give him a lot of love," he said. "I want to set an example that other men will follow."

As a high-profile advocate, Narisawa has been praised for taking the lead on a more balanced approach to work and parenting – a leap into the future for Japanese society. In a seniority-based system like Japan, if the boss takes paternity leave, it will be easier for other employees to follow his lead. "Surveys show the main reason so few men take paternity leave is the lack of understanding from superiors and colleagues," said Yumiko Jozuka, who heads the national government's welfare ministry. "It's wonderful that someone with social influence, such as the head of a local government, is taking some leave because it helps promote social awareness," she said.

Japan has already made some headway in this area. In June 2010, with the hopes of encouraging fathers to play a larger role in raising children, the government revised the Law for Childcare and Family Care Leave. The law now extends parental leave to 14 months if both parents share it, instead of the current 12 months allowed for either parent. The revised Law for Childcare and Family Care Leave also enables fathers, who have taken time off from work during the first eight weeks after a child's birth, to take leave for a second time. "Unlike the old law, the new regulations will allow husbands to take leave regardless of whether their wives have a job or not. Under the revised law, companies will be required to let workers with children younger than 3 years old work shorter hours, or six hours per day, when requested."

While the new law does provide an opportunity for men to become confident in their childrearing skills, some feel there is still a long way to go. Shigeki Matsuda, a senior researcher with Dai-ichi Life Research Institute Inc., points out that the revised law still fails to address several problems. "There is a major policy flaw in that the new law encourages fathers to take paternity leave although nothing has been done to reduce their long work hours," he says. "Men will also have to take a pay cut by taking paternity leave or working shorter hours and that's another reason why they cannot take time off. The amount of pay workers can get while on leave remains unchanged, or half the usual sum, under the revised law," he points out. Because

practices at various companies have demonstrated that pay is the key incentive in prompting workers to take paternity leave, the government should consider a law for paid paternity leave, similar to those found in some European countries.

## ***II. Flexible Work Hours***

Death as a result of overwork is so commonplace in Japan that there is a word for it –*karoshi*. Hard work is respected as the cornerstone of Japan's postwar economic miracle, and cultural factors reinforce the trend of long, inflexible work hours. For decades, the Japanese government has been trying, and largely failing, to set limits on work and on overtime. Overtime rules remain so nebulous, and so weakly enforced, that the UN's International Labor Organization (ILO) has described Japan as a country with no legal limits on the practice.

Japan's demographic crisis can be blamed in part on the chronic long and demanding work hours Japanese men endure, which leave little time to care for children. According to the internal affairs ministry, about one in five men in their 30s works more than 60 hours a week. If Japan hopes to reverse its declining birthrate, the government must place a cap on overtime and adjust long, inflexible work hours for employees.

Some recent progress has been made on this topic: effective as of April 2010, the Japanese government has revised the Labor Standards Act with the hope of improving the working environment of employees, and enabling them to maintain a proper work-life balance while protecting their health. The principal changes include:

- A mandatory increase in overtime wages from 125% to 150% for overtime work, exceeding 60 hours a month
- Optional paid leave in lieu of overtime wages
- A required raise in overtime wages for hours exceeding the overtime limit

## ***III. Reduced Cost of Childcare***

In the manifesto that propelled the party to victory in the August 2009 House of Representatives election, the DPJ originally pledged to provide a monthly allowance of ¥26,000 (\$306) as of fiscal 2011 to all children until they graduate from junior high school, normally around the age of 15. The DPJ-led government has since agreed to raise the existing monthly childcare allowance to ¥20,000 (\$235) in April 2011 from the current ¥13,000 (\$153), but only for

children under 3. The DPJ's monthly child benefits are meant to "ease the financial burden on families bringing up children, help economic growth and encourage couples to have more babies." Barclays Capital economist Kyohei Morita estimates that if about 60 per cent of the benefits were used, it would add 1.2 trillion yen in additional consumer spending, or 0.2 to 0.3 per cent of gross domestic product.

How to fund the increased allowance is at the center of the debate, as the government compiles its fiscal 2011 budget. Some Japanese people are concerned that such a policy could further strain government finances, as well as saddle their children with the burden of repaying extensive government debt. According to a Finance Ministry estimate, raising the amount to ¥20,000 will cost the government an additional ¥245 billion (\$2.9 billion). It has been suggested that the DPJ government should abandon its election pledge, due to the difficulty in securing funds necessary to increase the allowance.

Many parents would prefer public investments in additional child daycare facilities instead of receiving child allowance benefits. Given the long waiting lists in public day-care centers in some areas, families must instead pay about ¥1500 (\$18) an hour for babysitting costs, or around ¥60,000 (\$706) a month for (often inconveniently located) private care. Private-care costs are double that of the public facilities, which the DPJ's child allowance only partially covers. Even the newly increased allowance of ¥26,000 a month will still leave families more than ¥30,000 short. As one mother noted, "It's very difficult to find daycare." "It would be really helpful if the government could provide more day-care centers."

People are not necessarily going to be incentivized to have more kids simply because of the DPJ's child allowances. In fact, the most effective incentives for childbearing may not be financial. Analysts argue that the child allowance "caters to short-term thinking aimed at encouraging voters, rather than introducing feasible long-term solutions to demographic deterioration and stagnant consumer spending."

#### *IV. Effective Incentives for Childbearing*

It seems rather unlikely that a sudden baby boom will occur in Japan any time soon. A survey last year found that more than 40 percent of Japanese people do not feel the need to have children after marriage. Societal perceptions will have to change first, in order to make having babies more attractive again. What is striking is that in spite of all these figures, suggesting that women are becoming less interested in marriage and childbearing, they are not playing a more powerful professional role.

A 2000 study found that in OECD countries, "there exists a positive correlation between the female labour force participation rate and the total fertility rate, such that countries with higher labour force participation rate also had higher birthrate." Analysts argue, therefore, that a more equal role for women in the workforce would be a significant step towards solving Japan's myriad demographic problems, while promoting consumer spending, particularly given Tokyo's

ongoing reluctance to open its gates to immigration. “If the government were to implement policies with a longer-term view, it makes more sense for them to use money for hospitals and childcare, so that they can support women in the workforce in a more active way and offset the impact of demographics,” notes an officer at Barclays Capital in Tokyo.

## **Women in the Workforce**

The UN’s 2009 Gender Empowerment Measure, which calculates the extent to which women can actively participate in economic and political life and decision-making, ranked Japan 57<sup>th</sup>, below such countries as Bahrain. In their measure of female wages and public power, Japan performed slightly better, ranking 38<sup>th</sup>. Last year, however, a UN committee recommended the Japanese government to deal with discrimination against women in laws, employment, and wages. Japan’s Labor Standards Law includes regulations, which cover equal pay, working hours, and maternity leave. Unfortunately, the provisions of this law seem to be rarely, if ever, enforced. It is worth noting, however, that in spite of lax enforcement, Japan enacted the equal pay for equal work law 16 years before a similar law was passed in the United States.

For Japanese women, sexism in the workplace, discrimination in hiring practices, and the ‘glass ceiling’ are still very much a reality. The wage gap between men and women is significant; on an hourly basis, women are paid as much as 30% less than their male counterparts. According to a 2009 report by the health ministry, women's wages average 67.8 percent that of men. Although the gap is slowly narrowing, it is still worse than in the U.S., Britain or France.

When it comes to childbearing, it is still common for companies to pressure pregnant women to resign. Unfortunately, 70 percent of women quit their jobs once they have a child, rather than continuing to work throughout their active lives. An official in charge of Yokohama's child-rearing support project explains, "This is why when it comes to parental leave, most couples decide the mother must volunteer," Yamada said, "because it is economically rational."

It seems that some women who wish to work sometimes settle for unstable part-time employment or unpromising promotion-less jobs, where they are disproportionately first to be laid off in crisis. In other words, the vast majority women are not being effectively absorbed and used in the labor force, but rather skirted off into dead-end jobs, while their male counterparts race to the top.

In Japan, the economic downturns appear to harm men less than women, because female workers serve as a “buffer” for male workers. Women in Japan have long played the role of “shock absorbers,” taking lesser-paying jobs when unemployment was low and facing termination or resignation when the economy deteriorated. Current government policies actually reinforce these differential employment practices. These practices persist, despite research

demonstrating that employing more women could lead to a decrease in labor costs and lower prices, as well as an increase in profits and Japanese competitiveness in the global economy.

