

The Edwin O. Reischauer Center for East Asian Studies



The United States and Japan in Global Context: 2019

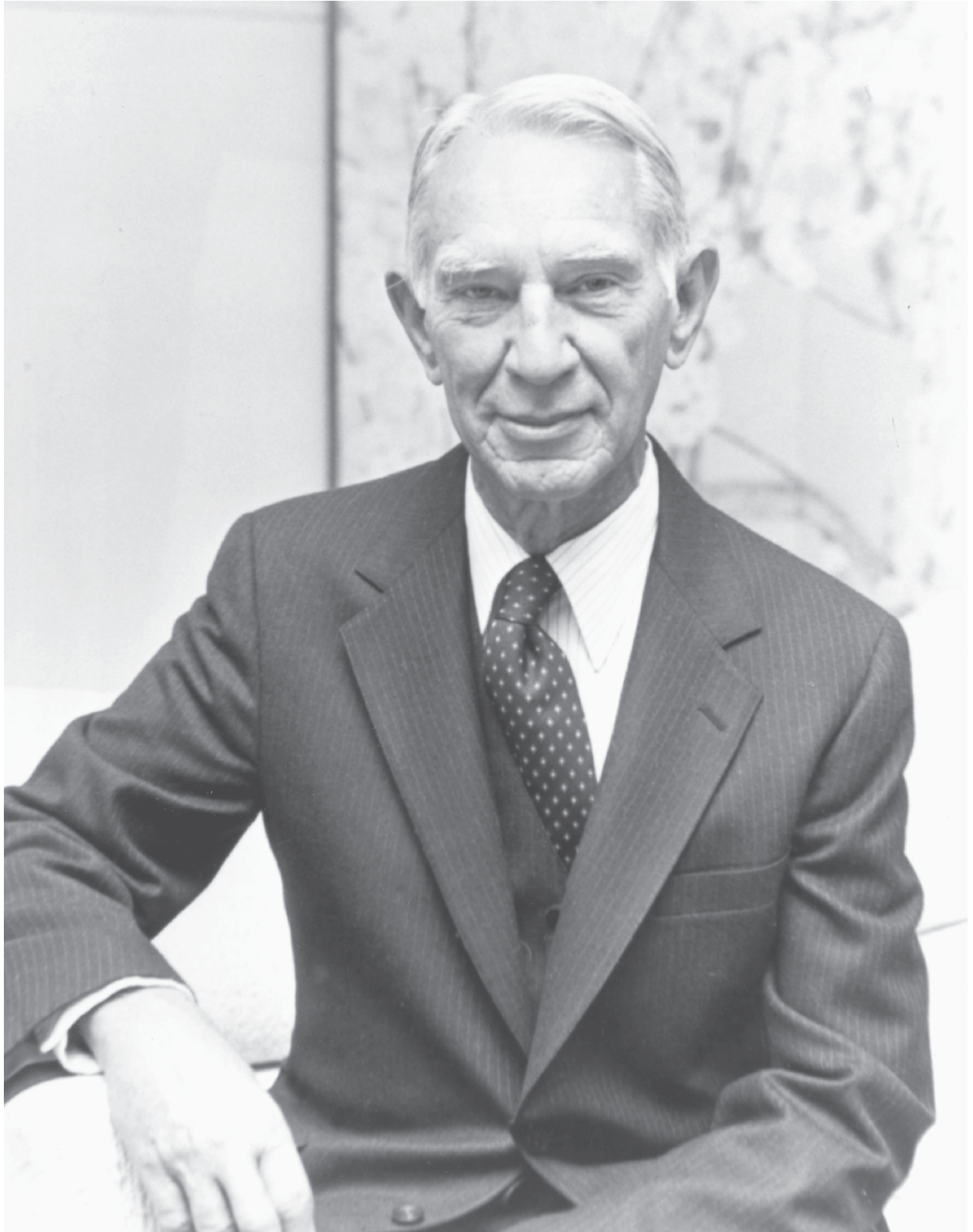
Foreword by
Ambassador Shinsuke Sugiyama
Ambassador Extraordinary and Plenipotentiary of Japan
to the United States

The Paul H. Nitze School of Advanced International Studies
The Johns Hopkins University
Washington, D.C.

THE EDWIN O. REISCHAUER CENTER FOR EAST ASIAN STUDIES

Established in 1984, with the explicit support of the Reischauer family, the Edwin O. Reischauer Center for East Asian Studies at the Paul H. Nitze School of Advanced International Studies (SAIS) actively supports the research and study of trans-Pacific and intra-Asian relations to advance mutual understanding between Northeast Asia and the United States.

The first Japanese-born and Japanese-speaking U.S. Ambassador to Japan, Edwin O. Reischauer (serv. 1961–66) later served as the center's Honorary Chair from its founding until 1990. His wife Haru Matsukata Reischauer followed as Honorary Chair from 1991 to 1998. They both exemplified the deep commitment that the Reischauer Center aspires to perpetuate in its scholarly and cultural activities today.



Edwin O. Reischauer
(Oct.15, 1910-Sept. 1, 1990)



Yearbook Class of 2019

From Left: Soon-Won Hong, Jennifer Shin, Ian Jacobs, Lang Min, Prof. William Brooks, Yini Xu, Sarah Pham, Julian Strachan, Matthew Kawatani, Visiting Scholar Kazuma Ohtani

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The Year at the Reischauer Center

Thirty-five years has now passed since the foundation of the Reischauer Center in 1984. The world has changed immensely, but US-Japan relations remains our core focus, as it has since the beginning. As a former student of Edwin O. Reischauer, I have always felt that we owe it to his memory, and to the stability of global affairs, to retain that central concern.

We are a research institution, located in America's capital, and our central intellectual commitment is to objective, non-partisan policy research. That is the spirit in which this Yearbook—entirely student produced, and the oldest continuous US-Japan annual publication in the United States. It is produced under the leadership of a consummate policy-research scholar, Professor William Brooks. Following his Columbia Ph.D. and early teaching at SAIS, Brooks pursued a distinguished U.S. government career, including fifteen years directing translations and in-house research at US Embassy Tokyo. We could not have a finer editor for this Yearbook.

The Yearbook, however, is only a part of the Reischauer Center's research operation. That also includes a classical scholarly component, in which Coordinator Neave Denny plays an important administrative role, supported by Sarah Pham, completing two major books this year, while sponsoring 38 research-related events. It also engaged quietly in several long-term research projects that will bear fruit in the future.

Apart from the MA students who prepared the Yearbook in such expert fashion, our research staff also included a broad variety of other participants. There were eleven Visiting Fellows from academic and professional backgrounds; five post-graduate Reischauer Policy Research Fellows; four pre-doctoral fellows; and several undergraduate interns. Affiliated faculty also participated actively in Reischauer Center seminars, conferences, and working groups.



Dr. Calder and Dr. Campi at Book Launch

As noted above, two major books were published under the auspices of the Reischauer Center this year. Professor Alicia Campi completed *Mongolian Foreign Policy*, published in April 2019 by Lynne Rienner Publishers, which will also shortly be published in Mongolian. Kent Calder, Reischauer Center director since 2003, completed *Super Continent: The Logic of Eurasian Integration*, published in May 2019 by Stanford University Press, and appearing soon also in Japanese, Korean, and Mongolian. Both books were recognized by publication parties at the Reischauer Center in the spring of 2019.

The 38 research events at the Reischauer Center pursued four major research themes. The most important, of course, was US-Japan relations. Ambassador Shinsuke Sugiyama set a central keynote in his scholarly Reischauer Memorial lecture on the origins and legal character of the US-Japan security treaty. We are honored that he has also kindly contributed the foreword to this Yearbook.



Ambassador Sugiyama Giving His Keynote Speech at SAIS

Other major US-Japan events this academic year included a conference on US-Japan public diplomacy, keynoted by Professor Tomohiko Taniguchi of Keio University, and generously supported by the Center for Global Partnership of the Japan Foundation. Several specialists on cultural diplomacy from both Japan and the United States, including Japanese Embassy Minister Counselor for Public Affairs Takehiro Shimada, his recent counterpart at US Embassy Tokyo, Margot Carrington and our Center for Global Partnerships affiliate Carolyn Fleisher also participated. This conference was the culmination of a semester-long course on US-Japan public diplomacy issues, taught by Professor Bill Brooks, also supported by the Japan Foundation's CGP. The Reischauer Center was also honored to host another major conference on US-Japan relations,

with an economics and security focus, co-sponsored with Japan Economic Foundation, with the participation of former Foreign Minister Yoriko Kawaguchi; former US Assistant Secretaries of Defense for East Asian and Pacific Affairs James Shinn and David Shear; former METI Vice Minister for International Affairs Kazumasa Kusaka, and other distinguished commentators. Waseda University President Aiji Tanaka also spoke on “Developments and Challenges in US-Japan Relations”.

A second major analytical concern at the Reischauer Center this year was the Japanese political economy itself. Helen Hardacre of Harvard University spoke on “Shinto and the 21st Century Japanese Political Scene”. TEPCO Vice Chairman and former CEO Naomi Hirose spoke on “The Fukushima Accident and its Aftermath”. Waseda University Executive Vice President Hideaki Miyajima spoke on recent Japanese corporate governance reform.



Reischauer Center Fellows and Interns with Former Foreign Minister Yoriko Kawaguchi

A third central theme in Reischauer Center programming this year was “Regional Challenges across Eurasia”. Dr. Sawada Yasuyuki, Chief Economist of the Asian Development Bank, spoke on progress in disaster-preparedness across the Asia-Pacific region. We held two major sessions on the future of Afghanistan in a South Asian context and participated in an additional session at the Afghan Embassy with Ambassador Roya Rahmani. We also did multiple events on the future of the Korean peninsula, as well as the role of Mongolia, situated at the very heart of Eurasia.

A fourth and final research priority for the Reischauer Center this year was “Global Political Cities”. Reischauer Policy Research Fellows Evan Sankey, Rachel Xian, Yuki Numata,

Marina Dickson, and Tom Ramage, together with interns Takumi Yaguchi, Seryung Kim, Mizuki Yamamoto, and Yaxiong Chen, met weekly with me in informal seminars to debate the rising role in international affairs of global cities. This research will be published as “Global Political Cities: Actors and Arenas for Influence in International Relations”, by Brookings Institution Press, in the late spring of 2020.

When I came to SAIS from a tenured position at Princeton University in the summer of 2003, I did not come to be another Washington pundit. I came to establish a serious policy-research center in the nation’s capital. It gives me great personal satisfaction to feel hopeful that my longstanding dream is a last, with the help of so many others, slowly coming to be.

Dr. Kent E. Calder

Reischauer Center

Washington, D.C.

August 2019



THE EDWIN O.
REISCHAUER CENTER
FOR EAST ASIAN STUDIES

Reischauer Center Seminar Series

<p>9/06/2018 12:30 – 2:00 Rome 806</p>	<p>Reischauer Center and Japan Studies Welcome Luncheon All Visiting Scholars, Policy Fellows, SAIS Japan Studies Professors and Students</p>	<p><i>Reischauer Center and Japan Studies Welcome Luncheon</i></p>
<p>9/11/2018 4:30 – 6:00 BOB 500</p>	<p>Dr. Eunjung Lim Assistant Professor College of International Relations Ritsumeikan University (立命館大学)</p>	<p><i>Beyond DPRK, History and Prospect of the US-ROK Nuclear Cooperation</i></p>
<p>9/12/2018 12:00 – 1:30 Rome 806</p>	<p>New Voices from Japan (NVJ) Moderated by Dr. Bill Brooks, Adjunct Professor of Japan Studies Senior Advisor to the Reischauer Center for East Asian Studies</p>	<p><i>The Politics of Reform: A Guide to Understanding Contemporary Japanese Political Confrontation</i> <i>Japan's Engagement in Meeting Security Needs in Southeast Asia</i> <i>Japan's Leadership in International Trade Rule-Making</i></p>
<p>9/19/2018 4:30 – 6:00 Rome 806</p>	<p>Ms. Nobuko Kobayashi Partner / Principal / Manager A.T. Kearney K.K. in Tokyo</p>	<p><i>Globalizing Japan, Inc. -- from Shareholder Activism to Gender Parity</i></p>
<p>9/26/2018 12:30 – 2:00 Rome 806</p>	<p>Robert Dujarric Director, Institute of Contemporary Asian Studies (ICAS), Temple University Japan</p>	<p><i>How Can Japan Survive the End of America as We Loved It</i></p>
<p>9/27/2018 4:30-6:00 Rome 812</p>	<p>Dr. Ling Chen Assistant Professor of Political Economy International Political Economy & China Studies, JHU SAIS Comments by Dr. Andrew Mertha, Director of China Studies, JHU SAIS</p>	<p><i>Manipulating Globalization: The Influence of Bureaucrats on Business in China</i></p>

<p>9/28/2018 12:30 – 2:00 Rome 806</p>	<p>Dr. Shintaro Hamanaka Reischauer Center Visiting Scholar Overseas Fellow of Institute of Developing Economies of Japan External Trade Organization (IDE-JETRO)</p>	<p><i>Theorizing Regional Group Formation: Asia and Beyond</i></p>
<p>10/03/2018 12:30 – 2:00 Rome 806</p>	<p>Naomi Hirose Executive Vice Chairman, Fukushima Affairs, Tokyo Electric Power Company Holdings</p>	<p><i>The Fukushima Accident & Its Aftermath</i></p>
<p>10/04/2018 4:30 – 6:00 Rome 806</p>	<p>Dr. James Person Lecturer, Korea Studies, Johns Hopkins SAIS</p>	<p><i>Korean History in Current Context</i></p>
<p>10/05/2018 12:30 – 2:00 Rome 812</p>	<p>Viktoriya Kim Researcher and Multimedia Journalist Affiliations: The Diplomat Magazine and Johns Hopkins SAIS</p>	<p><i>North Korea – My Journey through This Enigmatic Country and Its Role in the Identity of Post-Soviet Koreans</i></p>
<p>10/11/2018 4:30 – 6:00 Rome 806</p>	<p>Dr. Helen Hardacre Reischauer Institute Professor of Japanese Religions and Society, Harvard University</p>	<p><i>Shinto and the Twenty-First Century Japanese Political Scene</i></p>
<p>10/25/2018 4:30 – 6:00 Rome 806</p>	<p>Dr. Sarah C. Paine Professor of History and Grand Strategy, U.S. Naval War College</p>	<p><i>China, Russia, and the United States through the Divergent Security Paradigms of Maritime versus Continental Powers</i></p>
<p>11/01/2018 12:30 – 2:00 Rome 812</p>	<p>Dr. William L. Brooks Adjunct Professor of Japan Studies Senior Advisor to the Reischauer Center for East Asian Studies</p>	<p><i>Introduction to Research Methods and Report Writing</i></p>
<p>11/06/2018 4:00 – 6:30 Kenney-Herter Auditorium</p>	<p>Ambassador Shinsuke J. Sugiyama Ambassador Extraordinary and Plenipotentiary of Japan to the United States of America</p>	<p><i>Edwin O. Reischauer Memorial Lecture</i></p>

<p>11/07/2018 4:30 – 6:00 BOB 500</p>	<p>Dr. Paul Heer Elliott School of International Affairs, George Washington University</p>	<p><i>Mr. X and the Pacific: George F. Kennan and American Policy in East Asia</i></p>
<p>11/13/2018 12:30 – 1:45 Rome 812</p>	<p>Dr. Cheol Hee Park Professor, Graduate School of International Studies Seoul National University</p>	<p><i>Strategic Neglect on Both Sides: Korea-Japan Relations in 2018</i></p>
<p>11/15/2018 4:30 – 6:00 Kenney-Herter Auditorium</p>	<p>Annie Pforzheimer US Deputy Assistant Secretary of State for Afghanistan Amb. Henry S. Ensher US Deputy Assistant Secretary of State for Pakistan Karen L. Freeman Assistant to the Administrator for the Office of Afghanistan and Pakistan Affairs Rohullah Osmani ADB North America, Reischauer Visiting Scholar Moderated by: Professor Kent Calder Vice Dean for Faculty Affairs and International Research Cooperation Director of Reischauer Center</p>	<p><i>The US-South Asia Strategy: Prospects for Regional Economic Cooperation</i></p>
<p>11/16/2018 9:30 – 11:30 Rome Auditorium</p>	<p>Asian Development Bank: Mr. Dingding Tang Chair, Compliance Review Panel Mr. Warren Evans Special Project Facilitator</p>	<p><i>Improving Development Effectiveness in Asia: Lessons from the Asian Development Bank's Accountability Mechanism</i></p>
<p>12/06/2018 6:00 – 7:30 Rome 812</p>	<p>Japan Studies & Reischauer Center End of the Year Celebration All Visiting Scholars, Policy Fellows, SAIS Japan Studies Professors and Students</p>	<p><i>Japan Studies & Reischauer Center End of the Year Celebration</i></p>

<p>1/31/2019 12:30 – 2:00 Rome 806</p>	<p>Reischauer Center Members & Japan Studies Professors and Students</p>	<p><i>Reischauer Center & Japan Studies Welcome Luncheon</i></p>
<p>2/06/2019 4:30 – 6:00 BOB 500</p>	<p>Professor Jae-Seung Lee Jean Monnet Chair Korea University</p>	<p><i>Peace-Building on the Korean Peninsula: Does Multilateralism Matter?</i></p>
<p>2/07/2019 12:00 – 1:30 Rome 812</p>	<p>Samuel H. Kidder Former Executive Director, American Chamber of Commerce in Japan</p>	<p><i>U.S. –Japan Business Diplomacy</i></p>
<p>2/15/2019 12:30 – 2:00 Rome 812</p>	<p>Professor Giulio Pugliese Kings College University of London</p>	<p><i>Sino-Japanese Power Politics: Might, Money and Minds</i></p>
<p>2/21/2019 4:30 – 6:00 Rome 806</p>	<p>Dr. Xingxing Wang Professor, Hankuk University Visiting Scholar, Reischauer Center</p>	<p><i>North Korea's Changing Society in the Kim Jong Un Era</i></p>
<p>2/28/2019 4:30 – 6:00 Rome 806</p>	<p>Professor Sulmaan Wasif Khan Fletcher School Tufts University</p>	<p><i>Haunted by Chaos: China's Grand Strategy from Mao Zedong to Xi Jinping</i></p>
<p>3/04/2019 12:30 – 2:00 BOB 500</p>	<p>Professor Lee Aeliah Organization for Regional and Inter-Regional Studies Waseda University</p>	<p><i>Peacebuilding in Northeast Asia: North Koreans in Russia and Implications for the United States and Japan</i></p>
<p>3/05/2019 4:30 – 6:00 Rome 806</p>	<p>Dr. Miyajima Hideaki Executive Vice President for Financial Affairs & Professor of Japanese Economy Waseda University</p>	<p><i>Corporate Governance Reforms as the Third Arrow of Abenomics</i></p>
<p>3/08/2019 12:30 – 2:00 Rome 806</p>	<p>Jargalsaikhan Dambadarjaa Founder and CEO The Defacto Institute</p>	<p><i>The Challenge of Democratic Transition in Mongolia</i></p>

<p>3/20/2019 10:00 – 1:00 Rome 806</p>	<p>Ms. Mayuko Chashiro Mr. Koichiro Komiyama Dr. Yoko Ikemiyagi Mr. Jonathan Webb</p>	<p><i>Keio University Global Research Institute's Paper Series Presentations</i></p>
<p>4/01/2019 12:30 – 2:00 BOB 500</p>	<p>Kenichi Kakeya Ministry of Finance, Japan Visiting Scholar, Reischauer Center</p>	<p><i>International Comparison Regarding the System of Fiscal Investment & Loan Program</i></p>
<p>4/03/2019 10:00 – 11:30 Rome Auditorium</p>	<p>Panelists:</p> <p>Ambassador Henry S. Ensher US Deputy Assistant Secretary of State for South and Central Asia, former US Ambassador to Algeria</p> <p>Ambassador Ronald E. Neumann Former US Deputy Assistant Secretary of State, former US Ambassador to Afghanistan, Algeria, and Bahrain</p> <p>Ambassador Richard G. Olson Senior Adviser at the US Institute of Peace, Former US Ambassador to Pakistan and the United Arab Emirates</p> <p>Rohullah Osmani ADB North America, Visiting Scholar of the Reischauer Center, former Director General of Afghanistan Independent Administrative Reform and Civil Service Commission</p> <p>Moderated by: Professor Kent Calder Vice Dean, JHU SAIS Director of the Reischauer Center</p>	<p><i>Regionalism and Economic Integration in South & Central Asia: Problems and Prospects</i></p>
<p>4/09/2019 12:30 – 2:00 Room 806</p>	<p>Kazuma Ohtani Ministry of Foreign Affairs, Japan Visiting Scholar, Reischauer Center</p>	<p><i>Revitalization of Fukushima - Reflection on Japan's Reconstruction Approach and Future Issues</i></p>

<p>4/15/2019 4:30 – 6:00 Rome Auditorium</p>	<p>Dr. Yasuyuki Sawada Chief Economist Asian Development Bank</p>	<p><i>Towards a Disaster-Resilient Asia</i></p>
<p>4/16/2019 4:30 – 6:00 Rome Auditorium</p>	<p>Dr. Alicia Campi President Emerita, Mongolia Society Senior Visiting Scholar, Reischauer Center</p>	<p><i>BOOK LAUNCH: Mongolia's Foreign Policy</i></p>
<p>4/29/2019 12:30 – 2:00 Rome 200</p>	<p>Mayumi Noma TV Asahi, Tokyo Bureau Visiting Scholar, Reischauer Center</p>	<p><i>The Human Rights Situation in North Korea and the US-DPRK Summit Talks</i></p>
<p>4/30/2019 4:00 – 5:30 BOB 500</p>	<p>Dr. Aiji Tanaka President of Waseda University Professor, Faculty of Political Science and Economics</p>	<p><i>Development and Challenges of the Japan-U.S. Relationship</i></p>
<p>5/01/2019 4:30 – 6:00 Rome Auditorium</p>	<p>Dr. Kent Calder Vice Dean for Faculty Affairs and International Research Cooperation, SAIS Director, Reischauer Center</p>	<p><i>BOOK LAUNCH: Supercontinent: The Logic of Eurasian Integration</i></p>
<p>5/03/2019 10:00 – 12:00 Rome Auditorium</p>	<p>Dr. Silvia Server Vice Councilor Lund University, Sweden</p>	<p><i>European Perspective: Research and Innovation in China</i></p>
<p>5/10/2019 9:30 – 4:00 Rome Auditorium</p>	<p>Reischauer Center Annual Conference Keynote Speaker: Dr. Tomihiko Taniguchi, Special Advisor to Prime Minister Abe's Cabinet, Keio University</p>	<p><i>Advancing the U.S.-Japan Relationship in a Changing Washington</i></p>
<p>5/17/2019 9:30 – 4:00 BOB 500</p>	<p>Japan Economic Forum</p>	<p><i>The United States and Japan in a Globalizing World</i></p>

Foreword

I am delighted to celebrate with all of you the 35th anniversary of the Edwin O. Reischauer Center for East Asian Studies, and I am honored to have the opportunity to contribute a message as we reflect on the current state of the Japan-U.S. relationship, look to the future, and recognize the culmination of your academic year and achievements.

The Johns Hopkins School of Advanced International Studies (SAIS), and in particular the Reischauer Center, have produced generations of excellent and distinguished scholars, policymakers, and specialists in East Asia, Japan and Japan-U.S. relations. The Center has provided an important space for dialogue and research, fostering connections indispensable to strengthening the alliance between Japan and the United States. It was a great honor to speak at the Edwin O. Reischauer Memorial Lecture in 2018 and I will continue to lend my support to this esteemed organization's activities in the future to come.

When we look at the current state of the world, we see uncertainty and a rapidly changing landscape. And yet, the stability of the Japan-U.S. alliance is one of the constants in these unsettled times. In fact, our alliance is as strong as it has ever been. President Trump and the First Lady were the first official state guests since the start of the new Reiwa era. At the time of writing this, Prime Minister Abe and President Trump have met five times within six months in 2019, engaging in heart to heart communications. I believe that Japan-U.S. relations have fully matured, becoming a truly global partnership.

Of course, the strength of our alliance comes not only from the leaders' level, but from all levels, especially people-to-people exchange. The cultivation of relationships and mutual understanding are essential foundations of the bridge between our two countries.

Of note, these ideas were also very important to Ambassador Reischauer, so much so that he actively engaged with communities and universities across Japan, exchanging ideas with people at a grassroots level. As a matter of fact, this view perfectly resonates with my own. Since arriving in the United States as Ambassador of Japan, I have visited many parts of the country in an effort to really understand the American people and build relationships not only inside the beltway, but with people from a wide variety of fields as well.

The Reischauer Center serves as a place where these types of grassroots relationships are nurtured, and those who study here will go on to play a leading role in furthering developing these relationships. As we reflect on the 35 years since the founding of the Edwin O. Reischauer Center for East Asian Studies, it is my hope that this institution continues to be a place that fosters intellectual dialogue and exchange. We are grateful to the legacy of Ambassador Reischauer for highlighting the importance of public diplomacy—strengthening our bonds of friendship, helping to deepen the mutual understanding and trust between our two countries, and inspiring the next generation of leaders.

Japan and the United States have built a remarkable and enduring partnership, and I believe in the great possibilities we can achieve together in the years to come.

Shinsuke J. Sugiyama

Ambassador of Japan

Washington, D.C.

October 2019

Introduction

Dr. William L. Brooks

The Reischauer Center of Johns Hopkins University's School of Advanced International Studies (SAIS) annually offers a unique graduate course, *The United States and Japan in Global Context*, in which the students research and write academic papers of publishable quality that reflect some of the main themes or events chosen that year as representative of bilateral ties between the United States and Japan in a global context. Under senior advisors' tutelage, the students carry out independent research and interview experts in Washington and Tokyo. The papers are then edited and published as chapters in a yearbook of the same name as the course. The Reischauer Center's yearbook on U.S.-Japan relations has been published since 1986, making it one of the longest, continuous annual surveys of bilateral ties of its kind.

The eight essays in this issue of the yearbook, which roughly covers mid-2018 to mid-2019, assess policy issues for Japan that directly or indirectly impact on U.S.-Japan relations. Some of the themes covered include the uncharted waters of Japan's cyber defense policy; nuclearized North Korea's wedge strategy to undermine trilateral cooperation among the United States, South Korea and Japan; the escalating crisis—dubbed a “political shipwreck” by some—between Seoul and Tokyo over a series of political, security, and economic issues; Prime Minister Shinzo Abe's last ditch effort to revise the Constitution during his tenure; Japan's proactive aid and investment policy toward Africa; the changing nature of Japan's international trade relations; immigration reform in Japan; and the search for a new energy strategy in the post-Fukushima era.

A reminder to our readers, however, about how the world sees Japan. The Global Peace Index 2019 Report, issued by Australia's Institute for Economics and Peace, ranks Japan as the ninth most peaceful country on earth (*Mainichi Shimbun*, June 14, 2019), marking the twelfth year in a row that Japan has been in the top 10. The index is based on low crime rates, low internal conflict, absence of political terrorism, and the like. Japan in 2010 used to be third in the world, but constant troubled relations with its Asian neighbors, and the recent buildup of the Self-Defense Forces brought the ranking down. Our yearbook looks at some of those challenges that Japan faces, and some, like demographic issues are formidable, but the country nevertheless is one of the best places to live on earth.

Japan is also an affluent country. It is the third largest in the world by nominal GDP and the fourth largest by purchasing power parity (PPP) and is the world's second largest developed economy. Moreover, Japan at the end of 2018, as it has for 28 years, remains the world's largest creditor, with a net balance of external assets held by the government, companies, and individual investors at \$3.11 trillion.

Upper House Election: LDP Victory but Setback for Abe's Constitutional Reform Goal

The July 21st Upper House election was the sixth straight victory for Prime Minister Shinzo Abe since he returned to become president of the ruling Liberal Democratic Party (LDP) in December 2012. On Abe's policy agenda, his top priority goal during his final two years in office

is amending Japan's Constitution, and he campaigned feverishly on that issue during the run-up to the election.

Voter turnout was low, just under 50%, the second lowest ever. But especially concerning was the much lower turnout of young voters (18-19 year old), which was a mere 31.33%, or 17.47% below the national average. Such a lack of political interest by young voters does not bode well for the future of the LDP.

In the election, pro-amendment forces – the ruling coalition and the Japan Innovation Party (Nippon Ishin) did not attain the two-thirds of the seats necessary to propose constitutional amendments to the Diet. After the election, Abe vowed to continue his efforts, but unless he convinces one of the opposition parties amenable to constitutional revision to join his cause, he has little chance to achieve his lifelong goal during his time in office.

Written before the Upper House election in July, **Julian Strachan's** thoughtful paper explores the origin of Article 9 in Japan's Constitution during the Occupation in comparison with postwar treatment of Germany, which did not have such a war-renouncing restriction. As a result, Germany soon began to develop into a "normal" nation in the Western community, while Japan even today is still debating whether to amend its Constitution, including Article 9. Strachan's essay concludes that public opinion and the sensitivities of Japan's Asian neighbors remain the two major constraints on Article 9 revision, the current goal being to add a clause specifying the existence of the Self-Defense Forces (SDF) as an armed force.

Strachan argues that the Alliance really does not need that change; he sees the 2014 reinterpretation of Article 9 by the Cabinet to allow limited collective self-defense as sufficient for a now "normal" Japan to fulfill its security treaty obligations and defense needs. Tinkering with Article 9, he concludes, would not only divide the nation, but also further complicate Japan's relations with China and South Korea, which are still fearful of a re-militarized Japan.

Emperor Akihito Retires, Leaving Historical Legacy

The biggest event in 2019, outside of the July Upper House election, was the formal abdication of the Emperor in April, under a special law passed by the Diet in June 2017 after the elderly Akihito announced his intent to step down. His elder son, Prince Naruhito, was enthroned in May 2019 and a new era name, Reiwa, adopted.

In recent years, before his health became frail, Emperor Akihito, accompanied by the Empress Michiko, journeyed to various World War II memorials ranging from Okinawa to the islands in the Pacific to console the souls of the war dead – not just Japanese soldiers, but also local citizens, other foreigners, and even U.S. military personnel. His travels are seen as a personal effort of reconciliation with victims of the war.

For example, in June 2005, the imperial couple visited Saipan to mark the 60th anniversary of the end of the war, praying for Japanese, local people, Koreans and Okinawans working as civilians for the Japanese military forces, and Americans. In 2015, the couple visited Palau

marking the 70th anniversary of the end of the war, and in 2016, they prayed for the dead in the Philippines.

U.S. Protectionism, Brexit Worries Propel Japan's Mega-Trade Deal Strategy

Since the 2018 yearbook on U.S.-Japan relations, Prime Minister Abe has continued to personally court President Trump for the sake of Japan's national security interest and the stability of the alliance. He also has tried to convince the President to go easy on Japan in ongoing trade negotiations between Washington and Tokyo. As of mid-2019, the two leaders have held 40 meetings and telephone conversations, and personal ties remain cordial.

In late May, Abe rolled out the red carpet for Trump during his four-day state visit to show that the alliance is "rock solid." The President was the first foreign leader to meet the new Emperor, and after Trump and Abe played golf at an elite course, the two watched the final day of a sumo tournament, with the President even presenting the winner with the "Trump Cup."

President Trump returned to Japan about a month later to attend the G20 meeting, where Abe tried to set the agenda so that disputes would not break out centering on U.S. sensitivities. Meeting on the sidelines of the G20 summit in Osaka, the two leaders agreed to bolster the alliance in the aftermath of earlier Trump criticism of what he sees as a one-sided security treaty with Japan. Such public comments by the President disputing the worth of the alliance have made leaders in Japan very nervous. The media speculated that Trump made such gratuitous remarks about the alliance in order to gain leverage in ongoing trade negotiations with Japan by reminding Japan how heavily it depends on the U.S. for its defense.

Japan has not caved in on U.S. trade demands, however. On the contrary, President Trump's protectionist-minded trade policy, coupled with Britain's worrisome decision to leave the EU (Brexit), have propelled Japan to shift its trade strategy toward inking new mega-trade agreements with Asian countries (CPTPP and in the near future RCEP) and Europe (Japan-EU FTA).

After its ratification by both sides in December 2018, the Japan-EU free trade pact came into force in February and was formally signed this July. The pact covers 31% of the world's economy, 19% of global trade, 17% of world defense spending, and 32% of global spending on research and development. It removes or reduces tariffs on most industrial goods, sets labor and environmental standards, and creates a trade dispute mechanism. Japan also signed a strategic partnership agreement with the EU.

On the other hand, Britain's decision to leave the EU (Brexit) set off a panic alarm in Japan, with many companies, particularly in the auto industries planning to pull or cut back on production from Britain if there is a no-deal Brexit.

Sarah Pham in her excellent paper analyzes Japan's policy responses to the tectonic shift in the international trade order set off by the U.S.' sudden withdrawal in 2017 from the Trans-Pacific Partnership (TPP) and Britain's decision to leave the EU. At the time, Japan was already

moving in a direction favoring mega-free trade pacts – TPP, RCEP, the EPA with the EU – and away from favoring bilateral pacts (FTAs and EPAs).

As the U.S. moves toward bilateralism and even unilateralism in its policies, Japan under Abe has been shifting policy emphasis toward multilateralism and globalism, and even taking the lead in some areas. In the Asian region, Japan wants to become the stabilizing force if the U.S. continues to neglect its traditional leadership role.

Despite Abe’s efforts to keep the alliance stable and trade negotiations on a steady course, public opinion in 2018 toward the U.S. began to shift in the wrong direction. An annual Yomiuri-Gallup poll on the state of the U.S.-Japan relationship (*Yomiuri Shimbun*, December 12, 2018) found only 39% of Japanese thinking that bilateral relations were “good”, down 17 points from 2017, while those who thought the relationship was “bad” jumped 16 points to 39%. Trump’s trade policy was seen as a major factor for the sudden change in public attitude.

The U.S.’s trade policy, based on imposing tariffs to force concessions on trading partners, friend and foe alike, has yielded little to no results in reducing the country’s structural trade deficits. Japan in 2018 ranked as the fourth largest country for the U.S. trade deficit in goods, totaling \$67.63 billion (USDOC). At the top was China, with \$419.16 billion, followed by Mexico with \$81.52 billion and Germany with \$68.25. The U.S. deficit with China was up 11.6% from 2017, while the deficit with Japan shrank 1.8%. Globally, the U.S. deficit widened 10.4% over 2017 to a record \$878.70 billion.

The U.S. has targeted Japanese imports of farm goods and exports of autos and auto parts in ongoing negotiations. If a deal is not reached later in 2019, the President has vowed to impose draconian 25% tariffs on Japanese autos. Trump has determined that auto imports pose a threat to national security, claiming they hurt domestic producers and their ability to invest in new technology. Japanese autos and auto parts make up about 75% of the U.S.’s bilateral trade deficit with Japan.

But the Alliance of Automobile Manufacturers, an industry trade group, said in a statement that autos are not a national security threat to the U.S., as the President declares, and imposing tariffs of 25% could cost about 700,000 American jobs. Toyota adds that its plants in America directly or indirectly employ 475,000 workers and that it has invested more than \$60 billion in the U.S. already, with more coming.

Cybersecurity Added to the U.S.-Japan Alliance

Despite President Trump’s worrisome comments about the value of the U.S.-Japan alliance, bilateral security arrangements remain as strong as ever and defense cooperation has been upgraded based on a new set of guidelines issued in 2015. One of the new domains given priority in the guidelines is cyberspace defense.

Japan’s current cybersecurity defense measures are considered in Western intelligence circles as insufficient, and the country risks falling farther and farther behind the Five Eyes

(intelligence circles of Britain, U.S., Australia, Canada and New Zealand) unless it beefs up its cybersecurity measures significantly.

To begin that process, Japan and the U.S. in a meeting of defense and foreign ministers (2+2) agreed that Washington would help defend Tokyo from cyberattacks, such as on nuclear power plants and SDF facilities. The ministers also pledged defense cooperation in outer space and against electronic warfare in response to Russian and Chinese growing capabilities in those areas. In certain cases, a cyberattack would constitute an armed attack against Japan, under Article 5 of the U.S.-Japan Security Treaty.

Japan is beginning to move to close the large gap with other countries in addressing the threat of cyberattacks. The country, using private companies, will develop its first defense-use computer virus against cyberattacks by March 2020. The hope is that such a virus will act as a deterrent against such attacks. The bug will be used only for defensive purposes and not for preemptive attacks. The government also plans to increase its cyberspace unit to 220 personnel, up from the current 150. But the U.S. has 6,200, North Korea 7,000, and China a whopping 130,000!

Based largely on official documents, policy papers, and expert views, **Yini Xu** focuses on Japan's capabilities in cyber defense and what U.S.-Japan cooperation in that domain entails. Cyber space cooperation was first mentioned in the U.S.-Japan Defense Cooperation Guidelines of 2015. Until then, Japan had paid little attention or budgeted much to that now critical aspect of national defense.

Neither have Japanese companies kept abreast of the need to protect themselves from cyberattacks. According to an NRI Secure Technologies survey of Japanese companies (*Nikkei Business Daily*, July 24, 2019, p.4), almost 70 percent of the respondents admitted the absence of medium to long term (three years or so) plans for cybersecurity countermeasures.

North Korea Playing the Trump Card?

Despite the summit diplomacy of the United States and South Korea with North Korea, Japan's policy toward Pyongyang remains hardline and realistic. Japanese Defense Minister Takeshi Iwaya said in a speech at the Shangri-La Asia Security Summit in Singapore on June 1: "We need to remind ourselves of the undeniable fact that there has been no essential changes in North Korea's nuclear and missile capacities" (*Mainichi Shimbun*, June 3, 2019). Iwaya took the position that the May launches of ballistic missiles violate United Nations Security Council sanctions.

In his excellent paper on the Korean Peninsula security standoff, **Soon-Won Hong** takes on one of the hot-button issues of 2018-2019, President Trump tackling the North Korean nuclear and missile threat through summit diplomacy – Trump meeting with Kim Jong-un three times. Added to ROK President Moon Jae-in's own summit meetings with Kim, it seemed at one time that such top-level efforts might produce a breakthrough and head North Korea toward denuclearization. Alas, all efforts to date, including a sudden Trump-Kim meeting at the DMZ,

have failed so far, and Kim has restarted testing short-range missiles – some of which can reach as far as Japan – and issuing blistering rhetoric against South Korea, the U.S., and Japan.

In the meantime, Abe's efforts to find a role and avoid isolation as the number of bilateral summits pile up have been in vain. Abe has sent out feelers to Pyongyang to arrange a meeting with Kim – now without conditions – but all have been rudely rebuffed. According to Hong, Kim's "coercive wedge strategy" has been working to keep Japan out of the loop and trilateral cooperation against the North at a minimum.

Japan-South Korean Relations Heading toward a Train Wreck?

The squabble between Japan and South Korea over a series of political and economic issues is playing out against a backdrop of an increasingly dangerous security environment in East Asia that demands close cooperation of the two countries with their common ally the United States. Despite President Trump's three summit meetings with North Korean leader Kim Jong-un, nothing substantial was achieved, and there is a strong perception in international circles that America is retreating from its traditional leadership role in the region. Denuclearization negotiations with North Korea are stalled, and Kim Jong-un has been testing new ballistic missiles that have the capability of reaching South Korea and Japan. Washington so far has resisted calls to strongly press Seoul and Tokyo to ease their bilateral standoffs through diplomacy and arbitration, and thus return the trilateral security order in the region back to a normal state of cooperation and readiness.

But in mid-2019, relations between Japan and South Korea became increasingly worse. Based on a Supreme Court decision, the South Korean government is preparing to seize assets of Japanese companies over a wartime labor lawsuit. If so, Japan threatens to retaliate by banning new visa issuances and money transfers. Japan, which maintains the labor issue was settled by a 1965 accord between the two countries to settle property claims, and it would like to arbitrate the issue based on a dispute settlement scheme in the 1965 normalization treaty. South Korea insists the accord did not stop individual claims and refuses to go to arbitration.

Japan argues that if it were to acknowledge its culpability, it would be flooded by claims that would destroy companies and undermine trade relations with South Korea.

Then, in July, the ROK government formally closed a Japanese government-fund foundation set up in South Korea under a 2015 bilateral agreement to resolve the wartime military brothel (comfort women) issue. Japan has protested and urged a restart of financial support to the women. Of the 47 women still alive when the 2015 deal was reached, 36 indicated a willingness to receive the payments, and of the 199 proxies of those women already dead, 71 wanted to receive the money, and 58 went on to accept 2 million yen each. Others refused the money.

The issue of a South Korean navy destroyer locking its fire-control radar on a Maritime Self-Defense Force patrol plane, which South Korea denies happened, was never resolved. And it has derailed not only a planned port call by several MSDF ships, including the Izumo destroyer, to Busan, but also other official exchanges planned for early 2019.

As if that was not enough, Tokyo, citing South Korea's alleged laxity of export controls, recently placed restrictions on exports of materials that could be used to make weapons. South Korea denies the allegation and has taken the dispute to the WTO.

In her well-researched and sensitively written paper, **Jennifer Shin** discusses such historical-legacy issues that have long plagued Japan-South Korea relations, and have recently flared up again with a vengeance, with the additions of a wartime labor legal dispute and an economic squabble that has even taken the two countries to the WTO. The escalating row has had a devastating impact on public opinion in both countries toward each other, as Shin shows. She also assesses how security cooperation between South Korea, Japan, and the United States has been affected. She would like to see the U.S., playing a role it has exercised in the past, intervene directly in the dispute to help alleviate tensions. If that does not occur, it remains problematical whether the two countries can muster the leadership and resolve to do so on their own.

Things have become so volatile, that on July 18, 2019, an elderly Korean man set himself on fire in front of the Japanese Embassy in Seoul, reportedly because of his hatred for Japan. He died soon afterward. The mood in Seoul remains grim, with political parties on both sides of the aisle in the National Assembly having sided with President Moon against Japan. Even North Korea has taken the South's side in attacking Japan in the media.

Japan Pursues China – in Africa

Tokyo's traditional tool for engaging with African countries has been official development assistance (ODA), and since the 1990s, Japan has been the continent's top aid donor. But as **Ian Jacobs** shows in his outstanding paper on the evolution of Japan's strategy toward Africa, with ODA resources shrinking due to Japan's fiscal constraints, and as developing African countries began to "take off", Japan has been slowly shifting to a trade and investment strategy, always mindful of the risk factors involved.

Japan's economic rivalry with China is also driving its trade, aid and investment strategy toward Africa, although Jacob argues that in reality, there is plenty to go around in terms of Africa's infrastructure and other needs. The economic presence of Japan and China in Africa is more complementary than competitive. But both countries are also thinking that Africa will eventually become the largest consumer market in the world, so making inroads there now will pay off enormously in the future.

Under the TICAD framework begun in 1993, Japan, with the TICAD VII conference in August 2019 in Yokohama, will continue the shift from traditional ODA programs to private sector-led activities. It will launch a new joint public-private council to spur the planned program of joint development assistance to Africa.

Japan's Demographic Crisis Opens the Door to Foreign Labor

Japan's population dropped to 124.8 million as of January 1, 2019, falling by the biggest number since government surveys began in 1968. The cause is mainly due to the low rate of births,

fewer than 1 million for three straight years until 2018. Japanese aged 65 or older now make up 28.06% of the population, up 0.4% from 2017.

Due to a rapidly aging society in which fewer babies are born, Japan now leads the world with the lowest proportion of working age people below the age of 65, according to a 2019 United Nations report. The working population (age 15-64) accounts for 59.4% of the population, a drop of 0.28% in the latest report.

According to the Ministry of Health, Labor, and Welfare, foreign workers in Japan reached a record high of 1.46 million as of October 2018, up 14.2% from a year earlier. This was the eleventh straight year of increased use of foreign labor. The figure is expected to rise even more rapidly in 2019 since visa restrictions have been eased to allow more foreigners into Japan under a new law. The new policy aims to promote the entry into Japan of skilled workers, students working at part-time jobs, and trainees from developing countries. The Japanese public has been less than enthusiastic about accepting large numbers of foreign workers. Asked about the Foreign Worker Bill in December 2018, 55% of the public was opposed and only 30% supported it.

The tight labor market can be seen in Japan's jobless market which fell to 2.3% in February 2019 and has remained around that level since then. It was so tight that there were 163 openings for every 100 job seekers. Unfortunately, the tight job market has not resulted in strong increases in wages, mainly because of uncertainty over the global economy, especially the slowing down of China's economy.

The new labor law is an attempt to alleviate the job crunch by allowing into Japan up to 345,150 foreigners under a special guest-worker visa program, with the largest number, 60,000, going into the nursing care business.

The labor crisis in Japan actually is exacerbated by systemic problems in the misuse of women in the labor market, too early retirements, and even a "lost generation" of ably employed workers during Japan's long recession in the 1990s. Known as the "employment ice age" generation (*Mainichi Shimbun*, July 17, 2019), many of those who graduated from high school or college from the early 1990s, after the bubble economy burst, to the early 2000s, when the economy began to pick up again, were unable to land good jobs and became low-paid, non-regular (usually contract) workers. Among this generation were many social recluses (*hikikomori*), who stayed out of the labor market.

Prime Minister Abe's showcase policy to deal with the tight labor market, based on the December 2018 immigrant law, is closely examined by **Lang Min** in her well-researched and insightful paper. For the first time, hundreds of thousands of lower- and semi-skilled foreign workers will flood into Japan to help alleviate the shortage of labor, as in the elder-care market. She wonders whether the system set up for them is sufficient to absorb the load, and she compares Japan's efforts to America's historical experience with immigrant workers. She also asks whether the Japanese public is ready to welcome such immigrants, despite the obvious need for such labor. She also notes that the new visa program replaces a 1990 foreign trainee system long faulted for

labor abuses. Such a reputation has made Japan a less attractive place for foreigners seeking to relocate and find jobs, unless working and living conditions for them in Japan improve.

Energy Security: Can Renewables Replace the Nuclear Power Gap?

The Great East Japan Earthquake of March 11, 2011, and the meltdown at the Fukushima Daiichi Nuclear Power Plant forced Japan to drastically change its energy mix to favor such fossil fuels as LNG and strive to shift a significant proportion to renewables.

Prior to Fukushima, Japan had 54 nuclear reactors supplying approximately 30% of the country's electric power. In 2013, however, the government set stringent new regulatory standards to withstand earthquakes and tsunami. The cost of implementing these standards is so immense that 21 reactors are now to be decommissioned. As of June 2019, only nine reactors at five plants have met the new standards and resumed operations.

Against that background, **Matthew Kawatani**, in his meticulously researched paper, focuses on the challenges Japan faces in its transition to a low carbon, environmentally sound energy supply in the post-Fukushima era. Focusing on renewable energy, he argues that unless Japan is willing to restructure its out-of-date electricity market structure, it will not be able to reach its planned renewables goal of 22-24% of the total energy mix by 2030. Such a dilemma also jeopardizes Japan reaching its Paris Agreement target of a 26% cut in greenhouse gas emissions from fiscal 2013 levels by fiscal 2030. As of fiscal 2017, the reduction stood at 8.4%, as the amount of renewable energy grew by 10% and some nuclear plants resumed operation.

As Kawatani notes, feed-in-tariffs (FIT) policies that encourage development and uptake of renewable energy sources like solar and wind power have helped increase the adoption of renewables. Energy companies are allowed to purchase power produced from wind, solar, geothermal, biomass, and other methods at a fixed price, so renewable companies can co-exist and develop in the market with non-renewable producers. Solar companies have especially proliferated under this system. But there are rumors in the industry that the government is thinking of abandoning the FIT system, with the exception of solar, as too expensive. Such a decision would have a devastating impact on the fledgling renewables market, and ultimately on Japan's energy mix and climate change goals.

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Again this year, the cultural highlight of the trip to Tokyo was an introduction to Cha-no-Yu, the Way of the Tea, at the Urasenke School of Tea Ceremony's most distinguished institute in Tokyo, Horaian, located in the Roppongi area. After witnessing the making and taking of tea, under the guidance of Tomoko Abe-sensei, the students were given the chance to make their own bowls of tea with various degrees of success.

The Legacy of Article 9 and the Future of the U.S.-Japan Alliance

Julian Strachan

Introduction

The United States-Japan security alliance has been the cornerstone of peace and stability in the Asia-Pacific region since the 1960s, and it remains so today. Through its network of strategic alliances, which includes the Republic of Korea and Japan, the United States is able to execute an effective deterrent policy in the region. This is why political tensions between South Korea and Japan has become a source of concern for the United States in managing trilateral security cooperation toward North Korea.

One source of tension has been Prime Minister Shinzo Abe's stubborn drive to revise Article 9, the "peace clause" in Japan's Constitution. He would add to the war-renouncing article a paragraph that would specify the existence of the Self-Defense Force (SDF). Abe, in a speech in May 2017, stated: "We need to make sure, at least within our generation that the argument that 'the SDF may be unconstitutional' will no longer be made."¹ While Abe's rationale focuses on the SDF's constitutionality, the public in Japan remains wary, with a majority of Japanese against revising Article 9 in most polls. Most opposition parties in the Diet are fiercely against such a move.

Amending Article 9 of the Constitution could undermine Japan's relations with China and South Korea, which have not forgotten the historical legacy of Japanese wartime and colonial aggression. These Asian neighbors accuse Japanese leaders of a lack of serious remorse or self-reflection about the country's militarist past. Not surprisingly, China and South Korea view the Abe administration's recent decision move to increase the SDF's military capabilities with considerable suspicion. Japan's noisy minority of right-wing nationalists have long upset Asian neighbors with views that are steeped with racism and xenophobia. The right-wing media amplifies those views. Even though Japanese leaders, including Prime Minister Abe, have continued to issue apologies and seek reconciliation, those efforts are seen by China and South Korea as insincere. Recently, South Korea has exacerbated the historical issue by demanding compensation from Japanese companies that used Korean forced labor during the war.

Even without constitutional revision, the Abe administration's reinterpretation of the Constitution has already been heavily criticized in South Korea. The reinterpretation of Article 9 now allows for limited collective self-defense in alliance and PKO contexts. In addition, plans for the SDF to procure state-of-the-art aircraft and other equipment also weighs heavily on the minds of the already skeptical people in China and South Korea.

Abe's struggle to revise Article 9 is much more than just a legal issue to clarify the SDF's existence. It is a credible part of a chain of decisions and acts by the Japanese government to move Japan toward being a "normal nation" in the security sense – especially when it comes to military activities. This evolution has been praised by Washington, but U.S. policymakers must also be aware of the impact on East Asian relationships.

This paper lays out the following positions and then elaborates on their implications for U.S.-Japan relations in 2019 and beyond. First, the Constitution, including war-renouncing Article 9, is the product of immediate postwar discrepancies, some might say racial, between the Allies' treatment of Japan versus Germany after World War II. Second, the United States should have treated Japan as it did Germany: focusing on the new Soviet threat at hand, while ensuring good behavior on the part of the new leadership. Third, renouncing war as in Article 9 is an outdated vestige of the 1940s system, and Japan should have been encouraged to move toward becoming a "normal nation." And finally, the argument about the danger of Japan remilitarizing has long ago been effectively resolved, and resistance to upgrade the status of the SDF, which is already de facto constitutional, is politically motivated and not substantially-based. Abe's attempts to amend the constitution are relatively inconsequential to the strategic interests of either country and ultimately could create more diplomatic and domestic political harm than good.

Historical Background

Japan and Article 9

After Hiroshima, Nagasaki, and the surrender, Japan began the long trek toward recovery and rehabilitation. When Americans think of World War II, they often think of two dates as the start of the war: either September 1st, 1939, the Nazi invasion of Poland; or December 7th, 1941, the Japanese surprise attack at Pearl Harbor. While this Euro or America-centric view is natural, Japan's aggression in the Pacific started much earlier with the invasion of Manchuria in 1931 and became full-fledged in 1937 with the war on China. By the time America entered the war, the Japanese were occupying almost the entirety of South East Asia and numerous Pacific islands. This is not to mention the occupation of Korea that began with annexation in 1910.

The Japanese occupation was brutal, especially towards women. The Japanese Imperial Army is said to have forced between 200,000-400,000.ⁱⁱ into service as prostitutes, known as "comfort women," for the army. Around half were Korean.ⁱⁱⁱ An estimated 90 percent did not survive the war. The comfort-women issue, despite attempts to resolve it, remains a painful wound in the relationship between Japan and South Korea. Likewise, the devastation of Nanjing by the Imperial Army, which left between 50,000 and 300,000 dead and as many as 80,000 Chinese women raped, looms over relations between Japan and China.^{iv}

While normalization pacts between South Korea and China, concluded in 1965 and 1972, respectively, included provisions for "renouncing war reparations from both public and private Japanese actors," changes in government have led to renewed calls for recognition and compensation.^v As recently as 2015, both of these nations demanded reparations for Japanese conduct during the war.^{vi}

Upon formal surrender on September 2, 1945, Japan fell under an American military occupation for seven years commanded by Gen. Douglas MacArthur. It was under the directive of MacArthur that the new Japanese constitution contained the pivotal Article 9.^{vii} This states in its entirety:

“(1) Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

(2) In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.”^{viii}

As a result, Japanese governments in the intervening years prior to regaining full sovereignty in 1952 maintained that the existence of a military in Japan was unacceptable.^{ix}

The Korean War had a profound effect on the U.S. Occupation’s demilitarization policy toward Japan, leading to the creation of a security force. At the inception of the war, MacArthur drafted a letter directing the creation of a 75,000-man strong National Police Reserve (NPR), making clear it was not his intention for Japan to never be able to defend itself.^x With the authorization of the NPR, and then its re-creation as the SDF in 1954, Japan started down the path leading to today’s top-class military force, ranked fourth in the world for conventional capabilities.

The push by Washington for Japan to rearm in the 1950s was rebuffed by Prime Minister Shigeru Yoshida, (May 1946-May 1947; October 1948-December 1954).^{xi} Yoshida hoped to tie Japan, but not become beholden to, the United States, coupled with limited military rearmament.^{xii} This policy line – known as the Yoshida Doctrine – emphasized a minimum self-defense capability and a main focus on economic growth. It has dominated Japanese security posture to this day, and the nature of the security arrangements between the SDF and the U.S. forces in Japan.

Such arrangements allowed U.S. power projection in East Asia from the military bases on the Japanese islands, while obligating the United States to protect Japan, including providing extended deterrence. Within this framework, Japan was able to achieve limited rearmament. The security relationship, though longstanding, has not been without frictions. The U.S. has constantly pressured Japan to take charge of more responsibilities in the defense of the homeland and the region, and Japan has tended to resist such pressure. Moreover, Japan at times has displayed fears of entrapment or abandonment by the U.S. in their security arrangements.^{xiii} Japan fears becoming entrapped in a regional or global conflict at the behest of the United States, and it also fears that the United States might not come to Japanese aid in the event of an attack.^{xiv} Similarly, the United States in recent years has feared being dragged into an open conflict over Japan’s territorial dispute with China over the Senkaku Islands. The U.S. also has feared at times that given certain conditions, such as a weakening alliance, Japan could deprive the U.S. of utilizing its bases there in a conflict.^{xv}

Today, the SDF is highly skilled and well-funded, but it still has a limited capacity to aid U.S. forces in a regional contingency. While able to function in a support capacity, the SDF’s roles and missions overseas are severely limited by the “Peace Constitution,” the public’s anti-militarist sentiments, and political constraints. For example, the Ground Self-Defense Force (GSDF) was uniquely dispatched to Iraq during the U.S. war with that country, but its role was strictly limited

to humanitarian and reconstruction assistance.^{xvi} Operating in a non-combat area, no Japanese soldier was injured or killed during the several years of service. Lacking popular support, the government has long kept defense budgets slim and capped under 1 percent of GDP. Even the pro-active Abe administration, though raising defense budgets, has done so incrementally.

Rearmament of Germany

Let us contrast the treatment of postwar Japan with that of Germany. After the surrender of Nazi Germany in May 1945, the Allies exercised direct joint control of all German provinces. By 1949, West Germany had succeeded the Allied military administration. Even after its ascension to again being a sovereign state, the Bundesrepublik remained demilitarized in agreement with the Potsdam Protocols.^{xvii} This quickly changed due to outside forces in the area. After events such as the Berlin Blockade in 1947, it became clear to Western powers that more deterrence in the area was needed to safeguard against potential Soviet aggression.

While NATO was established for the protection of Western nations and American interests in the region, West Germany at first was consciously excluded. It was not until the Korean War that a shift in the security climate allowed for greater discussions about the role of West Germany in European defense.^{xviii} Chancellor Konrad Adenauer was able to set West Germany upon a course that culminated in the rearmament of the country by convincing the Western Allies that defending his homeland was of vital national interest and that this could only be done with the contribution of West German troops.^{xix}

The Korean War allowed Adenauer to propose “a German contribution to European defense.”^{xx} With this, Germany would be able to return to a standard level of state sovereignty. Adenauer advocated ending the foreign occupation of West Germany and reestablishment of the German armed forces. When this request was accepted by Truman on September 9, 1950, it paved the way for West German integration into the NATO framework.^{xxi} Between 1950 and 1955, the Bundesrepublik was able to plan and execute the resurrection of the military in the form of the *Bundeswehr*. Within ten short years after the end of World War II, Germany again possessed an armed force.

The creation of the new force, of course, came with reforms. Adenauer, noting the, “historical abuses of Germany’s autonomous military caste and its military machine,” constructed the Bundeswehr from the ground up as a “democratic citizens army” under firm control of the Bundestag.^{xxii} Through the reforms of Count Wolf von Baudissin, the Bundeswehr was created much more in the mold of the U.S. military than the traditional German army.^{xxiii}

The decision to allow the rearmament of Germany, as well as its ascension to NATO, was, and remains, controversial. Under Adolph Hitler, Germany had just waged the most destructive campaign in human history, and the Holocaust remained visceral at the time. And yet, in the face of the growing threat from the Soviet Union, the U.S. was able to embrace rearmament for its strategic importance. It was, after all, only with German manpower and material that Western Europe would be able to resist a direct confrontation with the USSR.^{xxiv}

Since then, Germany has become a productive member of the NATO alliance and more importantly a solid anchor at the center of Europe. Part of this reflects its willingness to engage in a productive conversation about its role in the atrocities of World War II. Germany continues to maintain its concentration camps as educational tools and devote countless amounts of money to Holocaust remembrance and memorials to commemorate its victims. Politicians and people alike not only accept their role in the aforementioned tragedies and seek to right their wrongs. This attitude has helped former victims to more willingly integrate Germany into the military nexus.

