

# THE UNITED STATES AND JAPAN IN GLOBAL CONTEXT: 2024



THE EDWIN O.  
**REISCHAUER CENTER**  
FOR EAST ASIAN STUDIES  
WASHINGTON D.C.

The Johns Hopkins School of Advanced International Studies (SAIS)

Tel: 202-663-5812

Email: [reischauer@jhu.edu](mailto:reischauer@jhu.edu)

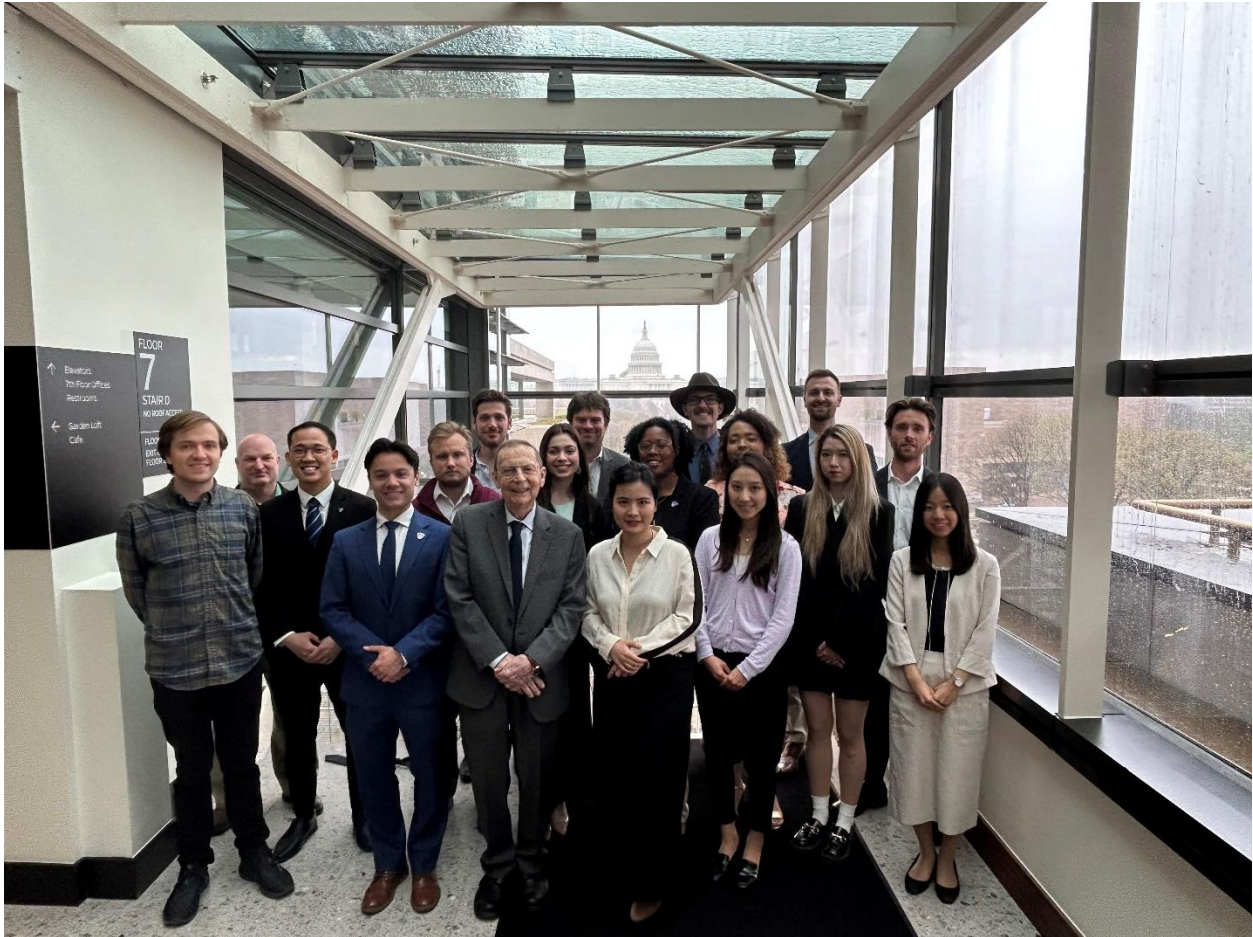


## Edwin O. Reischauer

October 15, 1910 – September 1, 1990

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 US Ambassador to Japan (1961-66), Edwin O. Reischauer 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.

## The U.S. and Japan in Global Context Yearbook Class of 2024



*From left to right:* Devin Woods, Shawn D. Harding, Khunanon Wihakhaphirom, Michael Hallahan, Chad Higgenbottom, Jason Beck, Professor William Brooks, Julia Allen, Peter Coats, Yuxuan Wang, Joy Woods, Derek Tingblad, Yuki Shimizu, Riel Whittle, Evan Brandaw, Helen Ziya Guo, Evan Frey, Eri Nakamura

## TABLE OF CONTENTS

<b>The Year at the Reischauer Center:</b> <i>Kent C. Calder</i>	1
<b>Introduction</b> <i>William L. Brooks</i>	6
<b>A Lack of Strategy:</b> <b>How the U.S. – Japan Alliance Has Evolved in Response to North Korea</b> <i>Peter Coats</i>	13
<b>Moshitora: Tokyo Prepares for a Possible Second Trump Presidency</b> <i>Evan Brandaw</i>	25
<b>The U.S.-Japan Alliance: No Longer A “Sword and Shield” Dynamic</b> <i>Michael Hallahan</i>	45
<b>Bolstering the Fortresses of Regional Stability:</b> <b>The Changing Indo-Pacific Security Environment and Military Bases in Japan</b> <i>Shawn D. Harding</i>	66
<b>Japan’s New Defense Buildup Program:</b> <b>Impacts and Challenges on the Defense Industry</b> <i>Yuki Shimizu</i>	91
<b>The Global Combat Air Programme and the Future of European-Japanese Cooperation</b> <i>Jason Beck</i>	107
<b>An Examination of Japan’s Security Strategy:</b> <b>From the Perspective of the South China Sea Dispute</b> <i>Helen Ziya Guo</i>	132
<b>May I Be of Assistance?</b> <b>Japan’s Shifting Security Assistance Landscape in Southeast Asia</b> <i>Joy Woods</i>	150
<b>Beyond Boundaries: Japan’s Role in African Development from 1954 to Present</b> <i>Yuxuan Wang</i>	165
<b>JICA Urban Master Planning: Does it Matter for the “Least of These?”</b> <i>Chad Higgenbottom</i>	180
<b>Overcoming a Painful Past: The Future of the Japan-Korea Relationship</b> <i>Riel Whittle</i>	199



<b>Semiconductors, the Trade War, and Japan's Tech Future</b> <i>Julia Allen</i>	<b>219</b>
<b>Navigating the U.S.-China-Japan Triangle: How Can Japan Pursue its Own National Interests?</b> <i>Eri Nakamura</i>	<b>232</b>
<b>Japan's Approach to Securing Critical Minerals</b> <i>Derek Tingblad</i>	<b>248</b>
<b>Green Transformation in Japan: Energy Security in an Era of Climate Change</b> <i>Evan Frey</i>	<b>260</b>
<b>The Next Steps for the Bank of Japan's Monetary Policy</b> <i>Khunanon Wihakhaphirom</i>	<b>288</b>
<b>Photos from the 2024 Class Trip to Tokyo</b>	<b>308</b>

## The Year at the Reischauer Center

*By Kent Calder*

As for the past four decades, the Yearbook has been one of the central research activities of the Reischauer Center for East Asian Studies at SAIS. We are fortunate to have Professor Bill Brooks leading this effort, as he has for so many years. The exciting activities of our student researchers do, however, exist within a larger intellectual context, oriented toward overcoming transcultural gaps in the global understanding of Japan, as our founders would have hoped.

Over the 2023-2024 academic year, the Center sponsored thirteen major events, including a Reischauer Memorial Lecture featuring former U.S. Ambassador to Japan John Roos (2009-2012); joint seminars between the Reischauer Center and Japan's Research Institute for International Trade and Industry, as well as Korea's Iimin Institute; an appearance by the Governor of Hiroshima Prefecture, Hidehiko Yuzaki; and a special lecture by the Japanese Ambassador to the United States, Shigeo Yamada. These sessions addressed major global transformations, especially those provoked by the ongoing Ukraine War. They naturally also devoted special attention to how East Asian nations, especially Japan and Korea, are being affected by these larger global changes, and to the proactive steps that Japan and its neighbors are taking in response.

To address and deliberate on the ongoing global changes affecting East Asia, we assembled this year—as across the two decades that I have been privileged to lead the Reischauer Center—a fine, diverse research team of international Visiting Fellows, complemented by a corps of younger Reischauer Policy Research Fellows and other young scholars. On the international side, we had Visiting Fellows from Jagiellonian University in Poland (Dr. Marcin Grabowski); the Japanese Ministry of Finance (Saori Hino); Ministry of Defense (Takahiro Moriwaki); Japan Bank for International Cooperation (Hisashi Inoue); Korea Institute for Defense Analysis (Amy Paik); and Tokyo Electric Power (Yasutaka Shiraishi) in residence. Complementing them on the Washington side, Sir Michael Cianci; Haruka Satake; and Kaichun (Steven) Wang served as Reischauer Policy Research Fellows, while Dr. Jaehan Park was our post-doctoral fellow and Shahad Turkistani, Hee-Jae Park, and Yun Han our active PhD students. Additionally, we benefited from our DIA students, Soo-Jin Park, Amy Paik, and Seungmin Yoo. Our research community was also deepened, of course, by the contribution of numerous faculty affiliates and SAIS Fellows, including David Shear, Mark Manyin, Kotaro Shiojiri, Jae-Seung Lee, Jacopo Pepe, and Toshiko Calder, as well as Bill Brooks. Devin Woods also served most ably as Research Coordinator and Special Assistant to the Director.

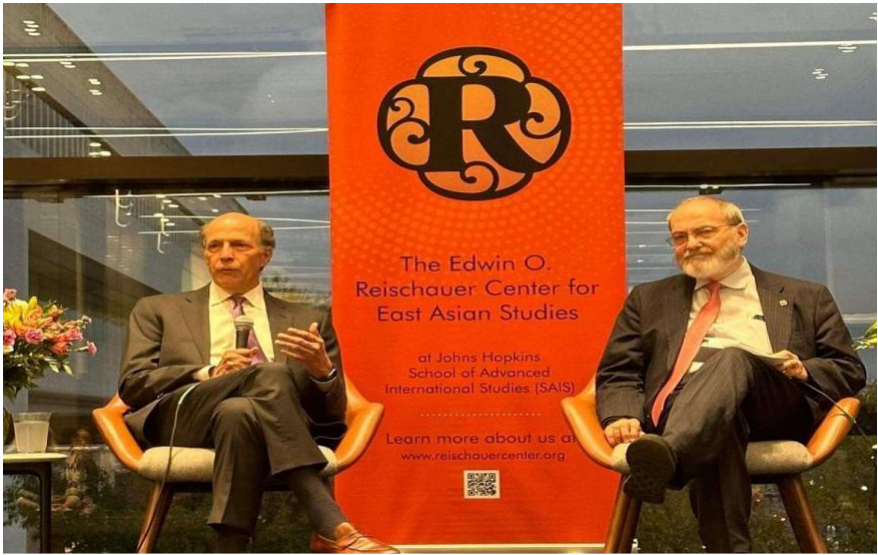


In our research activities, we were generously supported by a diverse and international group of supporting institutions, to all of whom we are grateful. Japan Foundation generously supported our work on Japan and its geo-economic transitions. Korea's National Research Foundation supported our joint work with Korea University's Ilmin Institute on Eurasian transformation, while Toyota Motors and the Tanaka Memorial Foundation also supported our efforts, especially to aid students, in various important ways. We are also grateful to SAIS Academic Affairs for their support of the Yearbook's spring 2024 Tokyo research trip.

Our exciting 2023-2024 academic year at the Reischauer Center began with Dr. Seong-ik Oh's seminar on his recent Korean-Japanese energy security book, followed by Dr. Marcin Grabowski's own overview on how the Ukraine War is beginning to transform the East Asian security system. This theme of global transformation and its implications for East Asia was a recurring topic throughout the year: at the Reischauer-RIETI Joint Seminar, co-chaired by Professor Shujiro Urata, a prominent trade specialist; and also at the Reischauer-Ilmin Joint Conference, co-chaired by Professor Jae-Seung Lee. Transformed security roles and new forms of trans-regional defense-industrial cooperation were persistent themes in several seminars, including presentations by Dr. Alexander Huang; Professor Hanbyeol Sohn of Korea's National Defense University; and Professor Eugene Gholz of Notre Dame.



The Reischauer Memorial Lecture, honoring our founder, Ambassador Edwin O. Reischauer, who was also my own personal mentor, is always a major event at our Center. This year, it was offered by former U.S. Ambassador to Japan John Roos, who served in Tokyo during the traumatic Tohoku earthquake and Fukushima nuclear disaster of March, 2011. Ambassador Roos spoke on his reflections on those fateful years and lessons for the future of trans-Pacific relations, accented dramatically by a memorable exchange with a survivor of the earthquake and tsunami from Tohoku itself.





As always, Japan's response to ongoing global challenges was a recurring theme through the year, with U.S.-Japan-Korea trilateral cooperation being one important dimension. Tanaka Hitoshi, one of Japan's most gifted career diplomats, spoke on Japan's future Northeast Asian strategy. Yuho Hayakawa of JICA spoke on cooperation with Southeast Asia. Dr. Mireya Solis of Brookings discussed her new book on Japanese Indo-Pacific leadership. And Ambassador Shigeo Yamada provided an important highlight to the year with his concluding lecture on emerging issues in U.S.-Japan relations.



Notwithstanding the Reischauer Center's intense research agenda for the year, including the broad range of Yearbook-related events, our community also took time to relax. During the Sakura Matsuri cherry-blossom festival, our Reischauer Center community operated a booth together in the shadow of the new SAIS headquarters building on Pennsylvania Avenue. And at year's end we gathered together in Princeton, New Jersey, for lunch together and a tour of Einstein's Institute for Advanced Study. This was a special year, working together, as the Yearbook team has done so well, to overcome the challenge of the fragile trans-Pacific dialogue.

Kent Calder  
Director, Reischauer Center for East Asian Studies  
August, 2024

## Introduction

*By William L. Brooks*

The Reischauer Center has published a yearbook on U.S.-Japan relations in global context, based on a course with the same name, since the mid-1980s. In addition to lectures and discussion of major historical trends in U.S.-Japan relations, students in the course write high-quality papers equivalent to Master's theses, researched in Washington and Tokyo, that are featured in the Yearbook.

The overarching theme of this year's publication focuses on how Japan is changing to cope with an increasingly dangerous regional and international security environment. Japan's diplomacy, defense and security policies, foreign assistance, energy security, and even trade and investment policy have all been impacted, as we will see in the papers written for the Yearbook. The papers include analyses of the increasing symmetry of the U.S.-Japan alliance in the face of rising tensions in the region, Japan's changing foreign assistance program, energy security, critical minerals supplies, monetary policy, and, importantly, how Japan had prepared for a possible change in U.S. presidents in the November 2024 election—a change that is now coming into fruition.

The highlight of the year for U.S.-Japan relations was undoubtedly Prime Minister Kishida Fumio's April 2024 visit to Washington for a lavish state visit, during which many substantive agreements were signed. President Joe Biden hailed the relationship, saying, "Over the last three years, the partnership between Japan and the United States has been transformed into a truly global partnership." He added, "This is the most significant upgrade in our alliance since it was first established." The *Washington Post* assessed on April 14 that Japan has "shed decades of pacifism" and "may be Washington's most important ally." In Washington, Kishida gave a much-praised speech to a joint session of Congress signaling that Japan was ready to share the U.S.'s burden of holding up the international order.

Some of the agreements signed in Washington focused on defense cooperation, such as setting up a new joint command structure to better counter regional threats. The two allies also agreed to cooperate with Australia in developing a new air-missile defense network for the Indo-Pacific region.

The U.S. and Japan are also cooperating in space exploration, artificial intelligence (AI), global supply chains, and development cooperation. Yet, even though Japan remains the largest foreign direct investor in the United States, there is friction reminiscent of the trade disputes of the 1980s—political and union opposition to a planned acquisition of U.S. Steel by Nippon Steel. The Japanese company has been working hard to convince U.S. steel workers that their best interests are being taken into consideration; currently, Nippon Steel is rushing to finalize the deal before Donald Trump, who has promised to block the deal, returns to office.

## **Dangerous World**

In its war with Ukraine, Russia is now using weapons technology from China, missiles from North Korea, and drones from Iran. All of these countries are anxious to see a victory by Russian President Putin over Ukraine. Indeed, American and European attempts to isolate Russia by sanctions and the like have been undermined by these three nations. Their convergence of interests threatens to destabilize the U.S.-led international order.

The Ministry of Defense's latest *Defense of Japan* white paper, released in July 2024, warned that a situation similar to Russia's invasion of Ukraine could also occur in the Indo-Pacific, singling out China, North Korea, and Russia as regional threats. The white paper called this threat the greatest trial to the region since World War II.

Japan is particularly worried about China trying to unify Taiwan by force. The white paper also cited China's military cooperation with Russia, including joint bomber flights and naval drills, as "clearly intended as a demonstration of force against Japan."

In that context, Japan through its alliance with the United States has reconfirmed its regional and global strategy, its security ties with South Korea, and shared leadership in the Indo-Pacific region via the Quad and the Freedom of Indo-Pacific initiative. It has begun to dramatically boost its defense spending and posture, aimed at pulling more than its fair share in the alliance and regional security.

North Korea and China present a dangerous threat to Japan's security through their enhanced missile capabilities. Since Japan, with its present self-defense capabilities, cannot respond fully to either threat, it has added a counter-strike missile capability as an unavoidable necessity. Japan must develop this capability as soon as possible, as there seems to be no other way to address the looming existential threat in the form of hundreds of Nodong missiles currently aimed at Japan.

## **Lack of North Korea Strategy**

In his perceptive paper, **Peter Coats** explores the unhappy relationship between Japan and North Korea that has led to the current impasse. During his presidency, Donald Trump made Japan very uneasy since his summitry with North Korean leader Kim Jong-un focused on the latter's nuclear-capable ICBMs capable of reaching the United States, not on shorter range missiles aimed at Japan. Japan was left out of the loop. The administration of President Joe Biden has done little or nothing to ease tensions, as North Korea continues its saber-rattling and testing its missiles in waters close to Japan. With an alliance strategy towards North Korea lacking, no diplomatic solution seems in sight.

## **What about Trump?**

Even before Donald Trump was re-elected in November 2024, Japan had become greatly concerned about the impact of his policies affecting the U.S.-Japan alliance, trade relations, and the Indo-Pacific. Tokyo even sent an emissary to the U.S., former prime minister Aso Taro, to meet with the Trump camp as a kind of hedging tactic.



**Evan Brandaw**, in his well-researched paper, probes the likely Japanese response to a second Trump presidency. It is not just concern about his unpredictable approach to regional security; there is also fear that Trump will impose new import taxes that will stifle Japan's economic growth. No longer is there a Prime Minister Abe at the helm to manage the U.S.-Japan relationship as he did so well during Trump's four years as president. With Kishida Fumio having recently resigned as prime minister, the baton passes to current Prime Minister Shigeru Ishiba, who is untested in dealing with a mercurial Trump and could lack the diplomatic acumen to build bridges with Trump's camp.

### **Kishida Strong on Diplomacy but Weak at Home**

With four years of diplomatic experience under his belt as foreign minister to Abe, Kishida earned high marks for his efforts to deal with regional and international issues as prime minister. For example, he was at the forefront in offering non-lethal aid and assistance to war-torn Ukraine. He also met in June 2024 with Ukrainian President Volodymyr Zelenskyy on the sidelines of the G7 summit in Italy to offer security and reconstruction support. The two signed a 10-year agreement that included non-lethal defense equipment and goods, as well as medical treatment of wounded Ukrainian soldiers.

On June 28, 2024, Kishida marked 1,000 days in office, the 8<sup>th</sup> prime minister to reach that level since the end of the war. His tenure as head of the ruling Liberal Democratic Party (LDP) and thus prime minister, however, fell into jeopardy as his approval ratings continued to plummet in the polls, brought on mainly by a kickback money scandal in his party; Kishida ultimately declined to run for re-election. Prior to his effective resignation, a number of senior LDP members had already begun preparing their own election campaigns. Ultimately, Shigeru Ishiba emerged as victorious after a narrow runoff election against fellow LDP candidate Sanae Takaichi. By January 2025, both a new Japanese prime minister and new U.S. president will hold office.

However, despite Kishida's departure, Japan's policies are unlikely to change. Kishida had kept and even expanded the policy agenda of the late Abe Shinzo, and Ishiba will most likely honor that legacy as well.

### **Japan's Defense Buildup**

The year 2024 marks the 70th anniversary of Japan's Self-Defense Forces, but the government is grappling with major challenges, largely from the dramatic security policy shifts in response to rising regional tensions and due to a serious shortage of new recruits. Still, reflecting the importance of Japan's security, 90.8% of the Japanese public now view the SDF in a positive light, as seen in a recent Cabinet Office survey.

**Michael Hallahan** in his paper on Japan's defense buildup argues persuasively that, with security policy changes and a beefed-up defense, Japan is no long in a "sword and shield" configuration with the United States. The alliance has become much more symmetrical as Japan accepts a greater role in its own defense and regional stability.

But Japan's defense buildup is not without its challenges. A long overdue evaluation of the U.S. base structure in Japan by **Shawn Harding** finds this defense architecture ripe for change to match the heightened threats in the region. The lack of shared bases by the SDF and U.S. forces in Japan, for example, is one area that the two sides should give priority attention to.

Another aspect of the defense buildup that needs addressing is the impact on Japan's defense industry. **Yuki Shimizu** probes deep into this topic in her excellent paper and finds that Japanese companies whose business model depends on defense contracts are not likely to reap much benefit from the buildup. In fact, some of these companies are even leaving the field of defense equipment manufacturing. The profit margins have been low; young people are not attracted to such jobs; moreover, the infrastructure for defense equipment manufacturing, such as dry docks, is lacking.

### **Enhanced Securities with Southeast Asia and the EU**

Prime Minister Abe was instrumental in beginning the process of deepening ties with the European Union (EU), starting with negotiations to conclude a Japan-EU Economic Partnership and a Japan-EU Strategic Agreement. Recently departed Prime Minister Kishida continued to apply Abe's strategic thinking, reinforced by Russia's invasion of Ukraine in 2022. Europe has also been attracted to Abe's Indo-Pacific Initiative, which Kishida and, now, Ishiba have inherited. As **Jason Beck** points out in his penetrating look at such ties, the EU also has moved toward enhancing security relations with Japan, a significant development given Beijing's support for Moscow's aggression.

**Helen Guo** in her excellent paper shows how Japan has been cementing security ties with Southeast Asian countries to back up its security and economic interests in the South China Sea. Tokyo is alarmed by China's increasingly aggressive activities in those waters and has been engaged in capacity building with select countries in the region.

### **Foreign Aid as Security Aid**

Japan's official development assistance (ODA) since April 2023 has included a security aid component called Official Security Aid (OSA). Based on the 2022 National Security Strategy (NSS), Japan is now allowed to provide financial assistance to national security authorities of selected countries aimed at boosting the capacity of the recipient's military forces, as well as securing regional stability. For the first time, Japan can now provide defense equipment for military infrastructure development.

The scope of OSA is limited to activities not directly associated with international conflicts, such as monitoring and surveillance in territorial waters and airspace, maintenance of public order, humanitarian purposes, and international peacekeeping. It cannot be used to pursue a country's military aims.

**Joy Woods**, in her carefully researched paper, examines this sea change in Japan's security policy. Up until 2023, Japan was wary of inserting anything that smacked of "strategic" into its ODA programs, so OSA, under the Foreign Ministry's control, is now just as significant as

Japan's current defense buildup. So far, OSA is limited to qualified Southeast Asian countries, like Malaysia and the Philippines.

### **ODA Case Studies**

Africa is the focus of two papers in this issue of the Yearbook. Faced with the simultaneous engagement of China's Belt and Road Initiative (BRI) in developing areas of Africa that had previously been fertile grounds for Japan's ODA, Tokyo has beefed up its development cooperation with the continent based on its high-quality infrastructure projects and grant aid assistance. In the first of two excellent case studies on Africa in this issue of the Yearbook, **Yuxuan Wang** meticulously documents the evolution of Japan's ODA programs to Africa. In the second paper, **Chad Higgenbottom** examines why Japan's ODA has not been effective in tackling the serious interconnected challenges of abject poverty and explosive population growth in Africa's urban areas, although JICA, the implementation agency, is well-aware of these problems and striving to help resolve them.

### **Japan-South Korea Relations Improving, but Mostly at the Top**

The relationship between Japan and South Korea has been strained in recent decades over the bitter legacy of the past. The current South Korean President Yoon Suk-Yeol has sought to repair the damaged ties with efforts at reconciliation over such issues as forced labor of Koreans during the colonial period. South Korea also began legal procedures to put Japan back on its "white list" of trusted trading partners, in response to a similar move by Japan. Security ties are also being rebuilt by the two countries. One example was a joint drill by Aegis vessels from Japan, the U.S., and South Korea in the Sea of Japan in July 2023, demonstrating readiness to cooperate following North Korea's launching of an ICBM missile that fell close to Japanese waters.

The long-fraught relationship between Japan and South Korea has been carefully examined by **Riel Whittle** in her fine paper. She fears that despite the efforts of Kishida and Yoon to improve bilateral ties, public opinion in both countries remains unconvinced of each other's sincerity. She sees hope for improvement through cultural and educational exchanges aimed at younger generations, but politics could always step in to reverse such incremental progress at any time.

### **Japan's Complicated Relationship with China**

Japan's relations with China have largely been strained by a territorial dispute over the Senkaku Islands, the brutal war with China, maritime aggressiveness by China in the East and South China Seas, and more recently, China's apparent intention to unify Taiwan by force that could lead to war with the U.S., a war that Japan could be dragged into.

While 90% of Japanese have an unfavorable view of China, according to an October 2023 Genron NPO poll, Japan does not want to enter into conflict with China. Tokyo's policy toward Beijing centers on hard power—increasing deterrence capabilities—being balanced out by soft power—diplomatic dialogue. On trade and investment, Japan seeks to lower its dependence on China for strategy-related items but maintain a stable supply chain with China for other products.

In that context, Japan is engaged in a struggle to reduce its overreliance on advanced semiconductors imported from China and, instead, is turning to Taiwan and other reliable suppliers. **Julia Allen** in her incisive paper characterizes the scramble as a “trade war” with China.

Tokyo agrees with Washington that Beijing seeks to unseat the United States as leader of the international order and assert itself as head of a new multipolar order. But Japan is also concerned that the U.S.’s fixation on China mainly as a security threat, extending its deterrence beyond military posture and deep into issues of trade and investment, risks opening a policy gap and possibly disrupting what remains a robust economic relationship with China. Needless to say, China’s increasingly close ties to North Korea and Russia present a new worry for Japan. Thus, Japan continues to build up its defenses, now centered on the islands southwest of the main island of Okinawa, to deter China from attacking it or Taiwan.

**Eri Nakamura** argues persuasively that Japan is trying to carve out an independent diplomacy rather than be sandwiched between U.S.-China wrangling that could lead to conflict. While the U.S. has been flooded with Chinese imports, creating a political backlash for allegedly taking away American jobs, no such reaction exists in Japan. Tokyo remains concerned mainly about China’s domination of supply chains for strategic goods that could be shut down to the detriment of Japan’s security interests.

### **Energy Security and Critical Materials**

Unlike the U.S., Japan lacks the natural resources essential for its economy and growth and must rely on imports. **Derek Tingblad** takes an expert look into one area—critical materials—that could affect national security if imports were shut down. Tokyo fears that its supply of critical materials imported from China could be cut off should hot disputes with China break out and, thus, has been making efforts to diversify sources of supply.

Japan’s energy security has depended largely on fossil fuel imports and, until 2011’s Fukushima Daiichi disaster, on nuclear power for electricity production. About 70% of Japan’s power is now dependent on imported fossil fuels. At the same time, Japan would like to meet its international commitments to reduce greenhouse gas emissions and achieve net zero emissions by 2050. **Evan Frey**, in his impressive paper, examines Japan’s efforts to decarbonize the power sector and concludes that although progress has been made, achieving climate change targets may prove elusive.

### **How Effective has the Bank of Japan been in Monetary Policy?**

Japan’s economy has been lackluster, shrinking at an annual rate of 1.8% during the first quarter of 2024. Two main causes are slow wage growth and higher import prices due to a weak yen, which as of this writing is stuck at 150 to the dollar. Additionally, consumer spending is down, a drag on the economy, though tourism from overseas has boomed, providing a counter to negative trends.



The Bank of Japan (BOJ), the subject of **Khunanon Wharkaphiron**'s expertly researched paper, raised interest rates early in 2024, but only by a minimum amount that has proven insufficient to reverse negative trends in the economy. Khunanon meticulously chronicles and analyzes the efficacy of the BOJ's efforts over the years to implement the monetary policy or "first arrow" of Abenomics, the signature economic policy of the Abe administration inherited by former Prime Minister Kishida and, now, Prime Minister Ishiba. He concludes that the BOJ's measures to meet those policy goals remain a work in progress.

### **Acknowledgements**

My special appreciation this semester goes to SAIS Student Adviser Brian McKentee and Reischauer Center trip coordinator Devin Woods for stepping in to lead the class to Tokyo after I had to drop out due to illness. Special thanks goes also to Dr. Kent Calder for hosting a dinner for the class at the International House in Tokyo, where he also gave advice to the students on their research papers. We are appreciative to the U.S. Embassy in Japan and to Robert Dujarric of Temple University, Japan Campus for setting up excellent briefings for the class relevant to their research projects. We also thank Tomoko Abe-sensei, head of the Urasenkei Tea Ceremony Institute—Horiaian—for the splendid demonstration of that traditional art form to the students.

# **A Lack of Strategy: How the U.S. – Japan Alliance has Evolved in Response to North Korea**

*By Peter Coats*

One of the most remarkable shifts in international relations has been the transformation of the U.S. – Japan alliance since World War II. Mortal enemies during the war later became one of the strongest military, political, and economic partnerships in the entire world. Among the many factors shaping the alliance has been the threat that both Washington and Tokyo have faced from North Korea, particularly in recent decades. The U.S. – Japan alliance has taken independent, bilateral, and multilateral steps to reduce the threat from the Democratic People’s Republic of Korea (DPRK), but ultimately the alliance has never applied a consistent strategy towards North Korea. At times, North Korea has been a lesser priority due to other national security threats, while in other eras the U.S. – Japan relationship responded directly to provocations and developments instigated solely by North Korea. This essay explores how the U.S. – Japan partnership has responded and evolved to the DPRK, and how the DPRK fit into the overall foreign policy strategies of the United States and Japan.

This essay is broken down first into an overview of the Cold War relationship between the U.S. and Japan, including how North Korea did not fundamentally determine the U.S. – Japan alliance. It then provides an overview of the U.S.-Japan security relationship during the 1990s, in which provocations from North Korea compelled the United States and Japan to cooperate very closely together. Following that, it examines the divergent priorities of the administrations of President George W. Bush and Prime Minister Koizumi Junichiro, including how each country saw North Korea. The essay then provides an overview of the Barack Obama presidency and the pivot to Asia, including how North Korea fit into the evolution of the U.S. – Japan alliance. An overview of the Donald Trump and Joe Biden presidencies follows and provides an overview of developments that influenced the relationship, concluding with a forecast of what the future might hold for the U.S. – Japan alliance in regards to North Korea.

## **Post-WW2 Environment in Asia**

### *U.S. Occupation & Policy towards Japan*

The Truman administration had no intention of sharing control of Japan after the War. As the United States had borne the brunt of Japanese aggression, the U.S. felt entitled to reform and develop the country as it saw fit. General Douglas MacArthur was appointed as the Supreme Commander of the Allied Powers, which gave him complete authority in Japan.<sup>i</sup> MacArthur’s goal was to completely reshape the Japanese economy and political system. This wasn’t just to reshape the country into a dependable ally, but also to create guardrails against the forms of aggressive behavior that Japan had demonstrated both prior to and during the war. The country was completely demilitarized, and the United States effectively wrote Japan’s constitution, providing many of the same freedoms found in the U.S. Constitution.<sup>ii</sup> The U.S. also strove to reshape the country’s economy through the development of organizations in industry, labor, and agriculture, developments which bore similarity to the New Deal policies of Franklin Roosevelt.<sup>iii</sup>

### *The Growing Threat of Communism*

Alongside anti-colonial and nationalist movements after the War, communism made steady inroads in many countries throughout Asia. Communist parties had expanded in China, Indonesia, Iran, and India.<sup>iv</sup> In Japan, more than 10 percent of voters supported the Communist Party after the new constitution was adopted.<sup>v</sup> By 1947, there was enough concern among American policymakers regarding the growth of communism in Asia that U.S. policy shifted towards incorporating Japan into the U.S. security strategy for Asia rather than as simply an economic partner.<sup>vi</sup>

What helped crystallize anticommunist sentiment in the United States was the Chinese Revolution, which came as a shock to the U.S.<sup>vii</sup> China was perceived as a reliable ally during World War II, and many Americans thought after the War, China would support the United States as a benevolent policeman of the world.<sup>viii</sup> After the Revolution, the Harry S. Truman administration perceived China as joining the Soviet Union in an alliance against the United States. Truman himself was quoted that he would never recognize Mao Zedong and the Communist Party, and the famed NSC-68 memo warned that the "...Communist success in China, taken with the politico-economic situation in the rest of South and South-East Asia, provides a springboard for a further incursion into this troubled area."<sup>ix</sup> Domestic political opinion also hardened against Communism in the United States, and Japan came to be seen not only as a potential economic partner but as a strategic military ally, as well.<sup>x</sup>

## **The Korean War**

### *North Korea Invades*

The invasion of South Korea by the North on June 25, 1950, elevated Japan into a strategically necessary military asset. Japan was the only potential ally the United States had in the region, and the country played a key role as a staging area for the U.S. military.<sup>xi</sup> The Korean War compelled the United States and Japan to enter into a peace treaty to ensure a permanent foothold for U.S. forces on the Japanese mainland.<sup>xii</sup> Washington asked the Japanese government to commit to the fact that the U.S. was their only ally and that U.S. bases were outside of the purview of local government in Japan.<sup>xiii</sup> The U.S. also insisted on Prime Minister Yoshida Shigeru proclaiming that Japan would not enter into any agreements with the Chinese Communist government.<sup>xiv</sup>

## **Post-Cold War**

### *A Time of Crises: North Korea and the 1990s*

After the Cold War, North Korea suddenly found itself without the backing of its two main patrons, Russia and China. Militarily, it became impossible for North Korea to launch a full-scale war, so the regime increasingly pivoted towards alternative forms of defense, such as weapons of mass destruction (WMD), covert infiltration, and limited armed conflict.<sup>xv</sup> Although some analysts at the time forewarned that the Japan-U.S. alliance was drifting, a series of crises throughout the 1990s involving the DPRK led to greater diplomatic and security cooperation between the United States and Japan.<sup>xvi</sup> The first such event was the 1993 – 1994 nuclear crisis.

In March 1993, the North Koreans announced they were withdrawing from the Non-Proliferation Treaty (NPT); further disagreements with the International Atomic Energy exacerbated the situation, and the United States seriously considered taking military action against North Korea.<sup>xvii</sup>

Shortly after North Korea's withdrawal from the NPT, in May 1993 the DPRK fired a Nodong missile into the Sea of Japan.<sup>xviii</sup> These crises spurred closer security cooperation between the United States and Japan, which were prompted solely by the actions of North Korea rather than an alternative or larger threat from Asia.

As a direct result of the Nodong missile test, in December 1993, the Japan-U.S. Working Group on Theater Missile Defense was established, and in September 1993, joint research on ballistic missile defense began and was set to continue until 1998.<sup>xix</sup> In 1995, President Bill Clinton and Japanese Prime Minister Hashimoto Ryutaro agreed to promote cooperation between the U.S. and Japan for security situations that emerged in the vicinity of Japan.<sup>xx</sup> This cooperation was formalized in the 1997 Guidelines for Japan-U.S. Defense cooperation in September 1997.<sup>xxi</sup> In addition, domestic legislation in Japan was passed that supported joint operations in the surrounding areas of Japan, including potential contingencies involving the Korean Peninsula.<sup>xxii</sup> The Guidelines and domestic legislation called for Japan to support the United States forces for incidents involving the Korean Peninsula, in areas such as intelligence gathering, surveillance, relief activities, refugee assistance, and international sanctions.<sup>xxiii</sup> In addition, U.S. forces would be provided access to airfields and ports, and Japanese forces would provide backup support for transportation, logistics, and medical support.<sup>xxiv</sup> The guidelines also addressed contingencies in case of a direct attack on Japan, providing for "bilateral defense planning and mutual cooperation...so that appropriate responses will be ensured when a Situation in Areas Surrounding Japan or when such a situation and an Armed attack against Japan occur simultaneously."<sup>xxv</sup>

### *Diplomatic Cooperation & Tensions*

The NPT crisis also spurred diplomatic cooperation between Japan and the United States. The foundation for this cooperation was the Agreed Framework and the Korea Energy Development Organization (KEDO). The Agreed Framework, signed in October 1994, was a nonproliferation initiative in which the Clinton administration agreed to provide energy assistance and improve bilateral U.S – DPRK relations in exchange for North Korea's adherence to the NPT and maintaining a nonnuclear status.<sup>xxvi</sup> The energy assistance consisted of an annual delivery of 500,000 tons of heavy fuel oil, while South Korea and Japan agreed to provide funding for the construction of a light water reactor (LWR) in North Korea.<sup>xxvii</sup> The LWR was targeted for completion in 2003.<sup>xxviii</sup>

Despite the agreements, tensions emerged between the United States and Japan. Neither South Korea nor Japan was pleased that the framework did not address North Korea's nuclear activities before 1994, and that inspections for undeclared sites were not included in the framework.<sup>xxix</sup> Japan was also displeased that the framework did not address the issue of ballistic missiles and irked with how the negotiations proceeded—often, Japan was not directly involved in negotiations and was only briefed after the U.S.-DPRK talks, inducing feelings of alienation; South Korea experienced the same treatment.<sup>xxx</sup> Despite the tensions, both Japan and the

Republic of Korea (ROK) agreed to cooperate with the United States, and the agreed framework did succeed in freezing part of North Korea's nuclear program for several years.<sup>xxxii</sup> Had the nuclear crisis spiraled out of control, Japan would not have been able to successfully deal with it.<sup>xxxii</sup>

### *Developments in the Late 1990s*

Another crisis occurred in the late 1990s that consolidated the U.S. – Japan alliance even further. In August 1998, North Korea launched a Taepodong missile over mainland Japan.<sup>xxxiii</sup> This was a shocking development not just for the government of Japan, but for the Japanese public as well. Unlike the 1993 Nodong Missile test, which was launched into the Sea of Japan, the Taepodong missile flew over the Japanese mainland.<sup>xxxiv</sup> In response, Washington and Tokyo further collaborated on ballistic missile defense research, while Japan began asserting its own military strength in response to North Korean provocations: in 1999, a North Korean spy boat was caught off the coast in central Japan, and, for the first time, the Self-Defense Forces was authorized to conduct Maritime Security Operations to pursue spy ships in Japanese waters.<sup>xxxv</sup>

Despite the close cooperation that occurred between the United States and Japan, it was done on a strictly responsive basis to North Korea and was not part of any larger strategy. Rather than applying a specific policy towards the DPRK, Washington and Tokyo embarked on these partnerships and initiatives on an ad-hoc basis, rather than a consistently applied plan, to resolve the threat that North Korea posed.

## **American Unilateralism and Diverging Priorities**

### *The Global War on Terror*

In his first year in office, George W. Bush's foreign policy priorities pivoted to the Global War on Terror. Lacking a coherent foreign policy plan when elected, the September 11 attacks led the Bush Administration to construct a new national security strategy based on preemptive war and American primacy. President Bush gave his notorious "Axis of Evil" speech during the 2002 State of the Union, grouping Iraq, Iran, and North Korea together as the preeminent enemy nations of the United States.<sup>xxxvi</sup> He later gave a speech at West Point, declaring that the Cold War concepts of containment and deterrence were no longer enough, and the United States must undertake preemptive action to protect America's national security.<sup>xxxvii</sup> The United States became consumed with the wars in Afghanistan and Iraq, as well as global counterterrorism operations. Despite the Axis of Evil speech, North Korea was not a major focus for the Bush Administration in the first couple of years of his presidency, and the U.S. – Japan alliance remained static on the DPRK.<sup>xxxviii</sup>

### *Japanese Abductees*

Meanwhile, the issue of the Japanese abductees resurfaced in the 2000s, altering the U.S. – Japan alliance and each country's negotiating position on North Korea. Although the Japanese government acknowledged in 1997 that Megumi Yokota and other Japanese nationals were kidnapped by DPRK agents in the 1970s, the situation emerged as a major sticking point for Japan-North Korean relations during Prime Minister Koizumi's visit to North Korea in 2002.<sup>xxxix</sup> During the trip, Kim Jong-il admitted for the first time that North Korea was behind the abductions.<sup>xl</sup> The North Korean leader acknowledged the abductions of 13 victims and claimed

that five were alive, while eight had died of various causes.<sup>xli</sup> Despite Kim apologizing for the issue, the revelation caused a public uproar in Japan and hardened Japanese public opinion towards North Korea.<sup>xlii</sup>

Since then, the abductees have become a consistent issue in Japan's diplomatic strategy towards North Korea and a point of disagreement between the U.S. and Japan objectives. The U.S. did support Koizumi's efforts to maintain dialogue with North Korea and conduct its own human rights campaign toward North Korea, and it included the abductee issue in the State Department's annual review of terrorism in 2004.<sup>xliii</sup> However, it remained as a point of contention between Washington and Tokyo, particularly the linking of the abduction issue with nuclear negotiations.<sup>xliv</sup>

#### *Post-1997: Defense & Security Cooperation*

1997 is viewed as the climax of U.S.-Japan collaboration vis-à-vis North Korea. The following years saw each country becoming frustrated with the other's commitment to the alliance and security and defense cooperation. During these years, Japan felt more vulnerable to North Korea, especially after the DPRK's first nuclear test in 2006.<sup>xlv</sup> Japan was concerned about the reliability of the U.S. alliance and began to wonder about the extended deterrence that Washington had long provided for Japan, particularly the nuclear umbrella and missile defense.<sup>xlvi</sup> The U.S., meanwhile, was discouraged with Japan as Washington felt that Japan was not shouldering enough of the burden for its own defense.<sup>xlvii</sup> Despite the collaborative actions that Tokyo and Washington took in the 1990s in response to North Korea, Japan's pacifist constitution restricted the activities of the Self-Defense Forces. For example, during North Korean missile provocations in 2006, Japan's navy could not defend U.S. destroyers that were patrolling the Sea of Japan due to Japan's ban on collective self-defense.<sup>xlviii</sup> The ban forbade Japan from intercepting a North Korean missile that flew over Japanese territory towards U.S. territories such as Guam.<sup>xlix</sup> Another consequence of the ban on collective self-defense was Japan's halfhearted participation in maritime inspections. Cargo inspections are often a part of WMD counterproliferation measures, and while, on paper, the U.S. and Japan agreed to cooperate on counterproliferation measures, Japan could not fully enforce inspections.<sup>1</sup>

### **The Pivot to Asia – Barack Obama's Presidency**

#### *America's First Pacific President*

During the first year of his presidency, Barack Obama traveled to Asia. In Tokyo, he described himself as the United States' "first Pacific president" and vowed on a new era of engagement.<sup>li</sup> It was widely viewed in Asia that the Bush administration had not shown enough interest in the region, and Obama wanted to make sure these concerns were allayed.<sup>lii</sup> Secretary of State Hillary Clinton made her first trip overseas in February 2009, visiting Japan, South Korea, Indonesia, and China; two years later, after devoting sufficient attention to the 2008 economic crisis, the Obama administration made its announcement that Asia would be its highest foreign policy priority.<sup>liii</sup> Aside from wanting to divert U.S. attention and resources from the conflict-ridden Middle East, the Pacific region represented about 40% of global trade, and the ASEAN countries had doubled their total sum of GDP in just four years.<sup>liv</sup> Beyond economic considerations, China's assertiveness also compelled the United States to prioritize Asia, especially after several countries had requested a greater American presence and support in the region.<sup>lv</sup>



Obama's promise of engagement with adversarial states initially extended to North Korea. However, in April 2009, North Korea tested a long-range missile, and, on the U.S.'s Memorial Day holiday of the same year, it tested an atomic bomb.<sup>lvi</sup> The regime also launched short and medium range missile tests around July 4.<sup>lvii</sup> In response, the Obama administration adopted a more hardline policy called 'strategic patience.'<sup>lviii</sup> In short, the U.S. would not take the first step towards negotiations unless North Korea demonstrated a genuine effort to denuclearize. Strategic patience consisted of the following provisions: (1) Pyongyang should commit to steps towards denuclearization and improve relations with South Korea to return to the Six-Party Talks; (2) China needs to be convinced to apply greater pressure on North Korea to denuclearize; and (3) The U.S. will apply pressure through sanctions and arms interdictions.<sup>lix</sup> The end game of this strategy would be a comprehensive package that, in return for the DPRK's complete denuclearization, would include economic aid and normalizing relations between the U.S. and North Korea.<sup>lx</sup>

There was little change in Obama's second term policies towards North Korea. Obama's National Security Advisor mentioned that the U.S. intended to maintain and expand cooperation with Japan and South Korea, as well as with China, but Washington still refused to move first towards the negotiating table.<sup>lxi</sup> Obama, rather, restored a combination of sticks and carrots to induce North Korea into cooperation. The U.S. accelerated a ballistic missile interceptor program and staged mock bombing runs in South Korea.<sup>lxii</sup> However, in 2012, Washington also attempted to revive the Six-Party Talks by offering a bevy of proposals, leading to an agreement known as the Leap Day Deal being signed by North Korea in the same year.<sup>lxiii</sup> The terms of the agreement were that, in exchange for food aid, the DPRK would cease testing nuclear weapons or launching long-range missiles.<sup>lxiv</sup> However, Washington felt that Pyongyang violated the deal by launching satellites with a long-range missile, and the agreement never amounted to anything. Beyond the Leap Day Deal, no other major developments came during Obama's presidency regarding North Korea.<sup>lxv</sup> Of all the post-Cold War presidents, Obama paid the least attention to the DPRK.<sup>lxvi</sup>

Ultimately, a priority for Obama's Asia policy was to enhance relations with Tokyo and Seoul. There were tensions regarding U.S. bases in Okinawa that the United States wanted to resolve, and the Obama administration was eager to repair relations with South Korea damaged during the Bush presidency, when the U.S. and the ROK were barely on speaking terms at the presidential level.<sup>lxvii</sup> Moreover, regarding the rise of China, the primary strategy of the Obama administration was to obtain the cooperation of Japan and South Korea and to strengthen the trilateral alliance under the U.S. umbrella.<sup>lxviii</sup> This was not lost on Beijing, who for this reason has historically supported North Korea. Despite China's periodic frustrations with Pyongyang and its willingness to cooperate with the U.S. on certain action items, North Korea is a necessary buffer to ensure that tens of thousands of U.S. troops in South Korea will not end up on China's doorstep.<sup>lxix</sup>

Obama's pivot to Asia was not in response to North Korea, but it reflected the growing importance of the continent and the rise of the PRC. North Korea was treated as more of an afterthought while U.S. strategy towards Asia focused on establishing a greater presence in the region and strengthening relations with traditional allies such as Japan, South Korea, and Taiwan.<sup>lxx</sup> In addition, the U.S. sought to form security partnerships with Asian countries that

previously had no relations with the United States, such as Indonesia, Malaysia, and Vietnam.<sup>lxxi</sup> One could say that the Obama Doctrine was a strategy of engagement, and that, by the end of the Obama presidency, the U.S. had formed relationships with nearly every pariah state in the world, with the exception of North Korea.<sup>lxxii</sup> The U.S. – Japan alliance and their dealings with North Korea were not informed by any larger cohesive strategy, but, rather, were improvised responses to the DPRK’s pattern of unpredictability.

## **The Rollercoaster Presidency of Donald Trump**

### *America First*

During his presidential campaign, Donald Trump made startling comments about historical allies of the United States and spoke of transformative changes in American foreign policy. He threatened to withdraw U.S. protection, including the nuclear umbrella, from Japan and South Korea, and asked why they could not defend themselves against North Korea instead of relying on the United States.<sup>lxxiii</sup> When asked by a reporter for the *New York Times*, Trump denied being an isolationist but said he appreciated the phrase “America First.”<sup>lxxiv</sup> Trump rejected the Asia-focused foreign policy that his predecessor had prioritized, with perhaps the most notorious example being the U.S. withdrawing from the Trans-Pacific Partnership (TPP). This withdrawal represented a sea change in U.S. strategy since World War II. Before Trump, every U.S. president’s foreign policy had carried with it the assumption that the United States should maintain its global leadership role. Trump differed from all other presidents since WWII in that he interpreted foreign policy strictly in terms of what costs the United States must bear, rather than the pursuance of liberal principles like free trade, free markets, democracy, and liberty. Beyond his isolationist stance, Trump’s foreign policy decisions were dictated by his unpredictable personality and perspective on the world, rather than within the framework of a larger approach.<sup>lxxv</sup>

### *Trump & Kim Jong-un: Hostility to Reconciliation*

After he was elected, President Trump called the Obama administration’s ‘strategic patience’ with North Korea a failure and shifted to a policy of ‘maximum pressure’ of diplomatic, economic, and military options.<sup>lxxvi</sup> In response, Kim Jong-un launched two intercontinental ballistic missile tests and conducted its sixth nuclear test in 2017.<sup>lxxvii</sup> Tensions continued to rise in 2017, with Trump making a series of provocative statements, including his infamous “fire and fury” comment in which North Korea would be met with overwhelming force should they continue to threaten the United States; Trump also referred to Kim Jong-un as “little rocket man.”<sup>lxxviii</sup> The year 2017, indeed, saw some of the highest tensions in the history of the two countries’ relationship emerge between the United States and North Korea.

Unexpectedly, and widely seen as an olive branch, Kim Jong-un announced in his 2018 New Year address that the DPRK was sending a delegation to the Winter Olympics in Pyeongchang, South Korea.<sup>lxxix</sup> In March 2018, through a South Korean delegation as an intermediary, Kim Jong-un delivered a letter to Donald Trump offering to meet in person with him.<sup>lxxx</sup> The Trump administration reacted favorably, and the first of two summits between Trump and Kim took place in Singapore in June 2018.<sup>lxxxi</sup> The summit culminated in a joint statement focusing on four major principles, but it lacked specifics, a plan of action, or a schedule. Despite the historical importance of the summit, ultimately no progress was made on those four principles nor on

resolving major issues between the United States and North Korea.<sup>lxxxii</sup> A follow-up summit took place in February 2019; however, it was cut short in the middle of the second day, and an anticipated joint statement was not signed,<sup>lxxxiii</sup> eliminating any hopes of progress on denuclearization and outstanding issues between the U.S. and the DPRK.

#### *U.S.-Japan Relations: A U-turn*

At the beginning of Trump's presidency, Tokyo did support the U.S.'s maximum pressure campaign against North Korea, and Prime Minister Abe was encouraged by Trump's tough talk in 2017.<sup>lxxxiv</sup> Japan also made significant purchases of U.S. military equipment, and Trump and Abe built a level of rapport that seemed ironclad.<sup>lxxxv</sup> However, Japan was largely left on the sidelines during the summits, and the U.S.-DPRK negotiations were seen as something of a betrayal from Japan's perspective, increasing doubts as to the strength of the U.S.-Japan partnership.<sup>lxxxvi</sup> This feeling was compounded by other incidents, such as Trump speaking fawningly about Kim Jong-un and stating that he was not personally bothered by North Korea's short-range missile tests during a May 2019 press conference with Abe.<sup>lxxxvii</sup>

What defined the Trump Administration's foreign policy was its unpredictability. Ranging from unilateral action to strong bilateralism, belligerence to engagement, under Trump's presidency U.S. relations with Japan backtracked due to Trump's business-oriented mindset. Trump wanted a deal with North Korea, and North Korea's moves in 2018 towards normalizing relations compelled Trump to abandon the cooperation that Washington and Tokyo had cultivated during the initial months of his presidency. What defined the U.S. – Japan strategy towards North Korea during the Trump years was its inconsistency. In a sense, it was not that much of a deviation from the previous strategy that Washington and Tokyo had applied towards Pyongyang.

#### **America is Back: Joe Biden's Presidency**

##### *Reinvigorating Diplomacy, Strengthening Deterrence*

In his first foreign policy speech of his presidency in February 2021, Joe Biden declared that "Diplomacy is back at the center of our foreign policy."<sup>lxxxviii</sup> Biden's foreign policy strategy can simply be described as bringing normalcy back to U.S. foreign policy after the turmoil of the Trump years. To that end, Biden has sought to restore faith in treaties and alliances and ultimately restore America's international standing. To achieve this, Biden has favored both bilateral and multilateral relationships and bolstering international institutions.<sup>lxxxix</sup> With regard to North Korea, the administration has viewed diplomacy with the DPRK as essential and has offered to negotiate without preconditions on its nuclear and ballistic missile programs.<sup>xc</sup> The United States has also announced bilateral agreements, such as the Washington Declaration with South Korea, and formed working groups like the U.S. – ROK Nuclear Consultative Group.<sup>xcii</sup> However, the U.S. has also publicly stated that any nuclear attack by the DPRK against South Korea will be met with a swift and overwhelming response, and Biden's administration has also committed to establishing a trilateral partnership with Japan and South Korea to enhance collective security and share more intelligence.<sup>xciii</sup>

However, the U.S. – Japan relationship, and indeed America's overall Asia strategy, is being shaped by the threats of Russia and China more than North Korea. In April 2024, President Biden and then-Prime Minister Kishida unveiled plans for military cooperation and other

projects. Both countries have bolstered their militaries to counter the growing threat from China, in light of China's aggressive actions in the South China Sea and the East China Sea (especially in regard to Taiwan). In addition, Kishida has stated, "Regarding Russia's aggression of Ukraine... Ukraine today may be East Asia tomorrow."<sup>xciii</sup> It would be too dismissive to refer to North Korea as an afterthought for the U.S. – Japan alliance. However, despite the steps taken by the United States and Japan, the DPRK is a secondary priority for the alliance, and does not occupy the place of primacy that it did during the 1990s.