Goldman-Sachs, Japan's chief strategist, Kathy Matsui, argues in her theory of "*Womenomics*" that women in the economy can combat stagnant growth and deflation. Higher female participation, particularly in the upper echelons of the Japanese workforce, can help mitigate some of Japan's demographic pressures and raise the long-term trend growth rate. "Internal affairs ministry data compiled by Goldman Sachs supports findings that, for whatever underlying reasons, there is a strong correlation between higher female labor participation rates and higher birth rates. This suggests that acting in the long term, the Japanese government could kill two birds with one stone."

Matsui argues that the Japanese government should therefore pursue a range of policy measures if it hopes to address its aging population problem, as well as the gender gap, and other employment issues. The government could consider a reform tax and social security systems to encourage the hiring of women and eliminating the disincentives for women to work. Several ways in which the government can promote a gender equal society include:

- Removing obstacles to combining work and motherhood
- Encouraging more female leadership positions in management and politics
- Encouraging higher education and career development for women

### ***1. Removing Obstacles to Combining Work and Motherhood***

Japanese women often face difficulties when re-entering professional careers after childbirth. The female labor force participation rate by age group shows an M-shaped curve, with women in their 30's at the bottom, indicating that many women stop working at the time of marriage, childbirth, and childrearing. Data on the employment of women before and after the delivery of their first child found that 67.4% of women left their employment at the time of childbirth. "For women, it is difficult or simply impossible to continue [working] after they've started families," Ms Matsui says. "Their husbands work long hours; child care is limited; baby sitters are expensive; and if women decide to work part-time, they are paid less than half that of a full-time worker." The DPJ should start by helping to remove the obstacles to combining work and motherhood.

## *The M Curve Career Path*

The number of unmarried women aged 18-34 who hope to continue working as an ideal lifestyle has increased, reaching the same level as those who wish to re-enter employment. The labor force participation rate of women in their late 20s to late 30s is on an upward trend, while it still remains at a low level by international standards. Although the labor force participation still shows an “M-shaped curve”, the curve is much shallower than in the past. The bottom of the M-shaped curve has shifted to the age group from the late 20s to late 30s, compared to 30 years ago. By international comparison, countries like the U.S., Germany, and Sweden show a U-shaped curve, while Japan’s sharp M-shaped curve shows that many Japanese women discontinue their work because of childcare responsibilities.

### *II. Encouraging more women in leadership positions*

Despite that more Japanese women have joined the workforce, few have reached the senior executive levels, as many quit mid-career with child-rearing responsibilities. The lack of support systems like affordable childcare facilities, and housekeeping services, is frequently cited as reasons. Women filled just 5.78% of top executive positions at all registered Japanese companies in 2009, a figure rising at a glacial pace from 5.56% in 2000, according to the research firm Teikoku Databank. Data also show that just 9 percent of women occupy legislator, senior official, and managerial roles.

In recent years, however, career opportunities for women are improving slightly. In 1985, women in Japan held less than 7 percent of the managerial positions in companies and government, according to the ILO. By 2005, that figure increased to 10 percent, still very low compared with the U.S.’ 43 percent. One problem of career advancement in Japan is that the entire evaluation system seems to be biased more towards seniority than performance. Japan’s seniority-based system is “paternalistic” by nature, and has a long-standing tradition as ‘an old boys club.’ In business, where networking with contacts can be crucial, women may find it difficult to break into closed, male-dominated business circles, and to build a career network at the executive level. Increasingly, however, organizations and associations for female professionals are cropping up to help create a support system for executive women.

Matsui notes that the government needs a “multi-pronged” strategy, and that the responsibility also lies with the private sector, as well as the public. She says that the concept of diversity at some Japanese companies means simply having a “diversity” department. Incorporating women more fairly into the Japanese labor force carries with it a different set of challenges.” Some have recommended a quota system for companies to promote a certain

percentage of women to executive level jobs. While this is merely a suggestion, the government's Gender Equality Bureau has made it a policy priority. In its latest report, the government reaffirmed its benchmark promising, "various efforts are being made to achieve the target of increasing the share of women in leadership positions to 30% by 2020 in all fields of society."

### ***III. Encourage Female Career Development and Higher Education***

In Japan, the enrollment ratio of women in higher (tertiary) education is 54.1%. This ratio is considerably low, compared to that of the U.S. and northern European countries, where the enrollment ratio of women exceeds 90%. In addition, the employment ratio of women who have received a higher education (aged 25–64 years) is the lowest among OECD countries. The percentage of girls, who advance to higher educational institutions, is increasing as a whole, particularly in the last twenty years. The percentage of female students enrolled in an undergraduate university program rose from 15.2 percent in 1990 to 44.3 percent in 2008. For female graduate school students, the percentage also rose from 3.1 percent in 1990 to 7.3 percent in 2008.

In an interview with the Financial Times, Akie Abe, wife of former Prime Minister Shinzo Abe, discussed how Japan's social and gender norms shaped her professional career:

*"When I was working [at an advertising agency] it was common for women to work a few years and then quit as soon as they got married. I didn't have any particular skills or a career I wanted to pursue. I just wanted to get married and start a happy family...Nowadays almost every woman goes to college and some hope to continue working even after having a child. But things remain difficult inside companies. Less able men tend to get promoted over women. So some women go to foreign companies or move to foreign countries. That is a waste of talent, for we have pioneer women in Japanese society, but men's mindsets have to change. Some of them are still feudalistic."*

The government's latest White Paper on Gender Equality notes that, "Considering the stereotyped perception of gender roles in society and that childhood concepts of suitable occupations might influence career choices, it is important to provide appropriate information regarding the wide-ranging career choices for women at different levels of education". If there were more Japanese women in politics and management positions, they could serve as mentors and visible role models for younger generations of girls. This would help young women to realize and perform to their highest potential.



## *V. Caring for the Elderly*

Traditionally in Japan, the care needs of children, the elderly, sick, or disabled have been met within the family unit. As a welfare state with one of the highest proportions of elderly people in the world (defined as those who are 65 years and older), a number of social forces have made it necessary to expand the public role in Japanese care provision. These forces include demographic change (ageing), changes in family structures (the increasing proportion of one-person households, and households that include only elderly persons) and, to some degree, changes in the labor market (the increase in female labor force participation).

In a paper on the “care diamond”, Aya Abe describes the scale of the problem in providing both for elderly care and childcare in Japan, where gender inequalities in care provision remain strong. “The bulk of care is provided by women in the immediate family, whether it is the wife, daughter or step-daughter in the case of elderly care, or mother, in the case of childcare,” she says. “The introduction of the Long-Term Care Insurance (LTCI) in 2000 reinforced traditional tendencies by emphasizing home care over institutional care, and a combination of cultural and socioeconomic factors has kept the gender bias in place.”

One reason is the weak representation in, and influence on, the policy-making process by women’s – as well as other – social movements. Another is the fact that the value of women’s time in the labor market is quite low compared to that of men. A growing proportion of the female labor force is composed of non-permanent workers, whose wages are significantly lower than those of permanent workers. This is reinforced by care policies that leave women with no alternative but to interrupt their careers in their 20s and 30s, in order to take care of their children. Because these women have already given up their permanent job earlier in their life, they are pushed into taking care of the elderly when they are in their 50s and 60s. Thus, care policies and employment policies reinforce women’s role as caregivers.

Important differences exist in the care diamonds for elderly care and childcare in Japan, mainly because of different policy objectives. The stated objective of the LTCI is to “socialize the burden of care among the entire society”, or more bluntly, to cut the governmental fiscal outlay for elderly care. In contrast, the policy objective for childcare is “to balance work and family”, ultimately aiming at increasing fertility rates and women’s labor force participation. The result of these different objectives is that the LTCI tries to emphasize home-based solutions, while childcare policy emphasizes institutional care. Finally, Abe says, “what is conspicuously missing in the development of both elderly and childcare policies is the voice of caregivers, notably women, and those receiving care themselves. Here, care policies do not differ from other social policies in Japan, which are notably bureaucracy-driven.”

## Women and Politics

Women comprise a larger voting bloc than men, yet the number of women elected to the Diet (legislature) is pitifully small. Japan may be the world's third-largest economy, but it ranks 42nd in the world when it comes to women's participation in political and economic life. According to the Inter-Parliamentary Union, a Geneva-based organization that fosters communication between legislatures around the world, Japan was ranked 106th among 189 countries, as of November, in terms of the percentage of female lawmakers in the House of Representatives. The low figures of political representation prompted the UN Human Rights Committee to release a statement, urging Japan's political parties to step up efforts to achieve "equitable representation of women and men in the National Diet."