Anti-Japanese Sentiment and Article 9

It is inappropriate to compare the scale of tragedies but from the perspective of an American growing up in the 1990s and 2000s, the scale of human carnage exhibited by the Nazis is taught to a much larger degree than those atrocities committed by militarist Japan. It is hard to even comprehend the scale of the Nazi genocide of the Jews. Despite that, within 10 years, one could make the argument that (despite being a country split in two which is abnormal) West Germany was a “normal nation.” So why the discrepancy with the treatment of Japan? To answer that question, one has to look at the disparate treatment of enemies by the U.S. during World War II.

Image 1. American Anti-German vs. Anti-Japanese Propaganda



(Source: Wikimedia Commons)

Asians immigrating to America since the 19th century encountered discrimination and a fear of the “Yellow Peril.” There is a robust literature to document that journey.^{xxv} In the early 20th century, Asians were treated to the Immigration Act of 1924, also known as the Asian

Exclusion Act that was passed and signed into law by Calvin Coolidge.^{xxvi} This law had the effect of banning all immigration from Asia, and adding a strict quota on other “undesirable” nations. It is important to note that racism against Asians was instrumental in the language and depictions of the Japanese during World War II. Consider, for example, observe the two pieces of propaganda above (Image 1) used by the U.S. military during World War II.

Observe the nature between the two. On the left, the Germans are depicted as scared men who have already lost to the Americans before. On the right, however, is a Japanese man drawn with animal-like qualities with a white woman slung over his shoulder. The implication of course being that the animalistic Japanese would pillage America and rape white women if they ever made it here. In short, the Japanese were demonized in American propaganda, while the Germans were not.

This tragically went further in actual American policy regarding the treatment of Japanese Americans. Between February 19, 1942 and March 20, 1946, the U.S. government interred between 110,000 and 120,000 individuals of Japanese descent, many of whom were American citizens. The percentage of Japanese Americans interred is estimate as between 87% and 95%. Of those, 62% were United States citizens who ostensibly shared the same rights as anyone else. Instead, Japanese Americans were forced to move to the interior of the country in specific camps. Despite this, or because of this, the 442nd Infantry Regiment, composed almost entirely of *Nisei* or second-generation Japanese-Americans, became one of the most decorated units in all of World War II.^{xxvii} Of course, this was because Army leaders continually used them in high-casualty situations in lieu of sending other units.^{xxviii}

On the other hand, over 12 million Americans had at least one German parent and there were 1.2 million German-born individuals living in America.^{xxix} German immigrants had never been denied the opportunity for citizenship. They continued to arrive *en masse* in America prior to quotas being placed on immigration by the same 1924 act. Even still, the law allowed 55,000 German immigrants to come in, compared to zero for the Japanese. These recent immigrants had close connections to their homeland. In total, the United States interred only 11,507 of these people.^{xxx} There was no effort made to intern a substantial number of Germans. Many of those interred were actively involved in NSDAP campaigns and so were arguably rightfully detained. The mass detention of Japanese families reflected the racialized difference between the views of Japan and Germany at the time.

General Douglas MacArthur spoke about his departure from the Philippines to Japan at war's end as attempting to reform “an alien race of spiritual growth stunted by long tenure under the physical, mental and cultural strictures of feudal precepts.”^{xxxi} Later at hearings in front of the U.S. Congress, MacArthur spoke of how Japan had “made a better pupil” under the United States than Germany:

“The German people were a mature race. If the Anglo-Saxon was say 45 years of age in his development, in the sciences, the arts, divinity, culture, the Germans were quite as mature. The Japanese, however, in spite of their antiquity measured by time, were in a very

tuitionary condition. Measured by the standards of modern civilization, they would be like a boy of 12 as compared with our development of 45 years. Like any tuitionary period, they were susceptible to following new models, new ideas. You can implant basic concepts there. They were still close enough to origin to be elastic and acceptable to new concepts.”^{xxxii}

This quotation does not speak to someone who believes that the Japanese people are capable of conducting themselves in a manner befitting of an advanced nation with control of their military.

In fairness to MacArthur, the quotation taken in context is not in spite. He wrapped himself in a cloak of a white savior and believed this malleability made it easier to impose democratic values on the society unlike the Germans. Unfortunately, it is clear that there was a level of infantilization that holds true regardless of what the intention is. Japan’s Constitution recognizes no right to self-defense, a common-sense compromise between militarism and total pacifism. Instead, that right had to be reinterpreted using international law as a basis for Japan’s creation of the SDF – a process the Germans were never subjected to. MacArthur holds clear ownership of this policy and by extension, it is the United States responsibility for what happened afterward.

U.S. – Japan Alliance

Despite the recent summits between North and South Korea, aimed at reconciliation, and between the U.S. and the North, aimed at denuclearization, North Korea remains a dangerous country and, for Japan, an existential threat. When this is coupled with a rising China, there exists all the underpinnings of a destabilization in East Asia. In contrast, Japan’s security role in the region seems to have largely faded from consideration in mass-media and academia.

Why does this matter? As Christopher Hughes, writing in 2004, pointed out:

“Much security analysis of East Asia in recent years has been fixated on the economic and military rise of China and the consequences for regional stability. By contrast, recession-hit Japan has moved out of the media and academic spotlight, [and]... undergone less consistent scrutiny.”^{xxxiii}

In Hughes’ view, such is ‘unwise’ as, “it more likely to be Japan’s resurgence...which will determine the balance of powers in East Asia.”^{xxxiv} Even in the face of declining relative economic and military power to China, Japan is a force to be reckoned with, ranking in the top 10 of all countries in total defense spending with a budget of \$46 billion in fiscal 2017.^{xxxv} Among American allies, it ranks third in total expenditure, only trailing the United Kingdom (\$60.7 B) and France (\$58.6 B).

Japan is vital to American interests in dealing with the North Korean threat. Japan and South Korea have the most to lose vis-à-vis a nuclearized North Korea. Especially after the North fired test mid-range missiles over Japan in August 2017, Tokyo has become even warier than ever of the possibility of a devastating North Korean attack. Prime Minister Abe responded: “North

Korea's reckless action of launching a missile that passed over Japan is an unprecedented, serious and grave threat," adding, "Japan and the U.S. stances are completely matched."^{xxxvi}

What developed under the necessity to rebuild and democratize Japan has become a thriving alliance that buttresses American security interests in East Asia and beyond. While there have been ups and downs in the relationship over the last seven decades, the U.S. has a vested interest in seeing a thriving Japan both economically and defense-wise. The corollary of this calls back to the American shackling of the Japanese ability to provide its own defense. And while the United States has taken advantage of this fact in-so-far as utilizing Japanese, this model will need to adjust as Japanese military reforms pave the way for removing the asymmetries between the United States and Japan.

Policymakers should be cognizant of this leveling of asymmetries as it has major implications on the policy perspectives that each state will have. The current theoretical framework is centered around joint fears of entrapment and abandonment based on the current comparative advantages of each country. With a return to normal military relations, that balance of power could drastically shift the policy of either nation – if for example, Japan decided to strike out on its own, as unlikely as that is.

Reducing asymmetries might have the effect of destabilizing the equilibrium by which this alliance has typically functioned. If, for example, Japan felt as though it were more able to defend itself, it could ask that the United States reduce its footprint in Japan. This would leave the United States weaker as it would not retain the same forward presence if something were to occur. On the other hand, the United States might find itself in a situation where it feels Japan is strong enough itself, causing Japan to fear abandonment thus destabilizing the equilibrium.

This relationship has not been perfect, but it has been essential to the U.S. mission in East Asia. It has weathered many storms, including numerous fears of trade wars and potential drifting during and after the Cold War. While the Okinawan basing issue continues to be a problem, one hopes that steps are being undertaken to find a solution. The U.S. continues to provide leadership in the Alliance in hopes that a strong Japan will strengthen the alliance rather than weaken it.

Abe's Crusade

Shinzō Abe is now in the 7th year in his second stint at the helm of Japan. Coming from a long line of conservative leaders, Abe has presided over a Japan that seeks to reorient itself within the world community. Not limited to defense, Abe has sought numerous reforms within the economy and the society as a whole. While the results of his signature economic policy, dubbed Abenomics, have been mixed, another policy, Womenomics, has spurred more Japanese women to enter the workforce. One reform that has slipped past him time and again, however, is his desire to amend the Constitution, including Article 9.

While revising Article 9 would clearly be the jewel in the crown for Abe, the long-term effects of other security reforms, particularly the reinterpretation of the Constitution to allow limited collective self-defense, might have surpassed the value of amending the article itself. The

reinterpretation of Article 9 by a Cabinet decision has created conditions favorable to the long-term re-emergence of Japan as a normal nation. To be clear, interpreting the Constitution informally has been ongoing from the end of the Occupation, as seen in the establishment of the SDF, but in his seven years as prime minister, Abe has overcome major barriers to the SDF that makes amending Article 9 almost an afterthought.

Article 9 Reinterpretation

The Alliance has been made more symmetrical by the reinterpretation of Article 9. Now Japan can come to the aid of its ally the U.S. in the event of a contingency in an area around Japan; before, such was banned by the former interpretation of Article 9. Prime Minister Abe announced the reinterpretation in July 2014. His Cabinet ruled that Article 9 stipulated the right to limited collective self-defense, a clear departure from 60 years of defense policy.^{xxxvii} In doing so, he stated:

“There are no changes in today’s Cabinet Decision from the basic way of thinking on the constitutional interpretation to date. Neither has the existing principle of not, as a general rule, permitting overseas deployment of the SDF changed in the slightest. It still remains the case that the SDF will never participate in such warfare as the Gulf War or the Iraq War in the past.”^{xxxviii}

He went on:

“I cannot possibly believe that the Constitution of Japan, which was created in the hopes of bringing happiness to the people, requires me to renounce my responsibility to protect the lives of the Japanese people in such situations. The Government of Japan made this decision today, sharing such a feeling with my colleagues in the ruling coalition.”^{xxxix}

This step was perhaps the most significant reinterpretation of the peace constitution since it was determined that the Self-Defense Force could exist at all. Of course, this came with backlash from regional actors. China was incredibly vocal about this change declaring it as, “a ‘brutal violation’ of the spirit of Japan’s pacifist constitution.”^{xl} And while not as outspoken, South Korea’s response was equally predictable. At the time, National Assembly floor leader Lee One-koo said, “Japan is walking on a path deviating from what normal countries should do in the 21st century.”^{xli}

On the other hand, this reinterpretation was lauded by other nations feeling threatened by China’s growing power.^{xlii} Australia and the Philippines offered vocal support for this move and nations like Vietnam, Thailand, India, Malaysia and Myanmar are said to have offered private support for the move as well.^{xliii}

More importantly, the Pentagon released a press release from then Defense Secretary Chuck Hagel on the decision:

“I welcome the Government of Japan's new policy regarding collective self-defense, which will enable the Japan Self-Defense Forces to engage in a wider range of operations and make the U.S.-Japan alliance even more effective. This decision is an important step for

Japan as it seeks to make a greater contribution to regional and global peace and security. The new policy also complements our ongoing efforts to modernize our alliance through the revision of our bilateral guidelines for defense cooperation.

“The United States has an enduring interest in the Asia-Pacific's peace and prosperity, and our alliance with Japan is critical to our strategy in the region. I look forward to discussing Japan's decision with Defense Minister Onodera when he visits Washington next week.”^{xliv}

This significant change led to a revision of the U.S.-Japan Defense Cooperation Guidelines in 2015. First created in 1978, the guidelines lay out how the alliance will respond to any given circumstances. Defense analysts also see them as an assurance to alleviate the fear of entrapment and abandonment.^{xlv} The guidelines aimed to clarify alliance responses to “gray zone” military threats—less than full-scale, systematic military attacks backed by a state but still representing a threat to Japan’s security. Occupation of the disputed Senkaku isles by maritime militias would be one example. While, the guidelines boasted, “very detailed description of bilateral cooperation in situations that directly impacts Japan’s security,” the document failed to capture how the more global elements of self-defense would be executed.^{xlvi} One of the more fascinating elements of the revised guidelines is the increased focus on cooperation in the cyber and space domains. Far removed from the 1950s conception of what warfare was, these two domains could allow Japan the leeway to be on the edge of development without violating Article 9.

The next major change came with a set of security legislation passed by the Diet in September 2015.^{xlvii} The laws incorporated the reinterpretation of collective self-defense to allow certain overseas operations.^{xlviii} This came in the wake of two Japanese hostages being executed by beheading by the Islamic State of Iraq and the Levant.^{xlix} After the 11 bills were passed by the Diet, the security changes took effect on March 29, 2016.¹ One of the first uses for the new authorizations was to place an SDF peacekeeping team in South Sudan with orders to aid UN personnel if under attack.^{li} The team of engineers, however, was removed in May 2017.

Abe’s push to further reform the SDF has slowed since the security reforms in 2015. Still, there have been a number of groundbreaking decisions involving SDF equipment that press the limits of what can be called self-defense under Japan’s Constitution. Recently, the Maritime Self-Defense Force (MSDF) has approved the retrofitting of helicopter destroyer *Izumo*-class warships to be consistent with use of the F-35B Joint Strike fighter. Because helicopters outfitted on the *Izumo*-class are ostensibly placed for use in emergency situations, such as in response to the large-scale natural disaster, they are considered defensive capabilities. With this retrofit, however, it is possible that the *Izumo*-class as a de facto aircraft carrier would then be considered to be an offensive weapons system and thus not in accordance with self-defense standards.^{lii}

Of course, the controversy over the carrier is more like a tempest in a teapot. Japan is fully capable of producing full-sized carrier-class ships if it chose to.^{liii} While repercussions would come from within Japan and from neighboring countries, such could be overcome. Moreover, Japan does not need aircraft carriers, particularly as long as the U.S. Seventh Fleet is in the area to perform a deterrent role. So, the choice here to convert these ships to aircraft capable seems to be more for

sending a strategic message than anything else. The refitted vessels do not greatly benefit the overall mission of the MSDF and the F-35Bs are largely limited in this context anyway.^{liv} The decision then is more symbolic than substantial. In such a context, President Donald Trump inspected a soon to be retrofitted vessel on his state visit to Japan in May 2019 and praised the effort.^{lv}

It probably best to understand the context of this within a signaling narrative. Abe has pushed the envelope on aircraft carriers and received a positive nod from the president of the United States. He has also pushed back a little on China but not to the extent of being accused of developing offensive capabilities. As Defense Minister Takeshi Iwaya stated, “The Izumo was originally designed as a multipurpose escort ship, so it wouldn’t pose any threat to other countries if fighter jets are deployed on it.”^{lvi}

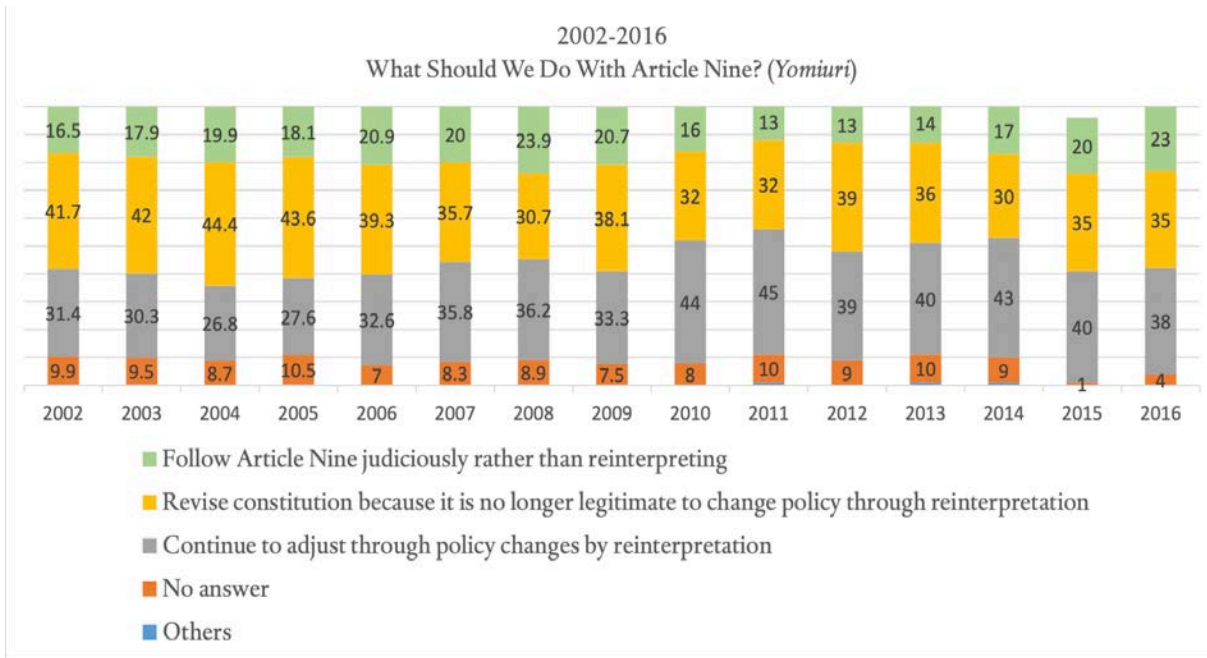
Abe has also succeeded in beefing up defense spending. The defense budget has steadily grown over the past seven years, and in December 2018, the government agreed on a record-setting spending program of 27 trillion yen (\$240 billion) allocated over the next five years.^{lvii} The budget increases will help pay for new stealth F-35 fighters, an Aegis Ashore missile defense system and other advanced U.S. military equipment. Much of this is to replace or upgrade superannuated equipment, such as replacing F-15s with 100 F-35s. But it also is seen by observers as an obvious effort to purchase expensive American equipment and appease President Trump, who may see the purchases as offsetting Japan’s trade surplus with the U.S. The five year spending plan will likely break the 1 percent of GDP cap on spending imposed decades ago. Japan’s fiscal 2020 draft defense budget is at 0.924 percent of GDP. That level is still low by international standards.

Still, the SDF has developed over time into a well-equipped and well-trained armed force, though it has never been tested in battle or placed in harm’s way. Despite Abe’s call that Japan must, “write the role of the Self-Defense Forces into the Constitution to put an end to the debate over its constitutionality,” the status of the SDF is safer than ever. There is an argument to be made that constitutionality is desirable in a democracy but when there is no effective challenge to the status-quo, and the price of changing the status-quo is higher than remaining at that point, there is no immediate need to revise the Constitution.

Popular Opinion

One major problem that Abe continues to face as he seeks to amend Article 9 is the split viewpoints of the populace. There remains no solid consensus on what the Japanese nation should do in regards to Article 9, even as reforms seem to make it unnecessary. In fact, surveys conducted by the *Yomiuri Shimbun* between 2002 and 2016 show that the problem is not two sided, but rather, essentially triple faceted and with no majority to speak of.

Figure 1. What Should We Do with Article Nine?



(Source: Polling data from Yomiuri compiled by the Council on Foreign Relations)

Support for revision of the constitution has actually been bleeding support to both following Article 9 judiciously and to continue adjusting through policy changes by reinterpretation. Since 2007, more people have supported the strategy of reinterpretation to revision, and it does not look like that trend will be reversing in the long term.

Abe in 2019 has oft reiterated his desire for revision by 2020. In a video speech on Constitution Day at a rally organized by the right-wing organization *Nippon Kaigi*, he stated: “I made clear at this very forum, two years ago, that I hoped 2020 would be the year this nation sees a newly revised Constitution come into effect. That hope hasn’t changed for me.”^{lviii}

While Abe continues to make this a centerpiece of his administration, tepid support and even lack of interest play a huge role in making this a difficult policy expectation. According to a poll conducted by *Asahi Shimbun* in April 2019, Article 9 is not a priority for voters. When asked if momentum had built up for revising the constitution since Abe’s 2017 declaration to do so, 72% of voters said it had grown very little or not at all.^{lix} Even among self-described LDP voters, that number was 61%.^{lx}

The *Asahi Shimbun* also asked what voters’ priorities were for the next election, with multiple answers accepted. For them, the leading issues were jobs and the economy, with 66% of respondents saying it was important, followed by social security at 65%.^{lxi} Constitutional revision only garnered 22%, giving it comparatively low score.^{lxii} Such views will make it very difficult for Abe to pursue his timetable to amend the constitution while he is in office.

United States Policy

The reinterpretation of the Constitution has reduced asymmetries and thus strengthened the U.S.-Japan alliance. But should the Trump administration continue to act irresponsibly, such as slapping 25% tariffs on Japanese auto imports, it could result in a rift in the alliance relationship, and Japan beginning to “hedge” by seeking more strategic partnerships with other countries. The U.S. needs not only to welcome the continued growth of Japanese capabilities but to aid them in the process. Some of this occurred in April 2019 with the latest “two-plus-two” meeting of the foreign and defense ministers of the two countries.^{lxiii}

Abe seems content to continue to give top priority to bolstering the U.S.-Japan alliance, as his overtures to Trump suggest. Despite continuing bristles between the United States and Japan over trade issues, Abe has met or conferred with Trump over 40 times since the president took office.^{lxiv} Abe rolled out the red carpet for Trump in his state visit to Japan May 25-28, with everything from meeting the new emperor, playing golf with Abe, and watching sumo wrestling and then presenting the winner with a trophy. The success of that visit, however, may not stave off draconian tariffs on Japan, should current bilateral trade talks fail later in 2019.

The United States should continue to seek new opportunities to collaborate with Japan on activities that do not require massive reinterpretation of the constitution. The recent two-plus two meeting was successful in enhancing bilateral cooperation on such cross-domain issues as Cybersecurity, a low-risk issue for Japan to pursue. The joint statement is instructive:

“And while cyber, like space, carries enormous potential, it also is a vulnerability. These domains are absolutely critical for securing our future, and we are not sitting back while our Chinese and Russian counterparts or competitors aim to disrupt and weaponize them. These domains offer real opportunities for alliance collaboration. We are aligned in our view on this, and we are working together to adapt, integrate, and deploy capabilities faster.”^{lxv}

As Trump laments America’s European allies not paying their fair share, Japan is an excellent example of a country that has been more than willing to work with the president to reach that point. Japan contributes about \$1.6 billion a year as host-nation support for the stationing of U.S. forces in Japan. Such cooperation will continue. Japanese SDF troops also engage with the U.S. forces in joint training, drills, and planning. The more integrated that Japan can become with the United States, the more policy options the United States will have in terms of defense in East Asia.

On the flip side, the United States must continue to manage its relationship with the Republic of Korea in a way that ensures trilateral cooperation with Japan in the event of a Korean contingency. Japan-South Korea relations have been in stark decline in recent years over the comfort-women issue (sex slaves servicing the Imperial Japanese Army during WWII) and other contentious historical issues. Abe stated in January 2019 that “Seoul’s recent attempt to revisit the historic 2015 agreement is ‘completely unacceptable.’”^{lxvi} Unfortunately, the 2015 bilateral agreement that was supposed to resolve the comfort women issue was negotiated under the

auspices of now-disgraced President Park Geun-hye, and critics accuse her of “selling out the dignity of survivors of wartime sexual slavery for short-term diplomatic and geopolitical gain.”^{lxvii} Her successor Moon Jae-in has since repudiated the agreement and the fund established to compensate the victims.

Further, Japan and Korea continue to fight over control of, in the large scale of things, a small set of uninhabited islands. The territorial dispute over the Liancourt Rocks (Takeshima in Japanese, Dokdo in Korean) are still salient, and President Moon has done little to “reduce sentiments that Tokyo is an unrepentant former colonial power.”^{lxviii} With the ROK Supreme Court’s approval of compensation lawsuits against Japanese companies for forced labor carried out during the colonial period (1910-45), actions that the Japanese government insists were “finally and completely” resolved by the 1965 treaty of normalization, it did not appear that Japan-Korea relations in early 2019 were on the verge of improving any time soon.

The issue in December 2018 of a South Korean navy destroyer locking its fire-control radar on a Japanese MSDF patrol plane in the Sea of Japan, which the ROK has denied, escalated the feud to the military-to-military level.

Things became so bad in 2019 that South Korean President Moon and Prime Minister Abe refused to hold talks on the sidelines of the G20 meeting in Osaka, June 27-28. Then, in July, Tokyo, citing a lack of trust, imposed restrictions on the export of chemicals to South Korea that are used in the manufacture of flat screen televisions and mobile phones, as well as for making semiconductors—all vital to South Korean electronics manufacturers.

The ROK government filed a complaint with the World Trade Organization, arguing this was a form of economic retaliation, a claim that Tokyo rejected, arguing that these are only requirements for additional checks to control leakage of these chemicals to North Korea.

In the past, U.S. leaders reportedly intervened in earlier disputes between the two countries, citing trilateral security interests. This time, though, Washington does not seem to be visibly trying to alleviate these tensions between the two allies. South Korea and Japan are vital partners in the region for the United States, and both allies must both be on board for the U.S. to effectively deal with both the North Korean threat and other regional security issues. Quarreling allies endangers the stability of the U.S. order in the region.

Amending Article 9 is an easy headline on which the press even in Japan can seize, often muddying the waters on this issue even more. It is probably too much to expect the South Korean press to portray constitutional revision in terms other than worrisome. With the current relationship between the two countries seemingly off the rails, Abe’s drive to amend Article 9 can only be portrayed as Japan crossing the Rubicon by the press and politicians alike. The Western press, too, has not been supportive of Abe’s goal. In such a charged context, the U.S. in pressing Japan to ratchet up defense spending, including expensive advanced U.S. war equipment, may be adding fuel to the growing fire. Instead, it is time for Washington to play the role of adult supervisor if necessary to alleviate tensions in alliance relationships.

Conclusion

Abe's crusade to revise Article 9 was not born in a vacuum. It is a culmination of decades of policy evolution as Japan tries to, if not rid itself of, then to adapt a postwar constitution to a changing international security environment. What originated as a lamentable policy of short-term democratization during the Occupation paved the way for Japan to later become an economic giant. Advantaged by the U.S.'s willingness to allow Japan to keep defense spending low in return for allowing U.S. forces to use Japanese bases for their forward presence, Japan benefited economically and ultimately politically. Under Abe's administration, however, Japan is seeking to expand its roles and missions in the security arrangements through a series of steps that point toward Japan moving to become a "normal country" in the end.

Is amending Article 9 the right way to achieve this? Perhaps. It would eliminate any constitutional question about the existence of the SDF. Unfortunately, there is still no national consensus to revise the Constitution. And some defense experts seem content with reinterpretation rather than amending Article 9. Constitutional revision also raises more problems with Japan's Asian neighbors, already concerned over Japan's defense trajectory to date under Abe, will latch onto as further proof that Japan is becoming militarist. Since there are no strong challenges to the legitimacy of the SDF as it stands, revising Article 9 becomes more of a domestic signaling to right-wing groups than an actual unburdening of the country. The Japanese people seem to agree. A *Kyodo News* opinion poll taken right after the July 21 election found that 56% of Japanese voters oppose amending the Constitution under Prime Minister Abe.

It is key that the United States recognizes its responsibility for placing Japan in this position. While President Trump is right to encourage Japan to spend more on defense, it must come with the caveat of patience. In some ways, Japan is subverting its very constitution through multiple reinterpretations of Article 9. From a pragmatist American perspective, however, this should be encouraged as a method of at least eliminating some of the flames from popular opinions in neighboring countries. The vast majority of the populace of South Korea or China do not understand nor care about the conversion of the Izumo-class to F-35B carriers or increased cybersecurity packages. These people care about island disputes and atrocities committed in the Second World War. Amending Article 9 is an easy thing to latch onto because it "proves" the re-awakening of the rising sun. Do not give opposition leaders that soundbite.

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Japan's Mega-Trade Deals Point Towards a Shifting Foreign Policy

Sarah Pham

Introduction

Japan and the United States have been nearly inseparable allies since the normalization of relations after the signing of the San Francisco Peace Treaty. Even during the trade disputes from the 1970s to the 1990s, rooted in American perceptions of Japan's market as "closed" and its trade practices as "unfair," Japan remained steadfast in its commitment to the U.S. as its most important trading partner and ally.

In 2016, however, the Western world experienced two seminal events that have helped to shift Japan's approach to the international community. The British referendum to leave the European Union (EU) on June 23rd and the election of President Donald Trump on November 8th were both fulcrums for Japan's international trade policy. President Trump's election and his subsequent withdrawal from the Trans-Pacific Partnership (TPP) trade agreement brought Japan, a once hesitant participant in multilateral trade liberalization due to domestic market concerns, to the forefront of leadership. Furthermore, Japan's initial shock at the results of the British referendum was followed with growing concern surrounding the increasing uncertainty on the future of the Britain's relationship with the EU. Why? The U.K. is Japan's second largest destination for investment, following only the U.S. Much of the products made by Japanese companies are exported to Europe. For example, there are more than 1,300 Japanese companies in the U.K., which employ approximately 140,000 people. Japanese auto makers, in particular, produce 830,000 cars in the U.K., of which approximately half are exported to the EU.

As Japan deals with an aging population and a concurrently dying agricultural sector, trade will necessarily grow in both importance and stature. Yet a global trend of nationalism and protectionism has recently seen a notable surge in political strength, threatening Japan's desire for open markets as well as Japan's relationship with the U.S. This paper seeks to reveal how Japan's actions, in the form of trade deals, to counter this shift towards economic protectionism has effectively begun to slowly shift Japan's foreign policy. As of the beginning of 2019, Japan has 18 Economic Partnership Agreements (EPAs) or Free Trade Agreements (FTAs) in force or signed, and five currently under negotiation.¹ This paper will focus on Japan's multilateral mega-free trade agreements, paying particular attention to Japan's ongoing trade negotiations with the United Kingdom and its relationship to the Japan-EU EPA as well as the TPP and its recently ratified reincarnation the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11 or CPTPP).

On the Effects of Brexit and Japan's Trade with the United Kingdom

On June 23, 2016, the citizens of the United Kingdom headed to the voting polls in order to determine their status in the world as an independent nation free of exorbitant taxes and holding full control over its own borders. The results of the referendum were praised by some, including then-presidential candidate Donald Trump, but shocked Japanese politicians and businesses, who

made it clear that their preference was for the U.K. to remain in the EU, at least for the purposes of trade. Japanese companies began investing in Britain in the 1960s, enticed by former Prime Minister Margaret Thatcher's promises of a business friendly environment and unhindered access to the expansive European single market. Currently over 1,000 Japanese companies operate in the U.K., employing about 140,000 workers. The new referendum, understandably, has these companies deeply concerned about their futures. In light of this, immediately following the referendum, the Japanese government sent a 15-page letter to the British government, in which it urged Parliament to give "due consideration to the context in which Japanese businesses have invested."ⁱⁱ

Yet the Japanese government's request seems to have been lost in the chaos that has erupted as an almost natural result of attempting to navigate a new trade agreement as complex and politically-toxic as a new Britain-EU trade agreement. Consequently, Japanese companies have been pulling investment in the U.K. With Prime Minister May unable to secure enough votes in parliament to pass her negotiated Brexit Deal and the U.K. continuing to request deadline extensions, Japanese companies are becoming less willing to wait for clarity about the future. May's resignation has made the future even more bleak.

Companies such as Sony and Panasonic have moved their European headquarters out of Britain (London) and into the Netherlands (Amsterdam), explicitly affirming suspicions that the move was prompted by Brexit.^{iiiiv} Honda announced in February 2019 that it would close its only car plant in Britain, which employed about 3,500 people, by 2022. Although the firm has denied any link of its closure to Brexit, it is difficult to draw a line between its plans to instead consolidate production in Japan and the effect of the Japan-EU EPA in eliminating tariffs on automobiles between Japan and the EU.^v Ironically, the U.K. was central in the negotiations of the Japan-EU EPA. As a result, Japan's former "gateway to Europe" has transformed into a catalyst spurring a closer relationship with more direct engagement between Japan and the EU.

On the Japan-EU EPA

Negotiations for the Japan-EU EPA began in 2013 and were concluded in December 2017. All legal requirements and procedures for the EPA to come into law were completed by the European Parliament and the Japanese government on December 21st 2018. The Japan-EU EPA was finally signed and came into effect on February 1st, 2019. The EPA's mandate was large, with the goal of covering approximately one-third of the world's GDP (the EU's GDP stands at 21.7% while Japan's stands at 6.1%) and 40% of world trade while connecting approximately 635 million people.^{vi} When the agreement was officially enacted, both the EU's and Japan's representatives emphasized its core values of "values, principles, and fairness" over "tariffs and quotas" in thinly veiled criticism of Britain and the U.S.' recent protectionism.^{vii}

The freshly enacted Japan-EU EPA marks a milestone between Japan and its second largest trading partner worldwide, and the EU and its second largest trading partner in Asia (after China). Before the ratification of the EPA, Europe paid approximately one billion Euros in duties on products it exported to Japan. For industrial products going between the EU and Japan, the EPA aims to eliminate 100% of all customs duties, with an immediate slash of 90% on duties for car parts.

As noted in the previous section, tariffs on automobiles (which originally stood at 10%) are set to be eliminated within 10 years. In addition, non-tariff barriers have been eliminated as both the EU and Japan have agreed to endorse an international standard on automobiles. While this should not greatly affect Japanese cars made in the U.S. for sale within the states, it may impact the exportability of cars made in the U.S. Furthermore, approximately 99% of all duties on Japan's agricultural products being exported to the EU has been eliminated in return for an approximate 84% reduction on customs duties for agricultural products from the EU entering Japan. In addition to promoting free trade and investment, the agreement also manages to ensure a high level of mutual protection on geographical indications (GIs) which include "Kobe Beef" and "Nihonshu (Japanese Sake)" for Japan and "Roquefort," "Irish Whiskey," and "Prosecco" for the EU.^{viii}

The Japan-EU EPA stipulates that neither Japan nor the EU can enter into a trade agreement with another nation with more favorable terms than have already been agreed on. This "most favored nation" clause has set the standard in Japan's trade negotiations with CPTPP nations. The representative I spoke to at Japan's Ministry of Economy, Trade, and Industry (METI) pushed the sentiment behind this clause a step further, stating that it is "unlikely that the U.S. will get a tariff reduction that even matches the EU's."^{ix}

On the Japan-EU Security Partnership Agreement

The Japan-EU Security Partnership Agreement (SPA) negotiations also came to a conclusion on April 25, 2018 and was signed on July 17, 2018. As of February 1st, 2019, the Japan-EU SPA applies on a provisional basis. In concert with the Japan-EU EPA, the SPA represents an affirmation between the EU and Japan on not just issues of free trade, but also shared values and common principles. Aside from the U.S., the agreement marks the first-ever bilateral framework of its kind for Japan and marks a humble shift in Japan's foreign policy. As espoused by both Japan's MOFA and the Delegation of the European Union to Japan, the security agreement marks the "first-ever bilateral framework agreement between the EU and Japan and strengthens the overall partnership by providing an overarching framework for enhanced political and sectoral cooperation and joint actions on issues of common interest, including on regional and global challenges."^x The SPA carries the symbolic meaning of joining the EU and Japan closer together, but also carries the force of law allowing both entities opportunities to cooperate in the security realm.

Despite a revival in recent headlines regarding the possibility of an EU army (meant as a complement to NATO), most scholars agree that the creation of one is highly unlikely. Furthermore, every scholar and government representative I interviewed in Japan dismissed the prospect of joint cooperation between a yet-to-be-formed Japanese and EU army. Yet there is a consensus both in academia and government that modern-day warfare is changing and attacks on national security are taking on various non-traditional forms. The security agreement between the EU and Japan may be poised to tackle these threats, through joint developments in cyber, space, communication, and information technology. Unlike the results of a trade agreement, it is impossible to perfectly quantify the results of the SPA. Yet, depending on how the EU and Japan enforce it, the agreement has the potential to significantly effect geopolitics.

On the Significance of the Original TPP

The original TPP negotiations began in 2005 between Brunei, Chile, New Zealand, and Singapore. The trade agreement grew exponentially after then President George W. Bush expressed interest in joining, prompting the inclusion Australia, Vietnam, and Peru and eventually, Canada, Japan, Malaysia, and Mexico. Despite Prime Minister Naoto Kan showing interest in the TPP as early as the Asia-Pacific Economic Cooperation meetings that took place in Yokohama in 2010, Japan joined the TPP rather late—8 years after initial talks began—in July 2013. Negotiations for the trade deal were not completed until October 2015. The deal was finally signed in February 2016.

Japan's delay in entering the TPP was not a result of a lack of interest, but due to heavy protest from Japan's strong agricultural industry and lobby, which has long benefited from government subsidies and protection from competition with foreign producers. The Democratic Party of Japan (DPJ), which was in power at the time, lacked both the will and political power to push the trade deal through. In 2012, however, the Liberal Democratic Party (LDP) which was then headed by Shinzo Abe took control of government, with Abe become prime minister. With a sense of determination to revitalize Japan through the structural reform of its economy and no rival party to be cautious of, Prime Minister Abe was willing to hedge his bets on the TPP.

While the TPP never came into effect, it remains important in revealing a lost opportunity to promote free trade for the U.S. while showing a more proactive Japan. Although Japan has been pursuing Free Trade Agreements (FTAs) since the beginning of the 2000s, its entrance into the TPP marked a first step in its willingness to lower longstanding protectionist tariffs, particularly those on its auto industry and agricultural sector, which includes such “sacred” products as beef, pork, and rice.

On the Japan-led CPTPP (TPP-11)

Following the U.S.' departure from the TPP, Japan emerged as an unexpected champion for multilateral economic diplomacy when it took charge to lead negotiations for the CPTPP. Like the Japan-EU EPA, Japan seeks to use the CPTPP to send the “positive” message of free and fair trade to the U.S. The new trade agreement was negotiated by Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, with Australia, Canada, Japan, Mexico, and Singapore leading the way as the first signatories of the CPTPP. For the original six countries, the CPTPP came into effect on December 30, 2018. In November 2018, Vietnam became the seventh country to ratify the CPTPP, and it officially came into effect on January 14, 2019.^{xi} In total the CPTPP covers 13.5% of the global GDP and connects approximately 495 million consumers. While significantly smaller than the original TPP as a result of the U.S.' absence, the CPTPP marks a significant step forward for Japan, particularly in revamping its politically strong yet unprofitable agricultural sector.

While the general terms of the original TPP remain intact, the CPTPP has suspended 22 provisions from the original agreement that were pushed through based on the U.S.' priorities.

Some of these provisions called for higher standards on technological protection measures, including safe harbors for internet service providers. Yet the end result continues to maintain relatively high standards, and like the Japan-EU EPA, also makes commitments to regulatory trade. Japan still stands to make significant gains resulting from the CPTPP, though they have been tempered with potential profits having been reduced by about one-third, following the U.S. withdrawal. In contrast, one study by the Peterson Institute approximated a \$2 billion net loss for the U.S. as a result of having removed itself from the Trans-Pacific Partnership.^{xii} The U.S. must now deal with the ramifications of an interconnected web of 11 countries' worth of trade that it finds itself unattached to.

Many of Japan's key concessions during the TPP-11 negotiations dealt with agricultural trade, with Tokyo agreeing to significant cuts to tariffs on beef and pork, as well as major concessions on quota volumes for rice, wheat, and barley. Furthermore, countries in which the CPTPP has come into effect have already eliminated all tariffs on motor vehicles and motor vehicle parts. This will have ramifications for the U.S. competitiveness with Canada and Australia in two of the U.S.' most important industries: automobiles and agriculture.

Compounded Effects of Trade Agreements on Japan's Auto Industry

Since the TPP never came into fruition, it has been impossible to do anything more than speculate at how it would have helped to reshape the global economy. The recent enforcement of the Japan-EU EPA and the CPTPP, however, allows us to look at newly compiled data in order to understand how exactly these multilateral trade agreements are shifting the global trade network. In order to understand their impact on Japan's relationship with other countries, we will focus on two key industries that have been central to the negotiations of both trade deals: the auto industry and the agricultural industry.

Based on the newly ratified Japan-EU EPA, EU customs duties on Japanese automobiles began at 10% at the start of the deal and are set to gradually fall to 0% over the course of 8 years. In the year between February 2018 to February 2019, auto shipments from Japan to the EU have already grown by over 13% and are expected to continue rising.^{xiii}

While interviewing a METI representative in Japan regarding the direction the government hopes to steer its automobile market, I came to understand that Japan is looking to shift its main automotive market from the U.S. to the EU. The representative I spoke to emphasized that the change would "not be immediate," but a goal to be accomplished over the course of "approximately seven years." The interview took place in March 2019, only a few months after the enforcement of the Japan-EU EPA, indicating a correlation between the government's outlook and a total reduction in auto tariffs.^{xiv}

In Figure 1, below, we can see how Japan's automobile exports to the U.S., the EU, and ratified CPTPP countries have shifted since the CPTPP came into effect on December 30, 2018, and the Japan-EU EPA came into effect on February 1, 2019. The EU shows significant gains when comparing February 2018 and February 2019. Canada also shows modest growth when comparing both January and February 2018 and 2019.

Figure 1. Changes in Japan's Automobile Exports

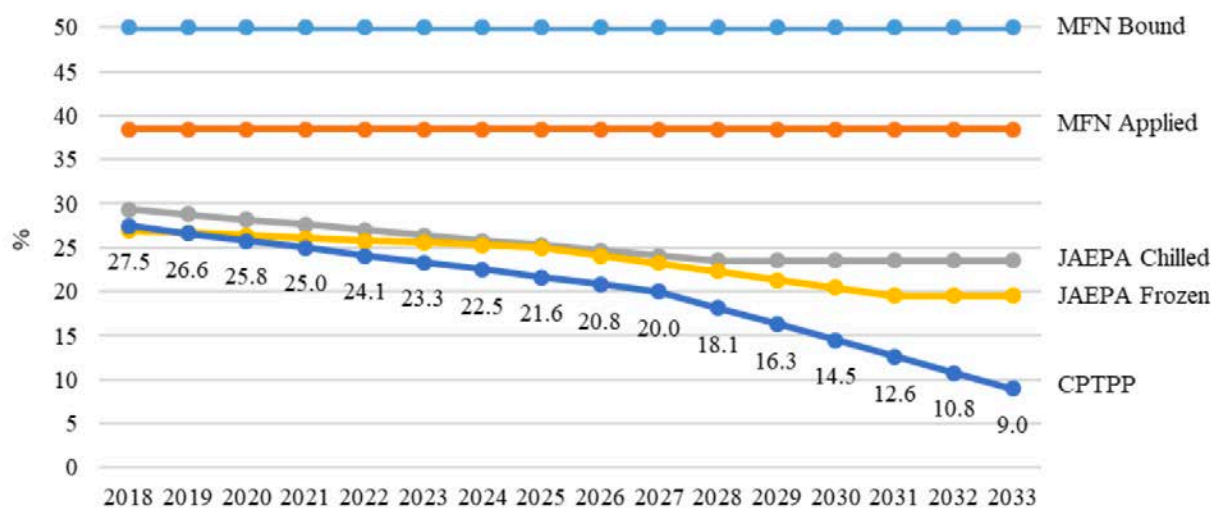
	ASIA			EUROPE		NORTH AMERICA		CENTRAL AMERICA		SOUTH AMERICA		OCEANIA	
	Viet Nam	Singapore	Malaysia	Brunei	EU TOTAL	Canada	U.S.A.	Mexico		Peru	Chile	Australia	Dominion of New Zealand
Jan 2018	3,520	1,918	2,830	299	45,821	13,471	113,630		5,738	2,327	3,981	26,594	3,205
Feb 2018	4,367	1,974	4,115	220	56,236	20,908	149,504		5,332	2,613	4,078	37,148	3,577
Mar 2018	5,384	2,546	3,933	213	54,910	20,674	154,338		7,668	2,003	4,266	33,045	3,166
Apr 2018	4,460	2,232	3,223	183	58,421	25,099	158,514		8,455	1,915	4,568	35,284	5,158
May 2018	4,761	1,781	2,914	160	48,421	18,242	118,565		9,349	1,642	4,532	24,100	3,791
Jun 2018	4,265	2,703	4,422	158	49,450	17,934	143,332		13,467	1,911	6,528	34,044	5,019
Jul 2018	3,122	1,962	4,598	118	49,023	14,726	137,978		9,595	1,959	5,379	32,345	4,746
Aug 2018	3,458	2,461	5,813	129	55,322	14,948	128,427		9,678	1,533	4,851	28,217	5,633
Sep 2018	3,731	3,945	5,965	237	47,334	12,646	144,263		9,701	1,051	4,832	28,554	4,377
Oct 2018	4,230	3,670	6,020	137	58,585	11,090	151,139		11,490	1,125	5,163	32,019	3,602
Nov 2018	4,525	3,152	5,067	168	55,219	10,784	163,261		14,087	783	4,700	40,344	4,664
Dec 2018	3,722	2,559	4,683	173	68,201	18,234	168,074		15,936	527	3,218	26,302	3,010
Jan 2019	3,388	2,004	4,220	167	64,003	14,033	137,211		10,256	885	2,668	19,836	2,332
Feb 2019	4,644	2,667	4,453	132	64,879	21,350	152,095		9,701	1,411	3,609	28,587	3,288

Table showing the changes in Japan's automobile (passenger cars, trucks, and buses) exports to the U.S., the EU, and CPTPP countries from January 2018 to February 2019 (Source: JAMA)

Compounded Effects of Trade Agreements on Japan’s Agricultural Industry

Combing through figures on Japan’s agricultural imports and exports with foreign countries can show us the greatest benefactors of the Japan-EU EPA and the CPTPP as well as those countries most negatively impacted by both agreements. According to data compiled by the USDA Foreign Agricultural Service, between 2013 to 2017, Japan annually imported approximately \$53 billion worth of agricultural goods, with the U.S. accounting for about 25% of this market share. In contrast, the EU has traditionally held on to about 13% in market share.^{xv} In order to better understand how the new trade agreements have effected what was once a relatively static statistic, this section will focus particularly on the economically significant agricultural exports out of the U.S. and into Japan: beef (bovine meat), pork, and rice.

Figure 2. Japan Tariff Reduction Schedule for Chilled and Frozen Beef



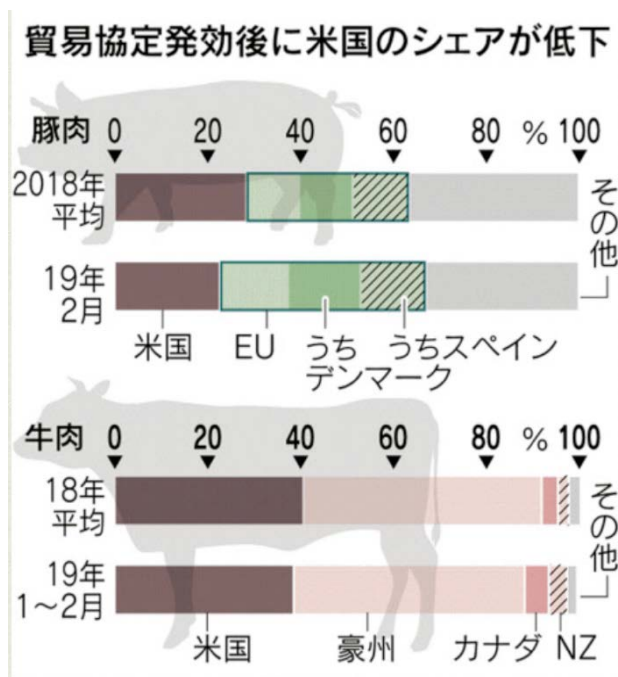
(Source: Government of Japan, Australian Government)

Japan’s beef tariffs, which before the Japan-EU EPA sat at 39%, now stands at 27.5% and is expected to be completely eliminated within a period of 15 years.^{xvi} For CPTPP signatory countries, the tariff rates began at 27.5% in 2018 and are planned to drop to 9% by 2033. The U.S. is now the only major supplier of beef to Japan that remains in the non-EPA category, following the enforcement of the TPP-11.^{xvii}

In keeping with the Japan-EU EPA, CPTPP countries will also benefit from an eventual drop in tariff rates on beef to 9% within 15 years. Frozen beef imports from TPP-11 countries to Japan rose 81% in January 2019 compared to a year ago in January 2018. Beef imports from Canada, specifically, rose by almost 260% in comparison to a modest increase of 17% from the US, spurred by increasing demand within Japan for imported beef.^{xviii} New Zealand also gained a greater market share, with exports to Japan having risen 63% in February 2019, compared to figures from the previous year. The effects of these changes have been visualized in the bottom half of the chart above (Figure 3). In April 2019, the second round of tariff drops for CPTPP countries

came into effect, bringing tariffs down to 26.6%. Data on the value of goods exported and imported in the month of April has yet to be released by the Trade Statistics of Japan (財務省貿易統計) but figures are expected to indicate an increase in market share for CPTPP exporting countries.

Figure 3. U.S.’ Drop in market Share of Pork and Beef



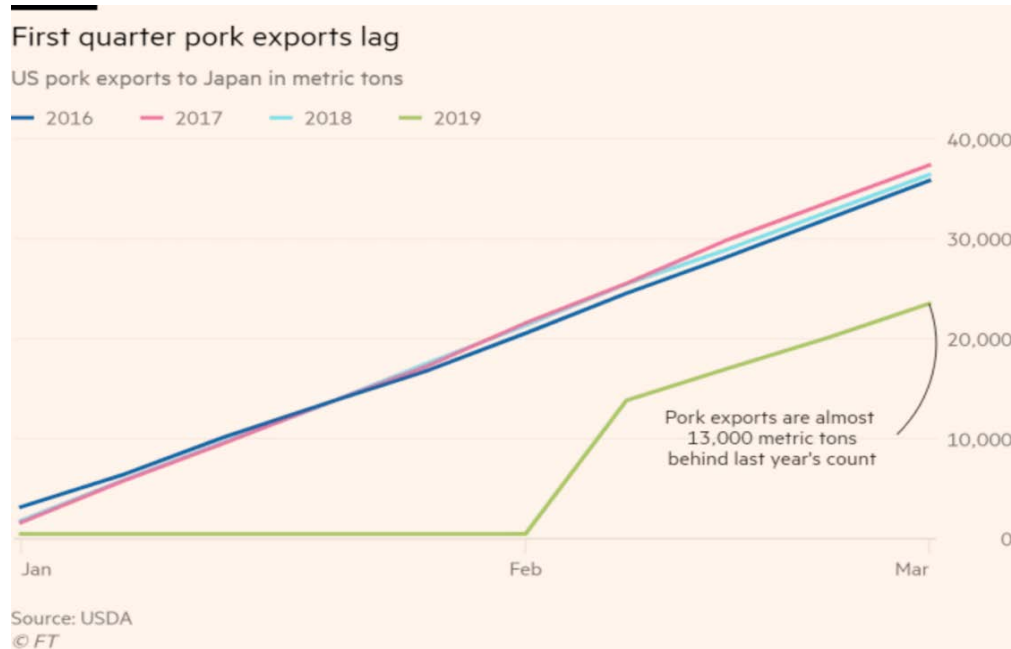
Graph depicting the U.S.’ drop in market share of pork (top) and beef (bottom) between February of 2018 and 2019 (Source: 日本経済新聞)

In 2018, U.S. sales of beef to Japan represented approximately one-fourth of America’s total beef exports, further depicting Japan’s importance to the U.S.’ agricultural sector. Data released by the U.S. Meat Export Federation reveals that a combination of the Japan-EU EPA and the TPP-11 will cost the U.S. an export loss of \$550 million annually from U.S. beef.^{xix}

Japan imported approximately 4.9 billion USD worth of pork in 2016 and 5.2 billion USD worth of pork in 2017, making it the world’s largest importer of pork and pork-related products. The U.S. remained Japan’s top supplier of pork and pork-related products for over a decade, when the EU matched the U.S.’ market share in 2017 at 33% each. Before taking a look at Figure 4, we should recall that the Japan-EU FTA came into effect on February 1, 2019. Tariff cuts under the EPA lowered duties on high-priced pork products from 4.3% to 2.2%. Per the Japan-EU EPA, over the course of 10 years from 2019, tariffs on pig meat will be essentially eliminated. The effects of initial tariff cuts can be seen in data released by the Trade Statistics of Japan (財務省貿易統計) show that in February 2019, the U.S. only captured 22.69% of the market share in 2019, deviating greatly from previously static percentages: 31.73% in February 2018, 30.5% in February

2017, and 30.2% in February 2016.^{xx} Furthermore, the Japanese government has cut pork tariffs even further as under the conditions of the CPTPP. The second round of tariff cuts for TPP-11 countries came into effect on April 1, 2019, bringing tariffs on high-priced pork products to a low of 1.9%. Japan’s Ministry of Finance has yet to release data for the month of April.

Figure 4. Change in U.S. Pork Exports to Japan in 2019



Graph showing a drastic change in U.S. pork exports to Japan in 2019 in comparison with the past three years (Source: USDA via Financial Times)

Figure 5. Total Imports of Pork and Pork-Related Products into Japan

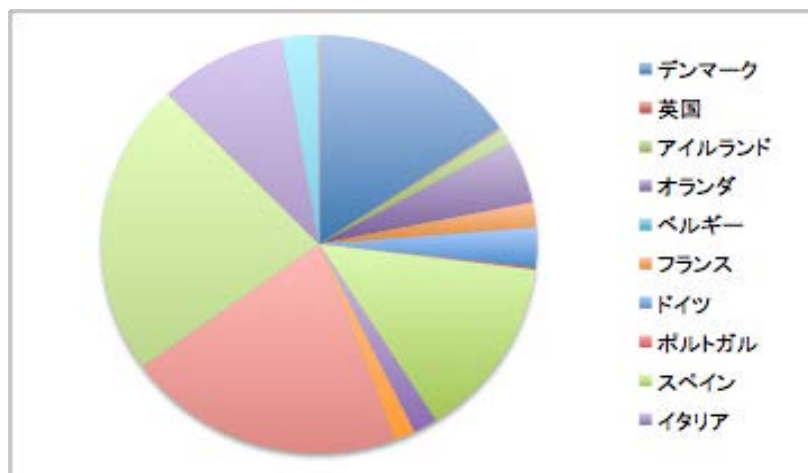


Figure 5: Pie Chart depicting total imports of pork or pork-related products into Japan by country in February 2019 out of a total of 42,940,034 thousand yen worth of pork goods. (Source: 財務省貿易統計)

Though Japan’s imports of rice have historically been kept artificially low through government protections such as tariff rate quotas and quantitative restrictions on imports of rice and rice products, the U.S. has traditionally remained the largest exporter of the grain to Japan. The TPP/TPP-11 marks the first time Japan has given preferential access to its domestic rice market. Under the TPP-11, Australia, historically the third largest exporter of rice to Japan, will be given a higher rice quota totaling 6,000 metric tons. The new quota, which marks Australia’s first change in quota access into Japan since 1995, will remain at 6,000 metric tons for a three year period to allow Japanese markets to adjust, before rising annually until it reaches 8,400 metric tons in 2030.^{xxi}

The chart below (Figure 6) visualizes data from 2013 to 2017, showing the main exporters of rice to Japan. In the first quarter of 2018, the U.S. share of exports of rice to Japan fell to 48.57%, compared with an exponential growth by Australia to 14%. This sharp change in market share demonstrates that Australian rice has a market in Japan as well as the potential to outgrow the U.S. as the main rice exporter to Japan. Although the U.S. regained traction again in the first quarter of 2019, capturing 57.4% of the market share, compared with 3.3% by Australia, this is largely attributed to drought conditions and heavy increases in water prices. Assuming that weather conditions recover, analysts predict that Australia will export rice at the same level as in 2018, with an expected increase in exports in the following year.

Figure 6. Japanese Rice Imports (Value)

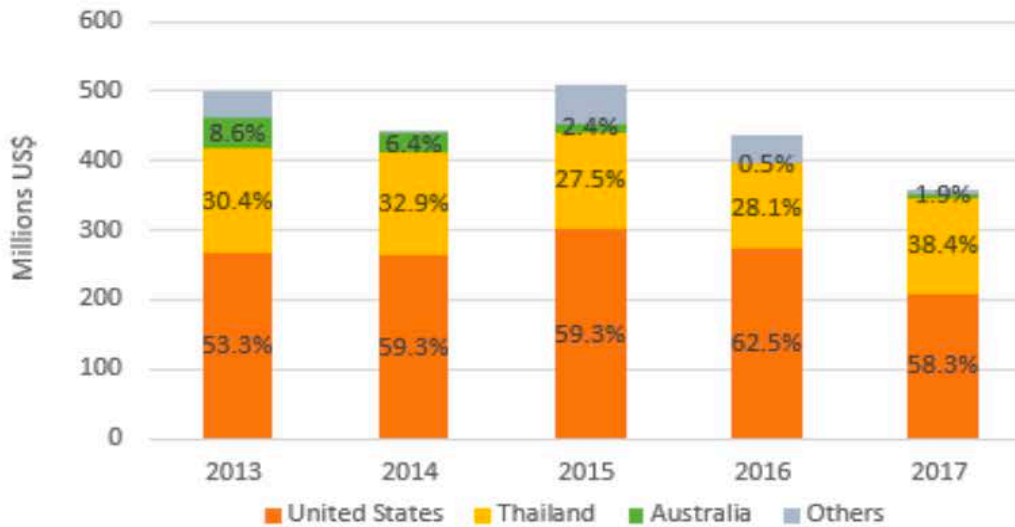


Figure 6: Chart depicting rice imports into Japan from 2013-2017 (Source: USDA Foreign Agricultural Service)

Recommendations and Future Outlook for the U.S.