### **A Crystal Ball: What Will Happen Next?**

One of my professors at SAIS who taught a class on North Korea was giving a presentation on the first day of the Fall 2022 semester, and he described his background. He had served in the Soviet embassy in Pyongyang and had been studying North Korea for decades. He also taught as an adjunct professor at three different universities in the Washington, D.C. area, with many of his classes being focused on North Korea. One of his PowerPoint slides included his interpretation of North Korea and his ability to forecast the future: the content of the slide was simply a couple of question marks. Despite his expertise, the North Korean regime is so unpredictable and so opaque that trying to predict what will happen is almost certainly an exercise in futility.

Having said that, there are two predictions we can make that are more than likely to happen over the next five years. The first is that Russia and China will take more priority for the U.S. – Japan alliance than North Korea will. China's continued military buildup, threats toward Taiwan, and assertiveness in the Indo-Pacific will remain more alarming to Washington and Tokyo than the frequent saber-rattling of North Korea. Russia's invasion of Ukraine has also triggered more concerns for Japan and other Asian countries than the DPRK's bluster and missile tests. Of course, this may change drastically should a DPRK missile fired towards Japan cause casualties or damage anything of value. Luckily, such an incident has yet to happen. The second prediction is that the U.S. – Japan alliance will depend heavily on the 2024 election. Had Biden been elected to a second term, the current agreements between Washington and Tokyo could have been expected to remain in force and that further areas of diplomatic and security cooperation would have been pursued. However, with Donald Trump's victory, it is now anyone's guess as to what the alliance will look like and how North Korea will behave with Trump in the White House again.

## Endnotes

---

- <sup>i</sup> “Occupation and Reconstruction of Japan, 1945–52.” U.S. Department of State, n.d. <https://history.state.gov/milestones/1945-1952/japan-reconstruction>.
- <sup>ii</sup> Ibid.
- <sup>iii</sup> Odd Arne Westad, *The Cold War: A World History* (New York: Basic Books, 2017), 135 – 136.
- <sup>iv</sup> Ibid, 129 – 138.
- <sup>v</sup> Ibid.
- <sup>vi</sup> Ibid.
- <sup>vii</sup> Ibid, 138 – 146.
- <sup>viii</sup> Ibid.
- <sup>ix</sup> President (1945-1953 : Truman). Office of the Personal Secretary. 1945-1953. National Security Council Report 68 [NSC 68], Report to the National Security Council by the Executive Secretary on United States Objectives and Programs for National Security. 1950-04-14. Retrieved from the Digital Public Library of America, <http://catalog.archives.gov/id/179018762>.
- <sup>x</sup> Westad, *The Cold War*, 138.
- <sup>xi</sup> Ibid.
- <sup>xii</sup> Ibid, 142 – 146.
- <sup>xiii</sup> Ibid.
- <sup>xiv</sup> Ibid.
- <sup>xv</sup> Yasuyo Sakata, “Korea and the Japan-U.S. Alliance: A Japanese Perspective,” in *The U.S.-Japan Security Alliance: Regional Multilateralism*, ed. Takashi Inoguchi, G. John Ikenberry, and Yoichiro Sato (New York: Palgrave Macmillan, 2011), 91 – 94.
- <sup>xvi</sup> Ibid.
- <sup>xvii</sup> “North Korea and the NPT,” *International Peace Institute*, [https://www.ipinst.org/wp-content/uploads/2010/04/pdfs\\_koreachapt2.pdf](https://www.ipinst.org/wp-content/uploads/2010/04/pdfs_koreachapt2.pdf)
- <sup>xviii</sup> Sakata, “Korea and the Japan-U.S. Alliance: A Japanese Perspective,” 96; Christopher W. Hughes, “Super-Sizing the DPRK Threat,” University of Warwick, 10.
- <sup>xix</sup> Sakata, “Korea and the Japan-U.S. Alliance: A Japanese Perspective,” 96.
- <sup>xx</sup> Ibid.
- <sup>xxi</sup> Ibid.
- <sup>xxii</sup> Ibid.
- <sup>xxiii</sup> Ibid.
- <sup>xxiv</sup> Ibid.
- <sup>xxv</sup> Ibid.
- <sup>xxvi</sup> Ibid, 97.
- <sup>xxvii</sup> Ibid.
- <sup>xxviii</sup> Ibid.
- <sup>xxix</sup> Ibid, 97 – 98.
- <sup>xxx</sup> Ibid.
- <sup>xxxi</sup> Ibid.
- <sup>xxxii</sup> Ibid.
- <sup>xxxiii</sup> Ibid, 97.
- <sup>xxxiv</sup> Ibid.
- <sup>xxxv</sup> Ibid.
- <sup>xxxvi</sup> George C. Herring, *The American Century & Beyond: U.S. Foreign Relations, 1893 – 2014* (Oxford: Oxford University Press, 2017), 646-648.
- <sup>xxxvii</sup> Ibid.
- <sup>xxxviii</sup> Ibid.
- <sup>xxxix</sup> Sakata, “Korea and the Japan-U.S. Alliance: A Japanese Perspective,” 99-100.
- <sup>xl</sup> Ibid.

- 
- xli Ibid, 100; Rachel Blomquist and Daniel Wertz, updated by Dr. Naoko Aoki, “An Overview of North Korea-Japan Relations” *NCNK*, last updated October 2022, <https://www.ncnk.org/resources/briefing-papers/all-briefing-papers/overview-north-korea-japan-relations>.
- xlii Ibid.
- xliii Sakata, “Korea and the Japan-U.S. Alliance: A Japanese Perspective,” 101.
- xliv Ibid.
- xlv Ibid, 105-107.
- xlvi Ibid.
- xlvii Ibid.
- xlviii Ibid.
- xlix Ibid.
- <sup>1</sup> Ibid.
- <sup>li</sup> Niels Bjerre-Poulsen, “Here, We See the Future: The Obama Administration’s Pivot to Asia,” in *The Obama Presidency and the Politics of Change*, ed. Edward Ashbee and John Dumbrell (Cham, Switzerland: Palgrave Macmillan, 2017), 307 – 309.
- <sup>lii</sup> Ibid.
- <sup>liii</sup> Ibid.
- <sup>liv</sup> Ibid.
- <sup>lv</sup> Ibid.
- <sup>lvi</sup> Bruce Cumings, “Obama, Trump and North Korea,” in *The United States in the Indo-Pacific: Obama’s Legacy and the Trump Transition*, ed. Oliver Turner and Inderjeet Parmar, 79-80.
- <sup>lvii</sup> Ibid.
- <sup>lviii</sup> Ibid.
- <sup>lix</sup> Dongsoo Kim, “The Obama administration’s policy toward North Korea: the causes and consequences of strategic patience,” *Journal of Asian Public Policy*, 9, no. 1 (December 2015): 32 – 33.
- <sup>lx</sup> Ibid.
- <sup>lxi</sup> Ibid, 34
- <sup>lxii</sup> Ibid.
- <sup>lxiii</sup> Cumings, “Obama, Trump and North Korea,” 80 – 85.
- <sup>lxiv</sup> Ibid.
- <sup>lxv</sup> Ibid.
- <sup>lxvi</sup> Ibid.
- <sup>lxvii</sup> Ibid, 80 – 81.
- <sup>lxviii</sup> Ibid.
- <sup>lxix</sup> Ibid.
- <sup>lxx</sup> Bjerre-Poulsen, “Here, We See the Future: The Obama Administration’s Pivot to Asia,” 314.
- <sup>lxxi</sup> Ibid.
- <sup>lxxii</sup> Cumings, “Obama, Trump and North Korea,” 86.
- <sup>lxxiii</sup> Ibid.
- <sup>lxxiv</sup> Ibid, 86.
- <sup>lxxv</sup> Da-jung Li, “Trump Administration’s North Korea policy: From Strategic Patience to Maximum Pressure,” *Tamkang Journal of International Affairs*, 22 no. 3 (January 2019): 1-7.
- <sup>lxxvi</sup> Ibid, 1-7.
- <sup>lxxvii</sup> Ibid.
- <sup>lxxviii</sup> Cumings, “Obama, Trump and North Korea,” 88.
- <sup>lxxix</sup> Li, “Trump Administration’s North Korea policy: From Strategic Patience to Maximum Pressure,” 17 – 27.
- <sup>lxxx</sup> Ibid.
- <sup>lxxxi</sup> Ibid.
- <sup>lxxxii</sup> Ibid.
- <sup>lxxxiii</sup> “Wilson Center Experts React to Breakdown of Trump-Kim Summit,” *Wilson Center*, March 1, 2019, <https://www.wilsoncenter.org/article/wilson-center-experts-react-to-breakdown-trump-kim-summit?collection=81901>.



---

<sup>lxxxiv</sup> Blomquist, Wertz, Aoki. <https://www.ncnk.org/resources/briefing-papers/all-briefing-papers/overview-north-korea-japan-relations>

<sup>lxxxv</sup> Ibid.

<sup>lxxxvi</sup> Ibid.

<sup>lxxxvii</sup> Paul O’Shea and Sebastian Maslow, “Making the alliance even greater: (Mis-)managing U.S.-Japan relations in the age of Trump,” *Asian Security*, 17 no. 2: 201 – 202.

<sup>lxxxviii</sup> “Around the halls: Brookings experts analyze President Biden’s first foreign policy speech,” *Brookings Institution*, February 5, 2021, <https://www.brookings.edu/articles/around-the-halls-brookings-experts-analyze-president-bidens-first-foreign-policy-speech/>.

<sup>lxxxix</sup> Steven Levingston, “Joe Biden: Foreign Affairs,” *UVA Miller Center*, <https://millercenter.org/president/biden/foreign-affairs>

<sup>xc</sup> Robbie Gramer, “North Korea is Ghosting the Biden Administration,” *Foreign Policy*, April 11, 2024, <https://foreignpolicy.com/2024/04/11/north-korea-nuclear-missile-program-biden-asia-security/#:~:text=In%20the%20first%20months%20of,weapons%20and%20ballistic%20missile%20programs;Biden%20Administration’s%20North%20Korea%20Policy%3A%20Mira%20Rapp-Hooper’s%20Featured%20Conversation%20with%20Victor%20Cha,> “Biden Administration’s North Korea Policy: Mira Rapp-Hooper’s Featured Conversation with Victor Cha,” *Center for Strategic and International Studies*, March 3, 2024, <https://www.csis.org/analysis/biden-administrations-north-korea-policy>.

<sup>xc</sup> Ibid.

<sup>xcii</sup> “Biden Administration’s North Korea Policy: Mira Rapp-Hooper’s Featured Conversation with Victor Cha.”

<sup>xciii</sup> Trevor Hunnicutt, Steve Holland, and Jeff Mason, “Biden and Kishida forge new partnership, eyeing Russia and China,” *Reuters*, April 10, 2024, <https://www.reuters.com/world/us/biden-welcomes-global-partner-japans-kishida-white-house-summit-2024-04-10/>.

## **Moshitora: Tokyo Prepares for a Possible Second Trump Presidency**

*By Evan Brandaw*

*Editor's note: This article was originally written in May 2024, well before news of former Prime Minister Kishida Fumio's resignation and former President Donald Trump's reelection. While other articles in this yearbook have been modified slightly to reflect these events, I have decided against making similar modifications to this piece, as I believe the integrity and strength of the author's original words and arguments are best maintained without them. Trump's reelection, moreover, has only made this piece's findings more impactful and proven their prescience. All conclusions the author reaches regard issues that will remain of central importance to the administration of Japan's newly elected Prime Minister Shigeru Ishiba.*

### **Introduction**

The election of Donald Trump to the U.S. presidency in November 2016 initially threw Japan into turmoil. The conventional wisdom is that it was only through Prime Minister Abe Shinzo's careful cultivation and management of a strong personal relationship with Trump that Japan was able to weather the Trump presidency relatively unscathed. While Abe's tactics were not novel in the realm of Japanese foreign policy, he was perhaps uniquely effective in executing such a strategy. Now, with Abe gone, his successor Prime Minister Kishida Fumio is faced with the potential challenge of navigating an even more erratic Trump presidency. In the months leading up to the U.S. election, how is Tokyo reacting to a possible second Trump term? Many of the moderating influences of the first Trump presidency have left his camp, and it is unclear if they would attempt to return to the executive branch. Trump, for his part, seems intent on ensuring only true loyalists are installed in positions of power. In the past, Trump has made it plain that he does not look favorably on the U.S.-Japan trade relationship, complaining of trade imbalances and promising to enact tariffs on imports. Moreover, he has repeatedly railed about burden sharing between the U.S. and its allies, most recently in the NATO context, but also in regard to Japan and South Korea.

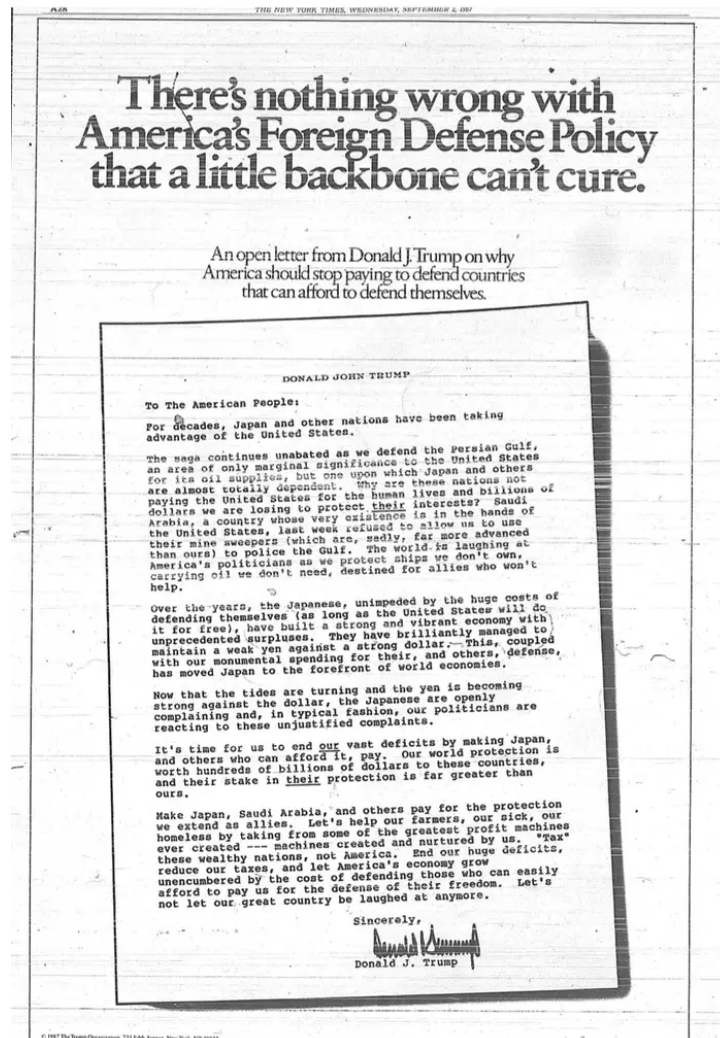
In this paper, drawing on interviews<sup>1</sup> with experts and journalists, I compare the respective approaches of the Abe and Kishida governments to dealing with Trump in order to evaluate whether Tokyo will be able to handle "Trump 2.0." My analysis is divided into three parts. First, I analyze the formulation and execution of Japan's strategic approach to its relations with the U.S. during the Trump presidency, noting the successes and shortcomings of Prime Minister Abe's approach. Second, I break down how the current Kishida government is preparing for a second Trump term, noting the factors differentiating the potential second-term bilateral dynamic from the first. Lastly, I consider the implications for U.S.-Japan relations should Trump be reelected and whether Tokyo appears up to the task.

### **Past: The Abe Model**

*Initial Reactions to the Trump Presidency*  
Trump's Candidacy

Long before he was a political candidate, Trump had a history of lamenting perceived imbalances in the U.S.-Japan relationship. During the heightened U.S.-Japan trade tensions of the 1980s, Trump blasted Japan's economic "invasion" and Japanese businesses' growing dominance of the U.S. market. He was also highly critical of the fact that Japan, unlike NATO, was not obligated to defend the United States were it to be attacked. In his view of Japan, Trump linked his grievances over Japanese economic displacement of U.S. businesses with his grievances over their insufficient contributions to the alliance, painting Japan as the classic 'free rider' ally, including in a full-page advertisement in the *New York Times* in 1987.

Figure 1: Donald Trump's 1987 Full Page Advertisement Criticizing U.S. Allies



(Source: *The New York Times*, September 2, 1987)

These views remained consistent—a rarity for Trump—right through to his 2016 presidential campaign, prompting some commentators to note that his view of Japan was still firmly rooted in a 1980s-era mindset.<sup>ii</sup> Somewhat counterintuitively, however, Trump actually espoused positive views of Shinzo Abe on the campaign trail, saying "Japan now has a great leader... he's a killer."<sup>iii</sup> Trump, in his transactional worldview, did not see Japan's taking advantage of its relationship

with the U.S. as a negative reflection on Japan, per se, but as a demonstration of the weakness of previous administrations in allowing such an ‘unequal treaty’ to persist.<sup>iv</sup>

To Japanese leaders in November 2016, Trump represented a serious threat to the status quo. To cover its bases, the Abe government conducted limited outreach with the Trump campaign; Abe met with future Secretary of Commerce Wilbur Ross; Ambassador to the U.S. Sasae Kenichi met with future Attorney-General Jeff Sessions, Ivanka Trump, and Jared Kushner; and future National Security Advisor Michael Flynn traveled to Tokyo to smooth things over after some off-the-cuff comments by Trump on the benefits of Japan and South Korea acquiring nuclear weapons.<sup>v</sup> Ultimately, though, from Tokyo’s perspective Hillary Clinton was the clear front-runner—“they really, really thought Hillary would win” said one former U.S. official<sup>vi</sup>—and was thus much more deserving of its diplomatic attention, with Abe and Clinton meeting in New York in September 2016.<sup>vii</sup>

### Election: The “Trump Shock”

Like most foreign governments, Tokyo was caught flat-footed by Trump’s election. However, Abe’s government reacted with remarkable speed, and Japan’s pivot and embrace of Trump was the most pronounced of all major U.S. allies. Despite Trump’s victory not being its desired outcome, there was some optimism in Tokyo that Trump’s tough stance on China would prove to be an opportunity to shift away from an Obama-era approach to China that had been perceived as dovish by the Abe government. Japan’s remarkable pivot crystalized on November 17, 2016, when Shinzo Abe visited Trump Tower only eight days after Trump’s electoral victory, breaking a long-established taboo against foreign leaders meeting with the president-elect. From the outset, Abe demonstrated a keen understanding of how Trump liked to operate—against his own staff’s advice, Trump took the meeting—and showed the president-elect that Japan was a reliable, friendly partner in a world filled with adversaries, both real and perceived. Abe’s gamble paid off, sparking a strong personal connection that would form the central pillar of U.S.-Japan relations during the Trump administration.

### *The Abe Model*

#### Rationale Behind Abe’s Approach

The biggest variable for Japan going into the Trump presidency was uncertainty; given Trump’s lack of political experience, there was little basis on which Tokyo could reasonably predict how Trump would govern. However, Trump’s prior statements in his private life and on the campaign trail made it clear that he embodied the Japanese fear of U.S. abandonment. In Abe’s view, Japan had no real alternative to the U.S. alliance (a view that I and many of my interviewees continue to share). To maintain the American security guarantee and easy access to the U.S. market, it was imperative to make Trump happy.

Trump’s happiness was not the only issue, however. While President Barack Obama had championed renewed U.S. engagement in the Asia-Pacific region as part of his ‘pivot to Asia,’ Trump seemed disinterested (at best) in regional affairs. U.S. engagement was a critical part of Abe’s vision of a ‘Free and Open Indo-Pacific’ (FOIP), a proposed coalition of like-minded states whose unstated purpose was to prevent China from dominating Asia. Abe was therefore faced with the challenge of placating Trump while coaxing him away from his isolationist tendencies. Complicating this task further was the deep unpopularity of Trump in Japan. In a

Diet session in December 2017, Abe was asked pointed questions by opposition parties about the nature of his visit with Trump, but he refused to divulge details that might harm his own political standing, preferring instead to safeguard the personal relationship he was trying to build.<sup>viii</sup> Abe had determined that he had no choice but to embrace Trump, else Japan be left to its own devices in East Asia. Abe's views are expressed well in this anecdote from journalists Peter Baker and Susan Glasser's 2021 book on the Trump presidency: "Soon after [Trump's election], while hosting a delegation of American experts in Tokyo, the prime minister pulled one of them aside and urged him to join the new Trump White House. When the Republican demurred, joking that his wife would probably divorce him, the Japanese leader shot back: it was worth a broken marriage to save the Japan-America alliance."<sup>ix</sup>

### The Abe Model in Practice: 2017

Abe's visit to the White House and Mar-a-Lago in February 2017 established the model for how the Abe government would manage relations with the Trump administration. Several dynamics emerged in this visit that would become hallmarks of the Abe-Trump bromance.

First, Abe leaned into Trump's love of golf, something they discussed at length in their Trump Tower meeting. The two spent nearly nine hours on the golf course, keeping Trump 'in his element' while Abe, with the assistance of his Harvard-educated interpreter Takao Sunao, discussed a variety of policy issues. The golf-loving Trump, sporting the gold-plated driver that Abe had given him at their Trump Tower meeting, ate it up. Rounds of golf became a staple of Abe-Trump summits, instilling a personal touch and creating a setting insulated from the media's prying eyes.<sup>x</sup>

Second, at the February meeting, Abe showered Trump with praise. In their joint press conference, Abe declared that he was no match for Trump on the golf course.<sup>xi</sup> The prime minister also lauded Trump for his unprecedented electoral victory, stating:

"Donald, president, you are an excellent businessman...you have fought the uphill struggle and fight for more than a year in the election campaign to become a new president, and this is the dynamism of democracy. I would like to celebrate and congratulate Donald, being sworn in as the president."<sup>xii</sup>

Third, Abe highlighted the shared interests of Japan and the United States, noting the strength of Japanese investments in the United States and Japan's role as America's largest source of foreign direct investment (FDI), in part as an ultimately futile, hail-Mary effort to change Trump's mind on his stated desire to leave the Trans-Pacific Partnership (TPP), the much heralded mega-trade deal negotiated by the Obama administration. This would be a recurring theme for Abe in his interactions with Trump. Abe frequently encouraged Trump to view Japanese investments not as threats to the U.S. economy, but as personal political victories, with Trump delivering thousands of jobs to Americans (put simply, quipped former Japanese Ambassador to Indonesia Masafumi Ishii, Abe framed things to Trump in terms of "Make *Me* Great Again").<sup>xiii</sup>

Fourth, Abe took the opportunity to push his agenda, not just in his policy discussions with Trump—during which Abe did "most of the talking"—but by convincing Trump to launch an

economic dialogue between Deputy Prime Minister Aso Taro and Vice President Mike Pence, ensuring Japan could remain plugged into a White House poised to embark on a series of protectionist trade measures.<sup>xiv</sup>

Above all else, Abe sought to avoid friction. Despite the significant political capital that Abe had used to convince both his party and the Japanese people of the merits of joining the TPP, he refrained from broaching the topic with Trump. In future meetings, Abe would employ golf and aspects of Japanese culture—like sumo wrestling and audiences with the newly-crowned emperor—to ensure their bilateral meetings had a personal, friendly atmosphere and to, in some ways, reduce the possibility of Trump broaching some of the more prickly aspects of the bilateral relationship (such as the trade deficit or defense spending).<sup>xv</sup>

### *Turning Points*

Even though the U.S. withdrew from the TPP, things looked rosy after the first year of Abe-Trump “bromance,” and opinion polls showed that the Japanese people supported Abe’s approach to Trump.<sup>xvi</sup> Moreover, their personal relationship remained warm throughout the Trump presidency. Still, Abe’s ability to translate said relationship into positive outcomes for Japan quickly demonstrated its limitations. Once Trump acquired his political sea legs, and as the “Axis of Adults” slowly gave way to a more loyal set of officials, Trump’s confidence and assertiveness in the international arena grew. In his first official visit to Tokyo in November 2017, Trump remained warm towards Abe and even embraced his concept of the Free and Open Indo-Pacific in the U.S.’s own Indo-Pacific Strategy. However, Trump also openly aired his qualms over the U.S.’s trade deficit with Japan and mused that Japan could help reduce it by purchasing U.S. military equipment, a glimpse into the sorts of issues that the coming year would bring.<sup>xvii</sup>

### North Korea

The first indication that Abe was not, in fact, a flawless Trump whisperer came in 2018. North Korean leader Kim Jong Un’s call for inter-Korean peace talks in his New Year’s declaration launched a flurry of diplomatic activity between North and South, culminating in the North’s participation in the Pyeongchang Olympics in February, a visit by South Korean President Moon Jae-in to Pyongyang, and a North Korean proposal for a bilateral summit between President Trump and Kim Jong Un. Without consulting Abe—with whom he had spoken numerous times on North Korea—Trump accepted Kim’s invitation without preconditions, a 180-degree shift from his “fire and fury” rhetoric of the previous year. The announcement stunned Abe, who immediately sought to dampen Trump’s expectations and ensure Trump would not, as John Bolton put it, “give away the store.”<sup>xviii</sup> Abe repeatedly emphasized Japan’s concerns about the fate of abductees (Japanese citizens kidnapped by North Korea between 1977 and 1983), and on short- and intermediate-range missile tests capable of reaching Japan (not simply tests ICBMs capable of reaching the United States). Despite this, Trump downplayed Abe’s concerns and refused to coordinate with Japan in advance of the summit:

“No, I never prepare for a big deal. I go in and I look the other guy in the eye and I make the big play and that’s how I built my business empire—and that’s why I am the greatest negotiator in the history of the presidency.”<sup>xix</sup>



The Singapore Summit was largely a flop, owing in large part to Trump’s lack of preparation, though his agreement to freeze military exercises in South Korea during negotiations surprised both Abe and his own military.<sup>xx</sup> Trump’s declaration that “there was no longer a nuclear threat from North Korea” conveyed both his desire to spin the summit as a deal, and his lack of interest in the specifics.<sup>xxi</sup> As Trump and Kim continued this diplomatic dance, including in a follow-up summit in Hanoi in February 2019, Abe was relegated to the sideline, trying in vain to rein in Trump’s desire for a grand bargain with North Korea. Trump’s drift away from Abe’s hardline stance was put on clear display during their joint press conference in May 2019, in which Trump said North Korean missile launches were “not a big deal,” while Abe stated they constituted a violation of UN Security Council resolutions.<sup>xxii</sup>

Abe tried repeatedly to communicate Japan’s interests vis-à-vis North Korea to Trump and steer him in that direction, but Trump ultimately prioritized a deal above all else, doing the bare minimum in terms of incorporating Abe’s policy requests into his approach (he did mention the abductee issue in his conversations with Kim).<sup>xxiii</sup> Not only was Trump’s approach haphazard and ineffective—the summits produced no real outcomes except for releasing pressure on the DPRK—he was a poor diplomatic partner and, despite their personal relationship, Abe was unable to hitch his policy initiatives to Trump’s wagon. Trump agreed with Abe only when Abe was praising his approach, or when he was venting his frustrations with the DPRK during the negotiation process. Fundamentally, Trump could not understand the Japanese position, and consistently approached interactions with North Korea as an opportunity and not a risk. The North Korea debacle definitively demonstrated that the Abe model for dealing with Trump could not be translated into policy outcomes for Japan.

### Trade

Amidst the diplomatic maneuverings on the Korean peninsula, trade tensions would also rear their head in early 2018. Trump kicked off his trade war with China through a series of tariffs in January. Then, on March 1, Trump invoked Section 232 of the Trade Security act, deeming the volume of U.S. steel and aluminum imports to be a national security risk, and announcing a 25 percent tariff on steel and aluminum.<sup>xxiv</sup> Unlike nearly every other major U.S. ally, Japan was not granted a temporary waiver, which came as a significant surprise in Tokyo. More was to come. When he announced an additional \$50 billion dollars’ worth of intellectual property tariffs targeting China on March 22, Trump clarified his view on how his aggressive trade policy squared with his friendship with Abe:

“I’ll talk to Prime Minister Abe of Japan and others—great guy, friend of mine—and there will be a little smile on their face. And the smile is, ‘I can’t believe we’ve been able to take advantage of the United States for so long.’ So those days are over.”<sup>xxv</sup>

During his visit to the Washington the following month, Abe tried and failed to secure a temporary waiver and, under pressure, agreed to a new economic dialogue between U.S. Trade Representative (and Japan-bashing veteran) Robert Lighthizer and Japanese Minister of Trade u Motegi Toshimitsu. The Lighthizer-Motegi talks, unlike the Aso-Pence dialogue, would focus specifically on trade imbalances. In May, Trump announced a similar national security investigation into U.S. auto imports, which threatened to invoke debilitating tariffs on the “sacred cow” of the Japanese economy.<sup>xxvi</sup> In his meeting with Abe on June 5, despite being only

a week away from his summit with Kim Jong Un in Singapore, Trump remained doggedly struck on trade issues and paid little attention to Abe's exhortations on North Korea.<sup>xxvii</sup> In September, Trump's pressure campaign forced Abe to yield, and Abe agreed to launch negotiations on a trade agreement on goods (TAG), which, while not as extensive as a free trade agreement (FTA), still constituted a substantial concession for Japan (which strongly preferred the status quo). The only concession that Abe was able to extract from Trump was an agreement to delay the finalization of the TAG until after the 2019 Japanese parliamentary elections, providing Abe with some degree of political cover.<sup>xxviii</sup>

Trump's hardball trade measures proved that no amount of niceties could protect Japan from Trump's protectionist agenda, particularly as he centralized control and installed loyalists who would implement (rather than moderate) his economic vision. Fundamentally, Trump still felt the U.S. was taken advantage of by its allies, particularly Japan, and compartmentalized his personal view of Abe from his view on U.S.-Japan relations.

### *The Soundness of Abe's Strategy*

There were other, more isolated moments during the Trump presidency that further demonstrated Abe's inability to influence Trump's views. In 2019, just prior to the G20 summit in Osaka, Trump aired his distaste for the U.S.-Japan security treaty to Abe and called for its revision into a mutual defense treaty, something which Japan is constitutionally bound from doing.<sup>xxix</sup> Trump also attacked Japan and South Korea numerous times on the burden-sharing issue and insufficient contributions to U.S. basing costs, in Japan's case calling for Tokyo to increase its contributions from \$2.5 billion to \$8 billion per year. Both countries, however, were able to negotiate more modest increases with the Biden administration.

In retrospect, the effectiveness of Abe's personalist approach to Trump is dubious at best. It is clear that Abe could in no way translate his strong relationship with Trump into positive policy outcomes. One Tokyo journalist I spoke to noted that "with Trump, containment is the best you can hope for."<sup>xxx</sup> However, even the soundness of Abe's approach as a containment strategy—that is, as a means of damage control—is suspect. Japan was targeted multiple times on trade and forced to fend for itself through tough negotiations, despite Abe's best efforts to deescalate or smooth things over. Emma Chanlett-Avery, who spent over twenty years studying Asian affairs for the Congressional Research Service, noted that while Abe "deserves credit" for his handling of Trump, he was also a "beneficiary of the calendar."<sup>xxxi</sup> Abe was also only able to evade Trump's crosshairs on basing costs because the U.S.-Japan Special Measures Agreement (SMA) was not up for renegotiation during Trump's term, not because of any deft diplomacy on Abe's part. On North Korea, it was primarily Trump's diplomatic incompetence and poor preparation for the two summits that prevented a substantive deal from being struck, something which Abe counseled Trump countless times not to do. The first year of Trump's presidency was an aberration, a period during which the first-time politician was figuring out the nature of governing, his instincts dampened by the presence of experienced policy hands. It was in that uncertain environment that Trump leaned on Abe's policy expertise, giving the impression that Abe had turned the Trump situation from a crisis into an opportunity. Once the Trump presidency began in earnest, however, any semblance of control or influence that Abe had over Trump quickly dissipated.

In September 2018, following the Singapore Summit with Kim Jong Un, Trump asked Abe during a private dinner to nominate him for the Nobel Peace Prize. When Abe obliged, Trump would go on to boast about his nomination, and about Abe’s “beautiful letter” to the Nobel Committee, in innumerable rallies and tweets.<sup>xxxii</sup> In his dealings with Trump, Abe seemed to neglect the fact that diplomacy with Trump was a one-way street: Trump, too, saw their strong personal relationship as a means to his political ends.

## **Present: Moshitora**

In 2024, the mood in Tokyo is one of resignation. As Trump relaunched his political campaign and dispatched his primary opponents, questions swirled in the Japanese media regarding the prospect of Trump’s return to the U.S. presidency. The question of “what if Trump” or *moshi-tora* has quickly iterated from *houbou-tora* (almost Trump) to *maji-tora* (really it will be Trump), to *kaku-tora* (confirmed Trump), and even to *mou-tora* (already Trump).<sup>xxxiii</sup> From average citizens to the Prime Minister’s office, Japan is actively preparing itself for a Trump victory. But while a third consecutive Trump presidential campaign and a second consecutive Biden-Trump contest has created a sense of *déjà vu* among American political observers, in terms of U.S.-Japan relations, much has changed since the first Trump presidency.

### *Changes from Trump’s First Term*

#### A Japanese Political Vacuum

Most glaring is the absence of Abe, whose assassination in 2022 not only shocked Japan but also unearthed a scandal surrounding the LDP’s ties with the Unification Church, leaving the LDP both weakened and without strong leadership. Abe was a uniquely charismatic Japanese leader, and said charisma contributed greatly to his success in intentionally forming a friendship with Trump. His successors in the LDP—Yoshihide Suga, who initially succeeded Abe in 2020, and Fumio Kishida, who took over as PM in 2021—are widely seen as stiff and bureaucratic in comparison.<sup>xxxiv</sup> Multiple interviewees, however, noted that Kishida has exceeded expectations as leader of the ruling LDP and that he may indeed have sufficient “juice.”<sup>xxxv</sup>

Charisma aside, Kishida’s historic unpopularity has him in an incredibly weak political position at the moment. The slush-fund corruption scandal rocking the LDP has certainly contributed to Kishida’s rock-bottom approval ratings. The scandal has implicated the party from top-to-bottom and led to the collapse of its largest faction, the late Abe’s Tōkakai. Kishida’s ratings have fallen below even the “certain-death” level of 30 percent, which usually portends a change in leadership. While many of the experts I interviewed felt that Kishida has a strong chance of surviving the LDP leadership election in September, the prevailing wisdom is that he is unlikely to be reelected.<sup>xxxvi</sup> What’s more, no one is waiting in the wings; Kishida has no strong rivals, and his hypothetical successor would find themselves in a similarly weak political position. Several experts I spoke to in Tokyo foresaw the possibility of (or even expected) a return to the ‘revolving-door prime minister’ paradigm that dominated Japanese politics prior to Abe’s extended time in office. A new face every year would certainly hamper Tokyo’s ability to successfully cultivate the sort of strong, personal relationship that Abe and Trump enjoyed, to say nothing of changes in policy and political personnel.

### More Radical Trump Administration

At a bureaucratic level, many of the senior foreign policy officials from the Abe years remain in the ministries, and, supposing the absence of strong or consistent political leadership, it would be natural to expect the bureaucracy to take a more active role in the relationship in a potential second term. However, in a second Trump administration, there would likely be an abundance of new faces. Over the course of his presidency, Trump burned bridges with career diplomats and government officials serving in his administration, particularly after the insurrection at the U.S. Capitol on January 6, and seems uninterested in mending fences. Instead, Trump appears hell-bent on installing only true loyalists in positions of power, even threatening to carry out mass firings of career government employees he considers part of the "deep state."<sup>xxxvii</sup> The Heritage Foundation's 'Project 2025' a self-described blueprint for a second Trump presidency, calls for the mass installment of political appointees in the State Department even in roles that do not require Senate confirmation.<sup>xxxviii</sup> Of course, Trump's ability to make good on those promises is limited—the U.S. military, for example, would remain insulated from Trump's meddling and likely continue its long-term plans for deepening the U.S.-Japan security relationship. However, the same cannot be said of trade relations. One of the few who has remained firmly in Trump's inner circle throughout his time in politics is Robert Lighthizer, one of the chief architects of Trump's protectionist "America First" trade policy. Other likely foreign policy figures in a second Trump administration (all with radical reputations) include Rick Grenell,<sup>xxxix</sup> Christopher Miller,<sup>xl</sup> Peter Navarro,<sup>xli</sup> and Robert O'Brien.<sup>xlii</sup>

### The Biden Administration

It is also important to consider the steps taken to strengthen U.S.-Japan ties under the Biden administration, whose foreign policy approach has differed in several ways from the Obama administration's. Namely, Biden has maintained the Trump administration's more hawkish stance on China, which has largely erased the 'silver-lining' thinking that surrounded Trump's initial election in Tokyo. The Biden administration has also launched a signature trade project, the Indo-Pacific Economic Framework (IPEF). While Tokyo welcomed the U.S.'s return to multilateral trade negotiation, the IPEF's indirect format (it does not include tariff relief) and limited coverage has been seen as bit of a consolation prize from Tokyo's perspective. While the series of agreements does cover several emerging issue areas, such as the supply chain and digital economies, it hardly compares to the TPP or its successor, the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). Tokyo has repeatedly stated CPTPP is its preferred vehicle for multilateral trade and that the U.S. is welcome to rejoin, but that has been deemed a political impossibility. While the IPEF has not yet gained the toxic reputation that doomed the TPP in the U.S., its prospects for surviving a transition from Biden to Trump are bleak; none of my interviewees expected Trump to maintain the IPEF. However, it is important not to overstate the impact of this. Biden has also taken a more economically nationalist policy stance, particularly vis-à-vis U.S. manufacturing, in order to secure the support of U.S. labor organizations. While Biden is certainly more open to multilateral trade policy than Trump, both Biden and Trump have come out against Nippon Steel's acquisition of U.S. Steel, whose purchase has brought Japan's economic role in the U.S. back into the crosshairs of U.S. politicians.<sup>xliii</sup> Officials in Tokyo, while certainly disappointed at that response, are by no means surprised. Trade issues have long operated on a different track than diplomatic and security issues in the U.S.-Japan relationship, and there is a level of comfort on Tokyo's end with standing firm on trade issues without fearing negative impacts on the alliance.<sup>xliv</sup>

### *Tokyo's Current Strategy*

Much like in 2016 and 2020, Japan's political leadership is hard at work, laying the groundwork for either outcome of the U.S. presidential election. However, unlike in 2016, Tokyo is taking the possibility of a Trump reelection much more seriously. Tokyo's hedging strategy has primarily involved a balance of proactive engagement with the Trump campaign and 'frontloading,' that is, working with the Biden administration to push through key policy initiatives.

### Cultivating Ties with the Trump Campaign

Abe's death has left the LDP with a resounding lack of individuals with personal familiarity with Trump. According to the *Asahi Shinbun*, Trump's team reached out to Aso Taro in 2023, indicating that the only Japanese politicians Trump could remember interacting with were Aso and the late Abe.<sup>xlv</sup> The Kishida government promptly tapped Aso, whose dialogue with Vice President Mike Pence made him a familiar face to the Trump administration, as its informal "Trump ambassador." Kishida has stated privately that "Trump described Aso as a 'tough negotiator.' It is preferable to have various avenues of access."<sup>xlvi</sup> Accordingly, Aso traveled to meet with the Trump camp in January 2024, though he failed to secure a meeting with Trump himself, despite visiting Trump Tower.<sup>xlvii</sup> However, Aso got his meeting with Trump in April, in which Trump spoke fondly of his relationship with the late Abe and praised Japan's increased defense spending, which under Kishida is slated to rise well above 2 percent of GDP.<sup>xlviii</sup> Also notable is the return of Abe's translator—Takao Sunao, who was described as crucial in the Abe-Trump personal relationship by multiple interviewees<sup>xlix</sup>—who has once again been called upon to help Tokyo communicate with Trump, though in the capacity in which he will do so remains to be announced.<sup>1</sup> Japan's lobbying efforts in Washington have also been noteworthy, employing at least 20 different firms, including Ballard Partners, described as "the most power lobbyist in Trump's Washington."<sup>li</sup>

As mentioned earlier, most of the key political officials who interfaced with the Trump administration remain at senior levels within the ministries.<sup>lii</sup> However, one Japanese expert I spoke with noted that Kishida, whose foreign policy views do not necessarily align with Abe's, must be selective in relying on Abe administration veterans' expertise in dealing with Trump. Kishida's personal experience dealing with the Trump administration should not be discounted, given his stint as Abe's Minister of Foreign Affairs from 2012 to 2017. However, he left his position as Foreign Minister in August 2017—during the Abe-Trump honeymoon period—and therefore never had to interact directly with the more combative iteration of the Trump administration.

### 'Frontloading' with the Biden Administration

Secondly, while the Kishida government is determined to not be caught flat-footed in November, as the Abe government was in 2016, it is also pursuing a pragmatically proactive approach to the Biden administration, which it feels is much easier to work with. Kishida's historic visit to Washington in April, in which around 70 different agreements were announced across all aspects of foreign policy, indicates that Kishida is employing a degree of policy 'frontloading' to avoid having negotiations drag into a more unpredictable Trump administration.<sup>liii</sup>

However, there are limits to this approach. For example, Trump's approach to FTA and SMA negotiations with Japan in a potential second term may parallel his approach to said negotiations with South Korea during his first term, in which he linked his grievances on trade imbalances with grievances on burden-sharing imbalances. Some Washington-based observers I spoke with on the SMA issue noted that the shrewdest way for Tokyo to nip this issue in the bud would be to renegotiate the SMA early and conclude a new five-year agreement with the Biden administration, in order to deprive Trump of that potential source of leverage.<sup>liv</sup> However, no such negotiations are taking place; one Japanese journalist aptly noted that such an approach would "just piss Trump off."<sup>lv</sup>

### Maneuverings with North Korea

Fearing the possibility of renewed Trump-Kim diplomacy, Kishida has also reportedly sent messages to Pyongyang, indicating his interest in a summit with Kim Jong Un.<sup>lvi</sup> Dr. Ken Jimbo of the International House of Japan noted that the North Koreans saw Trump as their best chance at a comprehensive deal and viewed Japan as a spoiler of the Trump-Kim talks.<sup>lvii</sup> Pyongyang initially sought to reduce tensions with Tokyo to prevent them from doing so again should Trump be reelected. However, its thinking has changed; while the DPRK indicated it was receptive to a Kim-Kishida summit in early March 2024, it promptly slammed the door on it a few weeks later.<sup>lviii</sup> It seems that North Korea, instead of removing Tokyo as a potential obstacle, now seeks to circumvent it entirely and play to Trump's preference for a strictly bilateral approach.

### *Overall Evaluations of the Kishida approach*

While it is impossible to directly compare a hypothetical Kishida approach to Trump with Abe's, all indications are that Tokyo's current Trump strategy is its old one: placate Trump to avoid his ire. In some ways, though, Tokyo seems a little unconcerned about the prospect of Trump, and his general inclination to link grievances across policy areas, which has not been the norm in U.S.-Japan relations. This raises the question: is Tokyo truly prepared for what a Trump return to the White House would bring?

### **Future: Certain Uncertainty**

#### *Tokyo's Concerns for Another Trump Presidency*

While there are obviously implications for Japan across many different policy areas should Trump be reelected, one refrain that was consistent in my interviews in Tokyo was a fear of indirect impacts. By and large, concerns stem not from Trump's potential to disrupt U.S.-Japan relations—Tokyo remains confident in the strength of the alliance—but from his overall disruption of the global order. Trump regularly makes outlandish statements that are immensely at odds with established U.S. policy. These include threatening to leave NATO, questioning the significance of Russia's invasion of Ukraine, failing to see the benefit of U.S. troop presences in Japan and Korea, and considering a tariff on all U.S. imports.<sup>lix</sup> Just his airing of these incendiary ideas has global ramifications, let alone Trump's actual attempts to turn his musings into policy. Moreover, Trump's effect on U.S. domestic political instability affects Japan as well, damaging perceptions of global democracy and normalizing political violence.



Disruption of the global order aside, Trump’s presidency also presents several very real implications specific to U.S.-Japan relations. In an interview with journalists Peter Baker and Susan Glasser in November 2021, Trump’s only regrets from his first presidency were “that he was not able to push through all the tough policies he hoped to against America’s allies, whether imposing tariffs on German cars or sticking up South Korea for \$5 billion in payment for American troops stationed there—both preoccupations of his he told us he planned to pursue in a second term.”<sup>lx</sup>

### *What are the Implications of a Second Trump Term for Japan?*

#### Trade

Trump was never satisfied with the state of the U.S.-Japan trade relationship, and continually ragged on Abe for the trade imbalances throughout his presidency. The TAG agreement reached in 2019 amounted to a victory for Japan simply due to its intensely limited scope. Japan’s ‘taking advantage of’ the U.S. is a core part of Trump’s worldview dating back to the 1980s; Trump would occasionally slip up and mistakenly say Japan instead of China during discussions of his trade war with Beijing.<sup>lxi</sup> Abe’s friendship never presented a barrier to Trump’s trade demands. Some observers of the Abe-Trump dynamic, such as Paul O’Shea and Sebastian Maslow, argue that Trump’s affection for Abe was as surface-level as Abe’s was for Trump, and that Trump, buffoonish as he may seem, saw through Abe’s niceties and interpreted them as insincere.<sup>lxii</sup> While I don’t find such arguments convincing—there are many accounts substantiating the fact that Trump and Abe’s friendship was genuine—it is fair to consider the fact that Trump may have understood Abe’s game more than he let on, and that the benefits of Abe’s friendship diplomacy, particularly in regards to trade, were never substantial.

Trump’s trade team and trade vision remains largely intact from the early days of his presidency, and a core goal of Lighthizer, his primary economic architect, is to restructure America’s trading relationships with its largest trading partners, Japan chief among them. Lighthizer served in the office of the U.S. Trade Representative during the Japan-bashing era of the 1980s, and therefore is well-versed in the specifics disputes of the U.S.-Japan trade relationship, which usually revolve around agriculture and the automobile industry. Given the presence of Lighthizer in Trump’s current campaign, and Trump’s preoccupation with “fixing” the U.S.’s trade relationship with its allies, it is reasonable to expect a second Trump administration to renew its pressure campaign on Tokyo to enter FTA negotiations.

#### Security

Trump has long used the 2 percent of GDP benchmark to determine who is not paying enough. Under Kishida, Japan has launched a substantial increase in its annual defense spending, which is slated to increase 56 to 65 percent over five years, amounting to 2% of GDP (8.9 trillion yen, or \$57 billion USD in 2024) by 2027.<sup>lxiii</sup> Japan has also continued being proactive in security networking, improving defense ties with fellow Quad members Australia and India, as well as with NATO, the Philippines, Indonesia, and the United Kingdom. Trump, for his part, has praised the spending changes, indicating that Japan would likely avoid Trump’s ire on that aspect of defense spending issues. However, the basing issue remains contentious and in Trump’s view, unresolved. John Bolton neatly sums up the nagging nature of the base-cost issue to Trump:

“Trump thought our allies weren’t paying enough. This fit with his notion, unshakeable after countless discussions, that we were in, say, South Korea, to defend *them*. We were not there for “collective defense” or “mutual security” or any of that complex international stuff. We were defending Germany, or defending Japan, or defending Estonia, whatever, and they should pay for it. Moreover, as any good businessperson would tell you we should make a profit from defending all these countries, in which the U.S. had no particular interest (“Why are we in all these countries?” Trump would ask), or at least we should get a better bargaining strategy, starting at the outset of negotiations each time the host-country support agreements came up for renewal.”<sup>lxiv</sup>

Trump’s demand for three- to four-fold increases in Japan and South Korea’s contributions to U.S. basing costs (figures which, according to Bolton, were arrived at with back-of-the-envelope math over how much money the U.S. was spending, plus 50 percent) came late enough in the presidency that both South Korea and Japan were able to wait him out and negotiate a much more moderate increase with the Biden administration.<sup>lxv</sup> With the current U.S.-Japan SMA expiring in 2026, Tokyo will not have that option in a second Trump term. Some interviewees suggested that Japan, if pressed by Trump to pay such an exorbitant amount, would simply pay it, as it would ultimately be an amount (an additional \$5.5 billion per year) much smaller than the defense spending increases proposed by Kishida (an additional \$40 billion per year).<sup>lxvi</sup> However, the increased taxes necessary to support Kishida’s increases have generated intense backlash, and adding an additional cost burden on the Japanese taxpayer for what is ultimately a cost based primarily on Trump’s personal feelings represents a significant political risk for Japanese leaders. Finally, most foreboding of all for the U.S.-Japan relationship is the prospect of Trump demanding a change to the U.S.-Japan security treaty. Trump has begrudged it not being a mutual security treaty in the past, and John Bolton claims that Japan should “get ready for Trump to say, ‘I want the treaty amended so that Japan is also obligated to defend the United States.’”<sup>lxvii</sup>

### North Korea

Another of Trump’s self-perceived “missed opportunities” from his first term was his inconclusive negotiations with North Korea, which he views as his primary vehicle to securing his legacy-cementing Nobel Peace Prize. The North Koreans also view Trump as a unique opportunity to secure a grand bargain to free themselves from economic sanctions and reduce the U.S. presence on the Korean peninsula. As the North Korea paradigm moves further away from the Six Party Talks model, Tokyo is severely at risk of being marginalized from U.S. policy towards North Korea. A more lenient deal between a Trump administration and North Korea, in which not all of Tokyo’s demands on abductees, missiles, and non-nuclear weapons facilities are met, would prove disastrous to Tokyo’s security. Despite such a deal being clearly against U.S. security interests in the region, Trump’s pursuit of international acclaim could ultimately outweigh potentially negative impacts to his allies.

### Taiwan and China

Trump’s Taiwan policy is a mystery to all, “even to himself” according to Bolton.<sup>lxviii</sup> However, blustering though he may be, Trump has remained consistent in his distaste for U.S. entanglement in foreign conflicts, particularly the deployment of U.S. troops. The notion that Trump may rush headlong into a conflict with China in a potential Taiwan Strait Crisis is in my

view, at odds with one of the few consistencies of Trump's political outlook. Of course, simply because Trump does not want to go to war over Taiwan, does not guarantee that he will handle Taiwan tensions effectively; in fact, Japanese officials sent a message to the Trump campaign in January 2024, urging him not to make a grand bargain with China.<sup>lxxix</sup> A likely expansion of the U.S.-China trade war under a second Trump administration—“true decoupling” as was put by one interviewee—may also bear significant impacts on Japan.<sup>lxxx</sup> While such an extreme approach would have serious implications for Tokyo, given it has traditionally sought to keep its economic relations with Beijing stable and productive, it may also create an economic opportunity for Japanese businesses to attract some of the capital being divested from China.

### U.S. Global Leadership

Speaking for Japan more broadly—not just political leaders in Kasumigaseki and Nagatacho—the first Trump presidency crystalized a fear of abandonment in Japan. That such a skeptic of the benefits of collective security and the tenets of U.S.-led world order could come to power in Washington has deeply affected Japanese perceptions of the U.S. as a reliable partner in the long-term. In 2017, one of Abe’s top advisors privately lamented to the Brookings Institution’s Strobe Talbott that “Washington, D.C., is now the epicenter of global instability in the world.”<sup>lxxxi</sup> From my interviews, I did not get the impression that Trump made Japan fundamentally reassess the benefits of the U.S.-Japan alliance—for Japan, there is no real alternative right now. However, a second Trump term would doubtlessly fuel the growing Japanese perception of U.S. unreliability. The absence of strong U.S. leadership in the Indo-Pacific region will likely force Japan to take on a more assertive leadership role. This was already demonstrated in Japan’s resuscitation of the TPP as the CPTPP, and in its promulgation of Abe’s FOIP concept. This is largely in line with the role that other countries in the region—Southeast Asian nations in particular—have long expected of Japan in regional affairs.<sup>lxxii</sup> While this does not mean a break from its alignment with the U.S., another Trump presidency would necessitate a more proactive Japanese approach to protecting its interests and supporting the liberal international order.

### **Conclusions: Will Japan be Able to Handle Trump 2.0?**

Due to Japan's domestic political instability, the inherent unpredictability of Trump himself, and the myriad potential crises that could crop up in a second Trump term, it is clear that Tokyo is in a much worse position to manage its relationship with the second Trump administration than it did with the first. On the other hand, Tokyo now has four years of experience dealing with a President Trump, something it could certainly have benefitted from during his first term.

My conclusions are somewhat contradictory: on the one hand, you can argue, as one Tokyo journalist did, that the perception of Trump-related anxiety in Tokyo is projected, and the reality is that those in Nagatacho and Kasumigaseki, with Trump experience under their belts, are confident in their ability to replicate Abe’s containment strategy.<sup>lxxiii</sup> In many ways, they are correct in that assessment. However, I also think that if you are confident you can handle Trump, you are probably underestimating him and his ability to create chaos. Moreover, given the renegotiation of the SMA in 2025, a more radical set of U.S. officials, and the uncertainty surrounding Japan’s political leadership, Japan cannot afford to fall back on the assumption that a second Trump presidency would play out like the first. Trump himself seems determined to ensure things go quite differently in a second presidential term.

### *Why the Risks are Real*

The prevailing sense in Tokyo is that another Trump presidency represents a greater risk to Japan through indirect rather than direct impacts on bilateral relations. The indirect impacts are certainly considerable. If, for instance, Trump cuts off U.S. support for Ukraine, that may send a dangerous message about U.S. priorities toward China and increase the likelihood of Beijing launching an attack on Taiwan. A Ukraine shift would also test Japan's willingness to stand firm on its principles, given Kishida's hard break with Russia and strong support for Ukraine. I also believe that Trump's potential to directly impact U.S.-Japan relations represents an equally serious risk. Inflammatory statements on the economy or the alliance will undoubtedly stir up anxiety in Japan and test the limits of the Japanese public's disengagement from politics. Just as Tokyo now has experience dealing with Trump, Trump too has four years of experience dealing with Tokyo, and that may make him less receptive to (or at least, less pacified by) a kowtowing Japanese approach. There is also a flaw in the view that a second Trump term would be another 'storm to weather.' As president, Trump could take actions whose impacts would echo long beyond his (ostensibly) four-year term. Tariffs on auto imports would be catastrophic for Japan, and demands for a revision of the U.S.-Japan security treaty would ignite a fervor in Japanese domestic politics. Still, despite these risks, there are reasons for Tokyo to feel confident.

### *Why Tokyo Will Manage*

First, Trump is no longer a surprise on the political scene. While the Abe government had to scramble in the face of Trump's election, the current government has the benefit of knowing his election is a real possibility. Moreover, as indicated before, Tokyo's foreign policy apparatus knows what it can expect from Trump in terms of policy and style of governance, which will help it reduce the odds of getting caught flat-footed. Second, Abe was not the first in Japanese history to effectively use deflection and placation in statecraft; those tools have a long history of use in Japanese foreign policy, and it stands to reason that, even if the Prime Minister lacks Abe's charisma, they will have a certain level of comfort with "kissing the ring." Third, while policymaking power was certainly centralized in the office of the Prime Minister during Abe's time in office, the instability of political leadership has little effect on the bureaucrats and ministry officials that play an outsized role in the shaping and implementation of Japanese foreign policy. Fourth, under Kishida, Japan has taken significant steps to bolster its security posture, both in terms of spending and in terms of policy changes, addressing one of Trump's most common criticisms of U.S. allies. Lastly, even when Tokyo was caught off guard during the first administration, it handled itself quite effectively. Motegi was able to deal with a hawkish Lighthizer in trade negotiations and avoided making any meaningful concessions, so even if relations hit a speed bump under Trump, there are still plenty of reasons for Tokyo to feel confident.