Japan has been slow to achieve greater political involvement for women, but has been gradually progressing. In the 2007 upper house election, there was a big upset, when a female DPJ candidate, Yumiko Himei, defeated an LDP heavyweight – former Internal Affairs and Communications Minister Toranosuke Katayama – in the Okayama prefectural constituency. This David and Goliath battle served in part as the inspiration for Koizumi's "assassin" candidates and later for the DPJ's 'Princess Corps'. The DPJ borrowed from the "young assassins" strategy of former LDP Prime Minister Junichiro Koizumi, who "strategically deployed young and high-profile candidates, including celebrities, business leaders and some female candidates dubbed the "lipstick ninjas" in his successful 2005 election."

The DPJ's 'Princess Corps', a group of young female candidates, went up against elderly ruling party bosses in the 2009 lower house election. Their campaign manager DPJ lawmaker Kuniko Tanioka stressed that, "the newcomers are competent candidates who will promote its goal of changing the face of Japan's often stodgy politics, which has long been dominated by conservative old men." The results spoke for themselves: among the record 54 women (11.25 per cent) who were elected, the DPJ accounted for 40 women, also a record number of women from one party.

As of 2010, 11.25% of Diet members in the House of Representatives and 17.4% of members in the House of Councilors are female. Despite this progress, Japan remains a country of hereditary politicians and the 'old boys' club. When it comes to female participation in politics, Japan still lags far behind other nations. Many women are still newcomers to politics; with time and experience, we will see more women in high positions of leadership.

If Japan is going to catch up with the countries that boast a high percentage of female politicians, women must create a nationwide movement, according to panelists at a symposium advocating more women in politics. Experts mention the need for women to be more vocal about the issue. "More women should speak up and say that it's important to have more female political

participation. We have to continue to advocate that having more women in the decision-making positions would lead to a fair society."

## *II. Sexist Political Gaffes*

In recent years, a few politicians have abetted the reinforcement of existing gender bias in Japan today, through a series of eyebrow-raising statements that offend women. Despite heated criticism, even the most outrageously sexist remarks that spill from the mouths of certain political leaders seem to go largely unpunished, and are often written off as verbal blunders.

In one of several examples, Lower House LDP lawmaker Seiichi Ota stunned listeners at a panel discussion in June 2003 by describing a gang rape of young women by male college students as a sign of "virility." Around the same time, former Prime Minister Yoshiro Mori commented during a debate, "It's peculiar that any woman who's never given birth to even a single child, but enjoys her freedom and has fun, should demand taxpayer support when she gets old."

In 2007, Hakuo Yanagisawa, then health minister in the LDP-led government, successfully shrugged off calls for his resignation over his description of women as (under-producing) "baby-making machines." Yanagisawa later apologized, but further displayed his cluelessness by stating that women were "people whose role it is to give birth." According to some, "Yanagisawa's comment sparked deep distrust among women, causing them to question whether he, as the man tasked with addressing the falling birthrate, he sincerely means to solve the problem."

In October 2010, senior Japanese politician Yoshikatsu Nakayama, a DPJ vice-minister for the economy and trade, kept his job, despite being forced to apologize for stating to an international meeting of female entrepreneurs at the APEC Women's Entrepreneurship Summit that "Japanese women find pleasure in working at home and that has been part of Japanese culture." One woman said, "I was embarrassed because his remarks reveal how backward Japan is." Other women said they were disappointed because they previously thought that the DPJ, with its roster of woman-friendly policies, was positive about promoting women's social participation.

One reason for an upswing in politically incorrect statements made by public figures is that women's role in society has become a hot-button issue amid the raging debate on how to tackle the declining birthrate. Some conservatives blame the problem on women prioritizing careers over family, while some liberals attribute the problem to a lack of government support for mothers.

In an interview, one working mother stressed the difficulty of balancing work with childrearing as the source of the problem. This is an issue that the whole spectrum of political leadership in Japan, she feels, has left woefully unaddressed. In her words, "I don't care what party it is, I just want any politicians – young ones, ones from the opposition, female, whatever –

who can present clear, easy to understand proposals helping women. When Japanese women want to express their opinions, there's nobody there to vote for," she said. "No party is there for us."

## Conclusion

Japan is struggling to find a viable solution to a pressing demographic problem. Analysts forecast that Japan, with one of the world's highest life expectancies, will see 40 percent of its population over the age of 65 by 2050. Couple that with the nation's low birth rate, and Japan's social problem is clear: The country's population is graying and dwindling every year. Additionally, "Japan's ability to implement feasible policies that address its demographic problems is hindered by a political system of weak and frequently changing leadership."

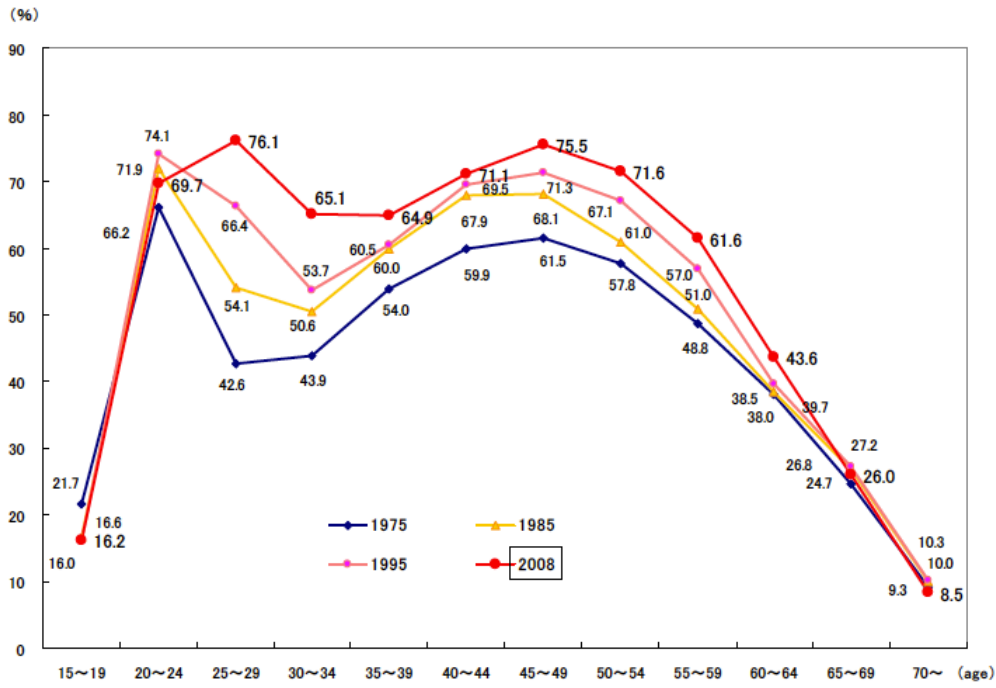
As outlined throughout the course of this paper, the Japanese government should look to its women as a solution. Empowering women in the workforce would stimulate consumption, and boost gross domestic product and productivity. For working women, who need or want to work, it is not easy to combine employment and childrearing. The quality of child-care services available is poor, employment practices are unfavorable, and working conditions are rigid. Providing support for women in these areas, and encouraging more active female participation in society and politics, would help Japan defeat its demographic demon, and narrow its gender gap.

Equally important are Japanese attitudes and perceptions ingrained in social and cultural tradition. As one Japanese woman explains, "The political system can be changed, and sometimes even overnight, but a social culture takes years to change... It's just bad economics and bad politics for such a system to remain. We're working to change that." In a special report on Japan, *The Economist* agreed: Japan will need radical measures brought on by a cultural revolution to stop the country's quiet decline. "In dealing with its demographic troubles, Japan will need a cultural revolution to improve productivity, boost its labor force with more women, older people and immigrants, promote a more vibrant domestic economy and make the most of booming markets overseas... There is a daunting list of things to be done, and Japan, like its elderly citizens, tends not to be keen on change. Its default mode is to stick with things as they are until they become intolerable."

If Japan takes a similar approach to population decline today, it will rob the younger generation of economic opportunity, and waste some of Japan's potential economic benefit to the world at large. Yet many Japanese feel that the country will gather the courage to tackle the demographic threat only when the deterioration of living standards and social services becomes widespread. For the moment, Japan may still feel too busy and comfortable to readily embrace profound change. But, *The Economist* forewarns, "as Japan's city-dwelling politicians look at their graying hair in the mirror, tomorrow's crisis may be staring them in the face."