For the greater part, Prime Minister Abe’s focus on new Free Trade Agreements and Economic Partnership Agreements results from his desire to revive Japan’s economy. Japan’s shifting

foreign policy, however, is a consequence of unforeseen developments such as President Trump's election in the U.S. and Great Britain's decision to leave the EU. This paper does not necessarily argue that Japan seeks to leave the U.S. behind as a valuable trade partner and ally, nor that it would not have preferred for the U.S. to remain in the original TPP. It, however, demonstrates how Japan's diversifying trade priorities around the globe allow Japan greater leverage in its trade negotiations with the U.S. In several years, once the full weight of these trade agreements come into effect, the U.S. will find itself at an even greater disadvantage at the negotiating table.

A combination of the forces of Brexit and the Trump administration's policies seems to be pushing Japan towards increasing cooperation with the EU and ASEAN countries. In recent months, however, the possibility of another referendum on Brexit to reverse the previous decision has become slim. The U.S. presidential election also is fast approaching, meaning President Trump's trade policies may soon be replaced. Yet even the reversal of Brexit and a failed re-election campaign for President Trump will not automatically reverse this trend in Japan's trade and foreign policy. An overarching theme I encountered during my interviews with both academic scholars and government officials while on my research week in Tokyo emphasized a former "pre-occupation with its alliance with the U.S." and considered the current trend of diversification as a healthy form of "normalization."^{xxii}

With the fate of the U.S.-Mexico-Canada trade agreement (NAFTA, now MCA), the EU-US trade agreement, and the U.S.-China bilateral trade agreement still uncertain, the U.S. is slowly being pushed into a corner that not even President Trump's liberal use of tariffs can bring it out of. Compounding this, the Trump administration is seeing pushback from negotiating parties. Canada which has suffered losses due to trade friction with the U.S. has been making up for it in gains in livestock and grain exports to CPTPP countries. In combination with effects of the Japan-EU EPA and the CPTPP, Mexico's retaliatory duties on pork imports from the U.S. have caused prices to collapse.^{xxiii} The U.S.-China trade agreement deadline was originally set for March 1, 2019, then extended. But talks fell apart in May, and tensions between the two nations are rising, and additional draconian tariff threats by Trump may actually come about. The Japanese Research Institute of Economy, Trade and Industry (RIETI), produced a report in January 2019 warning that a U.S.-China trade deal would increase pressure on Japan to give into President Trump's "unreasonable demands that contravene the rules of the World Trade Organization" in order to expedite its own trade deal with the U.S.^{xxiv} Yet worries have been allayed, for now, and in the meantime, Japan's trading position have continued to grow stronger.

The White House, perhaps with President Trump feeling his negotiating position growing worse, has pronounced Japan and the EU's car exports to the U.S. as a "threatened impairment of the [U.S.] national security."^{xxv} An unprecedented move, the declaration allows the president to justify negotiation tactics of using tariffs to threaten his trading partners. The U.S. is entering into a vicious circle, but tariffs are not due to come into effect for several months, meaning that there may still be time to remove itself from this increasingly downward spiral. Although the threat of 25% tariffs on auto imports is meant to push both Japan and the EU to accede to the U.S. demands

within the six-month tariff postponement, as discussed above, the Japan-EU EPA has helped to strengthen the auto industry outside of the U.S. While this does not mean that automakers are not concerned, it does indicate that both the EU and Japan will be able to hold out longer for a more favorable trade deal. This delay in reaching an agreement, however, could have a negative impact on the global economy. The U.S. will likely find itself in a better position, both in image and economy, if it relaxes some of its demands sooner as opposed to later.

As the U.S. presidential election approaches in 2020, however, it seems likely that the Trump's trade policies may become more drastic, for the purposes of emphasizing his hardline and protectionist stance against the EU and Japan's "unfair" trade practices. In the agricultural belt, where Trump pulled the majority of his key votes during the previous presidential election, U.S. farmers have already felt the negative impact of President Trump's trade wars. The U.S.-China trade war caused exports to China to plunge from \$19.6 billion in 2017 to \$9.2 billion in 2018.^{xxvi} The current trade friction with Japan has particularly effected the state of Montana, which voted heavily in favor of Trump during the 2016 elections, where barley farmers have lost contracts with Japanese clients to market rivals in early 2019.^{xxvii} The Montana Wheat and Barley Committee has already calculated an approximate \$150 million in trade losses so far.^{xxviii} Deeper trade frictions that cut further into the American farm belt may tempt President Trump into enforcing harsher protective measures in order to show his constituents that he is taking action. Yet, even if his next presidential bid is successful, he will be forcing future policymakers to deal with an even more difficult set of problems. History continues to be full of lessons for policymakers today. When President Richard Nixon enforced an export embargo on soybeans in 1973, Japan's search for alternative suppliers spurred investment into Brazil's industry and brought about the country's emergence as America's strongest competitor in soybean production.^{xxix}

Policy Recommendations for Japan

Prime Minister Abe is enthusiastically supporting multilateral trade deals in his efforts to revitalize Japan's aging economy. At a time when the U.S. and the key EU countries are turning towards nationalism and protectionist trade policies, Japan continues to champion ideas of free trade. Its involvement in the CPTPP and the Japan-EU FTA will presumably demonstrate to the international community that free trade, open markets, and an interconnected world are key to driving growth and stability.

Although the Japanese government may have "hastened to conclude its trade agreements in order to counter against US protectionism," while reveling in the successes of its trade agreements so far, Japan should be wary about delaying a trade agreement with the U.S. for too long.^{xxx} While Japan has already begun to reap the benefits of the diversification of its trading partners and greater interconnectedness of economies, increasingly aggressive rhetoric driving trade tensions will not have a positive effect on the Japan-U.S. alliance and, critically, may prove detrimental to the security arrangements between the U.S. and Japan. And while this may be the fuel that Prime Minister Abe is looking for to push through his promised revisions to Japan's Article 9, such a

change to Japan's Constitution could be destabilizing to the security of East Asia by prompting increased assertiveness from China and threats from North Korea—characterized as self-defense.

Japan has long relied on the U.S. for security, and though the Japan-EU EPA provides Japan with another source of security, the U.S. remains a key player in shaping East Asia. Rather than attempting to replace the U.S. security blanket with a combination of the Japan-EU SPA and its own military buildup, Japan should use its newly formed ties to help reinforce a goal that the U.S. and Japan have long shared since the advent of their alliance—stability and relative peace in East Asia.

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U.S.- Japan Cyber Alliance

Yini Xu

Introduction

Nowadays, it is nothing new to discuss cybersecurity in the context of international relations (IR), but it is time for scholars and researchers to write in depth rather than width. Instead of writing “cooperation expanded to a wide range of areas including cyber,” the author should explain what cooperation on cyber looks like. Similarly, when claiming that there exists a “seamless alliance on cyber,” an explanatory paragraph should be attached. This article aims to fill that research gap and explain exactly what U.S.-Japan cyber defense cooperation entails. Because of the relatively short history of cybersecurity despite its growing significance in the field of IR studies, there are notably scarce references on the topic comparing to China or Russia-related cybersecurity issues.

To begin with, the paper will narrow down the scope of the discussion on major threats and actors. Before moving on to the mechanisms of the defense ministries, a short analysis on the background and motivations will be presented. While assessing and giving suggestions regarding the current mechanisms, the paper also examines further implications and offers personal views on several debatable questions. The methodology adopted in this research was based on close readings of the policy papers on the alliance, Japan’s annual defense white paper, national and defense security strategies, national and defense cybersecurity strategies, military strategy, Japan’s national defense program guidelines, defense budget reports, and secondary sources on the subject.

The Offenders and Defenders

The philosophy behind a cyberattack is simple: to go after vulnerability. In modern society, most of the cyber targets are individuals or companies with vulnerabilities. Common cyberattacks comprise but are not limited to Distributed Denial of Service (DDoS) attacks, phishing with malware or ransomware, and password breaches. Today, companies are sometimes more vulnerable than individuals. In 2018, the phone company AT&T was sued for negligence of a SIM card hijacking. The hacker exploited the backdoor in AT&T and usurped a customer’s phone number. When the phone number was needed for identity verification, he passed the test and obtained assets worth millions of dollars.¹ While some hackers steal by coding, some steal by manipulating people’s credulity, such as faking website or email newsletters, waiting for people to click and trigger a contagious virus.² These cases all have analogues at the state level. To each state, vulnerability also exists. In other words, a state can be attacked or attack others for economic, political or military reasons.

State-sponsored APTs

The state-level attacks are usually linked to some Advanced Persistent Threats (APTs). APTs is a broad jargon to describe a long-term illicit presence of the hackers on a network, which typically belongs to large corporations or government institutions. But in practice, reference to

APTs is almost tantamount to state-sponsored team of hackers. They are mission-driven rather than opportunists. By lurking in the system, they intend to get as much sensitive information as possible, such as intellectual property (IP), trade secrets, or employees' personal data.³ In place of peddling data for revenue, they operate mainly to advance their country's strategic goals.

Does the description sound familiar? In the past few years, the U.S. has frequently fallen victim to APTs-related economic espionage. The ongoing trade war between U.S. and China was to some degree inflamed by alleged IP thefts from China-based APT groups. The data breach on the Office of Personnel Management in 2015 was a worst-ever incident of such kind in U.S. government history, considering an estimated 21.5 million documents with federal employee information were stolen.⁴ The breach largely led to the conclusion of 2015 cyber agreement between the U.S. and China to halt cyber theft of IP.⁵

According to FireEye, a cybersecurity firm that has been tracking APTs for years, currently there are more than 10 state sponsors behind over 30 advanced threat actors that have been under monitor. Here is a list of the most active ones:

Name	A.k.a.	Suspected Sponsor	Target Sector
APT 1	Unit 61398, Comment Crew	China	20 sectors including aerospace, public administration, satellites and telecommunications
APT 3	UPS Team	China	5 sectors including high-tech, telecommunications, transportation
APT 5	n/a	unknown	5 sectors including military application technology
APT 10	Menupass Team	China	4 sectors including governments in the U.S., Europe and Japan
APT 12	Calc Team	China	3 sectors including journalists and defense industrial base
APT 16	n/a	China	4 sectors including Japanese high-tech organizations
APT 17	Tailgator Team, Deputy Dog	China	3 sectors including U.S. government and information technology companies
APT 18	Wekby	China	7 sectors including aerospace and defense, construction and engineering, high-tech, telecommunication and transportation
APT 19	Codoso Team	China	2 sectors, legal and investment
APT 28	Tsar Team, Swallowtail, Fancy Bear	Russia	4 sectors including NATO, security organizations and defense firms

APT 29	Cozy Bear, The Dukes, Office Monkeys etc.	Russia	2 sectors, western European governments and foreign policy groups
APT 30	PLA Unit 78020, Naikon, etc.	China	ASEAN members
APT 32	OceanLotus Group	Vietnam	Foreign investors in 4 sectors
APT 33	Elfin	Iran	2 sectors, aerospace and energy
APT 34	OilRig, HelixKitten	Iran	A variety of industries including governments of Middle East countries
APT 37	Reaper, Group123, ScarCruft	North Korea	Various industries including chemicals, electronics and aerospace of South Korea, Japan, Vietnam and the Middle East
APT 38	Lazarus Group, Hidden Cobra, Dark Seoul etc.	North Korea	Financial sector
APT 39	N/A	Iran	4 sectors including telecommunication in the Middle East
APT 40	TEMP.Periscope, TEMP.Jumper, Leviathan	China	7 sectors including maritime targets, defense, engineering, aviation, government of the countries along the Belt and Road

(Sources: FireEye⁶ and Malpedia⁷)

The scope of cyberattacks can be very broad. In addition to IP theft and sensitive data pilferage, APTs also can sabotage critical infrastructure and take over an entire website. Once launched, the aftermath of such a strike is presumably fatal to the adversary. Imagine a rogue country using cyber weapons to take over a power grid of its neighbor. Such hacking would seriously disrupt and slow down military deployment in that country. Cyber tools also have become the foundation for hybrid warfare. Again, if that rogue country decided to initiate a nuclear war, it definitely would need precise information technology to command weapons, gather relevant intelligence, and cripple the enemy's infrastructure. The fact that APT groups are or will be infiltrating government and defense installations, high-technology, and critical infrastructure such as telecommunication, transportation, and construction, could bring about irreversible destruction to a nation's security. Therefore, the government needs defense ministries to play an active and reliable role as cyber defenders.

Cyber Defenders of the Alliance

For both the U.S. and Japan, the issue of cybersecurity involves a number of government offices. These are listed below.

The U.S. Government (USG) side: the Department of Defense (DoD), Department of State (State Dept.), the National Security Council (NSC), the National Security Agency

(NSA), the Department of Commerce (DoC), the Federal Bureau of Investigation (FBI), the Department of Homeland Security (DHS), the Department of Justice (DoJ), the National Institute of Standards and Technology (NIST).

The Government of Japan (GOJ) side: the Ministry of Defense (MoD), the Ministry of Foreign Affairs (MOFA), National Security Secretariat (NSS), Cabinet Secretariat (CS), National Center of Incident Readiness and Strategy for Cybersecurity (NISC), Cabinet Intelligence and Research Office (CIRO), the National Police Agency (NPA), the Ministry of Internal Affairs and Communications (MIC), the Ministry of Economy, Trade and Industry (METI), Public Security Intelligence Agency (PSIA).

To see how such cooperation works in the U.S.-Japan alliance, this paper examines the current arrangement between Japan's defense ministry and the Pentagon, and between their subordinates the Self Defense Force (SDF) and the U.S. Forces Japan (USFJ). Additionally, since the military tends to observe defense treaties and strategies, evaluating the effectiveness of the policy should be less demanding because under this circumstance the policy and implementation results share more correlations.

On the contrary, regarding the private sector and the general public, government strategies are mere suggestions. Actors in these field retain the right to decide voluntarily whether to follow the rules or not. A prevailing notion is that Japan's government bureaucracy is seriously lagging behind in dealing with cyber space. However, in recent years, the government has been working diligently to raise the situational awareness of the Japanese society by issuing at least three Cyber Strategies to date. With the 2020 Tokyo Olympics approaching, the government was reported to be preparing to check 200 million devices nationwide, including routers and webcams.⁸ Yet, Japanese companies were ranked the lowest in a recent survey conducted by two well-known security firms, Sophos and FireEye.⁹ In view of the result, one cannot simply ascribe the dissatisfying result to policymakers since the correlation here is insufficient, given the fact that people do not necessarily have to carry out the policies.

Background for Cooperation

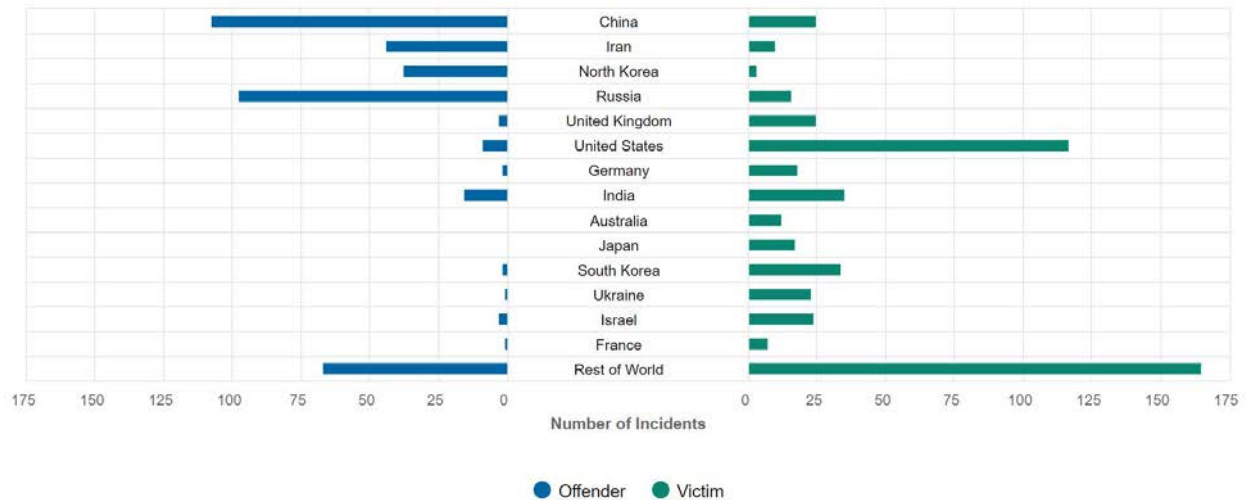
Before tapping into the details of defense cooperation, it may be appropriate to mention the turning point for lifting up the interdependent bilateral relations in the cyber domain. One of the contributions for such elevation was the *Guideline for Japan-U.S. Defense Cooperation* ("the Guideline"). Issued on April 27, 2015, the Guideline incorporates for the first time the new realm of cyberspace, with this line: "The two governments will cooperate to address threats in the space and cyberspace domains in accordance with bilateral cooperation set out in Chapter VI."

The arrangement was negotiated at the backdrop of a notable global surge in malicious cyber activities by state actors. Thanks to the features of furtiveness and cost-effectiveness, a growing number of countries have been reportedly involved in cyber espionage activities or use cyber instruments to advance their political aims, which reflects a discouraging trend to rule-based international norms that the U.S. and Japan have strived to promote and preserve. As indicated by

the graph created by the Center for Strategic and International Studies (CSIS) Technology Policy Program below, it is no surprise that countries like China, Iran, North Korea, and Russia are lined up as the top aggressors. On the other hand, the U.S. has suffered the most cyber-attacks since 2006. Its ally, the innocuous Japan with zero offensive action, was no exception.

Significant Cyber Incidents

Based on publicly available information on cyber espionage and cyber warfare, excluding cybercrime. Long-running espionage campaigns were treated as single events for the purposes of incident totals. Tallies are partial as some states conceal incidents while others fail to detect them.



CSIS Technology Policy Program | Source: CSIS & Hackmageddon

(Source: Center for Strategic and International Studies¹⁰)

U.S.: A Victim and Internationalist

U.S. efforts to protect its cyber space can be traced back to as early as 2003, when the White House introduced the *National Strategy to Secure Cyberspace*. But cyber threats only increased at an alarming rate during the ensuing period. As Rep. Mike Rogers remarked at the Permanent Select Committee on Intelligence in October 2011:

“China’s economic espionage has reached an intolerable level, and I believe that the United States and our allies in Europe and Asia have an obligation to confront Beijing and demand that they put a stop to this piracy...Beijing is waging a massive trade war on us all, and we should band together to pressure them to stop. Combined, the United States and our allies in Europe and Asia have significant diplomatic and economic leverage over China, and we should use this to our advantage to put an end to this scourge.”¹¹

What Rep. Rogers said became a de facto normalcy that IR students are acquainted with these days. The same year as the hearing, President Barack Obama, a conspicuous internationalist, issued the *International Strategy for Cyberspace*, stating the U.S. had a shared interest in assisting less developed countries and building collective security.¹² Similar discourse recurred in the Defense Department’s first *Strategy for Operating in Cyberspace*, which was part of the strategic initiatives in its cyber policy. The 2011

document said that the Pentagon would need allies and international partners to share information, support international norms and distribute burdens in exchange for collective security.¹³

While the U.S. has often stressed the importance of working with like-minded countries internationally, its determination in cyber defense reached a peak with the Pentagon’s 2015 *Cyber Strategy*. Comparing to the 19-page policy in 2011, the 2015 *Cyber Strategy* was almost triple the length in detailing how U.S. would pursue its five critical strategic goals. The strategy can be characterized as taking an ever proactive and deterrent stance towards cyber threats. Notably, one of the key objectives unveiled in the strategy was to build Cyber Mission Forces, which would be comprised of 133 teams and three categories of forces working for different purposes. The U.S. also stated that within budget and resource limitations it would be aligned its strategy with those of the Middle East, Asia Pacific and key NATO allies. This approach was consistent with President Obama’s foreign and strategic policies.¹⁴ The policy indeed applied to Japan, as a close ally of the U.S.¹⁵

In a word, the U.S.’ motivation to work with Japan was on the basis of a shared interest in ushering in a proactive cyber defense policy and building capacity to implement it.

Japan: A Victim and Help-seeker

Surprisingly, Japan’s first national strategy on information security was formulated as early as February 2006. But looking at all defense budgets predating fiscal 2016, we see the Defense Ministry downplayed the cybersecurity issue until fiscal 2013. In that year’s report, MoD reaffirmed the establishment of the Cyberspace Defense Unit (CSDU), two cyber planning offices under MoD’s internal bureau and the Joint Staff Office (JSO), and specified in detail the devices they wished to upgrade.¹⁶ However, implementation was confusing. In a briefing two years later, a MoD official confirmed that the CSDU had around 90 members. For the Pentagon, that number was over 6,000.¹⁷

	U.S.		Japan	
	FY2013	FY2015	FY2013	FY2015
Budget on Cyber	¥377.4bn	¥566.1bn	¥14.1bn	¥9.1bn
Overall Budget	¥40631bn	¥61644bn	¥4680.4bn	¥4822.1bn
Percentage of budget on Cyber	0.93%	0.92%	0.3%	0.19%

(Source: Defense Budget of MoD and DoD)¹⁸

A major reason for the huge gap is endogenous to Japan because the defense budget is capped at 1% of GDP.

From the chart, Japan was not only confined by the total expenditure, but the percentage

on cyber was also much lower than the U.S.

	China		Japan	
	FY2013	FY2015	FY2013	FY2015
Overall Budget	¥9372.6bn ¹⁹	¥14971bn ²⁰	¥4680.4bn	¥4822.1bn

In comparison with its ambitious neighbor, Japan had a telling reason to agitate over its underfunded security strategy. Essentially, Japan did not really have any other option but to rely on the U.S. Among available reports from 2010 to 2019, the earliest defense budget that spoke about such alliance cooperation was in 2011, indicating a deliberation on cyber defense cooperation from MoD.

Domestically, this time period witnessed several significant cyber threats to Japan's defense landscape. The hacking of Mitsubishi Heavy Industries, Japan's biggest defense contractor, in 2011 was the first known cyber-attack on Japan's defense industry. The attack was reportedly targeting classified data on submarines, missiles, and nuclear technology. Other defense contractors and manufacturers, such as the Kawasaki Heavy Industries and IHI Corp, also fell prey to suspicious emails containing malwares to extract information on fighter jets, helicopters, and rockets.²¹ In August, the offices of lawmakers in the Lower House of the Diet were hacked by emails stuffed with Trojans. In 2012, the Ministry of Agriculture, Forestry, and Fisheries was hacked with more than 3,000 documents stolen, including those related to the Trans-Pacific Partnership (TPP) agreement negotiation before Japan officially joined.²² Earlier in 2013, CSIS tweeted that Japan's MOFA had found an intrusion with at least 20 documents lost.

Tokyo bid successfully in 2013 to host the Olympics and Paralympics in 2020, bringing cyber security unprecedentedly under the spotlight because in the recent history of the Olympic Games, cyber issues intensified. The 2012 London Olympics was very close to an attack that was supposed to take out the power in the stadium, but fortunately, the plan was caught by experts. The South Koreans were less lucky, when the Pyeongchang Winter Olympics was disrupted by hackers. The attack had been in works for a year before exposed by specialists.²³ Therefore, it is possible that the 2020 Olympics could become chaotic for Japan if the country's cyber defenders are not well-prepared.

To summarize, not only did Japan's inherent inability require the U.S.' cyber umbrella, the upcoming international games undoubtedly have propelled Japan to reach a higher standard on cyber defense. A long history of strategic cooperation, shared interests, and a shared urgency, although for different purposes, have led the U.S. and Japan to enhance their cyber defense cooperation from 2015.

Mechanisms of Defense Cooperation

According to official open sources, there are two levels of joint cooperation, one at strategic level, the other at the operational level. Within the operational level are four mechanisms

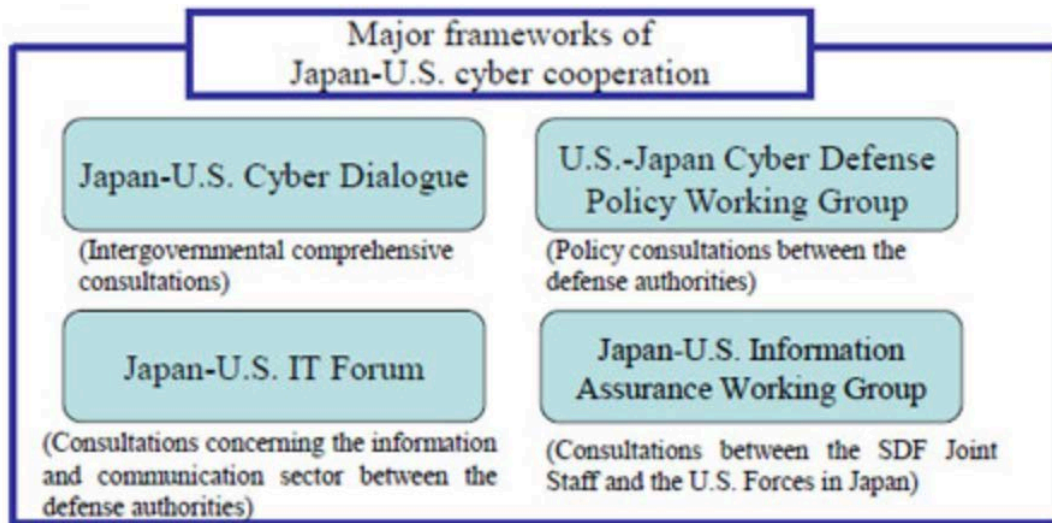
utilized by the MoD and DoD to coordinate their work.

Strategic Level

Needless to say, cooperation on cyber falls under the dome of the Guidelines for Japan-U.S. Defense Cooperation framework. In this critical policy area, the contents of joint cyber defense can be summarized as follows: 1) information sharing, which involves not only vulnerabilities and threats, but also expertise and education; and 2) bilateral exercises. The rest are separate duties, such as monitoring networks and ensuring resilience. Even with regard to critical infrastructure and services, some of which are shared by the SDF and the USFJ, it is mainly Japan's responsibility to respond. Only when the country encounters an armed attack will the U.S. respond.

At the strategic level, aside from the Guidelines, the review committee, the Japan-U.S. Security Consultative Committee (SCC), and the Defense Ministers Conference, are the anchors. SCC is also known as the "2+2" meeting as the participants are foreign and defense ministers from both countries. The SCC is an important diplomatic venue for the two countries to address and coordinate security concerns, set the agenda for defense cooperation, and review and interpret policies.

Operational Level



(Source: Ministry of Defense²⁴)

There are four major mechanisms between MoD/SDF and DoD/USFJ: Japan-U.S. Cyber Dialogue, U.S.-Japan Cyber Defense Policy Working Group, Japan-U.S. Information Assurance Working Group, and Japan-U.S. IT Forum.

a. Japan-U.S. Cyber Dialogue

This dialogue was initiated at the Presidential-Prime Ministerial level and embodied a whole-of-government philosophy of empowering U.S. and Japan on cyber related issues. It has held six rounds of meetings so far. The Dialogue is led by senior officials from MOFA and the Department of State, joined by representatives from a wide range of stakeholders.

First Japan-U.S. Cyber Dialogue		
Tokyo May 9-10, 2013		
	GOJ	USG
Hosts	Ambassador in charge of Cyber Policy, Osamu Imai	Secretary of State's Coordinator for Cyber Issues, Christopher Painter
Delegation	MOFA, CS, National Information Security Center, CIRO, NPA, MIC, METI, MoD, METI-affiliated IT Agency	State Dept., DHS, DoD, DoJ
Result	Joint Statement ²⁵	

Second Japan-U.S. Cyber Dialogue		
Washington D.C. April 10, 2014		
	GOJ	USG
Hosts	Amb. Jun Shimmi, also as Deputy Director-General of Foreign Policy Bureau	Coordinator Painter
Delegation	MOFA, NSS, NPA, National Information Security Center, MoD, CS, CIRO, MIC, METI	State Dept., DHS, DoJ, NIST, DoD
Result	Press release ²⁶	

Third Japan-U.S. Cyber Dialogue		
Tokyo July 22nd, 2015		
	GOJ	USG
Hosts	Amb. Takashi Okada, also as Deputy Director-General of Foreign Policy Bureau	Coordinator Painter
Delegation	MOFA, NSS, CS, NISC, CI, NPA, MIC, METI, MoD	State Dept., DHS, DoD, DoJ, others
Result	Press release ²⁷	

Fourth Japan-U.S. Cyber Dialogue		
Washington D.C. July 27th, 2016		
	GOJ	USG
Hosts	Amb. Koichi Mizushima, also as Deputy Director-General of Foreign Policy Bureau	Coordinator Painter
Delegation	MOFA, NSS, NISC, CI, NPA, MIC, METI, MoD	State Dept., DHS, DoD, others
Result	Press release ²⁸	

Fifth Japan-U.S. Cyber Dialogue		
Tokyo July 20th-21st, 2017		
	GOJ	USG
Hosts	Amb. Masato Otaka, also as Deputy Director-General of Foreign Policy Bureau	Coordinator Painter
Delegation	MOFA, NSS, NISC, CI, NPA, MIC, METI, MoD	State Dept., DHS, DoD, FBI, others
Result	Joint Statement ²⁹	

Sixth Japan-U.S. Cyber Dialogue		
Washington D.C. July 26, 2018		
	GOJ	USG
Hosts	Amb, Masato Otaka, also as Deputy Director-General of Foreign Policy Bureau	Mr. Robert Strayer, Deputy Assistant Secretary for Cyber and International Communications and Information Policy, at the Department of State
Delegation	MOFA, NSS, NISC, CI, NPA, MIC, METI, Public Security Intelligence Agency, MoD	NSC, DHS, DoC, FBI, DoD
Result	Press release ³⁰	

The 2017 Joint Statement was an embodiment of professionalism with working details instead of tokenism. It was bewildering since in the previous press release, neither country stated their stances on specific cyber-attacks that had occurred in the past year. The Joint Statement also confirmed that in May 2017, the NISC would join DHS’s Automated Indicator Sharing (AIS) program, which was deemed as an important step towards information sharing.³¹ It also clarified that cooperation would be strengthened between METI and DHS, as well as NISC and DHS.

The statement welcomed progress between the Pentagon and the Defense Ministry. Then, in the sixth round in 2018, the press release for the first time emphasized cyber cooperation between the two military forces. However, despite such meetings over the past six years, implementation of what was decided has not been very productive. In addition, due to the level and number of the participants, significant decisions on defense cooperation remains questionable, though the meetings did facilitate interagency communication and understanding.

b. U.S.-Japan Cyber Defense Policy Working Group (CDPWG)

The CDPWG was established in October 2013 under the instructions of Minister of Defense Onodera and Secretary of Defense Hagel in an attempt to consult a variety of relevant issues, including information sharing, technology exchange and human resources arrangement.³²

CDPWG ³³		
	MoD	DoD
Chairman	Deputy Director-General of Defense Policy Bureau	Deputy Assistant Secretary of Defense for Cyber Policy
Participants	Bureau of Defense Policy, Operations and Planning Bureau, Joint Staff Office	Deputy Assistant Secretary of Defense for East Asia, Joint Chiefs of Staff, US Pacific Command, USFJ
Frequency	About twice a year	
Meetings	Six meetings: 2014/1/31, 2014/8/8, 2015/4/1, 2016/1/20, 2016/10/19, 2018/9/21	
Main Agenda	Cyber Defense Policy, Information Sharing, Joint Exercise, Human Resources, Working with other ministries and private sectors.	

The MoD website has basic information about this working group, but only in Japanese. The press releases about this working group are quite succinct.

The CDPWG and the Cyber Dialogue are both deputy director-general level, but CDPWG has more relevancy to defense cooperation. On May 30, 2015, CDPWG issued a *Joint Statement of the U.S.-Japan Cyber Defense Policy Working Group* in reply to the earlier release of the Guidelines, which served as an instruction for the CDPWG as well. The two-page document attracted little media attention, but it did contain some critical arrangements for the two groups to narrow the current gap in cooperation. The arrangements include operational cooperation between

two countries' cyber units and calling attention to state-sponsored actors.³⁴

c. Japan-U.S. Information Assurance Working Group (IAWG)

Even though it was listed in the graph as consultation between USFJ and SDF, little information can be found about this working group. It was once mentioned in the fiscal 2014 defense budget as “working-level regular meetings” mechanism between U.S. and Japan to enhance partnership.³⁵

d. Japan-U.S. IT Forum

The IT Forum was created by defense authorities at the Japan-U.S. Defense Summit in September 2000. It met 12 times from 2002 to 2016. The U.S. delegation was comprised of DOD's Chief Information Officer, IT staff from the Secretary of Defense Office and the USFJ. The Japan side sent IT staff from the Internal Bureau, Ground SDF, Maritime SDF, and Air SDF, led by a director general-level officer.

The IT Forum appeared in the defense budget several times (fiscal 2011, 2012, 2013) under the section cooperation with the U.S. It seemed that for a long time, the Japan-U.S. IT Forum was dominating bilateral cooperation on cybersecurity. But for some reason, it has been suspended for at least two years now with no more press releases.³⁶

Assessments and Suggestions

A noticeable feature of the multi-layered U.S.-Japan cyber defense framework is that it has not been well-implemented. For example, the CDPWG was scheduled to be held twice a year, but in reality, such has not been the case. For the six meetings, the same description has been used in the press release over and over again. Some may wonder if it was because of the sensitive information. Yet, compared to other documents that were also published online, for example, information sharing, if one should read the *Trilateral Information Sharing Arrangement Concerning the Nuclear and Missile Threats Posed by North Korea among the Ministry of National Defense of The Republic of Korea, The Ministry of Defense of Japan, and the Department of Defense of the United States of America*, one will be assured or at least convinced by the cooperation efforts.³⁷ If the problem of vagueness persists like this, the trust between the government and the public could be eroded.

The current framework is not well-organized either. In addition to the four mechanisms introduced by MoD, there are at least two more tools vital to the current mechanism. One is exchanges of personnel between the cyber forces. As mentioned in the fiscal 2016 defense budget, a liaison officer was dispatched to the U.S. Army Cyber Center of Excellence, as well as to gather information at Cyber Command (CYBERCOM).³⁸ Now that U.S. has the Cyber Mission Force (CMF) and Japan has the CSDU, cooperation between the two is gravely needed and should be formalized. Another tool is cooperation through international channels. In current policy papers, the UN and the G7 were often brought up, but taking intelligence sharing into account, cooperation through NATO and the Five Eyes intelligence group should also be pursued.³⁹

Lastly, this structure lacks insightfulness. Since most of the attacks in cyberspace were categorized under peacetime rather than contingencies, a commonly used criteria for crisis response arrangements, the elevation of cyber defense cooperation, has been on a case-by-case basis, which is somewhat parochial and retarded. Cybersecurity is not a single isolated problem, but a basic tool embedded almost everywhere, hence it is high time that both DoD and MoD realized cybersecurity is undergirding other conventional threats and prepared for the issue in a broader and multi-level understanding.

Extended Deterrence?

Aside from the operational level questions, there are broader strategic questions that need to be asked; for instance, does the current cyber defense cooperation successfully extend deterrence, a fundamental strategic goal for the U.S.-Japan alliance? That is to say, is current framework effective enough to perform deterrence? At this point, the answer seems to be “no”. The current setups did not save Japan from rampant attacks after the Guideline was issued in 2015. In September 2016, the Defense Ministry and the SDF were compromised. The computer system of the Ground SDF was hacked through possible backdoors from the National Defense Academy and the National Defense Medical College’s system.⁴⁰ Another recent significant cyber-attack recorded in Japan happened just last year. There are several possible reasons for the failure of extended deterrence.

It may be difficult to calculate to what degree the U.S. helped Japan in the past few years, but in the Guideline, it is Japan that has to shoulder most of the defense load before it can expect assistance from the U.S. under an undefined armed attack. On the other hand, the U.S. is certainly aware of the approaches needed for effective deterrence. In the 2015 *DoD Cyber Strategy*, the Pentagon assumed that deterrence “will not be achieved through the articulation of cyber policies alone, but through the totality of U.S. actions, including declaratory policy, substantial indications and warning capabilities, defensive posture, effective response procedures, and the overall resiliency of U.S. networks and systems.”⁴¹ Nowhere can such sharp wording be found in policy papers concerning the alliance. Some experts assert that the U.S.-Japan alliance is underdeveloped on cyber defense because the U.S. has, intentionally or not, left some crucial problems unsolved. For example, based on the *U.S.-Japan Treaty of Mutual Cooperation and Security*, it is not clear whether a cyber strike on critical information infrastructure allows the U.S. forces to respond with a full-range defense for Japan.⁴²

Another reason for extended deterrence to be less effective is the defensive nature of the alliance. The premise of U.S.-Japan security arrangements is to exercise extended deterrence covering a full range of capabilities to protect Japan against direct attack from an external enemy. But cybersecurity is unconventional in that most cyberattacks remain behind the scene or are launched from a different place. Since cyber threats have yet to be associated with destruction and countless casualties, extended deterrence related to cyber defense is much weaker than nuclear deterrence, and the hackers know that.

A third explanation is that Japan lacks a system of forceful indictment. The U.S., on the

other hand, is well prepared to do so. In 2014, a Pennsylvania federal grand jury indicted five hackers from a division known as Unit 61398, for purloining confidential information from such large companies as U.S. Steel and Westinghouse Corporation.⁴³ In 2017, the U.S. charged three Chinese nationals linked to the APT3 group for illegal access to U.S. companies' networks and stealing IP secrets. The victims included Moody's Analytics, Trimble and Siemens.⁴⁴ And starting last year, the U.S. has stepped up its legal efforts with a series of indictments against international criminals, according to the FBI.⁴⁵ In fact, as one expert said at the 2016 RSA Conference (international conference on IT security):

“Threat actors are often keenly aware of reporting on their operations. Exposure can disrupt an actor's operations... if the incentives are right. Public reporting triggers retooling. Actors may abandon tools or develop new ones. The path of least resistance is often king. Sometimes, actors solve the problem by adding resources: time, money, tool development.”

This leads to the fourth factor, the reticence of Japanese to report malicious hacking. When individual employees open phishing emails, they tend to conceal it to avoid embarrassment. Consequently, the malware could lurk for a very long time until the number of infected computers accumulate to a shocking level. As in the case of the Diet hacking incident, when the initial victim accidentally opened an attachment and released the Trojan horse virus, he did not report it in a timely manner. And when officials acknowledged the danger of the data breach, they only told the staff to change passwords.⁴⁶ A quiet victim will always encourage the perpetrator to remain unscrupulous.

Recent Developments

It has only been four years since the issuance of the Guideline, but the landscape in cyberspace has evolved considerably in both countries and in the U.S.-Japan security relationship.

In the U.S., the Trump administration has adopted a seemingly harder line on cybersecurity than its predecessor. Last September, the White House released a brand-new *National Cyber Strategy*, said to be the first articulated strategy of its kind in 15 years, albeit by an administration who had just expelled its cybersecurity coordinator from the NSC.⁴⁷ The strategy has four pillars: (1) to protect the people, homeland and the way of life; (2) to promote American prosperity; (3) to preserve peace through strength; and (4) to advance American influence. In particular, the administration advocated an international Cyber Deterrence Initiative, basically a “name and shame” effort that attributes malicious activities to irresponsible actors across the allied network.⁴⁸ The aforementioned indictment was one of the measures. In addition, the U.S. regularly uploading foreign APT malware to an online repository called VirusTotal and shared the information with the industry.⁴⁹

In 2018, DoD published its own *Cyber Strategy* to complement the national strategy. It basically reaffirmed the hardline stance of the national strategy and directed the Department to “defend forward, shape the day-day-day competition, and prepare for war by building a more lethal force, expanding alliances and partnerships, reforming the Department, and cultivating talent,

while actively competing against and deterring our competitors.”⁵⁰ While such a hawkish posture had proponents in Congress, it did not look into the feasibility of whether the strategy would effectively work with allies.⁵¹

In the meantime, Japan signaled that it had started to catch up in 2013, when the newly-elected Prime Minister Shinzo Abe issued the nation’s first *National Security Strategy*, which included the goal of strengthening cyber security. Tokyo then began to strengthen the nation’s cyber capability by such means as establishing the NISC⁵² and expanding its function through law, cultivating cybersecurity professionals and building up partnership with private and public partners. Now the Abe administration is planning to pass a new cybersecurity law by 2020 that would empower Tokyo to protect critical infrastructure and combat unlawful cyber activities.⁵³

There are at least three stimuli with which the GOJ could expedite its pace to close the decade-long gap. One is, without question, the upcoming Olympics. Second is China’s cyber ability and its 5G technology, which is not a relevant topic here, but did arouse enough concerns and heated discussions in Tokyo about its own position in the tech world. Tokyo’s agenda of establishing an American-inspired National Economic Council to prevent itself from lagging behind China in the tech domain coincided with such concerns as well.⁵⁴ The third one, maybe the most threatening, is the unpredictable North Korea, since cyber-attacks can be incorporated into military attacks, and in view of North Korea’s cyber capability, Japan needs to be strategically vigilant and better equipped.

While Tokyo mulled how to improve in a comprehensive way, cyber threats kept coming. According to JPCERT/CC, the coordination center for cyber security incidents within Japan, APTs (advanced persistent threats) were not eradicated and became “increasingly sophisticated,” which cast uncertainty on Tokyo’s efforts to counter cyber threats ahead of the Olympics.⁵⁵

Leading to War?

Since cyberwarfare is usually bloodless, people generally would not be too anxious about the possibility of real warfare. However, an announcement on April 19, 2019, that a cyberattack could trigger Article V of the U.S.-Japan Security Treaty raised worrisome assumptions among some, such as, “It is now easier for Japan to drag the U.S. into war?” The answer, again, seems to be “no.”

The announcement was included in a joint statement of the latest SCC (2+2) meeting, called in response to the changing security situation since 2017. Following the sentence of about Article V possibly applying to a cyberattack, the ensuing one said: “A decision as to when a cyberattack would constitute an armed attack under Article V would be made on a case-by-case basis, and through close consultations between Japan and the United States, as would be the case for any other threat.”⁵⁶ The clarification of what is an “armed attack” has been a thorny issue for there is no international legal definition of it, leaving a legal obstacle for triggering Article V.

Although the 2018 *Cyber Strategy* did portend a worrying trend, especially in comparison with the Obama administration’s risk-managing posture. However, experts have pointed out that

the new strategy is merely a continuation of the existing policy, with an inkling of hyperbole as it lacks necessary details for implementation.⁵⁷

The establishment of the MoD's Cyberspace Defense Unit (CSDU) in 2014 triggered criticism in Japan. Opponents feared that such a force would constitute an offense capability for the war-renouncing country. But when it was first organized, the function of the CSDU was mainly confined to 24-hour monitoring and responses to possible cyberattacks.⁵⁸ Indeed, in July 2017, the MoD reportedly was considering increasing CSDU personnel from around 110 to 1,000 and organizing a new working group to study cyberwarfare techniques.⁵⁹ But the fiscal 2018 budget report showed, the number of CSDU personnel only rose from 110 to approximately 150.⁶⁰ Comparing to China's 30,000 to 50,000 cyberwarriors in 2016, the CSDU was far away from a qualified defense force.⁶¹

It is not just a shortage of personnel. Japan's cyber-defense capability is also constrained legally. According to the government's explanation, there are three conditions for action to occur: the initial cyberattack must threaten Japan's survival and poses a clear danger of fundamentally depriving people's right to life, liberty and the pursuit of happiness; there must be no other alternative available to thwart the attack; and the use of force is limited to the minimum necessary.⁶² If the government decided to maintain a deterrence in cyber space over the long run, it would most likely be to through denial (to hobble adversaries by causing them high cost) over punish (by retaliating outwards) due to the constraints linked to the Constitution.⁶³

Besides the legal debate, the Abe administration has more basic tasks to do, for instance, to tackle the gap in implementation and the problem of professionalism within the Defense Ministry and the SDF. In the fiscal 2011 defense budget overview, MoD was preparing for a new CSDU by the end of fiscal 2012. Yet, in the fiscal 2012 overview, the establishment of a CSDU was not even mentioned. It only appeared in the next fiscal year's overview. Also, some of the Japanese staff appeared to be laymen and unable to formulate advantageous and viable policies. An example would be this: in fiscal 2013, MoD finally realized the urgency of having specific offices address the issues, and it prepared to establish a "Cyber Attacks Response/ Information Assurance and Planning Office (provisional)" under a division of the Bureau of Operational Policy, and a "Cyber Planning Office (provisional)" under the C4 Systems Planning Division of the Joint Staff Office (JSO). The previous budget report only stated "strengthen cyber planning functions of the JSO" without further explanation.⁶⁴ Even in the exquisitely compiled annual Defense of Japan white paper, the relevant text is filled with repetition, and there is a deficiency of strategic thoughts on cyber defense cooperation.

Conclusion

U.S.-Japan cyber defense cooperation appears to be mutually beneficial and becoming stronger, but inadequacies remain such as U.S. support to Japan being insufficient and MoD's policy papers revealed little understanding of the problem. In the long run, as more countries acquire cyber defense capability, Japan, too, will acquire the equipment and technological skills to meet new challenges. Its scope, however, will be largely limited to preventive gestures, in order to

avoid unnecessary domestic backlash. Therefore, whether or not the cooperative framework on cyber can sustain future hackings remains an open question.

Even though Japan is catching up fast and no longer seriously lagging behind in cyber defense, problems lie ahead that should be resolved now. When looking through the defense budget, the author found, whereas the overall trend for cyber expenditure was increasing, fiscal 2015 saw a dip in the budget between the peaks of fiscal 2014 and fiscal 2016. After checking significant cyber incidents list collected by CSIS, it seemed Japan was only related to one major attack that year, the hacking of Sony Picture Entertainment. Actually, since the hack was targeted at the Hollywood studio, Japan was relatively free from cyber pests that year. So the budget on cybersecurity dropped. But in 2015, the Japan Pension System was hacked with 1.25 million documents lost. This was probably one of the most embarrassing moments for the government in the battle of cybersecurity. More importantly, losses caused by negligence over the years is unfathomable since an intrusion could remain for years without being detected while continuing to garner useful information. Japan may be forced to pay the price in the future for its lack of effort in the past.

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Japan's Positioning Against North Korea's Trilateral Wedge Strategy

Soon-Won Hong

Introduction

What does the failed Hanoi Summit mean for Japan?

The abrupt end to the much-anticipated second summit between President Donald Trump and DPRK Chairman Kim Jong-Un on February 27, 2019, was a clear setback for nuclear diplomacy and exposed the difficulty of reaching an overarching denuclearization deal between the United States and North Korea. Trump and Kim's failed summit highlighted the significant gap between the two countries regarding the specifics of a denuclearization process and the prospect of sanctions relief.ⁱ However, the geopolitical realities of the volatile Korean peninsula, as well as domestic considerations in North Korea, the U.S., and South Korea, suggest that diplomatic talks between Washington and Pyongyang resume at some point, presumably with Seoul continuing its role, though now diminished, as an active mediator. Secretary of State Mike Pompeo is on record for a swift return to negotiations and a possible third summit between Trump and Kim, and new sanctions on North Korea have been placed on hold.ⁱⁱ While Foreign Minister Ri Yong-Ho immediately emphasized strong expectation for sanctions relief and further concessions, North Korea has not signaled total disengagement from continuing talks, stating that the deadline for a deal would now be the end of 2019.ⁱⁱⁱ As of May 15th, 2019, however, two separate occasions of weapons testing by the North and a ship seizure by the United States suggests that the window of opportunity for diplomacy this year may be closing rapidly.^{iv}

What role then could Japan play in the negotiations and denuclearization process? Foreign-based media have often reported concern by Japanese officials over the country being sidelined over the past two years as South and North Korea logged four summits and the U.S. and the North had two.^v Yet Prime Minister Shinzo Abe has not remained inactive. Beyond using his strong personal ties with President Trump, Abe has signaled his government's intentions to consider normalizing relations with North Korea. He has even stated his willingness to meet with Kim without conditions. His stance is basically consistent with Japan's position in the Pyongyang Declaration of 2002: following normalization of relations, Japan is willing to provide economic assistance or reparations for its colonial rule over the Korean peninsula if there is significant progress made in Japan's three core issues of denuclearization, ballistic missile reduction, and the abductee issue.^{vi} Two separate meetings between DPRK and Japanese diplomats in the past year do suggest that Abe is not willing to rely completely on the United States in managing its relationship with the North.^{vii} Despite Abe's pragmatic hedging in the unlikely case of a rapid North Korean denuclearization, however, his administration has not shifted its fundamental support for the U.S. stance of complete, verifiable, irreversible denuclearization (CVID) or the U.S.' central role in the ongoing negotiations.^{viii} In turn, Trump's mention of the abductee issue during the 2nd U.S.-DPRK summit in Hanoi and the recent joint statement from Japan's Chief Cabinet Secretary Yoshihide Suga and Secretary of State Mike Pompeo clearly highlights that the

Abe administration's concerns are being conveyed to the U.S. and subsequently, to the DPRK as well.^{ix}

Abe's initiative towards Pyongyang, despite Tokyo's overall deference to Washington on denuclearization negotiations, reflects the priorities of Japan's security. Tokyo also recognizes the lack of leverage that it has with Pyongyang, given the security arrangements with the U.S. While Japan has historically been proactive in dealing with North Korea and its provocations, starting with the missile and nuclear threat to the homeland, it must stay measured in its independent diplomatic approaches due to its reliance on its ally the U.S. and, to a lesser extent, its strategic partner South Korea.^x Furthermore, trilateral cooperation on denuclearization has been spotty for the past three decades due to divergences in national interests and foreign policy objectives regarding the DPRK.^{xi} The Kim family over three generations of rule has refined its strategy to exploit these differences and undermine U.S.-ROK-Japan trilateral cooperation, particularly after the end of the Cold War. By repeatedly escalating and then defusing tensions, North Korea, applying its wedge strategy, has been able to take advantage of Japan and South Korea's relatively weak negotiating stances and directly engage with the U.S. Accordingly, the history of past negotiations with the DPRK suggests that beyond the difficulty of addressing the issues of regime security and denuclearization, establishing and reinforcing trilateral cooperation will be necessary to defuse North Korea's wedge strategy.

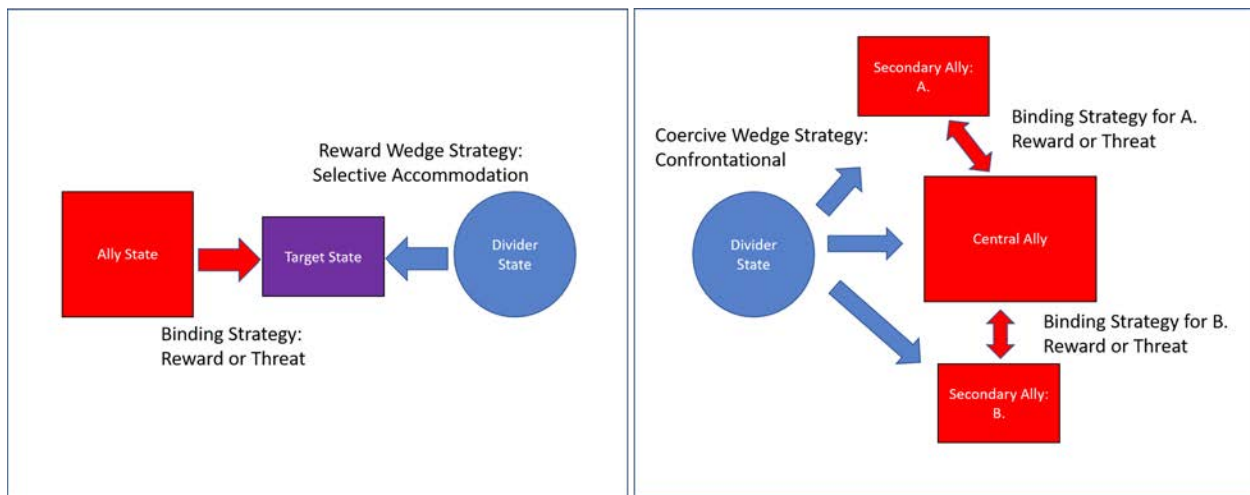
Theoretical Framework: Wedge Strategies

A recent addition to the broader literature on power politics and alliances, wedge strategies, as articulated by Timothy Crawford, specifically refers to "a state's attempt to prevent, break up, or weaken a threatening or blocking alliance at an acceptable cost."^{xii} At its simplest form, a wedge strategy is used to undermine, dislodge, or altogether dismantle a potential or current alliance of adversarial nature. Successful wedge strategies do so by taking advantage of disagreements on and disparities of relative power within the targeted alliance and further strategic goals through use of a 'reinforcing' approach based on rewards or a 'countervailing' approach based on coercion.^{xiii} While the efficacy of rewarding versus coercion is yet to be fully settled, 'coercive wedging', as coined by Yasuhiro Ishikawa, is used when a state has relatively weak reward power to its targeted competitor(s). The effectiveness of coercive wedging, in juxtaposition to 'rewarding wedging' that can lead to an outbidding competition, comes from the difficulty of detecting or countering wedge intentions. By making use of fears of entanglement or entrapment, coercive wedging may accomplish long-term goals of misalignment or dealignment at the price of short-term risk escalation.

For a divider state, a wedge strategy serves as an alternative or complementary tool to balance against rivals outside of strengthening military capabilities or forming countering alliances, under the assumption that a state prioritizes its security. Ishikawa explains that reward power is a relational concept that not only depends on resources of hard power, but also is context specific, dependent on the conditions of the targeted state.^{xiv} While the bargaining power of a dividing state through rewards tends to be multifaceted and dependent on targeted state preferences, coercive

wedging can be entirely asymmetrical if an unacceptable threat or ultimatum sharply raises expectations of higher costs within the alliance. Accordingly, the two wedging strategies target states in a hostile alliance differently. Reward-based wedging may be used on a single or multiple states in an alliance via selective accommodation, in which a divider state chooses to encourage a state(s) to behave in its own interests versus that of the entire alliance.^{xv} A confrontational wedge strategy, on the other hand, attempts to push against all members of a hostile alliance to take advantage of one or more weak links within it.^{xvi} Once exposed, these vulnerabilities may lead to lessened or disavowed commitment to the alliance at hand. However, states targeted by a wedge strategy can also take countermeasures via binding strategies, which reinforce the alliance through increased rewards, the threat of withdrawn rewards to allied states, or responding threats to the divider state. As such, the success of a wedge strategy relies on outmaneuvering or overpowering the binding efforts of other allies.

Figure 1-2. Wedge Strategy: Selective Accommodation; Wedge Strategy: Confrontational



(Source: Yasuhiro Ishikawa)

North Korea's use of wedge strategies dates to the late 1960s, when Cold War alliances began to unexpectedly shift and change with the Sino-Soviet split, creating gaps and incentives for inter-Korean and external dialogue. However, the DPRK's nuclear ambitions in the post-Cold War period created a security crisis that finally led to the strengthening of the U.S.-ROK-Japan trilateral security framework.^{xvii} North Korea's resulting wedge strategy during the 1990s was inconsistent and focused on weakening the bilateral security framework between South Korea and the U.S. With the strengthening of the trilateral security framework that includes Japan, the Kim regime has gradually adopted a confrontational wedge strategy, following the failed efforts in the 1990s to normalize relations with Japan and the U.S.

The DPRK's decision to develop missiles and nuclear weapons was primarily a decision to ensure regime survival, Pyongyang believing that having such an arsenal would give it leverage against the U.S. in future negotiations as well as protect it from harm. But the autarchic nation has also benefitted from using a wedge strategy as it increased its threat to Japan, South Korea, and

the United States.^{xviii} This paper, in tracing the process of failed negotiations and the evolution of North Korea's wedge strategy, throws light on Japan's role in past and ongoing denuclearization negotiations against the background of Tokyo's efforts to maximize its security and resolve the issues stemming from its wartime legacy.

Defining Japan-DPRK Relations

Changing Japan-DPRK Relations at the End of the Cold War

For Kim Jong-Un, improving relations with Japan by resolving the abductee issue will always be secondary to dealing with the DPRK's security concerns and pursuing immediate sanctions relief from the U.S. This was not necessarily the case in 1991, when Japan and North Korea -- then under Kim Il-Sung, leader from its establishment in 1948 -- began formal negotiations to normalize relations. These diplomatic efforts were initialized when a Japanese delegation visited Pyongyang in September 1990. The delegation, composed of both senior ruling and opposition party members, was given a warm welcome by President Kim Il-Sung himself.^{xix} The resulting joint declaration highlighted the mutual desire for normalization of relations, though Tokyo later cautioned that the process, which needed to address the issue of colonial period reparations, would likely take several years. The end of the Cold War with the dissolution of the Soviet Union in 1991 completely shifted geopolitics in Northeast Asia, destabilizing the DPRK's economic and security base. With Russia normalizing relations with South Korea in 1991, and China following in 1992, Kim Il-Sung sought to recover the DPRK's position through a kind of balancing act, aiming at reciprocal recognition from Japan and the U.S.

Despite initial optimism, normalization negotiations were ultimately unsuccessful. Japan and North Korea already faced differences in their positions over the reparations issue and the language to use in any settlement. In January 1991, Japan began normalization talks with Pyongyang with a formal apology for its 1910-45 colonial rule of the Korean Peninsula. However, the issues of inspections of North Korea's nuclear facilities by the International Atomic Energy Agency (IAEA) and the specifics of Japanese compensations ultimately derailed the talks.^{xx} Kim Il-Sung's nuclear ambitions and the Bush administration's goal to end them affected Japan's negotiating position. Kim moved to develop nuclear weapons when the collapsing Soviet Union could no longer provide a nuclear umbrella. At the same time, the U.S., fearing proliferation, faced multiple actors moving in that direction, including Pakistan, Libya, and India.^{xxi} It took the lead in coordinating efforts with South Korea and Japan to ensure that North Korea's nuclear program would be checked without allowing political concessions.