### *Why Tokyo Will Struggle*

However, there are several factors, on both the U.S. and Japanese end, that would make a second Trump term much more challenging for Japanese policymakers. First, Tokyo does not get the benefit of a slow start like in 2017, when Trump spent his first year largely finding his footing as a statesman and world leader. In a second term, Trump will come in with experience in the Oval Office that will facilitate more rapid policy implementation. This is particularly true given the extensive planning that Trump's campaign and supporters have done, most notably Project 2025.

Second, Trump has stated he has unfinished business with the U.S.'s allies, with those grievances being at the forefront of his mind both in reflections on his presidency and on the campaign trail. Third, there will be far fewer political "guard rails" in a second Trump administration. After having clashed with the 'Axis of Adults' during his first term, Trump has explicitly stated his determination to fill his government with only the "true believers." Given that Trump consistently questions the fundamental structure of the U.S.-Japan alliance and the U.S. role in Asia, with fewer officials there to tell him why he's wrong, it's more likely that what were musings in the first administration become statements or actual policies in a second administration. Additionally, Trump would no longer be moderated by his desire to run for reelection (pending any significant constitutional changes). Fourth, should Trump win, he will have a key point of leverage not available to him in his first term: the renegotiation of the SMA, which expires in 2026. As we saw during the 2018-2019 negotiations with South Korea, he is more than comfortable wielding the SMA as leverage beyond the realm of security policy.

Lastly, all the aforementioned issues present a particular danger because (as I have demonstrated) the Abe model is, at best, a flawed containment strategy. With fewer guard rails on the U.S. side, it is difficult to envision Tokyo replicating the same level of 'damage control' in a second Trump presidency that Abe was able to achieve during the first. Banking on a personal relationship when the Prime Minister is historically unpopular and has no clear successor is not, in my view, a recipe for success.

### *The Absence of Good Options*

With that being said, while it's easy to point out the limitations of the personalist approach to dealing with Trump, playing nice is Japan's only real option. While some U.S. allies took more of a principled, critical stance during the Trump presidency, such as Angela Merkel's Germany, Justin Trudeau's Canada, or Jacinda Ardern's New Zealand, there are a variety of structural factors that gave them the leeway to do so. In Europe, the multilateral framework is much more robust than in Asia, and Germany's enmeshment in NATO and the EU insulated it from bilateral shocks (i.e., even though Trump pulled almost 10,000 U.S. troops out of Germany, they were simply relocated to neighboring Poland).<sup>lxxiv</sup> Canada shares Japan's economic and security reliance on the U.S., but their NATO membership and geographic isolation—they aren't neighbors with China and North Korea—mean there is less anxiety regarding Trump's security threats. New Zealand, while located in the Asia-Pacific, is much less reliant on the U.S. for security, has a less robust economic relationship with the U.S. and is also a beneficiary of geographic isolation. Neighboring Australia, whose relations with the U.S. are more robust, adopted a similarly conciliatory approach to Trump during his first term. This points to a key difference faced by Japan and other U.S. allies in the region compared to those in the Atlantic—the presence of a rising China and the pressing need to keep the U.S. engaged. Japan (as well as South Korea and Australia) cannot afford to simply keep its head down and wait out the storm.

Kishida's two-pronged approach of preemptive integration through policy frontloading with the Biden administration, and preemptive ingratiation through outreach to the Trump camp is therefore the only sound strategy available to Tokyo. Unfortunately, however sound Kishida's approach may be, there's no good way to deal with Trump—he has shown time and again that he is a bad-faith partner.

### *Closing Thoughts*

A second Trump term would undoubtedly damage Japan's faith in the long-term reliability of the United States. However, Japan needs a good relationship with the U.S.—it has no alternative that it can pivot towards in the short term. Should it find itself in Trump's crosshairs, Japan will have to fall back on deflection and placation in order to bring the temperature down. Abe's relationship with Trump was unique in the history of Japan-U.S. relations, and fairly unique in the history of contemporary U.S. foreign policy; in my view, it is not realistic to expect that to be duplicated. Even in a perfectly replicated implementation of the Abe model, another Trump term would still absolutely inflict harm on Japan and its interests. Should he be reelected, the extent of that damage will be determined largely by the makeup of Trump's administration and the capacity of Japanese leadership. Kishida's approach is sound, and Tokyo is doing everything it can to ready itself; unfortunately, "everything it can" is not nearly enough to protect it from Trump.

## Endnotes

---

- <sup>i</sup> In March 2024, I conducted seven interviews with foreign policy experts, retired diplomats, and journalists in Washington, D.C. and Tokyo.
- <sup>ii</sup> Jonathan Soble and Keith Bradsher, “Donald Trump Laces Into Japan With a Trade Tirade From the ‘80s,” *The New York Times*, March 7, 2016, sec. Business, <https://www.nytimes.com/2016/03/08/business/international/unease-after-trump-depicts-tokyo-as-an-economic-rival.html>.
- <sup>iii</sup> Tobias Harris, *The Iconoclast: Shinzo Abe and the New Japan* (Hurst, 2020), 271.
- <sup>iv</sup> Jennifer M. Miller, “‘Let’s Not Be Laughed at Anymore: Donald Trump and Japan from the 1980s to the Present,’” *Journal of American-East Asian Relations* 25, no. 2 (June 2018): 139, <https://doi.org/10.1163/18765610-02502004>.
- <sup>v</sup> Harris, *The Iconoclast: Shinzo Abe and the New Japan*, 271.
- <sup>vi</sup> Anonymous retired U.S. diplomat, phone interview by the author, March 2024.
- <sup>vii</sup> James Oliphant, “Clinton, Trump Vie for World Leaders’ Attention in New York,” *Reuters*, September 20, 2016, sec. World, <https://www.reuters.com/article/idUSKCN11Q0C9/>.
- <sup>viii</sup> Harris, *The Iconoclast: Shinzo Abe and the New Japan*, 274.
- <sup>ix</sup> Peter Baker and Susan Glasser, *The Divider: Trump in the White House, 2017-2021* (New York: Doubleday, 2022), 104.
- <sup>x</sup> Gabby Orr and Daniel Lippman, “Trump’s Hidden Life on the Golf Course,” *POLITICO*, April 14, 2019, <https://www.politico.com/story/2019/04/14/donald-trump-golf-1273822>.
- <sup>xi</sup> Louis Nelson, “Trump Has Some Awkward Exchanges with the Japanese Prime Minister,” *POLITICO*, February 10, 2017, <https://www.politico.com/story/2017/02/shinzo-abe-trump-presser-golf-234905>.
- <sup>xii</sup> Nelson.
- <sup>xiii</sup> Masafumi Ishii, former Japanese Ambassador to Indonesia, interview by the author, Tokyo, March 2024.
- <sup>xiv</sup> Gerald Curtis, “Trump Enamoured by an Abe Charm Offensive,” *East Asia Forum Quarterly* (Canberra, Australia: Australian National University Press, September 2017), 30.
- <sup>xv</sup> Simon Denyer and David Nakamura, “From the Emperor to Sumo Wrestling, Abe Harnesses Japan’s Traditions to Impress Trump,” *Washington Post*, May 24, 2019, [https://www.washingtonpost.com/world/asia\\_pacific/from-the-emperor-to-sumo-wrestling-abe-harnesses-japans-traditions-to-impress-trump/2019/05/22/3f488214-7b8f-11e9-a66c-d36e482aa873\\_story.html](https://www.washingtonpost.com/world/asia_pacific/from-the-emperor-to-sumo-wrestling-abe-harnesses-japans-traditions-to-impress-trump/2019/05/22/3f488214-7b8f-11e9-a66c-d36e482aa873_story.html).
- <sup>xvi</sup> Harris, *The Iconoclast: Shinzo Abe and the New Japan*, 276.
- <sup>xvii</sup> Mark Landler and Julie Hirschfeld Davis, “Trump Tells Japan It Can Protect Itself by Buying U.S. Arms,” *The New York Times*, November 6, 2017, sec. World, <https://www.nytimes.com/2017/11/06/world/asia/trump-japan-shinzo-abe.html>.
- <sup>xviii</sup> John Bolton, *The Room Where It Happened: A White House Memoir* (Simon & Schuster, 2020), 60.
- <sup>xix</sup> Baker and Glasser, *The Divider*, 272.
- <sup>xx</sup> Harris, *The Iconoclast: Shinzo Abe and the New Japan*, 292.
- <sup>xxi</sup> “Trump Says North Korea ‘No Longer a Nuclear Threat,’” *Reuters*, June 13, 2018, sec. World, <https://www.reuters.com/article/idUSKBN1J915T/>.
- <sup>xxii</sup> Bolton, *The Room Where It Happened: A White House Memoir*, 310.
- <sup>xxiii</sup> Bolton, 76.
- <sup>xxiv</sup> “Adjusting Imports of Steel Into the United States,” *Federal Register*, March 15, 2018, <https://www.federalregister.gov/documents/2018/03/15/2018-05478/adjusting-imports-of-steel-into-the-united-states>.
- <sup>xxv</sup> Harris, *The Iconoclast: Shinzo Abe and the New Japan*, 290.
- <sup>xxvi</sup> Emma Chanlett-Avery, Asia Society Policy Institute Director of Political-Security Affairs and Deputy Director, interview by the author, Tokyo, March 2024.
- <sup>xxvii</sup> Bolton, *The Room Where It Happened: A White House Memoir*, 94.
- <sup>xxviii</sup> Harris, *The Iconoclast: Shinzo Abe and the New Japan*, 270.
- <sup>xxix</sup> “Trump Says ‘unfair’ Defense Treaty with Japan Needs to Be Changed,” *Reuters*, June 29, 2019, sec. World, <https://www.reuters.com/article/idUSKCN1TU0AJ/>.
- <sup>xxx</sup> Anonymous journalist, interview by the author, Tokyo, March 2024.



- 
- xxx<sup>i</sup> Emma Chanlett-Avery, Asia Society Policy Institute Director of Political-Security Affairs and Deputy Director, interview by the author, Tokyo, March 2024.
- xxx<sup>ii</sup> Baker and Glasser, *The Divider*, 279.
- xxx<sup>iii</sup> Michelle Ye Hee Lee, “‘If Trump’: Japan Readies for the Return of a Quixotic American President,” *Washington Post*, April 7, 2024, <https://www.washingtonpost.com/world/2024/04/06/japan-donald-trump-moshi-tora/>.
- xxx<sup>iv</sup> Anonymous journalist, interview by the author, Tokyo, March 2024.
- xxx<sup>v</sup> Anonymous journalist, interview by the author, Tokyo, March 2024.
- xxx<sup>vi</sup> Peter Landers, Wall Street Journal Tokyo Bureau Chief, email correspondence with the author, Tokyo, March 2024.
- xxx<sup>vii</sup> Lisa Mascaro, “Conservative Groups Draw up Plan to Dismantle the US Government and Replace It with Trump’s Vision,” *AP News*, August 29, 2023, sec. Politics, <https://apnews.com/article/election-2024-conservatives-trump-heritage-857eb794e505f1c6710eb03fd5b58981>.
- xxx<sup>viii</sup> Kiron K. Skinner, “Department of State,” in *Mandate for Leadership: The Conservative Promise*, Project 2025 Presidential Transition Project (The Heritage Foundation, 2023), 173.
- xxx<sup>ix</sup> Andreas Kluth, “Trump’s Foreign ‘Envoy’ Is Ready to Sow International Chaos,” *Bloomberg.Com*, April 8, 2024, <https://www.bloomberg.com/opinion/articles/2024-04-08/trump-s-foreign-envoy-richard-grenell-is-ready-to-sow-international-chaos>.
- x<sup>i</sup> Christopher Miller, “Department of Defense,” in *Mandate for Leadership: The Conservative Promise*, Project 2025 Presidential Transition Project (The Heritage Foundation, 2023).
- x<sup>ii</sup> Peter Navarro, “Trade: The Case for Fair Trade,” in *Mandate for Leadership: The Conservative Promise*, Project 2025 Presidential Transition Project (The Heritage Foundation, 2023).
- x<sup>iii</sup> Joshua Lee, “Are Jason Chaffetz or Robert O’Brien Planning to Run for Office in Utah?,” *Deseret News*, February 1, 2024, sec. Politics, <https://www.deseret.com/2023/2/21/23607412/jason-chaffetz-robert-obrien-governor-senator-campaign-utah-republican/>.
- x<sup>iiii</sup> Ximena Bustillo, “Biden Said He Opposes Nippon Steel Takeover of US Steel. Now the USW Has Endorsed Him,” *NPR*, March 20, 2024, sec. Elections, <https://www.npr.org/2024/03/14/1238570651/biden-opposes-nippon-steel-takeover-of-u-s-steel-its-an-issue-in-some-swing-stat>.
- x<sup>lv</sup> Anonymous retired U.S. diplomat, phone interview by the author, March 2024.
- x<sup>lv</sup> Ayako Nakada, “Aso Tried to Meet with Donald Trump during Recent U.S. Visit,” *The Asahi Shimbun*, January 17, 2024, <https://www.asahi.com/ajw/articles/15116058>.
- x<sup>lvi</sup> Nakada.
- x<sup>lvii</sup> Nakada.
- x<sup>lviii</sup> Jesse Johnson, “Japan’s Former PM Aso Meets Trump for Talks on Security and Economy,” *The Japan Times*, April 24, 2024, sec. JAPAN, <https://www.japantimes.co.jp/news/2024/04/24/japan/politics/aso-meets-trump/>.
- x<sup>lix</sup> Anonymous journalist, interview by the author, Tokyo, March 2024; Anonymous retired U.S. diplomat, phone interview by the author, March 2024
- <sup>1</sup> Tim Kelly and John Geddie, “Japan Tees up Shinzo Abe’s Ex-Interpreter to Help Chart Course with Trump,” *Reuters*, March 26, 2024, sec. World, <https://www.reuters.com/world/japan-tees-up-abes-ex-interpreter-help-chart-course-with-trump-2024-03-26/>.
- <sup>ii</sup> Ken Moriyasu, “Japan Steps up Lobbying in Washington, Hedging for Trump’s Return,” *Nikkei Asia*, February 18, 2024, <https://asia.nikkei.com/Politics/U.S.-elections-2024/Japan-steps-up-lobbying-in-Washington-hedging-for-Trump-s-return>.
- <sup>iii</sup> “List of Officials | Ministry of Foreign Affairs of Japan,” accessed May 10, 2024, <https://web.archive.org/web/20161124130733/https://www.mofa.go.jp/about/hq/list2.html#06>. Note: determining the levels of retention from the Trump administration era to the present was done by painstakingly cross-referencing archived versions of this site for 2016-2020 with the one from 2024.
- <sup>iiii</sup> Ken Moriyasu, “Biden and Kishida Strengthen Bonds to Defend Global Order,” *Nikkei Asia*, April 10, 2024, <https://asia.nikkei.com/Politics/International-relations/Biden-and-Kishida-strengthen-bonds-to-defend-global-order>.
- <sup>lv</sup> Anonymous retired U.S. diplomat, phone interview by the author, March 2024.
- <sup>lv</sup> Anonymous journalist, interview by the author, Tokyo, March 2024.

- 
- <sup>lvi</sup> “North Korea Says Japan’s Kishida Wants to Meet Kim Jong Un,” *Reuters*, March 25, 2024, sec. Asia Pacific, <https://www.reuters.com/world/asia-pacific/north-korea-says-japans-kishida-showed-intention-meet-kim-jong-un-recently-2024-03-25/>.
- <sup>lvii</sup> Ken Jimbo, International House of Japan, Zoom interview by the author, March 2024.
- <sup>lviii</sup> “North Korean Foreign Minister Nixes Any Contact with Japan: KCNA,” accessed May 10, 2024, <https://english.kyodonews.net/news/2024/03/ee688f73342f-update1-n-korean-foreign-minister-nixes-any-contact-with-japan-kcna.html>.
- <sup>lix</sup> Jeff Stein, “Trump Advisers Explore Vast New Legal Powers for Global Trade War,” *Washington Post*, May 7, 2024, <https://www.washingtonpost.com/business/2024/05/07/trump-trade-war-tariffs/>.
- <sup>lx</sup> Baker and Glasser, *The Divider*, 905.
- <sup>lxi</sup> Baker and Glasser, 101.
- <sup>lxii</sup> Paul O’Shea and Sebastian Maslow, “‘Making the Alliance Even Greater’: (Mis-)Managing U.S.-Japan Relations in the Age of Trump,” *Asian Security* 17, no. 2 (May 2021): 203, <https://doi.org/10.1080/14799855.2020.1838486>.
- <sup>lxiii</sup> Shinnosuke Nagatomi, “Japan’s Defense Spending Climbs to 1.6% of GDP,” *Nikkei Asia*, April 27, 2024, <https://asia.nikkei.com/Politics/Defense/Japan-s-defense-spending-climbs-to-1.6-of-gdp>.
- <sup>lxiv</sup> Bolton, *The Room Where It Happened: A White House Memoir*, 306.
- <sup>lxv</sup> Bolton, 306.
- <sup>lxvi</sup> Anonymous Japanese journalist, phone interview by the author, March 2024.
- <sup>lxvii</sup> Yukihiro Sakaguchi and Nishant Annu, “Trump May Press Japan to Defend U.S. in Security Treaty: John Bolton,” *Nikkei Asia*, March 28, 2024, <https://asia.nikkei.com/Politics/U.S.-elections-2024/Trump-may-press-japan-to-defend-u.s.-in-security-treaty-john-bolton>.
- <sup>lxviii</sup> Sakaguchi and Annu.
- <sup>lxix</sup> John Geddie, Tim Kelly, and Yoshifumi Takemoto, “Japan’s Message for Donald Trump: Don’t Cut a Deal with China,” *Reuters*, February 2, 2024, sec. Asia Pacific, <https://www.reuters.com/world/asia-pacific/japans-message-donald-trump-dont-cut-deal-with-china-2024-02-02/>.
- <sup>lxx</sup> Ken Jimbo, International House of Japan, Zoom interview by the author, March 2024.
- <sup>lxxi</sup> Baker and Glasser, *The Divider*, 101.
- <sup>lxxii</sup> Anonymous journalist, interview by the author, Tokyo, March 2024.
- <sup>lxxiii</sup> Anonymous journalist, interview by the author, Tokyo, March 2024.
- <sup>lxxiv</sup> Jonathan Lemire and Deb Riechmann, “Trump: Poland to Get Some US Troops Withdrawn from Germany,” *Associated Press*, June 24, 2020, <https://apnews.com/article/d6ebba9dfb5f500775a24a9d479e1d9c>.

## The U.S.-Japan Alliance: No Longer A “Sword and Shield” Dynamic

By Michael Hallahan

### Introduction

Ever since the signing of the Treaty of Mutual Cooperation and Security between the United States and Japan in 1960, scholars and strategists have invoked the convenient “Sword and Shield” metaphor to describe the distinct, complementary roles played by the two countries in their postwar alliance. The United States, with all its military might, symbolizes the “sword,” ready to deter potential threats across the Indo-Pacific writ large. On the other hand, Japan is likened to the “shield” because, while it maintains the Self-Defense Forces (SDF) as a de facto military to protect the mainland and Japanese nationals, its warfighting capabilities have been historically limited by its pacifist constitution, which renounces “war as a sovereign right”<sup>i</sup> and forbids Japan from brandishing offensive capabilities beyond those necessary to maintain a “minimum defense posture.”<sup>ii</sup> Nevertheless, the rise of powerful aggressors—China, Russia, and North Korea—in Japan’s backyard, compounded by the relative decline of the United States in the regional balance of power, has been driving Japan to depart from its seminal *senshu boei* (exclusively defense-oriented policy). Consequently, the dynamics of the bilateral alliance are evolving, and the traditional metaphor is growing outdated. As Japan willingly takes on a more proactive role in security affairs, it is sharing in the responsibility of wielding the figurative “sword” that projects power and signals a steadfast commitment to safeguarding the liberal international order. The questions that remain, then, are as follows: does the Japanese government have the wherewithal to sustain its defense overhaul, and will its current efforts be enough to stave off conflict?

On December 16, 2022, the Japanese Cabinet approved a new National Security Strategy (NSS) that succinctly outlined the country’s core interests and set laudable goals for Japan to achieve in response to rising threats along its periphery. Alongside this landmark decision, the correlating National Defense Strategy (NDS) and Defense Buildup Program (DBP) necessary to fulfill the established objectives conducive to a “fundamental reinforcement of defense capabilities,”<sup>iii</sup> were instituted. At their core, they fixate on bolstering extended deterrence in conjunction with the United States, whose partnership is reaffirmed as the “cornerstone of Japan’s national security strategy.”<sup>iv</sup> By mobilizing a “whole-of-government”<sup>v</sup> approach, Japan is working to spur public-private innovation to unleash cross-domain operational capabilities and improve interoperability between the Japanese and American armed forces. But, while the impact of adopting these three documents has been manifold, this paper will focus primarily on some of the advancements of Japan’s stand-off defense capabilities, pursuant to the NSS, NDS, and DBP.

Ultimately, Japan is expected to maintain its resolve over the long-term, given the impetus for doing so is compounded by two major factors: (1) heightened domestic political support for improving tactical competencies; and (2) an increasingly perilous security environment. With regard to ongoing efforts to deter aggression, it appears that upgrades in the fields of Integrated Air and Ballistic Missile Defense and Unmanned Assets are being targeted to promote “integrated deterrence”<sup>vi</sup> with U.S. Forces and serve as a force multiplier for the Alliance’s crisis response capabilities. However, by virtue of the Indo-Pacific’s maritime geography, it is evident

that U.S.-Japan power projection must be done primarily at sea. For this reason, this paper has decided to focus only on the specific aspects of Japan's modernization of the Maritime Self-Defense Forces (MSDF). Although it comprises just 19% of the SDF, it is by far the most critical service for ensuring the continuing stability of the Far East region.<sup>vii</sup>

## **A Shift in the Public's General Mood Towards Defense**

### *Advances Under Prime Minister Shinzo Abe*

The late Shinzo Abe—Japan's longest-serving prime minister (first term, 2006-2007; second term, 2012-2020)—left an indelible mark on Japan's strategic thinking and defense policy. Within a year of its inauguration in December 2012, the second Abe Administration successfully oversaw the founding of the National Security Council (NSC) as well as the implementation of Japan's first-ever National Security Strategy. Finalization of a security arrangement was consistent with Abe's overarching agenda for making Japan a "normal nation"<sup>viii</sup> more capable of self-reliance in an increasingly turbulent security environment; after all, the straining of Sino-Japanese relations following Tokyo's nationalization of the Senkaku Islands in September 2012,<sup>ix</sup> and North Korea's launching of more than 20 ballistic missiles year-after-year,<sup>x</sup> were some of the problematic developments coinciding with these groundbreaking reforms in Japan's security apparatus. Through shrewd political maneuvering, Abe soon thereafter compelled the ruling Liberal Democratic Party (LDP) and its Komeito coalition partner to actualize a reinterpretation of Article 9—the "peace clause"—of the Japanese Constitution. This July 2014 action—once substantiated by the 2015 passage of the "Three New Conditions for the Use of Force"<sup>xi</sup> that provide the legal requirements governing the permission of the SDF to engage in militancy abroad—represented nothing short of an iconoclastic shift in Japanese foreign policy, because it formally granted Japan the right to engage in "collective self-defense."<sup>xii</sup> Under this broader security posture, the SDF would no longer be barred from coming to the aid of U.S. forces under attack, just because Japan itself had not been directly harmed.

The trailblazing modifications resulting from Prime Minister Abe's strong leadership were met with sizable acclaim by the United States. In not so uncertain terms, successive presidential administrations had, by this point in time, reached the judgment that the integrity of the bilateral alliance was being undermined by the refusal of a modern, democratic Japan to develop proficiency in systematic decision-making at the highest echelons of government.<sup>xiii</sup> Thus, news that the LDP was setting the stage for the SDF to take on a more expansive role in maintaining stability within East Asia warranted immediate encouragement. In a July 2014 press release, then-Defense Secretary Chuck Hagel applauded Japan's strategic adjustment, stating:

"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."<sup>xiv</sup>

Regrettably, however, the Japanese public did not look upon Shinzo Abe's initiative so favorably. On the contrary, his administration was confronted with widespread vitriol in the form of mass demonstrations outside the Diet<sup>xv</sup> and the prime minister's official residence,<sup>xvi</sup> along

with extreme acts of protest; chief among these, a heartbreaking instance of self-immolation by a male activist in central Tokyo.<sup>xvii</sup> The reason that the reinterpretation was so controversial domestically is two-fold: Not only did Japan's citizenry continue to hold sacrosanct the pacifist spirit of the Japanese Constitution, but many were also still gripped by the horrifying memories of the consequences of Imperial Japan's belligerence in World War II (WWII), which had convinced generations of Japanese that "having a military presence means Japan might provoke war."<sup>xviii</sup> In fact, an Asahi Shimbun opinion poll at the time confirmed that 56% of Japanese surveyed were against the provision of the right to exercise collective self-defense that followed the reinterpretation of Article 9, while only 28% supported it.<sup>xix</sup> Moreover, it was this palpable anti-militarist zeitgeist during Abe's tenure as Prime Minister that stifled his plans to realize the constitutional revision of Article 9; something the LDP's nationalist agenda has been yearning for since 1955.<sup>xx</sup> The simple fact is that in a democracy like Japan, where elected officials can be voted out of office for deviating too far from the positions of their constituents, public opinion holds a lot of sway. The disposition of the Komeito to "oppose more drastic reform"<sup>xxi</sup> even while it assisted the LDP in holding a supermajority—two-thirds of the votes in both the House of Representatives and the House of Councillors—in the National Diet throughout Abe's two terms in office, is illustrative of the reality that defense reform remained something of a third rail in local Japanese politics.

#### *Advances Under Prime Minister Fumio Kishida*

Fumio Kishida entered office in September 2021, sharing his predecessor's belief that excessively constricting the scope of the SDF would intrinsically place Japan at an unacceptable disadvantage vis-à-vis its revisionist neighbors. As such, his government continued to build on the groundwork laid by the former Abe Administration to strengthen the nation's readiness for responding to worst-case scenarios. In contrast with Abe, Kishida had the benefit of more extensive public support following Russia's invasion of Ukraine. Blanket media coverage of the devastating missile strikes and mounting casualties—civilian and combatants alike—forced the Japanese public to begrudgingly accept that the "might-makes-right" philosophy in geopolitical affairs is still adhered to by certain influential world leaders. Evidence of the public's shift away from tepidly supporting the SDF to enthusiastically backing these servicemembers was apparent in a joint Asahi Shimbun-University of Tokyo survey conducted approximately one-and-a-half months after the onset of Russo-Ukrainian hostilities on February 24, 2022. Surprisingly, a record high 64% of Japanese voters voiced their belief that Japan should strengthen its defensive capabilities. By contrast, only 10% of respondents disagreed with the suggestion.<sup>xxii</sup>

Now shaken out of its apathetic naiveté, Japan has begun accelerating the momentum of the Abe years, as recently departed Prime Minister Kishida made serious headway in increasing Japan's preparedness for wartime contingencies. In November 2022, Kishida issued a directive to his defense and finance chiefs, ordering them to boost defense spending to 2% of gross domestic product (GDP) by 2027,<sup>xxiii</sup> a monumental breakaway from Tokyo's self-imposed cap of 1% GDP spending on defense that has left the SDF debilitated. This commitment to expanded budgetary support was reiterated in greater depth one month later in the text of the NSS, adopted by the Japanese government. Fulfilling this vow will be imperative as investments are already paving the way for Japan to acquire those critical military capabilities that fortify the protection afforded to citizens on the mainland and bolster the U.S.-Japan Alliance. Therefore, just as in the case of Abe, the United States has continued to display unwavering encouragement for the

forward-looking efforts of the Kishida Administration. In terms of public opinion, a recent Gallup-Yomiuri poll found that 65% of Americans support Japan strengthening its defense capabilities.<sup>xxiv</sup> At the end of the day, the White House seeks improved strategic coordination and greater military interoperability with its most important regional ally.

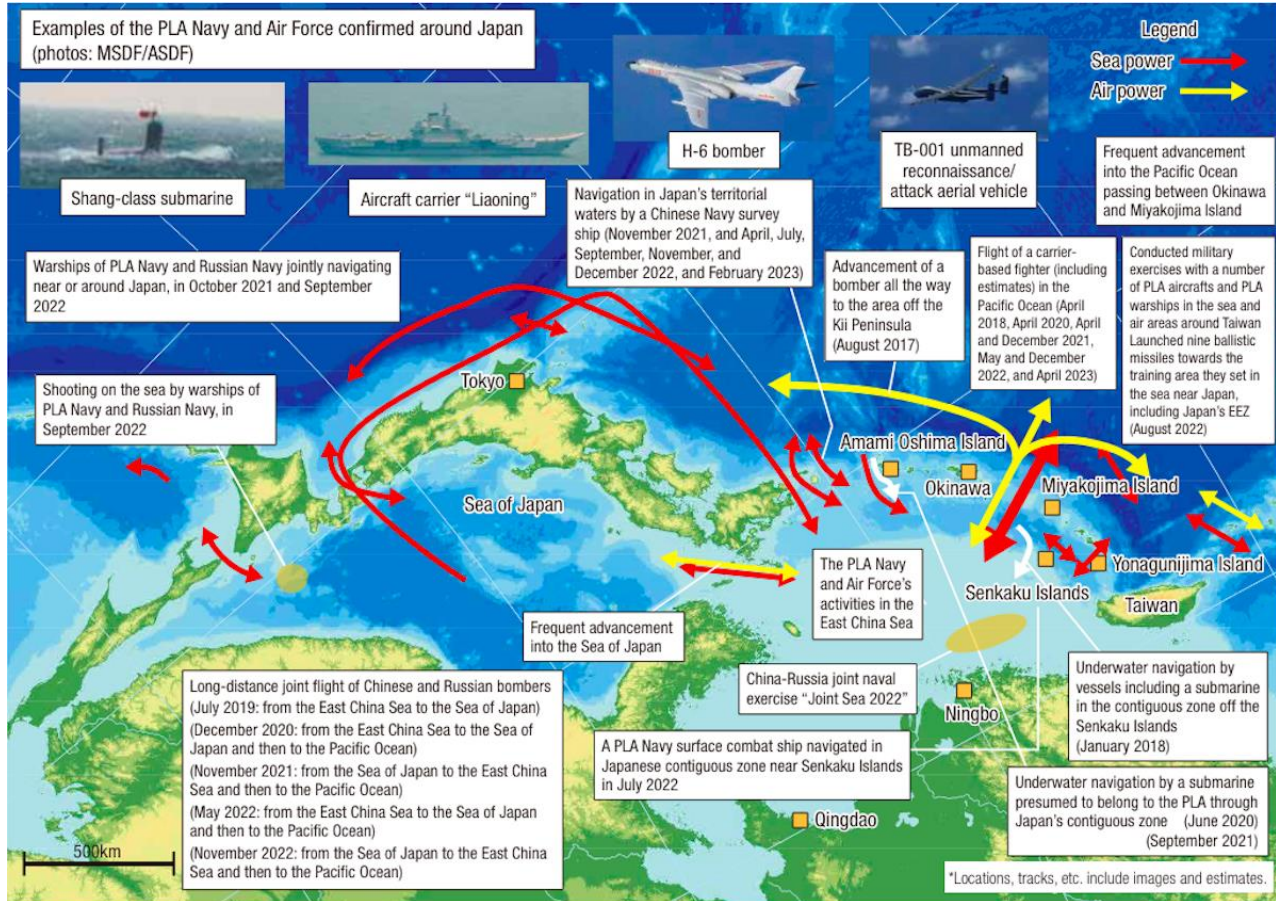
## **A Worsening Security Environment**

The steady emergence of a revisionist triumvirate—China, Russia, and North Korea—that “[does] not share universal values”<sup>xxv</sup> and is intent upon “unilaterally changing the status quo by force,” has presented Japan with its “most severe and complex security environment since the end of WWII.”<sup>xxvi</sup> Over the past 30 years, Japan has borne witness to the increasing hostility of Xi Jinping, Vladimir Putin, and Kim Jong Un: China has repeatedly launched incursions into Japan’s territorial waters and national airspace, as part of what Dr. Monika Chansoria calls President Xi’s “gradualist mode of expansion”;<sup>xxvii</sup> Russia has steadily militarized the Northern Territories (or “Kuril Islands”) amid its war with Ukraine; and North Korea has routinely hurled its ballistic missiles in Japan’s direction. The nature of these alarming military trends has since been meticulously delineated in the National Defense Strategy.

### *China*

It is notable that Japan’s National Security Council dedicated an entire section of the NDS 2022 to clarify the Chinese Communist Party’s (CCP) recent initiatives for accelerating the transformation of the People’s Liberation Army (PLA) but opted against mentioning the specifics of Russian and North Korean programs. Specifically, the NDS traces back to the 19<sup>th</sup> National Congress of the CCP’s 2017 approval of President Xi’s goals to “[complete] modernization of national defense and the military by 2035” and to build a “world-class” force by the middle of the 21<sup>st</sup> century.<sup>xxviii</sup> Thereafter, it further summarizes how Japan has been forced to contend with incessant “gray zone situations”<sup>xxix</sup>—provocative pressure tactics just below the threshold of armed conflict—as China bids to fashion a Sino-centric order in the Indo-Pacific with its newfound military strength. Not only has the PLA come to boast more numerous modern naval and air assets than Japan<sup>xxx</sup>—largely reflective of the Japanese public’s traditional aversion to defense investments, which has shaped the government’s lack of initiative on security matters—but it also currently leads the world in hypersonic missile technology.<sup>xxxi</sup> Moreover, China has become a formidable nuclear power that is projected to be capable of possessing up to 700 nuclear warheads by 2027 and plans to have at least 1,000 deliverable warheads by 2030.<sup>xxxii</sup>

Figure 1. The PLA's Recent Activities in Japan's Surrounding Seas and Airspace



(Source: 2023 Defense of Japan White Paper)

Supported by a revamped and enlarged PLA, an audacious CCP has elected to expand its military footprint into the South China Sea and to intensify its activities across the Indo-Pacific region surrounding Japan, including in the East China Sea—primarily in the areas around the disputed Senkaku-Diaoyu Islands—and in the western Pacific Ocean, around the Izu and Ogasawara Islands.<sup>xxxiii</sup> Accordingly, China ought to be identified as the main catalyst driving Japan's departure from its *senshu boei* in favor of the doctrine of "proactive pacifism"<sup>xxxiv</sup>—based on the principle of international cooperation—that the late Shinzo Abe peddled at the start of his second term as Prime Minister. Regarding the CCP's pivotal role in incentivizing recently departed Prime Minister Fumio Kishida to continue Abe's legacy, one must only look to the changes in language between the Abe-era NSS and the Kishida-era NSS: Whereas China was previously characterized as "a matter of concern for the international community, including Japan"<sup>xxxv</sup> in the 2013 NSS, the 2022 NSS declares that "China's current external stance, military activities, and other activities have become a matter of serious concern . . . And present . . . The greatest strategic challenge in ensuring the peace and security of Japan."<sup>xxxvi</sup>

### Russia

Aside from the blatant violation to established international norms surrounding the respect for border integrity and self-determination that Russia's brutal invasion of Ukraine represented,



Japan's concerns derive more so from the dangerous precedent that was set and the violence that could erupt in the Indo-Pacific as a result; this sentiment was perhaps best communicated by former PM Kishida's forewarning during his March 2023 trip to Kiev: "Ukraine Today, East Asia Tomorrow."<sup>xxxvii</sup> Ironically, while Kishida was visiting Zelenskyy in a show of Japanese solidarity, Xi was meeting with Putin and signing an agreement to usher in a "new era" of bilateral cooperation between Beijing and Moscow.<sup>xxxviii</sup> News of this development was particularly concerning given the upward trend in Russian involvement in the Far East in recent years. Indeed, Japan's new NSS states: "Russia is accelerating its military activities in the vicinity of Japan . . . strengthening its armaments in the Northern Territories . . . [and] doubling down on strategic coordination with China."<sup>xxxix</sup> However, since the latest deployment of cutting-edge K-300P "Bastion"<sup>xl</sup> and "Bal" surface-to-ship missiles<sup>xli</sup> as well as S-400 and S-300V4 surface-to-air missiles<sup>xlii</sup> to the disputed Kuril Islands can be chalked up to Russia's continuing interest in asserting control over the Sea of Okhotsk,<sup>xliii</sup>—a strategic location that has been harboring Russia's fleet of nuclear submarines since the Cold War,<sup>xliv</sup> the more serious challenge for Japan is the deepening military alignment between the PLA and the Armed Forces of the Russian Federation (AFRF). In recent years, the Japanese have noticed more frequent and intense Sino-Russian naval and aerial exercises and drills: Joint navigation by warships in proximity of the mainland were identified in October 2021 and September 2022, and joint flights by bomber aircraft between the East China Sea, Sea of Japan, and the wider Pacific Ocean were tracked in July 2019, December 2020, November 2021, May 2022, and November 2022.<sup>xlv</sup> These demonstrations of force are taken to be part and parcel of Xi and Putin's shared vision for "a world based on the concept of spheres of influence"<sup>xlvi</sup>—in other words, a manifestation of the changes that Xi told Putin "We haven't seen for 100 years," as he departed from the Kremlin.<sup>xlvii</sup>

Under the "Strong State Model," Russia has also been developing an array of new weapons systems. The 2023 Defense of Japan White Paper spotlights upgrades to the Steregushchiy II Class Frigates and the Kilo-class submarines, which are being outfitted with precision-guided "Kalibr" cruise missiles capable of carrying both tactical thermonuclear and conventional warheads. Additionally, in January 2023, Russia deployed the "Zircon" hypersonic missiles, which are planned to be equipped on the Gorshkov-class missile frigates that already incorporate stealth technology<sup>xlviii</sup> and are currently under construction.<sup>xlix</sup> Unfortunately, these advanced armaments may be deploying into the Far East region within the not-so-distant future.

### *North Korea*

Due to its oppressive authoritarian rule, abhorrent track record on human rights, disregard for international law, and cavalier approach towards leveraging its illicit nuclear arsenal, which has gradually expanded ever since its first successful nuclear test in October 2006,<sup>1</sup> the Kim regime has epitomized what it means to be a "pariah state" in the international community. While by no means is North Korea taken to be a rival on par with China and Russia, it nevertheless exists as a persistent menace to Japan. According to announcements of Japan's Ministry of Defense (MOD), North Korea launched a total of at least 59 ballistic missiles on 31 separate occasions<sup>li</sup> in 2022 alone, seven of which were inter-continental ballistic missiles (ICBMs) that fell within Japan's Exclusive Economic Zone (EEZ), with one flying directly over the Japanese mainland.<sup>lii</sup> Accordingly, the 2022 NSS and NDS affirmed that "North Korea's military activities pose an even more grave and imminent threat to Japan's national security."<sup>liii</sup>

### *United States*

The increasingly perilous security environment confronting Japan is both a function of the rise of the revisionist triumvirate, as well as the hegemonic decline of the United States: Japan's singular treaty ally. To appeal to a popular aphorism in international relations theory, where a nation sits geographically is where it stands strategically. Based on the wide expanse of the Pacific Ocean, American power projection in the Asia-Pacific is inherently disadvantaged in comparison to the more favorable positions occupied by Beijing, Moscow, and Pyongyang. Given this exceedingly far spatial separation, forward-deployed U.S. forces like the Seventh Fleet must depend on access to an array of bases stationed abroad and a lengthy logistical chain running back to the Continental United States.

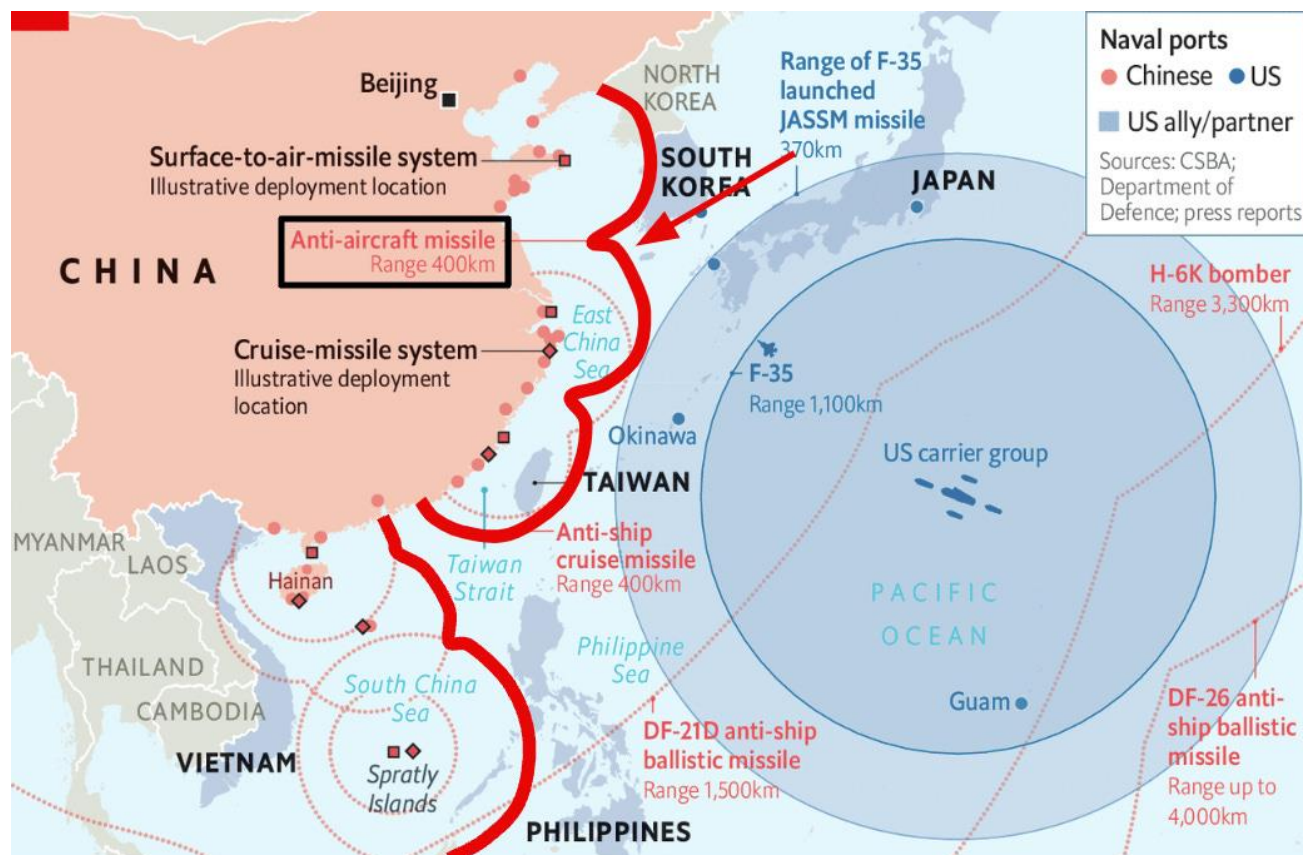
Figure 2. "The Tyranny of Distance" for U.S. Forces



(Source: Interview with Lieutenant Colonel Troy Johnson, USMC, Retired)

Over time, the United States has found it harder to continue on as the sole security guarantor of the Asia-Pacific. As far back as 1999, U.S. Navy Admiral Dennis C. Blair, expressed to the House Armed Services Committee that strategic deployment is most daunting in the Pacific.<sup>liv</sup> This is especially true in the present day, in light of China's seamless embrace of the anti-access area-denial (A2/AD) stratagem, which intentionally encumbers the missions of the United States Indo-Pacific Command (USINDOPACOM) that is often tasked to operate within the First Island Chain; what the CCP considers its rightful "near sea."

Figure 3. The A2/AD Perimeter in the First Island Chain



(Sources: Center for Strategic and Budgetary Assessments; Department of Defense; Press Reports)

By merging its long-range (the A2 component) anti-ship ballistic missiles, long-range land-attack cruise missiles, hypersonic glide vehicles (HGVs), and short-range (the AD component) sonar nets and sea mines weapons systems,<sup>lv</sup> the CCP has endowed the PLA with an unsettling asymmetrical advantage when it comes to “freedom of action” within the First Island Chain. As it stands, degradation of the operational environment has obliged U.S. forces to accept higher levels of risk when engaging in activities designed to preserve Washington’s regional influence. Hal Brands and Zack Cooper hammered this point home in a recent Marshall Paper published by the Center for Strategic and International Studies, when they emphatically proclaimed, “The U.S. military no longer has such overwhelming conventional superiority . . . [nor] possesses power projection capabilities so overwhelming it can determine its strategy independently.”<sup>lvi</sup> In other words, it has become too arduous for America to wield the figurative “sword” of the U.S.-Japan Alliance, alone.

### Japan Learns to Lift the “Sword” at Sea

As China seeks to displace what it sees as an undesirable regional order hinging on the extended deterrence provided by the U.S.-Japan Alliance, the Japanese security regime has grown more

vigilant. This is very appropriate, considering the vulnerabilities that would precipitate the materialization of a Sino-centric order: Japan would be placed at the mercy of a PLA Navy that has a “preference for firmness”<sup>lvii</sup> and could more easily impede freedom of navigation, as well as curtail access to critical maritime trade routes, in the absence of American power within the First Island Chain. Thus, the need for a defensive overhaul has become an incontrovertible truth.

Under the 2022 NSS, NDS, and DBP, Japan is arranging the appropriate measures that will keep its self-defense forces fed, their weapons armed with sufficient ammunition, and their platforms—vessels, aircraft, trucks—fueled. Moreover, research and development (R&D) in the fields of ballistic missile defense (BMD), long-range counterstrike capabilities, and unmanned assets are acting as a powerful countervailing force to the machinations of the CCP. As the SDF is steadily outfitted with new capabilities pertaining to these “key fields,” Japan is revitalizing the U.S. posture in the Indo-Pacific for continued deterrence-by-denial.<sup>lviii</sup> However, it is this paper’s contention that, in the effort to offset the region’s rising power disequilibrium—originating in China’s ability to impede activities in the First Island Chain through its A2/AD concept, as well as Russia and North Korea’s military growth—the Japanese MSDF will be the armed service at the forefront of Japan’s expanded role in the U.S.-Japan Alliance. In fact, Dr. Ken Jimbo of the International House of Japan has gone on the record stating, “Whenever we talk about cooperation between the United States and Japan, maritime defense is the key arena to look at.”<sup>lix</sup> For this reason, the proceeding analysis of Japan’s concrete reinforcement of domestic defense capabilities has been narrowly tailored to the progress made in updating the MSDF for the 21st-century security landscape.

#### *Introducing the MSDF - A Rich Naval History*

Throughout its long history as an island country, Japan has been acutely vulnerable to seaborne attacks. It is for this reason that Japan’s first and foremost treatise on national defense, published in 16-parts by Hayashi Shihei between 1786 and 1791 (about 60 years before Commodore Matthew Perry’s arrival), urged the Tokugawa Shogunate to construct a modern fleet capable of contending with the mounting threats posed by Russia and China: “military preparation for Japan means a knowledge of how to repel foreign invaders . . . The way to do this is by naval warfare.”<sup>lx</sup> The emphasis that *The Military Defense of a Maritime Nation (Kaikoku heidan)* places on adopting an outward-facing military policy, undergirded by a powerful navy equipped with advanced weaponry and run by tactful sailors, is all-the-more pertinent today. For instance, take the much-dreaded case of a potential Taiwan Contingency; the region slated by security experts to be the most likely site of future warfare, following Russia’s invasion of Ukraine. In the event that President Xi was to force resolution of the unification issue through the use of force, it is expected that the PLA would launch a blockade of Taiwan to cut it off from any outside support and thereby achieve a “fait accompli.” Substantiating this prediction is the 2023 Defense of Japan White Paper, which notes the concerning rehearsal of a “joint blockade” by the PLA’s Eastern Theater Command that lasted from August 2-10, 2022.<sup>lxi</sup> In such a scenario, advanced maritime—not land-based—capabilities would be paramount for Japan to be able to effectively assist the U.S. in breaking the naval blockade and reestablishing stability.

#### *MSDF Contributions to Japan’s Reinforced Integrated Air and Ballistic Missile Defense*

The Carnegie Russia Eurasia Center has reported that the Indo-Pacific is entering “a new missile age” as regional actors race to enhance the quality and quantity of their inventories of short- to

intermediate-range missile systems.<sup>lxii</sup> Japan’s NSS corroborates the Berlin-based organization’s claim, highlighting the “dramatic advances in missile-related technologies, including hypersonic weapons, and practical skills for missile operations, such as saturation attack.”<sup>lxiii</sup> Such breakthroughs threaten to penetrate Japan’s existing BMD network and have driven the Cabinet to sign-off on efforts to reinforce the nation’s Integrated Air and Ballistic Missile Defense. For the MSDF, this initiative has resulted in the expansion of the Aegis Fleet and the acquisition of “counterstrike capabilities.”

The Aegis Combat System is a state-of-the-art surface combat system integrated with advanced radar, computer tracking sensors, and missile interception capabilities.<sup>lxiv</sup> By March 2021, the MSDF had commissioned its eighth Aegis Destroyer: the JS *Haguro*.<sup>lxv</sup> Built to defend against advanced air and surface threats, Japan’s Aegis Destroyers—a squadron consisting of 4 Kongō-Class, 2 Atago-Class, and 2 Maya-Class warships<sup>lxvi</sup>—have recently received upgraded mid-course interceptor missiles for BMD: the Standard Missile-3 (SM-3) Block IIA. Developed jointly by Japan and the United States as a successor to the SM-3 Block IA, these missiles were designed to provide greater protective coverage over larger areas and hit enemy targets flying at higher altitudes or launched on “lofted trajectories.” Furthermore, by virtue of their “simultaneous engagement capability” that allows for the interception of multiple payloads at once, they are better suited for defeating future threats, including “saturation attacks”—a contemporary tactic involving the firing of a relentless missile barrage to defeat an adversary’s BMD systems—and enemy warheads equipped with decoys.<sup>lxvii</sup> Due to the sophistication of Aegis and its impressive track record of success, the 2022 DBP is striving to reach the goal of a 12-strong Aegis fleet in 10 years, a lofty goal that will likely take a few years longer to see through, but one that will entail the construction of two more Aegis destroyers and the development of two newly enhanced Aegis System Equipped Vessels (ASEVs).<sup>lxviii</sup>

Though their exact schematics are still classified, the British Royal Navy’s newspaper *Naval News* has reported that the MSDF’s future ASEVs are expected to feature larger hulls than the Maya-class Aegis Destroyers—currently Japan’s largest Aegis Destroyer—as well as a greater number—128 versus 96—of Vertical Launch System (VLS) cells.<sup>lxix</sup> These distinctive augmentations will enable ASEVs to carry larger magazines of interceptors including the aforementioned SM-3 Block IIA and the long-range ship-to-air SM-6 missiles. The latter set have shown success in intercepting hypersonic weapons like those that have been engineered by China, Russia, and North Korea.<sup>lxx</sup>



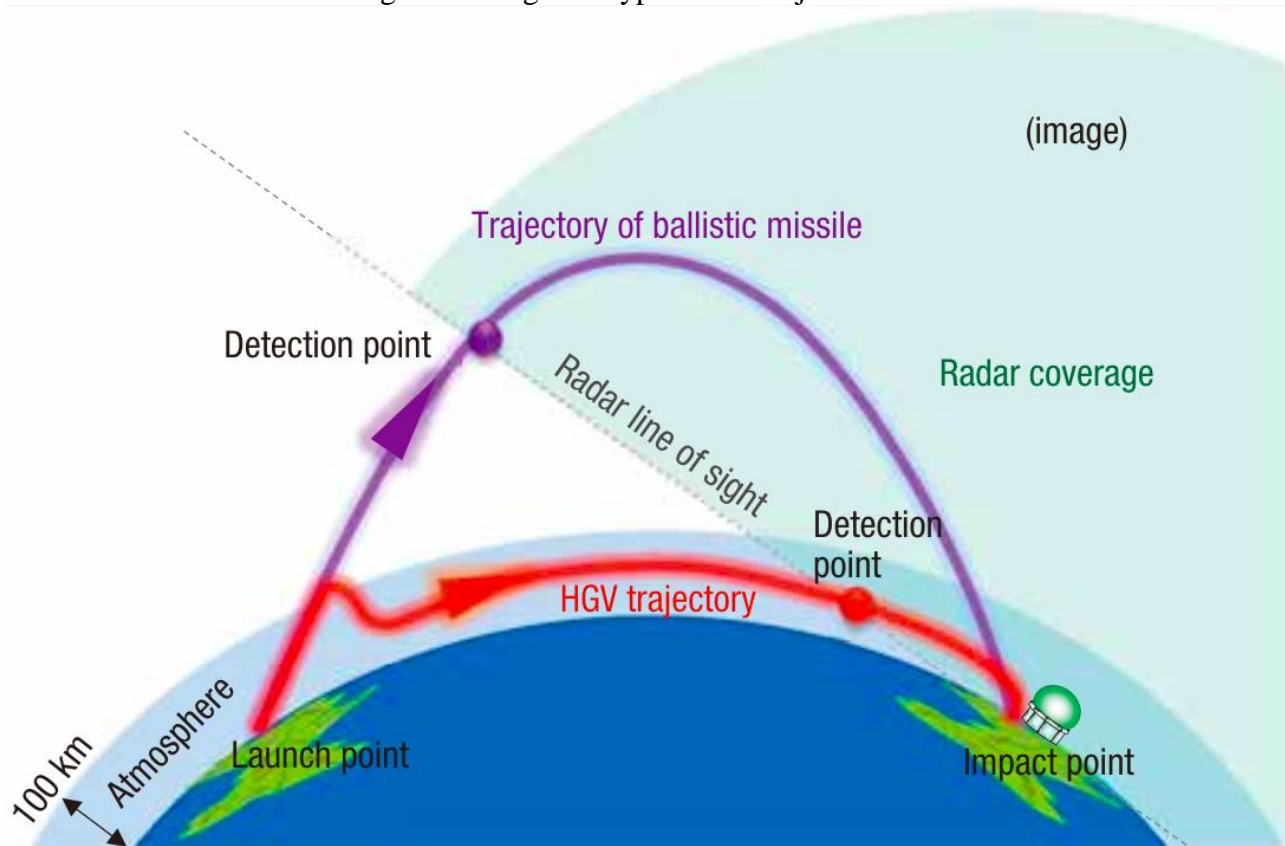
Figure 4. Illustration of the Future ASEVs



*(Source: Asia Times)*

Unlike conventional ballistic missiles, hypersonic weapons are designed to fly on irregular trajectories at lower altitudes and at astonishing speeds of Mach 5 or above, all of which seriously limits the timeframe for detection and, by extension, interception.<sup>lxxi</sup> The ability of ASEVs to assuredly counter hypersonic weapons has thus been a priority for the MOD and is the reason that it wrote the following into the 2023 Defense of Japan White Paper: “There will be consideration for the expandability of the [ASEVs] to enable them to operate future equipment, such as [the] new interceptor missiles [capable of responding] to HGVs currently being developed by the United States.”<sup>lxxii</sup>

Figure 5. Irregular Hypersonic Trajectories



(Source: 2023 Defense of Japan White Paper)

Interestingly, since publication of that statement on July 28, 2023, the Pentagon’s Missile Defense Agency has partnered with the MOD on a next-generation hypersonic missile defense system known as the Glide Phase Interceptor (GPI).<sup>lxxiii</sup> Considering the United States and Japan agreed to begin discussions on cooperative development of this exact kind of interceptor back during the January 2023 Security Consultative Committee (“2+2”)<sup>lxxiv</sup> bilateral meeting, it is highly possible that the MOD was expecting such an agreement to materialize—especially following the past shared success of the two nations in creating the advanced SM-3 Block IIA interceptor—and so arranged to let it be known that the future ASEVs would be developed with an eye towards integrating more advanced anti-hypersonic defense capabilities down the line.