*Juliana Knapp*

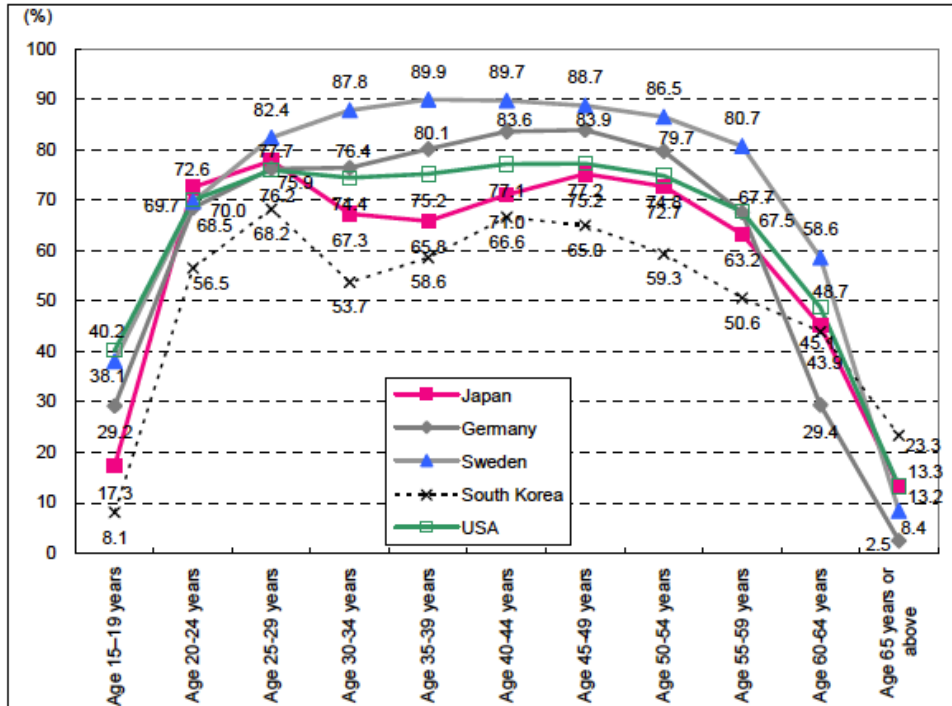
### Changes in the female labor force participation rate by age group



(Notes) Data from the "Labour Force Survey" by the Ministry of Internal Affairs and Communications

Source: White Paper on Gender Equality 2009

### Labor Participation Ratio of Women in Each Age Rank (International Comparison)



- (Notes) 1. "Labor force participation ratio" implies the ratio of the labor force population (employed and unemployed people) in a population aged 15 years or above.  
 2. "15-19 years" in the USA implies 16-19 years.  
 3. Japanese data are based on the "Labor force survey" (2009) by the Ministry of Internal Affairs and Communications, and the data of the other countries are based on "LABORSTA" by the ILO.  
 4. Figures from 2009 are used for Japan; 2007, for South Korea; and 2008, for other countries.

Source: White Paper on Gender Equality 2010

## **F-X: JAPAN'S RESPONSE TO A CHANGING ASIA AND AMERICAN ALLIANCE**

### **Introduction**

The Government of Japan on December 17, 2010, released the latest version of the National Defense Program Guidelines (NDPG), a fundamental document presenting the country's current policy approach to national defense and international security. The document, which succeeds the 2004 version, is significant for its having been drafted by the Democratic Party of Japan (DPJ) government that overthrew the Liberal Democratic Party (LDP) in the historic August 31, 2009 elections. The LDP had ruled Japan almost continuously since 1955. Unlike the version of six years ago, the latest NDPG reflects recent security challenges confronting Japan, most notably North Korea and China. The document is remarkably sensitive to the changing global situation, setting out three security objectives: preventing and repelling external threats from reaching Japan; preventing threats from emerging by improving the international security environment; and securing global peace and stability, as well as ensuring human security.

The NDPG also spells out what Japan should specifically do in terms of procurement and development of weapons and equipment in order to reach the objectives. With a shift of strategy, one particular focus is the need to shift scarce budget resources from the Ground Self-Defense Forces (GSDF), which is overly supplied with tanks and weapons to meet a long-discarded invasion threat from the Soviet Union (USSR) during the Cold War era, to the Air (ASDF) and Maritime (MSDF) Self-Defense Forces. In addition to the need to address the growing budget deficit that reflects years of recession and deflation, it was imperative to sharply reduce the GSDF's 155,000 strong force that was outlined in 2004. The new guidelines thus reflect present challenges of defending air and maritime territory surrounding Japan. Within this debate, one particular area that the NDPG addresses is the need to upgrade tactical fighter jets to defend Japanese airspace.

Nation-states of the Asia Pacific are currently engaged in a dramatic competition to modernize their inventory of tactically advanced aircrafts. China appears to be meeting intelligence expectations in the United States of fielding its first stealthy fighter jets by 2018 when its military conducted a few public flight tests of the J-20 in early 2011. In a contract worth \$12 billion for 126 fourth-generation fighter jets in India, two European candidates edged out three others from the U.S. and Russia in the competition. Canada announced its intention to purchase sixty F-35 Lightning II, one of two U.S. advanced fifth generation fighter jets that other U.S. allies such as Singapore are interested in buying. In spite of thawing tensions across the Taiwan Straits, Taiwan has not been secretive about its desire to purchase sixty-six F-16 C/D Falcon airplanes from the U.S. to counter growing Chinese air capability. As this spectacular race for recapitalizing tactical aircraft unfolds, the latest to throw its hat in the ring is Japan.

As it has been twenty years since Japan has worked on its last fighter jet development program, it must upgrade its air fleet soon or risk falling further behind its ambitious neighbors. The ASDF's current inventory of 374 airplanes consists of:

117 F-4 Phantom II  
190 F-15 Eagle  
77 F-2 (based on F-16 Fighting Falcon)

Of great concern are the F-4 Phantom jets, which are becoming increasingly difficult to maintain. It is said that the oldest of the Phantoms is 40 years old. In fact, the U.S. has been using them for drone target practice for years and has even announced plans to begin using old F-16 jets. After waiting for years, Japan's Ministry of Defense (MOD) has issued Requests for Proposal (RFP) on April 11, 2011 to firms seeking to supply Japan its next generation mainstay fighter jet, called the F-X. Because Japan has no indigenous aircraft program since 1945, it has solicited its RFP from only overseas companies in exchange for license production deals, such as it had done so with the F-2 through the FS-X program during the 1990s. Given the F-X fleet's role in maintaining the security of Japan and neighboring areas for the next few decades, Tokyo's selection of an F-X model will have long-term repercussions, the largest on its alliance with the U.S.

The F-X bidding has reduced the pool from initial six platforms to three:

F-35 Lightning II - a Lockheed Martin stealth fighter that is export-oriented  
Eurofighter Typhoon - a 4.5 generation European high altitude fighter  
F-18 E/F Super Hornet - a Boeing modification of an older Navy jet model

Notably absent in the race is the F-22 Raptor, another Lockheed Martin fifth-generation model believed to be invincible. Japan had wanted the Raptor and had actually tried to persuade the U.S. to remove technology transfer restrictions prior to issuing a RFP for the F-X. After years of unsuccessful diplomacy, it has finally decided to go along without the Raptor in the race. Due to Japan's thirst for a stealthy airplane, it is widely believed that only the Lightning II would win the competition easily. However, a closer analysis may reveal that observers are looking at the wrong bid favorite.

### **F-22 Raptor: An Ideal Candidate Out of Reach**

Although the F-22 Raptor is not a contender for the F-X program, it is this platform that shaped the F-X in the background for years because a large consensus worldwide suggests that it is the most powerful tactical aircraft to have been developed by any country. Development began in the U.S. in 1985 in an attempt to win air dominance battles against a hypothetical next generation fighter jet that the USSR was believed to be developing. Repeated revisions in development, as well as the surprise end of the Cold War, contributed to the Raptor's Initial Operational Capability (IOC) delayed until December 2005. Its stealth design and coating is so advanced that the federal government has restricted its technology transfer or disclosure. Its air dominance



impressed ASDF on one occasion in April 2007, when 2 Raptors handily downed four F-4s and F-15s in a simulated air battle. The F-22 is also a quantum leap forward from the F-15 or F-16 in information processing. Known as situational awareness, the F-22 integrates and organizes data in a display screen, rather than multiple monitors, enabling the pilot to only worry about achieving his or her combat mission, not about flying. The U.S. has enjoyed total air dominance in any battle it has fought since World War II; the Raptor's cutting edge technology will guarantee that superiority will remain in American hands for another two or three decades.