As Japan continued several rounds of negotiations with North Korea, President Bush took concrete steps to reduce Pyongyang's security concerns, taking measures that also targeted China and Russia. In late 1991, Bush publicly acknowledged and then ordered tactical nuclear weapons removed from South Korea. He also announced a halt to Team Spirit, the joint-wargames held in South Korea.^{xxii} His decisions led to a meeting between Undersecretary of State for Political Affairs Arnold Kanter and Secretary for International Relations of the North Korean Workers Party Kim Young-Sun in January 1992. The encounter, the highest level Track 1 talks between the two

enemies since the end of the Korean War, was ultimately unfruitful. The U.S. announcement in the summer of 1992 that joint military exercises would restart with the South became a sticking point for North Korea.^{xxiii} Accordingly, a clear divide emerged on the security front, with the North unwilling to end its nuclear program or allow continued verification of it without some kind of reciprocal action from the U.S. and South Korea. On the other hand, concerns grew in the United States on the possibility that North Korea was attempting to stall for time, while clandestinely advancing its nuclear program.^{xxiv}

Figure 3. Washington Post Report on U.S.-DPRK Negotiations

N. Korea Says U.S. Blocks Progress on Nuclear Inspection
 Oberdorfer, Don
The Washington Post (1974-Current file); Sep 30, 1992;
 ProQuest Historical Newspapers: The Washington Post
 pg. A24



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(Source: Washington Post)

Washington then dictated to Tokyo and Seoul that any improvement in bilateral relations with Pyongyang should be secondary to its strict commitment to IAEA inspections. As a result, ongoing negotiations with the DPRK sputtered by late 1992. North Korea wanted to separate such issues separate from the normalization talks, but Japanese negotiators insisted that IAEA inspectors be allowed to thoroughly inspect the DPRK's nuclear sites.^{xxv} Facing an impasse, Pyongyang used the Japanese abductee issue as a means of prematurely ending the eighth round of negotiations with Tokyo. As domestic disagreements on the level of IAEA inspections continued within South Korea, the United States reinforced the necessity for the North Korean nuclear issue be solved before North-South reconciliation began in earnest. Further diplomatic action was curtailed by North Korea's declaration of leaving the Nuclear Nonproliferation Treaty in 1993. This led to an escalation of tensions until the signing of the Agreed Framework in 1994.^{xxvi} By this point, Kim Il-Sung had recognized the difficulties in negotiating with both Japan and South Korea without dealing with the security dilemma he faced with the United States. Accordingly, North Korea shifted to engaging the United States first through diplomatic efforts, and when that failed to cancel the Team Spirit exercises, threatening to withdraw from the Nuclear Nonproliferation Treaty and then launching a missile into the Sea of Japan in 1993.^{xxvii} This pattern of escalation followed by engagement has since become a staple of North Korea's diplomatic efforts.

Although the Abe administration has had limited direct contact with Kim Jong-Un and his inner circle as of now, such was not the case following the end of the Cold War when Japan took the diplomatic initiative to reach out to the North. Although eight rounds of talks did not lead to normalization, the effort highlighted Japan's recognition that the geopolitical shift created by the fall of the communist bloc created an opportunity to resolve the long-standing issues on the Korean Peninsula: the North Korean threat as well as Japan's historical legacy Japan that was remained unresolved by the Treaty of Basic Relations of 1965 with South Korea.^{xxviii} These issues are poignant today, given that North Korea remains an existential threat to Japan. At the same time, however, the scope of Japan taking an independent line is constrained by the necessity to coordinate policy moves with its ally the U.S. Japan is aligned with the U.S. stance that denuclearization must occur first before normalization or economic assistance is to be considered.

4 Levels of DPRK-Japan Relations

Although DPRK-Japan relations have changed over the past three decades, they can still be categorized on the same spectrum of international, regional, bilateral, and domestic levels, as described by Myonwoo Lee.^{xxix} Internationally, since the U.S., championing its sanctions regime and the trilateral security framework, poses the biggest threat to North Korea, Japan is constrained in its diplomatic efforts to deal with North Korea. Regionally, the rise of China and the importance of inter-Korean relations to South Korea have complicated initiatives to strengthen the trilateral security framework against North Korea. Bilaterally, the issues of Japan's colonial legacy and the abductees are still unresolved. Domestically, Japan's ruling party has become more entrenched on the abductee issue and on ameliorating the now strained relationship with South Korea over historical and other bilateral issues. Public sentiment, too, has turned negative about conceding on these issues.

The emergence of the U.S. as an active negotiator with North Korea in the 1990s served as a crucial external factor that limited the diplomatic options open to Japan. It affects Japan even now as the U.S. under President Trump spars with an adamant Kim Jong-Un on denuclearization.^{xxx} Japan's early normalization talks with North Korea were halted until March 1995 due to the primacy of U.S.-DPRK that culminated in the Agreed Framework of 1994. As part of that agreement, Japan agreed to provide food aid and heavy oil to North Korea, as well as help finance the Korean Peninsula Energy Development Organization (KEDO) project.^{xxxi} Although bilateral negotiations continued sporadically into the late 1990s, they stopped altogether when North Korea, seeking to engage the United States, launched a two-stage, mid-range ballistic missile in 1998 over the Japanese archipelago. This act led to Japan placing unilateral sanctions on North Korea.

It was not until the Bush Administration in 2000 chose to engage North Korea over its nuclear and missile programs that Japan resumed food aid and started three more rounds of talks aimed at normalization and the possible resolution of Japan's colonial legacy. The Japanese government planned an economic package similar to that given when relations with South Korea were normalized in 1965. Furthermore, when the U.S.-led Six Party Talks (with South Korea,

Russia, China, and Japan negotiating with North Korea) started in 2003 with the goal of dismantling North Korea's nuclear program, it represented an opportunity for Japan to push its agenda on the abductee issue. After many rounds of on-again-off-again negotiations, however, the DPRK pulled out of the arrangement in 2009.

South Korea, despite its being a regional strategic partner, has had its own agenda that sought to constrain the scope of Japan's diplomatic efforts with North Korea. Seoul's peninsula issues included the unresolved status of the Korean War, the ongoing issue of state legitimacy, and the question of unification with the North. While geographical proximity subjects both countries to similar security risks from the DPRK's nuclear and missile programs, South Korea's historic rivalry with North Korea over state legitimacy and the lack of a formal treaty ending the Korean War has made it more open to any form of inter-Korean engagement. Seoul is also wary of China's displeasure to a strengthened trilateral security framework with the U.S. and Japan. When THAAD (the U.S.-made Terminal High Altitude Area Defense anti-ballistic missile system) was deployed to South Korea in 2017, China reacted fiercely, convinced that THAAD was against its strategic and security interest. Economic retaliation by China after the installation of THAAD radar systems, which included a boycott of Korean goods and a temporary ban on Korea tourism has made South Korea a less reliable security partner for Japan.

Figure 4. Radar Dispute Between Japan and South Korea



(Source: Hankyoreh)

In addition, South Korea's continuing dispute with Japan over its colonial legacy has seriously strained bilateral ties and stalled avenues for greater cooperation. The latest issue is a November 2018 ruling by South Korea's Supreme Court upholding the validity of private cases against Japanese firms for forced wartime labor has been strongly challenged by Japan given its stance

that wartime reparations had been resolved ‘completely’ and ‘finally’ through a side agreement to the Treaty of Basic Relations signed in 1965. Another issue has been a radar-locking incident in 2018, when a South Korean destroyer targeted a Japanese maritime patrol aircraft. South Korea accused the Japanese aircraft of making a “threatening” low-altitude pass over its ships. Japanese Defense Minister Takeshi Iwaya denied the accusation, telling the media that its aircraft flew at no less than an altitude of 500 feet and conducted operations appropriately. The dispute remains unresolved.

Figure 5. UN Sanctions on North Korea



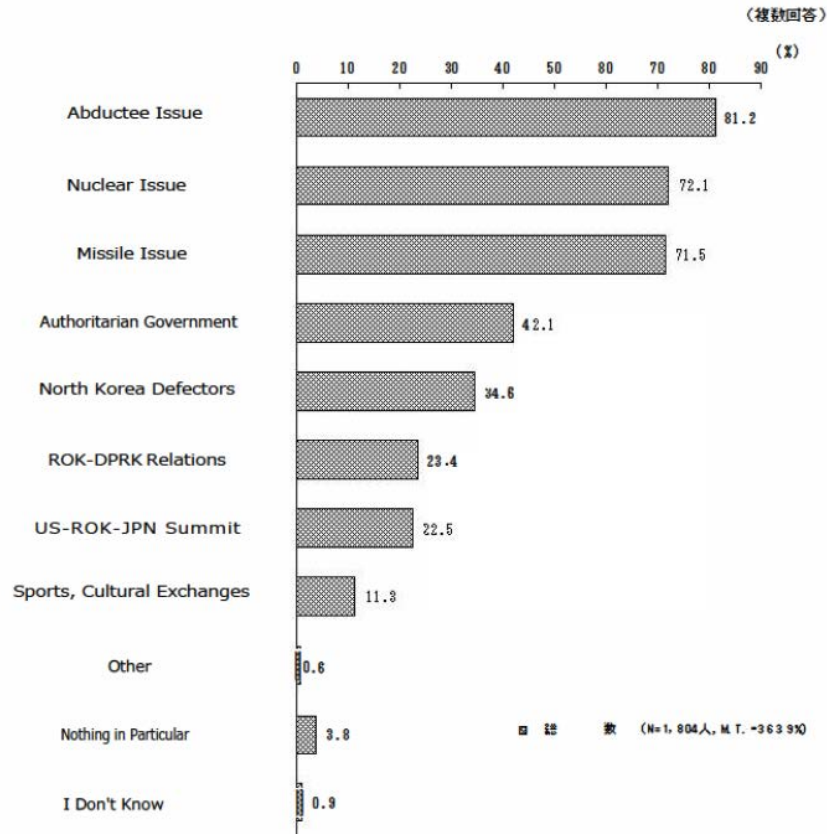
(Source: Council of Foreign Affairs)

A bilateral highpoint in the postwar history of DPRK-Japan relations came when Prime Minister Junichiro Koizumi visited Kim Jong-Il in Pyongyang for an unprecedented summit in 2002, which culminated in the Pyongyang Declaration between the two countries. The formal positions in that document have since served as the basis for Japanese diplomatic goals regarding North Korea: a moratorium on missile testing, commitment to ensuring a non-weaponized nuclear program, and the pursuit of normalization of relations in exchange for economic assistance comparable or higher than that given to South Korea in 1965.^{xxxii} The first summit was accompanied with an unprecedented apology by Kim Jong-Il over the abductee issue and led to Koizumi returning with five Japanese citizens and subsequently bringing their families to Japan after a second summit with Kim in 2004. However, Japan still considers the abductee issue unresolved in that there are at least 12 abductees unaccounted for, and the returned “remains” of one of the abductees, Megumi Yokota, though attempts were made to reinvestigate the missing Japanese, so far the DPRK has yet to deliver a promised report.^{xxxiii} With the failure of multilateral efforts to resolve the proliferation problem, not to mention the abductee issue, Japan placed additional unilateral sanctions on North Korea. Several of these sanctions were removed through the Stockholm Agreement of 2014, when Kim Jong-Un agreed to cooperate in finding and identifying Japanese nationals in North Korea; however, Japan applied new sanctions in 2016 and 2017 over North Korea’s missile and nuclear testing, which led to North Korea declaring a stop to any cooperation on the abductee issue until the removal of these new sanctions.^{xxxiv} In an effort to increase international pressure on the abductee issue, Japan has co-tabled the Resolution on the Situation of Human Rights in the DPRK with the EU at the UN Human Rights Council and the General Assembly for more than ten years, with the caveat that it did not sponsor the resolution in 2019.^{xxxv} Last, but not least, Japan is fully committed to the ‘maximum pressure’ sanctions regime led by the United States, applying additional unilateral sanctions on North Korea in 2016 and 2017.

The Japanese government’s opinion surveys on North Korea see the general public overwhelmingly define the country by the abductee, nuclear, and ballistic missile issues, set at 81.2%, 72.1%, and 71.5% respectively in 2017.^{xxxvi} Since the failure of a satisfactory resolution to the abductee issue in 2004, Prime Minister Abe, who personally meets families of abductees yearly and has campaigned on bringing a resolution on the matter, has made it a core bilateral issue since he came into office in 2012. In 2017, more than 12 million people signed petitions of solidarity with the families of abductees, asking Abe to continue his efforts to bring the rest of the abductees home.^{xxxvii} Accordingly, he has recently begun campaigning on a summit between himself and Kim Jong-Un to move towards normalization of relations based on a resolution of the abductee issue. The Abe administration also views North Korea’s nuclear and missile program as both an “existential threat” and a “political-military threat” to the U.S.-Japan alliance, which has helped facilitate greater defense posturing and incremental movement towards militarization over the past decade.^{xxxviii} Beyond signaling deterrence through its commitment to the alliance, Japan’s offer of economic reparations remains the strongest form of leverage it has to engage North Korea, but its precondition for doing so remains the resolution of the abductee issue. But negative public

sentiment toward North Korea, buttressed by domestic opposition to an offer of economic reparations, is also a source of increasing concern for Japan's Foreign Ministry.^{xxxix}

Figure 6. MOFA Opinion Survey on North Korea



(Ministry of Foreign Affairs, Japan)

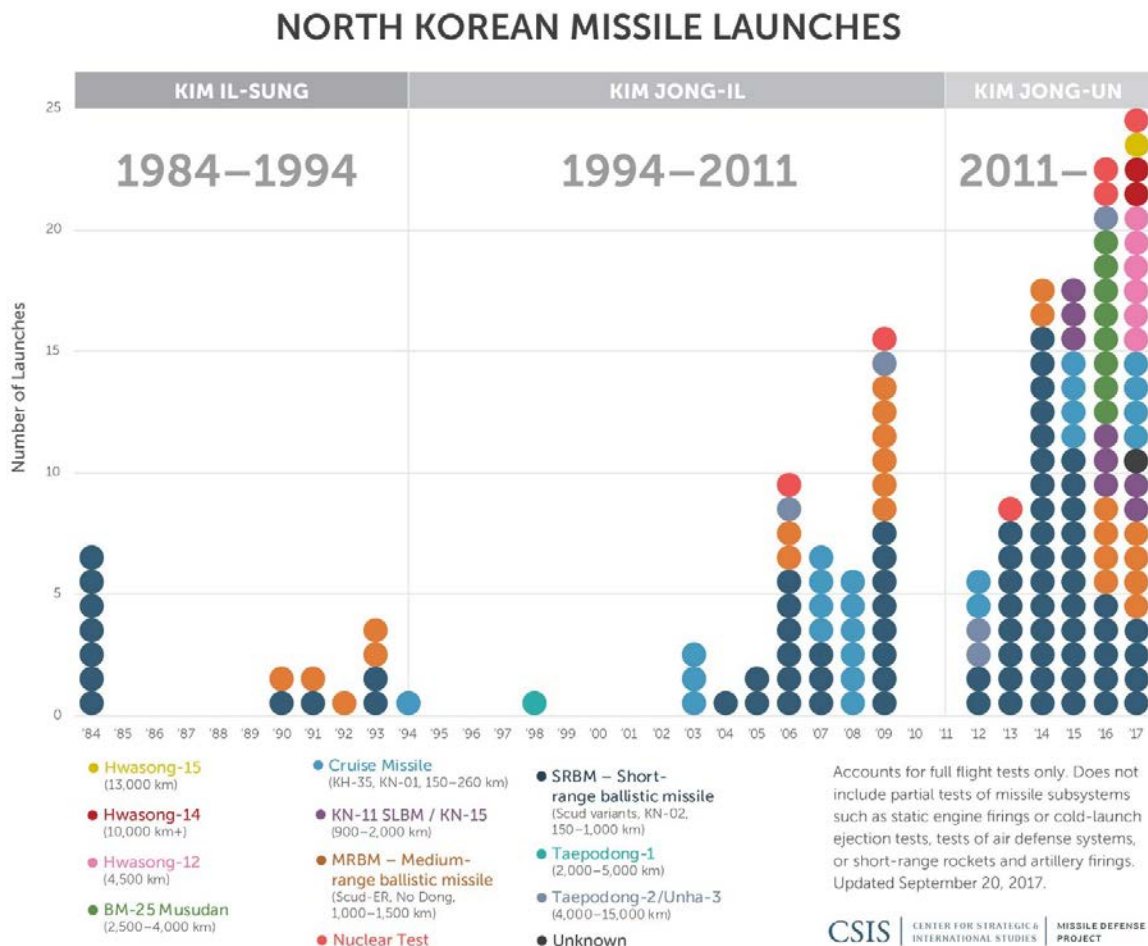
The Negotiating Position of North Korea

North Korea's Prioritization of Regime Security

The larger experience of the Kim family during the Cold War and its end eventually led to North Korea's development of nuclear weapons, as well as its pursuit of credible and encompassing missile capabilities to uphold regime security. Throughout the first few years of his rule, Kim Il Sung clashed with his South Korean rival Syngman Rhee, competing for political legitimacy over the entire Korean peninsula. The resulting Korean War ended in 1953, but its destructive aftermath was followed by numerous intrusions and provocations between brief, intermittent upswings in inter-Korean relations until the 1990s. A shift in these provocations began in part with Kim's realization that South Korea had eclipsed North Korea economically, the effect of which was highlighted after the collapse of the Soviet Bloc in 1989 and the loss of North Korea's access to the markets of its former socialist allies.^{x1} Before this happened, however, recently declassified documents reveal how Kim also began to believe that North Korea could not solely rely on the Soviet Union for its security, specifically after the Cuban Missile Crisis. Hence, *juche*,

the North Korean ideology of self-reliance, began to be applied in North Korea’s national agenda, including security measures as well as its economic policies. While North Korea’s nuclear weapons program did not begin in earnest until the 1980s, North Korean interest in expanding its general nuclear capacities date back to the 1960s, when the U.S. nuclear arsenal stationed on the Korean peninsula was at peak strength. With both the Soviet Union and China reluctant or unwilling to provide significant technical assistance, much of North Korea’s nuclear program was indigenously developed, true to the idea of self-reliance.^{xli}

Figure 7. North Korean Missile Launches & Nuclear Tests: 1984-2018



(Source: Center for Strategic and International Studies)

Building on this defining trait of *juche*, Kim Jong-Il, Kim Il-Sung’s firstborn son and successor, added a modified directive called *song’un*, a ‘military-first’ policy which helped consolidate his control over the regime during years of economic stagnation, natural disasters, and diplomatic failures. He ruled from 1994 to 2011. *Song’un* policy was pushed in part by necessity because of the ‘Arduous March’, a devastating North Korean famine in the 1990s that severely limited the state’s ability to provide resources to its wards. The failed Agreed Framework of 1994 and the unsuccessful Six Party Talks thereafter of the 2000s meant that North Korea’s fundamental

security and economic concerns after the collapse of the Soviet Bloc were not eased. The Kim regime faced the problems of Russia's reneging on Soviet commitments, China's growing economic ties with South Korea, and South Korea's increasing hard power. Despite the diplomatic breakthrough of the Agreed Framework made during the Clinton administration that resulted in a verifiable shutdown of the North's plutonium enrichment capacities, the next U.S. administration of George W. Bush adopted and maintained a hardline approach towards the DPRK following intelligence reports that North Korea was hedging by pursuing uranium enrichment.^{xlii} Accordingly, Kim Jong-Il's perception of an increasingly unfavorable international environment also likely led to the conclusion that nuclearization was a means of guaranteeing his regime's survival. For North Korea, the definition of credible deterrence was thus expanded beyond conventional weaponry and a renewed, if watered down, security pact with China to include indigenous nuclear weapons and greater missile capabilities before the 2000s.

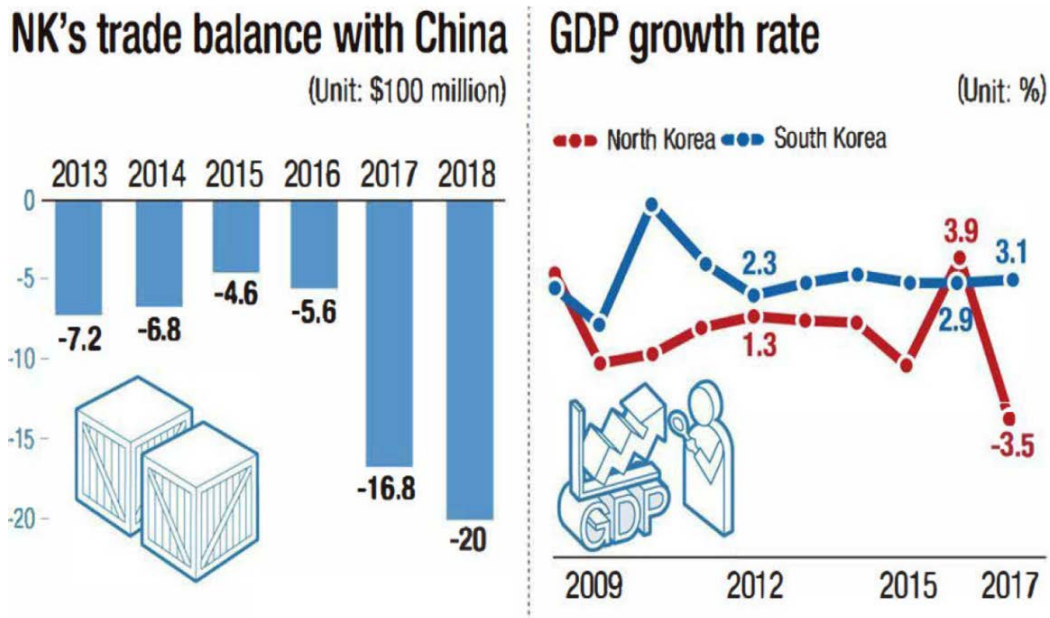
President Obama's failure to meaningfully reengage North Korea after the sputtering end of the Six Party Talks resulted in a ratcheting up of missile and nuclear tests during the last years of Kim Jong-Il's rule. Moreover, the emphasis on credible deterrence continued after the death of Kim Jong-Il in 2011. Kim Jong-Un, heir to Jong-Il and grandson of Il-Sung, added his contribution to *juche* ideology in 2013 by declaring a new policy direction of *byungjin*.^{xliii} Kim Jong-Un's *byungjin* policy emphasized 'parallel treks' of regime security through nuclearization and focus on economic growth. It showed continuity with his father's *song'un* policy in the prioritization of security through deterrence, but Kim Jong-Un also sought to consolidate his personal power by shifting away from his father's designation of the primacy of the North Korean military in terms of resource allocation and statecraft. Kim Jong-Un's public commitment to nuclearization and missile testing following the inauguration of President Trump and their ensuing war of words seems to have been modeled after that of India and Pakistan, which similarly went nuclear through a series of rapid testing and subsequent denunciations by the United States.^{xliiv} Beyond deterrence, North Korea's behavior might also be further explained by the Kim family's recognition of how provocative military action forces the U.S. to at least consider returning to the negotiating table, a perception that might be traced all the way back to the Pueblo Incident in 1968.^{xlv} With North Korea's nuclear and ballistic missile program having led to two unprecedented summits between Trump and Kim Jong-Un, North Korea's gambit, like that of Pakistan, has been successful so far.

The Costs of North Korean Security

Pursuing nuclearization clearly came at the cost of limiting North Korea's economic growth. Over the past two decades, the North Korean economy has entered a near state of autarky because of its loss to preferential Soviet Bloc markets, U.N. sanctions, and additional unilateral sanctions applied by the U.S, EU, Japan, and South Korea. Neither Kim Il-Sung nor Kim Jong-Il would have pursued full integration into the world market even with the resolution of North Korea's security concerns, given the primacy of *juche* ideology. However, Kim Jong-Il's cautious implementation of economic reforms after the 'Arduous March' and attempts at diplomatic outreach suggest that North Korea seriously considered increasing economic ties with Japan to

leverage against the rising economic impact of South Korea and China.^{xlvi} The Pyongyang Declaration in 2002, building on the Joint Communication of 1991, highlighted continuing North Korean interest and Japanese willingness to settle the issue of colonial reparations. Once again, however, when diplomatic efforts did not pay off through either the Agreed Framework or the Six Party Talks, Kim Jong-Il clearly chose to prioritize regime security over economic growth.

Figure 8. Effects of ‘Maximum Pressure’ Sanctions Regime on North Korea



(Source: Korea Institute for International Economic Policy; Statistics Korea)

With Kim Jong-Un’s goal of a credible deterrent having been achieved through a series of rapid nuclear and missile tests between 2014 and 2017, his focus on sanctions relief now directly relates to the second goal of *byungjin* policy of economic growth.^{xlvii} Before the ongoing U.S.-led sanctions regime entered the phase of ‘maximum pressure’ in 2017, North Korea is suspected to have seen some limited economic growth, in part due to the free markets dating back to the Arduous March.^{xlviii} The forming of a “second economy” was not entirely due to the great North Korean famine of 1994-1998, as economic stagnation in the late 1980s reduced the capabilities of the public distribution system (PDS).^{xlix} When the famine hit, however, the PDS and much of the state-run economy collapsed entirely, and private markets began to form despite official restrictions and bans from government authorities. Kim Jong-Il found it difficult to roll back the illicit market activities that had promulgated by necessity during the famine, and these market activities continue today underneath Kim Jong-Un. The current North Korean leader is clearly aware of the necessity of continuing China-DPRK border trade to avoid being smothered by the U.S. ‘maximum pressure’ strategy. However, Kim has also made it clear in the Hanoi summit that he is seeking sanctions relief to pursue his second *byungjin* policy. There are signs that the sanctions regime has started to affect the North Korea economy, but it remains to be seen if that will be enough to force Kim back to the negotiating table.¹

Japan's Positioning vis-à-vis the United States and South Korea on North Korea

Ongoing Negotiations between North Korea and the United States

The achievement of a credible nuclear and missile regime has provided North Korea with greater leverage in its negotiation process with the United States. The mistrust that has built over the failed negotiations of the past, however, has made it more difficult to resolving the issue of denuclearization through an overarching deal between North Korea and the United States. The failures of the Agreed Framework and the Six Party Talks have highlighted the unreliability of the United States to North Korea and vice-versa. Furthermore, the initial lack of a coordinated diplomatic strategy between the United States, South Korea, and Japan following the end of the Cold War in normalizing or improving relations with North Korea has set the issue of North Korean nuclearization as the core rationale for the trilateral security framework today.^{li} Accordingly, North Korea has shown a tendency to use a wedge strategy against the U.S. and its two Northeast Asian allies to maximize its negotiating vantage point. While Japan is strongly committed to the U.S.-Japan Alliance as a 'cornerstone of democracy, peace, and prosperity', it does have fears of entanglement should renewed escalations with North Korea result in partial or full armed conflict as well as fears of abandonment should the United States move forward with its North Korea negotiations without full consideration of Japan's security concerns.^{liii} Recent ongoing coordination between Japan and the United States, however, suggests that the Alliance is strong despite the shifting diplomatic situation on the Korean Peninsula.^{liii}

In terms of actual negotiations, a step by step approach between the United States and North Korea focusing on smaller agreements rather than a singular 'big' deal would be more feasible, given the significant gap between each nation's respective definition of denuclearization.^{liv} North Korea's official stance is that of eventual denuclearization, while the United States is committed to CVID within a specific timeframe of one to two years, according to the belief that denuclearization can occur before the end of President Trump's term.^{lv} Kim Jong-Un's checklist includes a formal end to the Korean War via the establishment of a peace treaty, normalization of relations, and sanctions relief as necessary preludes to denuclearization. However, the step by step approach has been rejected by Pompeo as well as U.S. National Security Adviser John Bolton. The U.S. hardline approach to denuclearization is unlikely to change if Bolton remains the architect of ongoing negotiations. He has been particularly direct in his belief that North Korea will inevitable cheat or delay the denuclearization process in an incremental approach.^{lvi} As the U.S. remains firmly against lifting core sanctions on North Korea without further progress on complete, verifiable, irreversible denuclearization, it is difficult to see how a third summit might bridge these gaps, particularly if Kim Jong-Un is confident in the support provided to him by China if the deal falls apart.

Japan's Relations with the United States

Japan's traditional security framework with the United States leaves it reliant on the ongoing U.S.-DPRK negotiations, despite its recent initiative in reaching out to the Kim regime for a clean resolution to the abductee issue. However, with the recognition that North Korea's

fundamental security concern remains the United States, Japan will likely remain content with the United States taking the lead on denuclearization and understanding of South Korea's necessarily bigger role in the negotiation process so long as the missile regime is also addressed in any resolution. This suggests that a 'small deal' rather than a 'big deal' would be preferred by Japan given the longer timeframe it would provide to deal with the abductee issue. In terms of strategic concerns, China also remains as a looming concern to Japan, despite recent efforts between Abe and Xi to improve economic and diplomatic ties.^{lvii} Given its security concerns over North Korea, as well as the desire to contain China and Russia, Japan has been dedicated in enforcing the 'maximum pressure' sanctions regime while strengthening the interoperability between the U.S. forces and the Japanese Self-Defense Forces (SDF) in the past few years. With or without a North Korea breakthrough, the Abe administration will likely not alter its current security framework by revising the war-renouncing clause of Article 9 other than possibly adding a statement specifying the existence of the SDF. Finally, Japan's coalition-building efforts with the 'free and open Indo-Pacific' strategy and its leading role in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership without the United States suggests an ongoing evolution in the U.S.-Japan alliance. Despite Japanese hedging, the United States remains the sole full-fledged ally for Japan.^{lviii}

Japan's Relations with South Korea

South Korea and Japan recognize each other as important neighbors and strategic partners. Strategically, the Korean Peninsula has, since the 19th century, been viewed as a key buffer zone for Japan, as control over the Tsushima/Korea Strait opens the sea routes to all four Japanese main islands.^{lix} However, Japan's colonial rule over the Korean Peninsula has made for a contentious partnership marked by bilateral disputes with domestic repercussions. While Japan has championed a 'forward-oriented' and legalistic approach to bilateral relations, South Korea has shown disapproval of a perceived lackluster commitment to ensuring a just and satisfactory conclusion towards its historical issues. The intertwined issue of 'justice for the victims' and 'moving the goal post' has served as road-blocks to increased cooperation on North Korea and other issues of common interests. Unfortunately, 2018 was a year of unprecedented shocks, which included the Moon administration's decision to review and dissolve the comfort women agreement of 2015, the radar lock incident between a South Korean destroyer and a Japanese maritime patrol aircraft, and the South Korean Supreme Court's positive ruling on the legality of forced labor compensation on Japanese companies.

Accordingly, the responding deterioration of bilateral relations between Japan and South Korea, which encompasses ties in civil society, military, and business, is viewed as unprecedented within Japan's community of international relations experts. From the perspective of these experts, embedded issues of history and differences in national interests have influenced the deadlocked bilateral and trilateral relations regarding South Korea. Dr. Ken Jimbo from Keio University explains that South Korea's foreign policy focus on North Korea has left little room for a relieving of diplomatic tensions with Japan.^{lx} With China's economy exerting more pressure on South Korea

and the United States leading the negotiations on denuclearization, Japan takes less priority from South Korea. Dr. Narushige Michishita from GRIPS also astutely notes that South Korea is the weak link in the trilateral security framework, given the geopolitical shifts that occurred after the end to the Cold War.^{lxix} Mr. Tsuneo Watanabe and retired Lieutenant General Noboru Yamaguchi expand on this concept, explain that regional security requires a shared threat perception, and Abe administration's prioritization of diplomacy with China has lessened the need for Japan to better relations with South Korea.^{lxx} The link of bilateral cooperation between Japan and South Korea has traditionally been North Korean aggression, and the lack of military escalations has reduced the need for the further security cooperation.

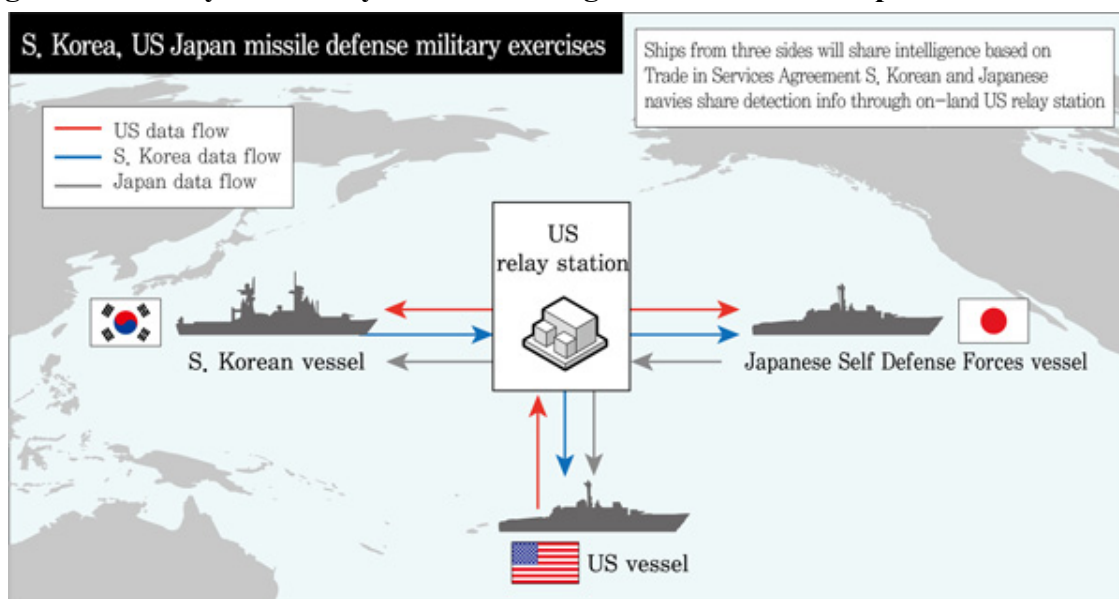
North Korea's Wedge Strategy and The Trilateral Security Framework Today

Since 1994, North Korea's wedge strategy against the trilateral security framework has been largely successful in engaging with its Cold War foes and limiting the intensification of the trilateral security framework. Specifically, its use of coercive wedging through its nuclear and missile program has historically taken advantage of the security insecurities of Japan and South Korea, as well as the reluctance of the United States, Japan, and China to become entangled into a Korean conflict that escalates into an international war, as a means of targeted engagement. The failures of the Agreed Framework and the Six Party Talks to diplomatically resolve North Korea's nuclear and missile regime has led to advances in the program that now pose as a credible threat against the United States. Furthermore, South Korea, as was the case in the Korean War, is the state with the most to lose should tensions with North Korea escalate to a military conflict.^{lxxi} Accordingly, South Korea, as identified earlier by Dr. Michishita, is the weak link within the trilateral security framework; it has more at stake with North Korea than Japan or the United States, which has led the Moon administration to prioritize mediation and engagement between North Korea and the United States when faced with North Korea's coercive wedging strategy. The results of two unprecedented summits between Kim and Trump, the first active U.S. president to meet a North Korean leader, were therefore partly due to the bridge-laying by Moon.

The differences in threat perception due to proximity has meant that Kim Jong-Un has successfully engaged the United States through coercive and escalatory measures, which, with the two cases of weapons testing in May 2019, has continued to be the trademark negotiating tactic of North Korea. However, the North's prioritization of regime security means that the U.S. has the most leverage in negotiating terms, since its nuclear umbrella and the presence of U.S. bases in South Korea have long been sticking points for all three Kim regimes. North Korea itself is well aware of this fact and has deliberately chosen to ignore or limit the diplomatic outreach of Japan as well as South Korea without further progress made on those issues. Despite North Korea's wedge strategy, however, the trilateral security mechanisms in the case of a military confrontation have not changed and are firmly in place, including mission strategic planning. The 11th meeting of the Defense Trilateral Talks as well as the quiet extension of the intelligence-sharing agreement between Japan and South Korea confirm that on the military side, cooperation continues despite the diplomatic frictions.^{lxxii} This does not mean that the political effects on bilateral cooperation

does not hinder military cooperation, particularly as Japan has failed to further joint noncombatant evacuation plans with South Korea.^{lxv} Dr. Ryo Sahashi from University of Tokyo explains that the full politicization of public diplomacy is a new regional phenomenon that has served as an additional wrinkle in negotiations.^{lxvi} However, the ongoing bilateral disagreements, according to U.S. State Department officials, might better be seen as ‘heartburn issues’ that affect the 1.5-track and 2-track level, rather than the 1-track level.^{lxvii} Working-level South Korean and Japanese officials also confirm that their day-to-day operations continue, with each nation staying in close contact regarding North Korea.^{lxviii} Without a fundamental shift to change or end the actual mechanisms and institutions of the security framework by South Korea, North Korea’s wedge strategy is highly unlikely to dismantle the trilateral security framework by itself.

Figure 9. Security of Military Information Agreement Between Japan and South Korea



(Source: Hankyoreh)

To pressure North Korea on denuclearization, however, better trilateral coordination is required between the United States, Japan and South Korea. With the fraying of South Korea-Japan bilateral relations in the public realm, U.S. diplomatic efforts to act as a mediator, or binding strategies, are required to avoid widening policy gaps between the two nations that might be exploited by North Korea, particularly as the United States serves as the ‘glue’ within the trilateral security framework. The United States, which has traditionally avoided directly intervening in historical disputes between its two Northeast Asia allies, played such a role when President Barack Obama helped end three years of frosty bilateral relations between former South Korean President Park Geun-Hye and Abe in 2014.^{lxix} Given that the highest-level of appointed officials between the two neighbors, exemplified by Foreign Ministers Kang Kyung-Hwa and Taro Kono, have had limited interactions since last year, the United States, as it has done in the past, must nudge its Northeast Asian allies to get closer. While the U.S. should avoid taking a stance on the historical disputes between the two countries, it can continue to provide forums where both countries are incentivized to meet without the scrutinizing eye of the public.

Conclusion

In order to address the challenge of strategic alignment given North Korea's coercive wedge strategy, greater trilateral coordination is required to minimize the wedges created by a gap in threat perceptions, differences in foreign policy priorities, and historical issues eroding ties between Seoul and Tokyo.^{lxx} At the cost of economic isolation and higher dependency on China, North Korea has exploited the cooperation gaps created by entrapment and abandonment fears, as well as the historical disputes between Japan and South Korea, to strengthen its position against dismantling its nuclear and missile programs. Yet, despite the success in North Korea's wedge strategy targeting South Korea and forcing engagement with the United States, the trilateral security framework remains, though weakened by the divide between Japan and South Korea. Binding strategies by the United States that sidestep the historical disputes remain key to the future stability of the trilateral security framework and avoidance of domestic politicization of unresolved bilateral issues. Finally, given Kim's placing top priority on regime security, it should be expected that North Korea will continue to ignore Abe's efforts to engage with it through summitry diplomacy, unless Japan is willing to provide economic assistance or sanctions relief before denuclearization. Accordingly, without a fundamental change to the U.S.-led 'maximum pressure' and CVID approach, Japan's role in the ongoing negotiations will likely remain insignificant. For the sake of its national security interests, Japan must continue to closely cooperate with the U.S. and South Korea on the sanctions and denuclearization front, while seeking opportunities to engage North Korea by offering the future benefits of 'normalization'.

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Public Opinion Matters: Japan-South Korea Relations and Implications for U.S. Policymaking in East Asia

Jennifer Shin

Introduction

The diplomatic rift between Japan and the Republic of Korea (ROK) in mid-2019 is deeper than ever. While the postwar bilateral relationship has seemingly always been precarious and fractious, the recent downward spiral has reached a record low. More than seven decades have passed since the Pacific War ended, but both countries are mired a series of disputes stemming from Imperial Japan's annexation and colonization of the Korean Peninsula, the legacy of which continues to divide Japan and South Korea, though both are democracies sharing the same values, allies with the United States, and major trading partners. Issues connected to the colonial period continue to roil everyday politics in both countries as politicians have leveraged or taken advantage of the periodic outbursts of domestic nationalist fervor over past memories to solidify their public support and pursue their own political agenda. Recent feuds that have broken out are over what constitutes Japan's proper contrition and reparations for two groups of Korean victims: "comfort women," a euphemistic term for forced sexual slaves of the Imperial Japanese Army, and Korean laborers conscripted during the colonial period to work in factories and mines in Japan. While Japan asserts that all claims were "completely and finally" settled by 1965 Treaty on Basic Relations, which provided a lump sum payment of \$800 million to South Korea and normalized diplomatic relations, the ROK still argues that Japan has not shown properly apologized and/or made sufficient compensation.

Such latest tension-fueled dysfunctionality in Japan-South Korean relations has not surprisingly raised Washington's concern, since U.S. security interests are adversely affected by such conflict between its two principal allies in East Asia. The need for coordination among allies to deal with the nuclear and missile threat from North Korea and to contain China's growing military presence in the region require closer trilateral U.S.-ROK-Japan security cooperation than ever. However, the current bilateral impasse over the historical legacy and other issues does not seem to have an exit in sight, and the U.S., unlike in the past, is now apparently unwilling to step in to urge both allies to resolve their differences diplomatically. At this critical time, when relations between its two allies are in disarray, U.S. leadership is imperative to ensure that trilateral cooperation is restored.

In this paper, I examine two recent cases that have further damaged ROK-Japan diplomatic ties – the Rising Sun flag incident and the ROK Supreme-Court decision on wartime forced labor. I also look at the political influence of public attitudes toward such issues. In discussing how such bilateral tensions affect U.S. security policy objectives in East Asia, I contend that both countries will ultimately continue to communicate and cooperate through the U.S. alliance system, expecting Washington to play a kind of intermediary role. This may be happening already, albeit grudgingly. This paper aims to answer three key questions: why the recent tensions between South Korea and

Japan escalated; how public opinion in both countries affect domestic politics and foreign policy, based on polls and in-person interviews; and what the implications are for U.S. policymaking of the current discord between U.S. allies. Despite so many shared views on regional security between South Korea and Japan and recognition of the importance of each other due to common threats and trade relations, their mutual interests are not sufficient to overcome the lingering public animosity arising from historical grievances. The U.S. government must understand the public sentiments of both countries in its policymaking process: many Koreans are wary of closer security ties with Tokyo, while the Japanese public is increasingly becoming exasperated with constant criticisms and apology demands from Seoul on history issues.

Recent Tensions in Japan-South Korea Relations

To understand such deeply engraved distrust and skepticism between South Korea and Japan that hinder closer defense cooperation, U.S. policymakers and leaders should consider the legacies of Japanese colonial rule on the Korean Peninsula that regularly drag the two into a fray. Both countries continue to disagree on the historical interpretation of that era, unwilling to put aside longstanding territorial and historical controversies and reach a compromise. Anti-Japanese sentiment has increased in South Korea, especially over a December 2015 bilateral agreement between the two governments aimed at settling the postwar dispute over the former comfort women”.¹ At first, the settlement seemed successful, with more than 70 percent of former comfort women receiving payments in kind, but the remaining former comfort women and their support groups remained staunchly opposed to the agreement. The South Korean government eventually closed down the fund.

Other issues are Japan’s continued use of the Maritime Self-Defense Force’s (MSDF) use of the “Rising Sun Flag” as its naval ensign, lawsuits demanding wartime forced labor compensation, and the inexplicable radar lock-on incident in December 2018. There are other longstanding issues as well: history textbooks that reflect a revisionist view, conflicting territorial claims over the Dokdo/Takeshima isles, and visits to Yasukuni Shrine by Japanese prime ministers. These recurring themes have damaged the relationship for decades. Prime Minister Abe’s singular visit in 2013 to Yasukuni Shrine where Class-A war criminals are enshrined set off a fiery public reaction in South Korea.

This section, however, will focus mainly on two latest bilateral disputes in which hardening domestic opinions have influenced government responses: Tokyo’s cancellation of its participation in the international naval fleet review in October 2018 after Seoul’s persistent protest against hoisting its Rising Sun Flag on warships, and the South Korean Supreme Court’s ruling on Japanese firms to compensate the surviving individual victims of Korean forced labor during the colonial period.

1. Issue of the Rising Sun Flag in October 2018

Japan has used the Rising Sun Flag as the official ensign of its Maritime Self-Defense Forces since 1954, but it only recently became an issue between Japan and South Korea. Adopted

in 1889 during the Meiji era, the Rising Sun Flag was originally used by the Imperial Japanese Navy but eventually raised by the Imperial Japanese Army to celebrate their victories as they continuously made conquests and waged destructions throughout Asia.² It still arouses a sense of humiliation and indignity for Koreans because during the Japanese colonial rule, Koreans were forced to bow before the flag and men were conscripted to fight in the Pacific War for the Japanese Empire under the flag. It is no surprise that Koreans equate this naval ensign with the tragic memories of Japanese imperialistic aggressions, militarism, and atrocities to their country and people.³

Given such public sentiment, Seoul requested Tokyo to replace the Rising Sun Flag with the Japanese national flag on its warships prior to the International Naval Fleet Review in Jeju last October. Foreign Minister Kang Kyung-wha urged Japan to be more considerate of Koreans' memory of Japan's colonial rule on the Korean Peninsula: "Our stance is that Japan should sufficiently consider the Rising Sun Flag's historical and emotional connotation to our people".⁴ The President's Office even received thousands of public petitions for the Japanese ship to be barred, and the Ministry of Foreign Affairs expressed its intention to take a stronger international action after reviewing "possible and appropriate options" by raising the issue with the United Nations.⁵ However, Japan's Defense Minister Onodera rejected the demand, claiming that hoisting the Rising Sun Flag on its battleships is required by Japanese law and South Korea's request would be unreasonable and an infringement of Japan's national sovereignty. Japan indicated that it had no intention of acceding to South Korea's demand; the flag would be hoisted "as a matter of course" because it is widely recognized as identification for the MSDF under the international maritime convention and no other countries such as the U.S. and U.K. have objected to doing so before. In the end, Japan decided to ultimately withdraw from the fleet review. Both nations, however, reiterated the need for continued defense cooperation.⁶

In present-day Japan, the Rising Sun Flag is also used commercially on product designs such as beer cans and clothing, newspapers, comics, posters, and banners, which the Japanese public is not concerned with.⁷ However, Japan's right-wing ultranationalists, though a fringe group, carry the flag during anti-Korean marches in central Tokyo or at Yasukuni Shrine. Many are seen wearing Japanese military uniforms from WWII and claiming it was a "sacred, holy war" that liberated other Asian countries from West invasions for their regional peace and prosperity. Their activities receive wide-spread media coverage. Most South Koreans feel offended by the flag and view it as tantamount to the Nazi's Hakenkreuz. They denounce its public display, especially when an MSDF vessel is docking at a South Korean port, as an aspiration to glorify and romanticize Japan's imperial aggressions, distort its wartime crimes, and "destigmatize themselves from a tarnished past"⁸ without full atonement.

In addition, a number of Korean celebrities have been criticized online for wearing clothes with the Rising Sun Flag patterns or even sketchy designs resembling the flag, for their ignorance of history. Japanese' spectators waving of the flag during sports events has sparked an intense

online public debate, as well. In 2012, the term “war-crime flag” was coined in South Korea, and several civic organizations have burned the Rising Sun Flag to protest against Japan.

South Korea’s “ruling party lawmaker has even proposed a bill banning the Rising Sun symbol on ships and aircraft entering South Korea and also at concerts and sports events”.⁹ For Koreans, the Rising Sun Flag is a painful reminder of the cruelty of Japanese colonial rule, a historical wound that is yet to be completely healed, while Japanese do not fully understand this sentiment and decry Koreans as extreme, narrow-minded nationalists who are locked in the past.



(Source: The Navy Times, 4 October 2018)

2: South Korean Supreme Court’s Ruling on Wartime Forced Labor

What has severely damaged the diplomatic relationship since late 2018 is the South Korean Supreme Court’s rulings against top Japanese companies by ordering them to compensate Koreans who were forced to work for those firms during the colonial and wartime period. The court has ordered two of Japan’s largest firms Mitsubishi Heavy Industries to pay as much as \$134,000 to each of 10 claimants and Nippon Steel & Sumitomo Metal Corp. to pay \$88,740 each to four plaintiffs.¹⁰ In January 2019, a South Korean district court even ordered the seizure of Korean-based assets valued at \$356,000 that Nippon Steel has in a joint venture with POSCO, the largest South Korean steelmaker, a move Tokyo calls unlawful.¹¹ There are more than a dozen similar cases pending in South Korea, which involves about 70 companies, according to the Japanese Ministry of Foreign Affairs.

The court decisions hinge upon divergent interpretations of the 1965 treaty that normalized relations between Japan and South Korea by making Japan’s colonial rule “already null and void.” The Court ruled that since the Japanese colonial rule was “imposed by force” and was illegal from the outset, “then all acts performed by the Japanese colonial authorities at that time were illegal,” and “every person under their rule [or their family members] without exception has the right to seek direct compensation.”¹² The court explained in the Mitsubishi decision that its ruling does not

conflict with the terms of 1965 Treaty because “The treaty does not cover the right of the victims of forced labor to seek compensation for crimes against humanity committed by a Japanese company in direct connection with the Japanese government’s illegal colonial rule and war of aggression against the Korean peninsula.”¹³ Both Mitsubishi Heavy Industries and Nippon Steel & Sumitomo Metal Corp. were formerly part of the large *zaibatsu* conglomerates that dominated the business landscape in Imperial Japan and benefitted from deep government connections by actively supplying wartime supplies including ammunition through coerced labor.



(Source: AP Photo, 30 October 2018)

Tokyo reacted sharply to the court decision, calling it “extremely regrettable and unacceptable” and a breach of international law, reaffirming the option of seeking an international adjudication.¹⁴ The government contends that all claims by South Korea were settled in final and full terms under the 1965 Basic Treaty of Relations that paid Seoul \$800 million in grants and loans (which was used by President Park Chung-hee on massive economic development). Japanese Foreign Minister Taro Kono underlined in a statement that “the court decisions completely overthrow the legal foundation of the friendly and cooperative relationship that Japan and South Korea have developed since the normalization of diplomatic relations in 1965.”¹⁵ They warned that if South Korea did not take “immediate actions to remedy such breach of international law,” Japan would review implementing any and all possible sanctions to protect legitimate Japanese business interests. Such countermeasures include reintroduction of visa requirement for South Korean travelers to Japan, restrictions on diplomatic officials, and the seizure of South Korean government assets in Japan to compensate the Japanese firms affected by the court decisions.¹⁶ To the ire of the Japanese, the court rulings have earned widespread public support in Korea, especially coinciding with this year celebrating 100th anniversary of 1919 March 1st Independence Movement.

South Koreans believe there is a need to properly reinvestigate the events leading up to the signing of 1965 normalization treaty because it occurred under the authoritarian regime of

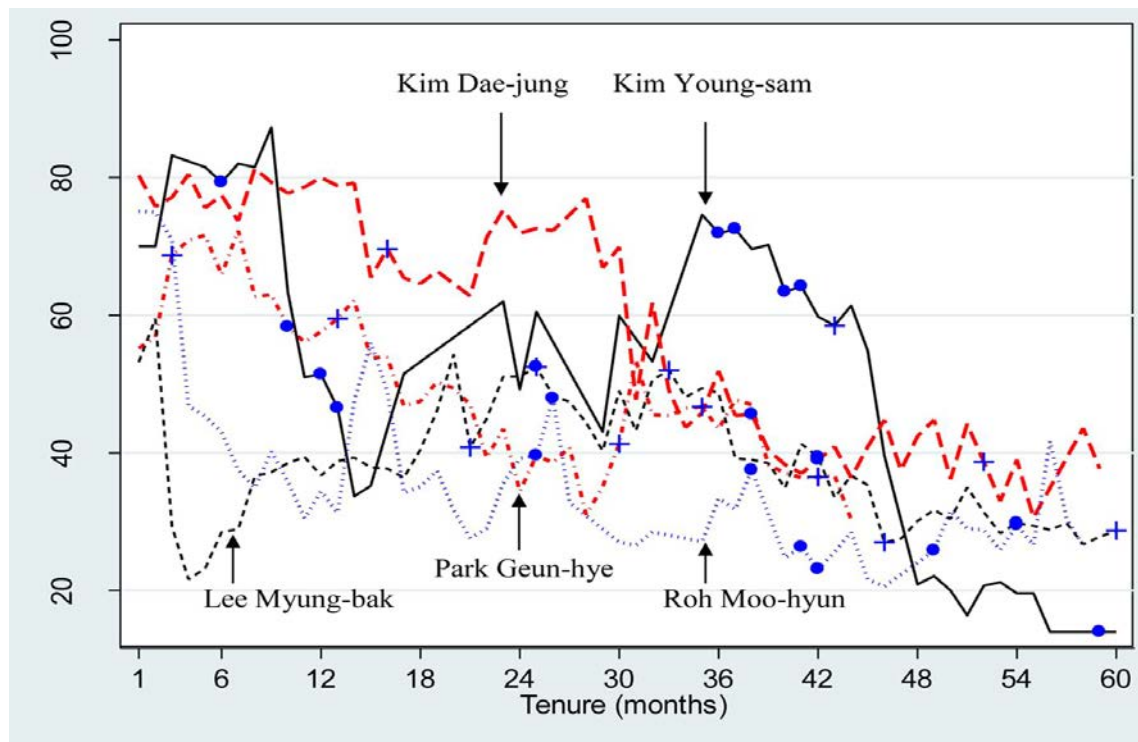
President Park, despite harsh public backlash and opposition at the time. It took 14 years to successfully negotiate the treaty. Even today, the Korean left-wing denounces and condemns Park, who was an officer in the Imperial Japanese Army, for having collaborated with the Japanese during the wartime era instead of commemorating him for Korea's economic success. Koreans still firmly believe that all influence of pro-Japanese elites who once dominated Korean business and politics in the post-colonial era must be fully eliminated to "purify" the society.¹⁷ The recent court decisions on the forced laborers are based on new social values not only with respect to relations with Japan but also toward many legal issues stemming from the period of authoritarian rule, leaving open the door for individuals now to seek direct compensations.¹⁸ In fact, many wartime victims or their surviving family members had insisted for decades that they were owed direct compensation from the Japanese government for their pain and suffering.¹⁹ President Moon Jae-in, from the progressive left-wing party, publicly endorsed the rulings and urged the "Japanese government to be humbler on the issue."²⁰ Prior to this, his administration even moved to disband a foundation setup to compensate comfort women.²¹

These two recent cases demonstrate how nationalistic public sentiments can spill over into intense diplomatic and legal debates between South Korea and Japan. Across the political spectrum, Koreans feel that Japan has inadequately and insincerely addressed the wounds of the past. Meanwhile, Japan is growing frustrated with Seoul's endless criticisms over what has already been resolved legally decades ago and unwilling to show flexibility. Although bilateral relations have always been fraught with tensions, the recurring friction was never a major threat to political, security and economic ties. However, economic risks are mounting with Japan's outrage over the forced labor rulings and "the sentiments of compromise are in short supply in both countries."²² Leaders in the past called off bilateral meetings to cool down the situation, but with nationalist fervor running high, neither Abe nor Moon has much domestic incentive to settle. Deteriorating bilateral relations is now affecting the U.S. alliance system in East Asia vis-à-vis North Korea and a rising China. Nevertheless, Seoul has expressed willingness to work with Tokyo in all areas, including pressure on the DPRK to end its nuclear ambitions.²³

Public Opinions in Japan and South Korea

The importance of public opinion cannot be stressed enough because it can help shape the public policymaking process. A leader with strong approval numbers across ideological divides has significant scope to make policy decisions, while a national consensus on an issue can help to facilitate policy options or limit the scope for compromise on critical foreign policy issues. For example, the ruling Liberal Democratic Party's victory is heavily dependent on public opinion in the run-up to the Japanese upper house election in July 2019. On the other hand, disapproval rates for ROK President Moon Jae-in from the progressive party exceeded his approval ratings for the first time since he took office in May 2017, with many Koreans disappointed with his perceived lack of ability to resolve South Korea's economic troubles.

The figure below over five previous South Korean presidents demonstrates that in general, a bilateral crisis over historical disputes occurs when the approval rating is in a descending trend, and the approval rating tends to increase after the crisis. So far, Korean political leaders can expect to enjoy rally effects and higher domestic popularity as historical disputes with Japan erupt; this arouses nationalistic sentiments, easily mobilizes people, and boosts internal solidarity around the political leadership. A preceding study concluded that South Korea-Japan conflicts not only affect the bilateral relations but also significantly impact on Korean domestic politics, based on the positive correlations of historical arguments with increased South Korean presidential approval ratings.²⁴



* Circles indicate the occurrence of Korea-Japan historical disputes. Plus signs indicate the occurrence of military crisis between South and North Korea.

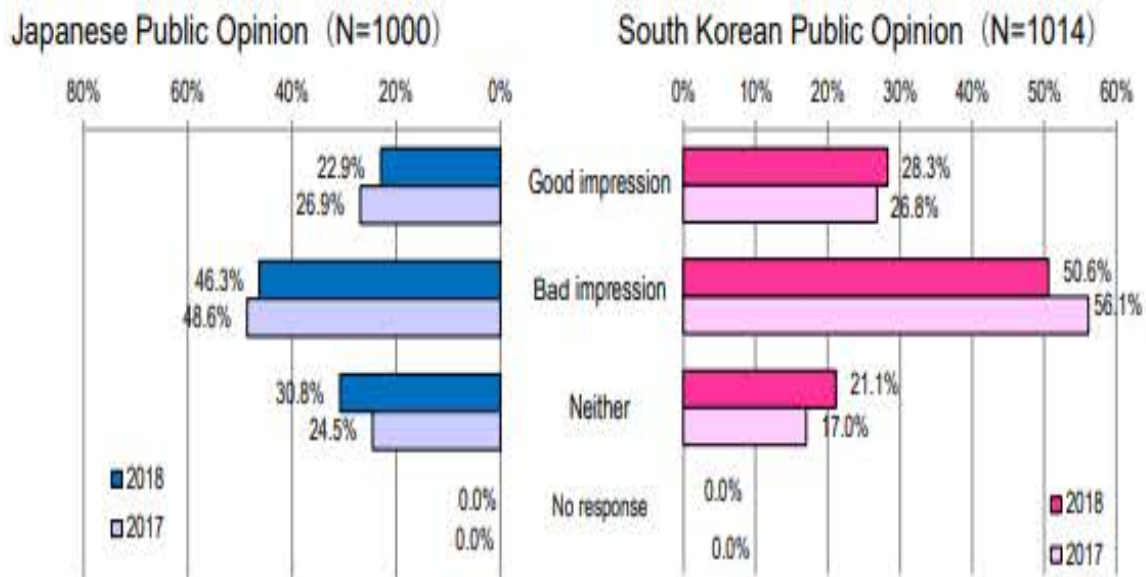
(Source: *The Journal of Asian Studies*, Volume 77, Issue 3, August 2018)

Given the importance of public opinion on domestic politics in Korea and Japan, since both are liberal democracies, this section will examine the recent trend of mutual understanding and public perceptions in the two countries, and later give implications for U.S. policy in East Asia. Along with other survey results, I will specifically use the results of joint public opinion polls by Japan's Genron NPO and the East Asia Institute (EAI), a private South Korean think tank, conducted annually to monitor the changes of public opinions by sampling 1,000 men and women in each country. The survey is composed of questions ranging from historical and political issues to cooperation efforts for regional peace and security, especially with regards to North Korea. The survey results are accompanied by interviews with relevant policymakers, scholars, and students

in Tokyo, Japan to give more accurate insights into the reality of Korea-Japan public opinions and perceptions.