Still, despite these revolutionary improvements, the NSS states, “If Japan continues to rely solely upon ballistic missile defenses, it will become increasingly difficult to fully address missile threats with the existing missile defense network alone.”<sup>lxxv</sup> What has transpired as a result is the acquisition of “counterstrike capabilities,” as a co-equal component for reinforcing the nation’s Integrated Air and Ballistic Missile Defense. Possession of what are de facto offensive weapons that *threaten* to penetrate the defenses and strike the territory of potential adversaries should they attack, is both a manifestation of the ruling LDP’s elevated sense of urgency and a representation of the shift in Japanese security thinking. Indeed, policymakers have abandoned their fixation on BMD deterrence-by-denial and begun to pursue what MSDF Vice Admiral Tokuhiro Ikeda

(Retired) calls “punitive deterrence.”<sup>lxxxvi</sup> Even so, the Kishida Administration showed prudence and care in its language, assuring the public—who previously abjured such weapons—and the world for that matter, that “Counterstrike capabilities fall within the purview of Japan’s Constitution and international law; they do not change Japan’s exclusively defense-oriented policy . . . Needless to say, preemptive strikes, namely striking first at a stage when no armed attack has occurred, remain impermissible.”<sup>lxxxvii</sup> But however it is spun semantically, the fact is that the traditional *senshu boei* is weakening. Genuine defensive systems don’t require assurances against preemption.

The Japanese government is already arranging for the domestic production of upgraded Type-12 Surface-to-Surface Missiles (SSMs), new Hyper Velocity Gliding Projectiles, and quieter Type-18 torpedoes for striking naval vessels beyond their anti-submarine defenses.<sup>lxxxviii</sup> In April 2023, the MOD signed a total of four contracts worth \$2.83 billion with Mitsubishi Heavy Industries for its counterstrike procurement project.<sup>lxxxix</sup> Per the current DBP, the MSDF’s “Destroyers and Frigates (DDG, DD, FFM)” will be among the recipient naval platforms.<sup>lxxx</sup> Moreover, while many of the capabilities of the two in-development ASEVs remain undisclosed, the 2023 Defense of Japan White Paper confirms the MOD/MSDF expectation that they be provisioned long-range counterstrike weapons<sup>lxxxxi</sup> by the time they hit the water in March 2028 and March 2029, respectively.<sup>lxxxii</sup>

To expeditiously bridge the gap that still exists between the necessary and available counterstrike capabilities, the Kishida Administration signed a \$1.7 billion contract with the U.S. Government this past January to purchase 400 Tomahawk Land Attack Cruise Missiles (TLAMs). This bulk order will see shipment deliveries of 200 Block IV TLAMs and 200 Block V TLAMs proceed between 2025 and 2027. Once arrived, the MSDF will fit these missiles aboard the four classes of its Aegis Fleet: The Kongō-class, Atago-class, Maya-class, and ASEVs.<sup>lxxxiii</sup> In the meantime, the U.S. Navy has begun graciously imparting its expertise on operating TLAMs to MSDF personnel through realistic training exercises held out of Yosaka Naval Base, the homeport of the U.S. Navy’s Seventh Fleet in Japan.<sup>lxxxiv</sup> This way, by the time the TLAMs arrive, the MSDF will already be well-versed in the basic procedures for launching these long-range weapons, as well as the ins-and-outs of the computer guidance control systems.

#### *MSDF Contributions to Japan’s Unmanned Assets*

The modern security landscape is undergoing a paradigm shift as scientific and technological innovations are uncovering new ways of warfare. For the Japanese MSDF, creation of a hybrid human-robotic naval force is becoming a reality thanks to the R&D of groups such as Japan’s Acquisition, Technology & Logistics Agency (ATLA). Some projects currently underway involve the testing of new combat support multipurpose unmanned surface vessels (USVs) that confront enemy naval vessels and submarines, and the prototyping of unmanned amphibious assault vehicles that secure beachheads on enemy-held islands ahead of manned Assault Amphibious Vehicles (AAVs).<sup>lxxxv</sup> Nevertheless, the domain that has seen the most tangible progress is that of Japan’s unmanned submarines for subsurface missions.

Tokyo is no stranger to the benefits of unmanned underwater vehicles (UUVs) as the MSDF has been operating the OZZ-5 UUV and the Hydroid REMUS 600 Autonomous Underwater Vehicle (AUV) for years. Among their unique characteristics, UUVs feature better concealment than



manned submarines, which emit louder acoustic, magnetic, and electrical signals.<sup>lxxxvi</sup> They are also more insulated from potential cyber and electromagnetic attacks while operating in a submerged state.<sup>lxxxvii</sup> Moreover, the 2022 NDS affirms, “Unmanned assets are often relatively affordable compared to manned equipment and have the great advantage of being able to minimize human loss and operate continuously for a long period of time.”<sup>lxxxviii</sup> Budget-friendliness and the means to reduce casualties are especially attractive aspects of UUVs considering the present-day concerns about the sustainability of the Japanese government’s spending on defense, as well as the nation’s ongoing demographic decline that has exacerbated the MSDF’s already chronic recruitment shortfalls.<sup>lxxxix</sup>

The desire to supplement waning manpower with unmanned assets is being amplified by the prospect of advancing their degrees of autonomy—i.e., improving the rapidity and accuracy of computer systems’ decision-making—through the incorporation of Artificial Intelligence (AI). For instance, the goal of ATLA’s new extra large uncrewed underwater vehicle (XLUUV) project is to verify that the XLUUV can execute “autonomous navigation with improved reliability and environmental adaptability by AI” and that it can accomplish “various kinds of missions,” spanning anti-submarine defense and anti-surface warfare to mine countermeasure operations and reconnaissance taskings. Performance tests and sea trials of the XLUUV started in 2023 will run until 2025.<sup>xc</sup> Yet this is just the beginning of the MOD applying new technologies to MSDF submarines, because, as the 2022 NDS emphasizes, “combining these unmanned assets with AI and manned equipment . . . can be a *game-changer* that fundamentally transforms force structure.”<sup>xci</sup>

Figure 6. ATLA’s 2023 XLUUV Test Campaign



*(Source: Naval News)*

## Conclusion

A quarter century ago, the Japanese people could rest assured that stability within their neighborhood would be maintained by the United States. In this “unipolar moment,” Washington was the undisputed global hegemon, exerting great influence across the world and standing unrivaled politically, militarily, and economically. Fast forward to the present, and the balance of power in the Indo-Pacific has shifted decisively against the United States, whose forward deployed forces can now be targeted by the precision missiles and deadly armaments of China, Russia, and North Korea. It is under this context that the Kishida Administration found ample public support to engage in a defense overhaul.

For deterrence to hold, it is imperative that the aggressors being targeted perceive the threat of their opponents as credible. The MSDF’s contributions to strengthening Japan’s Integrated Air and Ballistic Missile Defense and improving Unmanned Assets—only a fraction of the total initiatives outlined by the NSS, NDS, and DBP—are perfectly conducive to raising these threat perceptions. More sophisticated BMD through the expansion of the Aegis fleet serves not only to shore-up the joint response capabilities of American and Japanese forces, which will enjoy greater protection when maneuvering throughout the threat envelope of Chinese, Russian, and

North Korean missiles, but also to promote integrated deterrence by enhancing interoperability. On this latter point, Vice Admiral Tokuhiko Ikeda (Retired) had this insight to give:

“The MSDF has 30 years of experience with Aegis and the direct connection offered by those systems will greatly improve real-time data sharing and interoperability between the U.S. Navy and MSDF, which will do wonders for the alliance’s power projection in the Indo-Pacific region.”<sup>xcii</sup>

Likewise, the close bilateral collaboration in developing counterstrike capabilities and the reaffirmation of the SDF’s commitment to “protecting assets, namely U.S. vessels and aircraft,”<sup>xciii</sup> exemplify an unprecedented level of synergy in the U.S.-Japan alliance’s history. In the final analysis, the “Sword and Shield” analogy no longer applies to a proactive Japan that has already made great strides in procuring 21<sup>st</sup>-century warfighting capabilities, including new Unmanned Assets. Acquisition of weapon systems once admonished as violations to the pacifist constitution are now serving to defend not only Japan’s territorial integrity, but that of its neighbors. Essentially, Japan has evolved into a truly potent vanguard for the rules-based liberal international order at a time of serious turmoil. Given its remarkable departure from the historic *senshu boei*, it is actually more appropriate to conclude that Shinzo Abe’s strategic vision has finally been brought to fruition: “Japan is Back.”<sup>xciv</sup>

## Endnotes

---

- <sup>i</sup> Prime Minister's Office of Japan, "The Constitution of Japan," accessed May 16, 2024, [https://japan.kantei.go.jp/constitution\\_and\\_government\\_of\\_japan/constitution\\_e.html](https://japan.kantei.go.jp/constitution_and_government_of_japan/constitution_e.html).
- <sup>ii</sup> National Institute for Defense Studies, *East Asian Strategic Review 2014*, accessed May 16, 2024, 68, [https://www.nids.mod.go.jp/english/publication/east-asian/pdf/2014/east-asian\\_e2014\\_01.pdf](https://www.nids.mod.go.jp/english/publication/east-asian/pdf/2014/east-asian_e2014_01.pdf).
- <sup>iii</sup> Tokuhiro Ikeda, "Steadfast Resolve: Explaining the Kishida Administration's Three Security-Related Documents," Program on U.S.-Japan Relations, Weatherhead Center for International Affairs, Harvard University, 2023, 5, [https://us-japan.wcfia.harvard.edu/sites/projects.iq.harvard.edu/files/us-japan/files/23-it\\_ikeda\\_tokuhiro.pdf](https://us-japan.wcfia.harvard.edu/sites/projects.iq.harvard.edu/files/us-japan/files/23-it_ikeda_tokuhiro.pdf).
- <sup>iv</sup> Cabinet Secretariat, Government of Japan, "National Security Strategy," December 16, 2022, 5, <https://www.cas.go.jp/jp/siryoku/221216anzenhoshou/nss-e.pdf>.
- <sup>v</sup> Cabinet Secretariat, Government of Japan, "National Security Strategy," December 16, 2022, 26, <https://www.cas.go.jp/jp/siryoku/221216anzenhoshou/nss-e.pdf>.
- <sup>vi</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2023*, 45, accessed May 16, 2024, [https://www.mod.go.jp/en/publ/w\\_paper/wp2023/DOJ2023\\_EN\\_Full.pdf](https://www.mod.go.jp/en/publ/w_paper/wp2023/DOJ2023_EN_Full.pdf).
- <sup>vii</sup> Samuel P. Porter, "A Solution for Japan's Military Mismatch," *Foreign Policy*, March 15, 2023, accessed May 16, 2024, <https://foreignpolicy.com/2023/03/15/japan-military-defense-navy-army-kishida-personnel-gsdf-msdf-jsdf/#:~:text=Japan%27s%20demographic%20decline%20and%20a,by%20Japan%27s%20Diet%20in%202020>
- <sup>viii</sup> Yuki Bito, "Former Japanese Prime Minister Shinzo Abe Set the Course to Strengthen National Security. Does Japan Have the Courage to Follow It?" Naval War College Foundation, July 18, 2022, <https://nwcfoundation.org/former-japanese-prime-minister-shinzo-abe-set-the-course-to-strengthen-national-security-does-japan-have-the-courage-to-follow-it/>.
- <sup>ix</sup> Tokuhiro Ikeda, "Steadfast Resolve: Explaining the Kishida Administration's Three Security-Related Documents," Program on U.S.-Japan Relations, Weatherhead Center for International Affairs, Harvard University, 2023, 2, [https://us-japan.wcfia.harvard.edu/sites/projects.iq.harvard.edu/files/us-japan/files/23-it\\_ikeda\\_tokuhiro.pdf](https://us-japan.wcfia.harvard.edu/sites/projects.iq.harvard.edu/files/us-japan/files/23-it_ikeda_tokuhiro.pdf).
- <sup>x</sup> Tokuhiro Ikeda, "Steadfast Resolve: Explaining the Kishida Administration's Three Security-Related Documents," Program on U.S.-Japan Relations, Weatherhead Center for International Affairs, Harvard University, 2023, 2, [https://us-japan.wcfia.harvard.edu/sites/projects.iq.harvard.edu/files/us-japan/files/23-it\\_ikeda\\_tokuhiro.pdf](https://us-japan.wcfia.harvard.edu/sites/projects.iq.harvard.edu/files/us-japan/files/23-it_ikeda_tokuhiro.pdf).
- <sup>xi</sup> Ministry of Foreign Affairs of Japan, "Japan's Foreign Policy to Promote National and Global Interests," 7, accessed May 16, 2024, <https://www.mofa.go.jp/files/000143304.pdf>.
- <sup>xii</sup> Sayuri Umeda, "Japan: Cabinet Adoption of Constitutional Interpretation Allowing Japan to Engage in Collective Self-Defense," *Global Legal Monitor*, August 4, 2014, accessed May 16, 2024, <https://www.loc.gov/item/global-legal-monitor/2014-08-04/japan-cabinet-adoption-of-constitutional-interpretation-allowing-japan-to-engage-in-collective-self-defense/>.
- <sup>xiii</sup> Yuki Tatsumi, "Former Japanese Prime Minister Shinzo Abe Set the Course to Strengthen National Security. Does Japan Have the Courage to Follow It?" *Naval War College Foundation*, July 18, 2022, accessed May 16, 2024, <https://nwcfoundation.org/former-japanese-prime-minister-shinzo-abe-set-the-course-to-strengthen-national-security-does-japan-have-the-courage-to-follow-it/>.
- <sup>xiv</sup> Chuck Hagel, "Statement by Secretary of Defense Chuck Hagel on Japan's Collective Self-Defense Decision," U.S. Department of Defense, July 1, 2014, accessed May 16, 2024, <https://www.defense.gov/News/Releases/Release/Article/605062/>.
- <sup>xv</sup> Kristin Surak, "Abemaniac," *openDemocracy*, July 9, 2014, accessed May 16, 2024, <https://www.opendemocracy.net/en/abemaniac/>.
- <sup>xvi</sup> Norihiro Kato, "Japan's Break With Peace," *The New York Times*, July 16, 2014, accessed May 16, 2024, <https://www.nytimes.com/2014/07/17/opinion/norihiro-kato-japans-break-with-peace.html>
- <sup>xvii</sup> Kristin Surak, "Abemaniac," *openDemocracy*, July 9, 2014, accessed May 16, 2024, <https://www.opendemocracy.net/en/abemaniac/>.

- 
- <sup>xviii</sup> Yuki Tatsumi, "Former Japanese Prime Minister Shinzo Abe Set the Course to Strengthen National Security. Does Japan Have the Courage to Follow It?" *Naval War College Foundation*, July 18, 2022, accessed May 16, 2024, <https://nwcfoundation.org/former-japanese-prime-minister-shinzo-abe-set-the-course-to-strengthen-national-security-does-japan-have-the-courage-to-follow-it/>.
- <sup>xix</sup> Norihiro Kato, "Japan's Break With Peace," *The New York Times*, July 16, 2014, accessed May 16, 2024, <https://www.nytimes.com/2014/07/17/opinion/norihiro-kato-japans-break-with-peace.html>.
- <sup>xx</sup> Norihiro Kato, "Japan's Break With Peace," *The New York Times*, July 16, 2014, accessed May 16, 2024, <https://www.nytimes.com/2014/07/17/opinion/norihiro-kato-japans-break-with-peace.html>.
- <sup>xxi</sup> James L. Schoff, "Abe's Second-Chance Security Reforms: Final Stop?," *Carnegie Endowment for International Peace*, 2017, 135, <https://www.jstor.org/stable/pdf/resrep26901.12.pdf>.
- <sup>xxii</sup> Yoshitaka Isobe, "Survey: Record 64% of Japanese Want National Defense Bolstered," *The Asahi Shimbun*, May 2, 2022, accessed May 16, 2024, <https://www.asahi.com/ajw/articles/14612368>.
- <sup>xxiii</sup> Jesse Johnson, "In Major Shift, Kishida Sets Defense Spending Target at 2% of GDP for First Time," *The Japan Times*, November 29, 2022, accessed May 16, 2024, <https://www.japantimes.co.jp/news/2022/11/29/national/japan-kishida-defense-spending-gdp/>.
- <sup>xxiv</sup> Craig Kafura, "A Stronger Japan Defense Posture Is Easier Said Than Done," *The Japan Times*, January 12, 2023, accessed May 16, 2024, <https://www.japantimes.co.jp/opinion/2023/01/12/commentary/japan-commentary/kishida-biden-summit/>.
- <sup>xxv</sup> Ministry of Defense, Government of Japan, "National Defense Strategy," 2022, 4, accessed May 16, 2024, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf).
- <sup>xxvi</sup> Cabinet Secretariat, Government of Japan, "National Security Strategy," December 16, 2022, 2, <https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf>.
- <sup>xxvii</sup> Monika Chansoria, *China, Japan, and Senkaku Islands: Conflict in the East China Sea Amid an American Shadow* (London: Routledge, 2018), 184.
- <sup>xxviii</sup> Ministry of Defense, Government of Japan, "National Defense Strategy," 2022, 5, accessed May 16, 2024, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf).
- <sup>xxix</sup> Ministry of Defense, Government of Japan, "National Defense Strategy," 2022, 18, accessed May 16, 2024, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf).
- <sup>xxx</sup> Ministry of Defense, Government of Japan, "National Defense Strategy," 2022, 6, accessed May 16, 2024, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf).
- <sup>xxxi</sup> "Bloomberg Evening Briefing: China Leads the World in Hypersonic Technology," *Bloomberg*, March 12, 2024, accessed May 16, 2024, <https://www.bloomberg.com/news/newsletters/2024-03-12/bloomberg-evening-briefing-china-leads-the-world-in-hypersonic-technology>.
- <sup>xxxii</sup> Tokuhiko Ikeda, "Indo-Pacific FY2022-01," *Japan Institute of International Affairs*, February 16, 2023, accessed May 16, 2024, <https://www.jiia.or.jp/en/column/2023/02/indo-pacific-fy2022-01.html>.
- <sup>xxxiii</sup> Ministry of Defense, Government of Japan, "National Defense Strategy," 2022, 6, accessed May 16, 2024, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf).
- <sup>xxxiv</sup> "Japan's New National Security Policy Based on Proactive Pacifism," *Nikkei Asia*, accessed May 16, 2024, <https://asia.nikkei.com/Politics/Japan-s-new-national-security-policy-based-on-proactive-pacifism>.
- <sup>xxxv</sup> "Japan's Defense Budget and Its Implications," *Asahi Shimbun*, accessed May 16, 2024, <https://www.asahi.com/ajw/articles/14795157>.
- <sup>xxxvi</sup> Cabinet Secretariat, Government of Japan, "National Security Strategy," December 16, 2022, 9, accessed May 16, 2024, <https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf>.
- <sup>xxxvii</sup> Michelle Ye Hee Lee and Ellen Nakashima, "Japan's Fumio Kishida Visits Ukraine in a Show of Support," *The Washington Post*, March 21, 2023, accessed May 16, 2024, <https://www.washingtonpost.com/world/2023/03/21/japan-fumio-kishida-ukraine-visit/>.
- <sup>xxxviii</sup> "China's Xi Tells Putin of 'Changes Not Seen for 100 Years'," *Al Jazeera*, March 22, 2023, accessed May 16, 2024, <https://www.aljazeera.com/news/2023/3/22/xi-tells-putin-of-changes-not-seen-for-100>.
- <sup>xxxix</sup> Cabinet Secretariat, Government of Japan, "National Security Strategy," December 16, 2022, 10, accessed May 16, 2024, <https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf>.
- <sup>xl</sup> Vincent Chapat, "Russia Deploys Bastion Coastal Defence Systems in the Kuril Islands Amid Tensions with Japan," *Finabel*, December 23, 2022, accessed May 16, 2024, <https://finabel.org/russia-deploys-bastion-coastal-defence-systems-in-the-kuril-islands-amid-tensions-with-japan/>.

- 
- <sup>xli</sup> Ike Barrash, "Russia's Militarization of the Kuril Islands," *Center for Strategic and International Studies*, September 27, 2022, accessed May 16, 2024, <https://www.csis.org/blogs/new-perspectives-asia/russias-militarization-kuril-islands>.
- <sup>xlii</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2023*, 138, accessed May 16, 4, 2024, [https://www.mod.go.jp/en/publ/w\\_paper/wp2023/DOJ2023\\_EN\\_Full.pdf](https://www.mod.go.jp/en/publ/w_paper/wp2023/DOJ2023_EN_Full.pdf).
- <sup>xliii</sup> Vincent Chaput, "Russia Deploys Bastion Coastal Defence Systems in the Kuril Islands Amid Tensions with Japan," *Finabel*, December 23, 2022, accessed May 16, 2024, <https://finabel.org/russia-deploys-bastion-coastal-defence-systems-in-the-kuril-islands-amid-tensions-with-japan/>.
- <sup>xliiv</sup> James Lacey, "Battle of the Bastions," *War on the Rocks*, January 9, 2020, accessed May 16, 2024, <https://warontherocks.com/2020/01/battle-of-the-bastions/#:~:text=During%20the%20Cold%20War%2C%20the.in%20the%20Sea%20of%20Okhotsk>.
- <sup>xlv</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2023*, 83, accessed May 16, 2024, [https://www.mod.go.jp/en/publ/w\\_paper/wp2023/DOJ2023\\_EN\\_Full.pdf](https://www.mod.go.jp/en/publ/w_paper/wp2023/DOJ2023_EN_Full.pdf).
- <sup>xlvi</sup> Tokuhiro Ikeda, "Indo-Pacific FY2022-01," *Japan Institute of International Affairs*, February 16, 2023, accessed May 16, 2024, <https://www.jiia.or.jp/en/column/2023/02/indo-pacific-fy2022-01.html>.
- <sup>xlvii</sup> "China's Xi Tells Putin of 'Changes Not Seen for 100 Years'," *Al Jazeera*, March 22, 2023, accessed May 16, 2024, <https://www.aljazeera.com/news/2023/3/22/xi-tells-putin-of-changes-not-seen-for-100>.
- <sup>xlviii</sup> "Admiral Gorshkov Class Frigates," *Naval Technology*, accessed May 16, 2024, <https://www.naval-technology.com/projects/admiral-gorshkov/>.
- <sup>xlix</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2023*, 138, accessed May 16, 2024, [https://www.mod.go.jp/en/publ/w\\_paper/wp2023/DOJ2023\\_EN\\_Full.pdf](https://www.mod.go.jp/en/publ/w_paper/wp2023/DOJ2023_EN_Full.pdf).
- <sup>1</sup> "North Korea's Nuclear Tests: Timeline," *CBS News*, accessed May 16, 2024, <https://www.cbsnews.com/news/north-koreas-nuclear-tests-timeline/>.
- <sup>ii</sup> Ministry of Foreign Affairs of Japan, "Japan's Security Environment and the New National Defense Program Guidelines (Summary)," December 2022, 1, accessed May 16, 2024, <https://www.mofa.go.jp/files/100469370.pdf>.
- <sup>iii</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2023*, 118, accessed May 16, 2024, [https://www.mod.go.jp/en/publ/w\\_paper/wp2023/DOJ2023\\_EN\\_Full.pdf](https://www.mod.go.jp/en/publ/w_paper/wp2023/DOJ2023_EN_Full.pdf).
- <sup>iiiii</sup> Cabinet Secretariat, Government of Japan, "National Security Strategy," December 16, 2022, 9, accessed May 16, 2024, <https://www.cas.go.jp/jp/siryuu/221216anzenhoshou/nss-e.pdf>.
- <sup>liv</sup> Lester W. Grau and Jacob W. Kipp, "The Tyranny of Time and Distance: Bridging the Pacific," July 1, 2000, 1, accessed May 16, 2024, [file:///Users/michaelhallahan/Downloads/2000-07-01%20The%20Tyranny%20of%20Time%20and%20Distance-Bridging%20the%20Pacific%20\(Grau%20and%20Kipp\)%20\(1\).pdf](file:///Users/michaelhallahan/Downloads/2000-07-01%20The%20Tyranny%20of%20Time%20and%20Distance-Bridging%20the%20Pacific%20(Grau%20and%20Kipp)%20(1).pdf).
- <sup>lv</sup> Lyle J. Goldstein, "China Is Using Sea Mines to Create an Underwater A2/AD Deathzone," *The National Interest*, March 6, 2021, accessed May 16, 2024, <https://nationalinterest.org/blog/reboot/china-using-sea-mines-create-underwater-a2ad-deathzone-179459>.
- <sup>lvi</sup> Hal Brands and Zack Cooper, "Dilemmas of Deterrence: The United States' Smart New Strategy Has Six Daunting Trade-offs," *Center for Strategic and International Studies*, March 12, 2024, accessed May 16, 2024, <https://www.csis.org/analysis/dilemmas-deterrence-united-states-smart-new-strategy-has-six-daunting-trade-offs>.
- <sup>lvii</sup> Monika Chansoria, *China, Japan, and Senkaku Islands: Conflict in the East China Sea Amid an American Shadow* (London: Routledge, 2018), 178.
- <sup>lviii</sup> Col. Maximillian K. Bremer and Kelly A. Grieco, "The Four Tyrannies of Logistical Deterrence," *Stimson Center*, November 8, 2023, accessed May 16, 2024, <https://www.stimson.org/2023/the-four-tyrannies-of-logistical-deterrence/>.
- <sup>lix</sup> Ken Jimbo, interview by Michael Hallahan, Tokyo, March 18, 2024
- <sup>lx</sup> Donald Keene, *Frog in the Well: Portraits of Japan by Watanabe Kazan, 1793-1841*, 2006, 147.
- <sup>lxi</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2023*, 76, accessed May 16, 4, 2024, [https://www.mod.go.jp/en/publ/w\\_paper/wp2023/DOJ2023\\_EN\\_Full.pdf](https://www.mod.go.jp/en/publ/w_paper/wp2023/DOJ2023_EN_Full.pdf).
- <sup>lxii</sup> "A New Missile Age in the Indo-Pacific," *Carnegie Endowment for International Peace*, October 2023, accessed May 16, 2024, <https://carnegieendowment.org/events/2023/10/a-new-missile-age-in-the-indo-pacific?lang=en&center=russia-eurasia>.

- 
- <sup>lxiii</sup> Cabinet Secretariat, Government of Japan, "National Security Strategy," December 16, 2022, 18, accessed May 16, 2024, <https://www.cas.go.jp/jp/siryoku/221216anzenhoshou/nss-e.pdf>.
- <sup>lxiv</sup> "Aegis Combat System," *Lockheed Martin*, accessed May 16, 2024, <https://www.lockheedmartin.com/en-us/products/aegis-combat-system.html>.
- <sup>lxv</sup> Xavier Vavasseur, "Japan Commissions New Maya-class AEGIS Destroyer JS Haguro はぐろ DDG-180," *Naval News*, March 19, 2021, accessed May 16, 2024, <https://www.navalnews.com/naval-news/2021/03/japan-commissions-new-maya-class-aegis-destroyer-js-haguro-%e3%81%af%e3%81%90%e3%82%8d-ddg-180/>.
- <sup>lxvi</sup> Emma Helfrich and Tyler Rogoway, "First Rendering of Japan's Ballistic Missile Defense Ship Concept Released," *TWZ*, December 29, 2022, accessed May 16, 2024, <https://www.twz.com/first-rendering-of-japans-ballistic-missile-defense-ship-concept-released>.
- <sup>lxvii</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2023*, 318, accessed May 16, 2024, [https://www.mod.go.jp/en/publ/w\\_paper/wp2023/DOJ2023\\_EN\\_Full.pdf](https://www.mod.go.jp/en/publ/w_paper/wp2023/DOJ2023_EN_Full.pdf).
- <sup>lxviii</sup> Tokuhiro Ikeda, "Japan's Strategy to Confront North Korea's Nuclear and Ballistic Missiles," *War on the Rocks*, August 21, 2023, accessed May 16, 2024, <https://warontherocks.com/2023/08/japans-strategy-to-confront-north-koreas-nuclear-and-ballistic-missiles/>.
- <sup>lxix</sup> Kosuke Takahashi, "Japan's MoD Unveils New Image of ASEV," *Naval News*, July 28, 2023, accessed May 16, 2024, <https://www.navalnews.com/naval-news/2023/07/japans-mod-unveils-new-image-of-asev/>.
- <sup>lxx</sup> "RTX's SM-6 Intercepts Ballistic Missile Target at Sea," *RTX*, March 29, 2024, accessed May 16, 2024, <https://www.rtx.com/news/news-center/2024/03/29/rtx-sm-6-intercepts-ballistic-missile-target-at-sea>.
- <sup>lxxi</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2023*, 34, accessed May 16, 2024, [https://www.mod.go.jp/en/publ/w\\_paper/wp2023/DOJ2023\\_EN\\_Full.pdf](https://www.mod.go.jp/en/publ/w_paper/wp2023/DOJ2023_EN_Full.pdf).
- <sup>lxxii</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2023*, 318, accessed May 16, 2024, [https://www.mod.go.jp/en/publ/w\\_paper/wp2023/DOJ2023\\_EN\\_Full.pdf](https://www.mod.go.jp/en/publ/w_paper/wp2023/DOJ2023_EN_Full.pdf).
- <sup>lxxiii</sup> "U.S. Department of Defense Statement on the Signing of the Glide Phase Interceptor Cooperative Development," *U.S. Department of Defense*, May 15, 2024, accessed May 16, 2024, <https://www.defense.gov/News/Releases/Release/Article/3775546/us-department-of-defense-statement-on-the-signing-of-the-glide-phase-intercepto/>.
- <sup>lxxiv</sup> "U.S. Department of Defense and Japan Ministry of Defense Press Release on the Commencement of Glide Phase Interceptor Cooperative Development," *U.S. Department of Defense*, August 18, 2023, accessed May 16, 2024, <https://www.defense.gov/News/Releases/Release/Article/3498431/us-department-of-defense-and-japan-ministry-of-defense-press-release-on-the-com/>.
- <sup>lxxv</sup> Cabinet Secretariat, Government of Japan, "National Security Strategy," December 16, 2022, 19, accessed May 16, 2024, <https://www.cas.go.jp/jp/siryoku/221216anzenhoshou/nss-e.pdf>.
- <sup>lxxvi</sup> Tokuhiro Ikeda, "Japan's Strategy to Confront North Korea's Nuclear and Ballistic Missiles," *War on the Rocks*, August 21, 2023, accessed May 16, 2024, <https://warontherocks.com/2023/08/japans-strategy-to-confront-north-koreas-nuclear-and-ballistic-missiles/>.
- <sup>lxxvii</sup> Cabinet Secretariat, Government of Japan, "National Security Strategy," December 16, 2022, 19, accessed May 16, 2024, <https://www.cas.go.jp/jp/siryoku/221216anzenhoshou/nss-e.pdf>.
- <sup>lxxviii</sup> Fabian-Lucas Romero Meraner, "Navigating Threats in the Indo-Pacific: Is Japan's New Security Strategy Feasible?" *TDHJ.org*, August 3, 2023, accessed May 16, 2024, <https://tdhj.org/blog/post/japan-security-strategy-indopacific-1/>.
- <sup>lxxix</sup> Dzirhan Mahadzir, "Japan Awards \$2.8B in Contracts for New Standoff Weapons," *USNI News*, April 12, 2023, accessed May 16, 2024, <https://news.usni.org/2023/04/12/japan-awards-2-8b-in-contracts-for-new-standoff-weapons>.
- <sup>lxxx</sup> Ministry of Defense, Government of Japan, "Medium Term Defense Program (FY2019 - FY2023)," 22, accessed May 16, 2024, [https://www.mod.go.jp/j/policy/agenda/guideline/plan/pdf/program\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/plan/pdf/program_en.pdf).
- <sup>lxxxi</sup> Ministry of Defense, Government of Japan, *Defense of Japan 2023*, 318, accessed May 16, 2024, [https://www.mod.go.jp/en/publ/w\\_paper/wp2023/DOJ2023\\_EN\\_Full.pdf](https://www.mod.go.jp/en/publ/w_paper/wp2023/DOJ2023_EN_Full.pdf).
- <sup>lxxxii</sup> Kosuke Takahashi, "Japan MoD Secures \$2.5 Billion to Build Two ASEV for FY2024," *Naval News*, December 19, 2023, accessed May 16, 2024, <https://www.navalnews.com/naval-news/2023/12/japan-mod-secures-2-5-billion-to-build-two-asev-for-fy2024/>.

---

<sup>lxxxiii</sup> Kosuke Takahashi, "Japan Inks \$1.7 Billion Contract with the US for 400 Tomahawks," *Naval News*, January 18, 2024, accessed May 16, 2024, <https://www.navalnews.com/naval-news/2024/01/japan-inks-1-7-billion-contract-with-the-us-for-400-tomahawks/>.

<sup>lxxxiv</sup> Kosuke Takahashi, "U.S. Navy Trains JMSDF Sailors on Tomahawk Cruise Missile," *Naval News*, April 2, 2024, accessed May 16, 2024, <https://www.navalnews.com/naval-news/2024/04/u-s-navy-trains-jmsdf-sailors-on-tomahawk-cruise-missile/>.

<sup>lxxxv</sup> Yoshihiro Inaba, "Here are Some of the Future Naval Systems Japan is Working On," *Naval News*, October 18, 2023, accessed May 16, 2024, <https://www.navalnews.com/naval-news/2023/10/here-are-some-of-the-future-naval-systems-japan-is-working-on/>.

<sup>lxxxvi</sup> Gabriel Honrada, "Japan in Hot Pursuit of an Underwater Warfare Edge," *Asia Times*, February 12, 2024, accessed May 16, 2024, <https://asiatimes.com/2024/02/japan-in-hot-pursuit-of-an-underwater-warfare-edge/>.

<sup>lxxxvii</sup> Tokuhiro Ikeda, "Indo-Pacific FY2021-03," *Japan Institute of International Affairs*, March 29, 2022, accessed May 16, 2024, <https://www.jiia.or.jp/en/column/2022/03/indo-pacific-fy2021-03.html>.

<sup>lxxxviii</sup> Ministry of Defense, Government of Japan, "National Defense Strategy," 2022, 25, accessed May 16, 2024, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf).

<sup>lxxxix</sup> Samuel P. Porter, "A Solution for Japan's Military Mismatch: Given that Japan's Primary Threats are Maritime, Why has it Invested so Heavily in a Land-based Force?" *Foreign Policy*, March 15, 2023, accessed May 16, 2024, <https://foreignpolicy.com/2023/03/15/japan-military-defense-navy-army-kishida-personnel-gsdf-msdf-jsdf/>.

<sup>xc</sup> Xavier Vavasseur, "Japan's ATLA Reveals New XLUUV Submarine," *Naval News*, March 29, 2023, accessed May 16, 2024 <https://www.navalnews.com/event-news/dsei-japan-2023/2023/03/japans-atla-reveals-new-xluuv-submarine/>.

<sup>xc</sup> Ministry of Defense, Government of Japan, "National Defense Strategy," 2022, 25, accessed May 17, 2024, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf).

<sup>xcii</sup> Tokuhiro Ikeda, interview by Michael Hallahan, Tokyo, March 21, 2024

<sup>xciii</sup> Ministry of Defense, Government of Japan, "National Defense Strategy," 2022, 19, accessed May 17, 2024, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf).

<sup>xciv</sup> "Press Conference by Prime Minister Abe during His Visit to the United States," *Ministry of Foreign Affairs of Japan*, February 22, 2013, accessed May 16, 2024, [https://www.mofa.go.jp/announce/pm/abe/us\\_20130222en.html](https://www.mofa.go.jp/announce/pm/abe/us_20130222en.html).



## **Bolstering the Fortresses of Regional Stability: The Changing Indo-Pacific Security Environment and Military Bases in Japan**

*By Shawn D. Harding*

### **Introduction**

In the current era of great power competition, there is no alliance more important to global peace and stability than that of the United States and Japan. Indeed, there is no alliance relationship more important to the survival of the postwar liberal international order, and in turn, the security, freedom, and prosperity of the United States itself. Japan is the most powerful frontline state in the geopolitical competition between status quo defenders of the liberal international order, led by the United States, and revisionist states challenging that order, led by the People's Republic of China (PRC). Because of its enormous population, wealth, volume of trade, and industrial capacity, East Asia is the most vital region of the world in the twenty-first century. If Japan were to fall, or at least become neutralized in the current struggle, then all East Asia would fall under the regional hegemony of the PRC. Dominance of East Asia would then provide the PRC with a commanding position to first dominate the Indo-Pacific region, and then much of the rest of the world. As defense strategist Elbridge Colby argues, "Japan is absolutely critical; without it, the anti-hegemonic coalition would almost certainly fail."<sup>i</sup> Ensuring the security, freedom, prosperity, and alignment of Japan within the liberal international order is thus critical for the United States' global strategy.

The system of military bases spread across the length of the Japanese archipelago are positions of military strength along the most important segment of the First Island Chain. They are fortresses of regional stability that effectively control all air and maritime corridors between Taiwan in the southwest to Russia in the northeast of the Asian continent. They envelop most of the Chinese coastline, the Korean peninsula, and Russia's southernmost maritime province of Primorsky Krai, including the strategic port of Vladivostok. Without these positions of strength held by U.S. and Japanese forces, the Republic of Korea (ROK) would be utterly indefensible. Moreover, PRC and Russian naval forces would be unhindered in projecting military power at will throughout the Western Pacific and beyond. This would pose a grave threat to the U.S. Pacific Territories and Freely Associated States, Hawaii, and even the West Coast of the continental United States. Simply put, a strategy of deterrence by denial would be impossible without the effective control and use of these bases by Japanese and U.S. forces acting together to safeguard their mutual security interests.

Because of their vital strategic importance to regional stability, along with awareness of China's growing regional threat over the past two decades, these bases and the military operations associated with them have evolved to better cope with the regional threat and provide a more resilient and robust deterrence capability. Yet *this evolution has been too slow*. It has not kept pace with the rapidly growing threat. Because of the lingering vestiges of an outdated security bargain, bureaucratic rigidity, problems of coordination with local base hosting communities, and the vicissitudes of domestic politics in both the United States and Japan, the alliance has been unable to realize a fully rationalized and militarily effective basing structure commensurate with

the threat. Some of the major shortfalls are a lack of hardened and more resilient base facilities, lack of shared use of military facilities, limitations on the regular use of civilian ports and airfields by military forces, and problems of local coordination, including the persistent political problems associated with the Okinawa bases.

While all the tools of statecraft – including diplomacy, information and culture, military power, economic and technology policies – are necessary in formulating and implementing an effective grand strategy to capitalize on national strengths and mitigate the threat to the regional status quo, this paper focuses on the military aspect of U.S. strategy, particularly the issues related to military bases in Japan.

## **The Regional Threat Environment**

### *Challenges from Three Strategic Fronts*

The Indo-Pacific region has experienced extraordinary geopolitical pressures over the past two decades because of the growing power and aggressiveness of the PRC. In addition, the Democratic People’s Republic of Korea’s (DPRK) offensive capabilities, particularly its development of ballistic missile and nuclear capabilities, pose a severe threat to the United States and its regional allies. Moreover, Russia has also been reasserting itself in the region through increased naval and air activities. Finally, there is growing security cooperation among all three revisionist states. This revisionist coalition has threatened to upend the regional status quo in what many have described as the most severe threat environment in eighty years.

Threat perception, argues political scientist Stephen Walt, is a function of four main factors: aggregate power, geographic proximity, offensive power, and aggressive intentions.<sup>ii</sup> Japan currently faces all four factors in abundance. According to the 2022 *National Security Strategy of Japan*,

Japan’s security environment is as severe and complex as it has ever been since the end of World War II...Historical changes in power balances [aggregate power], particularly in the Indo-Pacific region, are occurring...In the vicinity of Japan [geographic proximity], military buildups...are rapidly advancing [offensive power], coupled with mounting pressures by unilaterally changing the status quo by force [aggressive intentions].<sup>iii</sup>

Retired Japan Ground Self Defense Force (JGSDF) Lieutenant General Isobe Koichi argues that the threat may be even more severe because Japan is “challenged from three strategic fronts.” He contends that this is the first time Japan has experienced such a broad threat to its security since the Meiji era (1868-1912).<sup>iv</sup> Even so, the crisis in Ukraine has intensified this sense of threat. Professor Michishita Narushige, Executive Vice President of Japan’s National Graduate Institute for Policy Studies (GRIPS), argues that the Ukraine war significantly increased Japan’s threat perception because of the realization that “rational actors can make huge strategic mistakes and great powers can cause tremendous damage through war.”<sup>v</sup> Indeed, recently departed Prime Minister Kishida Fumio has frequently remarked that “Ukraine today may be East Asia tomorrow.”<sup>vi</sup>

Japanese citizens also perceive a growing threat. In a recent poll by the *Yomiuri Shimbun*, 84% of respondents “felt Japan’s national security is under threat.” Not surprisingly, the three countries Japanese perceived as posing the greatest threat were China (91%), Russia (88%), and North Korea (87%). Seventy-one percent favored Japan “strengthening its defense capabilities,” while only 26% opposed.<sup>vii</sup> Freelance writer Jio Kamata recently authored an article in the *Diplomat* entitled, “Is Japan Leaving Pacifism Behind?” In the article, he concludes that “the Japanese people are increasingly coming to the realization that they are living in an unsettled region and understand the need to step up their own safety.”<sup>viii</sup>

There is broad consensus in both Japan and the United States that the PRC seeks to dominate East Asia. Journalist Richard McGregor describes China’s “bedrock ambition” as one of “maximizing its collective economic, military, and political power so it could match the United States in Asia and eventually supplant it as the region’s dominant nation.”<sup>ix</sup> What stands in the way of this hegemonic ambition is the network of alliances and military bases that have defended the status quo throughout the postwar period. These alliances, and particularly the U.S. overseas bases that are a product of those alliances, pose a formidable challenge to the PRC’s regional ambitions. The U.S.-Japan alliance and the military bases in Japan stand at the very center of that challenge.

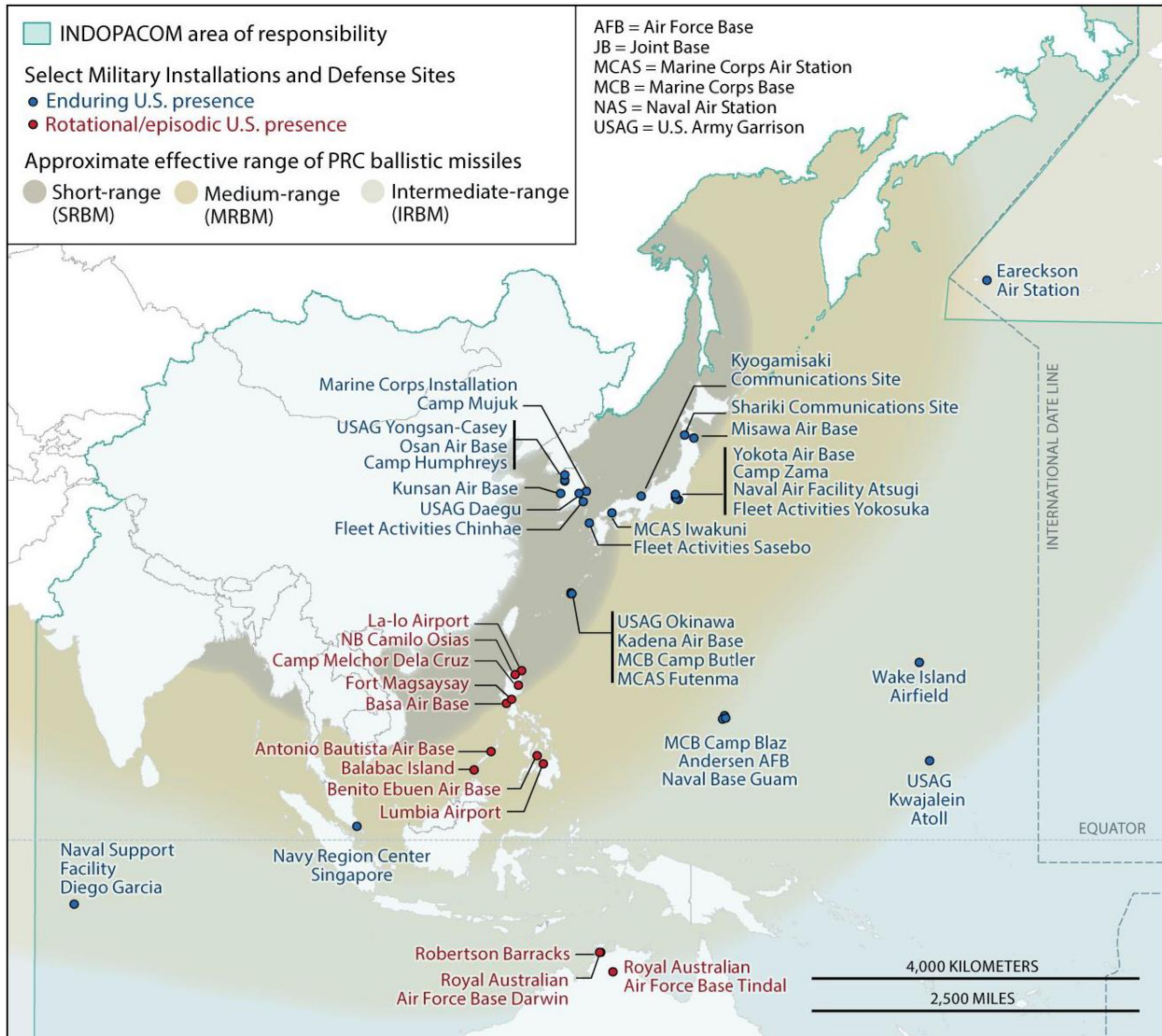
### *The Missile Threat*

By far the greatest threat to US and Japan Self Defense Force (JSDF) bases in Japan is that of missile attack. Retired US Marine Lieutenant General Wallace “Chip” Gregson notes that “Japan is well within the weapons engagement zone.”<sup>x</sup> As a 2023 Congressional Research Service (CRS) report shows, all the bases in Japan are within range of the PRC’s short, medium, and intermediate-range ballistic missiles (see Figure 1 below).<sup>xi</sup> According to Toshi Yoshihara, a former professor of strategy at the US Naval War College, “Chinese analysts see US dependence on a few locations for power projection as a major vulnerability...[therefore] the Chinese conceive their missile strategy to complicate American use of military bases along the Japanese archipelago.”<sup>xii</sup>

The United States’ forward defense strategy along the First Island Chain poses a proximity dilemma for U.S. forces. As the CRS report cited above points out, “locating military bases close to likely operational areas reduces the transit time and resources required for U.S. forces to conduct combat operations in those areas.” Yet their “proximity to the areas of a prospective contingency...entails proximity to adversary air and missile strike capabilities.”<sup>xiii</sup>

This vulnerability is doubly dangerous from a geographic perspective because of Japan’s lack of strategic depth. As senior defense analyst and former president of the Center for Strategic and Budgetary Assessments (CSBA) Andrew F. Krepinevich, Jr. argues, alliance forces are “at a severe disadvantage relative to China when it comes to strategic depth. [They are] not in a position to trade space for time...[and] must be prepared to defend forward.”<sup>xiv</sup> Simply put, there is nowhere to fall back without ceding control of the First Island Chain. Doing so would effectively neutralize the entire region. With its regional allies effectively neutralized, the United States would then be driven out of the region, thus allowing the PRC to achieve its grand ambition as the regional hegemon of East Asia.

Figure 1. Notional Ranges of PRC Ballistic Missiles and US Regional Defense Sites



(Source: U.S. Library of Congress)<sup>xv</sup>

### *Deterrence by Denial*

Although the regional balance of power has shifted in the PRC’s favor, as the revisionist power, the burden of escalation for any regional conflict rests with the PRC. Conversely, as status quo powers, the United States and Japan need only prevent the start of a regional war. The best strategy to counter the regional threat, therefore, is *deterrence by denial*.

Deterrence, according to political scientist John Mearsheimer, is “persuading an opponent not to initiate a specific action because the perceived benefits do not justify the estimated costs and risks.”<sup>xvi</sup> Political scientist Paul Huth further elaborates: “Deterrence is likely to succeed when the potential attacker believes that the probability of military success is relatively low and that the costs of using military force to achieve its objectives are high.”<sup>xvii</sup> The PRC, because it is initially focused on relatively narrow regional goals, such as subjugation of Taiwan rather than a

great power war, will most likely pursue a limited aims strategy. According to Mearsheimer, the key to success in pursuing this strategy “is the achievement of strategic surprise.” He argues, “success is predicated on the ability of the attacker both to achieve surprise and to overwhelm the defender’s forces that are at hand before the defender can mobilize his main forces.”<sup>xviii</sup> If successful, the PRC would therefore achieve a *fait accompli*. Once the PRC seizes control of Taiwan, the burden of escalation would then be on the status quo powers to reverse this gain at a cost and risk that they may be unwilling to accept. As part of a focused and sequential strategy, the PRC could repeat the process and dominate the rest of East Asia piece by piece as the credible deterrence of the anti-hegemonic coalitions collapses in the process.<sup>xix</sup> This scenario is exactly the one that the system of US overseas bases was intended to prevent.

U.S. forces deployed abroad in allied nations are often referred to as “forward deployed forces.” That is because U.S. strategy throughout the postwar period was to establish a forward defensive perimeter far from the nation’s shores along the rimlands of Eurasia to prevent any great power from achieving regional hegemony there.<sup>xx</sup> These forces occupy a forward defense position with sufficient tactical mobility to quickly respond to any threat. They constitute a proactive defense posture to prevent the recurrence of a major war rather than waiting to mobilize and respond once a war has already started. This strategy of forward defense proved effective in large part because the bases themselves were relatively secure from external attack. Unfortunately, this is no longer the case.

Today, these forces must also have the capability of surviving a major attack and still maintain a lethal offensive capability sufficient to contest any armed assault that could upend the status quo. Of even greater importance for deterrence, adversaries must also be convinced that the U.S.-Japan alliance has this capability. They must perceive the cost of aggression as being too great to bear given the anticipated gains. As Colby argues, “true success [for such a denial strategy] would be for China to see how things would likely unfold and never risk war in the first place.”<sup>xxi</sup>

To achieve this degree of survivability, the U.S.-Japan alliance must create a more resilient and robust base structure. The military base structure in Japan must be flexible and adaptable to rapidly shift forces as needed between geographically dispersed facilities that are capable of multi-platform operations. The forces themselves, both U.S. and JSDF, must be well-trained and interoperable to respond as a coherent and lethal fighting force. Unfortunately, efforts to realize these goals have been hindered by the lingering vestiges of a security bargain that was meant to address a far different strategic environment than that which faces the alliance today.

## **The U.S.-Japan Security Bargain**

### *The Security Bargain Defined*

The legal foundation of the U.S.-Japan security bargain is found in Articles V and VI of the 1960 Treaty of Mutual Cooperation and Security. Article V guarantees United States protection in case of external attack “in the territories under the administration of Japan,” while Article VI grants U.S. forces “the use by its land, air and naval forces of facilities and areas in Japan.”<sup>xxii</sup> This security bargain is the product of the Cold War security environment in East Asia. It served the strategic and economic interest of both nations during that era. The principal security interest of

the United States was the containment of communism and preventing regional hegemony of the Soviet Union in Asia. Japan, however, regarded domestic economic and political priorities as more important than regional security.<sup>xxiii</sup> Japan's goals were exemplified by the Yoshida Doctrine, a grand strategy that allowed Japan to focus on domestic economic development and political stability while the United States was given wide latitude to provide for the security of Japan and the greater region in a manner largely of its own choosing.<sup>xxiv</sup>

Throughout the Cold War, however, the United States constantly urged Japan to rearm and enhance its military capabilities so that it could contribute more to homeland defense. This would in turn allow U.S. forces sufficient latitude to project power abroad. Throughout most of the postwar period, U.S. forces and the JSDF operated under a "Sword and Shield" concept. The JSDF provided immediate defense of Japan and the bases, while U.S. forces used those bases as platforms for power projection to maintain regional peace and security consistent with its own strategic interests. Sheila Smith notes that "as the SDF became more capable of shielding Japan, the US military had greater latitude and concentrated its offensive capabilities across the region from bases in Japan and elsewhere."<sup>xxv</sup> Gregson and political scientist Jeffrey Hornung point out that "because North Korea (and, by extension, China) had no power projection capabilities beyond their immediate shores, Japan was a sanctuary for the United States [forces]...Collectively, unchallenged U.S. air and sea control in the region became the foundation for U.S. regional presence. This enabled the United States to project force when, where, and how it wished from its secure bases in Japan."<sup>xxvi</sup>

#### *Strengths and Weaknesses of the Bargain*

The security bargain was extraordinarily successful in maintaining regional peace. The stability provided by this arrangement enabled the longest period of economic growth and prosperity within East Asia in modern history. U.S. forces and the JSDF performed complimentary roles, missions, and capabilities outlined in the Guidelines for Japan-U.S. Defense Cooperation. The United States and Japan first established these bilateral defense guidelines in 1978 and occasionally revised them to adapt to the changing threat environment and as the capabilities of the JSDF improved.