Coincidence or not, the F-22's active electronically scanned array radar (AESA) of 130 miles roughly matches ASDF's Southwest Air division's area of responsibility from the Japanese coastline into the east coast of China. In that sense, a F-22 equipped Japan would be a capable and credible partner to the U.S. for several decades ahead. Although the F-22 is not available due to its production halted in the U.S. by the Obama Administration, Japan tried unsuccessfully for several years to convince the U.S. to share its crown-jewels aircraft.

### **Obstacles to Japanese F-22 acquisitions**

Although Japan's desire to acquire the F-22 is understandable, significant roadblocks prevented this desire from becoming a reality. One such impediment was the U.S. Congress. David Obey (D-WI), then the top Democrat in the House Committee on Appropriations, inserted a provision on July 29, 1997 into the FY1998 Defense Appropriations bill that read, "None of the funds made available in this Act may be used to approve or license the sale of the F-22 advanced tactical fighter to any foreign government." Known as the Obey Amendment, efforts to repeal or revise this ban has repeatedly failed with Obey himself last opposing them in 2006. Although Obey remained silent on the issue since then, even as he became Chairman of the powerful committee in 2007, he told the author in December 2009 that he remained confident of his decision. When pressed if he still held steadfast to the "no exports" clause, he replied that Congress may change its position in the future, but he would not. While support for the Obey Amendment has dwindled, lack of concerted leadership to oversee the ban's repeal means that support to provide ASDF with Raptor technology does not seem to be a top priority in Washington.

Hopes to repeal the Obey Amendment resurfaced when the Wisconsin legislator announced on May 6, 2010 that he would retire from the House after serving for more than four decades. His successor, Norm Dicks (D-WA) had authored a bipartisan letter to President Barack Obama on January 21, 2009, urging that he not terminate the Raptor assembly line for national security and industry grounds. Given no other major opponent to the export-ban, Obey's retirement could mean that future defense budgets may not renew the Raptor export ban named after him.

Even if the Obey Amendment were repealed today, unwinding related bans and restrictions could take an another full calendar year to complete. Moreover, any Raptor model that Japan would obtain will not escape significant watering down for security reasons. House

Democratic Caucus Chair John Larson (D-CT) told NHK, “I think that the potential for sales to Japan, once the technological core is removed, would be terrific. [That] is a win-win for both countries.” This statement depicts most, if not all, pro-export policymakers’ positions on the issue. Any modification will not come without cost in time and money. Chairman of the Senate Appropriations Committee Daniel Inouye (D-HI) gave one such estimate to Japanese Ambassador to the U.S. Ichiro Fujisaki and Secretary of Defense Robert Gates in a June 2009 letter, saying that accounting for export development would raise the cost of a Raptor by \$100 million from its current price-tag. Given the budget difficulties Japan is facing, it would have been a struggle for Tokyo to convince taxpayers to pay an extra \$6 billion, over a tenth of the nation’s annual defense budget, just for sixty Raptors downgrades. In fact, the Pentagon’s Press Secretary, Geoff Morrell, addressed this export cost concern in a press conference: “It would be enormously expensive for Japan or other countries to buy an export model of the F-22, money we think could be better spent in developing the F-35 together ... I think we’re opposed to an export of the F-22.” In that sense, dominant voices inside the U.S. appear not to favor Raptor-exports to Japan in the immediate future.

Finally, the U.S. Defense Department’s position on the F-22 production is another unfriendly roadblock to Japanese acquisition. After having been tight-lipped on the subject for a year, Secretary Gates recommended on April 7, 2009 that his department would end the F-22 program by buying four final planes from the previous fiscal budget and cap the U.S. fleet at 187 planes. Gates, in serving two different U.S. presidents, has been unhappy about spiraling cost overruns and has targeted the F-22 as a symbol of acquisition waste. A combination of intense lobbying efforts by both Gates and President Obama himself persuaded the Senate to vote 58-40 in favor of ending Raptor production. Pro-Raptor Senator Saxby Chambliss (R-GA) described, “I have never seen the White House lobby such as they have lobbied on this issue ... it has been unparalleled in my now going on 15 years as a Member of the Congress.” As the last of the four Raptors is expected to roll off the main assembly line in either late 2011 or early 2012, it is unlikely, if not outright impossible, that Japan will obtain Raptor technologies for F-X.

The F-22 Raptor is the most capable air dominance tactical aircraft that exists today. Given its specifications, Japan would find its security needs met amply with the Raptor. However, the combination of Congressional export bans, costly and unaffordable exportability steps, and the imminent end of Raptor domestic production, means that the ASDF realistically has no chance of replacing the F-4s with F-22s.

### **F-35 Lightning II: A Perfect Match for a Different Competition**

Like the F-22, the F-35 is a fifth generation tactical fighter jet that Lockheed Martin successfully won an RFP competition in the U.S. Currently, the U.S. is committed to buying 2456 airplanes at \$246 billion. Also known as the Joint Strike Fighter (JSF), the F-35 is not a high-altitude air superiority platform, such as the F-16 or the F-22, but rather a ground-to-air combat airplane. The plane’s possession of a single engine, as well as slightly less advanced stealth technology, has led to observations that the F-22 is more advanced than the F-35. Yet, one test pilot, who

flew both planes, told NHK that the Lightning II has a broader blueprint than the other jet that simply counter a specific historical threat that never emerged, and they are also equipped with newer computers.

Other advantages the Lightning II possesses over the Raptor could make it a more suitable choice for Japan's F-X platform. First, it is an export-oriented platform. While the U.S. is the predominant project leader, eight other countries, primarily NATO members, are part of the program. They are currently committed to buying 730 planes. Interest in adopting the Lightning II by a number of key Japanese allies such as Australia and South Korea means that Japan's selection of the same platform would enable interoperability with these countries in both regional and global security missions. In fact, Pentagon officials, including Secretary Gates, have repeatedly stressed to countries interested in the Raptor that they instead consider the export-oriented Lightning II. Second, this platform has three variations that meet the needs of the Air Force (USAF), Marine Corps (USMC), and the Navy (USN), hence the term JSF. The second version's engine rotates ninety degrees to support a vertical landing, while the third model takes off and lands on an aircraft carrier, a shorter runway distance than the first one. In fact, a MSDF officer privately commented to the author that the Japanese navy sees advantage in the ASDF selecting the F-35 for its F-X program as the two models originate in a common model. The F-35 Lightning II's export-oriented design and its multiple variants make the platform an attractive choice for the F-X program.

While the Lightning II is equipped with such advantages, there are significant concerns that prevent Japan from embracing the platform as it did the F-22. The F-35 is a developmental program, unlike other F-X competitors. As Japan has always adopted operating platforms for its fighter jet programs, such as the F-16, selecting the F-35 before its development is completed would be a gamble. In fact, the current development of Lightning II has not been smooth, as seen with unsatisfactory test results that resulted in repeated costly redesigns and a prolonged test phase. Six months after Secretary Gates personally toured the F-35 assembly line in Texas for a progress check, he announced on February 2010 that he had withheld \$614 million in bonuses to Lockheed Martin and fired the top program office leader at the Pentagon. Furthermore, problems involving the development of the USMC version, to which both the USAF and USN versions were tied to, had become serious that Secretary Gates cut the two later versions loose from the first and placed it on probation. He added that the USMC version itself may need to be cancelled if it does not meet expectations by the end of 2012. Although he did not initially approve the advice from the bipartisan fiscal deficit commission that included cuts to USAF and USN procurement of the Lightning II and cancelling the USMC version altogether as reflecting on meeting U.S. defense needs, Gates' ultimately agreed with the view in light of worsening federal fiscal health. Although Japan is a spectator to the Lightning II development, these troubles are not comforting in light of the F-X selection process.