First, nearly half of both South Koreans and Japanese responded with more negative impressions on each other than positive, although South Koreans' perceptions of Japan have improved from the 2017 survey, while the Japanese public is still inclined to be negative about South Korea.²⁵ Over the past six years, South Koreans' negative perception of Japan has decreased while the Japanese' positive perception of Korea has noticeably declined. To be specific, "historical controversies" and "territorial disputes," along with "comfort women issues" recently, remain the biggest factors influencing the negative impressions that both countries' public hold of each other. In a December 2018 poll by the Japanese daily Yomiuri Shimbun, most Japanese (86%) believed their country has already done enough to make amends for its wartime past.²⁶ On the other hand, a majority of Koreans believed that Japan has not properly acknowledged or shown contrition on its colonial aggression in the Korean Peninsula. In contrast, over half of the Japanese respondents held positive impressions of South Korea due to their interest in Korean pop culture. South Koreans hold favorable views on Japan because of Japanese people's character and the country is a developed country with a high standard of living and attractive traditional and modern culture.²⁷

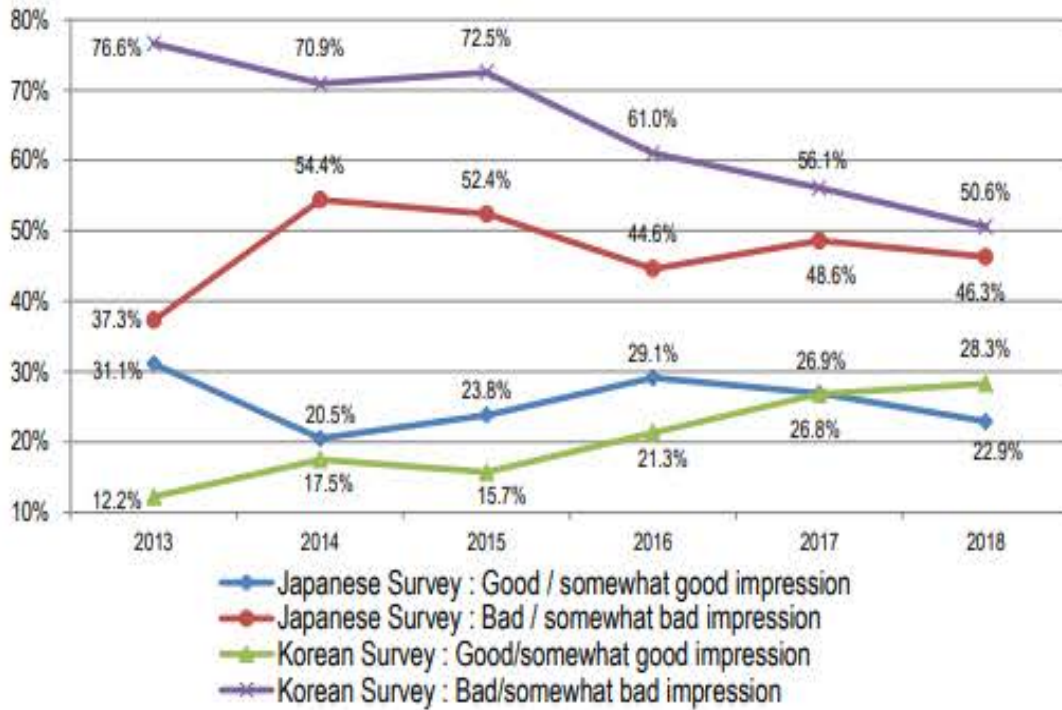
[Graph 1: Your impression of the other country]



※ Good impression includes [good] and [somewhat good], bad impression includes [bad] and [somewhat bad]

* Note: The data for "Favorable" represents the combined figure of people who responded either "Favorable" or "Mostly Favorable." The data for "Unfavorable" represents the combined figure of people who responded either "Unfavorable" or "Mostly Unfavorable."

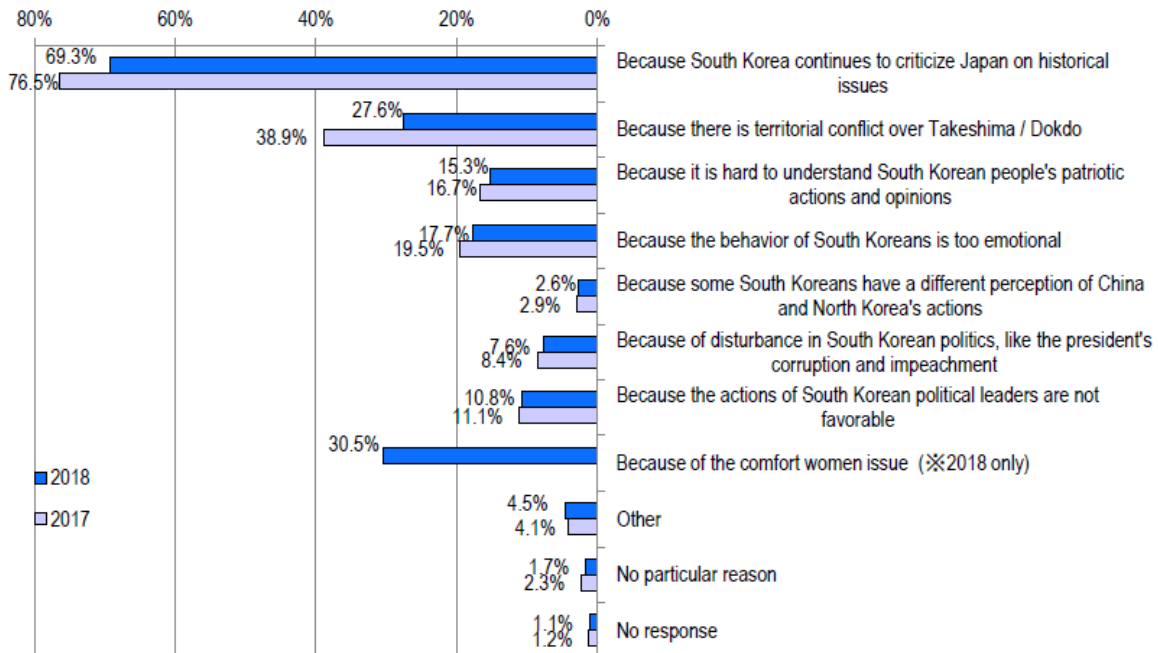
[Graph 2: Your impression of the other country (Change over 6 years)]



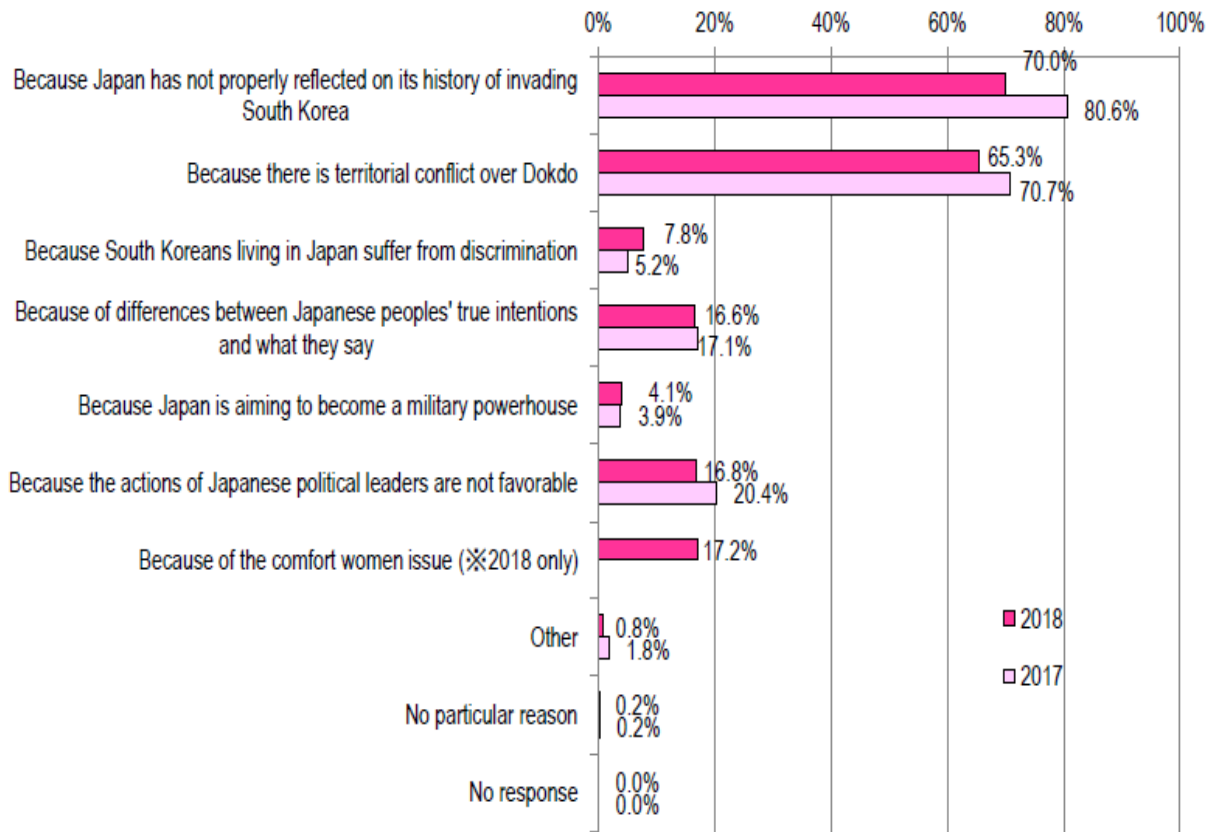
(Source: The Genron NPO and East Asia Institute)

[Graph 3: Reason for having a bad impression]

Japanese Public Opinion (N=463)



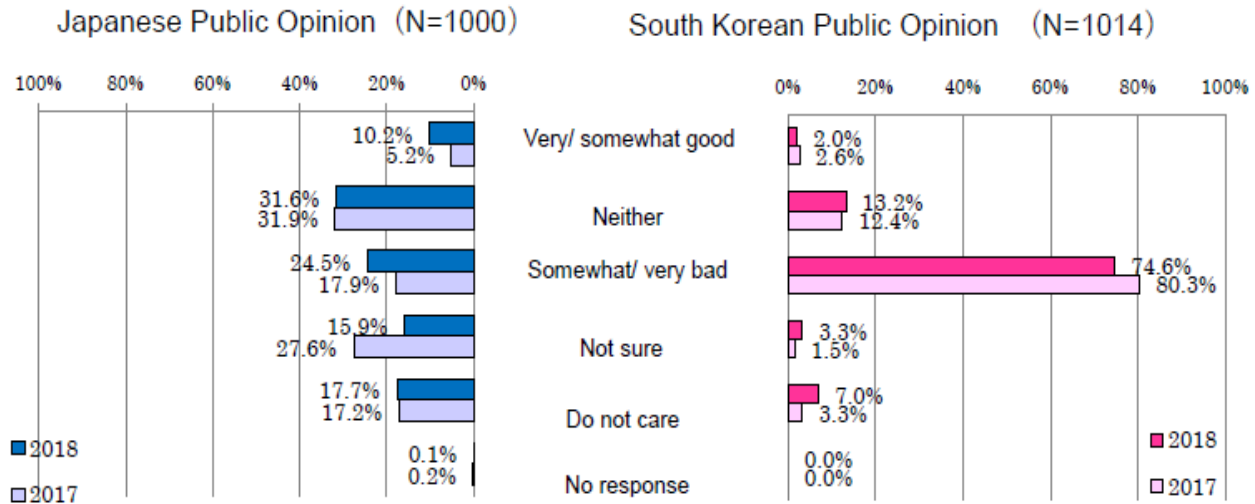
South Korean Public Opinion (N=513)



(Source: The Genron NPO)

Next, the poll also shows a perception gap between the South Korean and Japanese public in terms of their political and social systems. Over half of Japanese view South Korea as a currently “ethnic nationalistic country” that cannot move on from the past, while 40% of South Koreans view Japan as a currently “militaristic,” “right-wing” leaning, and “nationalistic” country that could threaten South Korea’s security. Moreover, although both countries are liberal democracies, only 20% of both nations see each other as “democratic” while only 40% of Korean respondents see Japan as a country with capitalist market economy. Most Japanese did not have any fixed impressions or opinions of President Moon Jae-in, while South Koreans carried “bad impressions” of Prime Minister Abe due to his right-wing, revisionist reputation.²⁸ Koreans were in fact more positive about North Korean leader Kim Jong-Un than Abe, especially after the perceived success of the inter-Korean summit in April 2018, which brought optimism for peace settlement on the Korean Peninsula.²⁹

[Graph 24: What is your impression of the other country's leader?]

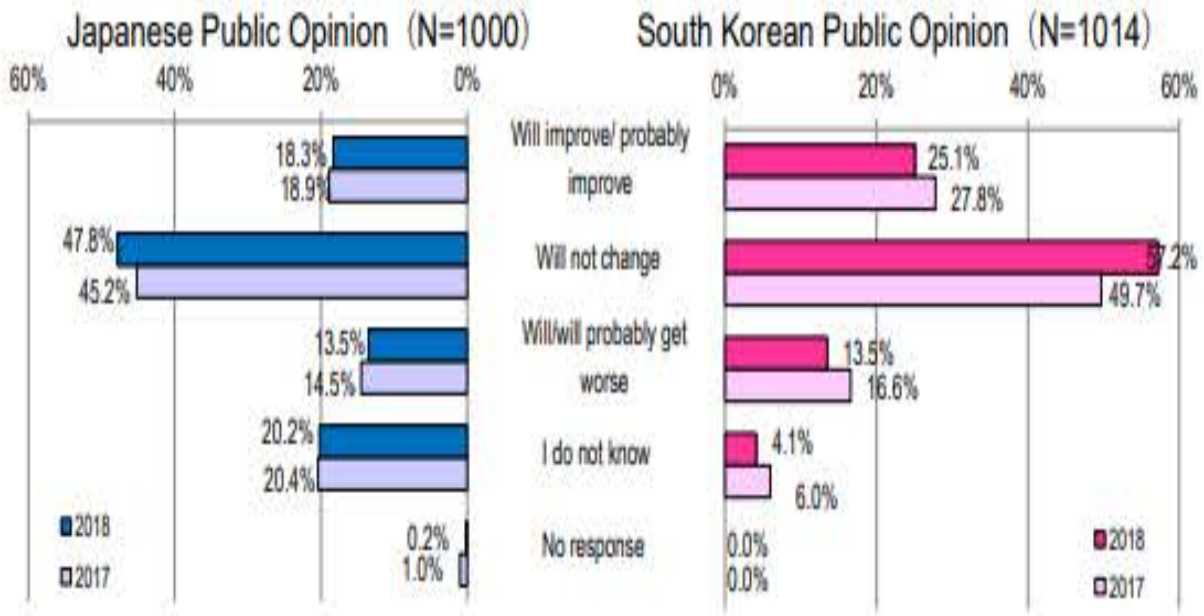


(Source: The Genron NPO)

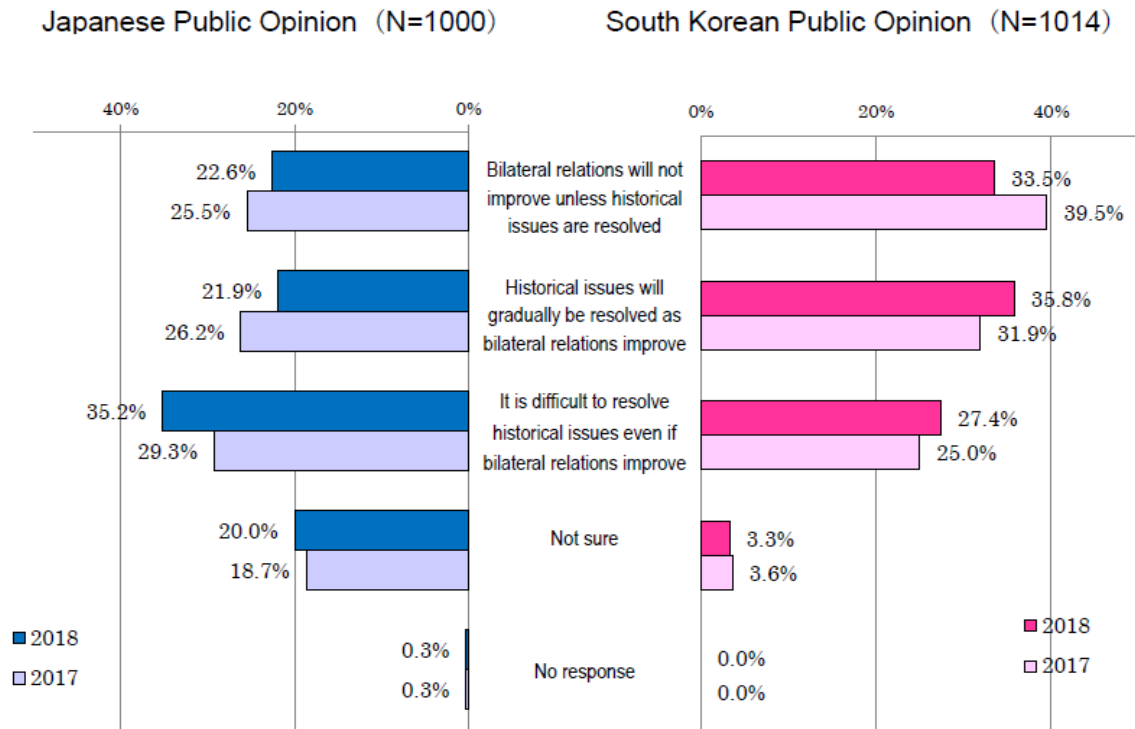
Half of the Japanese and Korean respondents believed that bilateral relations “will not change,” but many Koreans felt that Japan’s addressing the historical and territorial issues properly was most important for improving bilateral relations. However, after the Moon government announced in early 2018 that it would review the 2015 Comfort Women Agreement, which was intended at the time to be “final and irreversible, the decision reinforced the notion among Japanese that Seoul would never be satisfied on this issue, and eroded confidence that Koreans would ever accept the issues as settled. A poll by Yomiuri Shimbun poll released in January 2018 showed that 83% of Japanese thought Tokyo should refuse to make further concessions to Seoul, with some convinced that engaging Korea was not worth the time.³⁰ Indeed, the Japanese were infuriated when South Korean’s National Assembly Speaker Moon Hee-sang urged Japan’s Emperor Akihito “to hold hands with comfort women and personally apologize them” as “the son of the main culprit of war crimes.”³¹ The government demanded an apology and retraction. Moon has recently apologized.

Meanwhile, less than 10% of South Koreans believe “cooperation [with Japan] in resolving North Korea’s nuclear issues” will contribute to improving Japan-Korea relations.³² For Koreans, there is no risk alienating Tokyo since security is based on the alliance with the U.S. and does not depend on trilateral cooperation. Many South Koreans believe that Japan’s defensive role is not critical to Korean security and not needed to deter North Korean threats. However, Koreans recognize that owing to security commitments with the U.S., Japan in case of a Korean contingency will come to protect Koreans through noncombatant operations. There is concern in Japan, though, that South Korea seems disinterested in strengthening trilateral defense cooperation with Japan, even though the DPRK’s nuclear weapons remain an existential threat for both countries (from an interview with Dr. Narushige Michishita at GRIPS in Tokyo, Japan on March 20, 2015).

[Graph 8: Future of Japan-Korea relations]

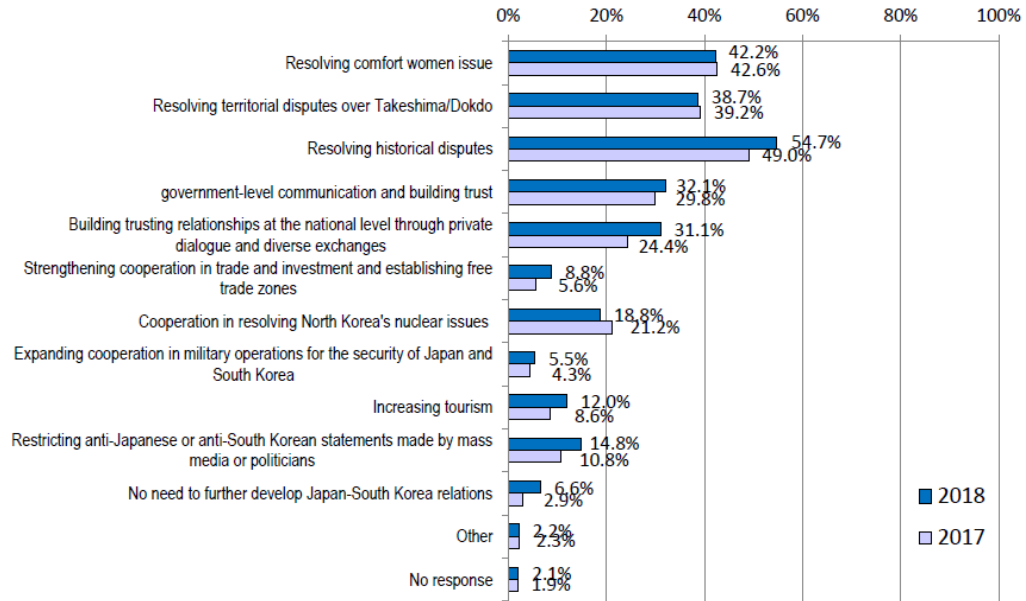


[Graph 18: Japan-South Korean relations and historical issues]



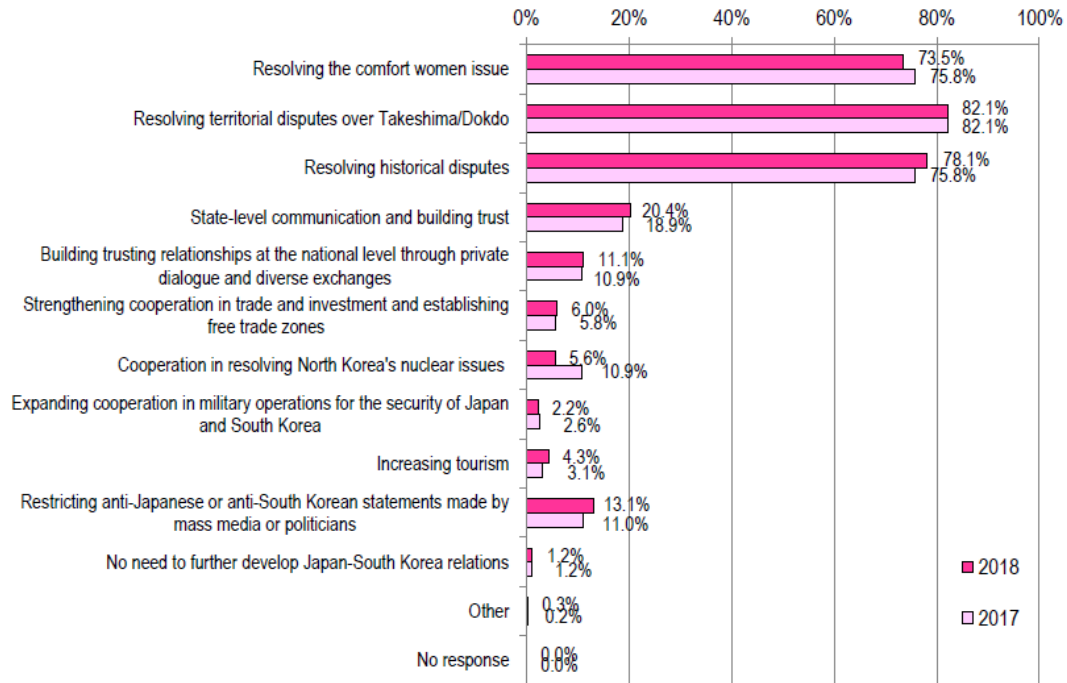
[Graph 9: What should be done to develop Japan-South Korea relations?]

Japanese Public Opinion (N=1000)



(Source: The Genron NPO)

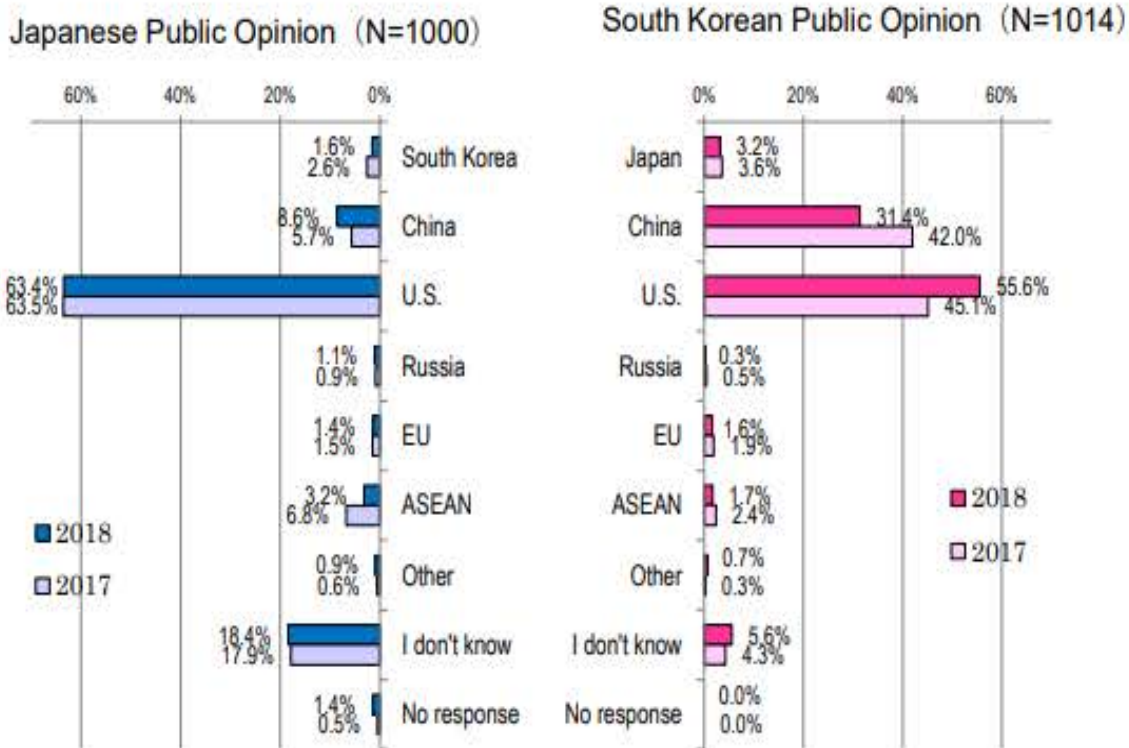
South Korean Public Opinion (N=1014)



(Source: The Genron NPO)

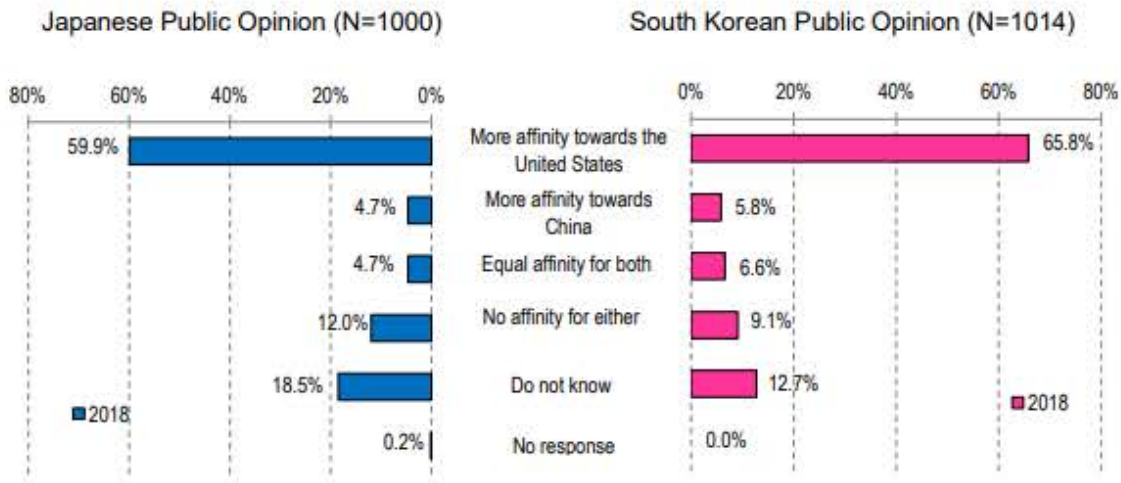
Overall, Koreans and Japanese generally understand that they share similar perspectives on the security dynamics of East Asia, namely, the importance of the U.S. military presence in the region to deal with China’s military buildup. There also is a mix of anxiety and fatalism about the North Korean threat. While there is some concern in both countries about the reliability of the U.S. as ally under Trump, most South Koreans and Japanese expect the U.S. to provide stability and security guarantees. South Koreans and Japanese generally express confidence in Washington’s security and diplomatic commitments and have faith that their U.S. alliance will effectively deter attacks from North Korea. The United States is also the most crucial country for their future as answered by over 60% of Japanese and more than 50% of Koreans in the Genron NPO-EAI survey. However, while 60% of both also feel a stronger sense of affinity towards the United States than any other, it is worth noting that very small percentages of Koreans and Japanese have affinity towards each other’s country and China was seen more important for South Korea’s future for economic reasons. Yet, they also recognize the importance of each other, more so by Koreans (80%) than Japanese (60%) because of geographical proximity, economic and trade relations, as well as historical and cultural similarities.³³

[Graph 15: Countries I think are important in considering my country’s future]

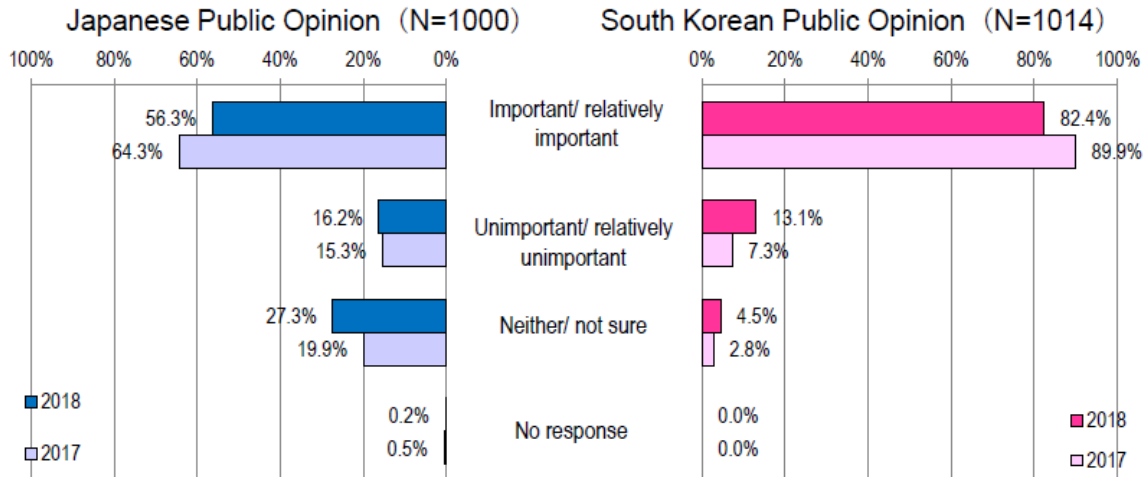


(Source: The Genron NPO)

[Graph 14: Affinity to the United States and China]



[Graph 10: Is the Japan-Korea relationship important now?]

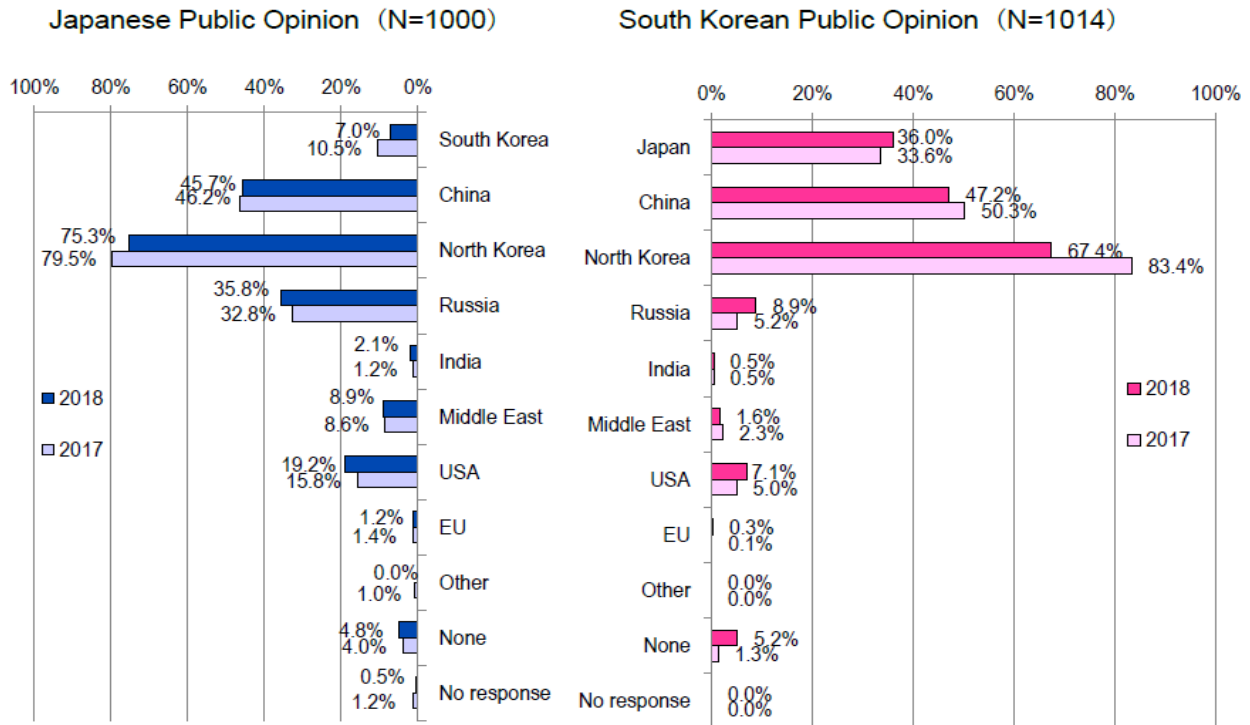


(Source: The Genron NPO)

Yet, despite the security threats from North Korea and China, that perception has failed to move Japan and South Korea towards reconciliation. Neither the Korean nor Japanese public views the regional security architecture as trilateral, and both countries prefer the U.S. to bridge the gap between them, acting as an intermediary. They reject forging direct cooperation or communication channels. Disputes over how to remember and interpret Japan’s colonial rule on the Korean Peninsula and wartime acts further drive both countries away from each other in terms of security and political relations. Over the last decade, mutual distrust and criticisms have shaped public opinions despite closely interlinked business ties and increasing people-to-people exchanges. For example, while 70% of Koreans view North Korea as the greatest military threat, over 30% of Koreans regard Japan also as a potential military threat.

Another survey showed that 60% of respondents did not trust Tokyo to follow through on its diplomatic remedies and peace commitments such as the war-renouncing Article 9 of the Constitution. In particular, Koreans who support the progressive Moon administration believe that increasing pressure on Japan on such historical issues as the comfort women is preferable to deepening bilateral ties. This trend was especially visible among younger Koreans who distrusted conservative President Park Geun-hye and leveraged anti-Japanese sentiment to oust her.³⁴

[Graph 25: Countries you view as a military threat]



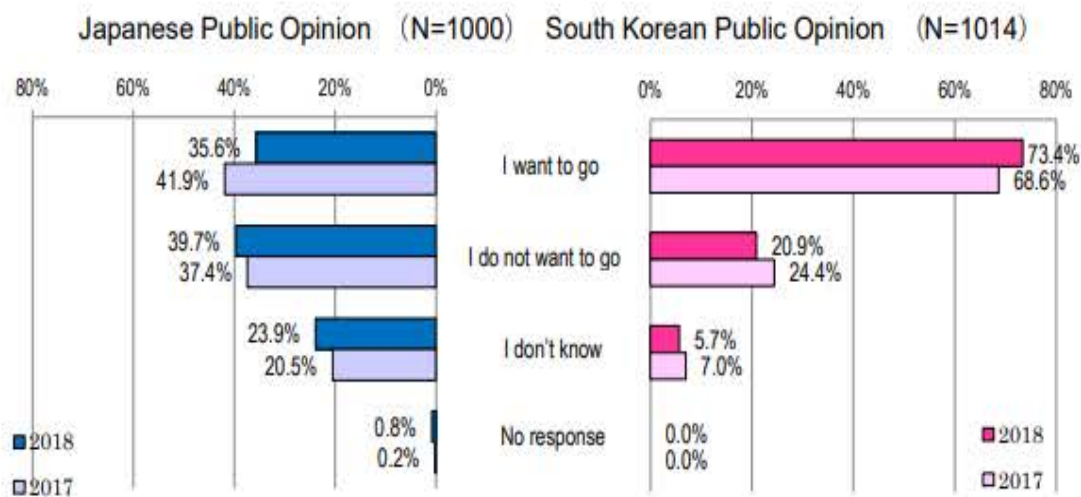
(Source: The Genron NPO)

Less than half of Japanese citizens support Prime Minister Abe’s attempts to revise the Constitution, but there is little doubt in Japan that if the country should ever exercise its military power, it would be directed against China or North Korea.³⁵ However, an absolute majority in South Korea fear that Japan’s expansion of defense capabilities is a path toward remilitarization, thereby threatening Korea’s own security. This fear has created a dilemma for politicians and government policymakers when choosing foreign policy options toward Japan. Previously, hardline stances in disputes with Japan were promoted by civic nationalist groups in the ruling and opposition parties. Now powerful business leaders and military officers with nationalist views are weighing in. For example, Gyeonggi province in South Korea announced in March 2019 its intention to require public schools to put stickers saying, “This product was made by a war crime company” on products produced by certain Japanese companies.³⁶ In response to the possible seizure and sale of assets from two Japanese firms engulfed in the forced labor compensation rulings, the Japanese Foreign Ministry said it is reviewing raising tariffs on South Korean imports

to protect Japan’s economy.³⁷ Such mutual retaliation is diminishing the usual “deescalation” coalition that would have provided both leaders with rationales and political cover to return to future-oriented relations as in the past.³⁸

An interview with a student at Keio University reflects current views trending among young Japanese regarding relations with South Korea. He believes that the historical issues have been resolved already by the treaties and agreements, as well as the formal apologies and compensations that Japan has provided for the period of colonial rule and for the brutal treatment of Koreans. He maintains that Japan is now a different nation than the one that existed in its militaristic past. However, that young person’s overall perception of South Korea does not reflect the current diplomatic row. He said that the K-pop boom is still strong in Japan regardless of what the Japanese media claims about Korea. Some Japanese including him do not understand why Prime Minister Abe visited Yasukuni Shrine, even though such acts fuel anti-Japanese sentiments in China and South Korea and further deteriorates relations. However, the student was not aware that South Korea was under a dictatorship for 30 years before the regime was overthrown by the massive democratization movements in June 1987. This explains why many Japanese feel unfairly criticized by South Korea for the issues they see as settled by the 1965 Treaty. Many young Japanese have only a vague knowledge of history learned in school or from the media that tend to frame the issues such as comfort women as inherently confrontational with Seoul. Despite the historical knowledge gap between the two societies that hinder the building of future-oriented bilateral relations, cultural exchanges and people-to-people ties are growing and will continue to do so. For example, some 7.53 million Koreans visited Japan in 2018, reaching a record high, and the number of Japanese tourists to Korea also increased at the fastest rate at 28.1% in 9 years to 2.92 million.³⁹ Grassroots exchanges can over time create mutual understanding.

[Graph 16: Do you want to go to the other country?]



(Source: The Genron NPO)

Implications for U.S. Policy Objectives in East Asia

It has always been in the U.S.' interest to have strong security cooperation between South Korea and Japan in dealing with China's military expansion in the region and uncertainties surrounding the denuclearization of North Korea. The U.S. has urged both countries to reach common ground on the history problem and not to be bogged down on issues of the past, for such confrontations can interrupt the joint-deterrence posture needed to deal with North Korean threats. The latest escalation of the row between Seoul and Tokyo has left Washington with little opportunity to expand trilateral initiatives that address regional security issues. Sour relations between two key allies generate unneeded complications for the U.S., especially at this crucial time when the U.S. wishes to apply maximum pressure while negotiating with North Korea to abandon its nuclear arsenal

From the American perspective, the historical issues are secondary to the impact of deteriorating bilateral relations on the fragile structure of trilateral security cooperation among Japan, Korea and the U.S. to deter a Korean Peninsula contingency.⁴⁰ In May 2017, during a seminar at Sejong Institute in Seoul, Korea, then Charge d'Affairs Marc Knapper at U.S. Embassy Seoul said: "The trilateral security cooperation must remain robust and well-implemented and must not be obstructed by historical disputes such as the comfort women."

With the Trump administrations, the managing of alliances with Japan and South Korea in a trilateral context has become complicated. Officials have pointed out that "While President Obama valued the alliances and considered stable South Korea-Japan relations as a strategic factor for the United States, the Trump administration views US-ROK relations and US-Japan relations separately."⁴¹ President Trump is focused more on burden-sharing deals with Tokyo and Seoul to achieve cost-saving "wins" rather than making efforts to keep alliances solid and sound.⁴² In the past, the U.S. has shown willingness to engage its two East Asian allies at a higher level when the two sides lost the ability and interest to talk to each other. By operating mostly behind the scenes to avoid taking sides, Washington successfully intervened and mediated Seoul-Tokyo conflicts at several critical moments, helping to carve a path toward restored cooperation. For example, it pushed the two to sign the 2016 General Security of Military Information Agreement (GSOMIA), demonstrating the effectiveness, capacity, and uniqueness of the United States, whose support is crucial to both Japan and Korea as a common ally. At that time, GSOMIA was understood not only as a means to ease U.S. security burdens in Northeast Asia but also establish an institutional mechanism for bilateral defense cooperation, providing Washington with much-needed framework to stabilize the regional security environment.

Despite the U.S.' strategic interest in ensuring effective trilateral cooperation with South Korea and Japan, Washington has yet to take an active interest in breaking the current bilateral deadlock. The Trump administration is rather reluctant to intervene directly in any clash between South Korea and Tokyo for the fear of being accused of taking sides, although it understands the necessity of its leadership efforts to mediate the feud and disruptions in the trilateral engagement. The White House strongly prefers that Korea and Japan resolve their conflicts on their own,

although it recognizes that the latest row can undermine military cooperation and coordination between Japan and Korea if left as is. Moreover, the influence of U.S. dwindles as both South Korea and Japan resist joining the same side of the game to contain the rise of China and unite to pressure North Korea toward denuclearization. Regarding the apparent lack of interest or action from the U.S., a former South Korean government official said: “The U.S. State Department seems to be in disarray, and thus will be unable to play a role in bridging the two sides. To break the impasse, a high-level dialogue channel must be arranged but now both sides seemed to have lost the appetite to do so.”⁴³ Troubled Korea-Japan relations can limit security, economic, and possibly sociocultural cooperation between the two, which is also eroding the power of U.S. policy toward East Asia.⁴⁴

Conclusions

The public in both Japan and South Korea agree that they share common security threats—China broadly and the more immediate threat from North Korea. However, in the short-to-medium term, it will be difficult for both countries to overcome such deep-rooted historical grievances that can erupt into diplomatic tensions. Their similarities in terms of language and culture, democratic institutions, and capitalist market economy are not enough incentives to alleviate the animosity or intransigence over historical arguments they have been educated and socialized into. South Korea and Japan are deeply entrenched within their own narratives, which politicians and activists have proven adept at leveraging for their own political interests. While both South Koreans and Japanese understand the need for deepening the ties, Koreans call for less involvement from Japan because they regard it as a disruption to engagement with North Korea. They want a more independent approach by their own government in addressing North Korea issues, which is likely to diminish the sense of urgency that might otherwise incentivize bilateral cooperation with Japan. Both South Koreans and Japanese dismiss direct security cooperation as unnecessary and undesirable and will continue to communicate and cooperate with each other through their respective alliance with the U.S.

While short-term reconciliation may not come easily, there are still other issues both public can agree on, such as: expanding their economies through more trade, importance of multilateral engagement, desires for their countries’ greater role and influence in global affairs, environmental protection, human rights, and science and technology development, which can bring South Korea and Japan closer together. In the long-term, some progress might be made towards building mutual understanding as civil society, cultural exchanges, business ties and tourism have all survived the last decade of tumult in the Japan-Korea relations despite ups and downs in the political level. The mutual trust among the general public and intellectuals is indeed in trouble, but people-to-people connections will continue and foster new avenues for communication. If Tokyo is able to properly acknowledge, embrace, and reflect on its history, reach a common narrative with South Korea, and uncomfortably wrestle with it, with time reconciliation may be possible. Meanwhile, Seoul needs to welcome and encourage any steps Tokyo may take towards a shared understanding of history and treat each step towards one another in the right direction rather than an incomplete journey.

The United States must be able to skillfully manage sensitive, complicated historical issues involving the two allies to avoid further confrontation by developing an intimate understanding of the history and taking a further step as a mediator. For example, it can convince the South Koreans that a diplomatically more assertive and militarily capable Japan is not a threat to their own security, and it can also urge Japan to act in a more cautious, considerate, and sincere manner in revisiting the controversies over colonial era legacies. As long as Washington does not try to destabilize the region, people in both countries will continue to support and endorse a strategy that places the U.S. security commitments at the center of East Asia and accept arrangements that may force Japan and South Korea to work together indirectly. Both states prefer to view the U.S. as a hinge that connects South Korea and Japan together while working separately within each alliance structure, instead of conceiving the region under the U.S.-Japan-South Korea trilateral structure. Although there is little Washington can do more actively to improve bilateral relations at this point, it should make efforts and continuously facilitate Seoul and Japan to discuss pathways out of current impasse even though its mediation may not result in immediate success. The U.S. has a potential to play a critical role in the long run, to shape the future of South Korea-Japan relationship and move them toward reconciliation for a sound, sustainable policy remedy promoting collective security in East Asia.

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From Aid to Trade: The Evolution of Japan's Relations with Sub-Saharan Africa

Ian Jacobs

Introduction

Japan will host the seventh edition of the Tokyo International Conference on African Development (TICAD) on August 28-30, 2019. The event, to be held in Yokohama, will highlight the myriad efforts that the Japanese government and other members of the international development community have been making in partnership with countries in Africa¹ to support the continent's social and economic development. TICAD I, held in 1993, was strictly focused on how Japan, then the world's top provider of foreign aid, could bring attention to and improve the effectiveness of how official development assistance (ODA) could support African development. However, while Africa's social development remains the primary objective of TICAD, the means for achieving this has progressively moved from a focus on foreign aid to letting the private sector take the lead in increasing international investment and trade with the countries on the continent.

After two decades of stagnation through the 1980s and 1990s, many countries in Sub-Saharan Africa started to experience sustained economic growth as the price of oil and other commodities abundant on the continent started to rise in the early 2000s. The boom was primarily driven by China's demand for resources as it rose to become the world's top manufacturer and trading country, and eventually replaced Japan as the world's second largest economy. As China became the top trade partner of several African countries, Japan found itself losing influence with many countries on the continent and having to change its approach in engaging African leaders who, having seen their economies start to develop through trade and investment, lost interest in being "charity cases."²

Japan is now actively seeking strategies to increase the presence of its private sector in Africa, driven as much by the demands of Africans as it is by its own strategic and economic interests. While the African continent holds the promise to become the biggest consumer market in the world, Japan's domestic market continues to shrink due to demographic changes. However, Japanese businesses have encountered several challenges that have hindered investment in Africa, and Japanese corporations have generally been unwilling to accept the risks despite the potential rewards. At present, Japan's ODA remains its primary tool for engaging with countries in Africa, but it is increasingly targeted at facilitating trade and private sector development.

This paper will explore the evolution of Japan's relationship with Sub-Saharan Africa, as well as the reasons for Tokyo's determination to improve economic engagement with the region. It will also describe government and private sector cooperation aimed at increasing investment and trade with African countries, and the challenges that they face. Finally, this paper will analyze the strategic implications of Japan's engagement with Africa, and how the rise of China on that continent affects relations between the two East Asian neighbors.

History of Japanese Aid to Africa Through the Cold War

The history of Japan's aid policy to Africa has typically been divided into several time periods, starting with Japan's postwar recovery years, then entering a growth period culminating with Japan became the continent's top aid donor in 1990s, and ending in the 21st century as the foreign assistance environment in Africa began to change and Japan's financial resources available for ODA started to shrink.³ Mitsugi Endo notes that the first period is characterized by the lack of any real policy for engaging Africa. However, he points out that it was during this period in the 1960s and 1970s when Japan became a major development partner of countries in Asia and began developing the aid strategies that would later shape its engagement with Africa.

The oil crisis of the 1970s served as the impetus for Japan to start deepening its relations with African countries. The first crisis in 1973 saw the price of oil rise after an Arab embargo on shipments following the Yom Kippur War in the Middle East. The oil shortage led Japan to begin securing closer ties with Middle Eastern oil producing countries, as well as increasing its interest in other resource-rich regions of the world.

In that context, Africa's share of Japan's total aid expenditure started to rise from just one percent in 1972, after Japan joined the African Development Fund in 1973. Tokyo also began to ratchet up diplomacy, with Toshio Kimura becoming the first foreign minister to visit Africa in 1974, making stops in Ghana, Nigeria, Zaire, Tanzania, and Egypt.⁴ Beyond "resource diplomacy," Japan claimed solidarity with African countries by stressing its opposition to colonialism and discrimination. By 1975, Tokyo's increased attention to Africa saw the share of Japanese aid there rise to 6.9 percent, totaling over \$59 million.⁵ Following the second oil crisis in 1979, Foreign Minister Naoshi Sonoda made a similar tour like Kimura's, stopping at Nigeria, Cote d'Ivoire, Senegal, Tanzania, and Kenya in order to secure Japan's interests. Endo stresses the reactive nature of Japan's foreign policy toward Africa during this period. He notes that the shock of events in the Middle East drove Japan's engagement with Africa.⁶

International pressure also spurred Japan to increase aid to Africa through the 1980s. The U.S. and other Western countries continued to urge Japan to increase both the quantity and the quality of its aid, including that to Africa.⁷ Even as it grew to become one of the world's top aid donors, Japan received increasing criticism for the self-interested nature of its ODA practices, such as tying aid to Japanese procurement. These mercantilist practices often considered Japan's own strategic and economic interests as much as the interests of recipient countries. U.S. pressure led Japan to increase its aid to strategically important countries in the context of the Cold War, which drew African criticism of Japan for supporting white-minority governments on the continent.⁸

This apparent bias was particularly evident in Japan's economic approach toward apartheid-era South Africa in the 1980s. While the Japanese government implemented measures to discourage private companies from doing business in South Africa, those efforts proved to be ineffective as the appreciation of the yen following the Plaza Accord spurred Japanese foreign investment in South Africa, just at the time when the international community was placing sanctions on that country. Japan drew strong international criticism as it temporarily became the

apartheid government's top trading partner in 1987, and highlighted the disjointed nature of Japan's engagement with the region as bureaucratic infighting between the economic and foreign ministries prevented a comprehensive approach to South Africa and other countries at the time.⁹

Japan's aid had also been criticized for usually being provided in the form of long-term yen loans as opposed to grants, which fit more closely with the Western ideal of foreign development assistance. Responding to this criticism, Japan adopted the concept of "comprehensive security"¹⁰ under Prime Minister Masahiro Ohira, and began diversifying the types of aid it provided in Africa to include more grants, economic cooperation, and humanitarian assistance.¹¹ Japan became a full member of the African Development Bank in 1983, and the share of Japanese aid going to Africa reached 15.2 percent in 1989.¹² This occurred despite Japanese and other international businesses began to lose interest in Africa as potential growth market.¹³

By the late 1980s, Japan had become the world's top donor of foreign aid on a dollar-denominated basis following the yen's appreciation after the Plaza Accord. However, the future direction of Japan's aid policy, and the world's best practices for foreign aid more generally, had become less clear as "aid fatigue" set in among Western donor countries. Furthermore, the World Bank and IMF's structural adjustment programs of loaning large sums of money to African governments to assist them in liberalizing their economies along Western standards proved to be a failure. Many African governments became deeply in debt as per capita income on the continent decreased by 1.2 percent from 1980 to 1990. However, the decade also marked the emergence of the Japanese aid-related NGOs working overseas and the Japanese government's humanitarian assistance programs to Africa. Japan directed disaster assistance in response to droughts and the resulting famine that affected the Sahel and parts of Eastern and Southern Africa. Sato believes that this may have contributed to the Japanese public's misperception of Africa as being a poor region of the world perpetually in need of assistance.¹⁴ These factors contributed to the Japanese government establishing its ODA Charter in 1992 and launching TICAD in 1993 to direct its future aid activities in Africa and the world's other developing regions.

The Evolution of Japan's ODA Policies through the Cold War

Japan's ODA policies are rooted in the concept of "self-help," which sees donor countries provide the training and tools necessary for recipient countries to take responsibility for their own development. This focus on self-help can be seen in Japan's general preference to provide ODA in the form of concessional loans rather than grants, as is generally preferred by Western donors. Japan's belief in providing direct consultation with recipient governments in infrastructure development as key to creating the tools for economic and social development also contrasts with Western governments, which generally concentrate on implementing institutional reforms to spur development.¹⁵

These practices grew out of Japan's experience as an aid recipient during the immediate postwar recovery and then becoming a donor to countries in Asia. Mitsuya Araki stresses the importance of the U.S.'s determination at the outset of the Cold War in helping Japan quickly develop economically, including the provision of concessional loans from the World Bank, to stem

the rise of communist and socialist influence in the country. The 1951 Treaty of San Francisco ended the U.S. postwar occupation of Japan and set Japan's status in the international order. Article 14 of the treaty established that Japan would provide "service reparations" to the countries throughout Asia that it invaded and occupied during the war rather than strictly in financial payments, as most of these countries preferred such for recompense. These "service reparations" saw Japan supply equipment and materials to these countries with the goal of promoting economic development, but also had the dual-goal of promoting Japan's own industries, which produced the equipment and materials that these countries received.¹⁶

In 1954, Japan joined the Colombo Plan to promote development in South and Southeast Asia and would go on to host a series of conferences in the 1960s focused on development in Southeast Asia. During that period, its economic cooperation with countries in the region continued to grow. Japan served as a primary driver of economic development in Asia during that time, and served as a bulwark against the spread of communism in the region, as part of its alliance with the U.S. During this period, Japan provided ODA in a mix of reparations payments and yen loans designed to promote import and export industries in both Southeast Asia and Japan. Tied-loans, which required the recipient country to award contracts to Japanese companies, supported Japanese construction firms as they built much of the infrastructure that supported much of the region's development. This relationship saw Southeast Asia's development support Japan's own continued economic growth as Japanese businesses moved beyond Japan's borders and established themselves in the region.¹⁷

This combination of trade, investment, and economic cooperation were the core features of the "Japan model" of ODA that promoted the interests of both the provider and recipient of aid that persisted through the 1970s. This contrasted with Western concepts of development assistance which prioritized the needs of recipient countries. While Japan's development efforts in Southeast Asia achieved many clear successes for both donor and recipient, the large presence of Japanese businesses in many Southeast Asian countries eventually sparked a backlash as many accused the Japanese of primarily serving their own interests at the expense of opportunities for local businesses.¹⁸ This backlash was also one the drivers behind Japan beginning to diversify its economic relationships when Foreign Minister Kimura toured Africa in 1973.¹⁹

In addition to the increasing share of Japanese aid going to Africa and other reforms to its foreign aid programs, the 1980s saw Japan achieve one of its greatest successes in development assistance with the initiation under Prime Minister Masayoshi Ohira of yen-loans to China as its economy began to takeoff during its economic reform and opening up period. These loans, which aimed to support the reforms of Deng Xiaoping, occupied more than 90 percent of Japan's ODA to China during this period. In addition to highlighting the concept of self-help inherent in Japan's economic cooperation with China, Araki points out that it also highlights that much of Japan's ODA to Asia during the Cold War went to authoritarian countries that had greater control in assuring how development funds would be utilized.²⁰ Democracy and human rights were not as

important as national and economic interests in determining where Japanese ODA would be directed.

The onset of “aid fatigue” among donor countries and Japan’s rise to the position as the world’s top donor country following the end of the Cold War led Japan’s Ministry of Foreign Affairs to release its first ODA Charter in 1992. The charter was established to both better explain Japan’s concept of self-help in foreign assistance and expand the fields in which it could contribute to global development. Democratization, peace promotion, and environmental preservation were set as major principles of Japan’s ODA policies, and the key components for the successful implementation of ODA projects were established.²¹

The Tokyo International Conference on African Development (TICAD)

The initial push for the Japanese government to organize an international conference on African development originated in New York with Japan’s Mission to the United Nations. Foreign Ministry thinking was that with the pullback in Western aid to Africa following the end of the Cold War, Japan in this way could demonstrate its commitment to the international community. The aim was to counter previous criticisms of its aid policies, as well as for Japan to gain further prominence within the U.N.²² Following the end of the Cold War, some positive development occurred in Africa, including the end of several intra-state conflicts, the development of democracy in several countries, and the end of Apartheid in South Africa. These set the stage for Japan to establish a new relationship with many of the countries in Africa.²³ The “TICAD process,” which includes frequent ministerial and other meetings on specific African development held between major summits,²⁴ has served as the nucleus of Japan’s relations with Africa since the first conference was held in Tokyo in 1993.