Throughout this period, however, the JSDF was the junior partner in the relationship. While U.S. forces were trained, organized, and equipped for offensive power projection, the JSDF was trained, organized, and equipped for defensive operations. A deeply ingrained bureaucracy for alliance and defense management set in. Civilian bureaucrats seconded from non-defense ministries kept the JSDF on a tight leash. Meanwhile, the United States remained primarily concerned with maintaining its basing rights for the purpose of regional power projection. There was little sharing of missions or assets. Even though many of the U.S. bases on mainland Japan were joint use with the JSDF, the areas of the bases used by each remained sharply segregated.

Not much has changed since. As the CRS report cited above observes, "Despite considerable geopolitical, technological, and doctrinal change in recent years, much of DOD's basing posture remains, at least in part, the product of decisions made decades previously." The report goes on to argue that "this has led to a misalignment between regional defense infrastructure and the demands of the current and future threat environment."<sup>xxvii</sup> The problem is particularly acute in the areas of base defense. According to a 2015 RAND report authored by Alan J. Vick, "since the

end of the Cold War, U.S. dominance in conventional power projection has allowed U.S. air forces to operate from sanctuary, largely free from enemy attack. This led to a reduced emphasis on air base defense measures and the misperception that sanctuary was the normal state of affairs rather than an aberration.”<sup>xxxviii</sup> Gregson and Hornung, however, argue that “Japan is no longer the sanctuary for U.S. forces that it once was, and this has been true for several decades.”<sup>xxxix</sup>

### *Is the Security Bargain Obsolete?*

Throughout the Cold War era and in the decades after, the U.S.-Japan security bargain served as a conduit of U.S. power projection. It enabled the United States to maintain a defense perimeter far off its Pacific coastline and project power from afar. Japan provided military bases and a minimal defense posture to defend Japan itself, but it was too weak to compliment U.S. power. The United States alone possessed sufficient military power to maintain the regional status quo.

Today, because of the decline in U.S. power relative to revisionist states, notably the PRC, such an arrangement is untenable. Retired Japan Air Self Defense Force (JASDF) Lieutenant General Oue Sadamasa argues that “Japan must compliment U.S. security to compensate for this relative decline in power.”<sup>xxx</sup> Gregson contends that “the past ‘sword and shield’ concept is no longer appropriate. We need detailed, combined contingency planning with the Japanese, and we need an alliance command and control structure that enables us to fight as a combined force in direct defense of Japanese territory.”<sup>xxxi</sup> Professor Tokuchi Hideshi, president of Japan’s Research Institute for Peace and Security (RIPS), argues that “Japan must continue to expand its regional role so that the alliance relationship is more symmetrical, or the security relationship will be unstable.”<sup>xxxii</sup>

In other words, the security bargain struck between the United States and Japan over seventy years ago is now obsolete. The shift in the regional balance of power has made it so. Over the past two decades it has evolved, and continues to evolve, from a security bargain to a *security partnership* undergirded by a strong security consensus. U.S. forces and the JSDF must aggregate their military power into a fully interoperable force with sufficient power to deter and deny revisionist states from forcibly changing the status quo. Moreover, this security partnership must be imbedded in a new regional security architecture comprised of what the *U.S. Indo-Pacific Strategy* refers to as “a latticework of strong and mutually reinforcing coalitions.”<sup>xxxiii</sup>

This evolution of the security bargain into a security partnership must continue. As Abraham Denmark, former Deputy Assistant Secretary of Defense for East Asia, argues, “sustaining the old order is insufficient; [we] must find a way to...evolve that order to reflect geopolitical realities.” He further contends that the United States and its allies must transform this regional order “from one that is primarily based on American power to one in which the United States is the leader of a more distributed, networked force.”<sup>xxxiv</sup>

For the U.S.-Japan alliance, the full realization of such a transformation will depend on how well alliance managers can interpret the provisions of the Mutual Security Treaty and Status of Forces Agreement (SOFA), both written when the regional balance was far different, to better align with the strategic realities of today. As defense strategists Toshi Yoshihara and James R. Holmes argue, “Times change. Strategists must change with them or find themselves behind the times and risk coming to grief.”<sup>xxxv</sup>

## **Toward a More Resilient and Robust Base Structure in Japan**

Throughout the postwar period, the United States enjoyed naval and air supremacy over the waters and littoral regions of the Indo-Pacific. The system of US military bases in Japan and other allied nations served as “unsinkable aircraft carriers”<sup>xxxvi</sup> from which U.S. forces projected military power throughout the region. Because U.S. bases in Japan were safe from external attack, the JSDF assumed responsibility for their defense while US forces focused on power projection abroad. This arrangement was the core of the sword and shield concept described above.

Today, the situation has changed considerably. According to Colonel Paul Bartok, US Marine Liaison to the JGSDF,

During the early 2000s, the III MEF [3rd Marine Expeditionary Force stationed in Japan] was “focused outward” on regional exercises and the Global War on Terrorism. Back then, the Middle East was the major theater of operations. Because there was not a perception of a major threat to Japan, the Marine Corps focused in other areas. As a result, the people of Japan, and especially Okinawa, probably did not regard the U.S. bases as being there for their own defense, but instead to serve U.S. global security interests. With the changing security situation surrounding Japan and the shift of U.S. defense priorities to the Indo-Pacific, the Marine Corps has increased its efforts to work more closely with the JSDF for the defense of Japan and the First Island Chain area. This shift has resulted in a renewed importance of the bases in Japan.<sup>xxxvii</sup>

Indeed, the defense of Japan is now a major focus of recent U.S.-Japan security cooperation efforts to ensure a more resilient and robust base structure. These efforts are broadly categorized as: (1) base defense measures to improve resilience and survivability in case of attack; (2) distributed operations and greater dispersal of forces across both U.S. and Japanese bases; (3) shared use of U.S. and JSDF bases; and (4) dual use of civilian ports and airfields for military forces.

### *Base Defense*

To cope with the rapidly intensifying missile threat, the United States and Japan must invest in a more resilient base infrastructure so that their bases can withstand a major attack, rapidly recover, and continue to generate lethal combat power. Although there is broad consensus for the need to invest in base defense, it has not yet received sufficient focus as part of an integrated defense strategy. The sole exception is active defense measures, such as integrated air and missile defense (IAMD). Yet passive defense measures, such as hardened structures and postattack recovery, have received much less attention and funding. According to Stacie Pettyjohn, Director Defense Program at the Center for a New American Security (CNAS), “passive defenses offer an affordable and effective way to counter a range of threats to U.S. bases and forces, but they lack strong advocates in the services, Congress, and industry and thus tend to be overlooked in favor of active defenses.”<sup>xxxviii</sup>

Active defense receives by far the greatest focus from defense planners. From a capability



perspective, this is the ideal defensive measure because it intercepts and destroys enemy missiles and aircraft before they can strike friendly targets. Both U.S. forces and the JSDF have a very robust IAMD capability. Michishita claims that “Japan is the second most capable nation regarding missile defense.”<sup>xxxix</sup> Indeed, Japan has a multi-layered defense system with an upper tier of Aegis-equipped destroyers complimented by a lower tier of Patriot Advance Capability-3 (PAC-3) missile interceptors. These systems are integrated and coordinated by the Japan Aerospace Defense Ground Environment (JADGE).<sup>xl</sup> U.S. forces also have a robust missile defense capability in theater, yet these systems lack sufficient integration with Japanese systems.

But given the rapidly growing offensive capabilities of the revisionist powers, particularly the PRC, the alliance’s current IAMD capabilities may not be sufficient to counter a mass coordinated attack. As offensive missile systems become more advanced, the current IAMD capabilities will become even less effective in their ability to intercept and destroy them. Moreover, fielding enough active defense systems to completely neutralize the threat may be cost prohibitive. According to Pettyjohn, “surface-to-air missile defenses are expensive and relatively easy to defeat, and the United States cannot afford to field enough defenses to match China’s offensive arsenal. This places existing active missile defenses on the losing side of the cost-exchange ratio.”<sup>xli</sup>

A complimentary approach to base defense is to minimize the damage of a missile strike through hardening of mission critical infrastructure. Vick defines hardening as “efforts...to protect vital resources (e.g., aircraft, fuel, personnel, and command posts) from enemy attack by reducing the effective radius of attacking weapons.” For airbases, hardening is particularly important. It may include “protective structures for aircraft, buried and hardened fuel and munitions, underground command posts, and other measures to make airfield infrastructure more resistant to attack.” These efforts “view the air base as a system whose primary purpose is the generation of aircraft sorties.”<sup>xlii</sup>

Hardening was common during the Cold War to protect front-line bases against Soviet attack. Yet since the end of the Cold War, given the overwhelming dominance of the U.S. military, this practice has fallen out of favor with defense planners as costly and unnecessary. According to Oue, “JASDF constructed hardened aircraft shelters at Chitose, Misawa, and Komatsu air bases to protect F-15s from a potential Soviet attack.” JASDF suspended this program, however, after the Cold War. Oue claims that “a similar program now would be very difficult because of the types of advanced weapons currently in use that can penetrate and destroy these types of structures.” He concludes, “today, air bases cannot be sufficiently hardened to withstand such attacks.”<sup>xliii</sup> Moreover, as Tokuchi points out, “Japanese bases have a very small land footprint. This limits the ability to disperse and harden facilities.”<sup>xliv</sup>

Nevertheless, hardening can be selectively employed to protect or mitigate the damage to high value, critical assets. An interesting idea proposed by Michishita is to employ temporary blast barriers as needed to protect vital assets. Temporary barriers are more practical and potentially more cost effective than permanent constructed barriers.<sup>xlv</sup> Moreover, they can be erected much quicker than building hardened structures, which also have the vulnerability of being fixed and therefore more easily targeted. Some bases are focusing on utilities infrastructure, such as electrical power. Yokota Air Base has recently installed an independent power grid, or

“microgrid,” that would enable the entire base to operate in “island mode” in case the main power source is taken off-line by missile or cyber-attack.<sup>xlvi</sup> Patrick Rory Tibbals, Director of Japan Programs for the U.S. Air Force Life Cycle Management Center Networking Division, argues that network infrastructure is also a strategic asset that must be protected.<sup>xlvii</sup> The best way to do this is to upgrade the physical topology of base networks to a mesh topology that would provide redundant paths between critical distribution nodes. The base networks should also have physically redundant paths for long-haul communications between the bases and regional command centers. Critical facilities, such as data centers and network distribution nodes, should also have full redundancy in electrical power and environmental control systems.

As noted above, however, the hardening of facilities has not yet received the level of attention it deserves. On the U.S. side, this is largely due to how the military is funded. According to Pettyjohn, “the services prefer to fund their priority weapons, and [are reticent] to spend money on supporting infrastructure” for military bases.<sup>xlviii</sup> This is compounded by the expectation that base infrastructure investments should be funded by the Government of Japan (GOJ) as part of the Japan Facility Improvement Program (JFIP). Yet JFIP is a long and bureaucratically complex process where many projects compete for limited funds. Military Construction (MILCON) is also notoriously slow to deliver. Moreover, fiscal limitations on spending Operations and Maintenance (O&M) funding for base infrastructure projects significantly restrain the scope of those projects that installation commands can self-fund out of their own budget. Simply put, current bureaucratic processes and budgetary authorities sharply restrict what installation commanders can do to protect their bases to better cope with the current threat environment.

The final measure for base defense is postattack recovery. This was an all too frequent activity during World War II, when the U.S. Navy Seabees first gained their well-deserved fame by rapidly repairing heavily damaged airfields. Today, the U.S. Navy Mobile Construction Battalions (NMCB) remain active in practicing runway repair at air bases across the globe. In Japan, the U.S. Marines have two deployable Marine Wing Support Squadrons (MWSS) capable of rapid runway repair, one at Iwakuni Air Base and one at Camp Foster in Okinawa. The U.S. Air Force, however, has none. The closest deployed RED HORSE squadron, and the only one assigned to Pacific Air Forces, is in Guam. If the PRC were to launch an attack, then they would have their hands full there. Although the MWSS does have the capability to deploy to other airfields in Japan, both they and the NMCBs could be overwhelmed if the PRC attacks multiple airfields simultaneously. Moreover, rapid deployment of these units will be dependent on adequate airlift support. The current capacity for rapid repair of airfields is almost certainly inadequate, given the offensive missile capabilities of the PRC and the degree of damage that they could inflict on military air bases and civilian airfields across Japan.

Finally, but even more importantly, efforts to defend the bases should not be exclusive to those facilities alone. Otherwise, the alliance is neglecting one of the most essential purposes of its existence, which is to defend Japan itself. Gregson argues that “we need to protect civilian areas too,” not just the bases. “This needs to be about protecting *all* of Japan.”<sup>xlix</sup>

#### *Distributed Operations and Dispersal of Forces*

Because it is not possible to protect all the bases from attack, the best option to ensure the survivability of air, naval, and ground forces is to disperse them across multiple facilities. This

would significantly complicate the People's Liberation Army Rocket Force's (PLARF) attack planning. Instead of concentrating their missile attacks on a relatively few large and consolidated military bases while knowing what military units are stationed there, the PLARF would have to target multiple facilities without knowing what forces were located where and when. The force posture at each location would be constantly changing. Such a situation would create enormous uncertainty about the prospects for success and would therefore go far in deterring any such attack in the first place. As Colby points out, "the more resilient, dispersed, and survivable these... facilities are, the harder it is for China to ascertain how those forces and facilities would operate, the more targets it would need to attack and the more forcefully it would need to do so."<sup>1</sup> Vick argues that "dispersing aircraft across many bases... increases the number of airfields that adversary forces must monitor and can greatly complicate their targeting problem."<sup>li</sup>

Distributed operations and dispersal of forces enhances the survivability of those forces in case of attack. This is especially true for aviation units that have been traditionally dependent on large bases with complex and expensive support facilities that are highly vulnerable. Currently, JASDF's combat squadrons are stationed at seven main air bases, six on the mainland and one in Okinawa, while the U.S. military has combat squadrons hosted at four main air bases, two on the mainland and two on Okinawa. Two other U.S. military air bases primarily serve a logistical function. In total, however, Japan has fifty-one runways that are over 8,000 feet long, which is the U.S. Air Force standard for a fighter-capable airfield.<sup>lii</sup> There is, therefore, an extraordinary opportunity to disperse these air forces across a much greater number of airfields within Japan. In most cases, however, the GOJ will need to upgrade these airfields so that the appropriate support facilities are available to support the deployment of a wide variety of military aircraft.

The U.S. military has regularly deployed aviation units to other military airfields throughout Japan since 2007 as part of Aviation Training Relocation (ATR). This program is a bilateral training initiative to improve interoperability of U.S. forces and the JSDF while also more evenly distributing the aircraft noise burden that was previously concentrated at U.S. air bases.<sup>liii</sup> This program has resulted in improved infrastructure at some of the JASDF bases, thus establishing an important foundation that can be built upon for greater dispersal of air forces. Additionally, Japan's adoption of the F-35 may enable cross-service maintenance operations between JASDF, U.S. Air Force, U.S. Marine, and U.S. Navy F-35 squadrons.<sup>liiv</sup> There are five air bases in Japan that either can or will soon be able to provide full support to this complex aviation platform. The U.S.-Japan alliance must continue to focus on improving the capabilities of airfields in Japan to service the full spectrum of military aircraft in support of distributed operations. Yet funding, and the question of who funds what, will remain a significant challenge to achieving this goal.

One glaring problem in this effort is the Henoko Plan for the relocation of Futenma Air Base. As I have argued previously, the Futenma Replacement Facility (FRF) on the coast of Camp Schwab in Okinawa will be obsolete before it is finished.<sup>liv</sup> In fact, its design already makes it obsolete because its short runways severely limit the types of aircraft that can use the base. It cannot, therefore, support distributed operations, which should be the most crucial factor in the construction or upgrade of any military air facility. Moreover, the extraordinary cost of construction siphons away valuable funding that the GOJ could use to upgrade other more capable airfields, both military and commercial. Finally, when the FRF is completed (if it is ever completed), it will be much too late to affect the regional balance. This plan does, however, have

the effect of keeping Futenma open indefinitely, though at enormous political and financial cost.

Such sentiments are widely shared in private among military officials from both the United States and Japan. According to a retired general officer from the JSDF, “Henoko is too expensive and not beneficial for military use. It has been a thorn for the Japanese government. It is a waste of money. We can use that money more effectively, but bureaucrats and political leaders are not willing to reopen the Pandora’s box.”<sup>lvi</sup> In early November 2023, during a private press briefing in Okinawa, a senior U.S. officer commented on several deficiencies in the FRF’s design, specifically the short runways. It was his opinion that, because of these deficiencies, the U.S. military should keep Futenma open even if the FRF is eventually completed.<sup>lvii</sup>

Beyond the controversy over FRF, however, the ability to expand the scope of distributed operations and enable a greater dispersal of forces is dependent on greater sharing of military bases and dual use of civilian ports and airfields across all of Japan.

### *Shared Use of Bases*

As discussed above, Article VI of the Mutual Security Treaty grants to U.S. forces the use of facilities and areas throughout Japan. A separate executive agreement, Facilities and Areas and the Status of United States Armed Forces in Japan (SOFA), governs their use. Article II of the SOFA describes the specific types of use agreements for furnishment of these facilities and areas to US forces. They are:

- *Exclusive Use* under Article II 1(a), which grants U.S. forces full and exclusive use of facilities furnished by the GOJ. This is the type of agreement that governs most U.S. bases.
- *Joint Use* under Article II 4(a), which grants Japanese nationals (typically JSDF) joint use of facilities furnished to U.S. forces.
- *Limited Use* under Article II 4(b), which grants U.S. forces use of Japanese facilities. Although the original intent of this clause was to grant use of these facilities for “limited periods of time,” in practice many limited use agreements are granted indefinitely.<sup>lviii</sup>

Although most U.S. bases on mainland Japan are shared with JSDF units through various joint use agreements, almost all U.S. bases on Okinawa are exclusive use. The JSDF has limited facilities in Okinawa. Most of those are in urban areas in and around Naha Air Base. Although the JGSDF does occasionally train with U.S. forces on Camp Hansen in Okinawa, they are not stationed together and do not regularly work together. Because of the lack of shared bases, segregation between U.S. forces and the JSDF is greater on Okinawa than mainland Japan. According to Gregson, “Japanese ground forces on Okinawa feel that they are not allowed to access the training areas there.”<sup>lix</sup> As a result, there is a lack of coordination between U.S. forces and the JSDF in the area where the regional threat is most severe.

Lack of shared use is also a problem on the mainland, though for JSDF rather than U.S. bases. While the JSDF does share several of its bases for scheduled training events, there are no U.S. forces permanently stationed on those bases. U.S. forces are stationed on U.S. bases only. Outside of scheduled training or other precoordinated events, U.S. access is permitted only for emergencies. One senior U.S. officer called this emergency use only restriction a “cop-out.”<sup>lx</sup> In

contrast, according to the Ministry of Defense, “approximately 29% of the land area and 30 of the 76 facilities and areas” that comprise the U.S. bases in Japan are shared with the JSDF.<sup>lxi</sup>

Shared use of bases by U.S. and Japanese military forces enhances interoperability and allied force cohesion. Military forces that live, work, and train together are more capable than those that do all these things separately.<sup>lxii</sup> As Gregson argues, “Science [e.g., advanced weapons and tactics] is not enough, we need the understanding and trust that develops only through living, working, and training together daily, from the top of the chain of command [down to] the lowest level.”<sup>lxiii</sup> Colonel Paula Marshall, Deputy Commander of US Marine Corps Forces Japan, remarks that “expansion of shared use would enable more effective collective self-defense.”<sup>lxiv</sup>

Shared use also has tremendous benefits for relations with the local community. Gregson claims that “if we start combining our forces, that will resolve a lot of issues with local coordination . . . . The JSDF does a great job working with the local community. Japanese troops are stationed at their bases much longer and there are no barriers in culture and communication.”<sup>lxv</sup> Nakazato Kazuyuki, Director of the Okinawa Prefecture DC Office, agrees. He notes that “Okinawans have more understanding with the JSDF because they are Japanese [no language or cultural barriers].” Indeed, he even claims that “some OPG [Okinawa Prefectural Government] officials think that the relocation of JSDF from Camp Naha [to U.S. Marine camps on Okinawa] could be an option to discuss as a potential consolidation plan of bases on the island.” He further affirmed that joint use of Kadena Air Base with JASDF units from Naha Air Base “could be an option worth considering” because it would reduce air traffic congestion at Naha International Airport, which OPG argues should be a civilian facility. Nakazato was quick to point out, however, this does not necessarily reflect the official position of OPG. GOJ would have to first discuss this with OPG.<sup>lxvi</sup> It seems apparent, however, that there are significant opportunities to alleviate some of the contestation over military forces on Okinawa by implementing greater shared use of U.S. bases.

The topic of shared use received the most attention from the fourteen persons I interviewed for this paper, both American and Japanese. All agreed, for various reasons, that there should be much more shared use of bases than currently exists. Isobe argues that “we need more shared use of camps and bases. This is very important, especially on Okinawa. . . . For local communities, shared use is good. It would help with their understanding.”<sup>lxvii</sup> Oue is more specific in his recommendations: “Yokota and Kadena should be joint use for JASDF operational squadrons. Unfortunately, there has been little progress in realizing joint use, even though the strategic situation has changed so much. We need greater resiliency and a more robust sharing of bases. . . . The more dispersed bases we have, the more resilient we become.”<sup>lxviii</sup>

While the Japanese interviewees tended to focus on JSDF access to U.S. bases on Okinawa, the Americans often commented about U.S. forces access to JSDF bases on the mainland. Tibbals argues that “U.S. forces need more access to JSDF bases. The major U.S. bases on mainland Japan are a great example of shared use where the JSDF already has joint use in place.”<sup>lxix</sup> U.S. Navy Captain Daniel Fillion, Senior Defense Attache at the US Embassy in Tokyo, contends that shared use on mainland Japan “seems piecemeal.” He argues that “JSDF bases are not as open as we need. There are still several JSDF bases with very limited access to U.S. forces.”<sup>lxx</sup>

Although all the interviewees agreed on the importance of shared use, none of them could explain why this goal has been so elusive. The issue of reciprocity, however, was frequently mentioned. One senior U.S. officer claims that “alliance managers on the U.S. side would like to get something in return for sharing their bases on Okinawa. Reciprocity is key! If the JSDF has access to U.S. bases, then the U.S. forces need access to JSDF bases.”<sup>lxxxi</sup> A senior U.S. officer formerly assigned to U.S. Forces Japan disclosed that “we have been fighting something of a rear-guard battle to ensure we maintain exclusive control of enough space to ensure we have what we need in a contingency... we need much greater access to their [JSDF] facilities...Opening the door too widely, and too soon for them [JSDF] to come on our spaces decreases momentum to develop the new spaces” on JSDF facilities.”<sup>lxxxii</sup> While concerns for reciprocity are understandable and merited, these remarks also provide an important window into what is likely happening across the negotiating table and why achieving greater shared use has been so elusive.

It seems apparent that despite the openly acknowledged need for greater shared use of military bases, this mutually recognized goal breaks down during negotiations over the specifics. Because there is no overarching plan with specific milestones and timelines that is driven from above, working level officials are rudderless as they define their own specific goals as well as the timeline (if any) for achieving them. In a bureaucracy, it is much safer to proceed cautiously by emphasizing process and continuity than it is to go out on a limb and take risks to actually accomplish something. As Gregson points out, “past bureaucratic habits become doctrine, then dogma.”<sup>lxxxiii</sup> That is why leadership is so crucial. Unless decisions are made about shared use of specific facilities at the ministerial/ cabinet level with specific timelines for their achievement, then the bureaucracy will continue to do its thing and this paper will remain as relevant ten years from now as it is today.

U.S. forces and the JSDF must pursue greater cooperation in the administration of their bases so that shared use and daily joint operations are the norm rather than the exception. Alliance managers must regard all military bases in Japan as *joint alliance assets* that are used at will by both US and Japanese forces regardless of who administers those bases.

### *Dual Use of Civilian Facilities*

As a compliment to shared use of military facilities, both U.S. forces and the JSDF also need access to Japan’s robust complement of civilian ports and airfields. These facilities will be essential during a contingency for evacuation of civilian noncombatants, logistics (both military and humanitarian), and for the dispersal of forces. Colby argues that “any war effort against an opponent as powerful as China would have to use things that are dual use... Commercial airports may not serve primarily as military airfields, but they might need to be called into such service, especially if primary airbases are destroyed.”<sup>lxxxiv</sup> Oue argues that “there are not enough air bases to disperse air forces throughout Japan. We need to mitigate this by using civilian airports as the solution for dispersal of forces. This will require upgrading these facilities by extending runways, building additional aviation fuel storage facilities, taxiways, and other aviation facilities for military use.”<sup>lxxxv</sup>

Japan’s *National Security Strategy* and *National Defense Strategy* documents describe the need to create an inter-agency coordinating mechanism to “develop and enhance the functions of

public infrastructures such as airports and seaports” for use by the JSDF and Japan Coast Guard (JCG).<sup>lxxvi</sup> In November 2023, the GOJ identified fourteen civilian airports and twenty-four ports “for upgrades and utilization by the Self-Defense Forces for training and emergencies.” Twenty-eight of those facilities, including all the airports, are in Okinawa and Kyushu.<sup>lxxvii</sup> That same month, the JASDF conducted a military training exercise that simulated an attack on Japan. During this event, the JASDF used a civilian airport (Oita Airport) as part of a military exercise for the first time in its history.<sup>lxxviii</sup> In March 2024, the GOJ identified an additional five airports and eleven ports for use by the JSDF and JCG. About half of those were in Okinawa and Kyushu.<sup>lxxix</sup>

Most of those facilities, however, require significant upgrades to their infrastructure to make them suitable for military use. The *Asahi Shimbun* notes that “many of the islands in Okinawa Prefecture have short runways and shallow ports, hindering the accessibility of fighter jets, destroyers and patrol ships to them.”<sup>lxxx</sup> Current and former US and Japanese defense officials also note that these civilian facilities are not yet suitable for military use. Fillion points out that “large infrastructure projects are required, such as port dredging and runway improvements to improve the weight rating for heavy aircraft.” He adds that “we also need support for prepositioning of materiel.”<sup>lxxxii</sup> Isobe argues that “airports in the Sakishima Islands [on southernmost end of Okinawa Prefecture] are relatively good, but the seaports do not have sufficient capacity.”<sup>lxxxiii</sup>

Dual use, however, is the one defense initiative that requires the most coordination with local governments. Japan’s Port and Harbor Act (sometimes referred to as the “Port Law”) grants local governments the authority to manage port administration.<sup>lxxxiii</sup> Use of these facilities by military forces and improvements to their infrastructure require the consent of local governments who manage the civilian ports and airfields. When these facilities are used by U.S. forces, however, the issue can become even more contentious. Although Article V of the SOFA grants U.S. forces free use of ports and airfield for official purposes, this is an executive level agreement between the two national governments. This provision of the SOFA, therefore, is not necessarily binding on local governments. The legal prerogatives of local governments in administering these facilities in accordance with Japanese law must be respected when negotiating for their use.

Local governments can be persuaded to allow use of these facilities by military forces if they understand the compelling need and local benefits that will result. For example, upgrades to ports and airfields to improve the capacity for military use will also provide local benefits funded by the national government. This will create additional jobs and other economic benefits by increasing the overall capacity of these facilities. For example, although the OPG’s official request is that military use of civilian ports and airfields should be for “emergency use only,” Nakazato contends that such a request “is made in principle and there can be exceptions. OPG is concerned about the impact to tourism and local reactions to military use of these civilian facilities. If GOJ improves these facilities in a way that provides a benefit to the local community, then this may be an exception.”<sup>lxxxiv</sup> Isobe points out that “improvements to these civilian facilities will...benefit local people by improving the civilian infrastructure. Furthermore, they will be crucial for evacuation of civilians during a contingency.”<sup>lxxxv</sup> Local citizens and their elected representatives must believe that there is a local interest in supporting dual use. The GOJ must make these benefits apparent from both a national security and

economic perspective.

Yet for many local citizens, the possibility of military attack provokes deep concerns. While critics may claim that military use of these civilian facilities will increase the likelihood of enemy attack, Oue counterargues that “adversaries will target any facility that can be potentially used for military purposes, including civilian facilities, at their will.”<sup>lxxxvi</sup> The history of major wars in the past, and even lesser wars today, makes this fact clear. Transportation and logistics infrastructure of all types, civilian or military, invariably become major targets in war. Oue concludes, “to prevent attack, we must strengthen deterrence to prevent war.”<sup>lxxxvii</sup>

The debate over dual use clearly demonstrates that, as Japan and the United States implement efforts to bolster their forces and bases to deter a major regional conflict, Japanese public support and effective coordination at the local level will become more important than ever.

## **Public Support and Local Coordination**

### *Public Opinion and Defense Policy*

In any democracy, “a high degree of public support is the foundation of a successful foreign policy,” argue political scientists James A. Nathan and James K. Oliver. They contend that, “in the presence of a full debate on complex issues, [the people] are quite capable of forming and articulating informed judgements about their interests and the national interest.”<sup>lxxxviii</sup>

Unfortunately, Japan’s government and its politicians have, until recently, been largely ineffective at this task. Keio University professor Hosoya Yuichi observes that “there are few liberal democracies that have failed as badly as Japan in holding rational debates over security policy... There are also very few countries where public understanding of security is as limited as it is in Japan.”<sup>lxxxix</sup> This lack of strategic understanding among the Japanese public has long frustrated both U.S. and Japanese defense planners in their efforts to bolster deterrence.

Recently, however, this has been changing. The strategic culture of Japan’s state and society is slowly adapting in response to the increased regional threat.<sup>xc</sup> A clear majority of Japanese citizens now support bolstering Japan’s national defense capabilities.<sup>xc1</sup> Recent security reforms in defense policy, defense budgeting, defense exports, and weapons procurement manifest this change. As long-time Japan scholar Michael J. Green points out, “none of these reforms in Japan would have been possible without a transformation in the Japanese public’s view of their own military – which in turn resulted from the exogenous security pressures.”<sup>xc2</sup> Across Japan, this change in strategic culture is also manifesting itself through a more positive attitude towards the military bases generally. Yet the NIMBY phenomenon remains a powerful force that challenges the implementation of specific base-related measures.<sup>xc3</sup> This is why effective local coordination is essential to realizing many of the measures described above.

### *Local Coordination and Acceptance of Base Policies*

Local acceptance of foreign military bases in host nations is one of the most controversial, yet least understood aspects of base politics. Japan, a country that hosts one of the largest concentrations of U.S. forces, is certainly no exception. The process of coordination and gaining acceptance from local communities, who have their own interests and priorities, is often frustrating for alliance managers at the central government level. Indeed, there is sometimes a



tendency to minimize local controversies as “smaller issues” in comparison to the “big issues” of alliance strategy and high politics.<sup>xciv</sup> Yet if not effectively managed and tended to, these smaller issues can derail those bigger plans. Indeed, all the measures described above are in some way dependent on effective coordination with the local base-hosting communities who are most directly impacted by base policies and plans. This cannot be done without first understanding these issues from their perspective.

When confronted with a change in base policy, local base-hosting communities engage in a rational, cost-benefit deliberation about the interests of the community regarding the base.<sup>xcv</sup> Diverse interests within the community are aggregated through mass political movements, and most significantly, elections of local political elites with the legal power and authority to represent the interests of their community. Acting through their elected officials, local communities tend to cooperate with the base when most of its members perceive that the existence and operation of that base is an overall net benefit to the community despite any inherent burdens. Benefits of the base may include enhanced national security, disaster response, business opportunities, national subsidies, infrastructure projects, base jobs, cultural exchange, and other local public goods. Burdens may include the risk of military attack, excessive land use, pollution, crime, accidents, secrecy, cultural conflicts, and diminished sovereignty. The decision to either contest or cooperate with base policies is determined in part by how well basing agreements and their implementation align with the preferences of the local community. Ultimately, however, it is a function of *how local citizens perceive the base as either a net benefit or net burden on their community over time*. The perceived balance between benefits and burdens is, therefore, the decisive factor in local acceptance of military bases.<sup>xcvi</sup>

On the U.S. side, there is often a tendency to regard problems of local coordination and acceptance as solely a GOJ problem, that they are obligated by Article VI of the Mutual Security Treaty to provide bases for U.S. forces. How they meet their obligation is a problem for them to solve and not the United States.<sup>xcvii</sup> While this hands-off approach may be correct from a purely legalistic perspective, it is entirely wrong from a practical one. Local coordination, properly understood, is an issue for all sides to manage, not just the GOJ.

The problems of local coordination in Japan are most clearly manifest in the decades-long controversy over Okinawa bases. It is of course beyond the scope of this paper to discuss this issue in depth. Furthermore, there is already a vast amount of literature on this topic.<sup>xcviii</sup> Yet a few salient points are worth noting.

First, the dialogue between the GOJ and OPG is broken. The U.S. side is caught in between this broken dialogue, though base commanders do what they can to try and manage issues at the local level without causing added controversy. During my interview with officials from the OPG Washington DC Office, I got a clear sense that the GOJ has simply stopped talking to them unless they absolutely must.<sup>xcix</sup> Unfortunately, I was unable to interview any GOJ central level officials to get their side of the story, but if one side perceives that there is a problem with communication, then that is good enough evidence to show that it exists.

Second, OPG has contributed its share to the overall problem by making maximalist demands that cannot be satisfied. For example, its insistence that U.S. forces relocate V-22 Ospreys

outside the prefecture is a non-starter. Given the vital importance of the Osprey to the defense of the Southwest Islands, as well as regional disaster relief operations, it would be strategically irresponsible for either the GOJ or U.S. forces to agree to this demand. Yet, because of politically driven and questionable claims of the inherent danger of the Osprey,<sup>c</sup> the OPG has remained firm in its opposition to their continued deployment on Okinawa.

Third, although the OPG has professed its support for the U.S.-Japan alliance and even the continued presence of U.S. bases in Okinawa,<sup>ci</sup> unresolved base issues remain a serious political problem for the alliance. These cracks in the alliance provide the PRC with an excellent opportunity to engage in political warfare to further undermine the bilateral relationship. The PRC has sought to exploit these controversies to undermine the legitimacy of the Okinawa bases, the U.S.-Japan alliance, and even Japanese sovereignty over Okinawa itself.<sup>cii</sup> The Okinawa base controversy remains the greatest threat to alliance solidarity. Moreover, by complicating base defense measures described above, it undermines the alliance's overall deterrence strategy.

Yet after many years of seemingly fruitless efforts, actors on both sides appear to have given up on resolving these disputes. For anti-base activists in Okinawa, unresolved issues provide their movement with a continued sense of purpose. They have a clear incentive for disagreement. At the central level, there is perhaps hope that the people of Okinawa will see further resistance as futile, accept things as they are, and give up on any further opposition to base policies. Indeed, there are signs that the anti-base movement is losing steam. Moreover, the younger generation tends to be less opposed to the military burden than their elders. The sentiment of thirty-one-year-old Takaya Katayama is typical: "We don't particularly support or oppose the bases," he says. "In our daily lives, we just take it for granted that they exist."<sup>ciii</sup>

Nevertheless, simply hoping that the problem will go away through popular ambivalence is a precarious proposition. Public sentiment can rapidly shift because of a catalytic incident. Such an incident can in turn lead to a dramatic resurgence in mass protest over long-held but otherwise dormant grievances.<sup>civ</sup> Indeed, the long history of Okinawa base politics provides rich empirical evidence of this phenomenon, of which the 1995 gang rape of a twelve-year-old schoolgirl remains the most infamous and consequential.<sup>cv</sup> As in the past, well-established anti-base organizations supported by a sympathetic media would be all too eager to exploit such a crisis to further enflame tensions. In other words, Okinawa may be just one heinous crime or major accident away from popular upheaval, the effects of which upon the bases on Okinawa, and indeed the alliance itself, are unpredictable. To simply wish it all away, then, is a high-stakes gamble that will eventually result in policy failure.

So, given the challenges and given the stakes involved, what are alliance managers to do about the problems of local coordination in both Okinawa and the mainland in general?

First, the GOJ and OPG must restore their dialogue. They must repair their relationship and regain each other's trust. This situation is due in large part to the controversy over the Henoko Plan for Futenma relocation. Nakazato argues that "the Henoko Plan...makes it difficult to discuss other matters related to bases in Okinawa."<sup>cvi</sup> Therefore, instead of focusing on larger and more contentious issues, such as the Henoko Plan, they should first seek resolution of less contentious issues. Successful resolution of these smaller issues would serve as confidence

building measures to generate greater trust in the relationship. Small wins in the near term can generate a level of trust that enables bigger wins in the future. An incremental approach is therefore the path most feasible.

Second, local governments at both the prefectural and municipal levels should be consulted as early as possible when negotiating new base policies and adjustments to force posture that impact their communities. Both sides must understand what is within the zone of possible agreement and focus on what is achievable rather than standing firm on maximalist demands that the other side cannot accept. But, regardless, local governments must be included as part of the process from the outset. Otherwise, feeling left out and ignored, they may become veto players or spoilers that will act to derail implementation of any agreement that lacks their prior consultation or consent.<sup>cvii</sup> Fundamentally, local communities must be convinced as to how the new base policy or adjustment in force posture will benefit them rather than simply accepting a burden on behalf of the rest of the country. Consulting with local community leaders early in the process to find creative ways to incorporate local preferences into the agreement is the best way to make that happen.

Finally, but perhaps most importantly, while alliance management happens most visibly between high-ranking officials at the central level, it happens more frequently and with vastly more people at the local level. This is especially important for foreign military forces stationed in an allied country. To most Japanese citizens, American military servicemembers, civilians, and their families are the “face” of America and its alliance commitment to Japan.<sup>cviii</sup> Literally thousands of unseen and unreported daily interactions between base personnel and local Japanese citizens undergird this relationship. For most Japanese who live in a base community, these personal interactions and their experiences of living with the base are what have the greatest impact on their perceptions of the alliance. For them, it is much more than just a military relationship, but also an economic, cultural, and sometimes even a familial one. For local commanders, therefore, the bases must be more than just platforms to project military power. Community relations must be more than just a means to sustain the base presence. It must be about the relationship itself and the people within it. For if the relationship is not managed well at the local level, or if it is not managed at all, then there is little that can be done at the central level to overcome this deficiency.

## **Conclusion**

Today, the Indo-Pacific is the region of greatest geostrategic importance for U.S. grand strategy. The U.S.-Japan alliance is the “cornerstone of peace, prosperity, and freedom” of that region.<sup>cix</sup> Yet Japan remains in a vulnerable geographic location as a frontline state where the regional balance of power tilts heavily in the PRC’s favor. Indeed, this sense of strategic vulnerability has been, and remains, a central driver of Japan’s grand strategy. Because the distribution of military power would put Japan at a relative disadvantage if it were to balance alone, it must continue to ally itself with the United States, its only formal treaty ally, and also with other like-minded partners to defend the regional status quo. For the United States, the U.S.-Japan alliance is absolutely essential for its regional strategy. Both allies understand that the regional threat is more severe than at any time since the last great power war eighty years ago.

Yet the postwar security bargain between the United States and Japan can no longer effectively deter the regional threat. It is now obsolete. The United States and Japan must instead forge an equal security partnership by abandoning all remaining vestiges of the asymmetrical security relationship. The military bases in Japan – the fortresses of regional stability – must be robust, resilient, and capable platforms for power projection to deter the regional threat, or to defend against that threat if war comes.

The consolidation of U.S. forces on large military bases has created alluring targets for an initial knockout blow. This greatly diminishes their deterrent effect. As the ideal, all bases in Japan should be designated for shared use between U.S. forces and JSDF, enabling a greater dispersal of those forces and creating a more cohesive fighting coalition. This will greatly enhance the alliance's deterrent effect. Furthermore, the GOJ must upgrade the infrastructure of civilian ports and airfields throughout Japan to support military use on a regular basis, not just in case of a contingency. This will enable greater dispersion of forces and further enhance deterrence. Finally, these measures cannot be accomplished without effective local coordination and enhancing those local relationships that are so vital for both a sustainable basing presence and person-to-person bilateral relations between our two nations.

The purpose of all these measures is to create what former Secretary of Defense Ash Carter describes as a “more geographically distributed, operationally resilient, and politically sustainable” force posture.<sup>cx</sup> Indeed, a force posture that is better adapted to the regional threat environment will be more effective in preventing a major war by posing unacceptable costs and risks to revisionist actors seeking to challenge the status quo by force. The overarching goal is to achieve deterrence by denial in defense of the regional status quo. The U.S.-Japan alliance must take the necessary actions and make the necessary investments described above to achieve that goal.

## Endnotes

---

- <sup>i</sup> Elbridge A. Colby, *The Strategy of Denial: American Defense in an Age of Great Power Conflict* (New Haven, CT: Yale University Press, 2021), 240; see also Colby, 252-253.
- <sup>ii</sup> Stephen M. Walt, *The Origins of Alliances* (Ithica, NY: Cornell University Press, 1987), 22-26.
- <sup>iii</sup> *National Security Strategy of Japan* [Provisional Translation], December 2022, 2.
- <sup>iv</sup> Koichi Isobe, interview by the author, Tokyo, March 10, 2024.
- <sup>v</sup> Narushige Michishita, interview by the author, Tokyo, March 19, 2024.
- <sup>vi</sup> The White House, “Remarks by President Biden and Prime Minister Kishida Fumio of Japan in Joint Press Conference,” April 10, 2024, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2024/04/10/remarks-by-president-biden-and-prime-minister-kishida-fumio-of-japan-in-joint-press-conference/>.
- <sup>vii</sup> “84% of People Nationwide Say They Feel Japan’s National Security Is Under Threat,” *Yomiuri Shimbun*, April 8, 2024, <https://japannews.yomiuri.co.jp/politics/defense-security/20240408-179132/>.
- <sup>viii</sup> Jio Kamata, “Is Japan Leaving Pacifism Behind?” *The Diplomat*, March 28, 2024, <https://thediplomat.com/2024/03/is-japan-leaving-pacifism-behind/>.
- <sup>ix</sup> Richard McGregor, *Asia’s Reckoning: China, Japan, and the Fate of U.S. Power in the Pacific Century* (New York: Viking, 2017), 231.
- <sup>x</sup> Wallace “Chip” Gregson, interview by the author, Washington, DC, April 30, 2024.
- <sup>xi</sup> US Library of Congress, Congressional Research Service (CRS), *U.S. Defense Infrastructure in the Indo-Pacific: Background and Issues for Congress*, by Luke A. Nicasro, R47589 (2023), 20.
- <sup>xii</sup> Toshi Yoshihara, “Japanese Bases and Chinese Missiles,” in Carnes Lord and Andrew S. Erickson, eds., *Rebalancing U.S. Forces: Basing and Forward Presence in the Asia-Pacific*, 37-65 (Annapolis, MD: Naval Institute Press, 2014), 39.
- <sup>xiii</sup> CRS, *U.S. Defense Infrastructure in the Indo-Pacific*, 19.
- <sup>xiv</sup> Andrew F. Krepinevich, Jr., *Archipelagic Defense: The Japan-U.S. Alliance and Preserving Peace and Stability in the Western Pacific* (Tokyo: Sasakawa Peace Foundation, 2017), 49.
- <sup>xv</sup> US Library of Congress, Congressional Research Service (CRS), *U.S. Defense Infrastructure in the Indo-Pacific: Background and Issues for Congress*, by Luke A. Nicasro, R47589 (2023), 20.)
- <sup>xvi</sup> John J. Mearsheimer, *Conventional Deterrence* (Ithica, NY: Cornell University Press, 1983), 14.
- <sup>xvii</sup> Paul K. Huth, *Extended Deterrence and the Prevention of War* (New Have, CT: Yale University Press, 1988), 35.
- <sup>xviii</sup> Mearsheimer, *Conventional Deterrence*, 53.
- <sup>xix</sup> For an excellent discussion of the fait accompli as part of a focused and sequential strategy, and why this is the ideal strategy for China, see Colby, *Strategy of Denial*, 136-146.
- <sup>xx</sup> This strategic concept was first masterfully articulated in Nicholas J. Spykman, *America’s Strategy in World Politics: The United States and the Balance of Power* (New York: Harcourt, Brace and Company, 1942).
- <sup>xxi</sup> Colby, *Strategy of Denial*, 233.
- <sup>xxii</sup> Treaty of Mutual Cooperation and Security between Japan and the United States of America, January 19, 1960 (11 UST 1632, TIAS 4509).
- <sup>xxiii</sup> Thomas A. Drohan, *American-Japanese Security Agreements, Past and Present* (Jefferson, NC: McFarland & Company, 2007), 86.
- <sup>xxiv</sup> Kenneth B. Pyle, *Japan Rising: The Resurgence of Japanese Power and Purpose* (New York: PublicAffairs, 2007), 228-229.
- <sup>xxv</sup> Sheila A. Smith, *Japan Rearmed: The Politics of Military Power* (Cambridge, MA: Harvard University Press, 2019), 49.
- <sup>xxvi</sup> Wallace C. Gregson, Jr. and Jeffrey W. Hornung, commentary, “The United States Considers Reinforcing its ‘Pacific Sanctuary,’” *War on the Rocks*, April 12, 2021, <https://warontherocks.com/2021/04/the-united-states-considers-its-pacific-sanctuary/>.
- <sup>xxvii</sup> CRS, *U.S. Defense Infrastructure in the Indo-Pacific*, 18.
- <sup>xxviii</sup> Alan J. Vick, *Air Base Attacks and Defense Counters: Historical Lessons and Future Challenges* (Santa Monica, CA: RAND Corporation, 2015), xi.
- <sup>xxix</sup> Gregson and Hornung, “The United States Considers Reinforcing its ‘Pacific Sanctuary.’”

- 
- xxx Sadamasa Oue, interview by the author, Tokyo, March 22, 2024.
- xxxii Wallace “Chip” Gregson, email correspondence with the author, February 12, 2023.
- xxxiii Hideshi Tokuchi, interview by the author, Tokyo, March 22, 2024.
- xxxiiii The White House, “Indo-Pacific Strategy of the United States,” February 2022, 9.
- xxxv Abraham M. Denmark, *U.S. Strategy in the Asian Century: Empowering Allies and Partners* (New York: Columbia University Press, 2020), 92-94.
- xxxvi Toshi Yoshihara and James R. Holmes, *Red Star Over the Pacific: China’s Rise and the Challenge to U.S. Maritime Strategy*, 2<sup>nd</sup> ed. (Annapolis, MD: Naval Institute Press, 2018). 248.
- xxxvii Japanese Prime Minister Yasuhiro Nakasone first made this phrase famous in a 1983 *Washington Post* article. His exact comment was, “the whole Japanese archipelago or the Japanese islands should be like an unsinkable aircraft carrier putting up a tremendous bulwark of defense against infiltration of the [Soviet] Backfire bomber.” See “Because of Expansion [We Risk] Being Isolated,” *Washington Post*, January 19, 1983, ProQuest Historical Newspapers: The Washington Post.
- xxxviii Col. Paul T. Bartok (USMC), interview by the author, Tokyo, March 21, 2024.
- xxxix Stacie L. Pettyjohn, “Spiking the Problem: Developing a Resilient Posture in the Indo-Pacific with Passive Defenses,” *War on the Rocks*, commentary, January 10, 2022, <https://warontherocks.com/2022/01/spiking-the-problem-developing-a-resilient-posture-in-the-indo-pacific-with-passive-defenses/>.
- xl Narushige Michishita, interview by the author, Tokyo, March 19, 2024.
- xli Japan Ministry of Defense, *Defense of Japan 2023* (Tokyo: Ministry of Defense, 2023), 314-321; “Integrated Air and Missile Defense,” [https://www.mod.go.jp/en/d\\_architecture/missile\\_defense/index.html](https://www.mod.go.jp/en/d_architecture/missile_defense/index.html).
- xlii Pettyjohn, “Spiking the Problem.”
- xliii Vick, *Air Base Attacks and Defense Counters*, 43.
- xliv Sadamasa Oue, interview by the author, Tokyo, March 22, 2024.
- xlv Hideshi Tokuchi, interview by the author, Tokyo, March 22, 2024.
- xlvi Narushige Michishita, interview by the author, Tokyo, March 19, 2024.
- xlvii Ken Moriyasu, “U.S. bolsters Yokota Air Base defenses with microgrid,” *Nikkei Asia*, November 4, 2023, <https://asia.nikkei.com/Politics/International-relations/Indo-Pacific/U.S.-bolsters-Yokota-Air-Base-defenses-with-microgrid>.
- xlviii Patrick Rory Tibbals, interview by the author, Tokyo, March 26, 2024.
- xlix Pettyjohn, “Spiking the Problem.”
- l Wallace “Chip” Gregson, interview by the author, Washington, DC, April 30, 2024.
- <sup>1</sup> Colby, *Strategy of Denial*, 215.
- <sup>ii</sup> Vick, *Air Base Attacks and Defense Counters*, 54.
- <sup>iii</sup> Krepinevich, *Archipelagic Defense*, 82; Michael W. Pietrucha, “Making Places, Not Bases a Reality,” *Proceedings* 141, no. 10 (October 2016), <https://www.usni.org/magazines/proceedings/2015/october/making-places-not-bases-reality>.
- <sup>iiii</sup> *Defense of Japan 2023*, 393.
- <sup>lv</sup> Cross-service maintenance is the capability of one service providing aircraft maintenance support to another (e.g., JASDF maintainers servicing a US Marine aircraft, or vice versa).
- <sup>lvi</sup> Shawn D. Harding, “Futenma replacement base will be obsolete before it’s finished,” *Japan Times*, commentary, December 3, 2021, <https://www.japantimes.co.jp/opinion/2021/12/03/commentary/japan-commentary/new-futenma-base-obsolete/>.
- <sup>lvii</sup> Anonymous retired JSDF general officer, interview by the author, Tokyo, March 2024.
- <sup>lviii</sup> “‘Henoko could be completed by 2037 at earliest’ US military official also mentions plan changes,” *Mainichi Shimbun*, November 7, 2023 <https://mainichi.jp/articles/20231107/k00/00m/040/314000c>; “U.S. military official in Okinawa says ‘Militarily, Futenma is better,’ citing Henoko’s limitations,” *Asahi Shimbun*, November 8, 2023, <https://www.asahi.com/articles/ASRC77F67RC7UTIL01T.html>.
- <sup>lix</sup> Agreement under Article VI of the Treaty of Mutual Cooperation and Security between Japan and the United States of America, Regarding Facilities and Areas and the Status of United States Armed Forces in Japan of January 19, 1960 (11 UST 1652, TIAS 4510); US Forces Japan “United States Forces, Japan Real Estate,” USFJ Instruction 32-7, March 15, 2000.
- <sup>lxi</sup> Wallace “Chip” Gregson, email correspondence with the author, February 12, 2023.

- 
- <sup>lx</sup> Anonymous senior US officer, interview by the author, Tokyo, March 2024.
- <sup>lxi</sup> *Defense of Japan 2023*, 534.
- <sup>lxii</sup> I previously made this argument in an op-ed piece that briefly describes the history of this issue. See Shawn D. Harding, “On Okinawa, shared bases remain a chimera,” *Stars and Stripes*, opinion, February 9, 2023, <https://www.stripes.com/opinion/2023-02-09/shared-military-bases-okinawa-9090518.html>.
- <sup>lxiii</sup> Wallace “Chip” Gregson, email correspondence with the author, February 12, 2023.
- <sup>lxiv</sup> Paula Marshall, interview by the author, Tokyo, March 20, 2024.
- <sup>lxv</sup> Wallace “Chip” Gregson, interview by the author, Washington, DC, April 30, 2024.
- <sup>lxvi</sup> Kazuyuki Nakazato and Katsuya Tamaki, interview by the author, Washington, DC, April 25, 2024.
- <sup>lxvii</sup> Koichi Isobe, interview by the author, Tokyo, March 10, 2024.
- <sup>lxviii</sup> Sadamasa Oue, interview by the author, Tokyo, March 22, 2024.
- <sup>lxix</sup> Patrick Rory Tibbals, interview by the author, Tokyo, March 26, 2024.
- <sup>lxx</sup> Daniel Fillion, interview by the author, Tokyo, March 19, 2024.
- <sup>lxxi</sup> Anonymous senior US officer, interview by the author, Tokyo, March 2024.
- <sup>lxxii</sup> Anonymous senior US officer, correspondence with the author, December 3, 2022.
- <sup>lxxiii</sup> Wallace “Chip” Gregson, email correspondence with the author, February 12, 2023.
- <sup>lxxiv</sup> Colby, *Strategy of Denial*, 220.
- <sup>lxxv</sup> Sadamasa Oue, interview by the author, Tokyo, March 22, 2024.
- <sup>lxxvi</sup> *National Security Strategy of Japan* [Provisional Translation], December 2022, 27; Ministry of Defense, *National Defense Strategy* [Provisional Translation], December 16, 2022, 17.
- <sup>lxxvii</sup> “Japan identifies 38 airports, ports for SDF use after upgrades made,” *Asahi Shimbun*, November 27, 2023, <https://www.asahi.com/ajw/articles/15067912>.
- <sup>lxxviii</sup> “Joint exercise held by SDF for first time at civilian airport,” *Asahi Shimbun*, November 14, 2023, <https://www.asahi.com/ajw/articles/15056694>.
- <sup>lxxix</sup> “Japan eyes upgrade of 16 airports, ports for possible defense use,” *Kyodo News*, March 27, 2024, <https://english.kyodonews.net/news/2024/03/c085935cd6cc-japan-eyes-upgrade-of-16-airports-ports-for-possible-defense-use.html>.
- <sup>lxxx</sup> “Japan identifies 38 airports, ports for SDF use after upgrades made,” *Asahi Shimbun*.
- <sup>lxxxi</sup> Daniel Fillion, interview by the author, Tokyo, March 19, 2024.
- <sup>lxxxii</sup> Koichi Isobe, interview by the author, Tokyo, March 10, 2024.
- <sup>lxxxiii</sup> Purnendra Jain, *Japan’s Subnational Governments in International Affairs* (London: Routledge, 2005), 150.
- <sup>lxxxiv</sup> Kazuyuki Nakazato and Katsuya Tamaki, interview by the author, Washington, DC, April 25, 2024.
- <sup>lxxxv</sup> Koichi Isobe, interview by the author, Tokyo, March 10, 2024.
- <sup>lxxxvi</sup> Sadamasa Oue, interview by the author, Tokyo, March 22, 2024.
- <sup>lxxxvii</sup> Sadamasa Oue, interview by the author, Tokyo, March 22, 2024.
- <sup>lxxxviii</sup> James A. Nathan and James K. Oliver, *Foreign Policy Making and the American Political System*, 3<sup>rd</sup> ed. (Baltimore, MD: Johns Hopkins University Press, 1994), 252-253.
- <sup>lxxxix</sup> Yuichi Hosoya, *Security Politics in Japan: Legislation for a New Security Environment*, trans. Tara Cannon (Tokyo: Japan Publishing Industry Foundation for Culture, 2019), 35.
- <sup>xc</sup> I define strategic culture as a socially prevailing set of beliefs and ideologies concerning national security and the appropriate means of engagement within the international system to safeguard national interests.
- <sup>xci</sup> Shohei Sasagawa, “Survey: Support for bolstered national defense remains high,” *Asahi Shimbun*, May 8, 2023, <https://www.asahi.com/ajw/articles/14902677>.
- <sup>xcii</sup> Michael J. Green, *Line of Advantage: Japan’s Grand Strategy in the Era of Abe Shinzo* (New York: Columbia University Press, 2022), 206.
- <sup>xciii</sup> NIMBY (not in my back yard) is a widely regarded phenomenon characterized by local opposition to proposals for major infrastructure or facility developments within their own community, while at the same time not opposing these projects in other communities farther away.
- <sup>xciv</sup> For example, Richard Armitage “described [the controversy over] Futenma as a ‘smaller issue’ when compared with the ‘big issues’ that matter to all Japanese and many Americans.” See “Armitage: Futenma ‘Japan’s responsibility,’” *Japan Times*, April 17, 2013, <https://www.japantimes.co.jp/news/2013/04/17/national/armitage-futenma-japans-responsibility/>.