Other factors tied to the program's unsure development status will affect Japan's decision on whether or not to adopt it for the F-X. First is the per-unit cost of a Lightning II aircraft. Part of the reason why the Pentagon championed the platform was its affordability, derived from multinational cooperation and multi-service development. As late as last summer, Secretary Gates praised the F-35 unit cost of \$60 million as less than half of the \$140 million needed to buy a F-22. That sticker price is now considered wishful thinking as the Pentagon admitted in early 2010 that the per-unit cost had grown to \$113 million per plane. This cost, which already

exceeds the most expensive program in U.S. history, prompted Congressional investigation under the Nunn-McGurdy amendment, a 1982 law requiring Congress to be notified of 15% cost overruns, as well for specific programs to be terminated if they exceed 25%, unless the Secretary of Defense intervenes. Aside from Lockheed Martin and the Pentagon's repeated assertions to the contrary, namely that the F-35 is a better plane than the F-22, rising costs dampen Japan's already lukewarm enthusiasm. Since costs could rise further during the remaining development time, it is a factor that cannot be ignored in the F-X selection process.

Another deciding factor is the availability of the F-35. Originally, IOC was expected for the USMC version in March 2012 with the USAF and USN versions to follow in March 2013 and September 2014. Difficulties in both hardware and software research, especially in the Marine version has affected the entire program. The USAF service officials have suggested an IOC delay to 2018, nearly half a decade behind the original target date. Moreover, Japan was not one of the eight countries directly involved in the platform's development. As such, it is likely that Japan will have to wait behind those countries' procurement. Japan's turn will probably be even further behind as other countries such as Israel are actively attempting to close procurement negotiations of the F-35. In fact, industry analysts project the earliest available date that Japan could obtain the Lightning II to be 2020. Another complicating factor is Japan's domestic dilemma of needing to replace antiquated F-4 airplanes soon, as well as retaining a rapidly eroding industrial base. In that sense, the Lightning II's availability does not appear to be a positive factor in its candidacy for the F-X competition.

Aside from the export-banned F-22 Raptor, the F-35 Lightning II is the only available fifth-generation advanced tactical fighter jet internationally. The global interest in this platform by Japan's partner countries, such as Australia, will be constructive towards Japan's promotion of regional security in the Asia-Pacific region and beyond. However, ongoing troubles tied to the program's development, as well as the cost and availability factors, suggests that the Lightning II may be a more appropriate contender for Japan's F-XX program, expected in 2020, rather than the F-X competition.

### **Eurofighter Typhoon: Made in Europe Challenge to a US Monopoly**

Across the Atlantic, Europe is reveling at the struggles of the U.S. in preparing a competitive offer in the F-X competition. As with the F-22, the coalition of Germany, Italy, Spain, and the United Kingdom (UK) initiated a tactical fighter aircraft development in 1986 to respond to expected threat from the USSR. Together, they produced the Eurofighter Typhoon, a twin-engine platform designed to capture air dominance with a capacity for ground-to-air combat. Over three stages of production, called tranches, the four countries are committed to buying 496 Typhoon jets. The coalition, led by the UK, succeeded in winning contracts to sell 15 jets to Austria in 2003 and 72 to Saudi Arabia in 2006. India also selected the Typhoon along with France's Rafale as the two finalists for its competition in April 2011. While bidding for more contracts elsewhere, the Typhoon consortium believes that it presents the most formidable European

competitor ever in a contract competition. They believe that the time to crack the monopolistic grasp of U.S. defense firms in the Japanese market is now.

If Tokyo were to take the symbolic step of breaking U.S. monopoly by selecting the Typhoon as the winner of F-X RFP bids, a number of advantages await. Like the F-22, this is a multi-role platform primarily focused on air superiority missions. As long as the Raptor is not available for export, it could be a decent second-best choice. Simulation tests, conducted by the subcontractor BAE Systems, show that other than the Raptor, only the Typhoon is capable of winning an air-to-air combat duel against the Sukhoi-27. Since no other aircraft threats appear likely prior to the yet unspecified deployment of the J-20, the Typhoon's capability would enable ASDF to successfully defend its sovereign airspace for decades to come. While Japan's ideal preference for the stealthy Raptor is understandable, given the current situation inside Japan and abroad, choosing the second best choice in the Typhoon may not be a bad alternative.

Among the factors shaping competition over Japan's F-X program, the license production issue is paramount. BAE Systems has been open on its commitment to allow broad Japanese industrial involvement in the Typhoon program. The company's top executive does not seek to hide that it is prepared to offer Japan "whatever degree of production Japan would like to do", adding that they are presenting the latest technology available as well. In addition to this, the Typhoon consortium is interested in working with Japan to pursue its own upgrades. For example, Japan could equip missiles it has developed domestically onto the planes. The open-ended offer to license production is significant in both past and present Japan-U.S. experiences. The 1980s FS-X program, which ultimately produced the F-2 platform, involved years of bitter negotiations between the two allies over the degree of permitted technology transfer and local production for security and trade reasons. Japan's Defense Ministry appears to agree with such a prospect: "In the case of the Eurofighter they are open to joint production with Japanese industries but in the case of the F-35 an off-the-shelf purchase is more probable." As technology transfer will remain a significant issue, it is not surprising for Typhoon executives to identify the license production offer as a discriminator as well as "potential weaknesses of some of the other platforms."

While the Typhoon appears to meet both Japan's defense and industrial needs, the bid remains an underdog. Despite the Typhoon's design as an air superiority fighter, it is less stealthy than the F-22 and the F-35. Fully aware of this shortcoming, European countries counter that stealth, while important, is not everything, as noted in its reported results of superior capability in defeating other platforms in duels. Even if the role of stealth is overrated, it remains a reality that Japan's defense establishment is placing high priority in acquiring a stealthy platform. After all, Japan deliberately delayed the F-X RFP for years in the expectation that the F-22's stealth design and technology would become available. A successful bid by the Typhoon consortium will need to overcome such stealth-biased perspectives inside the Japanese defense establishment.

In addition, generous offers of license production may not be reliable. The domestic industrial lobby may be losing influence. One U.S. defense official notes that due to ASDF's increasing role in challenging the security environment, operational capability and effectiveness have attained greater priority. Hence, he concludes that while "industry remains an important

factor in procurement decision, it's not the overarching force it used to be." Finally, even if the Typhoon consortium does offer full-scale license production, the offer may be more abstract than concrete. A U.S. defense executive noted to the author that while American firms have viable production infrastructure in Japan due to decades of involvement, BAE Systems lacks such a physical presence. For example, U.S. contractors host shops near military bases in Japan to maintain platforms, by replacing or repairing parts. While its offer to let Japan produce the Typhoon to any degree is attractive, BAE Systems' plan for a Japanese Typhoon fleet over its thirty to forty year lifecycle is not yet clear. Therefore, any successful bid by the Eurofighter Typhoon requires convincing highly interested, but skeptical buyers.

While the first two features of the Typhoon bid can be modified, one immutable feature that could kill the entire bid altogether is its label, "Made in Europe". Platform purchase decision is indicative, not an exception, to postwar Japan's strong dependence on the U.S. Although Washington may have patiently swallowed Tokyo's decision to buy European for the F-X in any given year, recent strains in the U.S.-Japan alliance have complicated any possibility that Washington would not object to such a decision at the current timing. Since the historic transfer of power in August 2009, the DPJ government has pursued a foreign policy agenda that has not pleased Washington. Then-Prime Minister Yukio Hatoyama immediately began to make good on his party's campaign promises, including ending the MSDF refueling missions in the Indian Ocean, exposing alleged secret nuclear pacts between Japan and the U.S., reviewing the 2006 U.S.-Japan realignment agreement, including the plan to relocate Futenma Marine Air Station to another location in Okinawa Prefecture. Hatoyama had campaigned on a pledge to relocate it outside the prefecture.

The Futenma review prompted bilateral working-group meetings in both capitals for several months until the Hatoyama agreement ended them in December 2009 to begin a unilateral process to find another location for Futenma instead of its current destination. The effort ultimately failed, and Hatoyama reluctantly agreed in May 2010 to return to the original agreement. He resigned in June for failing to fulfill the campaign promise.

While Washington publicly does not regard Tokyo's giving consideration to procuring the Typhoon as a snub to its most important ally, it would be difficult for the U.S. to hide its displeasure if all four decisions occur in a cascade. The basing issue alone could kill the Typhoon bid, a factor that is beyond the bidders' hands.