TICAD (I-III)

Hosted by Japan, attendees of the early meetings of TICAD included representatives from African countries, donor countries, multilateral institutions, and a range of civil society organizations. The primary achievements of the first three conferences, held every five years from 1993, was to institutionalize the TICAD process while bringing attention to African development during periods when the international community’s attention had largely shifted elsewhere.²⁵ At TICAD I, Japan sought to promote the “Asia development experience” of state-led growth as a model to be followed in Africa, though there was little consensus on how or whether these policies could be implemented in the African context. The concepts of ownership of development among African countries and partnership with the international community were adopted as core principles of development.²⁶

Participants at TICAD II in 1998 sought to create a more concrete, outcome-oriented conference through the adoption of the Tokyo Agenda for Action (TAA), which established a set of guidelines for international cooperation on over 300 potential development projects throughout Africa. Focusing on the theme of integrating African countries into the global economy through poverty reduction and sustainable development, the TAA moved beyond the idea that Africa

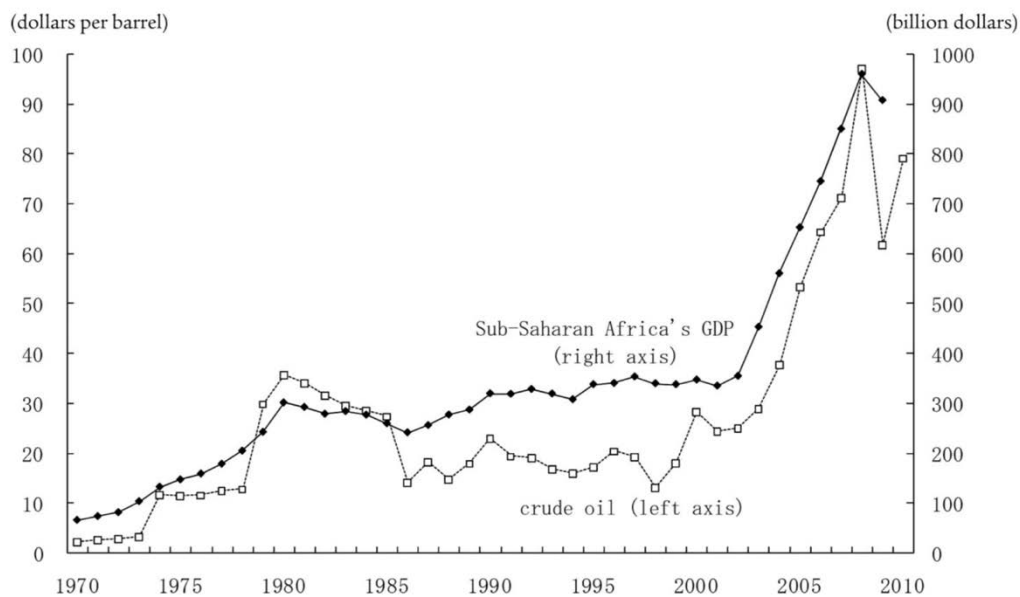
should simply adopt the “Asia model” and identified several approaches that could potentially be successfully implemented. However, the infrastructure deficit in Africa as well as the lack of capacity among both donors and recipients in coordination and implementation limited its successes.²⁷

TICAD III, held in 2003, was notable for Japan’s shift from its focus on state-led growth as a means of development to the concept of “human security,” which emphasized the individual as key for social and economic development.²⁸ As described by Prime Minister Yoshiro Mori in a 2001 speech in South Africa, human security is a concept that believes global stability relies on creating a secure environment for all people of the Earth, and viewed “support for development and conflict prevention/refugee aid as if they were two wheels of a cart.”²⁹ TICAD III also supported the 2001 New Partnership for Africa's Development (NEPAD), further promoting African ownership of its own development.³⁰

TICAD (IV-VI)

TICAD IV in 2008, dubbed the “Year of Africa” in Japan, marked a significant turning point in the history of the conference. It was the first TICAD to be held during a period of sustained economic growth in Africa, creating a new dynamic in the relationship Africa countries and Japan and the rest of the donor community. This growth coincided with rising Chinese demand for oil, the continent’s top export product, and other natural resources. Many doubts were raised about the effectiveness of aid and the importance of democratic governance benchmarks when countries with some of the worst governance rankings achieved some of the highest levels of growth.³¹

Figure 1. Sub-Saharan Africa’s GDP and Crude Oil Price



(Source: Katsumi Hirano)

The emergence of China as a major economic partner in Africa led many of the continent's leaders to seek a new relationship with Japan through the TICAD process. China had commenced the Forum on China-Africa Cooperation (FOCAC) as it sought stronger economic and diplomatic relations with African leaders, and these leaders, many of whom had seen their economies develop through increased trade and investment, now sought a similar relationship with Japan. TICAD IV correspondingly produced a commitment to practical goals with follow-up mechanisms to measure their progress, and was also the first TICAD to prominently feature input from Japan's private sector.³² While maintaining a focus on social development, as seen in the promotion of the U.N.'s Millennium Development Goals, the conference was also followed by a Japanese government pledge of \$4 billion in ODA to support public-private partnerships for African development projects. A joint report by Japan's Ministry of Foreign Affairs and Ministry of Economy, Trade, and Industry following the conference concluded that with the growing influence of China on the continent African leaders would quickly lose interest in TICAD if Japan did not reform its ODA practices to better suit their priorities.³³ With this in mind, TICAD V, held in 2013, gave further prominence to supporting the private sector and boosting trade and investment, with Prime Minister Shinzo Abe promising a combination of ODA, trade insurance, and other public and private resources worth up to approximately \$32 billion to support these endeavors.³⁴

TICAD VI, held in 2016, was both the first edition of the conference to held on the new triennial schedule as well as the first to be held in Africa, highlighting the elevation of the Japan-Africa relationship to one of equal partners, not merely donor and recipient. Hosted in Nairobi, Kenya, TICAD VI continued the Japanese government's focus on increasing trade and investment in Africa. In addition to making a renewed pledge of \$30 billion from public and private sources to promote trade, investment and infrastructure development, Prime Minister Abe announced the establishment of the Japan-Africa Public and Private Forum as well as initiatives to promote the development of human resources, healthcare systems, and several other projects. He also introduced Japan's new Free and Open Indo-Pacific Strategy, emphasizing the importance that he placed on enhancing Africa's position in Japan's overarching foreign policy.³⁵

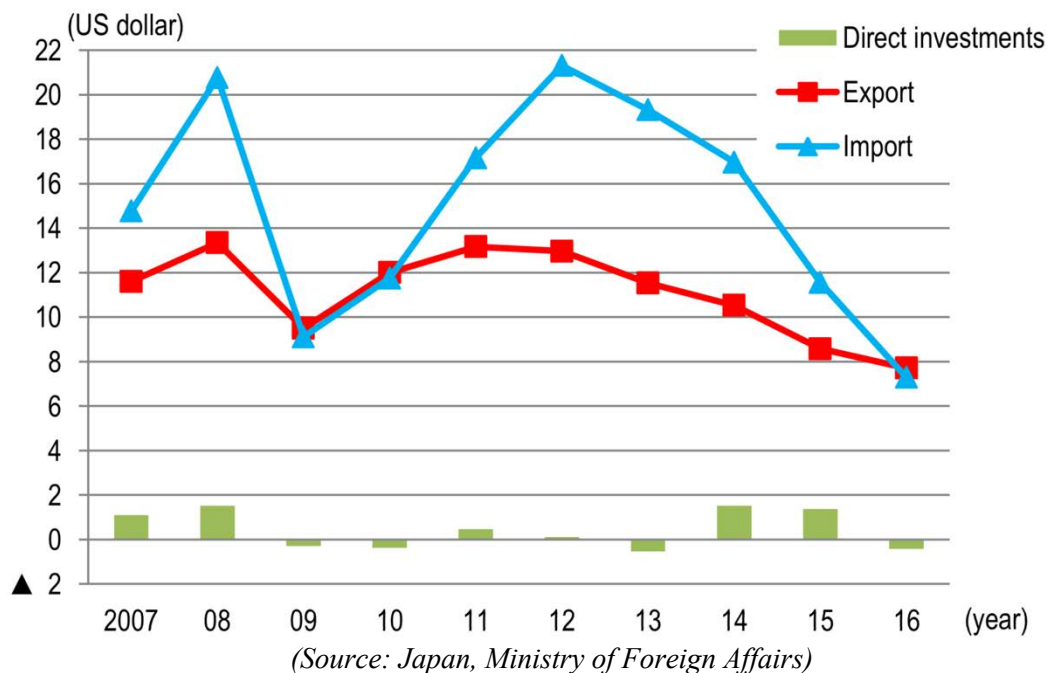
The Impact of TICAD

An independent analysis of the effectiveness of Japan's ODA from TICAD IV through TICAD VI commissioned by the Foreign Ministry (MOFA) found the relevance of Japan's policies towards African development to be satisfactory. The analysis noted, however, "With individual policy documents and events...there is partial lack of clear consistency, which seems to be caused by a deficiency of explanations about Japan's recognition of issues and the philosophical underpinnings of its policies on assistance to Africa."³⁶ As Japan's motivations and policies for engaging Africa through the TICAD process have evolved, policymakers have emphasized the rise in Japan's assistance for economic development in the region, giving less attention to humanitarian and social development. Yet the overall amount that Japan provides for these fields has risen over this period, leaving many with an unclear understanding of what Japan currently hopes to achieve

through the TICAD process.³⁷ The analysis also notes that Japan has fallen behind other donor countries in terms of ODA disbursements to Africa as a percentage of Gross National Income.³⁸

The analysis was unable to quantify how much Japan’s aid supported African development. While countries that received more healthcare-related Japanese aid had greater decreases in mortality, other factors, such as aid from other foreign donors, may have been more decisive.³⁹ The analysis was able to conclude, however, that the returns to Japan from the TICAD process have been mixed as “the ODA measures have not yet brought about sufficient diplomatic effects or economic benefits to Japan according to the trade results and sales recorded by Japanese companies’ overseas affiliates in Africa.”⁴⁰ However, Japanese foreign direct investment (FDI) to Africa has risen in recent years, and the number of Japanese manufacturers in the region with a positive outlook for their future prospects has risen, as well. Japan will be looking to further enhance its economic partnership with Africa with its hosting of TICAD VII in August 2019.

Figure 2. Japan’s Trade with and Direct Investments to Africa



Keizai Doyukai, an organization representing Japanese businesses, proposed establishing an “Africa Business Public-Private Council” as part of its recommendations to the Japanese government for TICAD VII.⁴¹ The government has adopted the proposal and is working with Japanese business to establish a permanent council comprised of government ministers and business leaders to discuss how to promote Japanese investment in Africa. Furthermore, a private-sector compliment to TICAD, potentially called “B-TICAD,” is reportedly planned to be held in August alongside TICAD VII.⁴²

U.N. Security Council Reform

In addition to its focus on development in the 1990s, Japan's desire to gain a permanent seat on the U.N. Security Council was a major factor driving Japan's organizing of TICAD and has continued to be emphasized by MOFA in its engagements with African countries. The Japanese government believes that a permanent seat on the council is commensurate with its contributions to the international community, especially its role in promoting peace around the world since the end of World War II and its position as one of the top providers of aid to developing countries. Organizing TICAD was seen as a tool with which it could gain support from African countries for security council reform.⁴³ Japanese prime ministers Junichiro Koizumi and Yasuo Fukuda would continue to pursue African support for through the 2000s by means of increased diplomacy and emphasizing Japan's provision of security assistance for U.N. peacekeeping operations in Africa.⁴⁴

The Japanese government argues that increasing the number of permanent members on the council would create a more equitable world order. Japanese officials hope that their promotion of Africa gaining a permanent seat on the council, rotating among different countries from the continent, provides further incentive for African support. However, security council reform remains a low priority for African leaders according to Katsumi Hirano, Executive Vice President of IDE-JETRO, especially with opposition from China and Russia making chances of reform extremely low. African leaders primarily see the issue as one which they can exploit for their own gain and will back, at least rhetorically, Japan or China based on who offers the most financial support.⁴⁵

Africa's Recent Economic Development

The two decades of stagnant economic growth on the African continent ended with the rise in commodity prices, especially oil, in the early 2000s. Sub-Saharan Africa's GDP growth rate averaged 5.4 percent in the period 2000-2010.⁴⁶ FDI also increased significantly in the continent's mineral-rich countries to support mining and transportation, which served to enhance both regional integration and Africa's connection with the global economy. Investment remains concentrated in resource extraction related industries, but has also had spillover effects in construction, retail, finance and other service industries, fostering the growth of the private sector.⁴⁷ While average growth of the continent's GDP has fallen to closer to three percent with the end of the commodities boom in 2014, growth is expected to reach four percent in 2019 and 4.1 percent in 2020, higher than the world's other developing economies, excluding China and India. However, there are significant regional disparities in Africa's economic development. In 2018, East Africa grew at a rate 5.7 percent, North Africa grew at a rate of 4.9 percent, West Africa grew at a rate of 3.3 percent, Central Africa grew at a rate of 2.2 percent, and Southern Africa grew at a rate of 1.2 percent.⁴⁸

This has produced a growing middle class in many countries across Africa. Standing at one-third of the continent's population of nearly 1.3 billion people in 2018, the African middle class is expected to grow to 582 million people by 2030.⁴⁹ The region is also becoming increasingly urbanized, with the number of African's living in cities expected to rise from

approximately forty percent to sixty percent.⁵⁰ Africa is projected to account for more than half of global population growth in the period until 2050,⁵¹ with the population expected to grow from to 2.5 billion people in 2050, and then grow to more than 4.4 billion people by 2100.⁵² This population growth poses significant challenges for both Africa and the global community, but also opportunities for international businesses looking to profit from what will be the world’s largest consumer market.

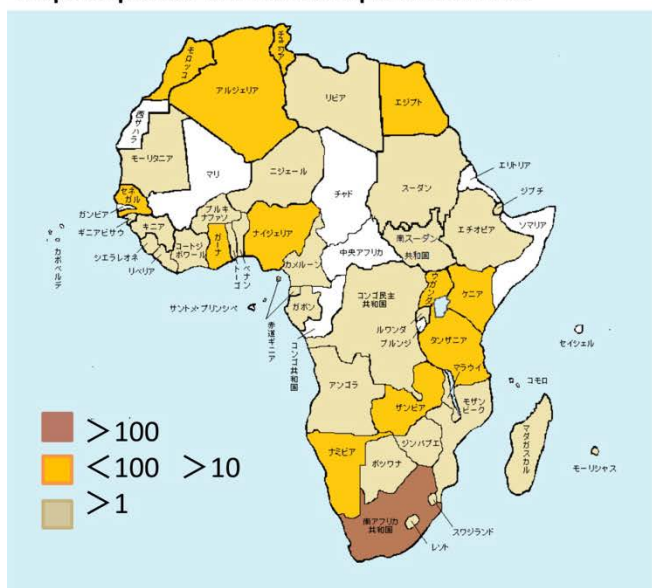
Successful Japanese Businesses in Africa

The number of Japanese businesses operating in Africa is relatively few compared to other foreign economic powers present in the region, such as France and China. At just 657 in 2014, it is the smallest number of overseas Japanese-affiliated firms in any region of the world, but has been increasing in recent years.⁵³ Natural resources and supporting the Japanese government’s ODA efforts had been major motivating factors for businesses to enter African markets, but these have declined in importance over the past decade as Africa’s future market potential has continued to grow in significance.⁵⁴ Shirato notes that as Japan’s demographic decline accelerates, Japanese companies, especially small and medium-size enterprises still heavily reliant on the domestic market, must expand overseas into the world’s growing regions like Africa.⁵⁵

Figure 3. Japanese-Affiliated Companies in Africa

Japanese companies increased by 36% over five years

Graph: Japanese-affiliated companies in Africa



By area (% change in five years):	
Total:	68,573 (21.5 %)
Africa:	657 (35.7%)
Asia:	48,203 (21.5%)
North America:	8,584 (25.6%)
South America:	1,102 (52.0%)
Western Europe:	5,577 (9.4%)
Middle East:	713 (13.4%)

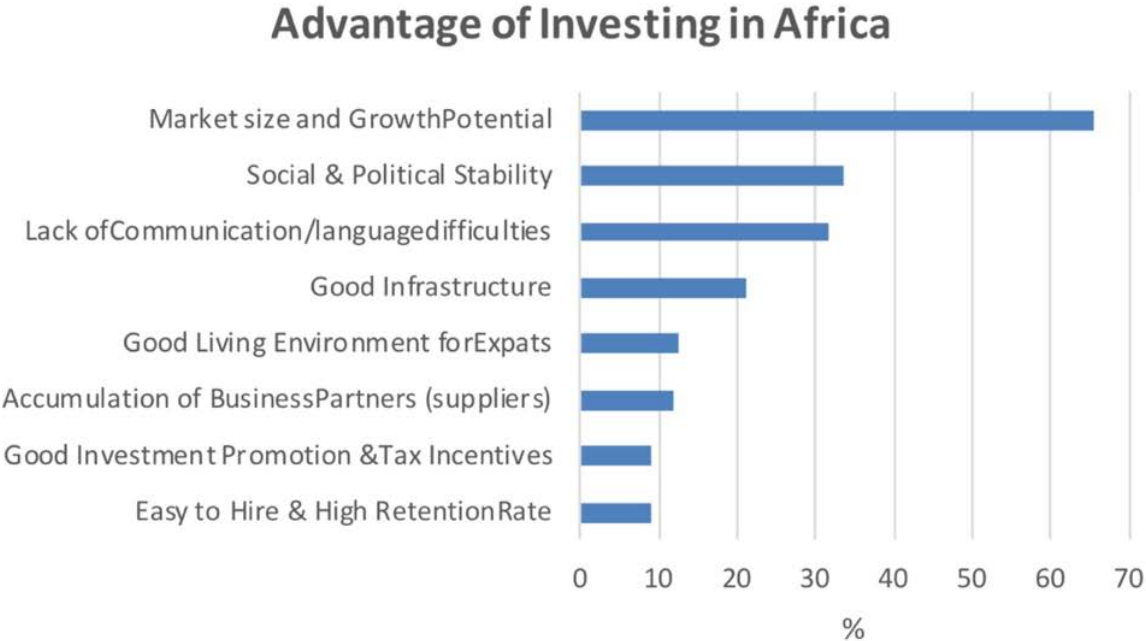
By country (change in five years):	
• Republic of South Africa	280 (+86)
• Egypt	49 (+9)
• Kenya	47 (+15)
• Morocco	37 (+16)
• Ghana	22 (+19)
• Nigeria	21 (+11)

(Source: Japan External Trade Organization)

One Japanese business that has found success in Africa is Kansai Paint, a chemicals company specializing in coatings for automobiles and other industrial uses, which has holds an approximately 40 percent share of the construction-paint market in Africa.⁵⁶ However, Japan’s

investment and exports to Africa are highly concentrated in the automobile industry. Toyota is the top brand automobile brand in most markets in Sub-Saharan Africa, especially in Southern and Eastern Africa, where its vehicles are known for their durability on the rougher terrain in much of the region.⁵⁷ South Africa has served as a base for used vehicle imports to enter African markets,⁵⁸ but has also served as a production base for Toyota and other international automakers. Toyota started manufacturing vehicles in South Africa in 1962, with 2017 production reaching over 130,000 units, including units for export to African and other world markets.⁵⁹ Other Japanese carmakers have also opened production plants in the region, including Nissan which currently operates manufacturing facilities in Egypt and South Africa and in 2018 announced plans to expand production to Algeria and Ghana.⁶⁰

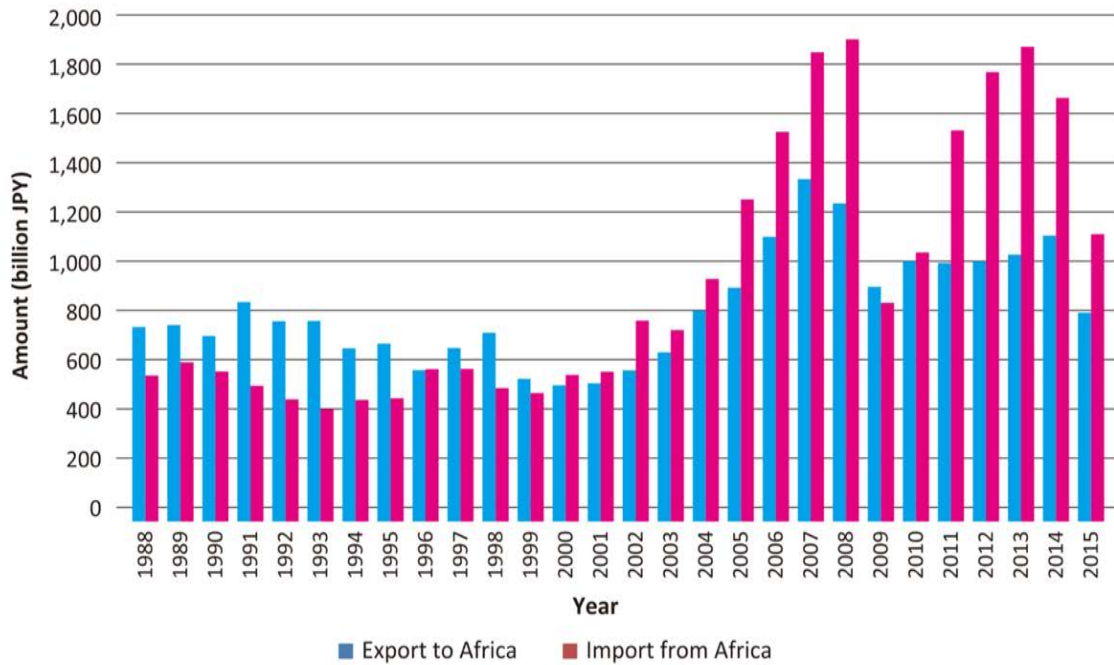
Figure 4. Businesses’ Awareness of Investment Climate Risks in Africa



(Source: Japan International Cooperation Agency)

Unlike these major corporations however, most Japanese businesses in Africa are small and medium-size enterprises with fewer than 10 employees, and approximately three-quarters are in the non-manufacturing sector.⁶¹ They are heavily concentrated in South Africa, but have been growing in Eastern and Western Africa as well as these markets have developed in recent years.⁶² According to the “2018 Survey on Business Conditions of Japanese Affiliated Companies in Africa,” the most promising business fields are infrastructure, services, the consumer market, and “new” industries, which include the Internet of things, financial technology, and e-commerce. Japanese companies interested in the consumer market see particular potential in the child and female market segments. Those focused in the service industries are interested in information management and medical services.⁶³

Figure 5. Japan-Africa Trade



*Created based upon data from Trade Statistics of Japan, Ministry of Finance “General Trade Statistics, Values by Country” <http://www.customs.go.jp/toukei/srch/indexe.htm?M=23&P=0>

(Source: Japan International Cooperation Agency)

The top three countries of interest for future investment are Kenya, Nigeria, and South Africa, the major economies in East, West, and Southern Africa, respectively.⁶⁴ The reasons for interest in Kenya include: “Center of East Africa; market expansion and thick layer of middle class; growth potential in manufacturing; speed of applying technology; active ICT/startup industry; demand for energy/infrastructure; excellent talent;” for Nigeria: “Expectations on population growth and emergence as major economic power; besides resource businesses, many business opportunities in areas such as energy, manufacturing, logistics, automobile sales, ICT, and start-up; center of West Africa; untapped market;” and for South Africa: “Excellent business environment comparable to developed countries; the best infrastructure development in Africa; a regional base; numerous influential partners; market size; resources/automobile industry; thick layer of middle class; stable, low-risk market.”⁶⁵

Challenges Facing Japanese Businesses in Africa

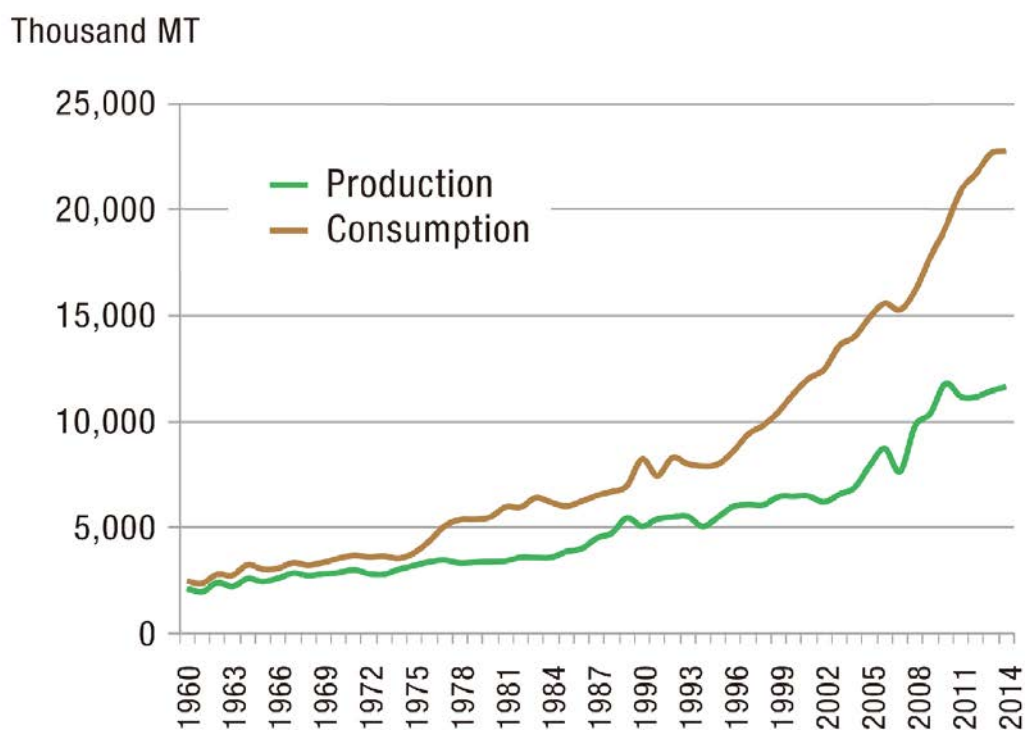
Despite the success enjoyed by Kansai Paint and the automobile industry, Japanese businesses have generally been too reluctant to take on the risk of entering African markets. While many Japanese companies simply do not produce goods and services suited to African consumers and businesses, many cite a litany of reasons for forgoing the opportunity, and some commentators say the necessity, to invest in Africa. These range from regulatory issues and financial affairs to poor infrastructure and high wages for African labor.

High Wages and Low Agricultural Productivity

Africa's rapid population growth and surplus of low-skilled labor has long made the prospect for Japan and other export-oriented economies to shift manufacturing supply-chains to the continent. However, the high cost of labor in many African markets has made this difficult. The ratio of per capita GDP to the wage of low-skilled labor in Asia's labor-intensive manufacturing-led economies, such as Bangladesh and Myanmar, are more competitive than many of Africa's more developed economies, including Kenya, Côte d'Ivoire and Ghana. However, some countries, such as Ethiopia, Nigeria, and Cameroon, are competitive, at least in terms of the wage of unskilled labor.⁶⁶

One reason for uncompetitive wages in Africa is due to high food prices driving up the cost of living in many countries.⁶⁷ In general, food accounts for a much higher share of daily living expenses in developing countries than in developed countries, but is exceptionally high in most parts of Africa. An article in *The Economist* notes that "Nigerians would save 30% of their income if they bought their food at Indian prices... Meat costs more in Ghana than in America."⁶⁸ Poor infrastructure in delivering agriculture products to the cities and markets where they are sold are part of the inefficiency, but the greater factor is the low productivity of agricultural production across much of Africa.

Figure 6. Production and Consumption of Milled Rice in Africa, 1960-2014



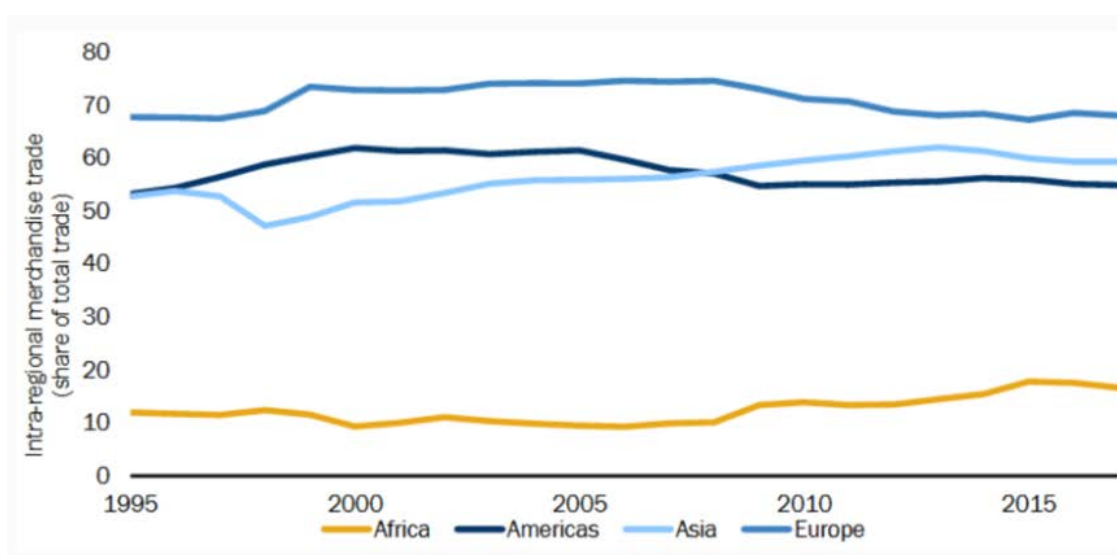
(Source: Japan International Cooperation Agency)

Stagnant rice production is just one example of Africa’s lagging agricultural sector. Production has not kept pace with demand as the population has swelled over the past 60 years, and the continent is reliant on imports for this staple food.⁶⁹ According to Hirano, “60% of the labor force [in Africa] is focused on agriculture, and 80% of the people in dire poverty live in farming villages.”⁷⁰ This contributes to the low purchasing power of many Africans, blocking foreign investment and the development of local economies.⁷¹ African countries will have to improve both their technological and human resources to overcome the water scarcity and other issues that hinder agricultural productivity in order for the manufacturing and other industries higher up the value-chain to become sufficiently competitive to attract Japanese businesses and other global investors.

Distance and Infrastructure

The distance between markets in Africa is a significant headwind in building the kind of regional integration that facilitated economic development in Asia. So Umezaki, Director of the Economic Integration Studies Group of the Development Studies Center at IDE-JETRO, notes that countries in Asia create markets for each other, promoting connectivity in the region. African markets, however, are far more distant from each other, and there are no major markets on the continent to act as regional hubs.⁷² The African continent’s distance from world markets, especially in Asia, is also a challenge. Logistics costs and transport times between most African markets and Japan are a major barrier to trade and investment. Several major economic centers in Africa are more than 300 km from the nearest port, including Addis Ababa and Nairobi in East Africa, Johannesburg and Lusaka in Southern Africa, and Kinshasa in Central Africa.⁷³ These distance issues are exacerbated by the severe infrastructure deficit in Africa.

Figure 7. Africa’s Intra-Regional Merchandise Trade Compared to Other Regional Blocs

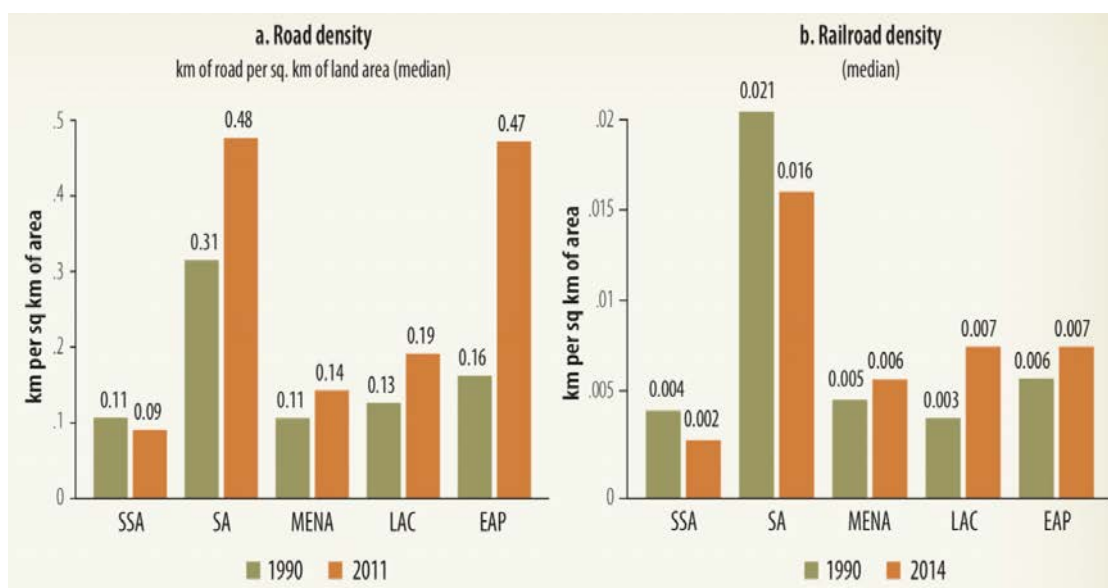


(Source: Brookings Institution)

Africa’s infrastructure performance ranks below all other developing regions according to the World Bank.⁷⁴ While there has been some increase in the quality of transport infrastructure in

recent years, both road and railroad density declined over the two-decade period from 1990, and Africa remains far below Asian regions in this indicator.⁷⁵ The World Bank notes that closing the infrastructure gap with the world median in terms of both quantity and quality would increase the region’s per capita growth rate by 1.7 percent.⁷⁶ However, Umezaki emphasizes that while closing the infrastructure gap would help, “Infrastructure alone cannot solve the distance issues” preventing Japanese firms from investing in Africa.⁷⁷

Figure 8. Quality of Transport Infrastructure: Road and Railroad Density, by Region



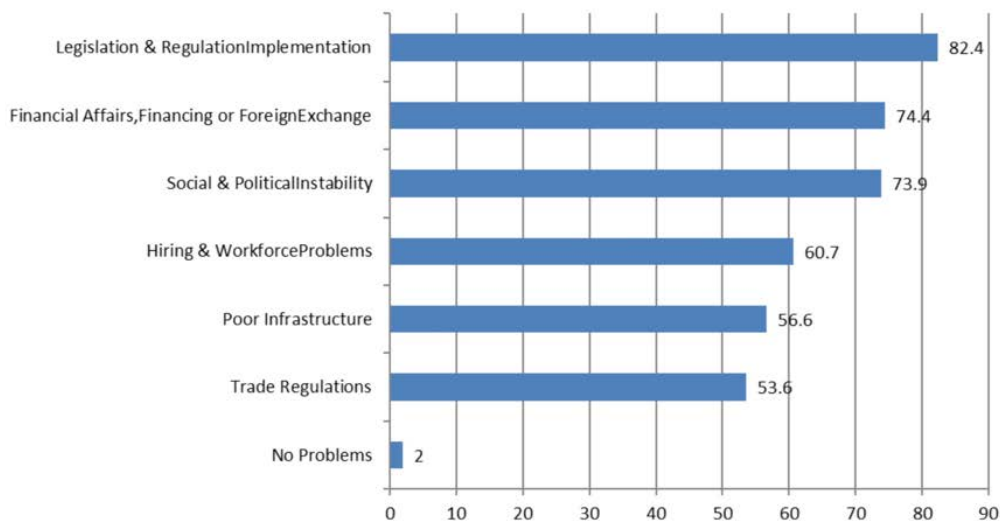
(Source: World Bank Group, Office of the Chief Economist for the Africa Region)

Governance and Regulatory Issues

The issues most directly blocking increased Japanese investment in Africa are political, legal, and regulatory. Of particular concern to Japanese companies are corruption and political instability. Japanese firms must abide by strict corporate governance standards when reporting to shareholders, making executives highly reluctant to invest in less transparent, risky markets in Africa. Furthermore, Shirato argues that while many lower and mid-level employees of Japanese companies recognize the economic opportunities in Africa, Japanese corporate culture, which rewards conformity, disincentivizes the kind of risk-taking required to enter African markets.⁷⁸

Capacity of African governments in tax collection is just one of several challenges for foreign businesses. Many countries in the region have high corporate tax rates, while decentralization in many countries leaves firms exposed to tax collection from both national and various local governments, often with changing, unclear, or contradictory reporting requirements.⁷⁹ Barriers to foreign exchange and other issues related to the repatriation of profits are also prohibitive for many Japanese firms looking to invest in Africa. Ethiopia, due to its low level of reserves, has maintained strict foreign exchange laws that favor state-firms over the private sector.⁸⁰ These restrictions make it difficult for large Japanese firms, who have to regularly repatriate profits to return to shareholders, to invest in countries like Ethiopia.⁸¹

Figure 9. The Risks Perceived by Investors in Africa (FY2015)



(Source: Japan International Cooperation Agency)

Insufficient Japanese Government Support

Companies frequently seek support from the Japanese government in dealing with their African counterparts, but Japan is less influential in Africa where it lacks the type of close relationships that it has with Asian countries where Japanese firms have heavily invested in the past.⁸² In terms of financial support, the government, already dealing with an increasing national debt, has found it more difficult to justify to the Japanese public expanding resources to promote investment in Africa as it has done in Asia, where Japan’s national interests are more clearly defined.⁸³ A lack of information on investing in Africa has also been a significant barrier for Japanese businesses, especially SMEs that lack the international resources of Japan’s larger corporations.⁸⁴

Current Efforts of the Japanese Government in Africa

The shift in emphasis of Japanese policy in Africa to economic development from social development has not diminished the importance of Japanese aid to the region. The many development challenges that remain and hinder Japanese trade and investment on the continent means that aid increasingly serves Japan’s national interest as well as recipient countries in Africa. However, while more Japanese aid is now concentrated in supporting increased economic cooperation, social development still remains a priority for Japan’s engagement with Africa. Japanese government ministries and agencies carry out a range of programs and initiatives to promote African development.

Japan International Cooperation Agency (JICA)

JICA, an agency under MOFA, is the Japanese government’s primary organization responsible for implementing its foreign aid projects. In Africa, it focuses on human resource development and infrastructure projects to facilitate private sector-led growth.⁸⁵ JICA’s major strategy for removing the barriers to this growth is its corridor development strategy, targeting key

areas on the continent that can act as regional transport and economic hubs to promote trade, regional integration, and economic development. This approach is based on Japan's own experience in decentralizing its industrial development in the 1960s to promote development across the country, not just in a few urban areas. The "Pacific Belt Zone Grand Plan" successfully improved the distribution of capital, labor, technology, and natural resources through the upgrading of the nation's transport infrastructure.⁸⁶ JICA believes that a little investment everywhere does not go as far as a lot of investment in a few, key locations.⁸⁷

JICA is supporting the development of five of these economic corridors in Africa based on commitments made at TICAD V, with particular focus on the Northern Corridor (Kenya and Uganda), the Nacala Corridor (Mozambique), and the West African Growth Ring (Côte D'Ivoire, Ghana, Togo, and Burkina Faso). During the planning stage, the agency provides technical cooperation in designing 20 to 30-year "master plans" focusing on infrastructure, industrial, and social sector development as well as carrying out environmental and social impact assessments. During the implementation stage, JICA supports the construction of both the hard and soft infrastructure needed to realize this development through a combination of loans, grants, technical cooperation, and public-private partnerships.⁸⁸

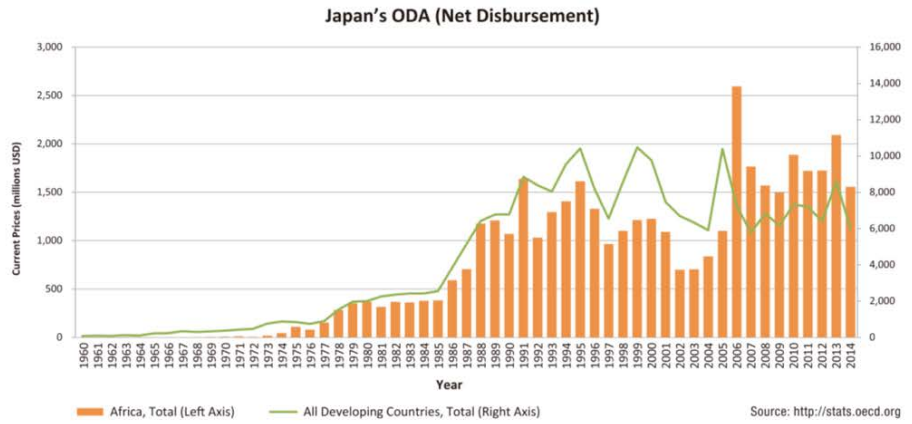
An example of JICA's support for the development of hard infrastructure widely publicized by the Japanese government is its support for the expansion of the Port of Mombasa in Kenya. JICA provided Kenya with a \$270 million dollar loan in 2015 for the construction of the port's second terminal as part of Phase 2 of the three-phase expansion, which began with Phase 1 in 2007. The assistance helps alleviate congestion at the port as container traffic had been increasing rapidly, rising 11.9 percent in 2014 alone to one million twenty foot equivalent units (TEUs).⁸⁹ With traffic expected to reach 2.6 million TEUs in 2025, JICA's cooperation has been essential to allowing the Port of Mombasa to remain competitive with other ports on Africa's east coast, and also supporting Kenya's landlocked neighboring countries of Uganda, Rwanda, and Burundi. In addition to financial support, JICA has facilitated technology transfer for the construction process as well as cooperation in improving management efficiency at the port.⁹⁰ This assistance has also provided benefits to Japan as Japanese construction firm Toyo Construction Co., Ltd. was contracted by the Kenyan government in 2018 to complete the extension of the second terminal, increasing its capacity by an additional 450,000 TEUs.⁹¹

JICA's cooperation in the installation of One-Stop Border Posts (OSBP), primarily in East Africa, highlights its support for the development of soft infrastructure on the continent. While African trade has increased over the past two decades, intra-African trade has not seen the same gains due to the lack of trade facilitation and infrastructure at national borders to ease the passage of people, goods, and vehicles through customs inspections. Studies have found that landlocked countries trade 30% less than maritime countries,⁹² making this problem especially acute in Africa as it is the continent with the highest number of landlocked countries in the world. OSBPs are a core component for fully realizing the benefits of corridor development in Africa.

Figure 10. Data on Japan-Africa Cooperation

1. Trend of Japan's Official Development Assistance (ODA)

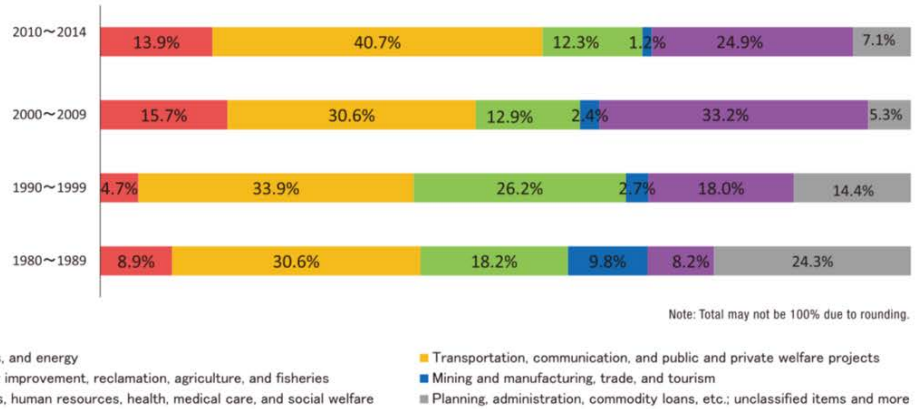
Since the 1950s, Japan has been providing financial and technical assistance to developing countries through ODA. The figure shows the relative increase of ODA to Africa compared to other regions.



2. JICA's Cooperation to Africa by Sector

JICA supports various sectors in Africa. Reflecting the needs of African countries, cooperation in the infrastructure sector has been on the rise since 2010.

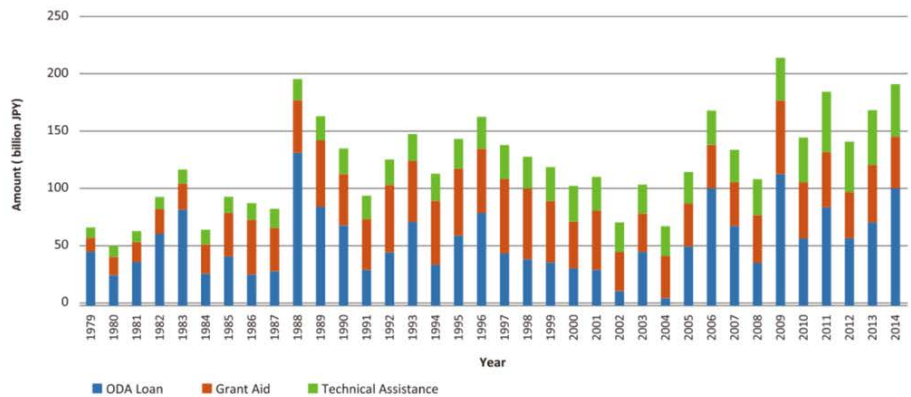
*This graph reflects the commitment amounts of Japanese yen loan aid and grant aid and the disbursements of technical assistance in each period.



3. JICA's Cooperation to Africa

JICA's cooperation is broadly divided to "Technical Cooperation," "ODA Loan," and "Grant Aid." The recent increase of ODA Loans in 2014 is a reflection of huge demand for infrastructure in Africa.

*This graph reflects the commitment amounts of Japanese yen loan aid and grant aid and the disbursements of technical assistance in each period.



(Source: Japan International Cooperation Agency)

In addition to the support for the construction of facilities, JICA cooperates with African countries in developing and implementing the legal and institutional framework, simplification and harmonization of procedures, and upgrading ICT and data exchange abilities.⁹³ OSBPs have the potential to produce improved tax collection and general capacity of national governments, increased economic productivity, reduced prices for consumers, and a range of other benefits.⁹⁴ Umezaki notes that this support for soft infrastructure is relatively small when compared to major infrastructure projects, but it can make a significant difference.⁹⁵

The Rusumo OSBP on the border of Rwanda and Tanzania is one such project where these gains have been realized. JICA provided grant aid for the construction of a new bridge, completed in 2015, and customs facilities and technical assistance for management of the OSBP and customs inspection.⁹⁶ The new bridge increased the axle load limit for crossing vehicles from eight tons to twenty and increased the speed limit from five KPH to thirty.⁹⁷ The technical cooperation included the establishment of Joint technical committees and a Joint Border Coordination Committee and training for 422 officers and agents.⁹⁸ Successful implementation of the project saw the average wait time to clear inspection for cargo passing through Rusumo from Tanzania to Rwanda fall from over 8.5 hours in 2014 to under 2.5 hours in 2017 with daily traffic more than doubling.⁹⁹

In the social sector, JICA runs several programs to support the development of education, business and management skills, agriculture, public health systems, and a range of other fields. JICA had provided cooperation to implement Japan's successful KAIZEN system of business management in 25 countries in Africa as of 2016. The Ethiopia Kaizen Institute, developed with Japanese assistance, had provided training to over 52,000 Ethiopians from over 200 enterprises in the five-year period ending in 2016.¹⁰⁰

JICA has been active in supporting African governments achieve Universal Health Coverage (UHC), which, according to the World Health Organization, "means that all individuals and communities receive the health services they need without suffering financial hardship."¹⁰¹ To this end, JICA's activities include grant aid to rehabilitate a hospital in the Democratic Republic of Congo, supporting medical training schools in Mozambique, and an ODA loan to support management reforms of Kenya's healthcare system.¹⁰² JICA also provided emergency relief supplies and dispatched experts to assist in the response to the Ebola outbreak that affected Western Africa in 2014, just one example of Japan's extensive experience in supporting infectious disease control on the continent.¹⁰³

Japan Bank for International Cooperation (JBIC)

JBIC is a financial institution wholly-owned by the Japanese government and is responsible for providing loans internationally to support Japanese imports and exports and to development projects that enhance the international competitiveness of Japanese companies.¹⁰⁴ The JBIC Facility for African Investment and Trade Enhancement (FAITH), established in 2013 and renewed in 2016 at TICAD VI, promoted Africa's economic structural reform through economic diversification and industrialization with \$7 billion of support between 2013 and 2018.¹⁰⁵ In 2017, JBIC finalized a loan worth up to \$1.03 billion to corporations in Mozambique and Malawi, in one

of which Mitsui & Co., Ltd. from Japan holds an equity stake. JBIC's loan provided much of the financing for the \$2.7 billion project to “construct the 912 km Nacala railway which connects Tete in inner Mozambique, where the Moatize coal mine is located, to the Port of Nacala through a part of Malawi, and build a coal shipment terminal at the same port.”¹⁰⁶ The loan took two years to negotiate, and JBIC emphasized the project's support to Japan's national interest as Japan remains reliant on coal imports while also benefitting African development through increasing connectivity not only in Mozambique and Malawi, but also neighboring countries Zambia and Zimbabwe.¹⁰⁷

Japan External Trade Organization (JETRO)

JETRO, an agency under METI, is the Japanese government's primary organization responsible for promoting international trade with Japanese companies. The organization's activities in Africa include supporting Japanese companies obtain necessary market and legal information, promoting an inclusive business relationship between Japan and Africa, and encouraging Japanese businesses to participate in providing “quality infrastructure” to support African development.¹⁰⁸ JETRO actively works to maintain a strong channel with national governments in Africa to help resolve issues affecting Japanese businesses, such as corruption and other legal and regulatory challenges.¹⁰⁹

JETRO has organized several conferences to bring together business and government representatives from Japan and Africa to discuss how to enhance cooperation between both sides. These include the Africa Investment Promotion Forum (AIPF) and the Africa Investment Forum, which held its inaugural forum in March 2019 in London, England, highlighting JETRO's exploration of different strategies for international partnerships in investing in Africa. Based on agreements made at the 2016 AIPF, JETRO has established “Japan Desks” at investment promotion organizations in several African countries, including Nigeria, Ethiopia, and South Africa, and “Africa Desks” at JETRO offices in African as well Middle Eastern and European countries that have large business interests in Africa.¹¹⁰ JETRO is also actively engaged in business matching between Japanese and African firms and other efforts to promote private business participation in infrastructure development projects in the region.¹¹¹

The TICAD VI Japan Fair, organized by JETRO and held in Kenya in 2016, featured 96 exhibitors, including 85 private companies and eight national and local governments and public agencies. The fair featured Japanese products and services from a range of sectors and highlight the types of Japanese businesses interested in investing in Africa and what markets they are focused on. These included: solutions for sustainable urban development and human resource development (5), quality infrastructure development (6), food value chain development, value added agriculture, better nutrition (11), climate-resilient and low-carbon development (9), improvement of health issues (sanitation, water supply, infectious disease prevention, medical treatment, etc.) (22), trade and investment (service industries, consumer goods, machinery, natural resource development, etc.) (33).¹¹²

Ministry of Land, Infrastructure, Transport, and Tourism (MLIT)

MLIT is engaged in promoting the Japanese government's Expanded Partnership for Quality Infrastructure (EPQI) internationally. MLIT serves as the secretariat of the Japan-Africa Infrastructure Development Association (JAIDA), which was established based on commitments made at the TICAD VI Africa-Japan Public-Private Conference for High-Quality Infrastructure held in 2016. JAIDA's mission is to "continuously and actively provide information about Japanese technologies and experiences of 'High-Quality Infrastructure' to African countries, and build and promote relationship[s] with public and private sectors both in Africa and Japan."¹¹³ MLIT regularly engages with African governments and development institutions to discuss issues surrounding infrastructure development and how JAIDA can be more effective on the continent.¹¹⁴

Strategic Implications

Japan's motivations for engaging with African countries have evolved over the past decades. The region's recent development has not only seen rise in economic importance to Japan, but in strategic importance as well. Africa's natural resources and Japan's pursuit of countries to support U.N. Security Council reform have been consistent strategic drivers of Japanese interest in Africa, but Africa remained a lower priority for Japanese policymakers relative to Asia and other regions of the world. However, the rise of Chinese investment and influence in the region, as has been discussed tangentially in this paper, has spurred the Japanese government to incorporate Africa more fully into its broader strategic initiatives. Many observers have described a new competition between Japan and China taking place across the African continent, but a more nuanced analysis shows that there is much complementarity between Japanese and Chinese policies in Africa,¹¹⁵ and some amount of competition has not necessarily proven to be a bad thing for a region that has been largely ignored since the end of the Cold War.

The Importance of China in Japan's Strategic Thinking

China is a key consideration in the Japanese government's foreign policy thinking, and its increasing presence in Africa over recent decades has played a major role in shaping Japan's foreign policy there as well. While China was an example of the success of Japan's ODA policies in Asia in the 1980s and 1990s and became a destination for Japanese manufacturing due to its supply of cheap, unskilled labor, Chinese industry has rapidly moved up the value-chain and has become competitive in many of the high-tech innovation industries that Japan specializes in. China has also become increasingly assertive diplomatically and militarily, highlighted by its maritime assertiveness in the South and East China seas.

However, China has also become an economic opportunity for Japan as its middle-class has grown to become consumers of Japanese goods, and China has become Japan's top trading partner. While China's overseas investment has raised alarms with Japanese officials, fearing that Japan could lose influence internationally, China's investment has also helped open new markets and built infrastructure around the world that the Japanese and other international businesses can now access. Successive administrations in Japan have sought to balance these different interests

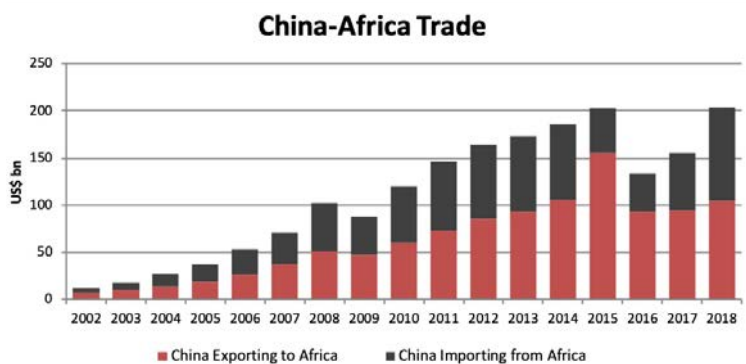
in crafting their foreign policy. In order to understand how Japanese foreign policy towards the countries in Africa has developed in recent years, it is important to understand how the China-Africa relationship has evolved over this time period as well.

China in Africa

China's relations with many countries in Africa date back to the Cold War as the Chinese Communist Party (CCP) sought international support in its ideological struggles with the Soviet Union and the U.S. However, its increased presence on the continent over the past twenty years, as expressed in its "go out" policy, has been motivated by the need to maintain its economic growth through securing a stable supply of natural resources, alleviating domestic overcapacity, and opening new markets for its exports. China has set four principles for its relations with Africa: equality, mutual benefit, mutual support, and mutual learning. Ideology has been a secondary priority for the Chinese in Africa during this period.¹¹⁶

Chinese investment in and trade with African countries have increased dramatically since 2000, with FDI reaching over \$4.1 billion in 2017¹¹⁷ and trade reaching over \$200 billion in 2018.¹¹⁸ Data on Chinese foreign aid is opaque and difficult to find, but the China-Africa Research Initiative estimates overall expenditure in 2017 to under \$2.5 billion.¹¹⁹ Relative to Japan, trade and investment play a much greater role than aid in China's relations with African countries. Chinese investment in Africa is highly concentrated in the energy and transport sectors, with the major oil producing countries Nigeria and Angola receiving more than half of all Chinese investment on the continent.¹²⁰ The value of Africa's exports to China decreased substantially following the end of the period of high commodity prices in 2014,¹²¹ emphasizing the role that Chinese demand for natural resources plays in China-Africa relations.

Figure 11. China-Africa Trade



May 2019

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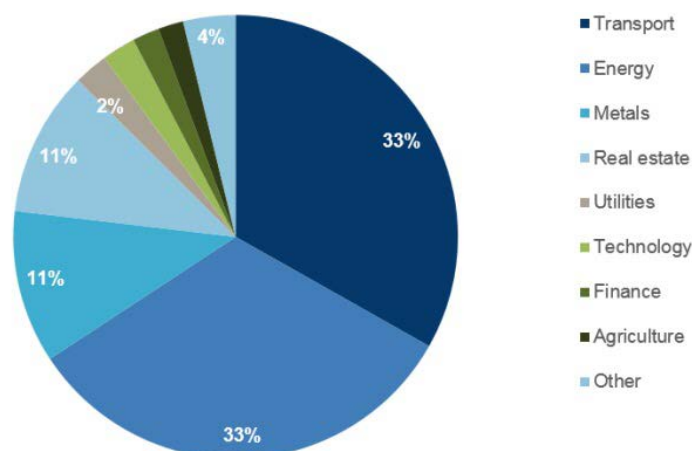
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INTERNATIONAL STUDIES

(Source: China-Africa Research Initiative)

China has organized its relations with Africa around the triennial Forum on China–Africa Cooperation (FOCAC). FOCAC, launched in its current form in 2006, was initially influenced by the early TICAD conferences,¹²² but evolved into a forum driven primarily by China's bilateral commitments to African countries.¹²³ This contrasts with the more inclusive nature of TICAD,

which includes businesses, countries, and international institutions from around the world interested African development, but, according to Hirano, the Chinese have a good grasp of what African governments are interested in in terms of development, and have placed a strong focus on agricultural development, as an example.¹²⁴ The Belt and Road Initiative (BRI), established in 2013, has seen China commit billions of dollars to building infrastructure across Africa and other regions of the world with the intention of increasing global connectivity between China and the rest of the globe.