---

<sup>xcv</sup> Thanks to Matthew A. Kocher for his assistance in clarifying this point.

<sup>xcvi</sup> This paragraph draws heavily from my forthcoming doctoral thesis, “Realizing a Benefit, Not a Burden: Base Politics and the Transformation of Iwakuni Air Base” (DIA thesis, Johns Hopkins University – SAIS, forthcoming).

<sup>xcvii</sup> I have heard this comment often over the past decade and a half, both from alliance managers in person and through remarks made by senior officials to the media. For an excellent example, see “Armitage: Futenma ‘Japan’s responsibility,’” *Japan Times*, April 17, 2013.

<sup>xcviii</sup> For an objective analysis of Okinawa base politics, I recommend: Robert D. Eldridge, *Post-reversion Okinawa and US-Japan Relations: A Preliminary Survey of Local Politics and the Bases, 1972-2002* (Osaka: US-Japan Alliance Affairs Division, Center for International Security Studies and Policy, Osaka School of International Public Policy, Osaka University, 2004); Yoichi Funabashi, *Alliance Adrift* (New York: Council on Foreign Relations Press, 1999); William L. Brooks, *The Politics of the Futenma Base Issue in Okinawa: Relocation Negotiations in 1995-1997, 2005-2006*, Asia-Pacific Policy Papers Series No. 10 (Washington, DC: Edwin O. Reischauer Center for East Asian Studies, Johns Hopkins University – SAIS, 2010); William L. Brooks, *Cracks in the Alliance? Futenma Log: Base Relocation Negotiations 2009-2010*, Asia-Pacific Policy Papers Series No. 12 (Washington, DC: Edwin O. Reischauer Center for East Asian Studies, Johns Hopkins University – SAIS, 2011); and William L. Brooks, *Broken Dialogue: U.S. Base Issues in Okinawa*, Asia-Pacific Policy Papers Series (Washington, DC: Edwin O. Reischauer Center for East Asian Studies, Johns Hopkins University – SAIS, forthcoming). There exists an abundant amount of literature that is extremely critical of the US and Japanese governments. Unfortunately, much of it is written from an activist rather than a scholarly perspective. A good representative of this literature is Gavin McCormack and Satoko Oka Norimatsu, *Resistant Islands: Okinawa Confronts Japan and the United States* (Lanham, MD: Rowman and Littlefield, 2012).

<sup>xcix</sup> Kazuyuki Nakazato and Katsuya Tamaki, interview by the author, Washington, DC, April 25, 2024.

<sup>c</sup> Allegations of inherent safety issues with the Osprey have hounded this aircraft since its inception. In fact, most aviation experts argue that the Osprey is a safe aircraft in comparison with other combat aviation platforms. For an excellent factual analysis, see Jeff Davis, “V-22 Osprey: Does it deserve its controversial reputation?” Intergalactic Blog, Accessed April 20, 2024, <https://ig.space/commlink/v-22-osprey-does-it-deserve-its-controversial-reputation>. The best work describing the development of the Osprey and how it first acquired its notorious reputation is Richard Whittle, *The Dream Machine: The Untold History of the Notorious V-22 Osprey* (New York: Simon and Schuster, 2010).

<sup>ci</sup> Okinawa governor Denny Tamaki has stated officially, “I agree with Japan-U.S. security arrangements, and I am NOT asking all the U.S. military bases to be immediately closed and removed.” See Okinawa Prefectural Government Washington DC Office, “Message from the Governor,” <https://dc-office.org/message>.

<sup>cii</sup> Maria Slow, “Beijing stokes opposition to US bases in Japan’s Okinawa as it seeks to ‘win hearts and minds’ amid Taiwan tensions,” *South China Morning Post*, July 2, 2023, <https://www.scmp.com/week-asia/politics/article/3226123/china-stokes-opposition-us-bases-japans-okinawa-it-seeks-win-hearts-and-minds-amid-taiwan-tensions>; Bethany Allen-Ebrahimian, “China is winning online allies in Okinawa’s independence movement,” *Axios*, December 20, 2023, <https://www.axios.com/2023/12/20/rob-kajiwara-okinawa-japan-china-independence>.

<sup>ciii</sup> Anthony Kuhn, “Okinawa’s peace movement struggles as military presence on the islands grows,” *NPR All Things Considered*, April 9, 2024, <https://www.npr.org/2024/04/09/1243752613/okinawas-peace-movement-struggles-as-military-presence-on-the-islands-grows>.

<sup>civ</sup> Kent E. Calder, *Embattled Garrisons: Comparative Base Politics and American Globalism* (Princeton, NJ: Princeton University Press, 2007), 86-87.

<sup>cv</sup> As one scholar aptly describes this incident, “In its sheer brutality, symbolism, and social impact, it remains perhaps the single most politically damaging base-related crime ever perpetrated by American servicemen.” Alexander Cooley, *Base Politics: Democratic Change and the U.S. Military Overseas* (Ithaca, NY: Cornell University Press, 2008), 260.

<sup>cvi</sup> Kazuyuki Nakazato and Katsuya Tamaki, interview by the author, Washington, DC, April 25, 2024.

<sup>cvi</sup> The literature on international bargaining and negotiation is rich with empirical evidence of this phenomenon. See Karin Aggestam, “Prolonged Peace Negotiations: The Spoiler’s Game,” in Guy Oliver Faure, ed. *Unfinished Business: Why International Negotiations Fail*, 318-332 (Athens, GA: University of



---

Georgia Press, 2012); Anthony Wanis-St. John and Christophe Dupont, “Structural Dimensions of Failure in Negotiation” in Faure, 203-219.

<sup>civiii</sup> For an exceptional study on the importance of relationship building and public diplomacy between military members and the local community, see Michael A. Allen, Michael E. Flynn, Carla Martinez Machain, and Andrew Stravers, *Beyond the Wire: US Military Deployments and Host Country Public Opinion*, Bridging the Gap (New York: Oxford University Press, 2023). For an excellent historical study of the contributions of military family members toward local community relations, see Donna Alvah, *Unofficial Ambassadors: American Military Families Overseas and the Cold War* (New York: New York University Press, 2007).

<sup>cix</sup> US Forces Japan, “About USFJ,” <https://www.usfj.mil/About-USFJ/>.

<sup>cx</sup> Ash Carter, “The Rebalance and Asia-Pacific Security: Building a Principled Security Network,” *Foreign Affairs* 95, no. 6 (November/December 2016), <https://www.foreignaffairs.com/articles/united-states/2016-10-17/rebalance-and-asia-pacific-security>.

# Japan's New Defense Buildup Program: Impacts and Challenges on the Defense Industry

By Yuki Shimizu

## Introduction

Japan's defense policy has undergone significant changes in recent years, driven by an evolving security environment and the need to strengthen the country's defense capabilities. In December 2022, the Kishida administration released three key strategic documents signaling a major shift in Japan's defense policy and posture: the National Security Strategy (NSS), the National Defense Strategy (NDS), and the Defense Buildup Program (DBP). Central to this new direction is a significant increase in defense spending, with the goal of allocating 43.5 trillion yen (US\$318 billion) to defense between fiscal years 2023 and 2027. This represents a departure from Japan's long-standing practice of keeping defense expenditures around 1 percent of GDP. The DBP emphasizes the critical role that Japan's defense industry and technological base play in building and sustaining the country's defense capabilities. To bolster this foundation, the government enacted the "Defense Production Infrastructure Reinforcement Act" in October 2023. This legislation, combined with rising defense budgets over the past decade and the major spending increase planned through 2027, would seemingly herald a boom period for Japan's defense manufacturers.

However, the reality on the ground appears more challenging. Despite the promise of increased government outlays, many defense suppliers, particularly small and medium-sized enterprises, are not experiencing a surge in demand. In fact, a number of these firms are withdrawing from the defense business altogether. Structural issues such as low-profit margins, constrained human resources, and restrictions on arms exports continue to weigh on the industry. There are also concerns as to how much of the increased budget will flow to domestic producers versus overseas sources like the U.S. Foreign Military Sales (FMS) program.

This paper aims to examine the key issues facing Japan's defense industry as it attempts to meet the ambitious targets laid out in the government's new security strategy. It will analyze potential solutions raised by the government, such as procurement reforms and the loosening of export restrictions, that could put the industry on a more sustainable footing to support Japan's long-term defense needs. Furthermore, implications for the U.S.-Japan security alliance and the role of American defense firms in Japan's market will also be considered in assessing whether the Japanese defense industry can become competitive in the global market, given its challenges and opportunities.

## Overview of Japan's Defense Policy

### *Historical Context*

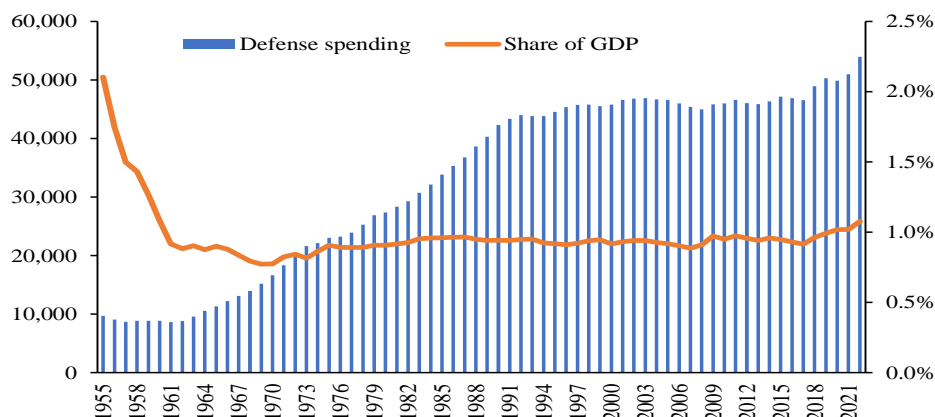
Since World War II, the question of how much defense capability Japan should possess has remained a matter of debate in relation to the Constitution. Article 9 of the Constitution of Japan stipulates the renunciation of war and prohibitions on maintaining armed forces. Based on this, there has been a long-standing debate over the nature of Japan's defense capabilities. In response, the government has maintained the view that the Self-Defense Forces, as "an organization of the minimum necessary force for self-defense," do not pose a constitutional problem.<sup>i</sup> Therefore, the debate has focused largely on the size of the defense force that is appropriate for Japan. The Defense White Paper published in 1977 stipulated a "Basic Defense Force Concept" for Japan

based on 1) efforts to establish a national consensus, 2) reflection on the current status of the Self-Defense Force, 3) consideration of internal conditions for defense force development, and 4) perspective on the international situation.<sup>ii</sup> The concept was designed to enable various functions necessary for defense and to ensure the military possesses a balanced posture in terms of organization and self-preservation, including rear support posture, and that it can assume adequate alert posture in peacetime and effectively respond to limited and small-scale invasion situations.<sup>iii</sup> Since this concept is based on the principle of exclusively defense-oriented policy (*Senshu Boei*), it envisions the purpose of Japan’s military power as “deterrence” and “defense,” implying that Japan should possess the minimum, necessary basic defense capability as an independent nation to prevent itself from becoming a power vacuum and a destabilizing factor in its region, rather than possessing sufficient power to directly counter military threats against Japan.<sup>iv</sup>

### 1 Percent GDP Cap

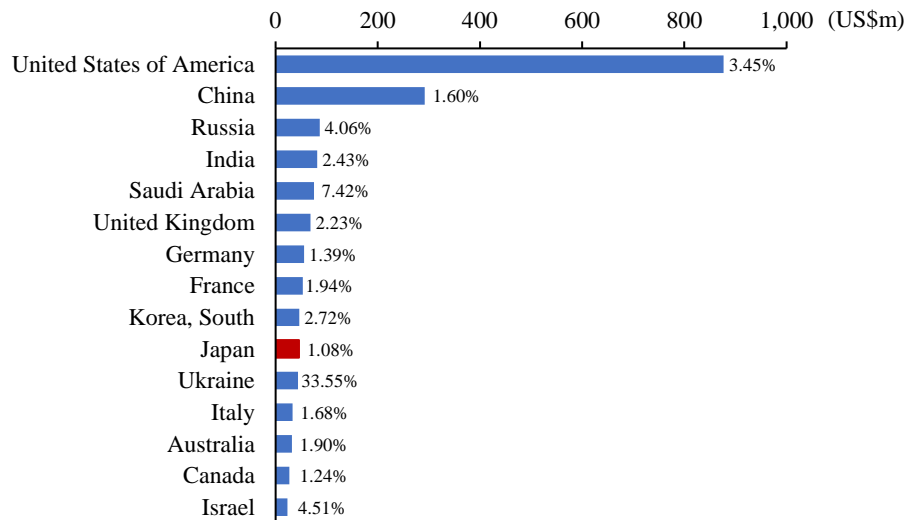
Japan’s military spending has been increasing historically since the 1960s, but as a share of GDP, it has remained around 1 percent (Figure 1). Japan’s defense spending as a percentage of GDP, at 1.07 percent as of 2022, is remarkably low among developed countries (Figure 2). In 1976, during the prime ministership of Miki Takeo, Japan’s Cabinet decided to limit defense spending to 1 percent of the country’s gross national product (GNP), which was later changed to gross domestic product (GDP)<sup>v</sup>. This decision was made in response to public sentiment against high military spending and to emphasize Japan’s commitment to peace and economic development. The 1 percent cap was seen as a way to balance the need for self-defense with the priorities of maintaining a pacifist constitution and focus on economic growth, though this quota no longer exist as a formal institutional restraint since it was removed by the Nakasone Cabinet in 1986.<sup>vi</sup> On top of this implicit rule, a stringent fiscal environment imposed a budget ceiling, which restrained spending increases. Additionally, for some time after the end of the Cold War, there was no need to significantly increase the defense budget because the security environment remained stable.<sup>vii</sup> Therefore, the goal stated in the NSS of 2022 to raise the defense budget to 2 percent of the current Gross Domestic Product (GDP) by FY2027 for the fundamental reinforcement of defense capabilities and complementary initiatives represents a significant departure from its long-standing convention.<sup>viii</sup>

Figure 1. Japan’s Historical Defense Spending



(Source: SIPRI Military Expenditure Database)

Figure 2. Defense Spending by Shares of GDP

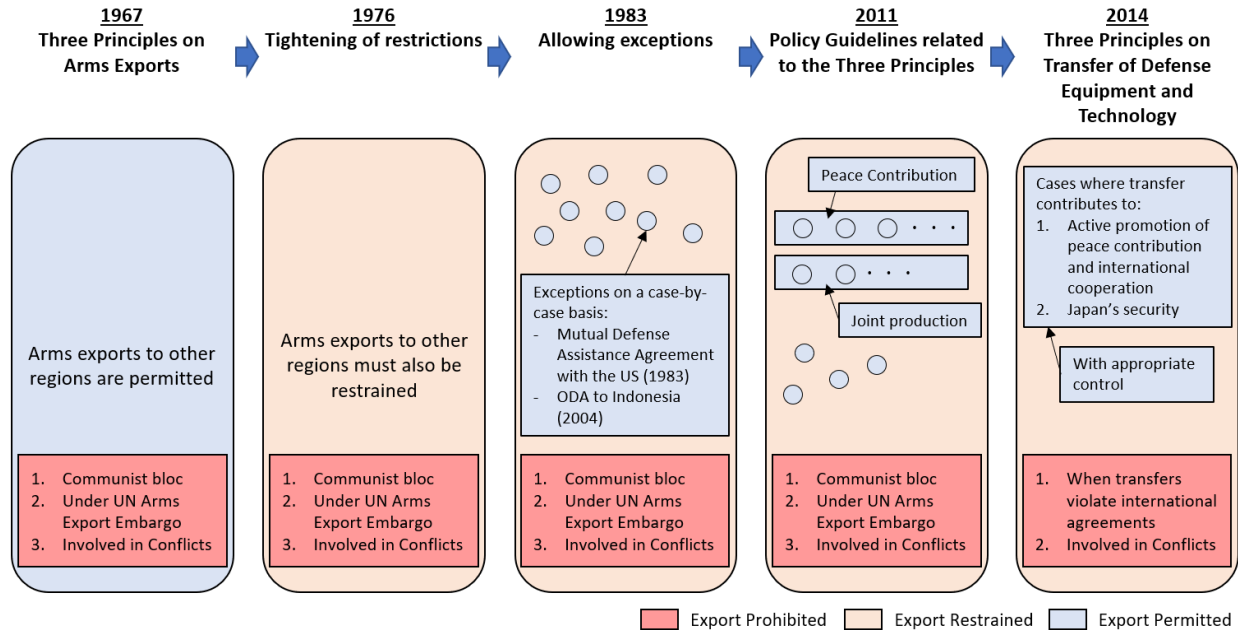


(Source: SIPRI Military Expenditure Database)

### *Arms Export Restrictions*

Japan has long banned most arms exports due to its pacifist constitution. The principles on arms exports were introduced in 1967 by the Sato Eisaku Cabinet as an operational policy for the Foreign Exchange and Foreign Trade Act. The original principle prohibited the export of weapons to communist bloc countries, countries subject to U.N. arms embargoes, and countries involved in or likely to be involved in international conflicts.<sup>ix</sup> Later, under the Miki Cabinet, the following provisions were added: (2) the export of “weapons” to regions out of the three categories shall be restrained, and (3) the export of equipment related to weapons manufacturing shall be treated in the same manner as “weapons.”<sup>x</sup> This expanded version is generally understood as the “Three Principles on Arms Exports and Their Related Policy Guidelines.” The updated principles meant that the Japanese government had no choice but to develop its own defense capabilities and that the Japanese defense market was dependent on the defense budget allocated by the government without access to advanced foreign defense technology.<sup>xi</sup> Recent steps have been taken towards lifting the ban amidst growing regional and global tensions. Under the Abe Shinzo administration in 2014, the government introduced the “Three Principles on Transfer of Defense Equipment and Technology” to replace the previous principles based on the NSS of 2013. The new principles allowed for the overseas transfer of defense equipment and technology under certain conditions (Figure 3).<sup>xii</sup>

Figure 3. History of Arms Export Controls



(Source: Cabinet Office)

Although the gradual easing of these rules and principles paved the way for overseas transfers and international joint development of defense equipment when deemed beneficial to Japan’s security, the outcomes have not yet met the initial expectations of the government and the defense industry. According to Matsukawa Rui, former LDP Parliamentary Secretary for Defense, since the defense industry’s only customer is currently the Ministry of Defense, production costs are high for low-volume production, and the production system is not designed for exporting products overseas. There are also adverse effects from the fact that the industry is subject to the same regulations as non-defense industries. It is difficult for companies to continue producing defense equipment in the current situation, where stable profits cannot be expected to continue.<sup>xiii</sup>

The environment surrounding Japan’s defense has significantly changed since the end of the Cold War. New threats, such as regional conflicts and the proliferation of weapons of mass destruction, have emerged. In the areas surrounding Japan, Japan is confronted with an increasingly complex security environment characterized by tensions with China, North Korea’s nuclear and missile programs, and territorial disputes in the East China Sea. On the other hand, due to the decline in the youth population, the recruitment environment for SDF personnel has become more and more challenging.<sup>xiv</sup> Additionally, with progress in science and technology, while the performance of equipment improved through high-tech advancements, the complexity of weapon systems and rise in prices were expected. These external and internal considerations led the government to review the state of Japan’s defense capabilities.

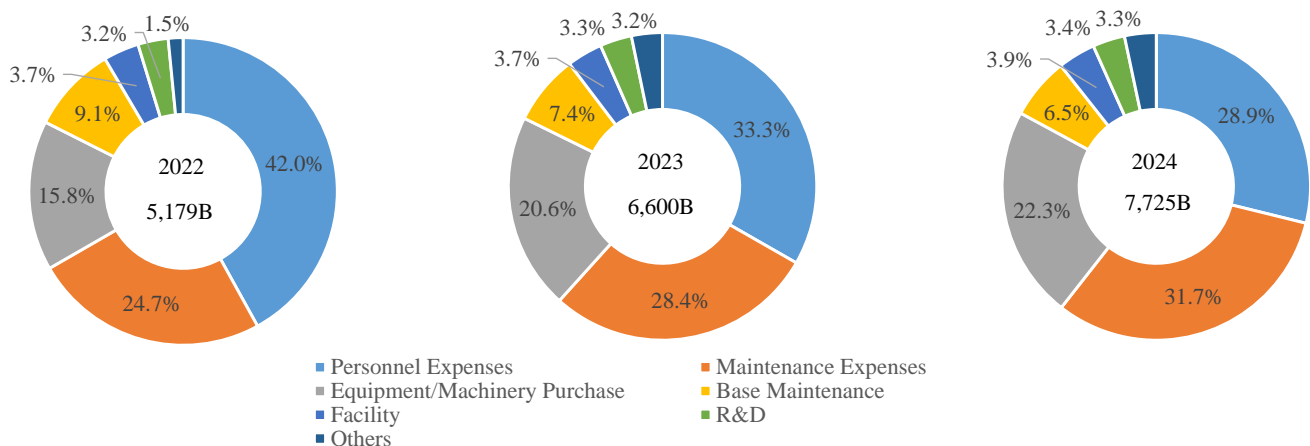
### New Defense Buildup Program

In December 2022, the Japanese government released the DBP, a comprehensive plan outlining the country’s strategy to significantly strengthen its defense capabilities over the next five to ten

years. The most crucial point in terms of budget in the DBP is the significant increase in defense spending over the next five years. Specifically, the plan aims to allocate about 43.5 trillion yen (US\$318 billion) for defense-related expenses from FY2023 to FY2027.<sup>xv</sup> In particular, the budget for fiscal year 2027 is expected to reach around 8.9 trillion yen (US\$65 billion), which is roughly 1.6 times the initial budget of about 5.4 trillion yen (US\$39 billion) in the fiscal year 2022.<sup>xvi</sup> The DBP outlines various areas for the acquisition and enhancement of equipment, such as bolstering stand-off defense capabilities, integrated air and missile defense capabilities, and expanding the use of unmanned assets, stating that adequate budget backing is crucial to ensure the steady implementation of these measures.<sup>xvii</sup> To secure the increased defense budget, the government enacted the Law for Securing Financial Resources for Defense in June 2023. The main pillar of the law is the establishment of a “Defense Reinforcement Fund,” in which non-tax revenues, such as proceeds from the sale of assets owned by the government and transfers from special accounts, are accumulated and used over multiple fiscal years.<sup>xviii</sup> In the following month, Watanabe Kotoku, a budget examiner for the Ministry of Defense, noted that the government intends to ask the public for tax hikes, including corporate income tax, income tax, and cigarette tax, to secure the financial resources that are still lacking after transferring non-tax revenues to the Defense Reinforcement Fund.<sup>xix</sup> Due to inflation and various economic factors, there was strong opposition to these potential tax measures. Therefore, the FY2023 ruling party tax policy outline only stated that the implementation of the defense tax hike would be “over multiple years toward FY2027” and “at an appropriate time after 2024,” avoiding the specific time of the implementation of the defense tax hike.<sup>xx</sup>

According to the Ministry of Defense, the planned budgets for FY2023 and FY2024, following the release of the new DBP, have provide larger allocations for acquisitions and maintenance of the equipment than for personnel expenses, compared with the budget for FY2022 (Figure 4).<sup>xxi</sup> However, the majority of the material expenses are allocated to a “carried-over” fund, which includes payments for the acquisitions and spending from the previous years (Table 1).<sup>xxii</sup> An officer from the Air Self-Defense Force noted that, therefore, there are more dormitories and other buildings being renovated, but the equipment does not seem to be updated. He expected that it would take several years before the impact of the budget increase became visible in terms of the new equipment and facility.

Figure 4. Defense Budget: Usage Breakdown



(Source: Ministry of Defense)

Table 1. Defense Budget: Expenditure Breakdown

(In billion yen)						
	FY2022		FY2023		FY2024	
		% YoY		% YoY		% YoY
Defense-related Expenses	5,179	1.1%	6,600	27.4%	7,725	17.0%
Personnel & Food Expenses	2,174	-0.8%	2,197	1.1%	2,229	1.5%
Material Expenses	3,005	2.5%	4,403	46.5%	5,496	24.8%
Carried-over Expenses	1,965	1.4%	2,518	28.1%	3,793	50.6%
General Material Expenses	1,040	4.6%	1,885	81.3%	1,703	-9.6%

(Source: Ministry of Defense)

## Ministry of Defense Contractors

### Major Players and Products

Japan's defense industry is dominated by a handful of large, diversified corporations. The major players include Mitsubishi Heavy Industries, Kawasaki Heavy Industries, Mitsubishi Electric, NEC, and Fujitsu (Table 2).<sup>xxiii</sup> These companies produce a range of equipment for Japan's Self-Defense Forces, including aircraft, missiles, ships, submarines, radar systems, and electronic components. The domestic defense market (central procurement results) has generally remained at a level of 1.6 to 1.8 trillion yen in recent years. In FY2022, domestic procurement amounted to approximately 1.8 trillion yen (around \$13.5 billion), with the shares going to projects for the Air Self-Defense Force (620.7 billion yen, approximately \$4.7 billion), Maritime Self-Defense Force (633.0 billion yen, approximately \$4.8 billion), and the Ground Self-Defense Force (311.5 billion yen, approximately \$2.3 billion).<sup>xxiv</sup> A key strength of these contractors is their advanced technological capabilities, honed through decades of supplying Japan's defense needs. However, they also face challenges, such as limited economies of scale due to Japan's relatively small defense budget, restrictions on arms exports that constrain their ability to access foreign markets, and growing competition for engineering talent with Japan's civilian high-tech industries.<sup>xxv</sup>

Table 2. Japan's Top Defense Contractors

Rank	Company	No. of Items	Value (¥b)	Value (\$m)	Share	Key Items Procured	Past 5 year rankings				
							2022	2021	2020	2019	2018
1	Mitsubishi Heavy Industries	157	459	2,968	25.5%	Frigate (3900T), Submarine (8132), Next generation fighter jet	1	1	1	1	1
2	Kawasaki Heavy Industries	99	207	1,339	11.5%	P-1 patrol aircraft, C-2 transport aircraft, Stand-off electronic warfare	2	2	2	3	2
3	Mitsubishi Electric	96	97	627	5.4%	Medium-range surface-to-air guided missile, Modified sensor mast, Multi-function radar	4	4	5	4	4
4	NEC	166	90	582	5.0%	Automatic warning and control system, Ministry of Defense OA system infrastructure, Field communication system	3	3	4	2	3
5	Fujitsu	141	76	492	4.2%	Defense information and communication infrastructure, Communication and electronic equipment, Integrated IP transmission system	5	5	3	5	5

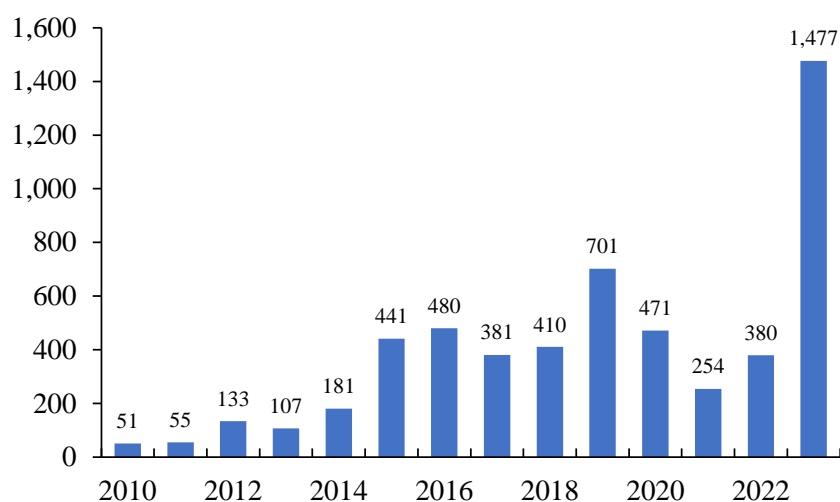
(Source: Ministry of Defense)

## Challenges for Japanese Defense Manufacturing Firms

### *Increased Licensed Production and Imports through FMS*

In Japan's defense industry policy, based on the "Basic Policy on the Production and Development of Equipment" (domestic production policy) formulated in 1970, an import substitution policy has been pursued that aims to domesticate defense equipment previously imported from the United States and other countries through licensed production and domestic research and development.<sup>xxvi</sup> As a result, an industrial foundation has been established that enables the domestic manufacture of a wide variety of defense equipment required by the Self-Defense Forces, primarily aircraft, vessels, and land equipment. Recently, however, the imports of finished products through the U.S. foreign military sales (FMS) program have been replacing the licensed production.<sup>xxvii</sup> The FMS provides equipment to allied countries and other countries for a fee as part of the U.S. security policy under the U.S. Arms Export Control Act and other laws.<sup>xxviii</sup> Due to an increasing level of sophistication required within defense equipment, coupled with the expanding development costs in the developer countries, it has become challenging to approve technology transfers through licensing.<sup>xxix</sup> For example, the United States does not permit its licensed production of the F-35A, and Mitsubishi Heavy Industries in Japan only conducts the final assembly and inspection (FACO).<sup>xxx</sup> Additionally, financial constraints in Japan are also expected to make it difficult to opt for costly licensed productions or domestic developments. The procurement amount through the FMS has significantly increased in FY2023 (Figure 5), but some experts argue that Japan should not be too dependent on the FMS. An employee from the Mitsubishi Corporation, who has worked in the arms trading department, pointed out the risks of relying on the FMS to import finished products – most of the software installed in the equipment is not the latest version available, and the Self-Defense Force has to send the weapon back to the United States whenever they have an issue or need an upgrade because Japanese manufacturers do not have skills to fix them. On the other hand, top American defense companies are looking to increase their exposure to Japan. A former officer from the Ministry of Defense mentioned that some defense contractors have recently opened or expanded their offices in Japan, anticipating strengthening their partnerships with the Ministry of Defense and local contractors to generate significant new revenue from Japan's defense budget allocations.

Figure 5. Budgeted Amount for Acquisition of Equipment through FMS



(Source: Ministry of Defense)



### *Withdrawal due to Low Profitability*

While American defense contractors, such as Lockheed Martin, RTX Corporation, and Northrop Grumman, count the U.S. government as the source of most of their sales, defense equipment accounts for only a small percentage of Japanese defense contractors' sales (Table 3).<sup>xxxii</sup> This is because the Ministry of Defense has remained the only entity legally allowed to purchase their equipment, as per the Three Principles on Arms Exports, which closed the path to overseas exports. In addition, due to the sophistication and increasing complexity of equipment, the unit procurement cost and maintenance expenses for defense equipment have increased even as procurement quantities are decreasing (Figure 6).<sup>xxxii</sup> The prices have also been pushed up by rising material costs and the depreciation of the yen. For example, the Type 10 tank, contracted in 2017, costs 3.28 times more than the Type 74, contracted in 1989.<sup>xxxiii</sup> Despite the high development costs, the procurement scale for individual products has not expanded; as a result, there have, to date, been no Japanese contractors that specialize exclusively in defense.<sup>xxxiv</sup>

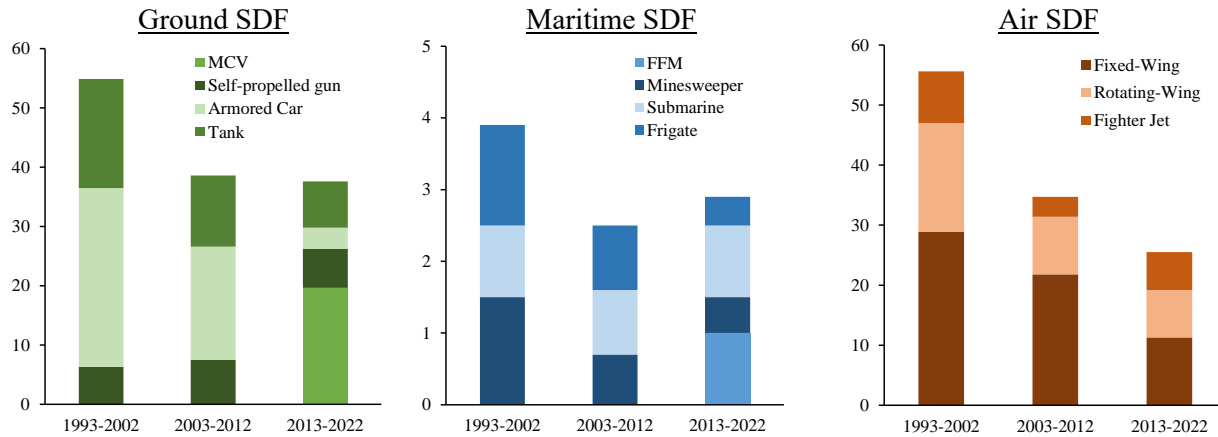
According to the data from the Ministry of Defense, while some relatively small companies have a defense demand dependency ratio of more than 50 percent, the defense demand dependency ratio of defense equipment production companies is about 4 percent.<sup>xxxv</sup> Therefore, some companies withdrew from contracting with the Ministry of Defense. Recently, in 2021, Sumitomo Heavy Industries withdrew from the production of machine guns for the Self-Defense Forces.<sup>xxxvi</sup> The company cites difficulties in maintaining production facilities and training engineers, as it is unlikely to see an expansion in sales revenue.<sup>xxxvii</sup> Even in late 2022, Shimadzu Corporation, who had been manufacturing parts for the Japan Air Self-Defense Force, concluded that it could not expect profits commensurate with the development costs, and that the company would forgo new capital investments and withdraw from the business after finding a transferee for the operation.<sup>xxxviii</sup> The Ministry of Defense is essentially their only customer, and, yet, there are numerous small-scale manufacturers competing for contracts. This has led to a situation where orders are placed in small quantities at high prices in order to maintain each manufacturer. As a result, a vicious cycle has emerged: the high prices lead to a reduction in procurement numbers by the Ministry of Defense, which in turn makes it even more difficult for these manufacturers to maintain their operations and invest in new technologies or talent. This is a structural issue within the Japanese defense industry, particularly for niche sectors like small arms. Without a larger customer base or more consolidated industry, it may be challenging for these manufacturers to achieve economies of scale, maintain competitiveness, and drive innovation. Moreover, from the Ministry of Defense's perspective, this series of withdrawals may pose a threat to the supply chain of Japan's defense industry.

Table 3. Top Arms-Producing and Military Services Companies, 2022

Rank	Company	Country	Arms Revenue	Total Revenue	Arms Revenue as a % of total revenue
1	Lockheed Martin Corp.	United States	59,390	65,984	90.0%
2	Raytheon Technologies	United States	39,570	67,074	59.0%
3	Northrop Grumman Corp.	United States	32,300	36,602	88.2%
4	Boeing	United States	29,300	66,608	44.0%
5	General Dynamics Corp.	United States	28,320	39,407	71.9%
6	BAE Systems	United Kingdom	26,900	27,712	97.1%
7	NORINCO	China	22,060	82,537	26.7%
8	AVIC	China	20,620	82,499	25.0%
9	CASC	China	19,560	44,458	44.0%
10	Rostec	Russia	16,810	30,295	55.5%
⋮					
43	Mitsubishi Heavy Industries	Japan	3,250	32,000	10.2%
65	Kawasaki Heavy Industries	Japan	1,830	13,139	13.9%
80	Fujitsu	Japan	1,270	28,277	4.5%
99	IHI Corp.	Japan	790	10,302	7.7%

(Source: SIPRI Military Expenditure Database)

Figure 6. Self-Defense Force Procurement Amount



(Source: Ministry of Defense)

### Resource Constraints

The companies mentioned above cited low profitability margins, export curbs, and lack of resources as their reasons for pulling out of the defense industry. Japan's defense manufacturing industry is facing a significant shortage of workers due to the country's aging population and strict restrictions on foreign workers. As Japan's population continues to age, with the working population steady at 59.4 percent of the total population, the lowest on record, the pool of available skilled workers in the defense sector is shrinking.<sup>xxxix</sup> This is particularly challenging for the industry, as many experienced engineers and technicians are reaching retirement age, and there are not enough younger workers to replace them. As the government laid out a policy of increasing defense spending, defense contractor companies are expanding their workforce and capital investments in the field by recruiting experienced workers from other companies and transferring their employees from other divisions.<sup>xl</sup> To address the decline in the working-age population due to the aging society, the Japanese government has introduced the Specified Skills Worker Program in sectors such as agriculture, fishing, construction, manufacturing, and nursing care. The program's objective is to allow foreign workers to acquire skills and knowledge through a certain period of technical training and then contribute to the development of their home countries by utilizing those skills upon their return.<sup>xli</sup> On the other hand, the defense industry deals with sensitive technologies related to national security, and, therefore, strict restrictions are in place regarding employment. An employee from Mitsubishi Corporation mentioned that employees working in the arms trading department, including himself, have to go through background checks. Therefore, it is highly likely that foreign nationals will generally not be allowed to work in defense-related companies since companies and the government want to prevent the leakage of defense equipment and related technologies. Consequently, the defense industry is not included in the list of industries covered by the Specified Skilled Worker Program, and this restriction further worsens the labor shortage in defense manufacturing.

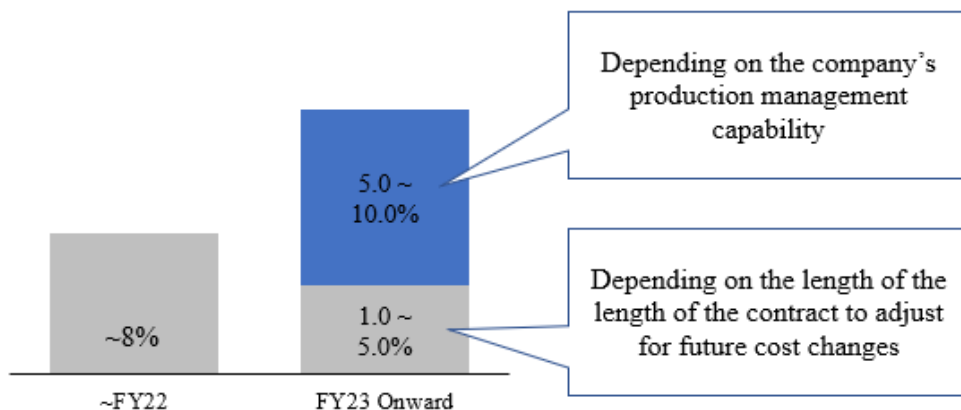
On top of the human resources issue, there is concern that the significant increase in the defense budget will not have an immediate impact on the capacity and production of the defense contractors. An officer from the Maritime Self-Defense Force said that, although Japan is the third leading shipbuilder in the world, accounting for about 20 percent of the global share, that is not the case for defense vessels. Although the FY2024 budget for the Maritime Self-Defense Force increased by 17.2 percent from the previous fiscal year, the schedule for the docks used by the Maritime Self-Defense Force for construction and repairs is already fully booked for the next approximately five years.<sup>xlii</sup> Therefore, it is uncertain that the contractors have the additional capacity to let the Maritime Self-Defense Force occupy their docks and ports. He also described an additional issue with Japanese defense shipbuilding—each shipbuilding company possesses its own highly specialized technologies, thus, it is common for companies that win government contracts through competitive bidding to lack the technical capability to build the specific kind of vessel that the government requests.

### Potential Mitigants

#### *New Procurement Practice*

In October 2023, the Ministry of Defense released the “Basic Policy on Strengthening the Foundations for the Development and Production of Defense Equipment,” stating that the government would establish an environment that enables businesses to engage in and sustain their involvement in defense projects.<sup>xliii</sup> It also presented how the profit rate would be applied to the calculation of estimated prices for contracts from FY2023 onward. To establish a means of evaluating corporations’ efforts towards maintaining and strengthening Japan’s defense production and technological base, one prospect is to develop a pricing system that reflects cost reduction activities and other corporate efforts, as well as risks associated with the contract fulfillment period, in the contract price. By considering the company’s production management capabilities, whose evaluation is based on QCD (Quality, Cost, Delivery) parameters and the cost fluctuation adjustment rate, it is possible to create a pricing mechanism that allows for the acquisition of a maximum operating profit rate of 15 percent (Figure 7).<sup>xliv</sup> According to Mizuho Securities, the profit margin for defense-related businesses is expected to be around 5 percent, and these measures could potentially increase the operating profit margin of defense-related businesses by around 9 percent.<sup>xlv</sup>

Figure 7. Change in Profit Margin Assigned to Estimated Price



(Source: Ministry of Defense)

### *Relaxation of Arms Export Restrictions*

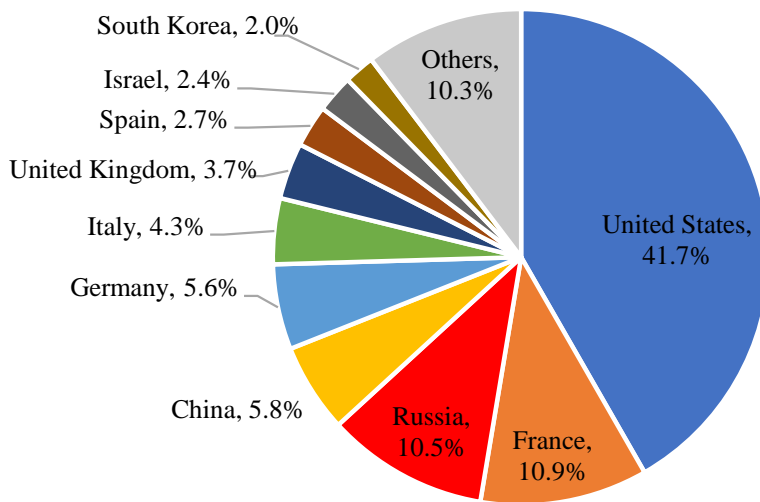
The Japanese government amended the “Three Principles on Transfer of Defense Equipment and Technology and Implementation Guidelines” on December 22, 2023, making significant changes to the previous version issued in 2014. The updated principles emphasize the importance of transferring defense equipment and technology overseas as a key policy instrument to ensure peace and stability, especially in the Indo-Pacific region, and to deter unilateral changes to the status quo by force.<sup>xlvi</sup> The amendments also highlight the need to take into account Japan’s economic security by securing its advantage and indispensability concerning its technologies. Furthermore, the updated principles now allow for the overseas transfer of defense equipment and technology in cases where it contributes to Japan’s security, such as through international joint development and production projects with allies and partners, enhancing security and defense cooperation, and supporting the activities of the Self-Defense Forces.<sup>xlvii</sup> The revised guidelines expanded the scope of equipment that can be exported, including lethal weapons, and now allow the transfer of licensed production items to countries with security cooperation ties with Japan. By allowing the overseas transfer of defense equipment and technology in certain cases, the amended principles may enable Japanese defense contractors to explore new export markets. In the short run, easing restrictions might help the United States and European countries supply arms to Ukraine, while, in the long run, it could broaden Japan’s opportunities to sell arms internationally. However, the updated guidelines still have room for improvement. Former Defense Minister Onodera mentioned that it would be critical to reach a point where equipment developed with domestic technology can be widely used worldwide, not just licensed production, and that exports or a wider variety of products, including ammunition, should be discussed soon.”<sup>xlviii</sup>

### **Can the Japanese Defense Industry Become Competitive?**

Even after restriction on arms exports were relaxed, the only finished product that has reached the export stage is a single radar surveillance system, purchased from Mitsubishi Electric by the Philippine government in August 2020, designed to detect incoming fighter jets and other aircraft.<sup>xlix</sup> Additionally, in March 2024, the government entered into the process of arranging the export of communication antennas for naval ships to India, potentially resulting in the second case of exporting finished defense equipment.<sup>1</sup> Initially, there were high expectations for deals such as sending submarines to Australia, patrol aircraft to the U.K., and rescue flying boats to India, but none of these deals have been concluded.<sup>li</sup> The main reason Japanese firms have lost out on such contracts to competition from other countries is the high prices of their products. No matter how much export regulations are eased, unless the price of equipment is lowered, it will not lead to contracts, and to lower the price, mass production is necessary. However, with limited domestic demand, it is essential to sell overseas to achieve economies of scale. As long as this dilemma remains, simply easing the principles on arms exports and implementation guidelines will not result in large quantities of domestically produced equipment being sold overseas. If Japan pursues the expansion of its equipment exports, there are only two options: develop the latest, high-performance equipment that can attract buyers even at high prices, or open up sales channels for lower-cost equipment by lowering performance standards. However, in the former case, developing equipment that far surpasses the high-performance products of the United States and Europe, which hold a large share of the weapons market, would require enormous

research funds and development investment (Figure 8). Therefore, the latter route may be more realistic: Firms provide previous-generation, conventional equipment that satisfies lower performance standards at a low price and accumulates sales results, in turn expanding sales channels and market share for Japanese equipment manufacturers. In addition to exporting more finished products, Japanese firms and policymakers must focus on supplying parts that utilize Japan’s comparative strengths in materials and processing technology; Japan must leverage its comparative advantages if it is to become a key country in the arms supply chain.

Figure 8. Global Share of Exports of Major Arms



(Source: SIPRI Arms Transfer Database)

In order to leverage Japan’s industrial technology in the defense field, several steps need to be taken. First, Japan’s government can utilize the framework of the U.S.-Japan alliance. During Kishida’s visit to the United States in April 2024, the countries announced plans to establish a Forum on Defense Industrial Cooperation, Acquisition, and Sustainment (DICAS) to identify priority areas for partnering U.S. and Japanese industry, including on co-development, co-production, and co-sustainment.<sup>liii</sup> An agreement to export ammunition and other items to the U.S., for instance, would lead to an increase in orders, and if the scope and scale of maintenance and repair services included in such agreements were expanded to include ships and aircraft, this partnership would then bear potential to not only deepen the Japan-U.S. joint framework but also play a large role in revitalizing Japan’s defense industry. From a domestic perspective, it is crucial for the government to provide financial support to promote innovation in the defense industry. The Japanese government could consider adopting its own initiatives similar to the U.S. Army Small Business Innovation Research (SBIR) program or the Small Business Technology Transfer (STTR) program, U.S. government initiatives designed to encourage small businesses to engage in federal research and development, with the potential for commercialization. These programs provide funding to small businesses to help them develop innovative technologies that can meet the needs of the U.S. military.<sup>liiii</sup> Recently, the Ministry of Defense and the Ministry of

Economy, Trade and Industry called upon venture capital firms to invest in emerging companies with outstanding technologies, including new areas such as space and electromagnetism, thereby strengthening the defense industry.<sup>liv</sup> The startup ecosystem strongly aligns with the Ministry of Defense's need for proactive adoption of cutting-edge technologies, and, for startups, securing contracts with the Ministry of Defense offers significant benefits as business achievements. However, rather than solely relying on private funders, it is becoming important for the country to adopt approaches similar to the SBIR/STTR programs, which provide direct government funding to startups and facilitate collaborations between small and medium-sized enterprises and non-profit research institutions. These initiatives help integrate innovative technologies into broader industries and encourage robust development within the national economy.

## **Conclusion**

Considering the challenges faced by Japanese defense manufacturers, it is evident that Japan is facing consequences for having neglected the development of its defense industry. The high prices of Japanese defense equipment, limited domestic demand, and the lack of mass production needed to achieve economies of scale have presented a dilemma for the industry. While the government provides a general guideline for "domestic production," efforts to develop it into a sustainable model for the industry as a whole have not been pursued extensively, lacking a long-term perspective in defense industry policy. Given that an increased budget and related policy changes, alone, are not a perfect set of solutions to the structural issues in the industry, which include profitability and resource constraints, the Japanese defense contractors will continue to face a challenging business environment in the foreseeable future. Therefore, the government will need to consider policies to support the survival of companies involved in the defense sector in order to maintain the independence and self-reliance of defense equipment procurement and defense-related technologies. It should take a comprehensive approach with a public-private unified system, rather than leaving companies on their own throughout the entire process from development to securing funds and personnel for production to expanding sales channels overseas. Collaborating with the United States through the U.S.-Japan alliance framework and establishing programs to support innovation in the defense industry, such as those modeled after the U.S. Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, could help Japan leverage its industrial technology in the defense field. While the relaxation of arms export restrictions and the increase in defense spending are steps in the right direction, Japan must address the structural issues within its defense industry to ensure the long-term sustainability and competitiveness of its defense manufacturing firms.

## Endnotes

- <sup>i</sup> Ministry of Defense. “防衛白書 昭和 52 年度版 [Defense of Japan (Annual White Paper) 1977].” 1977. [http://www.clearing.mod.go.jp/hakusho\\_data/1977/w1977\\_02.html](http://www.clearing.mod.go.jp/hakusho_data/1977/w1977_02.html).
- <sup>ii</sup> Ibid.
- <sup>iii</sup> Ibid.
- <sup>iv</sup> Tokuchi, Hideshi. “冷戦後の日本の防衛政策について [Japan’s Defense Policy after the Cold War].” *International Security*, vol. 29, no. 3, Japan Association for International Security, Dec. 2001, pp. 66–79. Japan Association for International Security.
- <sup>v</sup> Nakasone, Yasuhiro. “衆議院議員春日一幸君提出防衛費のGNP-%枠に関する質問に対する答弁書 [Response to the Question Submitted by Mr. Kazuyuki Kasuga, a Member of the House of Representatives, Regarding the 1% of GNP Framework for Defense Expenditure].” *The House of Representatives, Japan*, 27 Dec. 1985, [www.shugiin.go.jp/internet/itdb\\_shitsumona.nsf/html/shitsumon/b103022.htm](http://www.shugiin.go.jp/internet/itdb_shitsumona.nsf/html/shitsumon/b103022.htm). Accessed 3 Apr. 2024.
- <sup>vi</sup> Watanabe, Kotoku. “新たな国家安全保障戦略等の策定と令和 5 年度防衛関係予算について [Formulation of a New National Security Strategy and Defense-Related Budget for FY2023].” *The Finance*, Apr. 2024, pp. 29–38, [www.mof.go.jp/public\\_relations/finance/202304/202304f.pdf](http://www.mof.go.jp/public_relations/finance/202304/202304f.pdf). Ministry of Finance. Accessed 7 May 2024.
- <sup>vii</sup> Kubota, Yukari. “日本の防衛調達制度疲労と日米関係 [Institutional Fatigue in Japanese Defense Procurement and Japan-U.S. Relations].” *International Security*, vol. 38, no. 2, Japan Association for International Security, Sept. 2010, pp. 47–66. Japan Association for International Security.
- <sup>viii</sup> National Security Council. “国家安全保障戦略 [National Security Strategy of Japan 2022].” Cabinet Secretariat, December 16, 2022. <https://www.cas.go.jp/jp/siryuu/221216anzenhoshou/nss-j.pdf>.
- <sup>ix</sup> Ministry of Foreign Affairs. “武器輸出三原則等 [Three Principles on Arms Exports].” Ministry of Foreign Affairs of Japan, 1976, [www.mofa.go.jp/mofaj/gaiko/arms/mine/sanngen.html](http://www.mofa.go.jp/mofaj/gaiko/arms/mine/sanngen.html). Accessed 4 Apr. 2024.
- <sup>x</sup> Ibid.
- <sup>xi</sup> Hirose, Taisuke. “Japan’s New Arms Export Principles: Strengthening U.S.-Japan Relations.” Japan Chair Platform, October 14, 2014. Center for Strategic and International Studies. <https://www.csis.org/analysis/japans-new-arms-export-principles-strengthening-us-japan-relations>.
- <sup>xii</sup> Ibid.
- <sup>xiii</sup> Matsukawa, Rui. “防衛装備移転推進にむけての提言について [Propositions to Promote the Transfer of Defense Equipment].” Rui Matsukawa Official Website, 7 Dec. 2021, [www.matsukawa-rui.jp/recommendation/docs/20211207.pdf](http://www.matsukawa-rui.jp/recommendation/docs/20211207.pdf). Accessed 4 Apr. 2024.
- <sup>xiv</sup> “自衛官採用、人口減で維持困難 待遇改善と外部登用急務 有識者会議が警鐘 [Recruitment of Self-Defense Forces Personnel Is Difficult to Maintain due to the Declining Population. Urgent Need to Improve Benefits and Promote Outside Recruitment].” *NIKKEI*, 12 July 2023, [www.nikkei.com/article/DGXZQOUA269HC0W3A620C2000000/](http://www.nikkei.com/article/DGXZQOUA269HC0W3A620C2000000/). Accessed 7 May 2024.
- <sup>xv</sup> Ministry of Defense. “防衛白書 日本の防衛 令和 5 年度版 [Defense of Japan (Annual White Paper) 2023].” Japan Ministry of Defense, 2023. <https://www.mod.go.jp/j/press/wp/wp2023/pdf/R05zenpen.pdf>.
- <sup>xvi</sup> Ibid.
- <sup>xvii</sup> Ministry of Defense. “防衛力整備計画 [Defense Buildup Program].” Japan Ministry of Defense, December 2022. <https://www.mod.go.jp/j/policy/agenda/guideline/plan/pdf/plan.pdf>.
- <sup>xviii</sup> “我が国の防衛力の抜本的な強化等のために必要な財源の確保に関する特別措置法案 [Bill on Special Measures for Securing Financial Resources Necessary for the Drastic Reinforcement of Japan’s Defense Capabilities].” Pub. L. No. 69, The House of Representatives, Japan (2023), [https://www.shugiin.go.jp/internet/itdb\\_gian.nsf/html/gian/honbun/houan/g21109001.htm](https://www.shugiin.go.jp/internet/itdb_gian.nsf/html/gian/honbun/houan/g21109001.htm).
- <sup>xix</sup> Ando, Takeshi. “5 年間で総額 43 兆円の防衛費、財源をどう確保するのか [Defense Expenditures Totaling 43 Trillion Yen over 5 Years; How to Secure Financial Resources].” *Nikkei Business*, July 3, 2023. <https://business.nikkei.com/atcl/gen/19/00491/062800017/>.