BAE Systems is counting on its own capabilities as well as the industrial situation in Japan to convince Tokyo to favor the Eurofighter Typhoon and sign a defense contract. While not a stealth airplane, the Typhoon is a capable platform that remains on par with regional upgrades in airpower. Moreover, the European bid's generous offer for license production of the Typhoon would bypass tensions over technology transfers that Japan confronted with the U.S. in numerous past occasions. What also boosts the Typhoon over the Lightning II and even the Raptor is its use in combat and patrol missions in the ongoing Operation New Dawn in Libya. However, a successful bid by a 4.5 generation platform still needs to overcome the Japanese government's disposition to prefer stealth technology. Even then, the Typhoon bid may already have been severely undermined, due to recent strains over Futenma between Japan and the U.S. after the DPJ took power. Although BAE Systems hopes to win its first successful export since

the Mikasa – a battleship that helped Japan defeat Russia in the 1904-5 war – any repeat performance would need to incorporate the fact that Japan relies on a global power for its security in a way that did not exist back then.

### **F-18 E/F Super Hornet: A Dark Horse exceeding Japan's Needs**

With two competitive bids from the U.S. and Europe, Boeing may not appear competitive for the F-X race, even with a matching offer to license produce the Super Hornet, an USN air dominance platform. A closer look at the F-18 E/F model and its recent developments, however, suggests that the real leader in the F-X may not be the F-35 or even the Eurofighter, but the F-18. One appealing point of the Super Hornet is that the platform is the newest air dominance fighter jet. Whether it is a fifth generation airplane or not is debatable, but the program officials at Boeing argue that the F-18 E/F is their version of the JSF, a bid that went to Lockheed Martin. Because Congressional approval to obtain a new classification (i.e. F-19) requires a tedious waiting period, they instead bypassed the red tape by pursuing the “F-35-like” platform, such as stealthy components and integrated sensor technologies, under the same F-18 label. By stressing that the USN intends to have both the Super Hornet and Lightning II to serve naval needs for decades to come, program officials accentuate that they are presenting a new platform to the Japanese in their F-X bid. The Super Hornet achieving IOC in 2007, more than two years after the F-22, and that it had even fought in Afghanistan and Iraq reveals that Boeing is not selling the newest developmental aircraft, but the newest operational one.

What makes the Super Hornet appealing to the ASDF is its affordability. While all three platforms discussed earlier have had prolonged developmental phases, the Super Hornet development phase ended on time and on cost. In addition to preventing developmental costs from spiraling out of control, Boeing has been constantly lowering production costs, even as it upgraded the fighter jets' capabilities over the years. In fact, the company announced that 98% of nearly 460 aircrafts it produced through May 2010 have been delivered ahead of schedule, with a substantial proportion of them ahead by at least three months. The Super Hornet platform addresses concerns over maintenance costs. The airplanes were designed to require few maintenance technicians with self-built troubleshooting mechanisms for 95% of all failures. Possibly a subtle reference to the Raptor's \$40,000 an hour maintenance cost for each hour flown, Super Hornet's Vice President Cory Mathews told NHK, “It doesn't mean much to have all the capabilities of the aircraft if it's not available to the warfighter when they need it.” The Super Hornet's cost control in development, acquisition, and maintenance will be reflected in its price tag, which Boeing officials assured would not exceed \$100 million per plane, clearly lower than a Lightning II's estimated \$113 million and certainly a hypothetical Raptor export at \$250 million. As fiscal deficits become an increasingly important issue for Tokyo as well, the Super Hornet's affordability appeal will not be easy to disregard.

Ongoing development efforts in the Super Hornet upgrades could be the icing on the cake to its overall bidding. Its research in flying the Super Hornet with alternative fuel could propel the Super Hornet's candidacy in the F-X race. Led by USN, Boeing and its partners converted

and flew a Super Hornet on a hybrid fuel of conventional jet fuel and camellia seeds in April 2010. As naval aircrafts are the largest consumers of fuel inside the USN, Navy Secretary Ray Mabus announced that flying on biofuel whose source could be harvested in all fifty states nationally would contribute to both domestic and global energy security. Boeing executives' openness to include biofuel technology in any license production offer to Japan may be music to environmentally concerned Japanese officials. Finally, its noise reduction developments could also appeal ASDF. Engineers in the company are redesigning the engines that would ultimately reduce public resentment of noise pollution. Mathews expects that noise "would be lowered two to three decibels, which in essence, cuts the noise emissions in half." If these developments become sufficiently available to Japan, the Super Hornet may be a formidable competitor.

For Boeing to achieve an upset win in the F-X race, several challenges need to be overcome. In spite of the Super Hornet program's quiet successes, including the Navy's offer for three multi-year procurement deals, its profile remains fairly low in the mainstream media. In fact, the bipartisan commission's advice that the USN reduce procurement of Lightning II and buy more Super Hornet instead has not raised the Boeing program's publicity. Although program executives repeatedly stress that the F-18 E/F is as new and capable as the developmental F-35, whether ASDF accepts this assertion remains to be seen. Furthermore, its nature as a naval plane could fall victim to service-rivalries. The Australian air force, rather than the navy, became the first overseas customer to purchase two dozen Super Hornets. Whether ASDF will follow is uncertain. Boeing's advice – namely that buying a naval airplane would facilitate joint service operations including the evolving air-sea battle concept – may be unwanted or even unwelcome. It remains to be seen whether or not the Super Hornet will overcome skepticism in its potential customer.

Longtime F-X observers may not see the Super Hornet's expected entry into the F-X race as a serious effort to win. Its program officials hope to surprise observers and its customers that its offer of license production is not that of an old airplane, but a de facto twin to the F-35. By playing into Japan's long-term concerns for cost control, energy security, and noise reduction, the company hopes to convince Japan that its candidacy is not behind rival platforms, but rather quantum leaps ahead. While correcting expected misperceptions and skepticism towards the Super Hornet will be a challenge, examining and comparing the platform suggests that the dark horse and the true favorite in the F-X race is the F-18 E/F Super Hornet.

## **Conclusion**

This research paper addresses Japan's ongoing F-X program that aims to procure the next generation mainstay fighter jet. Given the need to retire aging F-4 Phantom airplanes while maintaining its rapidly eroding domestic industrial base, Japan has to remain steadfast to its timeline of declaring a winner in the F-X race at the end of 2011. Although the F-35's fifth generation capabilities may appeal to Japan as the best choice available, its ongoing developmental troubles suggest that it is more suited to win the F-XX bid after 2020, not the imminent F-X bid. Both the Eurofighter Typhoon and F-18 E/F Super Hornet offer generous



license production to Japan, making them serious contenders against the perceived frontrunner. Although a Typhoon purchase would break the U.S. monopoly on the Japanese market, the Super Hornet's capability as a de facto F-35 that is also environmentally friendly may guide Japan to a surprising decision. Given its impact on two large world economies, as well as the growing relevance of airspace defense in the Asia Pacific region, Japan's decision for its next generation mainstay fighter jet will reverberate in both its defense strategy and its alliance with the U.S. for a very long time.

*Shin Shoji*

CLASS RESEARCH TRIP TO JAPAN, NOVEMBER 2010



(L – R) Jamie Shellenberger, Jason Park, Cordelia Chesnutt, James Pai and Yimian Li in Tokyo.



Professor William Brooks at Yokohama National University with Professor Saburo Kawamura.



SAIS researchers at Yokohama National University



SAIS researchers at a Chinese restaurant in Yokohama:  
James Pai, Professor Brooks, Jason Park, Professor Kawamura of YNU, Yimian Li, Jamie Shellenberger,  
Juliana Knapp, and Noriko Seki of YNU. (L-R)

**CELEBRATING THE REISCHAUER CENTENNIAL:**  
**THE 2010-2011 ACADEMIC YEAR IN REVIEW**

The Reischauer Center had much to celebrate in 2010-2011. Following on its own 25<sup>th</sup> anniversary commemoration last year, the Center marked the centennial of the birth of its namesake, Ambassador Edwin O. Reischauer. As both an eminent scholar and the first Japanese speaking U.S. Ambassador to Japan, Reischauer blazed a historic trail in promoting American trans-Pacific understanding. Our Center marked the centennial of Reischauer's birth with a variety of major scholarly and policy-related events and publications, bringing together Americans, Japanese, and others, on both sides of the Pacific, in the Reischauer tradition.

The highlight of the fall term were two special commemorations of Reischauer's birth: the first in Washington, D.C., on the precise centennial day, October 14, 2010 (morning of October 15 in Japan, where Reischauer was born), and the second in Tokyo, shortly thereafter, on December 7, 2010.