Figure 12. Sectoral Distribution of Chinese Investment in Africa (2018)



(Source: Brookings Institution)

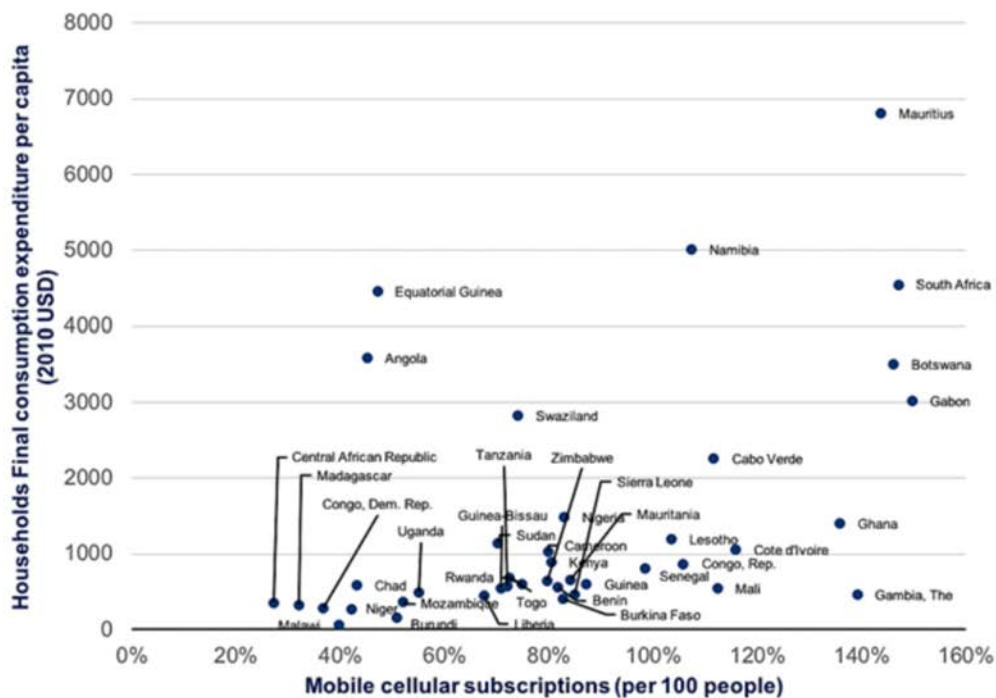
Chinese lending for infrastructure construction in Africa from 2009-2014 is estimated to be over \$100 billion, funded primarily through loans to African governments from China’s state-backed development finance institutions, the Export-Import Bank of China and the China Development Bank.¹²⁵ These deals are often negotiated to be contingent on the use of Chinese construction companies and the use of machinery and other resources imported from China, highlighting one of the key differences between China’s engagement with African countries and Japan’s.¹²⁶ China is not a member of the Organization for Economic Co-operation and Development (OECD), and is not subject to the rules on providing ODA that Japan and other members of the OECD Development Assistance Committee (DAC) are. These rules include transparency requirements and restrictions on tied-aid,¹²⁷ which Chinese lenders generally do not follow. However, loans from China’s policy banks can be approved faster than those from DAC member countries, and place less emphasis on short-term profitability of the projects they provide funding for. Yet these loans are often approved based on political or strategic considerations rather than environmental or economic sustainability of projects. China generally lends to African governments with “no strings attached” and places no requirements on meeting good governance benchmarks.¹²⁸ Responsibility for evaluating the financial and environmental sustainability of projects has generally been placed on the borrowing government.¹²⁹

These lending practices draw frequent criticism from Western donors, and have produced several unsustainable and economically damaging projects, but Chinese lending has also produced

significant advances in connectivity across Africa.¹³⁰ However, the Chinese are filling a gap as they are willing to take on more risk and lend to projects traditional donors will not. While criticism of China's investment in Africa is not without merit, it often ignores the benefits to African development that it has produced.¹³¹ Much of China's recent engagement with Africa resembles Japan's aid policies in Asia in the 1960s and 1970s.¹³²

Where Japanese companies and entrepreneurs are too risk-averse, the Chinese, supported by their government's investment, are able to take a high-risk, high-reward approach to doing business in Africa. Chinese technology companies, with significant government support,¹³³ have installed much of the continent's digital communications networks, with Huawei alone having built close to 70 percent of Africa's 4G networks. While critics note the risks of Chinese espionage, the Chinese are the only providers that can build at the price and scale that the African market demands. Chinese infrastructure does not necessarily match the quality from Japan or Western countries, but it is often the only realistic option for many countries in Africa.¹³⁴ Having built the infrastructure, Chinese companies dominate in the smartphone and other consumer technology companies as well.¹³⁵ Economic development in these countries has also benefited as higher mobile penetration has been found to correlate with higher average consumption.¹³⁶ This ability to operate with a longer time horizon, and strong government support, highlights the challenges that companies from any country have if they wish to compete economically with the Chinese in Africa.

Figure 13. Relationship Between Mobile Penetration and Consumer Spending Levels in African Countries (2016)



(Source: Brookings Institution)

Japanese Foreign Policy: China In vs. China Out

Japanese foreign policy over the past fifteen years has generally moved along the spectrums of “China-in/China-out” and “Strong U.S. Commitment/Weak U.S. Commitment,” according to Ken Jimbo, a Senior Research Fellow at the Canon Institute for Global Studies. He labels the Value-oriented Diplomacy and the Arc of Freedom and Prosperity policies of Prime Minister Abe’s first term in office from 2006-2007 as being China-out. These policies emphasized the promotion of democracy and open-markets, ideals not shared by the Chinese, as pillars of Japanese foreign policy. Prime Minister Abe sought to strengthen relationships with a group of nations that on a map appeared to encircle China.¹³⁷ Japan was also in the process of becoming more active diplomatically in Africa during this period, which many viewed as a response to China’s growing presence on the continent.¹³⁸ While these policies alienated foreign countries in Asia and elsewhere who did not want to choose between Japan and China, members of the Japanese bureaucracy focused on Africa supported these policies as democracy promotion gave them support in justifying Japan’s presence in the region to the more Asia-focused Japanese public.¹³⁹

Japan’s foreign policy shifted to a period of China-in under Prime Minister Yasuo Fukuda and the Democratic Party of Japan government until 2010, when Japan-China relations would enter one of the lowest periods in the postwar era following the eruption of diplomatic tensions surrounding the Senkaku/Diaoyu Islands. Jimbo argues that the sense that the balance of power between the two was moving towards China drove Japanese policymakers back towards a stance of China-out. This would be reinforced when Prime Minister Abe returned to office in 2012 and revived China-out concepts from his first term in office, such as the Quadrilateral Security Dialogue with the fellow democratic countries of Australia, India, and the U.S.¹⁴⁰

Partnership for Quality Infrastructure (PQI)

Despite the deep economic relationship between Japan and China, the Abe administration maintained a skeptical view of China’s international initiatives, the BRI and AIIB, which it, alongside the U.S., declined to join. This was evident in the timing of Prime Minister Abe’s announcement of the “Partnership for Quality Infrastructure” (PQI) in May 2015. Announced just one month prior to the signing ceremony for the founding of the AIIB, Japan’s new initiative, an extension of its existing infrastructure export strategy, promised \$110 billion in collaboration with the Asian Development Bank (ADB) for investment in infrastructure projects across Asia over the following five years.¹⁴¹ A thirty percent increase on Japan’s previous commitments, it was also \$10 billion more than the AIIB’s founding capital stock.

The emphasis on “quality,” as well as Prime Minister Abe’s statement at the announcement that Asia was tired of the “cheap, but shoddy” approach to infrastructure development was interpreted as a critique of China’s practices in infrastructure export.¹⁴² The PQI’s promotion of transparency and sustainability was also viewed as highlighting criticism of the opaqueness with which China agrees many of its loan agreements with other governments, as well as the reputation of the BRI among critics that it places unsustainable debt loads on borrowing countries. Expanding the types of infrastructure that Japan can offer lending for and reducing the wait time to begin

implementing projects were part of a series of reforms under the PQI to allow it to better meet borrowing countries' needs.¹⁴³ In addition to reforming its own practices, the Japanese government also hoped to promote the adoption of international standards for all development projects to meet. The "Expanded Partnership for Quality Infrastructure" was announced in 2016 to include Africa and the other regions of the world for further infrastructure investment from Japan, much as the BRI has also grown in scope to encompass most regions of the world.¹⁴⁴

The Free and Open Indo-Pacific Strategy (FOIP)

The announcement of the Free and Open Indo-Pacific Strategy at TICAD VI in 2016 was also seen as a response to China's BRI, but one more comprehensive than the PQI. The FOIP features both economics and security strategies, and strives to connect the Asian and African continents through three pillars: (1) Promotion and Establishment of the Rule of Law, Freedom of Navigation, and Free Trade, (2) Pursuit of Economic Prosperity, and (3) Commitment for Peace and Stability. In terms of economics, the FOIP combines Japan's existing development strategies in South and Southeast Asia with its efforts in Africa into one comprehensive regional development strategy.¹⁴⁵ The FOIP was not necessarily introduced to compete with the Chinese in exporting infrastructure projects, but it does serve as vehicle to promote Japan as viable alternative to countries in the region that may be more wary of the BRI following some of the challenges that it has encountered.¹⁴⁶

The security leg of the FOIP features Japan providing assistance to countries around the Pacific and Indian Oceans in building their maritime security capabilities.¹⁴⁷ That these also happen to be areas that overlap with much of the Maritime Silk Road portion of the BRI suggest that the security elements of the FOIP could be interpreted as antagonistic towards the Chinese. Indeed, Japan sees China's maritime activity in the East and South China Seas as a security problem. However, those countries also have real needs in terms of fighting piracy and other maritime security challenges that can benefit from Japan's assistance. Furthermore, Japan claims to be most interested in "maintaining a rules-based order," not in competing with China or any other country for influence in Africa or Asia.¹⁴⁸

Asia Africa Growth Corridor (AAGC)

Japan followed the introduction of the FOIP with the announcement of a Japan-India joint development initiative called the Asia Africa Growth Corridor in May 2017 at a meeting of the African Development Bank in Gandhinagar, India. The inspiration for the cooperation agreement was rooted in Japan and India's common interest in expanding their respective economic reach in African markets. As Indian businesses have greater experience operating in Africa, and have a large diaspora on the continent, the Japanese see opportunity in using its partnership with India as a pathway for its businesses to gain a foothold in Africa. Suzuki and other Japanese companies with operations in India have found success in exporting to African markets from India. Indians, meanwhile, are interested in Japan's greater financial resources available to invest on the continent, although Umezaki notes that these resources may not be as large as they think.¹⁴⁹

However, much of the commentary surrounding the AAGC focused on Japan and India's mutual interest in countering Chinese economic and political influence in Africa. Japan's Institute of Developing Economies (IDE-JETRO) contributed research in support of the AAGC's vision document¹⁵⁰ on the connectivity issues between Asia and Africa at the request of METI, but the Japanese government soon stopped discussions of the AAGC, instead only focusing on the FOIP. While the AAGC never developed into a fully developed strategy, parts of it were incorporated into the economic leg of the FOIP. This change in tact occurred as Japan's diplomatic position began to change with the warming of its ties with China in the second-half of 2017.

2017: From China-out to China-in

The diplomatic thaw between Japan and China began when Japan decided to send a delegation to the Belt and Road Forum on May 15, 2017, shortly before the announcement of the AAGC. The delegation was led by Liberal Democratic Party Secretary General Toshihiro Nikai who hand-delivered a letter to Chinese President Xi Jinping from Prime Minister Abe. The letter reportedly contained language expressing support for the BRI,¹⁵¹ and the following month would see Abe deliver the opening remarks at the International Conference on The Future of Asia, stating:

First of all, it is critical for infrastructure to be open to use by all, and to be developed through procurement that is transparent and fair. I furthermore consider it essential for projects to be economically viable and to be financed by debt that can be repaid, and not to harm the soundness of the debtor nation's finances. I would expect that the "One Belt, One Road" initiative will fully incorporate such a common frame of thinking, and come into harmony with the free and fair Trans-Pacific economic zone, and contribute to the peace and prosperity of the region and the world. Japan is ready to extend cooperation from this perspective.¹⁵²

Japan and China would hold more meetings throughout the year, culminating with Prime Minister Abe's statement at the Japan-China CEO Summit in December 2017, "I believe that under [the] Free and Open Indo-Pacific Strategy, Japan can cooperate significantly with China which has put forward the One Belt, One Road initiative."¹⁵³ This cooperation took shape at the First Japan-China Forum on Third Country Business Cooperation in Beijing in October 2018. The forum produced the agreement of 52 memorandums of cooperation between various public institutions and private businesses from both sides.¹⁵⁴

While Japan has clearly moved to a China-in stance, it has still been cautious in enhancing cooperation with China. It has expressed support for the BRI, but has still not officially joined as a partner country. Rather, Abe's statements indicate that Japan is seeking cooperation with China in the hope that it can help the Chinese raise the BRI to the international standards of lending and development that Japan supports. This cooperation between Japan and China has so far been limited to countries in Asia, but successful implementation of these projects could see their cooperation extend further into Africa and other regions in the future. Furthermore, despite the AAGC being merged into the economic leg of the FOIP, Japan and India announced "discussions

for establishing the ‘Platform for Japan–India Business Cooperation in Asia–Africa Region’” when Indian Prime Minister Narendra Modi visited Japan in October 2018.¹⁵⁵

As further evidence of the Japanese government moving in a policy direction towards China-in, it has stopped describing the FOIP as a “strategy,” which it viewed as having competitive connotations, and instead now presents the FOIP as a “Vision for a Free and Open Indo-Pacific,” which the government believes has more inclusive connotations.¹⁵⁶ Many believe that the current warming of relations between Japan and China is a temporary, tactical move by each side in response to the global uncertainty produced by the Donald Trump administration in the U.S.,¹⁵⁷ but others believe that Japan’s attempts at cooperation are part of a sincere effort to raise the standards of China’s overseas infrastructure development as Japan cannot hope to compete financially with the Chinese. Furthermore, the linkages between their respective economies means a growing China remains essential to Japan’s own economic growth.¹⁵⁸

Prospects for Japan-U.S. Cooperation in Africa

Japan’s shift in tone in discussing the FOIP highlights how Japanese and American policies have trended in opposite directions in recent years, with the Trump administration moving to a strong stance of China-out. Although the U.S. has adopted Prime Minister Abe’s vision for a Free and Open Indo-Pacific, it is primarily focused on the security aspects of the initiative and is more interested in containment of China than exploring areas for cooperation.¹⁵⁹ The U.S.’ competitive stance towards China extends to its foreign policy in Africa, limiting the potential for cooperation with Japan on the continent. National Security Advisor John Bolton, when speaking about the Trump administration’s Africa policy in December 2018, stated that China is “deliberately and aggressively targeting their investments in the region to gain a competitive advantage over the United States,”¹⁶⁰ emphasizing the centrality of competition with China in America’s general foreign policy in Africa.

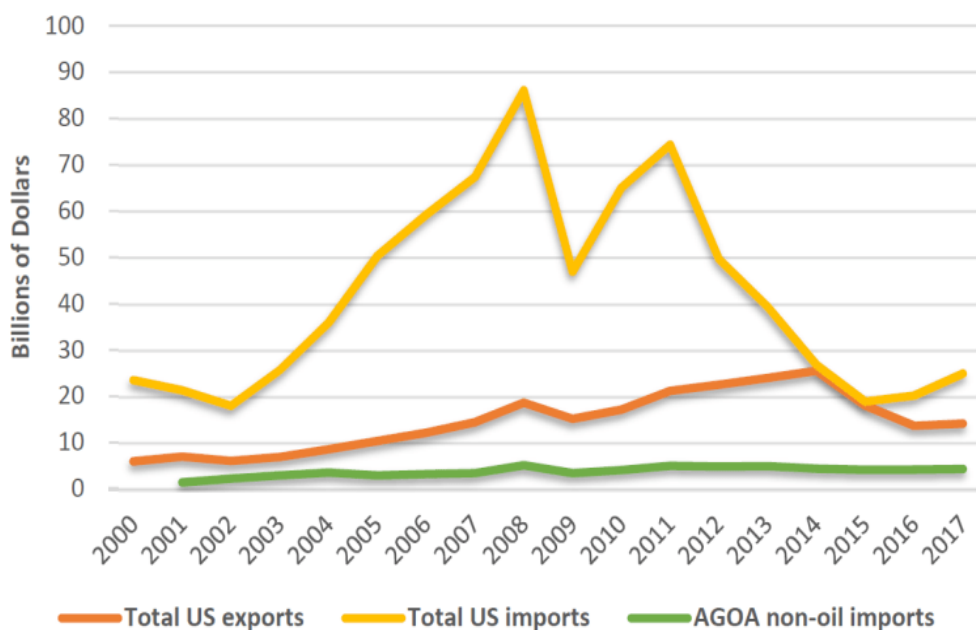
While the U.S. remains the biggest investor in the region,¹⁶¹ its trade with African countries is highly concentrated in oil imports.¹⁶² President Trump in October 2018 signed into law the Better Utilization of Investments Leading to Development (BUILD) Act, which aims to reform the U.S.’s international development finance agencies within one year by establishing the U.S. International Development Finance Corporation (USIDFC). The USIDFC will be authorized to lend to a wider range of projects and utilize more diverse lending tools, but will primarily be tasked with spurring private sector investment in overseas development projects.¹⁶³ However, Hirano notes that some details and the potential for enhanced U.S. cooperation with Japan or other countries in the developing world under the Trump administration remain unclear.¹⁶⁴

Japan and China in Africa

The Japanese and Chinese have traded criticisms each other’s activities in Africa in the past,¹⁶⁵ but as they begin taking steps towards increasing international cooperation, it is worth questioning whether their policies in Africa are actually as competitive as many have proposed. While China has gained diplomatic support from African countries at the U.N. and other

international forums,¹⁶⁶ Japanese and Chinese policies in Africa are mostly complementary in terms of development. Japan's assistance in expanding the Port of Mombasa allows for an increasing amount of goods to enter and exit Kenya and its neighboring countries while the Chinese-supported Standard Gauge Railway, which terminates in Mombasa, increases the speed with which these goods can travel to and from their destinations within the region. This improved infrastructure can be utilized by all countries hoping to expand trade with countries in Africa.¹⁶⁷

Figure 14. United States Trade with Sub-Saharan Africa



(Source: Brookings Institution)

With the scale of the infrastructure deficit in Africa being so huge, no one country can dominate the continent in terms of development assistance. To the extent that there is any true sense of competition between Japan and China in Africa, it can be seen as a positive for Africa as Japan has increased its financial support for development, and provides an alternative for countries that may be dissatisfied with what the Chinese have to offer. Although Chinese-built infrastructure may not meet the high quality standards of Japan's, the scale with which it has been able to build over the past twenty years has been a net positive for African development. Debt sustainability and environmental issues remain a challenge, but there are signs that the Chinese are in the process of raising their standards in terms of project evaluation and sustainability.¹⁶⁸ Japan-China cooperation on infrastructure development in Africa would contribute significantly to this process and be positive for all.¹⁶⁹

Conclusion

Umezaki notes that METI does not have a clear strategy for how to increase Japanese private investment in Africa, but it has shown a clear commitment to finding one.¹⁷⁰ This is a useful frame for understanding the Japanese government's overall engagement with the region. From

resource diplomacy to promoting its role as the world's top aid donor to now seeking to benefit from region's growing consumer market, Japan's engagement with Africa has generally been driven by its reaction to world events and the actions other foreign countries on the continent, as Endo described in 2013. He argued that the Japanese government was in the process of breaking out of this reactive cycle and constructing a "principled" strategy for engaging Africa.¹⁷¹ However, as the shifts in Japan's foreign policy over the past few years have demonstrated, the government has still yet to find a settled approach in its relations with the continent.

The Japanese private sector remains a relatively small actor on the continent, but its presence is growing. Although Japanese businesses lack the kind of official support that Chinese companies enjoy, the automobile industry and other successful Japanese businesses that have succeeded in African markets demonstrate that the Japanese are capable of competing in sectors where they have a comparative advantage. Hirano suggests that healthcare is one such industry where Japanese businesses could prosper in Africa, and Umezaki notes that some Japanese technology startups have been targeting Rwanda and other markets in Africa with developed ICT infrastructure. Japanese corporations, including Mitsui Sumitomo, Toyota, and Sampo Holdings have begun investing in the region's emerging startup companies as well.¹⁷²

Japan's ODA and other development initiatives have contributed to Africa's growing prosperity, and the government's commitment to expand its contribution to the regions infrastructure development will increase the opportunities for Japanese companies to further enhance their trade and investment links with the continent. China too has contributed to Africa's development, and while Japanese and other countries have been critical for the shortcomings of China's engagement with region, its presence on the continent is unlikely to significantly diminish anytime soon. Working with China to raise the standard by which it engages countries in the region rather than merely criticizing or attempting to compete, as the Trump administration has proposed, would best serve both Japan's national interest and the lives of Africans. Japanese businesses would find greater opportunity in a more prosperous and better connected Africa than in a divided continent where countries would be forced to choose sides.

ENDNOTES

- ¹ This paper is primarily focused Japan's relations with Sub-Saharan Africa, though some data, where noted, includes North Africa as well
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- ²³ Raposo, *Japan's Foreign Aid Policy in Africa*, 12.
- ²⁴ Mizuho Information & Research Institute, Inc., *Evaluation of Japan's ODA to Africa through the TICAD Process for the Past 10 Years* (Tokyo: Japan. Ministry of Foreign Affairs, 2018): 5, <https://www.mofa.go.jp/policy/oda/evaluation/FY2017/pdfs/ticad.pdf>.
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- ²⁶ *Ibid*, 16.
- ²⁷ *Ibid*, 16-17.
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- ²⁹ Japan, Ministry of Foreign Affairs, "Speech by Prime Minister Yoshiro Mori 'Africa and Japan in the New Century', at Gallagher Estate, Midrand, Republic of South Africa (Summary)," January 9, 2001, https://www.mofa.go.jp/region/africa/pm0101/pmspeech_s.html.
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- ³¹ Hirano, "TICAD and the National Interest of Japan," 186.
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Unfolding Japan's New Immigration Reform

Lang Min

Introduction

On April 1, 2019, Japan officially and unprecedentedly opened its doors to hundreds of thousands of lower-skilled and semi-skilled foreign workers. Under the amended Immigration Control and Refugee Recognition Act, passed on December 8, 2018, foreigners who qualify for the new Specified Skills visa status can enter Japan in designated sectors. It is surprising that Japan, a country once proud of its self-perceived homogenous culture and ethnicity, made this decision at a moment when immigration has become a contentious issue in many Western countries, with the United States taking a particularly hardline policy. That Japan has taken such a step is not surprising, however, when its demographic crisis of a shrinking population is taken into consideration.

In light of the above, there are several questions to ask. Given that this move is quite a departure from Japan's previous policy, what are the motivations behind it? Once the law kicks in, what are the potential benefits and challenges of accepting large numbers of foreign workers? Especially, the question comes down to whether the current reform can serve as a viable solution to Japan's shrinking working population over the long run. Ultimately, what are the lessons from past U.S. experience toward immigrants that Japan should learn?

Immigration is not a unique issue for Japan. However, the self-perception of the Japanese society being monolingual and monocultural, coupled with its relative lack of history of or experience in immigration, will magnify the difficulties that the government is going to face in implementing the reform. With the Tokyo Summer Olympics coming in 2020, it is no wonder that the administration of Prime Minister Shinzo Abe is in a rush to relieve the stress on the labor market. But his new policy itself, criticized from the day it surfaced in Japan's Diet, will ultimately determine its success or failure¹. In short, while the Japanese people understand the need for immigrants, they may not be ready to welcome them.

History of Immigration in Japan: The *Nikkeijin* and Technical Interns

Unlike other advanced industrialized countries, Japan relied on postwar baby boomers instead of imported labor when its economy was growing rapidly. The first baby boom of 1947-49 had over 8 million births, while the second one of 1971-74 saw over 6 million. The first large wave of foreign workers did not come until the 1990s when the economy was slowing down. The shortage of local labor in certain industries was partly caused by changing lifestyles of young Japanese and their reluctance to take non-white collar employment, the so-called "3K/3D" jobs (respectively 汚い "dirty", 危険 "dangerous", きつい "demanding"), as well as "dead-end" types of jobs.² Moreover, growing economic interdependence with other countries, especially in Asia, through globalization has built an accompanying network of international migration. With those factors combined, a consistent influx of foreign workers has been witnessed since the mid-1980s to assuage chronic labor shortages for small- and medium-size enterprises (SMEs) in industries

such as construction, manufacturing, and entertainment.³

The legal framework of Japan's immigration was set through the 1951 Immigration Control and Refugee Recognition Act which had restricted employment of unskilled foreign workers in Japan. In 1990, it was amended in order to reduce irregular migration, allowing foreign nationals of Japanese descent (*Nikkeijin*) to lawfully engage in manual labor.⁴ As a result, from the 1990s, second- and third-generation Japanese migrated from South American countries, mostly from Brazil and Peru. This change was made based on the presumption that the *Nikkeijin* can easily integrate into Japanese society because of their biological connection.⁵ Unfortunately, the result was far from satisfying. Many of the *Nikkeijin* could not speak Japanese and had to struggle to adapt to a culture that was foreign to them.⁶ During the 2008-2009 recession, the government had to start the so-called "Voluntary Return Program" to pay the unemployed *Nikkeijin* and their dependents to return to South America.⁷

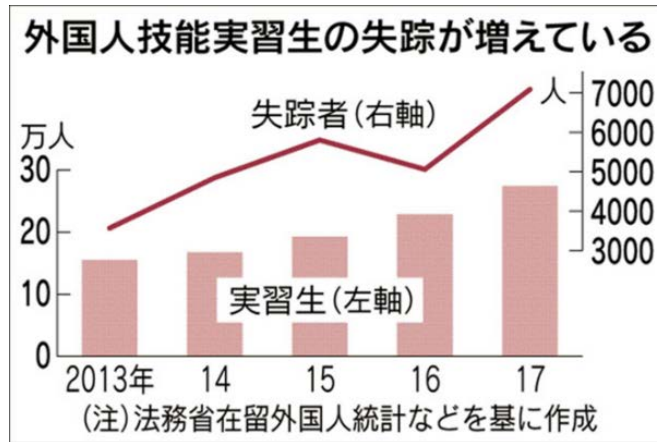
In 1990, Japan formally introduced the foreign trainee system with another revision of the Immigration Control Act. These trainees were "supposed to conduct activities to learn and acquire technology, skills or knowledge in public or private organizations in Japan."⁸ The government position was that such trainees should not be paid workers to be employed in the unskilled job sector.⁹ However, the government then implemented an on-the-job training (OJT) program. If employers adopted this type of program, their trainees were in effect permitted to work.¹⁰ With an increasing demand, the government expanded a "side door" to unskilled workers by launching the so-called "Technical Intern Training Program (TITP)" in 1993. The program's official purpose was to transfer skills to developing countries through training in Japan as part of international cooperation.¹¹ This gave foreign interns more rights as workers including measures to offer more legal support.¹² However, like trainees, these interns took jobs that Japanese refused to take and, in many cases, had received little or no training when they returned home.

TITP began to attract more attention in 2017. The U.S. State Department described the TITP as a "de facto guest worker program"¹³ and stated that "some of these workers continued to experience conditions of forced labor."¹⁴ Japan was criticized abroad for widespread exploitation of those workers, including human rights abuses. According to Ministry of Justice figures for 2011, interns' wages were often below average minimum wages in different prefectures and 37%-48% lower than the average of workers in the manufacturing industry.¹⁵ In 2016, the Labor Standards Inspection Office inspected 5,672 workplaces using TITP across the country and found that 70.6% of them were violating labor laws and related ordinances, including those governing work hour limits, safety measures, and wage payments.¹⁶ Such abuses of the program have resulted in the rising number of cases recorded of intern trainees "absconding" from the work place (Figure 1). Indeed, such cases have grown rapidly, doubling between 2013 to 2017.

Though the government has passed a law to guarantee equal rights of foreign interns in the workplace, abuses still abound in many places. One main cause is lack of public oversight. The body in charge of coordinating TITP's operation is the Japan International Training Cooperation Organization (JITCO), set up in 1991 under the joint jurisdiction of multiple ministries. However, the operation of the JITCO lacked efficiency and had to rely on businesses' voluntary cooperation

in most cases.¹⁷ In response to strong domestic and international criticism of the trainee system, the government founded the Organization for Technical Intern Training (OTIT) in 2017, a watchdog to supervise firms hiring foreign trainees.¹⁸ The OTIT has sent inspectors to verify employers' and supervising groups' practices at least once a year.¹⁹ Nevertheless, due to the lack of inspectors and staff, the progress to improve work conditions for a significant number of trainees remains inadequate.²⁰ The number of trainees disappearing from the workplace rose to 9,052 in 2018.²¹

Figure 1. Number of Foreign Technical Trainees Absconding from Workplace

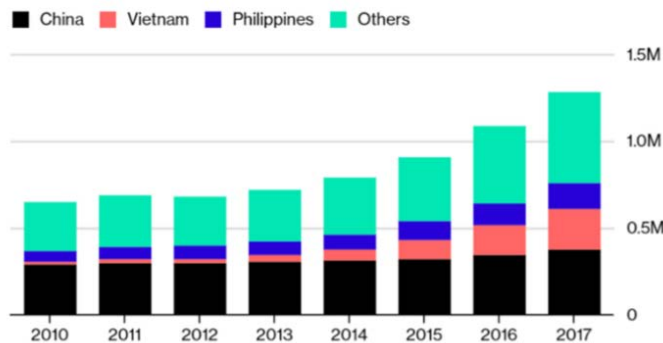


(Source: Nikkei Shimbun)²²

An Overview of Current Status of Foreign Workers in Japan

Despite an unfriendly history of immigration, Japan is now again attracting foreign workers in record numbers. In 2018, the number of foreign residents reached 2.5 million, comprising approximately 2% of Japan's total population. Foreign workers reached 1.46 million, an increase of 11.2%.²³ As Figure 2 shows, China (26.6%), Vietnam (21.7%), and Philippines (11.2%) are the top 3 sending countries in 2018.²⁴ Other major sending countries include Nepal, Indonesia, Cambodia, Myanmar, and Thailand.

Figure 2. Number of Increasing Foreign Workers in Japan (By Nationality)

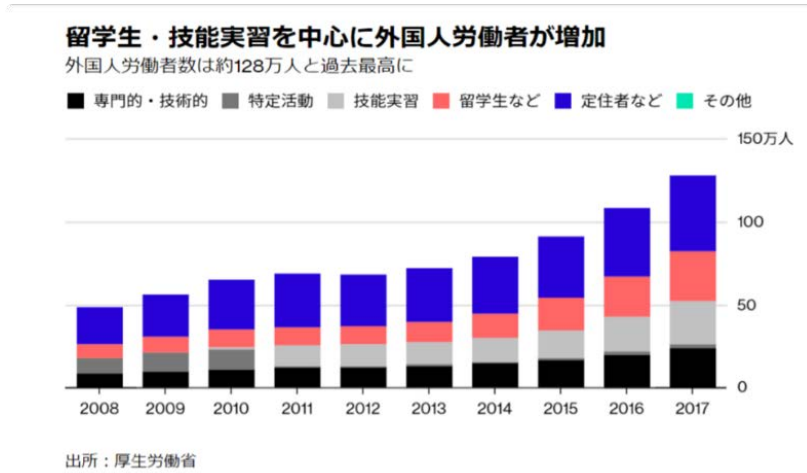


Source: Japanese labor ministry

(Source: Bloomberg)

In terms of status of working permits, international students and technical trainees are increasing most rapidly (Figure 3). In 2018, international students who work part-time increased to 343,791, making up 23.5% of all foreign workers. Technical interns also rose by the number of 308,489 (21.6%).

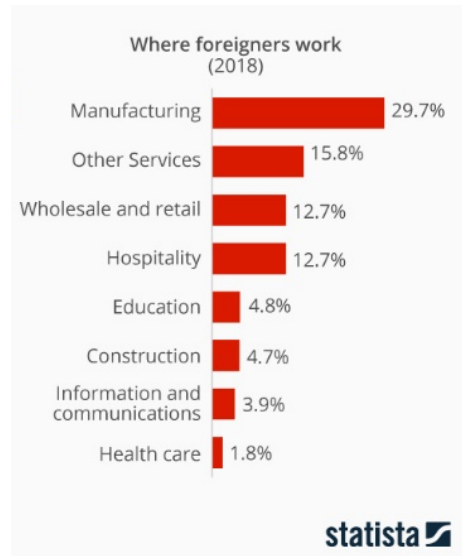
Figure 3. Number of Increasing Foreign Workers in Japan (By Visa Type)



(Source: Bloomberg)

The industry-wise data (Figure 4) indicates that manufacturing takes almost one third of foreign workers in Japan. Other major industries include wholesale and retail, hospitality, and other services. In addition, in terms of dispatch or contract workers, the manufacturing industry employs 73,324, amounting to 16.9% of foreign workers in this sector.²⁵ “Other services” is another category of industry that has a large share (68.7%) of temporary workers among its foreign employees.²⁶

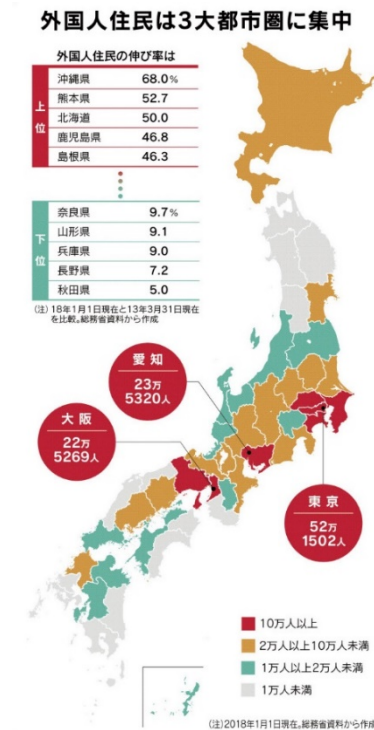
Figure 4. Number of Foreign Workers in Japan (By Industry)



(Source: Statista)

The regional distribution of foreign residents shows a certain pattern that foreigners tend to reside in metropolitan areas such as Tokyo, Aichi, and Osaka (Figure 5). In addition to urban areas, even more distant prefectures such as Okinawa, Kumamoto, Hokkaido, and Kagoshima are receiving foreign workers at a rapid pace (Figure 5). Despite the new immigration reform, Japan has already witnessed the influx of foreigners into this self-perceived culturally and ethnically homogeneous island country. Foreign workers are also becoming more conspicuous in places such as pubs (*izakaya*), greeting customers and taking orders in fluent Japanese.

Figure 5. Regional Breakdown of Foreign Residents in Japan



(Source: Nikkei Shimbun)

It seems unusual for the Abe administration to propose a historic bill to revise the Immigration Control Act and accept many more unskilled and semi-skilled foreigners at a time when anti-immigration debates were igniting in Europe and the United States.²⁷ In Japan, Abe's proposal immediately encountered a storm of criticism from the opposition parties and right-wing politicians. The following section will discuss what motivations lay behind this proposal and how it is viewed by the general public and the opposition parties.

The New Immigration Reform

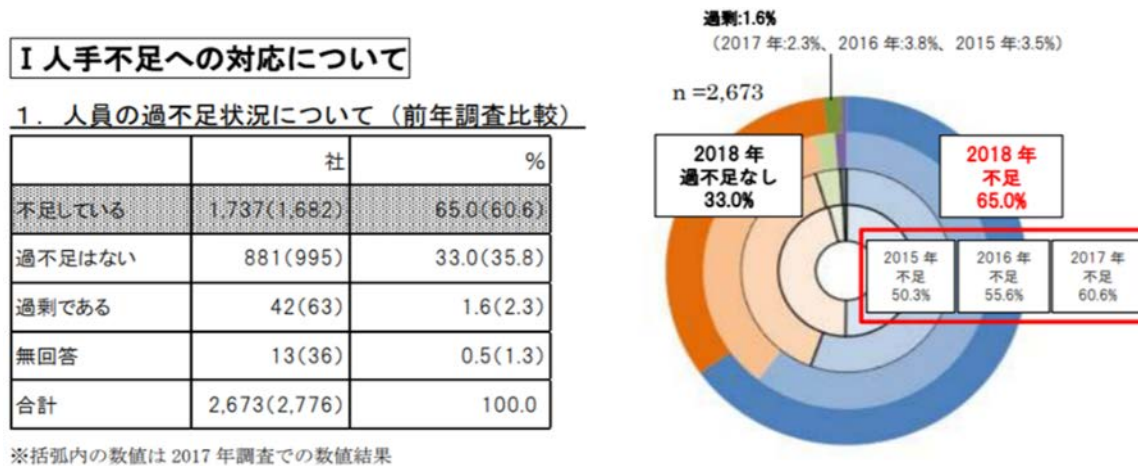
1. Motivation

Though immigration was once proposed as one of the solutions to address the growing demographic crisis a rapidly aging and shrinking population in Japan, the current reform was not motivated by such an intention. Rather, it aimed to tackle chronic labor shortages that became an urgent problem faced by many industries.

Figure 6. Japan's Labor Market



Figure 7. 2018 Labor Shortage Survey



(Source: JCCI 2018)

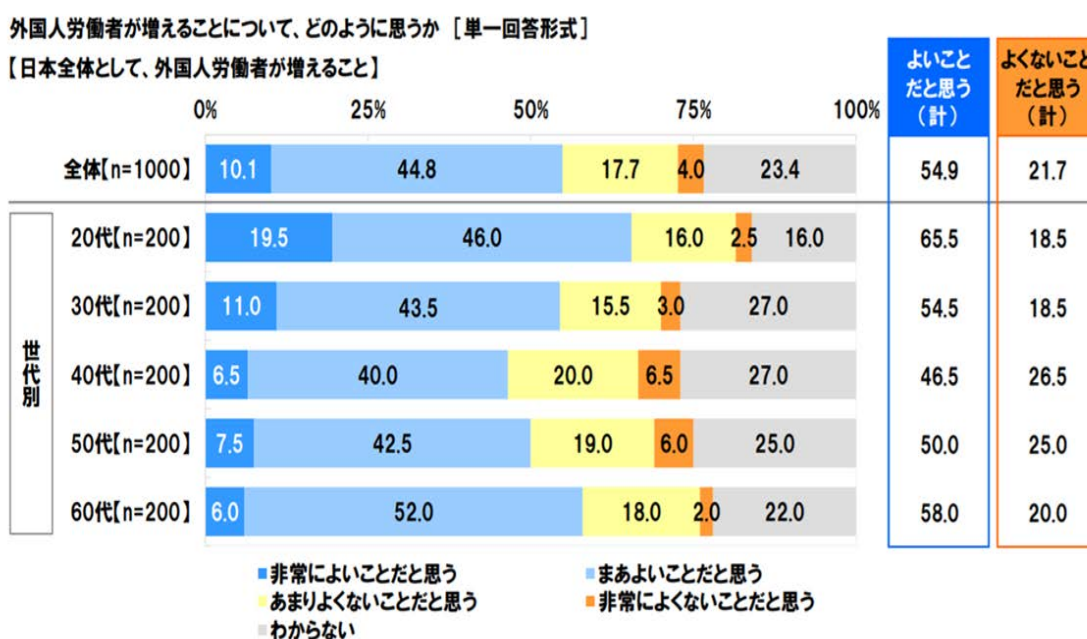
As Figure 6 shows, the unemployment rate has dropped to the lowest level in decades partly owing to the Prime Minister's signature economic policy, Abenomics, which consists of monetary easing, fiscal stimulus, and structural reforms. The rising job openings-to-applicants ratio of 1.60 in 2018 indicates the severity of labor shortage (Figure 6). From a 2018 survey (Figure 7) conducted by the Japan Chamber of Commerce and Industry (JCCI), 65% of respondents feel they are suffering from the labor shortage, a 7.3% increase from 60.6% in 2017. The labor shortage is most acute in industries like hospitality, shipping, construction, and nursing care.

The long-term picture of the labor market is even more worrisome, given the ongoing

demographic crisis. According to recent forecasts, the nation’s population in 2065 will shrink to almost two-thirds of what it is today and one person out of four will be over the age of 75.²⁸ Considering the gloomy future and the already tight labor market, the current administration has faced increasing pressure from major business groups, such as the Keidanren. As a result, the government announced a proposal to accept more workers from overseas who would be able to stay much longer in certain industries that are struggling with a labor shortage. This w idea of bringing in more foreign workers officially originated in the “Basic Policy on Economic and Fiscal Management and Reform 2018,” a cabinet decision on January 15, 2018, to realize “sustainable economic growth by overcoming the decreasing birth rate and aging population”.²⁹ This policy not only incorporates the promotion of employing the elderly but also the introduction of work-style reform involving equal pay for equal work, which aims to encourage labor participation and thus advance economic revitalization. Although this policy shows the Abe administration’s determination to take bold steps, it has provoked fierce reaction from the opposition parties and a worried public.

2. Public Opinion

Figure 8. Opinion Polls on Accepting Foreign Workers



(Source: Japanese Trade Union Confederation)

Polling (Figure 8 and Figure 9) conducted by different sources suggests a general favorable attitude toward accepting foreign workers, with the younger generation (below 30) and the elderly (above 50) seemingly more supportive of such an approach (Figure 8). However, the opinion poll (Figure 9) conducted by *Asahi Shimbun* before the bill was passed by the Upper House in late November indicated that the public was not prepared for the influx of more foreigners in such a

short time. Moreover, 52% of the respondents could not accept Prime Minister Abe’s explanation that the proposed reform would not be immigration reform. This kind of dichotomy of welcoming foreigners and concerns about the reform itself was also seen in other surveys, such as one conducted by the *Mainichi Shimbun*.³⁰

Figure 9. Public Opinions on Issues Related to the Immigration Reform



(Source: *Asahi Shimbun*)

3. Reactions from the Opposition Parties

In the early hours of December 8, 2018, the controversial bill to overhaul the Immigration Control Act was approved in the plenary session of the Upper House. Although the opposition parties had ramped up blocking motions, the bill was passed by the Liberal Democratic Party (LDP), the centrist Komeito, the Japan Innovation Party, and other small parties, 161 to 76. Prior to this, the ruling LDP had overcome resistance from the main opposition party and rammed the bill through the Upper House Legal Affairs Committee.³¹ On December 7, the opposition parties submitted a censure motion against Justice Minister Takashi Yamashita due to errors in data related to foreign technical interns that were presented to the Diet.³² To illustrate, the data exaggerated the number of foreign workers who had “absconded” because of higher-paying jobs, rather than due to poor wages and working conditions.³³

The vigorous debate over the amended law focused on several points. Some lawmakers questioned the new visa program’s “lack of clarity,” demanding clearer definitions and limitation of the programs. For example, what sectors would be allowed to use the “Category 1” workers under the bill and what “specified skills” were required for the “Category 2” visa status were not clearly defined³⁴ during Diet deliberations. Also, the opposition parties and the public shared concerns that the Abe administration used the excuse of the labor shortage to hastily push the legislation through the Diet without adequate public discussion and debate. In a survey conducted by the *Mainichi Shimbun*,³⁵ 76% of respondents pointed out that more public debate should be considered. The deliberation process was abnormally fast, only about 38 hours in total.³⁶ Such swiftness somewhat indicated that it was carried through the Diet without sufficient discussion and consensus by the ruling party and the opposition parties.

“We are not adopting a policy on people who will settle permanently in the country, or so-called immigrants,” said Prime Minister Shinzo Abe, stressing the nature of the reform in the Lower House Budget Committee.³⁷ His statement did not assure those who believed that this was a de-facto immigration policy regardless of what it was called.³⁸ Some even complained that this move was “opening a Pandora’s box that will lead to unexpected consequences such as an oversupply of labor once the current economic boom is over and the baby boomer retirement surge finishes.”³⁹ Such deep anxiety was based on a belief that the current labor shortage should be addressed by increasing domestic labor participation rates. Some also argued that Abe should prioritize domestic labor issues such as equal pay for part-time workers.

Even more concern was expressed regarding the TITP. Opposition lawmakers suggested that the government should clean up or even abolish the current TITP before opening the door to more foreign workers.⁴⁰ Opposition parties have independently analyzed the list of interviews on technical interns provided by the Justice ministry, noting that “67% of the interns were working below the minimum wage.”⁴¹ This may explain why interns choose to flee without even mentioning the discrimination, harassment, and violence which they have had to live with. One opposition lawmaker even told the *Japan Times* that “I think it’s very irresponsible of the government to try to open more doors for foreign workers while turning a blind eye to these existing problems under the trainee program.”⁴² The failure of TITP further reinforced their concerns that the current reform was short of measures to protect migrants’ human rights. Business groups like the Keizai Doyukai criticized the new law for not allowing the new immigrants to bring their families.⁴³

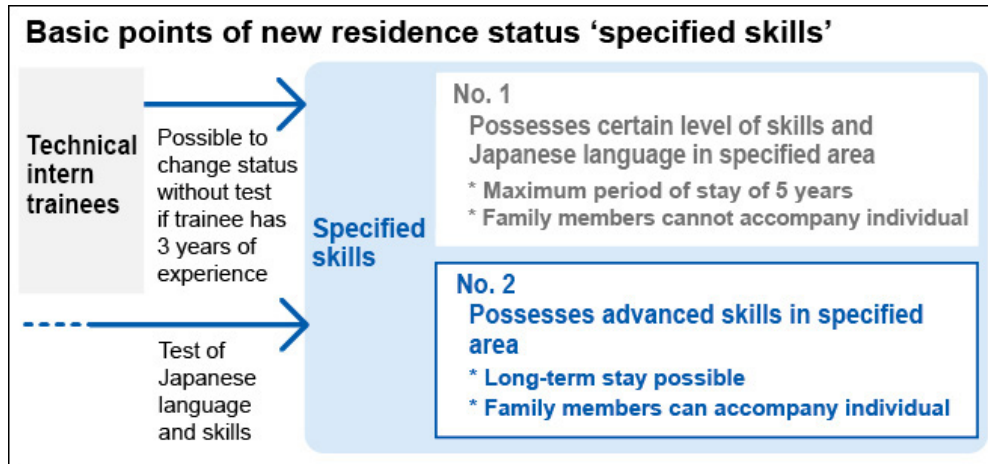
Business groups, opposition parties, and a number of academics also expressed concerns over the lack of efficient measures to prevent the newcomers from concentrating in urban areas.⁴⁴ One critic slammed Japan’s immigration policy as “excessively state-centric, bureaucratically-driven, obsessed with quotas, and perceived as solely a tool to solve economic problems, such as loss of competitiveness and continuous economic growth.”⁴⁵ To probe the validity of all these cautious attitudes, we need to take a closer look at the content of the reform.

4. Overview on the New Immigration Reform

In this section, I will examine key features of the recent reform, focusing on three highlights: the new “Category 1” residence status for lower-skilled foreign labor, the path to permanent immigration via the “Category 2” status, and comprehensive measures aimed at the support and integration of foreign residents.

Under the current reform, a brand-new type of visa has been introduced. The activities of foreign workers, with this “specified skills” visa, are limited to 14 different industries. The official plan allows an estimated 345,000 foreign workers to enter the country temporarily for five years. The “Category 1” visa with a 5-year maximum period of stay targets unskilled or semi-skilled workers in industries such as nursing care, agriculture and hospitality. The “Category 2” visa targets more seasoned workers with certain skills needed for the construction and shipping industries.

Figure 10. Basic Points of New Visa Type under the Reform



(Source: *The Asahi Shimbun*)

Technical interns who finish the second term of the program (3 years including 1 year for the first term) can be transferred into the first category of specified skills visa with a waiver of mandatory exams. However, while the second category visa allows for certain family members to accompany the visa holder and offers a path to renewals and/or permanent residency (Figure 10), the first category limits the period of stay to five years and family members are not permitted to accompany the visa holder.

As part of the reform, a new immigration agency (出入国在留管理庁) to replace the Immigration Bureau has been tasked with multiple missions such as checking whether firms are following requirements and providing the necessary conditions for accepting foreign workers.⁴⁶ Some critics doubt that the immigration agency in its present reform would be adequate to handle the growing numbers of foreigners.⁴⁷ In fact, the new agency has recently recruited a total of 585 persons including 319 for the implementation of the reform and 266 for enhancement of the entry and departure examination systems.⁴⁸ Although such measures have been taken, skepticism remains whether the agency will have sufficient operational autonomy to navigate its own policy agenda in the presence of passive power struggle among ministries.⁴⁹

Last but not least, the government has envisaged a package of support and integration measures under the cabinet policy document “Comprehensive Measures for the Acceptance and Inclusion of Foreign Human Resources,” (外国人材の受入れ・共生のための総合的対応策)⁵⁰ adopted on December 25, 2018. This package is an historic step, for before the adoption of such a comprehensive integration policy, Japan had no such program for foreigners for the past 30 years. The integration policy has included 126 measures in total to provide a proper living and working environment for newcomers and current foreign residents. To implement all these measures, the government proposed a supplementary budget of 6.1 billion yen (\$55.3 million) for fiscal 2018 and a budget of 16.3 billion yen for fiscal 2019.⁵¹ The highlight among these measures is the goal to set up over 100 “one-stop” general consultation centers in different prefectures. The “one-stop” center will be responsible for various consultations for foreigners such as medical care, education,

welfare and employment. However, due to the short period of accepting applications, the goal has not been met, with the number of applications fewer than expected.⁵² The government has opened an additional round for applications from April to the end of June.⁵³ Major progress has been made recently after the Upper House passed the Japanese Education Act which aims to promote mandatory language education for foreign workers' children.⁵⁴ Most of other measures are still in progress and the whole society seems to need more time to be prepared for accepting more foreigners.

Analysis of Potential Effects: the U.S. experience

By transferring technical interns and even introducing more workers, the labor shortage in the targeted industries over the short term can be quickly eased. However, due to the lag between the initial implementation and the eventual socioeconomic and political effects, an analysis of long-term policy effects should be conducted by examining other countries' experience with immigration. The U.S. can provide some understanding of the potential impact of large numbers of immigrants and how immigration policy may backfire. Will Japan encounter the same problem if it opens doors to foreign workers and potential immigrants who are ethnically different?

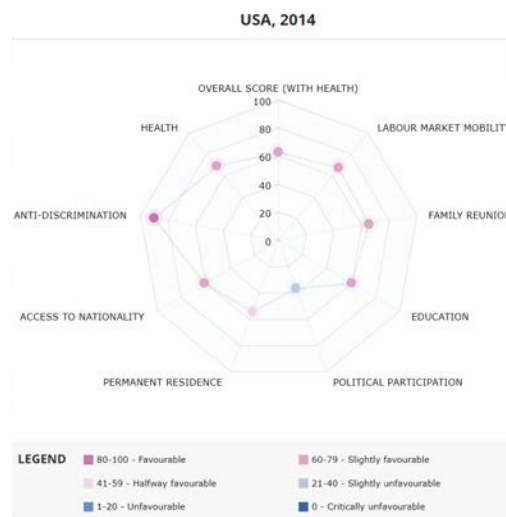
Japan's history of immigration pales in comparison with the U.S. Although the U.S. makes up less than 5% of the world's population, it is home to 19% of the world's migrants. The U.S. foreign-born population increased rapidly between 1990 and 2010, rising from 19.8 million in 1990 to nearly 40 million in 2010, but growth since then has slowed.⁵⁵ Despite recent controversies about immigration, the United States has dealt with immigration more successfully by identifying itself as an immigrant country.⁵⁶ Until recently, the country has had a relatively liberal immigration system, providing pathways to work authorization, permanent residency, and citizenship to skilled immigrants.⁵⁷ Before the country veered towards populism and anti-immigrant stances in electing Donald Trump president in November 2016, the U.S. was perceived to have the most affirmative general attitudes towards immigrants alongside English-speaking countries and the Nordics.⁵⁸

According to the 2014 Migration Integration Policy Index (MIPEX), U.S. integration policies (Figure 11) scored 63 out of 100, carving out a "slightly favorable" path for some immigrants to fully integrate into society and become citizens. The most laudable policy should be strong anti-discrimination laws protecting all residents. On the other hand, immigrants were less likely to participate in politics.

Although immigration is frequently targeted by right-wing populists, the real impact of immigration is not that clear. Labor economists focusing on immigration into the U.S. reach different conclusions on the cost and benefit. The relationship between cost and benefit depends on the composition of migrants and integration and/or immigration policy they encounter. For example, in terms of the labor market, immigration has contributed significantly to U.S. labor force growth.⁵⁹ In fact, between 1995 and 2015, immigrants and their children accounted for more than 80% of labor force growth.⁶⁰ While becoming an important source of labor supply, immigrants may not necessarily have a positive impact on economic growth and welfare. The relationship

between welfare and immigration can be addressed by public policy. Similar to international trade, the gains are distributed unevenly: capital owners and complementary workers usually benefit, while substitutable workers who compete directly with immigrants are likely to be worse off in terms of employment and wage.⁶¹ In other words, the magnitude of the wage and employment effects on native workers depends on how substitutable immigrants are for them.⁶²

Figure 11. Migrant Integration Policy Index 2014 (USA)



(Source: MIPEX 2014)

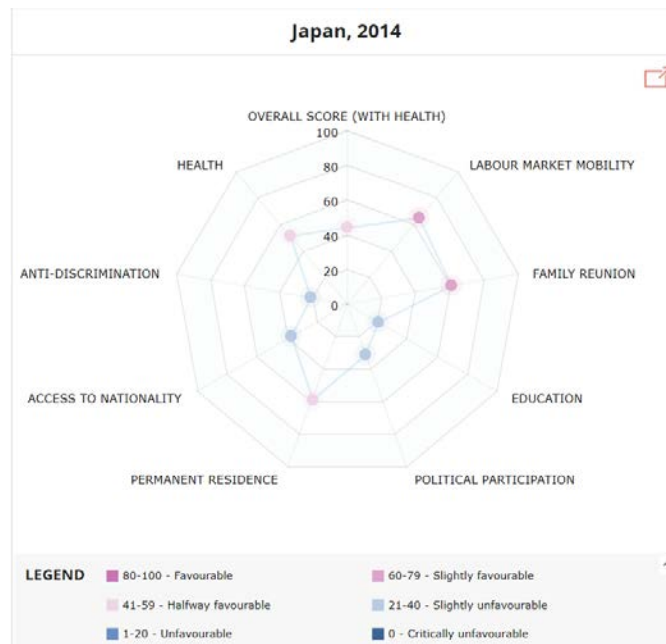
The overall economic effects such as the contribution to GDP growth are also subject to the same condition. If the immigrants are close substitutes to native workers, the “immigration surplus,” namely, the income gain by native workers, will be impaired.⁶³ Empirical evidence also shows the fiscal impact. The first generation of immigration tends to be an unambiguous fiscal burden for a country, driving up spending on social welfare, particularly education.⁶⁴ However, as assimilation takes place, revenues and spending patterns shift with subsequent generations, generating fiscal surplus⁶⁵.

The most significant sociological impact of immigration in the U.S. is perhaps the rise of populism. The American electorate has become increasingly divided over the definition of identity and the value of diversity.⁶⁶ As one of the main drivers of such polarization, immigration is perceived to be a direct challenge to the established notion of identity and pre-existing social hierarchies.⁶⁷ While economic concerns over immigration may not be completely groundless, they are often capitalized by ethnic nationalists, such as Donald Trump, to garner support from their constituents. The fiscal and economic impact of immigration alone does not lead to populism. Indeed, immigration and demographic change contribute to a sense of cultural and identity threat held by many white Americans. Recent data from the U.S. Census Bureau demonstrated “an absolute decline in the nation’s non-Hispanic white population and that for the first time, there are more children under the age of 10 who are members of minority groups than not.”⁶⁸ More and more Americans now identify themselves as multiracial, and white Americans will no longer be

the majority in the United States by 2045.⁶⁹ Coupled with narratives promoted by ethnic nationalist politicians, this perception of threat, despite objective economic indicators, have had a more powerful impact, resulting in a divided American society.⁷⁰

The U.S. experience in immigration has several implications for Japan. Compared to the U.S., Japan has a less competent policy and infrastructure for immigration. As shown in the figure below, Japan's integration policies stay under-developed, largely local and confined to the employment and education support for the *Nikkeijin* living in immigrant-dense neighborhoods. More broadly, Japan is one of the last MIPEX countries lacking a committed anti-discrimination law and body.⁷¹ Potential victims of ethnic, racial, religious or nationality discrimination can hardly seek justice in Japan.⁷² Such conditions suggest that the foundation to accept more foreign workers is far from solid.

Figure 13. Migrant Integration Policy Index 2014 (Japan)



(Source: MIPEX 2014)

Unlike the U.S., however, immigrants coming into Japan under the current terms of policy are not likely to contribute significantly to the growth of the working population. According to the projection of population decline, if Japan hopes to retain the present share of working-age population, it has to accept more than 400,000 immigrants annually.⁷³ Furthermore, in terms of economic welfare, since foreign workers are only allowed to work in the industries where native workers are either unwilling or unable to work, it is unlikely that the crowding-out effect will happen or the national welfare will decrease due to unemployment or wage shrinkage. However, it may negatively impact the welfare of vulnerable workers in those industries such as women and part-time workers. The fiscal effect remains ambiguous since the so-called “specified skill Category 1” visa holders will only stay temporally and the chance to gain permanent residency is

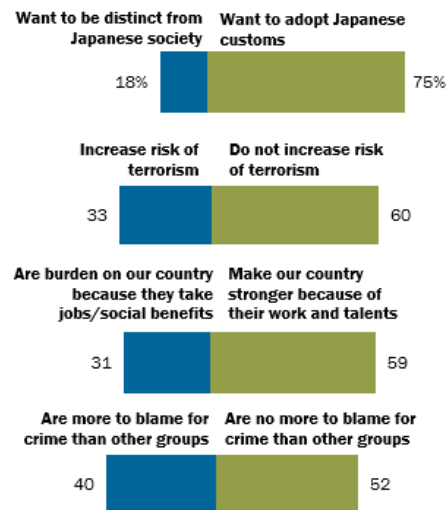
small. It is more probable that they will result in a fiscal deficit as the first-generation immigrants, raising government spending to provide an appropriate environment for them. On the firm level, companies may be less willing to spend on temporary workers for training since they cannot contribute to the long-term productivity growth to a company.