- 
- <sup>xx</sup> Kiuchi, Takahide. “2024 年度与党税制改正大綱：防衛増税実施時期の明記は再度先送りへ [FY2024 Ruling Party Tax Reform Proposal: Specifying the Timing of the Defense Tax Hike to Be Postponed Again].” Nomura Research Institute, Global Economy & Policy Insight, Nomura Research Institute, 11 Dec. 2023, [www.nri.com/jp/knowledge/blog/1st/2023/fis/kiuchi/1211\\_3](http://www.nri.com/jp/knowledge/blog/1st/2023/fis/kiuchi/1211_3). Accessed 7 May 2024.
- <sup>xxi</sup> Ministry of Defense, Defense of Japan (Annual White Paper) 2023.
- <sup>xxii</sup> Ministry of Defense. “防衛力抜本的強化の進捗と予算 令和 6 年度概算要求の概要 [Progress and Budget for Drastic Reinforcement of Defense Capabilities: Overview of FY2024 Estimates].” Japan Ministry of Defense, March 29, 2024. [https://www.mod.go.jp/j/budget/yosan\\_gaiyo/2022/yosan\\_20210831.pdf](https://www.mod.go.jp/j/budget/yosan_gaiyo/2022/yosan_20210831.pdf).
- <sup>xxiii</sup> Acquisition, Technology & Logistics Agency. “令和 4 年度中央調達概況 [Central Procurement Results Fiscal Year 2022].” Acquisition, Technology & Logistics Agency, 2023. [https://www.mod.go.jp/atla/souhon/ousho/pdf/ousho\\_total.pdf](https://www.mod.go.jp/atla/souhon/ousho/pdf/ousho_total.pdf).
- <sup>xxiv</sup> Ibid.
- <sup>xxv</sup> Sakamoto, Eiji. “売れない日本の防衛装備品 輸出促進、利益率向上に課題 [Unsellable Japanese Defense Equipment: Challenges in Promoting Exports and Improving Profit Margins].” *NIKKEI*, 21 Nov. 2022, [www.nikkei.com/article/DGXZQOCD143U40U2A111C2000000/](http://www.nikkei.com/article/DGXZQOCD143U40U2A111C2000000/). Accessed 4 Apr. 2024.
- <sup>xxvi</sup> Acquisition, Technology & Logistics Agency. “装備品等の開発及び生産のための基盤の強化に関する基本的な方針 [Basic Policy on Enhancing Defense Production and Technology Bases].” Acquisition, Technology & Logistics Agency, October 12, 2023. [https://www.mod.go.jp/atla/soubiseisaku/basicpolicy/basicpolicy\\_r051012.pdf](https://www.mod.go.jp/atla/soubiseisaku/basicpolicy/basicpolicy_r051012.pdf).
- <sup>xxvii</sup> International Trade Administration, U.S. Department of Commerce. “Japan - Defense Procurement.” International Trade Administration, January 2, 2024. <https://www.trade.gov/country-commercial-guides/japan-defense-procurement>.
- <sup>xxviii</sup> Ministry of Defense, Defense of Japan (Annual White Paper) 2023.
- <sup>xxix</sup> Oue, Sadamasa, Hirohito Ogi, and Rintaro Inoue. “各国防衛産業の比較研究－自律性、選択、そして持続可能性 [Comparative Study of Defense Industries in Different Countries - Autonomy, Choice, and Sustainability].” Asia Pacific Initiative, December 7, 2023. <https://apinitiative.org/2023/10/30/51307/>.
- <sup>xxx</sup> Board of Audit. “会計検査院法第 30 条の 2 の規定に基づく報告書「次期戦闘機（F-35A）の調達等の実施状況について」 [Report pursuant to Article 30-2 of the Act of the Board of Audit: Procurement Status of the Next-Generation Fighter Aircraft (F-35A)].” Board of Audit, September 2017. [https://report.jbaudit.go.jp/org/pdf/290913\\_zenbun.pdf](https://report.jbaudit.go.jp/org/pdf/290913_zenbun.pdf).
- <sup>xxxi</sup> Stockholm International Peace Research Institute. “SIPRI Arms Industry Database,” December 2023. <https://www.sipri.org/databases/armsindustry>.
- <sup>xxxii</sup> Acquisition, Technology & Logistics Agency. “Realities of the Defense Industry”
- <sup>xxxiii</sup> Ibid.
- <sup>xxxiv</sup> Oue, Ogi, and Inoue. “Comparative Study of Defense Industries in Different Countries - Autonomy, Choice, and Sustainability.”
- <sup>xxxv</sup> Acquisition, Technology & Logistics Agency. “防衛産業の実態 [Realities of the Defense Industry].” Tokyo, Japan: Acquisition, Technology & Logistics Agency, June 28, 2023. <https://www.meti.go.jp/press/2023/06/20230628001/20230628001-4.pdf>.
- <sup>xxxvi</sup> Ibid.
- <sup>xxxvii</sup> “住友重機械、機関銃生産から撤退 [SHI Withdraws from Machine Gun Production],” *NIKKEI*, April 15, 2021, <https://www.nikkei.com/article/DGXZQOUC159YT0V10C21A4000000/>.
- <sup>xxxviii</sup> Eguchi, Satoru, Fumiko Kuribayashi, and Ayumi Sugiyama. “Suppliers Pulling out of Defense Industry despite New Arms Push | the Asahi Shimbun: Breaking News, Japan News and Analysis.” The Asahi Shimbun, December 26, 2022. <https://www.asahi.com/ajw/articles/14792673>.
- <sup>xxxix</sup> Cabinet Office, Government of Japan. “令和 4 年版高齢社会白書 [Annual Report on the Ageing Society FY2022].” Cabinet Secretariat, August 1, 2022. [https://www8.cao.go.jp/kourei/whitepaper/w-2022/zenbun/04pdf\\_index.html](https://www8.cao.go.jp/kourei/whitepaper/w-2022/zenbun/04pdf_index.html).
- <sup>xl</sup> “Japanese Defense Contractor Companies Expand Workforce; Capital Investments Also Increasing due to Government Policy,” The Japan News - by The Yomiuri Shimbun, January 14, 2024, <https://japannews.yomiuri.co.jp/business/companies/20240114-162028/>.



- 
- <sup>xli</sup> Ministry of Foreign Affairs of Japan. “What Is the SSW ? | Japan Is Looking for Specified Skilled Workers!” Ministry of Foreign Affairs of Japan. Accessed April 6, 2024. <https://www.mofa.go.jp/mofaj/ca/fna/ssw/us/overview/>.
- <sup>xlii</sup> “防衛省が令和6年度概算要求公表 [the Ministry of Defense of Japan Has Published the Preliminary Budget Request for Fiscal Year FY2024],” *Ships of the World*, September 22, 2023, <https://www.ships-net.co.jp/%e2%96%a0%e9%98%b2%e8%a1%9b%e7%9c%81%e3%81%8c%e4%bb%a4%e5%92%8c%ef%bc%96%e5%b9%b4%e5%ba%a6%e6%a6%82%e7%ae%97%e8%a6%81%e6%b1%82%e5%85%ac%e8%a1%a8/>.
- <sup>xliii</sup> “[Provisional Translation] Basic Policy on Enhancing Defense Production and Technology Bases.” 2023. *Ministry of Defense*. Japanese Ministry of Defense. [https://www.mod.go.jp/atla/soubiseisaku/basicpolicy/basicpolicy\\_en\\_202310.pdf](https://www.mod.go.jp/atla/soubiseisaku/basicpolicy/basicpolicy_en_202310.pdf).
- <sup>xliv</sup> Acquisition, Technology & Logistics Agency. “Central Procurement Results Fiscal Year 2022.”
- <sup>xlv</sup> Ito, Tatsuhiko. “Will the Rerating of Japan’s Defense Stocks Continue?” *Mizuho Securities*, September 13, 2023.
- <sup>xlvi</sup> Cabinet Office, Government of Japan. “防衛装備移転三原則及び運用指針の改正 [Overview of the Revision of the Three Principles on Transfer of Defense Equipment and Technology and Implementation Guidelines in December, 2023].” Cabinet Secretariat, December 22, 2023. [https://www.cas.go.jp/jp/gaiyou/jimu/pdf/r51222\\_bouei5.pdf](https://www.cas.go.jp/jp/gaiyou/jimu/pdf/r51222_bouei5.pdf).
- <sup>xlvii</sup> *Ibid.*
- <sup>xlviii</sup> Hagiwara, Yuki, and Isabel Reynolds. “防衛産業育成へ、将来は日本開発装備品の輸出拡大もー小野寺元防衛相 [Japan to Sell Missiles to US in Easing of Arms Export Rules - Former Defense Minister Onodera].” *Bloomberg*, December 25, 2023. <https://www.bloomberg.co.jp/news/articles/2023-12-25/S65D80T0G1KW00>.
- <sup>xlix</sup> “フィリピンに警戒管制レーダーを納入 [Mitsubishi Electric Delivers Warning and Control Radar to the Philippines],” *Mitsubishi Electric*, April 30, 2024, <https://www.mitsubishielectric.co.jp/news/2024/0430.html>.
- <sup>l</sup> “防衛装備品をインドへ輸出 軍艦用アンテナ、政府調整 [Export of Defense Equipment to India: Government Coordinates Antenna for Naval Ships],” *NIKKEI*, March 10, 2024, <https://www.nikkei.com/article/DGKKZO79124550Q4A310C2MM8000/>.
- <sup>li</sup> “焦点：日本敗れ潜水艦「ごうりゅう」幻に、仏勝利の裏側 [Japan’s Loss: Submarine ‘Goryu’ Becomes a Phantom, behind France’s Victory],” *Reuters*, April 28, 2016, <https://jp.reuters.com/article/idUSKCN0XP1BW/>.
- <sup>lii</sup> The White House. “FACT SHEET: Japan Official Visit with State Dinner to the United States.” The White House, April 10, 2024. <https://www.whitehouse.gov/briefing-room/statements-releases/2024/04/10/fact-sheet-japan-official-visit-with-state-dinner-to-the-united-states/>.
- <sup>liii</sup> U.S. Small Business Administration. “About.” *SBIR.gov*. Accessed May 9, 2024. <https://www.sbir.gov/about>.
- <sup>liv</sup> “スタートアップの防衛産業参入へ 政府、VCに出資促す [Startups to Enter Defense Industry: Government Encourages VCs to Invest].” *NIKKEI*, 12 Jan. 2024. [www.nikkei.com/article/DGXZQOUA091GX0Z00C24A1000000/](https://www.nikkei.com/article/DGXZQOUA091GX0Z00C24A1000000/).

# The Global Combat Air Programme and the Future of European-Japanese Cooperation

*By Jason Beck*

## Introduction

The increasing centrality of the Indo-Pacific to the economic, sociopolitical, and security structure of the future international order has led to significant changes in the grand strategies of various great and middle powers in relation to the region. The United States (U.S.) began its tilt to Asia under the Barack Obama administration, and this shift has continued under both Donald Trump and Joe Biden. Growing economic, political, and normative competition with China has brought the focus of Washington back to the East. As the U.S. began re-engaging heavily within this region, it began developing bilateral and multilateral relations with Asian partners both new and old.

It is clear from both words and actions that the focus of U.S. grand strategy will continue to shift to the Indo-Pacific even while international crises in Eastern Europe and the Middle East are raging. What is less clear, however, is how the U.S.'s major partners in the Euro-Atlantic theater, namely the United Kingdom (UK) and the European Union (EU), will be able to transition their own strategies and engage more deeply within the Indo-Pacific as the world's attention moves eastwards.

One of the major developments in the UK and EU's push for a deeper security and diplomatic presence in the Indo-Pacific—with Japan more specifically—has been the Global Combat Air Programme (GCAP). This landmark agreement from 2023 between the UK, Italy, and Japan to create and build a next-generation fighter jet by 2035 is a major minilateral arrangement between Europe and Japan, a success story for a post-Brexit Britain trying to find its global footing again, and a sign of change for an EU struggling to adapt to a more competitive and geopolitically-focused international order. It is even more remarkable for Japan, especially as the government announced that it would allow GCAP fighter jets to be exported to third-party partners, a reversal of the country's long-standing export bans which had begun to weaken under the leadership of former PM Abe Shinzo.<sup>1</sup>

However, one major surprise in the announcement of the GCAP last year, given its crucial importance for the future of Japan's military, was the absence of Tokyo's most essential partner, the U.S. Was this a direct snub, or simply a change in Japan's priorities? What does this mean for the future of Japanese grand strategy in the Indo-Pacific? And, more specifically, why did Japan choose to pursue this project with far-away countries like the UK and Italy, which do not have nearly as robust a presence in the region as the U.S. does?

This paper argues that the causes for Japan's pursuit of a fighter jet program without the U.S., but with European countries in its stead, are tied both to the experience of the FS-X joint development program between Washington and Tokyo in the 1990s, as well as external factors in the international system bringing Japan and Europe more closely together than ever before, namely the breakdown of the traditional rules-based international order and the fears of a Trump victory in the 2024 elections.

The first section will provide an analysis of the FS-X development program between the U.S. and Japan to see how this ill-fated project was a factor in the decision to pursue the GCAP with European partners. The following two sections will analyze the respective Indo-Pacific

strategies of the UK and the EU, highlighting the crucial role of Japan within their ‘tilts to Asia,’ and will describe clearly what each country offers to Japan as relations continue to deepen both within and outside of the GCAP.

### **From FS-X to GCAP**

Beginning in the 1980s, there was an internal push within Japan for the Self-Defense Forces (SDF) to replace its existing Mitsubishi F-1 fighter jet with a domestically designed and produced model, both in an attempt to upgrade Japan’s fighting capabilities as well as to increase the technological prowess of the country’s manufacturing sector and its aircraft industry more specifically.<sup>ii</sup>

The plan from the start was for Japan to produce the new fighter jet domestically on the back of the successful development of the F-15J fighter jet, under license from McDonnell Douglas, which was completed in 1985.<sup>iii</sup> However, the United States believed it necessary for Washington to become directly involved in the development of this new aircraft; American officials at the time were convinced that a Japanese-run and -organized development program would lead to an inferior product and thus weaken the overall alliance between the two countries.<sup>iv</sup>

As a result of these apprehensions, the U.S. government recommended to Japan that the two countries should collaborate on this new aircraft together and that the jet plan should be based on the already existing F-16 model. Many in Washington wished for Japan to buy U.S.-made aircraft instead of developing a new jet domestically; however, the prospect of this occurring was seen as marginal, and thus the Pentagon pushed for this compromise around the F-16 instead.<sup>v</sup>

It is important to recognize that the plans for this collaborative development project came about during the height of ‘Japan bashing,’ a period in the late 20<sup>th</sup> century when relations between the U.S. and Japan became strained, especially on matters related to economic and technological security, and many officials in Washington identified Japan as a major threat to the domestic American economy:

“For [Japan-bashers], the economic woes of the United States were in large part a fault of Japan. It cunningly took advantage of US military protection and low barriers to US markets to dominate its former protector economically. It kept its own markets closed to US-manufactured goods, made empty promises during trade talks and employed complex state planning and incentives to assure unfairly low prices for its flooding exports, thereby contributing to negative trade balance and the demise of American manufacturing. Its aggressive investments would cause more and more US assets to fall under total Japanese control. In all that, Japan was no longer a ‘normal’ successful competitor, it was once again a threat to America. Global leadership of the US was under attack from ‘predatory’ Japanese economic policies. Consequently, the rhetoric of conflict and war became notorious.”<sup>vi</sup>

The large trade deficit that the U.S. had with Japan at the time, as well as the contemporary decline of the American manufacturing sector, were seen as the most sensitive aspects of these tensions. A project like a new fighter jet program that would involve billions of dollars in investments and the use of state-of-the-art military technologies was ensured to be caught up in this strife.

Despite these contextual tensions related to Japan-bashing, a memorandum of understanding (MoU) was signed in November 1988 related to the FS-X development project. Under this MoU, it was agreed that General Dynamics would send its F-16 technology to Mitsubishi and would handle up to 45% of the work on the project as principal contractor.<sup>vii</sup> However, opposition to the project became louder and louder in Congress as many lawmakers believed that collaboration on a technological project of such high importance would strengthen the ability of Japanese aerospace firms to compete with American companies. Instead, they thought that Japan should buy American-made aircraft, both as a means to ensure America's technological edge over Japan and to lessen the trade deficit that existed at the time.<sup>viii</sup>

When George H.W. Bush came into office as President in 1989, this growing opposition to the project both in Congress and among the American public within the context of Japan-bashing led Bush to formally 'seek clarification' on the terms of the MoU, which Japanese officials viewed as an attempt to renegotiate the agreement.<sup>ix</sup> But a renegotiation was exactly what the Bush administration was aiming to do. In April 1989, Bush announced a revised MoU agreement with Japan regarding the FS-X project. In it, Japan's access to American flight control and weapons control software was largely limited, while, at the same time, the U.S. was allowed to have access to any new technology that Japan developed for the project.<sup>x</sup> These tight restrictions on Japan's ability to use American technology, while Washington had free reign on a supposedly collaborative project, greatly angered many Japanese officials and thematically harkened back to the 'unequal treaty' days of 19<sup>th</sup> century American-Japanese relations. Japanese frustration over the agreement was clearly shown in this contemporary article in *The New York Times* from 1990 written by Japanese lawmaker Ishihara Shintaro:

"For more than 40 years, we have kowtowed to Washington. Hypersensitive about anti-Japanese sentiment in Congress, our Foreign Ministry and other Government agencies decided it was better to eat humble pie than incur Uncle Sam's wrath on yet another bilateral issue. Our political leaders cannot shed their menial mentality. Washington preaches equal partnership, but if the two countries were really equal, a Japanese FSX would be acceptable. The Pentagon, however, is afraid to let our self-defense forces off the leash."<sup>xi</sup>

The idea of Japan and the U.S. being equal partners in this project was not radical: a collaboration between two crucial allies within the Indo-Pacific region on a new aircraft that could boost the resilience of this alliance was overcome by jingoistic, unrealistic concerns about a belligerent Tokyo coming to attack the U.S. once again. The sour taste that was left in the mouth of the Japanese in the aftermath of the FS-X renegotiation, along with the concern that competition over aerospace technology would prevent any future collaboration, were directly tied to the decision to pursue the GCAP with new partner. According to a Global Security report,

"There was another factor that influenced the shift away from the US. Japan had not forgotten about an ill-fated effort to collaborate with Washington on jets in the 1980s and '90s. At the time, Japan had a plan to develop its own fighter, but the US was struggling with a huge trade deficit and turned up the pressure on Tokyo to buy its jets instead. After many twists and turns, the two sides agreed to develop aircraft together, and there were accusations that it purloined Japanese technology."<sup>xii</sup>

Thus, the aftermath of the FS-X renegotiation was a major factor in Japan's decision to pursue a new joint production project without direct American involvement.

This feeling of unreliability on the part of the U.S. regarding joint development programs like the FS-X was further confirmed a few years later as a result of American export restrictions on the F-22 Raptor. Although many U.S. allies and partners like Japan were interested in purchasing this new stealth fighter jet first introduced in 2005, the American government placed an export ban on the Raptor, preventing its use from any operator outside of the U.S.<sup>xiii</sup> The reason for this export ban was explicitly tied to the US retaining its technological edge over all other countries, even crucial allies like Japan.<sup>xiv</sup> This can be seen as a continuation of fears of sharing cutting-edge technology with Japan during the FS-X project and the restrictions on Japanese access to American software in the revised MoU from 1989.<sup>xv</sup>

Both the FS-X tension and the ban on F-22 exports set the stage for Japan to diversify its partners for the next-generation aircraft developed under the GCAP. Besides the impact of this negative history with the U.S., the focus for Japan on developing cutting-edge military technology without direct American assistance was also a way for Tokyo to prove to Washington that it was willing to take a more direct and autonomous role within the security framework of the Indo-Pacific region. According to Yann Messenger:

“Meanwhile, the Cabinet decision passed last month again relaxing strict Japanese arms exports regulation paves the way for an unprecedented advance for Japan on the world weapons market. The current Japanese-British-Italian collaboration on a next generation fighter is allowing Japan to show its technological leadership on cutting-edge projects notability in propulsion (IHI) and software and sensors (Mitsubishi), after some failed military aviation projects of the 1980s, notably the General Dynamics and Mitsubishi [FS-X].”<sup>xvi</sup>

This article was published during the recent state visit of former PM Kishida Fumio to Washington in April 2024, which focused on deepening bilateral security relations and proving to American officials that Tokyo was both willing and increasingly prepared to take on more intense security responsibilities within the Indo-Pacific. The GCAP, thus, is both a result of relaxed Japanese export controls, as well as a concrete example of how the increased defense budget under the 2022 National Security Strategy could be used to increase Japanese power projection and to diversify its security partnerships with new allies like the UK and Italy. The push to develop the GCAP with other NATO partners besides the US is related to Japan's own desire for a deeper relationship with the transatlantic alliance. Okabe Noburu writes:

“The expansion of sales beyond the GCAP consortium would bring more than just economic and industrial benefits. Japan, Italy, and Britain are all committed to ensuring that the final aircraft will be interoperable with other NATO allies, especially the United States. Japan's involvement in developing, refining, and manufacturing a mainstay fighter would embed Japan more firmly than ever in global defense relations with NATO, with which the country has strengthened ties in recent years, enhancing its own deterrence capabilities and diplomatic influence. Japanese involvement in development and exports for the GCAP program would enhance Tokyo's security cooperation with Britain, Italy, and other NATO members, contributing to global peace and stability by dissuading unilateral changes in the status quo on either side of Eurasia by authoritarian states such as China and Russia.”<sup>xvii</sup>

Thus, the GCAP aims not only to strengthen Japan's domestic aerospace industries and upgrade its power projection, but also to deepen relations with NATO and solidify the connection between the Euro-Atlantic and Indo-Pacific theaters. Similarly, merely because the U.S. is not directly involved in the GCAP program, the focus on the GCAP aircraft's interoperability with NATO members like the U.S. is seen as a clear way to boost Japan-NATO cooperation. The following two sections analyze the geopolitical reasons why Japan has pushed for closer relations with European NATO members like the UK and Italy.

### **The United Kingdom and Japan**

This section will analyze the push and pull factors that led to the UK's inclusion within the GCAP alongside Japan and Italy, the role of the Indo-Pacific region within Britain's post-Brexit global grand strategy as laid out in the *Integrated Review: Global Britain in a Competitive Age*, and the comparative advantages of the UK towards Japan and of Japan towards the UK. The section will explain why this relationship between Tokyo and London has become so critical in an era of increasing competition and diplomatic uncertainty.

The first part of this section will focus on an overview of British foreign policy towards the Indo-Pacific region in the aftermath of the Brexit referendum and the country's exit from the European Union, with a focus on the 'tilt to Asia;' the second part will focus on how UK-Japan relations have laid an essential cornerstone of Britain's 'tilt to Asia,' both in terms of the GCAP and earlier bilateral agreements, namely the *Hiroshima Accord* from 2023; the last part will analyze the comparative advantage that each country offers to the other to understand why this relationship has become so crucial.

#### *British Foreign Policy towards Asia in the Post-Brexit Era*

Since its formal exit from the European Union in 2020, the UK has entered into a new chapter of its long-storied foreign policy towards Asia, returning to its pre-EU era role as a unilateral actor in the region. However, this moment has also been one defined by growing competitive challenges to the international status quo and threats to the rules-based international order from Russia, China, and other countries.

Some of the reasons tied to the Brexit vote and why its supporters pushed for the UK's exit from the EU were related to the idea that European technocrats in Brussels and the lack of a Common Foreign and Security Policy (CFSP) within the supranational organization were restricting the ability of London to retain an active role in global affairs. The struggles of the EU to develop a cohesive Common Foreign and Defense Policy will be discussed in the following section on EU-Japan relations.

Alexander Mesarovich and Benjamin Martill, fellows at *UK in a Changing Europe*, analyze the role of foreign policy considerations within the Brexit vote. During the initial campaign, the focus on foreign policy was simply related to the idea of the UK 're-joining the world' after its participation in the European project since 1973. However, as negotiations for an exit agreement with Brussels became more and more tense during the premiership of Boris Johnson, there was a much greater emphasis on London regaining its preeminent role on the global stage with potential security and diplomatic competition with the EU on the horizon.<sup>xviii</sup>

Mesarovich and Martill identified that the UK was able to pursue a unilateral security and diplomatic policy in the post-Brexit era largely isolated from its former EU partners on the continent as a result of Westminster's comparatively stronger army and navy power projection, higher defense spending levels, and internationalized diplomatic presence, allowing it to deepen relations with potential allies across the globe. They argued:

“The cost to the UK economy of introducing additional barriers to trade with the EU, given its geographical proximity and the intricate nature of the single market, is high and also one-sided. In contrast, the relationship in foreign and security policy is less costly to change, since the UK is one of the of the major strategic actors in Europe and has a host of alternative options in NATO and through bilateral ties, and since the policy area is any case intergovernmental.”<sup>xix</sup>

It is clear how the stage was set for a clean divorce from the EU in the area of foreign and defense policy. The highlight on Britain's ability to deepen relations with a diverse set of allies has proven crucial for its foreign policy in the Indo-Pacific region and with Japan more specifically. Unlike the EU, which is a relatively new geopolitical player on the global stage, the UK has decades of diplomatic and security presence in Asia, and converting those historic ties into concrete achievements has been a major priority since the exit from the EU was formalized.

More specifically, Mesarovich and Martill identified Japan even at this early stage as evidence of this new unilateral UK on the global stage. During the Theresa May and Johnson premierships, it was thought by the Conservatives that the success of Brexit needed to be demonstrated with concrete achievements to help convince the country to support the government's teetering attempts to 'get Brexit done,' even in the case of a potential no-deal scenario.<sup>xx</sup> Many of these post-Brexit successes came in the form of bilateral trade agreements,<sup>xxi</sup> although there have been some minilateral and multilateral exceptions within the Indo-Pacific region, namely AUKUS and the UK's admission into the CPTPP, discussed below.

The first major bilateral agreement and post-Brexit success story was the Japan-United Kingdom Comprehensive Economic Partnership Agreement, signed in October 2020, two months before the UK's withdrawal from the EU went into effect.<sup>xxii</sup> Even before Brexit was completed, London's eyes were set on deepening relations with Japan.

In March 2021, two months after the UK formally withdrew from the EU, the *Integrated Review of a Security, Defence, Development, and Foreign Policy*, also known as *Global Britain in a Competitive Age*, was published.<sup>xxiii</sup> The white paper, which was described by former PM Johnson as “the largest review of the UK's foreign, defence, security, and development policy since the end of the Cold War,”<sup>xxiv</sup> aimed to formally chart a path for the UK, newly unrestrained from the bureaucratic shackles of Brussels, to navigate a newly competitive and uncertain international landscape dominated by the pandemic, the rise of China in the Asia-Pacific, and growing Russian threats to Europe.

The name *Global Britain* is emblematic of the post-Brexit idea of British foreign policy and the role of the UK in the future international landscape, one which harkened back to the Brexit campaign slogan of 're-joining the world' but with a decisive focus on leadership and innovation. The Integrated Review has since been updated several times since 2021, focusing

on the aftermath of the Russian invasion of Ukraine in 2022 and maritime disputes in the South China Sea; however, the initial publication focused on four overarching objectives:

- 1) For the United Kingdom to sustain a strategic advantage through science and technology;
- 2) For the United Kingdom to shape the open international order through working with partners and international institutions;
- 3) For the United Kingdom to strengthen its security at home and abroad; and
- 4) For the United Kingdom to become more resilient to threats at home and overseas.<sup>xxv</sup>

Although these objectives are very general and broad, the *Integrated Review* also elaborated on specific policy goals and targets that the UK should implement to achieve these objectives; some of these policy recommendations that focus on expanding the UK's role within the Indo-Pacific region include:

- 1) For the UK to restore its position as “the foremost naval power in Europe,” focusing on the UK Carrier Strike Group, a major facet of British naval power projection around the globe, but in the Indo-Pacific region more specifically, that centers around the *Queen Elizabeth*-class aircraft carriers—more on these ships and their importance for British-Japanese relations will be discussed in a later section;
- 2) Renewal of the Trident nuclear deterrent threat;
- 3) Massive investment into military research and development in the amount of £1.5 billion;
- 4) Focus on the military's nuclear abilities and global reach with expansive power projection;
- 5) Maintaining the bilateral relationship with the United States as Britain's most important strategic ally;
- 6) Defining China as a ‘systemic challenge’ to the international system and British national security;
- 7) Continuing to be the leading European member in NATO, committed to Euro-Atlantic security; and
- 8) By 2030, for the UK to be ‘deeply engaged’ in the Indo-Pacific region with a larger and more persistent presence than any other European power.<sup>xxvi</sup>

Overall, the *Integrated Review* lays out in clear steps how Britain must rise to the challenge of a newly competitive age while navigating the post-Brexit era. Furthermore, competition with the EU has defined a lot about how the UK views its global presence going forward, as evidenced by the last two policy recommendations listed above. Nor has the UK shied away from a decrease in cooperation with European countries (outside of collaboration via NATO); the express emphasis on beating the EU in each country's respective ‘tilts to Asia’ is a major focus of *Global Britain*.<sup>xxvii</sup> As evidenced by the report, the British government aims to utilize the advantages they have over their European counterparts, namely higher defense spending, naval power projection, efficiency in drafting and implementing new foreign policy, and historical ties to the region, all of which ought to prove crucial as the Asian Century begins.

The centrality of the Indo-Pacific region to achieving the goals of *Global Britain* was laid out in 2023 through a report published by the House of Commons Committee called *Tilting horizons: the Integrated Review and the Indo-Pacific*.<sup>xxviii</sup> In this report, the Committee provided an update on diplomatic efforts in the Indo-Pacific region and laid out some of the major successes in two years of post-Brexit foreign policy.



The rationale for the Indo-Pacific tilt and Britain's role within the region was laid out in the opening paragraphs of the report:

“The geopolitical and economic centre of gravity of the world is moving steadily eastward toward the Indo-Pacific, which is already the world's growth engine, home to half the world's people and producing 40% of global GDP, with some of the fastest-growing economies, accounting for 17.5% of the UK's global trade and 10% of inward foreign direct investment (FDI). It is at the forefront of new global trade arrangements and leads in the adoption of digital and technological innovation and standards.

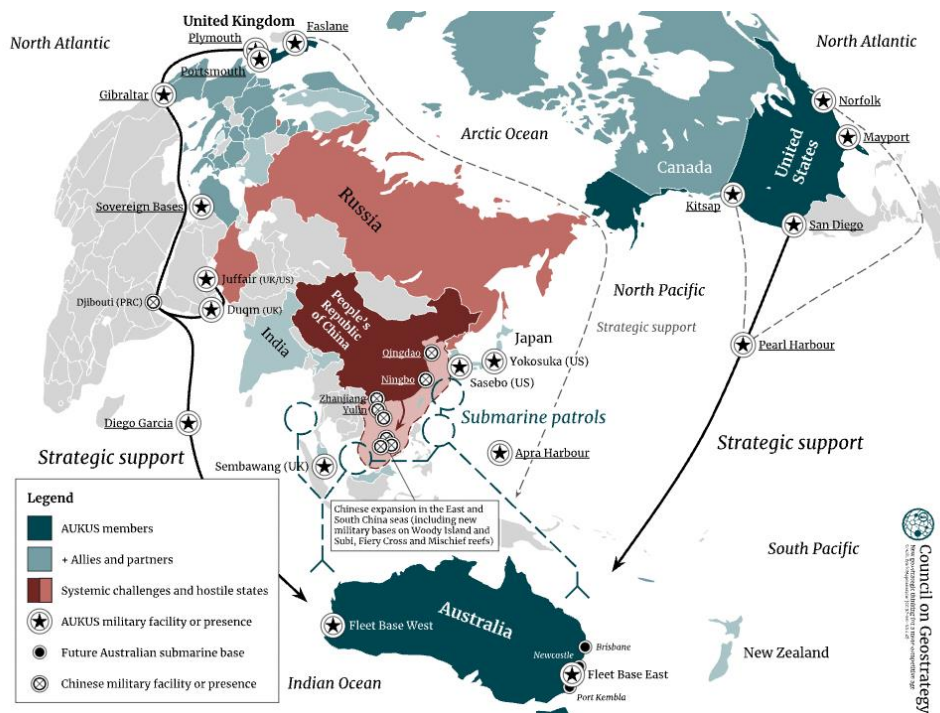
At the same time, the Indo-Pacific region presents serious security challenges, as it is at the centre of intensifying geopolitical competition with multiple potential flashpoints...Much of world trade transits Indo-Pacific choke points. The overall strategy to take advantage of these opportunities and meet these security challenges adopted in the Integrated Review was cooperation in a range of policy areas and on different levels with countries in the region to defend UK interests by seeking common ground on which to cooperate.”<sup>xxxix</sup>

From a bilateral perspective, *Tilting horizons* described the major advances that the UK has made in deepening economic and diplomatic ties on a country-by-country level in the Indo-Pacific. The need to readjust the country's free trade agreements upon exiting the EU was seen as crucial to stabilize post-Brexit Britain,<sup>xxx</sup> both as a way to prove that the Brexit decision was a 'success' and to readjust the country's commercial ties in the context of reshoring, nearshoring, and friend-shoring. As of the publication of the report, the UK has completed free trade agreements with Australia, Japan, South Korea, New Zealand, Singapore, and Vietnam and memorandums of understanding with Indonesia, Malaysia, the Maldives, and the Philippines.<sup>xxxi</sup>

From a minilateral perspective, the major successes of post-Brexit Indo-Pacific foreign policy lay within the standardization of the FOIP, the creation of AUKUS, and the push for deeper ties with the Quadrilateral Security Dialogue, all of which have major consequences both for UK-Japan relations and the wider regional landscape. The re-establishment of the Quad, consisting of the U.S., Australia, Japan, and India in 2017 marked a significant new era in the maritime regional landscape of the Indo-Pacific region. Although the UK is not a partner of Quad, as it was formed while the country was still a member of the EU, the *Titled horizons* report firmly emphasizes the “advantage in working with the Quad to develop a coordinated strategy covering the whole Indo-Pacific maritime area” and urges the UK to seek membership in the organization.<sup>xxxii</sup>

The formation of AUKUS in September 2021, besides being a significant hindrance to the EU's presence in the Indo-Pacific region (as will be discussed later), marked the formal entrance of the UK into a concrete security alliance in Asia. The report views the AUKUS agreement and especially its focus on nuclear submarine and technology transfer as “a prime example of the defense, security and technology partnerships that the UK intends to pursue.”<sup>xxxiii</sup>

Figure 1. The Geopolitics of the AUKUS Alliance



(Source: Council on Geostrategy)<sup>xxxiv</sup>

Not only this, but the report further recommended that “the [UK] Government should propose to Australia and the United States that Japan and South Korea be invited to join an AUKUS technological defense cooperation agreement focused on Strand B activities alone.”<sup>xxxv</sup> Strand B refers to aspects of the AUKUS agreement outside nuclear-powered submarines, encompassing “close collaboration in critical areas such as artificial intelligence, cyber capabilities, quantum technologies, and undersea technologies.”<sup>xxxvi</sup> Even in a newly formed organization like AUKUS, the focus on expanding Strand B to Japan and South Korea shows UK places an emphasis both on growing their partnerships and diversifying their strategic allies in the Indo-Pacific, as well as the specific importance of Japan to the country’s Asia policies: even though Japan, for clear historical reasons, shies away from non-civilian use of nuclear power, the *Tilted horizons* report identifies a way to involve Japan in AUKUS within their traditional diplomatic areas of comfort, focused on economic security, cooperation in research and development, and technology exchanges.

Furthermore, the report clearly defines the British government’s conception of the FOIP, initially developed by former PM Abe but having since become the central framework for Japanese foreign policy in East Asia and beyond:

“A Free and Open Indo-Pacific is the right basis for cooperation between widely differing countries in the region on common policy areas, as it establishes basic principles on which like-minded countries can agree and then move on to fashion shared approaches to putting them into practice. Again, if we wish to prevent the undermining of international standards and the values of the rules-based system, our joining some Indo-Pacific specific organisations is crucial, to support our allies and uphold those values.”<sup>xxxvii</sup>

The framing of British Asia policy around an Abe-era conception of the region is further evidence of the importance of Japan within the British government's 'tilt to Asia'. One important note is the emphasis on the 'rules-based system,' which has been a crucial focus of Japan's foreign policy not just in Asia but around the globe, one which has come under threat in recent years from revisionist leadership in China and Russia, among others.<sup>xxxviii</sup>

Lastly, from a multilateral perspective, the UK's inclusion within the CPTPP can be considered one of the strongest achievements of the post-Brexit era. As discussed previously, in the immediate aftermath of UK's exit from the EU and the European common market, a strong emphasis on deepening economic ties between Britain and a diverse set of possible partners was essential. Similarly, the push to formalize free trade agreements with other countries was cited as one of the primary reasons why supporters of Brexit pushed for their vote in the referendum.<sup>xxxix</sup>

Figure 2. Map of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)



(Source: Best of Britain)<sup>xl</sup>

The CPTPP, whose members include some of the most crucial and dynamic Asian economies like Japan, Vietnam, Malaysia, and Singapore, will prove crucial to integrating the UK economically in the Indo-Pacific region, whose strong growth rates and demographic trends were one of the leading causes for Britain to 'tilt to Asia' in the first place.<sup>xli</sup> According to a press release from the Department for Business and Trade, with the UK's inclusion in the CPTPP, the trade bloc is set to cover countries with a combined GDP of over £12 trillion, totaling over 15% of the global economy.<sup>xlii,xliii</sup>

#### *Why and How British-Japanese Relations are Deepening*

This analysis so far has focused on the UK's overall policy in the Indo-Pacific region during the post-Brexit era and how the *Global Britain* initiative has informed when, how, and what the British government is doing to integrate itself within the regional framework. This section will focus on British-Japanese bilateral relations more specifically, examining the 2023 *Hiroshima Accord* agreement between the two countries and the conception of Japan as the UK's 'cornerstone' for its 'tilt to Asia.'

The *Hiroshima Accord: An Enhanced Japan-UK Global Strategic Partnership* was signed in May 2023 by former British PM Rishi Sunak and former Japanese PM Kishida; the

agreement formalized a bilateral security arrangement between the two countries based on the shared conception of a Free and Open Indo-Pacific, the inseparability of the Euro-Atlantic and Indo-Pacific theatres to global and national security, and a deepening of economic ties to increase shared prosperity.<sup>xliv</sup> The *Hiroshima Accord* marks the most direct and expansive bilateral security arrangement between Japan and the UK since the 1902 Anglo-Japanese Alliance, identifying “the United Kingdom and Japan as ‘the closest of partners,’ committed to ‘stand shoulder to shoulder’ in tackling the unprecedented global challenges [they] now face.”<sup>xlv</sup>

According to the *Hiroshima Accord*, bilateral relations between the two allies will focus on three pillars: 1) Interoperable, Resilient, and Cross-Domain Defense and Security Cooperation, 2) Economic Prosperity and Security Underpinned by Science, Technology, and Innovation, and 3) Leading International Efforts for Global Resilience. The first pillar revolves around the GCAP, the deployment of the UK’s Carrier Strike Group in the Indo-Pacific region, and deepening Japan-NATO ties. The second pillar revolves around ministerial dialogue between Japan’s Ministry of Economy, Trade and Industry and the British Department for Business and Trade, a deepening of economic ties between the two countries through the UK’s participation in the CPTPP, and cooperation on critical mineral and supply chain security. Lastly, the third pillar revolves around mutual support for the energy transition, lowering emissions, and cooperation on next-generation nuclear energy technology.<sup>xlvi</sup>

Based on the *Hiroshima Accord*, the GCAP, the 2021 free trade agreement, and the push to expand Strand B of AUKUS, it is no wonder why so many consider Japan to be the ‘cornerstone’ of Britain’s tilt to Asia, including Dr. Philip Shetler-Jones, a senior research fellow focused on Indo-Pacific strategy at RUSI. Shetler-Jones argues that “Japan is the ‘cornerstone’ partner for the UK to achieve its aims in the tilt [to Asia], and so fulfill the ambition of ‘Global Britain.’”<sup>xlvii</sup> He claims that the selection of Japan as the cornerstone “exhibits the importance the UK gives to universal principles unrestricted by cultural or geographic partners...It represents a prime example of how the tilt maintains the equilibrium of UK foreign policy in the midst of a shifting global power balance, by means of a more diversified, flatter framework of ‘quasi alliance’ relations...[and] the foremost commitment in the Integrated Review that the UK remain a leading technology partner is reflected in the defense technology and industry partnership that is becoming central to the UK-Japan relationship.”<sup>xlviii</sup>

The crucial thing to consider is how many boxes Japan crosses off as a facilitator of Britain’s re-entry into the Indo-Pacific region: a proponent of rules-based international order, shared conceptions of a Free and Open Indo-Pacific, and a robust focus on research, technology, and international development. The emphasis on ‘universal principles’ that Shetler-Jones mentions is not just tied to the focus on the liberal international order that both countries aim to protect,<sup>xlix</sup> but to the concept of the Euro-Atlantic and Indo-Pacific theatres as indivisible and connected, harkening back to the famous statement by former PM Kishida that “Ukraine might be the East Asia of tomorrow.”<sup>1</sup> Given that the UK has been one of the most crucial diplomatic and logistical supporters of Ukraine since the Russian invasion in 2022, this concept hit home hard for British policymakers.

One interesting point that Shetler-Jones also makes regarding universal principles is the rejection of the idea of ‘cultural relativism’ in international norms, or an idea that a U.S.-led international security paradigm is imposing a Western-derived conception of freedom and

human rights in an Asian cultural sphere where such conceptions do not apply. He elaborates, saying:

“By making Japan its cornerstone, the UK demonstrates that its identification of a ‘like-minded’ partner is based on sharing confidence in and commitment to a set of universal principles. The closer the UK and Japan become, and the more the UK is integrated into regional organisations such as CPTPP, accusations that UK, European or Western powers pursue an ethnocentric system of global order will have more difficulty gaining purchase.”<sup>li</sup>

Given the geographic and cultural differences between the UK and countries in the Indo-Pacific region, this position will certainly influence UK rhetoric and policy and their reception in the region, especially given Britain’s colonial past in Asia.

### *British and Japanese Comparative Advantages*

This section will analyze the comparative advantages that Japan and the UK offer to one another in their bilateral relationship, which help explain why the two countries consented to the *Hiroshima Accord* and the GCAP. The UK’s advantages will be discussed first, followed by Japan’s.

First, the UK offers Japan a strong partner with which to diversify its existing diplomatic and security frameworks while hedging against a second Trump administration. The apprehensions that Japanese political and business leaders have over a second Trump administration and his isolationist foreign policy have been well-documented. The worrisome prospect of *moshi Tora* (“if Trump”), or *hobo Tora* (“probably Trump”), was in the back of the minds of Japanese diplomats during former PM Kishida’s visit to Washington this past April, where the Japanese leader aimed to solidify the crucial security relationship between Tokyo and Washington.<sup>lii</sup> The UK’s growing presence within the Indo-Pacific region, alongside its desire to diversify partnerships and alliances in a post-Brexit era, seem a perfect match for Japan as the latter hedges against an isolationist, potentially unreliable ally amidst mounting tensions in the South China Sea and the Taiwan Strait. The impetus of *moshi Tora* has been instrumental in pushing Japan out of its comfort zone in devising foreign and defense policy, leading to closer relations with South Korea, the development of the GCAP and new missile counter-strike capabilities, and the drive to join Strand B of AUKUS.<sup>liii</sup>

The UK’s robust capacity to project military power worldwide is increasingly important as maritime conflict grows in the Indo-Pacific region. The UK is one of the only major European countries in NATO that has currently surpassed the pledged defense spending level of 2% of GDP: as of 2023, the UK currently spends 2.07% of its GDP on defense, higher than the other remaining major economies of Europe (Germany spends 1.57%; France spends 1.90%; Italy spends 1.46%; Netherlands spends 1.70%).<sup>liv</sup> This disparity is likely to continue into the near future. Although many European countries have pledged to increase their defense spending in the face of the Russian invasion of Ukraine in 2022, competition with the EU is one of the factors pushing the UK to increase its presence in the Indo-Pacific region. *Global Britain* declared that some of Britain’s objectives within its ‘tilt to Asia’ include continuing to be the leading European member in NATO and, by 2030, to be ‘deeply engaged’ in the Indo-Pacific region with a larger and more persistent presence than any other European power.<sup>lv</sup> Given the existing gap between Britain and its European neighbors in power projection, the drive to surpass the EU to the Indo-Pacific ‘endgame’ is likely to push London to commit comparatively more to defense spending in the future as well.

In particular, the UK's naval power projection, evidenced by the Carrier Strike Group (CSG) and the *Queen Elizabeth*-class aircraft carriers within it, has proven extremely attractive to Japan and a major factor in the recent deepening of relations between the two countries. The conception of a post-Brexit UK as laid out in *Global Britain* is inherently tied to the restoration of Britain as a global naval powerhouse:

“The UK Ministry of Defence (MOD)...sees carrier strike as having enduring, tactical, operational and strategic relevance in the 21<sup>st</sup> century...Above all, the return to UK carrier operations must be understood in the context of a wider shift in the focus of UK defence strategy, policy, capability, and force development priorities, and overall posture...The ability to deploy a CSG and associated maritime airpower is understood as contributing to a vision of ‘Global Britain’ – that is, a globally-oriented medium power with ambitions to project power and influence not only in its Euro-Atlantic backyard, but also further afield, so as to defend democratic values, support allies and partners, and set the conditions for economic prosperity. This imbues the carriers HMS *Queen Elizabeth* and HMS *Prince of Wales* with symbolic as well as more practical value; a political statement of the United Kingdom’s ambition to remain a ‘tier-one’ military power and to support a ‘tilt to the Indo-Pacific,’ projecting not only force but also diplomatic and economic influence, as shown in the use of CSG 21 to promote support for post-Brexit trade deals.”<sup>lvi</sup>

For Japan, the CSG and the *Queen Elizabeth*-class aircraft carriers offer a potentially crucial deterrent force against Chinese maritime expansionism. Professor Michishita Narushige of the National Graduate Institute for Policy Studies in Tokyo identified this deterrent force as a real attraction for Japan. Tokyo does not realistically believe that the CSG would be able to respond in a timely manner to a direct attack on Japan, but its power projection abilities act as a strong ballast of support for the FOIP.<sup>lvii</sup> This naval power can also be utilized for another aspect of the *Hiroshima Accord*, focused on economic and supply chain security—explicitly mentioned in the long quote above—tying naval power projection to the successful implementation of post-Brexit trade deals.

Furthermore, the focus for *Global Britain* to deepen its commitments to research and technology is another comparative advantage that benefits UK-Japanese relations. As stated in *Global Britain*, the British government is aiming to invest a further £1.5 billion into military research and defense technology.<sup>lviii</sup> This matches very well with Japan’s own increased defense budget and internal focus on providing the country with the next generation of military technology. Japan’s 2022 National Security Strategy announced that the country plans to double its defense spending from 2023 to 2027 with a primary goal of strengthening and upgrading the country’s defense capabilities.<sup>lix</sup> One of the major consequences of this proposal was the signing of the GCAP with the British government and Italy which came soon after the release of the NSS in 2022. In the following year, beyond projects such as GCAP, the *Hiroshima Accord* outlined further cooperation between Japan and the UK in the areas of digital partnership, telecom diversification, AI and data policy.<sup>lx</sup> Japanese policymakers see the need to upgrade digital transformation abilities crucial:

“Although Japan is actively engaging in digital transformation (DX), the pace appears to lag behind that of other nations such as the United States...In light of Japan’s commitment to fostering innovation and leveraging cutting-edge technology through

collaborative development with other nations, the relatively low global digital competitiveness ranking is a cause for concern.”<sup>lxi</sup>

As mentioned above, Japan will aim to upgrade its digital capabilities through ‘collaborative development with other nations,’ and since the UK has a similar focus in the *Integrated Review*, it is likely that further cooperation will continue between the two partners.

Lastly, the UK’s resource allocation abilities are critical for Japan. Arms production and supply chains specifically are seen as one of the most important areas of support that the UK could bring to Japan. The potential for an incident in the Taiwan Strait that would cut Japan off from critical supply chains is extremely worrying for Tokyo, but British support could help assuage such fears.<sup>lxii</sup> Similarly, as Japan recently unveiled its Official Security Assistance program for allied partners in the Indo-Pacific region, cooperation on arms supplies with the UK has become even more important.<sup>lxiii</sup> There is also great potential for development funding cooperation between the UK and Japan as JICA, Japan’s aid agency, aims to compete with China’s Belt and Road Initiative (BRI) projects in Africa, a region where Britain retains strong historical links and economic ties.<sup>lxiv</sup> *Global Britain* envisages that the UK will become one of the leading providers of foreign investment and development aid to the Global South, both to boost the country’s diplomatic standing and to help foster new green technologies and clean energy transitions around the world.<sup>lxv</sup> Collaboration with JICA, already highly regarded in regions like Southeast Asia, seems like a perfect fit.

Now turning to the comparative advantages Japan offers to the UK in this deepening bilateral relationship, one of the most crucial is the possibility for Japan to act as a ‘cornerstone’ of Britain’s ‘tilt to Asia,’ as was mentioned in the previous section. Strengthened UK-Japan relations have helped post-Brexit UK find its footing in an extremely dynamic region through shared principles and interests in the rules-based international order; the relationship, additionally, also gives the UK an advantage against the EU in their respective Asian tilts. A strong and deep bilateral relationship between London and Tokyo will likely keep Britain one step ahead of its European rivals.

Furthermore, the UK is keen to utilize Japan’s ‘special relationship’ with ASEAN to deepen its economic and diplomatic presence in Southeast Asia. The *Tilted horizons* report highlights the importance of ASEAN and ties with the organization within Britain’s push towards a deeper presence in the Indo-Pacific region, and the *Integrated Review* formalizes the UK’s recognition of ASEAN centrality with the regional framework of Southeast Asia.<sup>lxvi</sup> Britain is currently a Dialogue Partner of ASEAN but has goals to build an even closer relationship with the Southeast Asian bloc, including a formal free trade agreement. The dynamic economy and high growth potential for Southeast Asian countries was, after all, one of the driving forces pushing the country to integrate itself more deeply in Asia.<sup>lxvii</sup> The relationship between Japan and ASEAN has been one of the most crucial in all of Asia for decades, especially given the steady flow of Japanese development aid and foreign investment into the bloc going back many years.<sup>lxviii</sup> The UK will be greatly interested to use this to its advantage as it aims to deepen ties both with Japan and ASEAN in the future.

Lastly, as mentioned before, there is a major focus for the UK to cooperate with diverse partners on projects related to military research and technology, most clearly in the form of the GCAP. Similarly to Japan, the UK views the GCAP not just as a means to upgrade its air combat abilities or increase its aerial power projection but as a concrete means to deepen NATO-Japanese relations in the context of the Indo-Pacific tilt. As Okabe Noburu points out:

“For Britain, [GCAP is] the logical extension of its Indo-Pacific strategic ‘tilt’ and London’s increasing awareness of the need to balance China’s growing regional and global ambitions. British Prime Minister Rishi Sunak had previously said that the partnership with Japan and Italy had underlined that ‘the security of the Euro-Atlantic and Indo-Pacific regions are indivisible.’ Following the signing of the [GCAP] pact, defense minister Shapps shared his belief that ‘It will strengthen our collective security’ at a time when ‘the risks and problems from Europe to Indo-Pacific are clear for all to see.’ For London, fighter development is the foundation of a new ‘alliance’ with Japan that will facilitate Britain’s Indo-Pacific outreach.”<sup>lxix</sup>

In the end, the GCAP may only be the first in a long series of cooperative projects between London and Tokyo, not only within the realm of military technology. Both countries are, for example, greatly involved in the international fight against climate change, and cooperation on next-generation green technologies, including civilian nuclear technology, was a major component of bilateral cooperation as listed under the *Hiroshima Accord*.

### **The European Union and Japan**

This section will analyze the ties between the EU and Japan, as well as the overall EU policy towards the Indo-Pacific, to see how a European country like Italy integrated itself within GCAP. Unlike with the UK, the supranational nature of the EU and its historical tendency to shy away as much as possible from geopolitical matters have proven to be major challenges as Brussels aims to mimic both the U.S. and the UK in tilting to Asia. The first part of this section will analyze the unique structural and institutional challenges for the EU in making union-wide foreign policy considerations, especially in the context of the Indo-Pacific. The second part will provide an overview of the EU’s diplomatic and economic presence in the Indo-Pacific and with Japan specifically to see how the aforementioned challenges have been addressed. Lastly, the third section will discuss the comparative advantages that the EU offers to Japan and that Japan offers to the EU.

#### *Why EU Foreign Policy Procedures are so Complicated*

Unlike the UK, the EU is not a nation-state but a supranational organization of 27 members. The organization was founded originally as an economic partnership between European countries in the aftermath of the Second World War, but it soon adopted a more political and diplomatic role within the continent. However, the exact degree to which Brussels is able to dictate union-wide foreign policy to which all member-states adhere has been a major point of contention for decades. This has only been further highlighted in recent years, when President Trump’s seeming opposition to transatlantic cooperation within NATO due to supposed ‘freeriding’ by European countries forced Europe to prepare for a potential future without an American security guarantee, which has been the main source of protection for Europe since 1949. As former president of the European Central Bank and former Italian PM Mario Draghi said, “The geopolitical, economic model upon which Europe has rested since the end of the second world war, is gone.”<sup>lxx</sup>

This fear of abandonment by Washington led to what EU leaders like President of the European Commission Ursula von der Leyen and High Representative for Foreign Affairs Josep Borrell have begun to consider as the main geopolitical priority for the EU in the coming years: ‘strategic autonomy.’ The concept of strategic autonomy was laid out first in 2016 as “the capacity [of the EU] to act autonomously when and where necessary and with



partners wherever possible.”<sup>lxxi</sup> More simply, strategic autonomy is an idea of reforming and upgrading the EU’s defense and foreign policy capabilities to such a degree that the union could be considered ‘separable but not separate’ from the existing U.S.-led security alliance of NATO. In other words, hedging against an isolationist and unreliable American presidency, similar to the idea of *moshi Tora* in Japan. President von der Leyen named strategic autonomy a central tenet of her mandate as she aimed to make a ‘Geopolitical Commission,’ and President of the European Council Charles Michel named it the ‘number one goal of our generation.’<sup>lxxii</sup> However, as will be discussed, declarations like these are easier to formulate than concrete actions on the ground.

The main struggle for an EU trying to make itself more strategically autonomous and further engaged in far-off regions like the Indo-Pacific is the lack of a Common Foreign and Security Policy (CFSP) that is dictated by the European government in Brussels and adhered to by all member-states of the union, superseding their own domestic foreign policies. The CFSP was updated in 2009 via the Treaty of Lisbon, the last institutional treaty dictating the internal structure of the EU government, which also created the High Representative office for Foreign Policy, mandated to draft union-wide foreign policy.