The Washington event took the form of a special symposium on the Reischauer heritage, with reminiscences and scholarly evaluations by four students of Reischauer himself--- Kent Calder of SAIS; John Curtis Perry of the Fletcher School of Law and Diplomacy; Takeshi Oka, formerly of the New York Times; and Andrew Gordon of Harvard University. Robert Reischauer, eldest son of Ambassador Reischauer, and George Packard, former Special Assistant to Ambassador Reischauer at US Embassy Tokyo, as well as other long-time acquaintances of the Reischauers, provided commentary, while Japanese Ambassador Ichiro Fujisaki also offered remarks at the commemorative reception that followed.



In Tokyo, Ambassador John Roos keyed the centennial reception, held at the Aoyama Robbins Club, involving a gathering of around 300 guests. Former Japanese Prime Minister Yasuo Fukuda, together with Ambassador Tatsuo Arima, former colleague of Reischauer at Harvard; Akinobu Nishigai, director of the Japan School for the Deaf that was founded by Ambassador Reischauer's mother; and Kent Calder also spoke. A special monograph on the Reischauer heritage, with copies in both Japanese and English, was also made available, with proceeds accruing to the School for the Deaf.



Apart from the twin centennial receptions, the Center also sponsored eight scholarly seminars during the Fall Term, a list of which is appended. Two were to discuss the publication of Center-related monographs: *The Making of Northeast Asia*, by Kent Calder and Min Ye (Stanford University Press, September, 2010); and *Japan's Asianism*, a Center monograph by Yukie Yoshikawa. Other seminars were concerning a variety of issues in US-Japan relations and international relations within Asia. Additionally, Professors Kent Calder and Bill Brooks participated in a trilateral symposium on US-Japan-Canada policy cooperation, convened in Tokyo, Japan during late August, 2009, and co-sponsored by the Reischauer Center, together with the Japan Institute of International Affairs, and the Asia-Pacific Foundation of Canada.

The highlight of Spring Term 2011 for the Reischauer Center was a co-sponsored symposium with CULCON, the Commission on US-Japan Cultural Relations, on “Enhancing the US-Japan Partnership: Education and Cultural Ties in a Changing Global Context”. This gathering, held on May 19, 2011, celebrated the 50<sup>th</sup> anniversary of CULCON’s establishment. Since Edwin Reischauer himself pioneered the concept of a US-Japan cultural relations commission, this collaboration was particularly fitting, from a historical standpoint. The meeting featured panels surveying the current state of political exchanges across the Pacific, as well as educational and cultural exchange, as well as a special address by U.S. Senate Appropriations Committee Chairman Daniel Inouye (D-Hawaii).



Looming large during the Spring Term was also the tragic specter of the March 11, 2011 Tohoku earthquake and tsunami, which saddened both the world in general and SAIS students, faculty, and researchers in particular. The Reischauer Center collaborated with the SAIS Japan Relief Team, a student group, to co-sponsor a special informational program and fund-raising appeal in Kenney Auditorium, on April 5. Among the speakers were Ambassador Ichiro Fujisaki; Captain David Barlow of the Virginia Rescue Team, who participated in relief efforts on Tohoku, and SAIS students from the earthquake and tsunami-impacted areas.



Shortly before the earthquake and tsunami, SAIS Japan Studies professor and Reischauer Center advisor Rust Deming, a prominent veteran of thirty years service in the U.S. State Department, was asked to return temporarily to the Department as Director of Japanese Affairs. He played a central operational role in coordinating U.S. government response to the tragedy, while continuing to teach his Japanese Foreign Policy course at SAIS. In August, 2011 Professor Deming returned to the private sector, and among other activities resumed his teaching at SAIS.

Apart from the CULCON commemorative symposium and the earthquake-tsunami memorial service, the Reischauer Center also sponsored six additional seminars in Washington, D.C. during the Spring Term, while also publishing two monographs. These dealt with (1) comparative assessment of American, Japanese, and Chinese approaches to free-trade agreements; and (2) Chinese energy relations with Central Asia. The seminars covered a variety of topics, including Japan's demographic crisis and recovery from the recent "lost two decades", as well as the internationalization of the yen.

Throughout the academic year, the Reischauer Center was blessed to have Visiting Scholar affiliates. These scholars, including Yasuyuki Kimura and Shin-ichiro Ichiyama, contributed greatly to the intellectual life of the Center, while also helping with translation of the Yearbook and the Reischauer commemorative monograph into Japanese. For their efforts, and for those of all our faculty and student affiliates this past year, especially those who have prepared this unique Yearbook of U.S.-Japan Relations for 2010-2011, we are most grateful.

*Kent E. Calder, Director  
Reischauer Center for East Asian Studies  
Washington, D.C.  
July 30, 2011*



## **REISCHAUER CENTER 2010-2011 EVENTS**

- September 10, 2010      **“Democracy and Energy Policy Formation: Nuclear Waste Disposal and Reprocessing in South Korea and Japan”**  
Eunjung Lim, Ph.D. Candidate in Japan Studies
- September 16, 2010      **“Burma and U.S.-China Relations”**  
Quansheng Zhao, Professor, American University
- October 8, 2010      **“Comparative Politics of Overseas Oil Development: Korea vs. Japan”**  
Seong-Ik Oh, Ph.D. Candidate in Japan Studies
- October 13, 2010      **“The Making of Northeast Asia”**  
Kent Calder, Director, Reischauer Center  
Min Ye, Director of the East Asian Studies, Boston University
- October 14, 2010      **“Edwin O. Reischauer: In Commemoration (1910-2010)”**  
Panel Presentation and Reception  
Kent Calder, Director, Reischauer Center  
Andrew Gordon, Professor, Harvard University  
John C. Perry, Professor, Fletcher School, Tufts University  
Takashi Oka, Former member of Democratic Party of Japan
- October 22, 2010      **“Okinawa U.S. Forces Base Issues”**  
Yasuyuki Kimura, Visiting Scholar, Reischauer Center
- October 28, 2010      **“Evolving Japan’s Security Policy Infrastructure”**  
Yuki Tatsumi, Senior Associate of the East Asia Program, Stimson Center
- November 4, 2010      **“Decoding North Korea”**  
Bradley Martin, Northeast Asia Correspondent, Bloomberg News
- November 10, 2010      **“Intellectual Origins of a Tortured Japan-Asia Relationship: Japanese Asianism in the Early Twentieth Century”**  
Yukie Yoshikawa, Senior Research Fellow, Reischauer Center
- January 13, 2011      **“Demystifying FTAs: A Comparative Analysis of American, Japanese, and Chinese Efforts to Shape the Future of Free Trade”**  
Arthur Lord, Adjunct Fellow, Reischauer Center for East Asian Studies
- February 11, 2011      **“Japan’s Demographic Crisis: A Tsunami of Aging Baby-Boomers Challenge the Economy”**  
Kosuke Motani, Economist, Development Bank of Japan Inc., Tokyo

- March 2, 2011                   **“Japan Freedom of Information Act – 10<sup>th</sup> Anniversary: A Real Tool of Citizen Empowerment or Much Ado About Nothing?”**  
Dr. Lawrence Repeta, Professor, Meiji University
- March 7, 2011                   **“Exiting from Japan’s ‘Lost Two Decades’”**  
Osaomi Orita and Iori Kawate, Junior Economists, Japan Center for Economic Research
- March 15, 2011                 **“Canadian Views on Asia: Results of the Asia Pacific Foundation of Canada’s 2011 National Opinion Poll”**  
Yuen Pau Woo, Director, Asia-Pacific Association of Canada
- April 5, 2011                   **“Japan’s Earthquake and Tsunami: Dimensions of the Disaster and Future Prospects”**  
Reischauer Center and SAIS Japan Relief Team  
Ambassador Ichiro Fujisaki, Embassy of Japan  
Capt. David Barlow, Virginia Rescue Team of the Fairfax County  
Mr. Hironori Kawauchi, Senior Economist, World Bank  
Ryo Tsuzukihashi, SAIS Student
- April 7, 2011                   **“Reflections on the Internationalization of the Yen: Implications for the Dollar, Yen, and Yuan”**  
Prof. William Grimes, Boston University
- May 19, 2011                   **“Enhancing the U.S.-Japan Partnership: Education and Cultural Ties in a Changing Global Context”**  
Reischauer Center/CULCON Symposium

## CONTRIBUTORS



### SAIS authors in Washington D.C. (April 2011):

(L – R) Professor William Brooks, Cordelia Chesnutt, Jamie Shellenberger, Yanan Wang, Yimian Li,  
James Pai, Nicholas Phan, Calita Woods, and Wallis Yu.

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