Regarding populism, we are unlikely to see it rise in Japan after the current reform. In fact, Japan encountered populism much earlier when the bubble collapsed in the 1990s. The Japanese public became anti-elitist, seeking a powerful leader who spoke for the ordinary people.⁷⁴ The movement ended up with a strong leader like Prime Minister Junichiro Koizumi being elected. Even though Japan has had stable politics recently, it is not immune to populism. In the past, domestic unease toward immigration come from “perceived job losses, cultural disruption and fears of spiking crime rates in what is a famously low-crime nation,”⁷⁵ or even terrorism (Figure 12). However, the more alarming future may be that the number of native Japanese is diminishing while that of foreigners is increasing in a more visible way.

Figure 12. Views of Immigrants in Japan

Views of immigrants in Japan are generally positive, but wariness exists regarding some aspects of immigration

Immigrants in our country today ...



Source: Spring 2018 Global Attitudes Survey. Q54e-d.

PEW RESEARCH CENTER

(Source: Pew Research Center)

While some businesses and politicians support Abe’s plans to take advantage of foreign workers for economic purposes, many are showing concerns how it could change Japanese society.⁷⁶ In other words, given the track record and current conditions, it is unclear how the Japanese society can adapt to the picture with the potential influx of workers that share almost no similarity with Japanese in terms of appearance and culture. Although far-right groups have very

little support in Japan, there are a lot more people who are vaguely concerned about accepting foreigners into this “small island country”. If the government cannot put together appropriate immigration and integration policy to harness the benefits, the social unease will certainly increase. In this scenario, ethnic nationalist leaders may capitalize on such anxieties to promote anti-immigration sentiments in the future. In fact, a newly founded far-right political party in 2016, Japan First Party, has started to organize many anti-immigration demonstrations since 2018.

Conclusion

Japan’s immigration reform over the short term, will clearly benefit businesses struggling with a severe labor shortage. In terms of numbers, however, the current plan is far from a viable solution to alleviate the chronic labor shortage. But if Japan continues to attract more immigrants and if it designs and implements an effective social integration policy, foreign workers can contribute to the growth of the working-age population and the country’s economic output. Before that, a bold step should be taken to strike a balance between assuring that “no one is left behind” and expanding the current plan to accept more foreigners. To do that, a straightforward and open public debate about immigration should be encouraged.

More urgently, Japan's advantage in the global competition for migrating workers in terms of salaries is eroding (Figure 13). For example, South Korea, with a higher average monthly wage level (Figure 13) and an immigration policy with a better international reputation, is becoming more attractive as a destination for workers from neighboring Asian countries.

Figure 13. Average Monthly Wages in Japan, Major Competitors, and Sending Countries

Country	Average Monthly Wages (Local Currency)	Average Monthly Wages (USD)
South Korea	3359019 KRW	\$ 2,884.94
Japan	296402 JPY	\$ 2,667.77
China	6193 CNY	\$ 919.59
Thailand	13995.56 THB	\$ 439.02
Vietnam	5622000 VND	\$ 241.78
Philippines	10458 PHP	\$ 202.30

(Note: the data is compiled from <https://tradingeconomics.com/japan/wages> and the exchange rate used to convert is based on that on May 4th, 2019)

The competition with neighboring countries like South Korea to attract foreign workers in Asia is bound to be intensified. In this sense, the future “battleground” may extend to the African continent where the salary level remains modest compared to Japan. Moreover, with economic growth, many sending countries like Vietnam will start to retain more of their human capital, diminishing the overall global supply of migrant workers.⁷⁷ In this scenario, Japan would also face increasing competition from the migrant’s home countries to encourage them to stay at home.⁷⁸ Therefore, the capacity for the government to pursue a bold immigration policy can be constrained and unfeasible as a policy solution, regardless of the domestic political support for immigration.⁷⁹

Certain policy measures and inducements would be needed to maintain a sustainable

migrant supply in competition with other countries, the cost and feasibility of which are not yet well considered by many in the current administration. Japan needs foreigners to save businesses from a manpower shortage. Nevertheless, this feeling is not shared by the foreign workers anymore. According to the IMD World Competitiveness Center, Japan is the least attractive Asian country for foreign talent (Figure 14).

Figure 14. IMD World Talent Ranking 2017

Country	Global Ranking
Singapore	3
Hong Kong	5
Indonesia	18
Malaysia	23
Thailand	24
Philippines	30
China	34
India	36
Taiwan	44
South Korea	48
Japan	51

Source: IMD World Talent Ranking 2017
 Note: Shows global ranking of 11 Asian nations among 63 countries worldwide

(Source: Bloomberg)

This sentiment is also growing among lesser skilled workers. "I haven't lost my fascination with Japan yet," a Vietnamese technical intern says,⁸⁰ "But perhaps Japan may need to realize that it needs foreigners as opposed to the other way around."⁸¹ The government should understand that foreign workers will no longer pick this country if Japan adheres to its self-serving conditions and only exploits them as cheap labor.⁸²

What also persists to this day is the dreadful working and living conditions of technical "interns." Interns who have finished at least three years of the program will be exempt from additional tests to qualify the new visa statuses. Actually, the government presumes that over half of the people granted the Category 1 visa statuses in the first year will be former technical trainees.⁸³ In that sense, the reform will be closely related to the technical trainee program. Therefore, a good place to reinvigorate Japan's international reputation for its treatment of migrant workers should be focused on TITP. The program needs to be immediately revamped, at least building up a well-equipped supervision body with efficient punitive measures and providing SMEs enough support to better host foreign workers. In a nutshell, it is critical to formulate a concerted and sustainable strategy of public and private cooperation to rectify TITP's problematic operation.

On May 1, a new emperor in Japan, Naruhito, ascended the throne, marking the beginning of the Reiwa era. Although the transition is largely symbolic since the emperor's role is ceremonial, it can be a good opportunity for the country's leaders to seriously consider what Japan needs to do in facing the ongoing demographic crisis.⁸⁴ Combined with measures to revitalize programs to encourage women and elderly to participate in the labor market, a long-term pro-migrant policy can help Japan to effectively adapt to the challenges of a shrinking population.

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Japan's Post-Fukushima *Energiewende*: Market Liberalization, Restructuring, and Japan's 2030 Electricity Mix

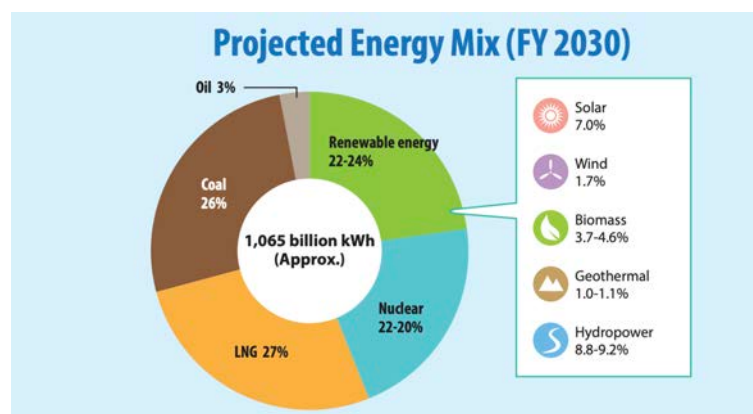
Matthew Kawatani

1. Introduction

Japan has limited natural resources and is heavily dependent on imports of raw materials and fossil fuels. In 2016, its energy self-sufficiency was approximately 8%.¹ Even with nuclear power generation, prior to the Fukushima Daiichi meltdown in 2011, self-sufficiency was only 20%.² This clearly demonstrates the challenge Japan faces related to energy security. In addition, Japan must deal with the global crisis of climate change. In the Paris Agreement, Japan committed to reducing greenhouse gas emissions by 26% compared to the FY2013 levels by 2030.³ Further, Japanese officials and the public have raised concerns about electricity feed-in-tariffs, the safety of nuclear power, and even national security. The most contentious statement has come from former defense minister Shigeru Ishiba: "I don't think Japan needs to possess nuclear weapons, but it's important to maintain our commercial reactors because it would allow us to produce a nuclear warhead in a short amount of time."⁴ While Ishiba's remarks reflect a minority opinion in Japan, the nuclear allergy being as strong as ever, a combination of environmental, cost, economic, safety, and security concerns represent the political hurdles to constructing a target energy mix with a general portion of renewables.

Japan's targeted electricity mix for 2030 consists of 27% coal, 27% LNG, 22-20% nuclear, 22-24% renewable energy, and 3% oil. But there is room for criticism from the various perspectives that stakeholders hold. In particular, Japan has been faulted for not pursuing a higher penetration of renewable energy. What is often not discussed in detail, however, is the current structure of Japan's electricity market both from a physical infrastructural perspective and from the perspective of how the roles of market players are organized.⁵ This paper will argue that there is more nuance to Japan's projected electricity mix and that Japan's electricity market structure is possibly the most difficult challenge Japan must address in confronting the barriers to fulfilling its energy policy mix, in particular, renewable energy.⁶⁷

Figure 1: Japan's Projected Energy Mix for Electricity



(Source: Japan's Energy Plan 2015)

In laying out my argument, I will first discuss the catalyst for Japan's reforms and link Japan's renewable energy policy to its electricity market restructuring and liberalization. Then, in order to contextualize Japan's market restructuring and liberalization, I will outline the statistically and economically proven "textbook" model. I will then compare Japan's market structure and reform plans before delineating the challenges within Japan's market structure related to renewable energy penetration and elucidating the implications of Japan's reforms. I will close by discussing the global implications and more specifically, the implications for U.S.-Japan relations.

2. Fukushima as a Catalyst for Renewables

Current restructuring and liberalization of Japan's electricity market was catalyzed by the Fukushima nuclear accident in 2011. Fukushima has not only had a major impact on nuclear generation in Japan but also the country's overall short-term and long-term energy policy. Following the meltdown of the Fukushima reactors, nuclear power generation was suspended with each nuclear reactor needing to pass new tougher safety standards in order to restart.⁸ Consequently, Japan experienced its first trade deficit in over 30 years as it significantly increased natural gas, oil and coal imports.⁹ Oil, natural gas, and coal accounted for 32% of Japan's import bill in 2014 and increased electricity prices by around 20%.¹⁰ While lower global oil, natural gas, and coal prices have reduced pressure on the Japanese economy, Fukushima nonetheless has demonstrated the need to develop alternative domestic resources so Japan has the ability to insulate itself from global price volatility. Following Fukushima, Prime Minister Shinzo Abe offered some of the highest feed-in tariff (FIT) incentives in the world, spending almost \$30 billion in 2013 and installing as many solar panels during that period as in Spain.¹¹ In addition to the aggressive implementation of Japan's FIT incentives, the Abe administration and the Japanese Diet immediately began discussing electricity market restructuring and liberalization.¹² While FITs act as a subsidy, bringing down the cost of renewable energy, new market structures are needed from both an organizational and technical aspect. From a technical aspect, flexible mechanisms within a wholesale market need to be created to accommodate the intermittency and variability of renewable resources.¹³ And from an organizational perspective, competition needs to be introduced to incentivize dispatch of renewable generation; as renewable generation, a new market player, takes market share and lowers the profits from incumbent generation, in particular nuclear energy for which utilities have invested a significant amount of capital.¹⁴

3. The "Textbook" Model for Restructuring and Competition

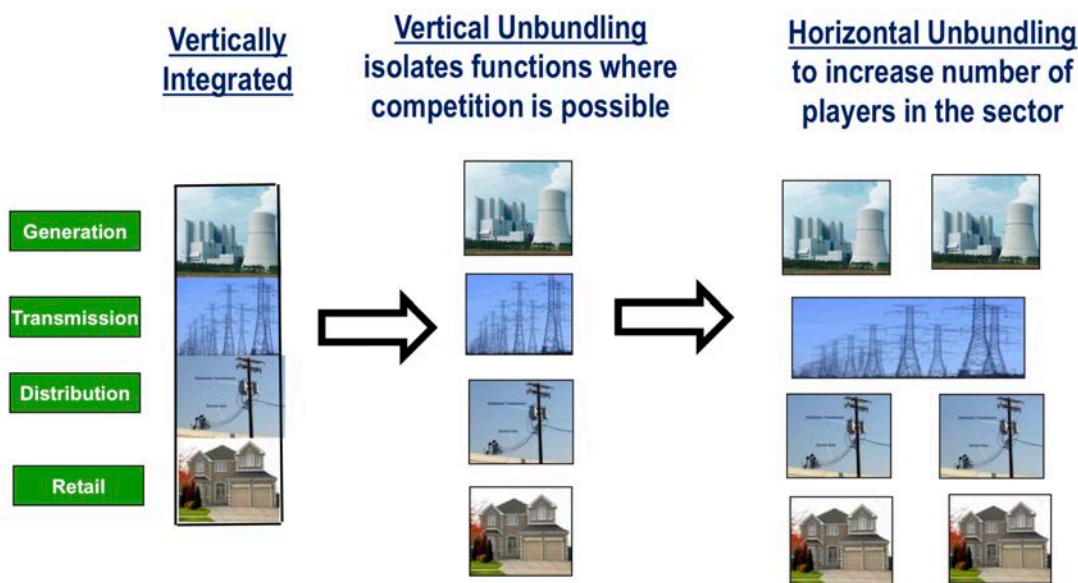
In this analysis, we must first define electricity market restructuring and liberalization and provide a context from which to analyze Japan's restructuring and liberalization policy. Market restructuring and liberalization has its roots in the 1980s when Chile and the United Kingdom (UK) began a profound restructuring and liberalization of its electricity markets with a large number of countries soon following.¹⁵ Advanced economies in particular have moved towards restructuring and liberalization as strong statistical and economic evidence coupled with cross-country analysis have demonstrated that competition and minimized utility market power created

through restructuring and liberalization results in greater efficiency, lower costs, and increased quality of service.¹⁶

From these historical experiences, the “textbook” model was developed. This model includes privatization, vertical and horizontal unbundling, and the introduction of an independent regulator. The steps are summarized in order below:

- *Corporatization and commercialization* represent the initial steps in insulating the electric market from political considerations.¹⁷
- Creation of *independent regulatory agencies* with adequate authority, information of the market, and capacity to implement incentive regulation and promote competition, ensuring the “rules of the game” are being followed.
- *Vertical separation* of potentially competitive segments of a utility (e.g. generation and retail competition) from natural monopolistic segments (transmission and distribution) with the hopes of minimizing conflicts of interest.
- *Horizontal restructuring* of utility assets in order to create an adequate number of competing generators suppliers.

Figure 2: Illustration of Vertical and Horizontal Unbundling in the Major Sectors of an Electricity Industry.



Source: Electricity Sector Reform - Training and Field Support Kit, USAID/EGAT Office of Infrastructure & Engineering, Energy Team, PA Government Services Inc. March 2009.

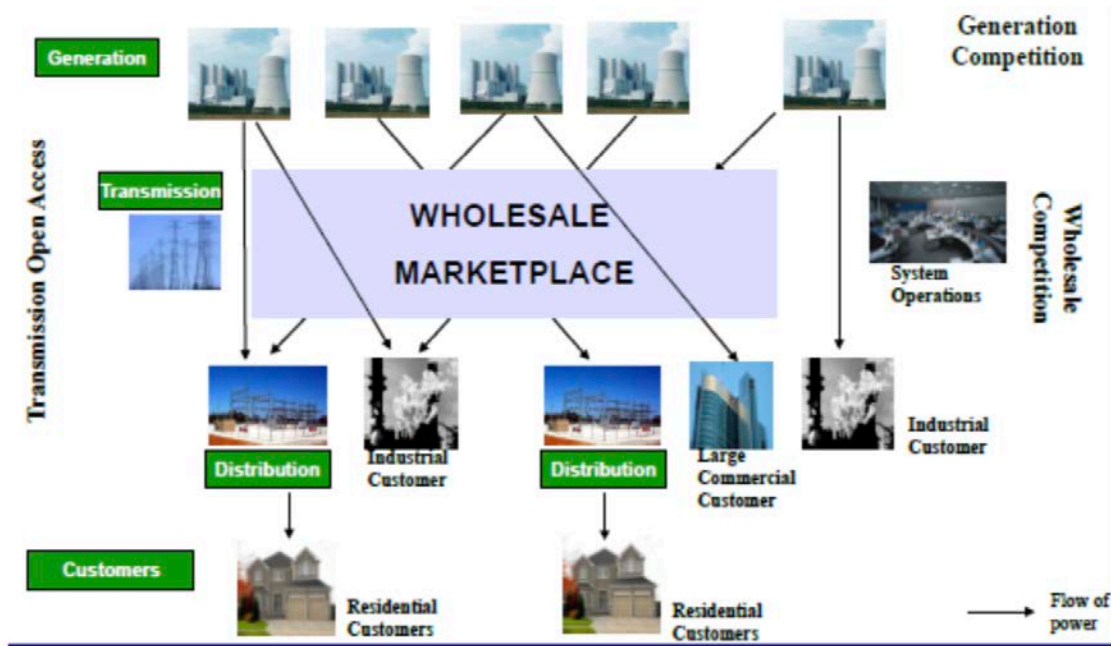
(Source: Electricity Sector Reform – Training and Field Support Kit 2009)

- Establishment of an *independent system operator (ISO)* who ensures supply and demand at all times are coordinated so network stability is maintained. ISOs typically manage supply and demand by forecasting demand and dispatching generation (supply)

at an equal level. Generation is dispatched by the lowest marginal cost. Additionally, ISOs can manage expansion and maintenance of physical infrastructure.

- *Privatization* is the process which follows corporatization and commercialization and results in enhanced performance and ability of enterprises to further insulate themselves from political agendas.
- Introduction of *independent power producers* (IPPs) to facilitate competition in generation and investment from the private sector, lessening strain on public finances.
- Creation of *wholesale markets* which comprise of capacity markets, ancillary services markets and trading arrangements for real-time balancing of the system and a mechanism for communication between supply and demand.

Figure 3: Illustration of an Electricity Market with an ISO, Vertically and Horizontally Unbundled Generation with a Wholesale Market.

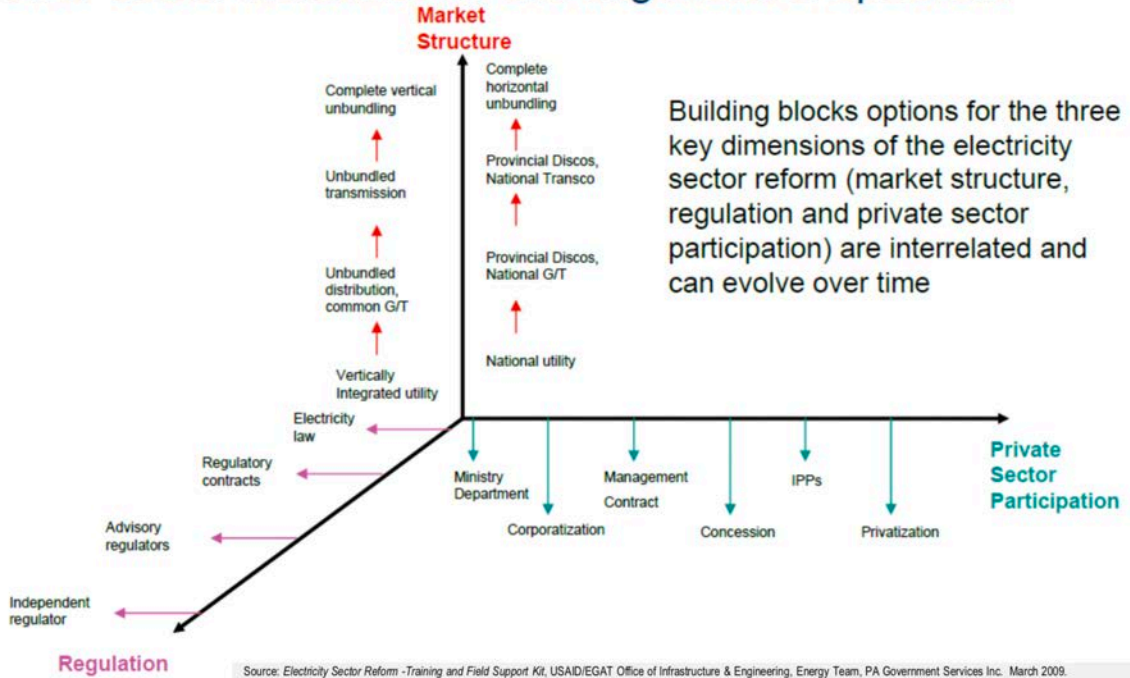


(Source: Electricity Sector Reform – Training and Field Support Kit 2009)

- *Open access to the transmission network* to incentivize efficient location and interconnection of new generation facilities, entry of new players, and unbiased use of transmission.
- *Unbundling of retail tariffs* and rules to enable access to the distribution networks in order to promote competition at the retail level.
- Leave the market alone. Creating an overabundance of market mechanisms and regulations can have negative consequences (e.g. California in the early 2000s).

Figure 4: Illustrates the Three Categories of the Reform Process and the Steps Towards Full Restructuring and Liberalization.

Power Sector Reform is an evolving menu of options...



(Electricity Sector Reform – Training and Field Support Kit 2009)

Figure 5: Final Electricity Market Structure in “Textbook” Model



(Source: Electricity Sector Reform – Training and Field Support Kit 2009)

In sum, the restructuring process in the textbook case gradually increases the amount of competition and market orientation, creating a structure which clearly allocates roles to each market player, and limits the market power of the incumbent utility. This is done in successive steps with additional mechanisms such as various wholesale markets being created to accommodate the less integrated nature of the new market structure.

4. Japan's Electricity Market Structure

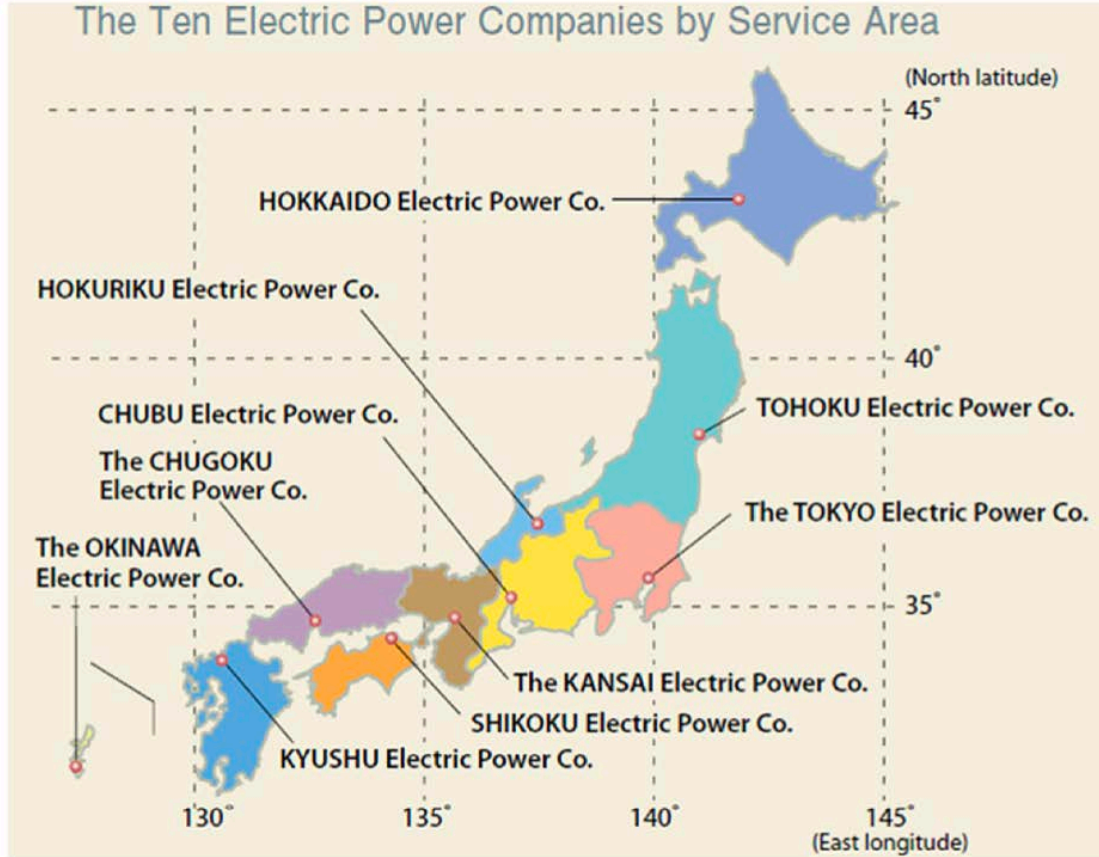
As mentioned above, the “textbook model” has been proven through statistical evidence and case studies. However, every country has a unique context. These country-specific contexts result in different market structures as countries have increasingly turned towards hybrid models.¹⁸ But the standard “textbook” model remains useful as a baseline for comparison against market structures and the intended outcomes. In this section, I will outline the structure of Japan's electricity market and demonstrate that it is in fact different from the “textbook” model.

Infrastructure

Japan's electricity sector is highly fragmented not only due to its organization, but also due to its infrastructure limitations. Japan's market structure dates back to the Electricity Utility Industry Reorganization Order, implemented in 1951.¹⁹ In seeking to stabilize the electricity supply post-WWII, this order divided Japan into nine service areas (Okinawa was added in 1972) served by vertically integrated utilities which balanced supply and demand and maintain generation, transmission, and distribution assets within their regional areas.²⁰ Those utilities are Hokkaido Electric Power Co., Tohoku Electric Power Co., Tokyo Electric Power Co., Hokuriku Electric Power Co., Chubu Electric Power Co., Kansai Electric Power Co., Shikoku Electric Power Co., Chugoku Electric Power Co., Kyushu Electric Power Co., and Okinawa Electric Power Co. Service by a vertically integrated utility was in line with other electricity market structures at the time. However, what was unique about Japan's system was that the utilities were privately owned as opposed to state owned enterprises (SOEs), connections between the service areas were extremely limited in capacity, and Japan operated on two separate frequencies – 50 Hz in the eastern region and 60 Hz in the western region.²¹

Limited interconnections were a result of the underlying factor for nine service areas following WWII. Japan placed a high priority on stable supply and limited capacity interconnections insulated service areas from problems which occurred in other service regions. While the difference in frequency is attributed to the fact that western Japan originally contracted generation with U.S. companies while eastern Japan contracted generation with German companies.²² This clearly evidences that the Japan's electricity market and energy policy must operate within the context of infrastructurally fragmented regions. Further, Japan's infrastructure constraints create challenges for market organization which we will discuss further in a later section.

Figure 6: Ten Incumbent Utilities by Service Area



(Source: The Federation of Electric Power Companies of Japan 2013)

Market Organization 1995-2011

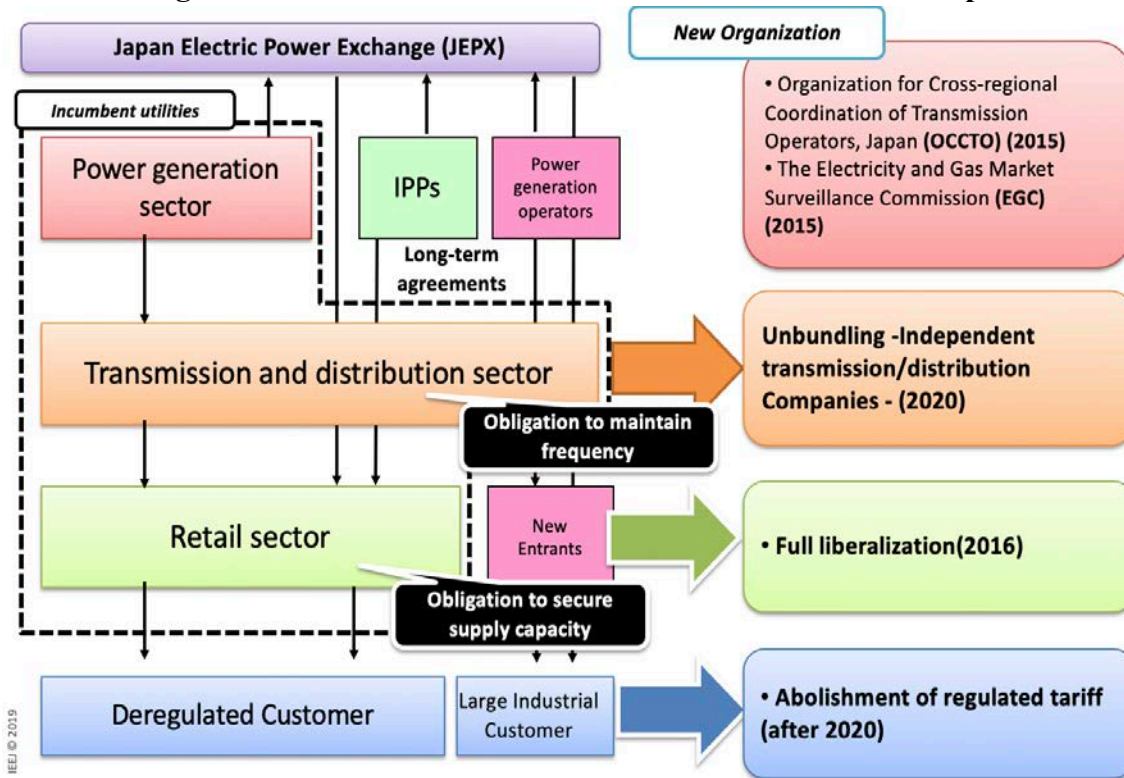
Japan's electricity sector restructuring and liberalization began long before Fukushima and has been gradual and cautious. The reform process can be split into two categories, pre-Fukushima and post-Fukushima. Initial reforms began in 1995, more than two decades ago. Between 1995 and 2008, the market was increasingly liberalized with independent power producers (IPPs) gaining the ability to enter the market and sell electricity directly to utilities.²³ IPPs gradually gained the ability to sell to a wider customer base (approximately 62%) through Japan's wholesale market.²⁴ There was also the establishment of a regulatory body, the Electric Power System Council of Japan (ESCJ), whose primary responsibilities were three fold. The first was to establish the rules in regard to investments, network access, network operations, and information disclosure. The second was to set up a mechanism for dispute resolution between utilities and IPPs, retailers or consumers. The third, was to set up a communication mechanism for coordinating management of the grid between the different utilities. The ESCJ was governed by its membership which included representatives from the incumbent utilities, new entrants, wholesale utilities and scholars.²⁵ In essence, the ESCJ acted as a regulator and ISO grounded in consensual decision making.²⁶ Therefore, Japan's initial reforms were unique in comparison to the "textbook" model

as Japan established a wholesale market and competition in generation prior to vertical and horizontal unbundling. Additionally, the regional utilities were tasked with balancing their own systems with the ESCJ acting only as a facilitator for the establishment of rules such as open access and providing information on supply and demand within the different regions. This has been in contrast to the United States and the European Union countries which have completely separated frequency operation of transmission lines from the utilities and provided sole discretion to the ISOs which are not governed by the incumbent utilities.²⁷

Market Organization 2011-2020

As mentioned above, the second phase of electricity sector liberalizations and restructuring has been a key pillar in METI's plan to integrate greater penetration of renewables post-Fukushima.²⁸ But while there have been changes, many of the key differences between Japan's market structure and the "textbook" model remain. On April 23, 2014, the Japanese cabinet approved the Bill for the Act for Partial Revision of the Electricity Business Act.²⁹ This bill set forth a policy for electricity market restructuring and liberalization in three phases. The first phase included the establishment of the Organization for Cross-regional Coordination of Transmission Operators (OCCTO) and the Electricity and Gas Market Surveillance Commission (EGC) by 2015.³⁰ The ESCJ was replaced by OCCTO and took on most of the functions previously held by ESCJ but instead of just providing information for the balancing of the regional utilities, OCCTO as the ISO could now prescribe utilities to increase power generation and interchange when supply-demand became tight.³¹ The EGC became the main regulator and took on the function of managing arbitration which had been previously held by the ESCJ.³² Additionally, the EGC was given the functions of collecting the operational reports, conducting on-site inspections, and making recommendations to METI regarding network and retail tariffs.³³ The second phase was full liberalization of the retail sector in 2016.³⁴ All consumers now have the ability to choose where they purchase their electricity. The third phase which will not occur until 2020 is the legal unbundling of the transmission and distribution sector.³⁵ The post-Fukushima reforms enlarge the arena for competition and provides more management power to OCCTO as OCCTO can now prescribe increased or decreased generation from the regional utilities. However, the incumbent utilities still have discretion over how generation is increased as they maintain a monopoly over transmission and distribution and are in charge of maintaining the frequency within the guidance provided by OCCTO. Further, as stated earlier, there is still a less stringent separation between utilities and the ISO with utilities directly influencing rulemaking through its membership in OCCTO and its role of managing regional frequency.³⁶ Lastly, while Japan is unbundling through a mandated legal separation of generation, transmission and distribution, and retail in 2020, the utilities are maintaining and permitted to maintain a financial relationship between the three sectors through a parent holding company.³⁷ This is in contrast to some 19 states in the United States which have restructured and do not allow any financial relationship between utilities and generation due to conflict of interests concerns.³⁸ Given these differences, it is evident that Japan has clearly modified the implementation and sequencing of the "textbook" model.

Figure 7: Illustration of the Current Market Structure in Japan



(Source: Electricity Market Reform and New Markets in Japan 2019)

5. Implications of Japan's Electricity Market

Japan's restructuring and liberalizations have had some positive affect. The share of new entrants measured in volume sold grew from about 3% in September 2012 to 11.7% in September 2017.³⁹ Additionally, efficiency has increased as the number of employees per kilowatt-hour (kWh) decreased and the cost of electricity other than fuel had decreased from 17 yen per kWh in 1995 to 11.6 yen per kWh in 2014.⁴⁰ Therefore, it appears that utilities are increasing efficiency and market orientation to an extent. However, within the context of Japan's renewable energy policy, what is more salient is that the integration of renewables requires proper unbundling of transmission and distribution from the regional utility. Proper unbundling is necessary to prevent a conflict of interest from occurring in which utilities prioritize their own generation assets in dispatch in order to increase their revenues, despite those generators being less economical for ratepayers. Prioritization of incumbent utility generation not only increases costs to rate payers who pay for the electricity but also results in other generators not entering the market as they are not able to operate for the requisite amount of hours to recover capital costs or are required to take on higher capital costs due to increased market risk. As such, unfair access due to utility market power is a challenge for renewables in two ways. First, it can prevent renewable energy generation from entering the market. Second, it prevents the development of a liquid wholesale market as there are less market players and less generation from non-incumbent utilities. As described above, these wholesale markets are necessary for reasons of additional capacity and flexibility which are

needed to address the variability and intermittency of renewables. In this section, we will outline the interests of Japanese utilities and how these consequences have arisen specifically within the context of Japan.

Opposing Interests of Japanese Incumbent Utilities

In Japan, it is clear that the incumbent utilities prioritize generation from long-term electricity contracts which include nuclear, geothermal, and hydroelectric – forming Japan’s current baseload. These forms of generation have especially high upfront costs due to the high-level of construction risk associated with these projects. Therefore, these long-term projects require a rate of return over long timelines that are guaranteed. It is not uncommon for the purchase of generation to be contracted, however, nuclear, geothermal, and hydroelectric require contracts which have significantly longer contracted timelines than typical generators and are therefore more deleterious from a business perspective to write off as a sunk cost stranded asset.⁴¹ Utilities have invested heavily in nuclear plant and equipment in particular, since Japan’s Basic Energy Plan as revised in June 2010 before the Fukushima accident, targeted a 50% share of nuclear energy by 2030, pushing utilities towards investments in higher penetrations of nuclear generation.⁴² Further demonstrating the importance of nuclear generation to the incumbent utilities business models is the effect of the nuclear suspension of nuclear operations pending approval by the Nuclear Regulation Authority. The suspension of nuclear operations put the regional utilities under severe financial pressure. From April 2011 to March 2014, more than half of the regional utilities posted financial losses for three consecutive years.⁴³ Kansai Electric Power Co. was the most heavily reliant on nuclear power for generation and posted a loss of \$1.66 billion in fiscal 2014 and a loss of \$2.49 billion in fiscal 2013.⁴⁴ Thus, it is clear that the incumbent utilities have a financial stake in providing priority to generation from nuclear, hydroelectric, and geothermal power over renewable energy.

In the “textbook” model, restructuring and liberalization prevents conflicts between the financial incentives utilities hold, governmental renewable energy policies, and ratepayer interests for service at the lowest cost by prohibiting utilities from competing in generation, allocating network management and generation dispatch to the ISO while also increasing competition to force market players to act in the most economical manner. But as previously discussed, Japan’s restructuring and liberalization has differed from the “textbook” model, as Japan has not yet unbundled generation and continues to allow utilities to take the lead at the micro-level on network management and generation dispatch. Japan’s decisions have resulted in several key consequences. The two most critical results are that a significant amount of renewable energy has been curtailed, and that Japan’s wholesale markets are highly illiquid with an inability to properly accommodate increased renewable energy generation. It should be noted that these two issues are not separate and in many ways are interrelated.

The Case of Kyushu Electric Power Company

In seeking to illustrate the importance of electricity market restructuring and liberalization within the context of Japan’s renewable energy policy, it is important to look at the case of Kyushu

Electric Power Co. An analysis of Kyushu is critical for two reasons. The first is that four out of five nuclear reactors in that region have come back online, representing a likely future scenario for other regions as nuclear power continues to come back online, albeit slowly, and renewable energy capacity increases.⁴⁵ Second, Kyushu has the largest renewable energy potential, especially in solar power, and has been able to attract a large amount of investments.⁴⁶ This means that Kyushu will be a critical component of Japan's drive towards increase renewable energy generation. Solar investments in Kyushu have resulted in an installed capacity of 7,003 MW as of 2017, the second largest in terms of capacity, after Tokyo, in the ten regions in Japan.⁴⁷ Solar and wind generation now consist of 27% of generation capacity in Kyushu.⁴⁸ But realized generation from renewable energy in Kyushu is only approximately 15%.⁴⁹ A part of the reason is that curtailment and connectivity in Kyushu have been problematic.

In late 2014, the Kyushu Electric Power Co. announced that it would be suspending new grid access to clean energy producers and examining how much additional capacity could be integrated into operation of the grid. Kyushu Electric Power Company's announcement was related to the FIT Enforcement Regulation Act in Japan. This act allowed the incumbent utilities which operated the grid to curtail against renewable electricity generators without having to pay a penalty to generators for up to 30 days per year but mandated that compensation be paid if curtailment occurred in more than 30 days.⁵⁰ However, the act provided incumbent utilities the right to refuse connection to the grid if they determined that it was likely that curtailment would go over 30 days in the case of connection.⁵¹ As such, Kyushu Electric Power Co. was studying the curtailment potential as significant capacity additions in renewable energy were being made within its territory. Kyushu Electric Power Co.'s study of curtailment potential was valid within the context of the FIT Enforcement Regulation Act as connecting rapidly growing renewable energy capacity in its territory had a reasonable potential to result in curtailment which could exceed 30 days. However, a closer look at the operations of Kyushu Electric Power Co. reveals that a primary reason for curtailment was not because of a lack of demand to meet growing renewable energy capacity additions.

In alignment with other incumbent utilities in Japan, Kyushu Electric Power Co. dispatches its long-term contracted generation first in meeting demand. Figure 8 below demonstrates that nuclear is dispatched first, followed by hydroelectric, geothermal, and biomass before solar is finally dispatched. This means that there is less room for generation from other sources to meet demand and should additional renewable energy capacity come online, there will be curtailment. At the moment, Kyushu's case is unique as it has seen greater amounts of investment in solar generation compared to other regions given its solar potential and has also had its nuclear generation come online more rapidly than other regions. But, the case of Kyushu Electric Power Co. clearly demonstrates that prioritization of long-term contracted generation paired with nuclear generation beginning to come back online and limited transmission capacity to transfer excess renewable generation results in renewable energy capacity not necessarily translating in renewable energy generation.

Figure 8: Electricity Supply and Demand in Kyushu from May 1, 2015 to May 8, 2015

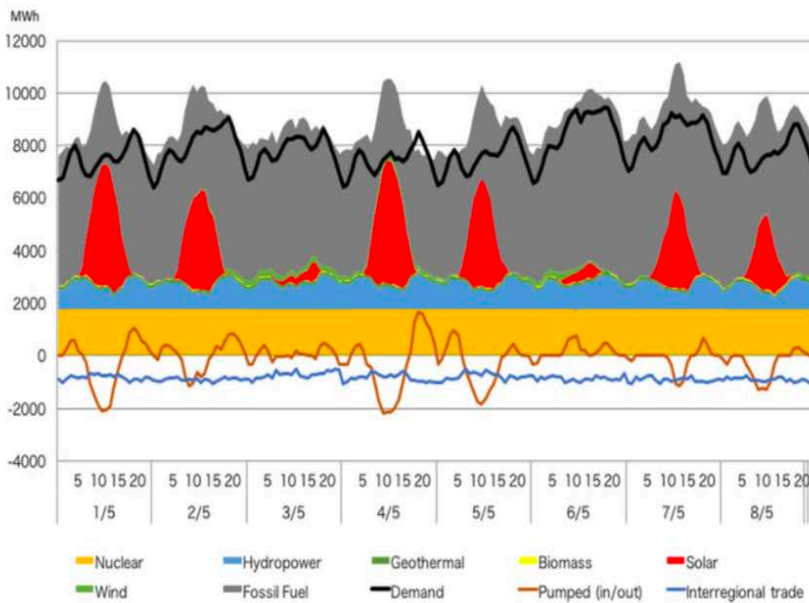


Fig. 2. Hourly electricity demand and supply from 1st May to 8 May 2016 in Kyushu. Sources: Made from the following source: Kyusyu electricity power company electricity demand and supply data Kyusyu electricity power company electricity demand and supply data: http://www.kyuden.co.jp/wheeling_disclosure.html

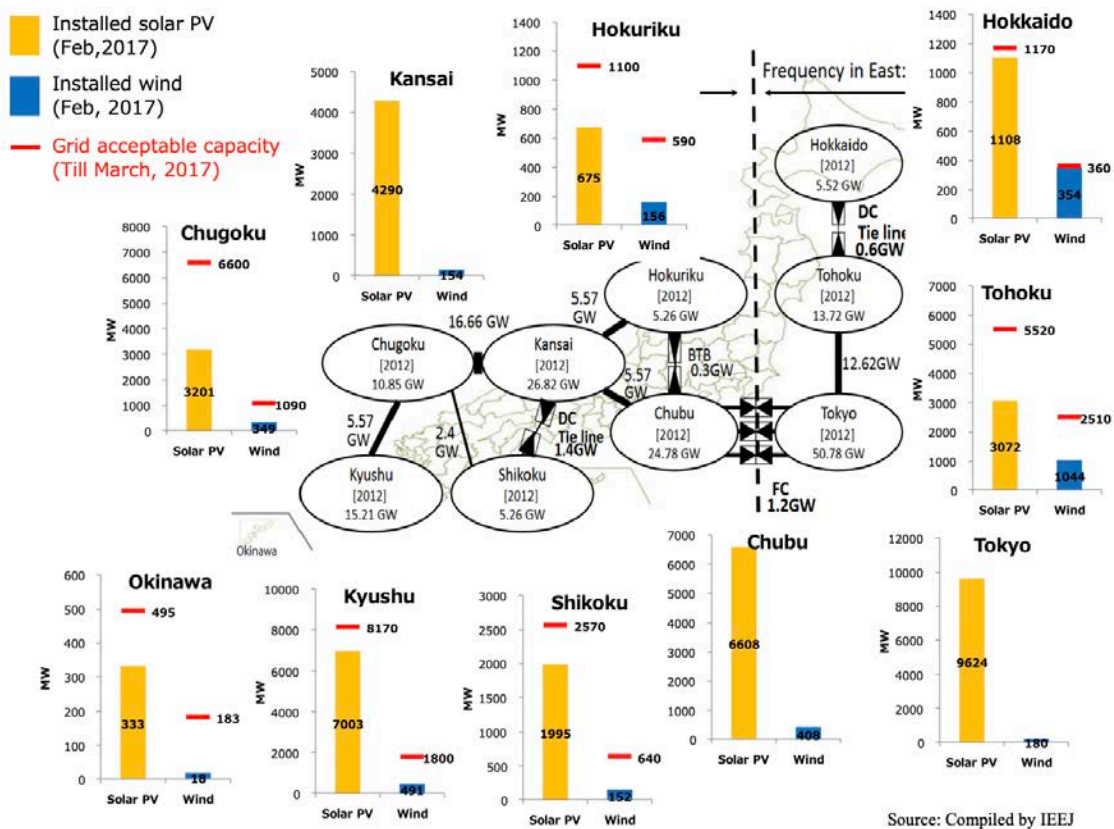
(Source: Assessment of Renewable Energy Expansion Potential and its Implications on Reforming Japan’s Electricity System 2018)

Addressing Connectivity and Curtailment

Japan has sought to address issues of connectivity and the concerns of utilities by revising connectivity and curtailment rules. But these rules have not addressed the core issue of incumbent utility market power. In order to encourage grid operating utilities to continue to connect renewable energy projects to the grid, Japan formalized new rules for curtailment beginning in fiscal 2015.⁵² Under this new rule, an “acceptable capacity” was set for each region with all connected renewable energy generation under the “acceptable capacity” limit subject to the original compensation scheme while connected capacity over the “acceptable capacity” was subject to unlimited curtailment.⁵³ Despite ensuring that new renewable energy projects will be connected to the grid, this new rule does not sufficiently solve the curtailment issue. A penalty mechanism for curtailing renewable generation remains in place but is limited. Further, the “acceptable capacity” limit takes into account factors which allow for integration of renewable energy generation such as the extent of the development of ancillary services and transmission capacity, the new rule creates an incentive for incumbent utilities to seek as low of an “acceptable capacity” limit to avoid paying curtailment penalties rather than developing mechanisms which would better integrate renewable generation.⁵⁴ This is particularly problematic as continued curtailment creates a vicious cycle in which systems remain inflexible. While curtailment may be necessary in some cases to maintain

the balance of the grid, if it is done excessively, renewable energy generation will be slower to emerge due to perceived investment risk. Therefore, balancing the grid will be more difficult as a larger volume of capacity installations make renewable generation less variable (see figure 10). Further, the perception of risk due to unfair incumbent utility market power will not only prevent renewable generation but also other non-renewable sources of generation, decreasing liquidity in the wholesale market and the ability to use wholesale markets as a counterpoint to renewable energy variability. Illiquidity in the wholesale market has been particularly challenging for Japan as in 2016, 90% of generation came from the 10 incumbent utilities and as of 2017 and the amount of electricity in the wholesale market is only approximately 6.8% of the total electricity generated.⁵⁵ When compared to what is typical in other countries, over 50%, this is noticeably low.^{56,57} Thus, the new rules have not addressed the central issue of utilities possessing a conflict of interest resulting in prioritization of long-term contracted generation, resulting in unnecessary curtailment of renewable energy generation. Unbundling will occur in 2020 but it is important to ensure that the continued financial relationship which is acceptable under current requirements does not result in continued market distortions.

Figure 9: “Acceptable Capacity” Limits and Installed Capacity in the Ten Regional Areas of Japan.



(New and Renewable Energy in Japan 2019)

**Figure 10: Output Variability Comparison between
200 Wind Turbines and 15 Wind Turbines**

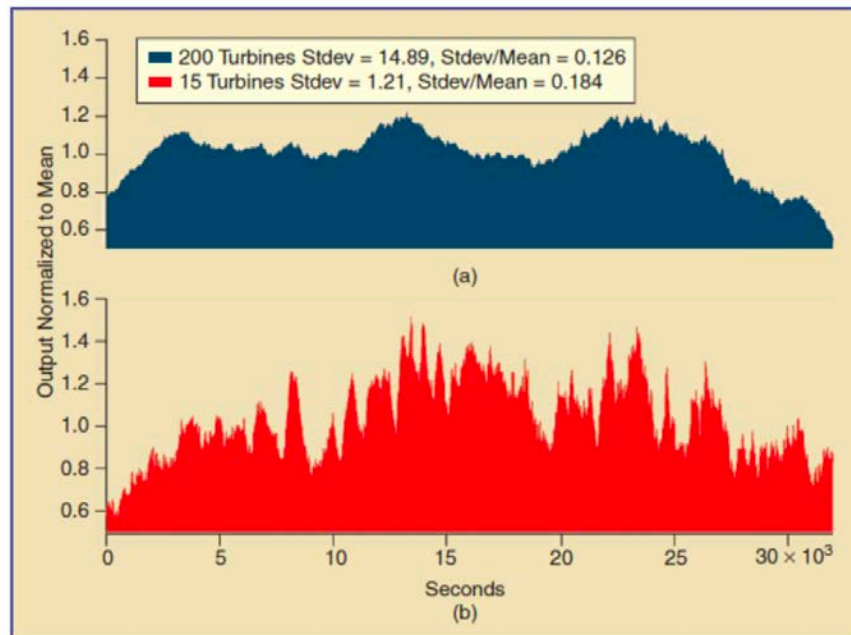


figure 3. Comparison of second-to-second variability of wind production between (a) a wind plant with 200 wind turbines and (b) a wind plant with 15 wind turbines.

(Source: Wind Power Myths Debunked 2009)

Consequently, reaching Japan’s fiscal 2030 target of 22-24% renewable energy generation requires a nuanced assessment. Concerns should be raised about the conservative nature of Japan’s renewable energy generation projections and the relative weight given to nuclear generation. But it is clear that policymakers are currently working within an electricity market structure which greatly inhibits greater generation from renewable energy sources. Changes to Japan’s electricity market structure requires significant investments in infrastructure but more challenging, it requires an adequate unbundling of what has traditionally been a highly concentrated and vertically integrated market and stringent regulators. This will require significant political will as incumbent utilities and other powerful interest groups have a vested interest in keeping some aspects of the traditional structure intact. As such, Japan’s electricity market structure and the complex and political nature of reform needs to be considered when engaging in dialogue of Japan’s fiscal 2030 targeted electricity generation profile. Committing to a higher penetration of renewable energy does not simply mean more subsidies, it requires changing rules and managing conflicting interests, particularly stranded assets of incumbent utilities and traditional business models.⁵⁸

6. Implications for U.S.-Japan Relations

At the macro level, there are benefits from Japan’s restructured and liberalized electricity market, within the context of renewable energy, flowing to the U.S.-Japan relationship. A higher penetration of renewable energy will assist a key ally in enhancing its energy security. Further, lessons from Japan’s reforms can be used by the United States as it continues to adopt its market

structures and policies. However, two of the most germane implications are the opportunity to enhance economic ties between the two countries and the ability to use such reforms to meet objectives outlined in the U.S.-Japan Energy Strategic Dialogue.

Complimentary Economic Opportunity

While there are challenges to Japan's renewable energy policy, the most significant being the requisite electricity market restructuring and liberalization, the confluence of these policies and the change they represent offer an opportunity for the strengthening of U.S.-Japan relations. The Japanese electricity market is the fifth largest in the world with a market size of approximately \$150 billion, representing a significant opportunity.⁵⁹ Foreign companies have taken notice of this opportunity. From the United States, General Electric (GE) and Pattern Energy have taken an interest in the wind sector. GE announced in early 2019 that they will begin developing an offshore wind turbine, factoring in conditions specific to Japan's climate which they are expected to release by 2022.⁶⁰ Pattern Energy, a leading U.S. renewable energy project developer entered the Asian market for the first time with a 206 megawatt acquisition that included solar and wind projects.⁶¹ The Japanese market is not only attractive due to supportive policies and the ongoing reforms but because incumbent actors have relatively less experience in renewable energy manufacturing and project development in comparison to other Asian markets.⁶²

While GE and Pattern Energy are representative of opportunities for U.S. entities in the Japanese market from a manufacturing, product development, and project development perspective, the comparative advantage the United States has in the clean technology sector is in business model development and the development of financial products to meet market needs. Goldman Sachs is an example of a U.S. investment banking firm which is becoming increasingly active in the Japanese renewable energy space. In 2013, Goldman Sachs was the first to arrange a project-backed bond in Japan and is currently developing a product called the Japan Renewable Project Bond Trust with a targeted issuance of \$1 billion.⁶³ Because banking in Japan has traditionally been more corporate based, financial products were not as well positioned to support longer liability timelines. But Goldman Sachs was able to leverage its experience in other markets to assess risks in Japan and connect developers to capital market investors such as life insurance companies increasing the suitability of financing and access to assist in the growth of the renewable energy sector in Japan.⁶⁴

United States-Japan Energy Strategic Dialogue on Energy Security and National Energy Policy

The U.S.-Japan Energy Strategic Dialogue has been one of the central mechanisms from which the United States and Japan have discussed issues related to energy markets, energy security, and other emerging energy issues within the framework of U.S.-Japan relations. In the most recent dialogue, the Japanese government reaffirmed its efforts to align \$10 billion in public-private investments towards the United States Agency for International Development (USAID) Asia Enhancing Development and Growth through Energy (EDGE) initiative.⁶⁵ The U.S. EDGE initiative seeks to sustainably grow the energy sectors in countries in the Indo-Pacific region and address such challenges as the environmental impacts from poor infrastructure implementation,

health impacts from air pollution, financially weak utilities, and the lack of reliable energy access.⁶⁶ Included in the EDGE initiative is capacity building and technical training in integrating higher levels of renewable energy. As such, the EDGE initiative provides a concrete platform from which Japan can use the lessons it is learning, and the expertise being developed by its businesses in the conjunction with the U.S. government and U.S. businesses. Cooperation between the United States and Japan will align development and growth in Asia with promoting and establishing stringent infrastructure standards while best methods are not only exchanged between all parties involved.

7. Conclusion

Japan's energy policy has been driven by shock. Japan fundamentally reshaped its energy policy following the oil shocks in the 1970s. The Fukushima earthquake and tsunami in 2011 has had a similar effect on the energy landscape in Japan, as Japan implemented an aggressive FIT program to drive renewable energy generation. METI's renewable energy policy has focused on three key factors: improving distribution and transmission infrastructure, stable operation of the FIT program, and sector reforms. In assessing Japan's current electricity market structure and reforms in comparison to the statistically and economically proven "textbook model," it is clear that there are fundamental differences. Japan has established a wholesale market and liberalized retail competition before the unbundling of the incumbent utility. Additionally, there has been greater control on the part of the incumbent regional utilities to operate and manage their own systems. These fundamental differences have resulted in utilities giving priority dispatch to their own long-term generation assets as opposed to dispatching in the traditional merit order based on marginal cost, which would dispatch renewable energy generation first as they do not have fuel costs. The prioritization comes at a higher cost to ratepayers and also results in a notable amount of renewable energy curtailment as infrastructure limitations prevents renewable generation from being wheeled to other regions. Further, the curtailment of renewable generation adds to capital costs through increased risk for renewable projects and inhibits the development of mechanism which would better accommodate the variability of renewable generation, creating a vicious cycle. Therefore, unbundling will be critical to separating the operation of transmission and distribution from generation and minimizing utility conflicts of interest. Despite it being one of the first steps in the "textbook model," Japan has not carried out this critical step. Unbundling will require significant political will to keep vested interests from maintaining structures which distort the efficient operation of Japan's electricity market. In closing, while electricity market restructuring and liberalization is a complex and challenging process, foreign companies have shown a clear interest in the Japanese market. U.S. companies investing in Japan's energy market, in particular, could result in a complementary business arrangement that would enhance the overall bilateral relationship as it goes forward.

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⁶ Two key terms for understanding market organization and regulation are restructuring and liberalization. Restructuring broadly refers to organizing the roles of market players through setting the "rules of the game" (e.g. unbundling generation assets from a utility). Liberalization refers to the removal of barriers to trade between market players to incentivize competition which can be utilized to incite desirable actions (e.g. permitting free competition for customers above a specified kwh of consumption).

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CLASS RESEARCH TRIP TO TOKYO, MARCH 2019: PHOTO ALBUM



Students posing with their professors in front of the International House of Japan in Roppongi

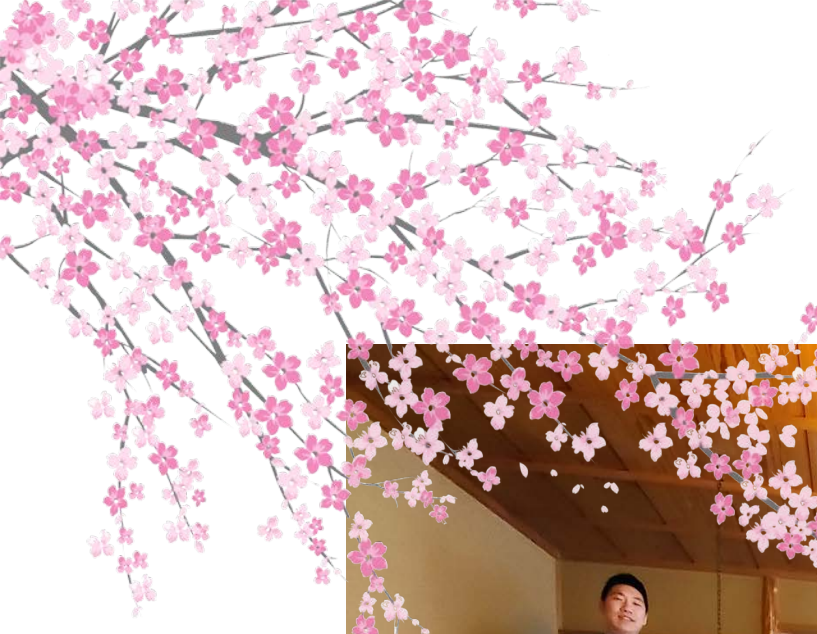




Students exploring
Japan's Open Air
Folk Museum in
Kawasaki



Students in front of
Gompachi, Tokyo's
Kill Bill Restaurant in
Azabu-Juban



Students participating in a traditional tea ceremony at Urasenkei Tea Ceremony Institute in Roppongi



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