Although the CFSP and the High Representative have been formalized for the last 15 years, the reason why the EU has failed to utilize the Treaty of Lisbon to engage in common foreign policy is due to how this policy is voted on by member states. In EU law, there are two types of voting procedures: unanimity and qualified-majority voting (QMV), and each type of vote or motion in all bodies of the EU is earmarked to be done either by unanimity or QMV. Whereas unanimity requires simply that all member-states agree on a motion for it to be approved with no abstentions, QMV is more nuanced: a proposal voted upon via QMV is passed if either a minimum of 55% of member states vote in favor, or if the member states that vote in favor represent a minimum of 65% of the total population of the EU.<sup>lxxiii</sup> QMV means that member-states with bigger populations and economies have more of a say compared to smaller states. However, due to unanimity, even the smallest member of the EU can prevent a motion from passing. Currently, CFSP is voted upon via unanimity, not QMV, and finding consensus with all 27 states on issues as contentious as union-wide foreign policy has been extremely difficult. According to one German report,

“The political price of the unanimity requirement [for CFSP] is high: if the member states do not reach a common position or merely arrive at a formal compromise in a foreign policy crisis, other states will respond without taking EU interests into consideration. Countries like Russia, China and Turkey see the EU as a rival or even as an adversary that stands in the way of their interests – and they try to weaken European integration. A tested and very successful method are efforts to divide the European Union.”<sup>lxxiv</sup>

It is probable that unless the CFSP voting procedure is upgraded to QMV, union-wide foreign policy will remain illusory.

Furthermore, as mentioned in the previous section, “The United Kingdom and Japan,” the defense spending of European member states is far below the pledged minimum of 2% of GDP as NATO members. After all, it was the supposed ‘freeriding nature’ of European members in NATO with low defense spending levels compared to the U.S. that led to Trump’s threats towards the transatlantic relationship during his first term.<sup>lxxv</sup> This issue is further complicated since the EU has no institutional way to force member states to spend

more on defense. This is because the EU is formed on a monetary union where all countries share a common currency under a uniform central bank, but not on a fiscal union, as the budgetary policies of the member states are left to the national governments. According to one CSIS study,

“Yet Europe is also finding that this new era of geopolitical competition is costly. Despite having created a monetary union with a common currency, the euro, and a powerful central bank, the European Union lacks a fiscal union and a common fiscal policy. The entire EU budget is less than \$200 billion per year (about 1 percent of EU GDP), with 33 percent of that money going to agricultural subsidies.

This is the quandary facing Europe. It must meet the demands of this new geopolitical era, support Ukraine and strengthen its own defense, provide European public goods, and tackle the climate crisis, but it lacks the appropriate political and institutional mechanisms to fund these investments. The question is, ‘where will this money come from?’<sup>lxxvi</sup>

In fact, it likely owes to the fact that the EU has been unable to organize defense spending among member states, or create an environment for European-wide arms manufacturing companies, that a project like GCAP could only be accomplished with an individual member-state, rather than the EU as a whole. With the case of Italy, the country is able to dictate its own spending levels and boasts top manufacturers like Leonardo. Despite the best efforts of officials in Brussels, a policy proposal for a more permanent presence of the EU in the Indo-Pacific may not come to fruition precisely because of these institutional restraints, which weaken the governing capacity of the EU. Union-wide security cooperation is bound to be unstable if Brussels cannot determine what each state should spend on defense. In the present moment, it is unlikely that this fiscal policy can be reformed without a new treaty negotiation.

If a comparison is made with the UK, the discrepancy becomes even clearer. Whereas the EU struggles to organize defense spending levels among its member states, the UK has utilized its increased defense budget and strong domestic weapons and ship manufacturing industries to develop a CSG with the ability to project power directly into the Indo-Pacific region.<sup>lxxvii</sup>

So far, this section has analyzed the EU’s inability to decide how, where, and why to conduct foreign policy on a union-wide basis, as well as its failure to mandate how much each member state spends on defense. Beyond these institutional challenges, there is a strong normative obstacle—the EU has largely shied away from traditional forms of statecraft and hard power, instead focusing on economic and diplomatic tools to support the rules-based international order. However, the EU is now facing an increasingly competitive international environment that is necessitating a more aggressive geopolitical approach.<sup>lxxviii</sup> This discrepancy is even clearer when comparing the Indo-Pacific policies of the EU with those of the U.S. As one CSIS report concludes,

“Driven by a mix of domestic and regional security concerns, in 2011 the United States began its pivot to the Pacific, followed by the European Union’s formal recognition of the region’s importance in 2016. Since then, Europe has adopted an economics-driven strategy, while the United States has pursued a more comprehensive security-based approach, shaped by differences in competencies and capabilities that ultimately define their respective foreign policies. These divergences also influence their perceptions and responses to China, with the United States

adopting a more assertive stance against this ‘pacing threat’ and the European Union maintaining a country-neutral approach.”<sup>lxxxix</sup>

This battle between institutionalist and realist approaches to geopolitics is very similar to the quandary of Japan, which will be discussed in the third section on comparative advantages.

#### *EU Asia and Japan policy since 2016*

In 2016, the European Union Global Strategy framework first identified the Indo-Pacific region as strategically important for European economic and national security.<sup>lxxx</sup> The focus on tilting to the region mirrors strategic imperatives within UK and U.S. foreign policy: attempting to integrate itself economically and diplomatically in one of the world’s increasingly most important regions. In 2021, the EU released its first formal Indo-Pacific Strategy report, recognizing the interconnectedness of prosperity and security in the Euro-Atlantic and Indo-Pacific theaters. The Indo-Pacific Strategy report listed seven main priorities of the EU within the Indo-Pacific region, including: 1) sustainable and inclusive prosperity, 2) green transition, 3) ocean governance, 4) digital governance and partnerships, 5) connectivity, 6) security and defense, and 7) human security.<sup>lxxxii</sup>

These policy priorities for the EU Indo-Pacific Strategy are still mainly focused on the union’s traditional approaches to diplomacy, centering around institutional cooperation in the areas of trade, economics, health, and energy security. There is little consideration for hard power geopolitics (the priority related to security and defense listed above is mainly focused on cybersecurity and counterterrorism, not on increased geopolitical competitiveness in the region). Contrast this with the UK, who in the same year formalized the AUKUS alliance that largely remade the geopolitical balance of the whole Indo-Pacific region.

However, Europe was actually a participant in the AUKUS negotiations in a certain way: although AUKUS involved the sale of American-manufactured nuclear submarines to Australia, this required that Australia cancel a previously agreed-upon \$55 billion contract with France to provide the Oceanic nation with French-made nuclear submarines.<sup>lxxxiii</sup> The French government was irate with this snub on the part of Australia and the U.S., criticizing the deal as “a unilateral, brutal, unpredictable decision” and likening it to the behavior of previous U.S. President Donald Trump.<sup>lxxxiii</sup>

The snubbing of France by Australia, and their lack of inclusion in the AUKUS alliance framework on the part of the U.S., was further evidence of how far the EU had fallen behind in finding a permanent footing in the Indo-Pacific region when compared to the U.S. and the UK. However, it also gave further impetus to the necessity of the EU to pursue their planned objectives of ‘strategic autonomy’ before it is too late. According to Colm Quinn,

“It’s not hard to see why France would want to make a show of losing out on a deal worth \$55 billion, but the move also plays into larger insecurity over a perceived Anglophone club of nations (think the Five Eyes intelligence-sharing partnership) that sits above all other alliances. As [French Foreign Minister] Le Drian stated following the snub, it reinforced ‘the need to make the issue of European strategic autonomy loud and clear.’

EU foreign-policy chief Josep Borell seems to be in agreement, saying that the AUKUS deal means the European Union must ‘exist for ourselves, since the others exist for themselves.’”<sup>lxxxiv</sup>

It is important to remember that this AUKUS snub occurred under the presidency of Joe Biden, widely seen both in Washington and in Brussels as a strong supporter of the transatlantic alliance. If *moshi Tora* is to be considered, the EU would be even more concerned about American support in the Indo-Pacific region in the aftermath of the 2024 election. Despite these concerns and stated support for strategic autonomy in Asia, little has been done by the EU in the Indo-Pacific, mainly due to focus on Russia and Ukraine in the aftermath of the 2022 invasion; nevertheless, ties with Japan are seen as a crucial part of the EU's future in the Indo-Pacific region.

Relations between Brussels and Tokyo have mainly been focused on economic and institutional cooperation, as is the normal procedure for EU foreign policy, whereas more geopolitical considerations, such as those regarding the GCAP, are left to the individual member states like Italy. In July 2018, the EU and Japan signed an Economic Partnership Agreement (EPA), the largest free trade agreement ever negotiated by the EU.<sup>lxxxv</sup> The EPA aimed to “simplify trade and investment procedures, reduce export and investment related costs and... enable more small firms to do business in both markets” through the reduction of tariff and non-tariff barriers to trade.<sup>lxxxvi</sup> The following year in 2019, the EU and Japan signed a Strategic Partnership Agreement (SPA) that aimed to solidify and deepen the bilateral framework for relations between the two countries. According to one EU report,

“At the core of the [SPA] is a shared commitment to strengthen the rules-based global order and enhanced global governance. The Agreement shows a strong joint commitment to defend multilateralism, the rule of law, democracy, respect for human rights, open markets, free and fair trade – key values which should form the basis of the international order.”<sup>lxxxvii</sup>

Even from this section, it is clear how the shared normative frameworks between the EU and Japan based on the rules-based international order shape relations between the two countries, as will be discussed in the following section.

Despite deepening ties under the EPA and the SPA, little has been done between the EU and Japan on the geopolitical front. One of the most critical moments in terms of geopolitical relations between Japan and Europe occurred in 2023. At the time, NATO had announced its plan to open an official liaison office in Tokyo by the end of 2024, the first ever for the transatlantic alliance within Asia. This occurred soon after the release of the updated NATO Strategic Concept in 2022 and the visit of former PM Kishida to the 2022 NATO summit in Madrid, marking the first-ever participation of a Japanese PM at the gathering. It was at this summit that Kishida famously declared that “Ukraine today may be East Asia tomorrow.”<sup>lxxxviii</sup>

The stage seemed to have been set for a formalization of these deepening ties between NATO and Japan, a relationship seen as crucial to maintaining the interconnectivity of the Euro-Atlantic and Indo-Pacific theatres. Yet, at the last minute France vetoed the liaison office's opening, with President Emmanuel Macron claiming that “enlarging NATO's spectrum beyond the North Atlantic would constitute a ‘big mistake.’”<sup>lxxxix</sup> This surprise came soon after President Macron's visit to China in 2023, angering many leaders in Washington and Brussels due to his supposed conciliatory approach to Chinese expansionist claims in the South China Sea and Taiwan, on which he claimed that “the worst thing would be to think that we Europeans must become followers on this topic [of Taiwan] and adapt to the

American rhythm.”<sup>xc</sup> Besides being a shocking reversal of NATO policy, this move by France showed how inconsistent and unreliable European policy can be without a CFSP based on QMV that is adhered to by all member states. How can a country like Japan trust the EU if a change in the opinion of even a single member could throw the whole union’s policy out of equilibrium? The unreliability of Europe towards Japan was even further exacerbated by the *Hiroshima Accord*, published in the same year, which stipulated that the UK, as a leading NATO member, would emphasize deepening relations between the alliance and Japan, something that Tokyo greatly values for its own security. Thus, in the competition between the UK and the EU for stronger security ties in the Indo-Pacific, especially with Japan, London seems to be ahead.

### *European and Japanese Comparative Advantages*

This section will analyze the comparative advantages that both Japan and the EU offer to one another in their bilateral relationship, making better sense of why the Japan-EU Strategic Partnership Agreement (SPA) was formed and why Italy is taking part in the GCAP.

Regarding the EU’s comparative advantages, the EU offers Japan another partner for diversifying its diplomatic network. This relationship is even more crucial since, like Japan, the EU is 1) reckoning with the possibility that security guarantees from the U.S. may become unreliable under a second Trump administration, and is 2) being forced now to adapt traditional approaches to foreign policy into an increasingly competitive and aggressive international system. This is a strong advantage that the EU has in its relations with Japan when compared to the UK, whose leaders do not understand the challenges Tokyo is facing with the same depth that Brussels does.

Moreover, the EU’s strategic autonomy concept and Japan’s *moshi Tora* have developed from similar premises: both Japan and the EU have relied on the U.S. for their security for many years—Japan via the Mutual Security Treaty, the EU via NATO—but are having to hedge against a potentially isolationist administration in Washington, granted Trump’s reelection, and against growing competition in the international system. A reading of the EU Strategic Compass and the Japanese National Security Strategy makes clear that both countries are pushing to increase their geopolitical standing through higher defense spending and better-diversified alliance networks.

Furthermore, like Japan, the EU traditionally focuses on using soft power tools of diplomacy to support the international rules-based order,<sup>xcii</sup> a normative approach undergirding the SPA. Nevertheless, due to external forces in the international system (Trump, China, Russia), both countries are having to leave their traditional comfort zones and become more assertive.<sup>xciii</sup> Since the EU and Japan are facing similar challenges, cooperation between the two will be key to overcoming these obstacles.

Lastly, as with the UK, Japan is interested in using European resources in collaborative development projects around the world. Earlier this year, the EU announced under its Global Gateway program that it would be investing over €150 billion in Africa between 2021 and 2027, and a further €150 billion around the world.<sup>xciiii</sup> Since Japan is greatly interested in expanding its development projects in Africa to compete with the BRI and, like the UK, European countries have strong historical and diplomatic ties to the continent, these resources could prove crucial for Japan’s strategic ambitions.<sup>xcv</sup>

Turning to the comparative advantages Japan offers to the EU, the EU sees in Tokyo a potential partner confronting similar challenges in a changing international system: hedging against a potential isolationist Trump administration and making the transition away from institutional, economic tools of diplomacy in the face of increased multipolar competitiveness. The SPA between the countries succeeds in basing the bilateral relationship between the EU and Japan in the context of these shared aims, signifying a shared attempt to prevent the liberal international world order from being weakened any more than it already has.

Although it was not stated in the SPA, the EU may also like to use Japan as the ‘cornerstone’ of its Indo-Pacific tilt just as the UK does. Coordination on maritime-related issues like freedom of navigation has proven all the more crucial since France was snubbed from the AUKUS agreement, leaving EU leaders without a minilateral or multilateral framework to enter into the Indo-Pacific region. After the AUKUS snub, the French FM made reference to the supposed ‘Anglophone club’ in the Indo-Pacific, all consisting of Five Eyes members.<sup>xv</sup> Given the self-declared competition between the UK and the EU in the Indo-Pacific in the *Integrated Review*, it may be hard to see the EU integrating itself into any international forum or ‘quasi alliance’ where London is also a participant.

The shared concerns that Japan and the EU have over economic security via supply chains could be a starting point for potential joint naval exercises or pushes for increased interoperability. However, for this to occur, the EU must overcome the various aforementioned institutional obstacles in its way, including changing voting procedures for the CFSP to QMV, increasing fiscal coordination among member states to mandate higher defense spending, and being more comfortable with its new role as a geopolitical actor.

## **Conclusion**

The GCAP and the deepening of ties between Japan and Europe will significantly impact the future of the Indo-Pacific region. Although Japan’s choice to develop next-generation aircraft with partners besides the U.S. stems from the previous failure of the FS-X and Raptor programs, Japan has chosen the UK and Italy, specifically, because external forces in the international system—above all, a move away from the rules-based order and towards a more competitive global environment—now urge closer relations between Japan and Europe.

Given the GCAP program’s interoperability with NATO and potential to further the connection between the Euro-Atlantic and Indo-Pacific theaters, it is expected that PM Ishiba and his government will prioritize Japan-Europe relations in their grand strategy. It is likely, moreover, that competition between the UK and the EU within each’s respective Indo-Pacific tilts will be a defining element of Europe’s presence in Asia for many years to come. The UK may, in the short run, have an advantage in accomplishing its aims in the Indo-Pacific, as institutional restraints still hinder the EU from executing a cohesive foreign policy in the region or coordinating defense spending among its member states, both hurdles that Brussels must reckon with to retain a stronger presence within the region.

## Endnotes

---

- <sup>i</sup> Soo, Mark. "Japan Authorizes Fighter Jet Exports under GCAP ." 3 April 2024. *Geopolitical Monitor*. <<https://www.geopoliticalmonitor.com/japan-authorizes-fighter-jet-exports-under-gcap/>>.
- <sup>ii</sup> Yates, Ronald E. "U.S., Japan Wrestle Over Who Will Build Jet ." *Chicago Tribune* 17 May 1987.
- <sup>iii</sup> Isihara, Shintaro. "FSX - Japan's Last Bad Deal." *The New York Times* 14 January 1990.
- <sup>iv</sup> Spar, Debora. "Co-developing the FSX Fighter: The Domestic Calculus of International Co-operation." *International Journal* (1992): Vol. 47, No. 2, pp. 265-292.
- <sup>v</sup> Ibid.
- <sup>vi</sup> Błażejowski, Konrad. "The Phenomenon of "Japan Bashing" in US-Japanese Relations." *Ad Americam: Journal of American Studies* (2009): Vol. 10, pp. 7-13.
- <sup>vii</sup> Chicago Tribune. "Restricting The Japanese Fighter Deal ." *Chicago Tribune* 24 March 1989.
- <sup>viii</sup> The Los Angeles Times. "Bush Clears Way for FSX Fighter Deal With Japan ." *The Los Angeles Times* 30 April 1989.
- <sup>ix</sup> Hiatt, Fred. "JAPAN CALLS ON U.S. TO HONOR FSX JET PACT." *The Washington Post* 23 March 1989.
- <sup>x</sup> Lauter, David and Art Pine. "U.S., Japan Agree on FSX Jet Fighter : Bush Announces Accord on \$8-Billion Joint Project; Critics Vow Opposition." *The Los Angeles Times* 29 April 1989.
- <sup>xi</sup> Isihara, Shintaro. "FSX - Japan's Last Bad Deal." *The New York Times* 14 January 1990.
- <sup>xii</sup> GlobalSecurity.org. "Global Combat Air Program." 28 March 2023. *GlobalSecurity.org*. <<https://www.globalsecurity.org/military/world/japan/gcap-jp.htm>>.
- <sup>xiii</sup> Osborn, Kris. "Why the F-22 was never exported ." 4 April 2023. *Warrior Maven*. <<https://warriormaven.com/air/why-the-f-22-was-never-exported>>.
- <sup>xiv</sup> Ibid.
- <sup>xv</sup> GlobalSecurity.org. "Global Combat Air Program." 28 March 2023. *GlobalSecurity.org*. <<https://www.globalsecurity.org/military/world/japan/gcap-jp.htm>>.
- <sup>xvi</sup> Messenger, Yann. "Kishida's US Visit Highlights Japan's Growing Role as a Security Provider." 10 April 2024. *The Diplomat*. <<https://thediplomat.com/2024/04/kishidas-us-visit-highlights-japans-growing-role-as-a-security-provider/>>.
- <sup>xvii</sup> Noburu, Okabe. "Japan-UK-Italy Fighter Consortium Powers Forward: Exports Next on the Agenda?" 28 March 2024. *Nippon.com*. <[https://www.nippon.com/en/in-depth/d00976/?cx\\_recs\\_click=true](https://www.nippon.com/en/in-depth/d00976/?cx_recs_click=true)>.
- <sup>xviii</sup> Mesarovich, Alexander and Benjamin Martill. "Why Brexit became a foreign and security policy issue." 12 October 2023. *UK in a Changing Europe*. <<https://ukandeu.ac.uk/why-brexit-became-a-foreign-and-security-policy-issue/>>.
- <sup>xix</sup> Ibid.
- <sup>xx</sup> Ibid.
- <sup>xxi</sup> von Ondarza, Nicolai. "Foreign and security policy: the consequences of bilateralisation for EU-UK relations." 25 March 2022. *UK in a Changing Europe*. <<https://ukandeu.ac.uk/foreign-and-security-policy-bilateralisation-uk-eu/>>.
- <sup>xxii</sup> UK Department for Business and Trade. "UK-Japan Comprehensive Economic Partnership Agreement." 23 October 2020. *GOV.UK*. <<https://www.gov.uk/government/collections/uk-japan-comprehensive-economic-partnership-agreement>>.
- <sup>xxiii</sup> Prime Minister's Office, 10 Downing Street. "PM outlines new review to define Britain's place in the world." 26 February 2020. *GOV.UK*. <<https://www.gov.uk/government/news/pm-outlines-new-review-to-define-britains-place-in-the-world>>.
- <sup>xxiv</sup> Ibid.
- <sup>xxv</sup> Cabinet Office. "Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy." 16 March 2021. *GOV.UK*. <<https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy>>.
- <sup>xxvi</sup> Ibid.
- <sup>xxvii</sup> Ibid.
- <sup>xxviii</sup> Foreign Affairs Committee. "Tilting horizons: the Integrated Review and the Indo-Pacific." 30 August 2023. *UK Parliament*. <<https://publications.parliament.uk/pa/cm5803/cmselect/cmffaff/172/report.html>>.

- 
- xxix Ibid.
- xxx Edgington, Tom. "Trade deals: What has the UK done since Brexit?" 26 January 2024. *BBC News*. <<https://www.bbc.com/news/uk-47213842>>.
- xxxi Foreign Affairs Committee. "Tilting horizons: the Integrated Review and the Indo-Pacific." 30 August 2023. *UK Parliament*. <<https://publications.parliament.uk/pa/cm5803/cmselect/cmcaff/172/report.html>>.
- xxxii Ibid.
- xxxiii Ibid.
- xxxiv Rogers, James. "The geopolitics of AUKUS." 1 February 2022. Council on Geostrategy. <<https://www.geostrategy.org.uk/research/the-geopolitics-of-aukus/>>.)
- xxxv Ibid.
- xxxvi Lim, Eunjung. "AUKUS Strand B: opportunity for South Korea and Japan? ." 20 September 2023. *Asia-Pacific Leadership Network*. <<https://www.apln.network/analysis/commentaries/aukus-strand-b-opportunity-for-south-korea-and-japan>>.
- xxxvii Foreign Affairs Committee. "Tilting horizons: the Integrated Review and the Indo-Pacific." 30 August 2023. *UK Parliament*. <<https://publications.parliament.uk/pa/cm5803/cmselect/cmcaff/172/report.html>>.
- xxxviii Ministry of Foreign Affairs. "Maintaining a Free and Open International Order Based on the Rule of Law." 9 October 2018. *JapanGov*. <<https://www.mofa.go.jp/files/000406632.pdf>>.
- xxxix Edgington, Tom. "Trade deals: What has the UK done since Brexit?" 26 January 2024. *BBC News*. <<https://www.bbc.com/news/uk-47213842>>.
- xl *Best of Britain*. "Vote Leave Government joins trade bloc." 31 March 2023. *Best for Britain*. <[https://www.bestforbritain.org/vote\\_leave\\_government\\_joins\\_trade\\_bloc](https://www.bestforbritain.org/vote_leave_government_joins_trade_bloc)>.
- xli Foreign Affairs Committee. "Tilting horizons: the Integrated Review and the Indo-Pacific." 30 August 2023. *UK Parliament*. <<https://publications.parliament.uk/pa/cm5803/cmselect/cmcaff/172/report.html>>.
- xlii UK Department for Business and Trade. "UK takes major step towards joining Indo-Pacific trade bloc ." 20 March 2024. *GOV.UK*. <<https://www.gov.uk/government/news/uk-takes-major-step-towards-joining-indo-pacific-trade-bloc>>.
- xliiii Noburu, Okabe. "Japan and "Global Britain": Expanding the Trans-Pacific Partnership ." 22 June 2021. *Nippon.com*. <<https://www.nippon.com/en/in-depth/d00697/>>.
- xliiv Ministry of Foreign Affairs. "THE HIROSHIMA ACCORD: AN ENHANCED JAPAN-UK GLOBAL STRATEGIC PARTNERSHIP ." 18 May 2023. *JapanGov*. <<https://www.mofa.go.jp/files/100505906.pdf>>.
- xliv Content, Sterling. "Hiroshima Accord and what it means for UK–Japan relations." 2 February 2024. *The British Chamber of Commerce in Japan*. <<https://bccjapan.com/news/hiroshima-accord-and-what-it-means-for-uk-japan-relations/>>.
- xlvi Ministry of Foreign Affairs. "THE HIROSHIMA ACCORD: AN ENHANCED JAPAN-UK GLOBAL STRATEGIC PARTNERSHIP ." 18 May 2023. *JapanGov*. <<https://www.mofa.go.jp/files/100505906.pdf>>.
- xlvi Shetler-Jones, Philip. "UK–Japan Relations and the Indo-Pacific Tilt: The Cornerstone ." *The RUSI Journal* (2022): Vol. 167, Issue 6-7, pp. 44-52.
- xlvi Ibid.
- xlvi Ibid.
- l Khatsenkova, Sophia. "'Today's Ukraine could be tomorrow's East Asia': Japan and France agree to bolster cooperation." 5 March 2024. *Euronews*. <<https://www.euronews.com/2024/05/03/todays-ukraine-could-be-tomorrows-east-asia-japan-and-france-agree-to-bolster-cooperation>>.
- li Shetler-Jones, Philip. "UK–Japan Relations and the Indo-Pacific Tilt: The Cornerstone ." *The RUSI Journal* (2022): Vol. 167, Issue 6-7, pp. 44-52.
- lii Rich, Motoko. "Biden and Japan's Leader Look to Bind Ties to Outlast Them Both ." 7 April 2024. *The New York Times*. <<https://www.nytimes.com/2024/04/07/world/asia/biden-kishida-state-visit.html>>.
- liii Barber, Lionel. "Why America's Longtime Ally in Asia Is So Anxious About Trump 2.0 ." 9 April 2024. *Politico*. <<https://www.politico.com/news/magazine/2024/04/09/japan-prepares-second-trump-presidency-00151150>>.
- liv Buchholz, Katharina. "Where NATO Defense Expenditure Stands ." 12 February 2024. *Statista*. <<https://www.statista.com/chart/14636/defense-expenditures-of-nato-countries/>>.



- 
- lv Cabinet Office. "Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy." 16 March 2021. *GOV.UK*.  
<<https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy>>.
- lvi Black, James. "Ready for Take-Off? The Next Generation of UK Maritime Air Power." 10 December 2021. *RAND Corporation*. <<https://www.rand.org/pubs/commentary/2021/12/ready-for-take-off-the-next-generation-of-uk-maritime.html>>.
- lvii Professor Narushige Michishita, *National Graduate Institute for Policy Studies (GRIPS)*, interviewed by the author in Tokyo, March 20, 2024
- lviii Cabinet Office. "Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy." 16 March 2021. *GOV.UK*.  
<<https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy>>.
- lix Matsuo, Miki. "Unaddressed Challenges for Defense Policy Reform in Japan ." 9 May 2024. *Center for Strategic and International Studies*. <<https://www.csis.org/analysis/unaddressed-challenges-defense-policy-reform-japan>>.
- lx Ministry of Foreign Affairs. "THE HIROSHIMA ACCORD: AN ENHANCED JAPAN-UK GLOBAL STRATEGIC PARTNERSHIP ." 18 May 2023. *JapanGov*.  
<<https://www.mofa.go.jp/files/100505906.pdf>>.
- lxi Matsuo, Miki. "Unaddressed Challenges for Defense Policy Reform in Japan ." 9 May 2024. *Center for Strategic and International Studies*. <<https://www.csis.org/analysis/unaddressed-challenges-defense-policy-reform-japan>>.
- lxii Professor Narushige Michishita, *National Graduate Institute for Policy Studies (GRIPS)*, interviewed by the author in Tokyo, March 20, 2024
- lxiii Shioyama, Momo. "Japan's Latest Chapter in Military Cooperation: Official Security Alliance (OSA) ." 21 December 2023. *Center for Strategic and International Studies*.  
<<https://www.csis.org/blogs/new-perspectives-asia/japans-latest-chapter-military-cooperation-official-security-alliance>>.
- lxiv Professor Andrea Pressello, *National Graduate Institute for Policy Studies (GRIPS)*, interviewed by the author in Tokyo, March 18, 2024
- lxv Rynn, Simon. "International Development for a Global Britain?" 25 May 2022. *RUSI*.  
<<https://rusi.org/explore-our-research/publications/commentary/international-development-global-britain>>.
- lxvi Cabinet Office. "Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy." 16 March 2021. *GOV.UK*.  
<<https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy>>.
- lxvii Foreign Affairs Committee. "Tilting horizons: the Integrated Review and the Indo-Pacific." 30 August 2023. *UK Parliament*.  
<<https://publications.parliament.uk/pa/cm5803/cmselect/cmfa/172/report.html>>.
- lxviii Professor Andrea Pressello, *National Graduate Institute for Policy Studies (GRIPS)*, interviewed by the author in Tokyo, March 18, 2024
- lxix Noburu, Okabe. "Japan-UK-Italy Fighter Consortium Powers Forward: Exports Next on the Agenda?" 28 March 2024. *Nippon.com*. <[https://www.nippon.com/en/in-depth/d00976/?cx\\_recs\\_click=true](https://www.nippon.com/en/in-depth/d00976/?cx_recs_click=true)>.
- lxx Bergmann, Max and Federico Steinberg. "Europe's Fiscal Crossroads." 8 May 2024. *Center for Strategic and International Studies*. <<https://www.csis.org/analysis/europes-fiscal-crossroads>>.
- lxxi Torreblanca, José Ignacio. "Onwards and outwards: Why the EU needs to move from strategic autonomy to strategic interdependence." 24 August 2023. *European Council on Foreign Relations*. <<https://ecfr.eu/article/onwards-and-outwards-why-the-eu-needs-to-move-from-strategic-autonomy-to-strategic-interdependence/>>.
- lxxii *Ibid.*
- lxxiii EU Monitor. "European Council decides by qualified majority." 3 March 2021. *EU Monitor*.  
<<https://www.eumonitor.eu/9353000/1j9vvik7m1c3gyxp/vhaw1dqwbfu3>>.
- lxxiv Stiftung Wissenschaft und Politik - German Institute for International and Security Affairs. "The EU Common Foreign and Security Policy ." 21 June 2021. *Stiftung Wissenschaft und Politik - German*

- 
- Institute for International and Security Affairs*. <<https://www.swp-berlin.org/en/topics/dossiers/the-eu-common-foreign-and-security-policy>>.
- <sup>lxxxv</sup> Larsen, Henrik. "NATO in a Second Trump Term." 5 April 2024. *The Institute for Peace & Diplomacy*. <<https://peacediplomacy.org/2024/04/05/nato-in-a-second-trump-term/>>.
- <sup>lxxxvi</sup> Bergmann, Max and Federico Steinberg. "Europe's Fiscal Crossroads." 8 May 2024. *Center for Strategic and International Studies*. <<https://www.csis.org/analysis/europes-fiscal-crossroads>>.
- <sup>lxxxvii</sup> Professor Narushige Michishita, *National Graduate Institute for Policy Studies (GRIPS)*, interviewed by the author in Tokyo, March 20, 2024
- <sup>lxxxviii</sup> Professor Andrea Pressello, *National Graduate Institute for Policy Studies (GRIPS)*, interviewed by the author in Tokyo, March 18, 2024
- <sup>lxxxix</sup> Sicilia, Gloria and Emily Benson. "Navigating Tides: The European Union's Expanding Role in the Indo-Pacific." 5 March 2024. *Center for Strategic and International Studies*. <<https://www.csis.org/analysis/navigating-tides-european-unions-expanding-role-indo-pacific>>.
- <sup>lxxx</sup> European External Action Service (EEAS). "A Global Strategy for the European Union's Foreign and Security Policy ." 5 June 2016. *European External Action Service (EEAS)*. <[https://www.coe-civ.eu/kh/a-global-strategy-for-the-european-unions-foreign-and-security-policy#:~:text=The%202016%20Global%20Strategy%20\(EUGS,the%202003%20European%20Security%20Strategy.](https://www.coe-civ.eu/kh/a-global-strategy-for-the-european-unions-foreign-and-security-policy#:~:text=The%202016%20Global%20Strategy%20(EUGS,the%202003%20European%20Security%20Strategy.)>.
- <sup>lxxxix</sup> European External Action Service (EEAS). "EU Indo-Pacific Strategy." 16 September 2021. *European External Action Service (EEAS)*. <<https://www.eeas.europa.eu/sites/default/files/documents/2023/EU%20Indo-pacific.pdf>>.
- <sup>lxxxii</sup> Quinn, Colm. "France Rages at AUKUS Sub Snub." 17 September 2021. *Foreign Policy*. <<https://foreignpolicy.com/2021/09/17/france-australia-aucus-submarine-snub/>>.
- <sup>lxxxiii</sup> Ibid.
- <sup>lxxxiv</sup> Ibid.
- <sup>lxxxv</sup> EU-Japan Centre for Industrial Cooperation. "About the EU-Japan EPA." 1 June 2023. *EU-Japan Centre for Industrial Cooperation*. <<https://www.eu-japan.eu/eubusinessinjapan/procedures/economic-partnership-agreement/about-eu-japan-epa>>.
- <sup>lxxxvi</sup> Ibid.
- <sup>lxxxvii</sup> European External Action Service (EEAS). "EU-Japan Strategic Partnership Agreement (SPA)." 1 February 2019. *European External Action Service (EEAS)*. <[https://www.eeas.europa.eu/node/57491\\_en](https://www.eeas.europa.eu/node/57491_en)>.
- <sup>lxxxviii</sup> Akio, Takahata. "France's Opposition to Tokyo's NATO Liaison Office: Deferring to China?" 7 July 2023. *Nippon.com*. <<https://www.nippon.com/en/in-depth/d00914/>>.
- <sup>lxxxix</sup> Ibid.
- <sup>xc</sup> Ibid.
- <sup>xc</sup> Professor Andrea Pressello, *National Graduate Institute for Policy Studies (GRIPS)*, interviewed by the author in Tokyo, March 18, 2024
- <sup>xcii</sup> Ibid.
- <sup>xciii</sup> Schütte, Arne. "EU's Global Gateway keeps focus on investments in Africa." 1 February 2024. *Science Business*. <<https://sciencebusiness.net/news/eus-global-gateway-keeps-focus-investments-africa>>.
- <sup>xciv</sup> Professor Andrea Pressello, *National Graduate Institute for Policy Studies (GRIPS)*, interviewed by the author in Tokyo, March 18, 2024
- <sup>xcv</sup> Quinn, Colm. "France Rages at AUKUS Sub Snub." 17 September 2021. *Foreign Policy*. <<https://foreignpolicy.com/2021/09/17/france-australia-aucus-submarine-snub/>>.

# **An Examination of Japan's Security Strategy: From the Perspective of the South China Sea Dispute**

*By Helen Ziya Guo*

## **Introduction**

Since 2010, the South China Sea (SCS) has emerged as a flash point for disputes over territorial sovereignty due to its strategic geopolitical importance in East Asia and its abundant natural resources. The primary contention concerns conflicting sovereignty claims over hundreds of small atolls and their associated maritime zones by China and several neighboring countries, including the Philippines, Vietnam, and Malaysia. This intricate series of sovereignty disputes has attracted widespread international attention and has become a central issue in global geopolitics.

As a prominent nation within the Asia-Pacific region, Japan, while neither a littoral nation nor a claimant in the SCS sovereignty disputes, is an important stakeholder from a geoeconomic perspective. Japan's economic development has depended upon maritime trade routes, with the lifeblood of its economic prosperity flowing through the Straits of Malacca and then northeastward to Japan via the SCS.<sup>i</sup> The SCS route transports more than 80% of Japan's oil and 70% of its cargo, and it also acts as a gateway for Japan's import and export commerce with European markets, Oceania, and Africa, among other destinations.<sup>ii</sup> For a nation reliant on export-oriented growth for economic prosperity, any threat to the free flow of maritime trade is perceived as a matter of life and death.<sup>iii</sup> Any claim to sovereignty over the SCS would be comparable to cutting off Japan's economic artery, causing a devastating and deadly blow to its economic progress.<sup>iv</sup>

On the other hand, from a geopolitical perspective, another significant factor prompting Japan's involvement in the SCS is to curtail China's increasing influence in the region. Since the country's economic reforms in 1978, China's Gross Domestic Product (GDP) growth has averaged 9.4% per year, one of the world's highest rates.<sup>v</sup> Nowadays, China accounts for 4% of the world economy and attracts hundreds of billions of dollars of foreign investment, with a total foreign trade volume of \$851 billion.<sup>vi</sup> The Belt and Road Initiative introduced in 2013 not only further consolidated China's influence in Southeast Asia and other regions, but also indicated China's ambitions on the global economic stage.<sup>vii</sup> By establishing a new geopolitical framework with China at its nucleus, the Belt and Road Initiative symbolizes China's global aspirations beyond the traditional scope of a regional power.<sup>viii</sup>

For Tokyo, China's attempts to secure political and diplomatic leverage through its expanding regional economic influence pose serious challenges to its interests.<sup>ix</sup> Additionally, China has refused to accept the arbitration ruling by the Permanent Court of Arbitration at The Hague in July 2016, which declared China's claims over maritime rights in the SCS invalid. Moreover, by physically enlarging islands or constructing new ones within contested waters and establishing military and industrial outposts therein, China has to some extent militarized the SCS issue.<sup>x</sup> China, leveraging its geographical advantages in Asian water lanes along with its firm stance on

the SCS issue, could potentially pose a substantial threat to Japan's maritime routes in the future by constraining access to offshore maritime resources.<sup>xi</sup>

The rapid ascendance of China has redefined regional power balances and instigated a critical national security concern for Japan to contend with. In December 2022, the administration of former Prime Minister Kishida Fumio released three strategic documents: the National Security Strategy (2022 NSS), the National Defense Strategy (2022 NDS), and the Defense Buildup Program (DBP). These documents explicitly state that China's current diplomatic stance and military activities present unprecedented challenges to the maintenance of peace and security in Japan.<sup>xii</sup> They also emphasize the severe tests these challenges pose to the strengthening of an international order based on the rule of law.<sup>xiii</sup>

To better understand the strategic significance of the SCS issue for Japan and how Japan positions itself within a complex geopolitical landscape, this paper will begin with a broad historical perspective and delve into the evolution of Japan's post-World War II security strategy, locating and analyzing the factors that have strongly influenced the development of this strategy. Then, the article will utilize Japan's Three Strategic Documents as an analytical framework to explore Japan's current security strategy amidst the SCS disputes, as well as its potential limitations. Given the ongoing evolution and increasing complexity of these disputes, this paper proposes a series of targeted recommendations aimed at enhancing Japan's security strategy to effectively confront regional security challenges, with the intent of providing valuable insights and tools for researchers and policymakers.

## **Evolution of Japan's Security Strategy**

Shortly after World War II ended, Japanese Prime Minister Yoshida Shigeru set the foundational direction for the nation's foreign and security policies. His principles, known collectively as the Yoshida Doctrine, featured three main tenets: (1) Japan would secure its national safety through an alliance with the United States; (2) Japan would maintain minimal self-defence capabilities by establishing only a limited armed force; (3) Japan would allocate the resources saved from these policies to economic activities, pursuing growth through international trade.<sup>xiv</sup> Additionally, Japan adopted self-imposed restrictions, including strictly limiting the defense budget to no more than 1% of the GDP, refraining from developing long-range missiles and nuclear weapons, and not exporting arms to other countries.<sup>xv</sup> These measures further reinforced its non-aggressive and defensive security strategy. The Yoshida Doctrine advocated for Japan to maintain a restrained international stance, focusing primarily on aiding post-war economic recovery and rebuilding, channeling all national energy and resources into economic growth and material prosperity.

As Japan grappled with an economic downturn triggered by the burst of the bubble economy in the early 1990s and a general weakening of its national economic strength, the nation experienced growing concerns about its regional security environment. At the same time, the Japanese government recognized the importance of actively promoting universal values such as democratic governance, human rights, and the rule of law through diplomatic means.<sup>xvi</sup> Consequently, Japan's foreign and security strategies began to transition from an economically centered approach to one that is value-based.<sup>xvii</sup> The value-based diplomatic policy framework emphasizes that to ensure a peaceful and fulfilling life for everyone, it is indispensable to

maintain freedom and basic human rights under democratic governance, as well as political stability and economic prosperity.<sup>xviii</sup> This framework was notably reflected in Japan's inaugural National Security Strategy, formulated and published in 2013. At the beginning of this document, the Japanese government explicitly states that the nation faces an "increasingly severe security environment" and underscores the necessity of proactive measures to enhance the nation's deterrence capabilities.<sup>xix</sup> These measures include strengthening the international order based on universal values and rules to enhance the global security environment, thereby fostering the development of a peaceful, stable, and prosperous international society.<sup>xx</sup>

The NSS document also discusses Japan's maritime strategy. As a maritime nation with extensive exclusive economic zones and coastlines, Japan views the openness and stability of the seas as beneficial for economic growth.<sup>xxi</sup> Then-Prime Minister Abe Shinzo stated in his speeches that the nation's prosperity is founded on the free flow of people and goods.<sup>xxii</sup> Thus, maintaining the freedom and security of maritime and aerial routes is essential. Abe further emphasized that the only way to ensure the security and peace of these public goods is to steadfastly uphold the rule of law and defend fundamental values such as freedom, human rights, and democratic governance.<sup>xxiii</sup> Additionally, he warned that if peace and stability in Asia were compromised, it could trigger profound and far-reaching consequences globally.<sup>xxiv</sup>

Within the current geopolitical context, Japan finds itself in the most complex and severe security environment since the end of World War II, characterized by three major challenges: the rapid rise of China; the exacerbation of nuclear threats by North Korea's nuclear weapons and missile technology; lastly, Russia's invasion of Ukraine, coupled with its undermining of the fundamental norms of the international order.<sup>xxv</sup> This environment poses significant security challenges for Japan, compelling it to address these three strategic issues simultaneously.<sup>xxvi</sup> Each geopolitical challenge has its unique factors, making universal solutions inapplicable.<sup>xxvii</sup>

Consequently, it is imperative that Japan formulate targeted strategic plans<sup>xxviii</sup> and confront the harsh reality of its situation by fundamentally strengthening its defense capabilities. On December 16, 2022, the administration of Kishida Fumio released three strategic documents which have been broadly interpreted by scholars as a historic shift in Japan's defense policy, signifying a new willingness to reevaluate national defense strategy in light of the real possibility of military strikes against Japanese territory.<sup>xxix</sup> Former Prime Minister Kishida also articulated in his remarks that the new strategies and measures are intended to "dramatically change" Japan's post-war national security policy.<sup>xxx</sup>

The 2022 NSS marks the first significant revision of the strategy since its inception in 2013, delineating the long-term security policies for the upcoming decade.<sup>xxxi</sup> Simultaneously, the 2022 NDS supersedes the previous National Defense Program Guidelines, clearly defining Japan's fundamental defense policies and the three approaches to achieving its defense objectives: 1) Strengthening Japan's national defense architecture; 2) Enhancing joint deterrence and response capabilities within the Japan-U.S. Alliance; 3) Collaborating with like-minded countries and other partners.<sup>xxxii</sup> Furthermore, the DBP, derived from the 2022 NDS, provides guidelines for the effective and efficient development, maintenance, and operation of defense capabilities, detailing the procurement procedures for the necessary equipment.<sup>xxxiii</sup>

## Japan's Security Strategy in the SCS

Based on its strategic interests in the SCS, Japan has evidently committed itself to maintaining peace and stability in the region. This section will place Japan's newly released strategic document in the context of the territorial disputes in the SCS. This paper argues that the three strategic approaches proposed in the 2022 NDS provide a framework through which Japan's series of actions and strategic deployments in the SCS can be explained, thereby offering a more comprehensive understanding of the complex interactions in the region.

Firstly, Japan is committed to upholding the United Nations Convention on the Law of the Sea (UNCLOS) and international maritime rules and norms.<sup>xxxiv</sup> One of Japan's foremost efforts is to strengthen the rule of law by aiming to formulate international rules in response to global issues.<sup>xxxv</sup> Japan actively engages in negotiations across various domains, taking a leading role from the outset in rule formulation. It reflects its principles and viewpoints in cross-sector initiatives. For instance, Japan's proposed maritime governance is based on three principles: asserting and clarifying claims according to international law, avoiding the use of force to advance its commitments, and seeking peaceful resolutions to disputes.<sup>xxxvi</sup> This approach ensures the appropriate development of international law. Simultaneously, UNCLOS established the International Tribunal for the Law of the Sea (ITLOS) for the peaceful resolution of maritime disputes and the maintenance and development of the legal order of the seas.<sup>xxxvii</sup> Japan, placing great importance on the role of ITLOS, contributes personnel to the tribunal, including two Japanese judicial officials.<sup>xxxviii</sup> Since its establishment in 1982, Japan has been the largest financial contributor to the tribunal.<sup>xxxix</sup>

Furthermore, the Japanese government is making efforts to ensure continued U.S. involvement, engaging in policy coordination to fully leverage the influence of the U.S. military in maintaining its position in the SCS. As noted by other scholars, the United States remains the 'only nation capable of resisting China's use of force' in the region and the sole country capable of preserving the status quo in the SCS.<sup>xl</sup> At the same time, Washington and Tokyo have reached a consensus on the institutional norms and rules for various complex behaviors, enabling the alliance to appropriately respond to challenges from China and to strengthen joint deterrence and response capabilities. In 2023, two leaders declared through the "The Spirit of Camp David" joint statement that China's unlawful maritime claims and dangerous, aggressive actions in the SCS do not align with the rules-based international order and undermine regional peace and prosperity.<sup>xli</sup>

In April 2024, recently departed Japanese Prime Minister Kishida Fumio made an official visit to Washington, where both leaders agreed that Japan and the United States are global partners in addressing international community issues and that their relationship is stronger than ever before.<sup>xlii</sup> Both parties also agreed on the need for close cooperation in dealing with issues related to China, and consented to jointly uphold and strengthen a free and open international order based on the rule of law.<sup>xliii</sup> According to U.S. Deputy Secretary of State Kurt Campbell, the results of this visit indicate that U.S.-Japan relations are fundamentally entering a new phase, based on the clear responsibility assigned to allied partners, and that the alliance will exhibit new strength.<sup>xliv</sup> Specifically, the United States expects Japan to transcend its traditional role as a follower and take on a more active and leading role on the global stage, assuming greater

responsibilities and leadership. Concurrently, Japan anticipates that through tighter cooperation, the alliance will be more robust and capable of effectively addressing the regional security threats and challenges they face together.

The deepening of the Japan-U.S. alliance is also reflected in joint military exercises. In 2018, with the objective of 'enhancing maritime cooperative combat capabilities among allies,' the U.S. aircraft carrier USS Carl Vinson and the destroyer USS Wayne E. Meyer held joint exercises with the Japanese helicopter carrier JS Ise.<sup>xlv</sup> In 2019, the U.S. Navy Nimitz-class nuclear-powered aircraft carrier USS Ronald Reagan and the Japan Maritime Self Defense Force's largest flattop carrier, the first-of-class JS Izumo, jointly held a naval exercise in the SCS.<sup>xlvi</sup> This exercise included communication verifications, tactical maneuvering drills, and liaison officer exchanges designed to tackle common maritime security priorities and enhance interoperability in marine environments.<sup>xlvii</sup> In 2023, the U.S. Navy Independence-variant littoral combat ship USS Gabrielle Giffords (LCS 10) and the Murasame-class general-purpose destroyer JS Ikazuchi (DD 107) of the JMSDF conducted a maritime exercise, demonstrating a combined capability to counter regional threats.<sup>xlviii</sup> The joint naval exercises have significantly enhanced the strategic linkages and collaborative response capabilities among allies, thereby supporting the shared objective of maintaining a free and open maritime environment. This development further reinforces Japan's commitment to upholding the fundamental principles of international law.

Japan has also endeavored to bring up the SCS disputes in ASEAN-related multilateral fora such as the ASEAN Regional Forum, the ASEAN Defense Ministers' Meeting-Plus, and the East Asia Summit.<sup>xlix</sup> Within the regional multilateral framework, Japan has advocated to include maritime security concepts on the agenda, consistently emphasizing the importance of resolving territorial disputes through peaceful means and ensuring freedom of navigation in the Asia-Pacific region on a legal basis.<sup>1</sup> In November 2013, the Japanese government, in a joint statement with ASEAN, emphasized the need for enhanced collaboration in maritime security and a specific emphasis on advancing the principles of freedoms of navigation and overflight.<sup>li</sup> Japan seeks to align with other countries in the region, particularly the littoral SCS Countries, in reaching a unified consensus and shared perspectives on the SCS issue. It aims to garner as much support as possible from these nations to counteract China's assertive actions, curb China's unilateral behaviors, and strengthen international maritime norms and regulations in East Asia.<sup>lii</sup>

Japan also has strategically elevated the SCS disputes to the international stage, extending the regional conflicts beyond the confines of East Asia and attracting widespread attention from countries in other regions. For instance, following the 2016 G7 Summit, the member states of the G7 publicly voiced their collective concerns about the situation in the SCS.<sup>liii</sup> They unanimously emphasized that managing and resolving disputes through peaceful measures is not only crucial for regional stability, but also fundamental to upholding international law and the maritime order.<sup>liv</sup>

Japan has also deepened cooperation with like-minded countries in multiple aspects by enhancing its joint deterrent capabilities to ensure international peace and stability. In 2023, Chief Cabinet Secretary Matsuno Hirokazu stated that Japan would "provide equipment to the militaries of like-minded countries that share common values to improve their defensive abilities against regional security threats."<sup>lv</sup> This measure not only deters unilateral attempts to change the

status quo by force but also serves as a warning against China's maritime assertiveness in the disputed waters of the SCS.

In recent years, Japan has closely cooperated with several countries that share similar strategic objectives, particularly in enhancing maritime defense capabilities in the SCS region. In 2012, Japan announced the dispatch of six used vessels, convertible into patrol boats, to Vietnam and explored the possibility of sending several new patrol boats to Vietnam for maritime surveillance.<sup>lvi</sup> Simultaneously, the two countries commenced discussions on the transfer of defense equipment and technology.<sup>lvii</sup> In 2014, during then-Vietnamese President Truong Tan Sang's visit to Japan, the two nations agreed to elevate their existing "Strategic Partnership" to an "Extensive Strategic Partnership for Peace and Prosperity in Asia."<sup>lviii</sup> Additionally, they concurred on designating Cam Ranh Bay as a strategic hub port, leading to the Japan Self-Defense Forces (JSDF) completing port calls there in April and May of 2016.<sup>lix</sup>

The Philippines is situated on crucial maritime routes that hold significant strategic importance, hence giving the Southeast Asian nation ideals and strategic objectives on regional security and stability akin to those of Japan.<sup>lx</sup> This geopolitical congruence renders the Philippines a vital partner for Japan within the security architecture of the Asia-Pacific region.<sup>lxi</sup> In September 2011, Japan and the Philippines elevated their bilateral relationship to a "Strategic Partnership" and further enhanced it to a "Strengthened Strategic Partnership" in 2015.<sup>lxii</sup> In July 2012, Japan announced the provision of 10 new patrol boats to the Philippines to aid in the enhancement of its long-range communication systems and to improve maritime awareness and surveillance capabilities.<sup>lxiii</sup>

In an effort to strengthen the military capabilities of the Philippines, Japan established a working-level liaison mechanism with the Philippine military to discuss the transfer of weapons and equipment.<sup>lxiv</sup> Japan and the Philippines also initiated negotiations for a Status of Forces Agreement to allow the use of Philippine bases by JSDF aircraft and vessels for refueling and resupply, as well as to improve educational and personnel exchanges between the Armed Forces of the Philippines and JSDF, thereby facilitating the expansion of the JSDF activities in the SCS.<sup>lxv</sup> In 2023, the Philippines was designated as a recipient of the Official Security Aid Program.<sup>lxvi</sup> This new aid initiative aims to provide equipment and supplies, as well as assistance for infrastructure development, to help like-minded countries enhance their security capacities and deterrence capabilities.<sup>lxvii</sup> According to the program, Japan will supply the Philippines with surveillance radar systems to strengthen its role in the regional security architecture.<sup>lxviii</sup>

In the context of bilateral cooperation with like-minded nations, Japan has also actively advanced its multilateral relationships. In April 2024, the naval/maritime and air force units of Japan, the Philippines, Australia, and the United States conducted their inaugural quadrilateral exercise in the Philippine Exclusive Economic Zone in the SCS.<sup>lxix</sup> This exercise marked a previously unprecedented level of defense cooperation among the four nations, considered crucial for maintaining regional security and stability.<sup>lxx</sup> Following the exercise, the defense ministers of these countries discussed the potential for expanding defense cooperation and establishing a series of specific measures.<sup>lxxi</sup> These included strengthening ongoing maritime cooperation in the SCS, enhancing coordination, improving information-sharing mechanisms, and bolstering each nation's defense capabilities.<sup>lxxii</sup> In the same year, the first-ever trilateral summit between the



United States, Japan, and the Philippines took place in Washington. During this meeting, U.S. President Biden and then-Japanese Prime Minister Kishida Fumio expressed their support for enhancing the capabilities of the Philippine Coast Guard, announcing several new specific initiatives.<sup>lxxiii</sup> These initiatives aim to strengthen Manila's maritime capabilities, including providing additional vessels to the Philippine Coast Guard and planning trilateral Coast Guard exercises, alongside other maritime activities for 2024 and 2025.<sup>lxxiv</sup> Additionally, the three nations plan to establish a trilateral maritime dialogue platform to enhance coordination and collective response capabilities, fostering maritime cooperation and strategy formulation.<sup>lxxv</sup>

## **Constraints on Japan's Security Approach**

The previous section provided a detailed examination of Japan's actions in the SCS and specific elements of its security strategy. As regional tensions continue to escalate, Japan's strategic initiatives in the SCS demonstrate its high regard for regional security. However, these initiatives also face steep hurdles, particularly in strengthening Japan's national defense system to meet objectives in accordance with the 2022 NDS. This section will provide a thorough analysis of these limitations and challenges, exploring how they affect Japan's ability to maintain its strategic interests in the region.

Scholars regard Japan's three strategic documents as ambitious since they advise increasing defense expenditures and establishing military reserves essential for war readiness.<sup>lxxvi</sup> As previously mentioned, Japan's defense spending has consistently remained at or below 1% of its GDP over the past few decades. Japan now plans to spend 43 trillion yen (\$300 billion) through 2027 to bolster its military power and to nearly double its annual spending to around 10 trillion yen (\$68 billion), which would make Japan the world's third-biggest military spender after the United States and China. The budget would boost Japan's arms spending for a 12th year.<sup>lxxvii</sup>, <sup>lxxviii</sup> Moreover, taking into account defense-related expenditures across various government departments, it is anticipated that Japan's defense spending will reach 2% of GDP by fiscal year 2027.<sup>lxxix</sup>, <sup>lxxx</sup>

The increase in defense spending should substantially strengthen Japan's defense architecture and capabilities. Dr. Jimbo Ken noted that, in 2005, Japan's defense budget was almost equivalent to China's military budget in dollar terms.<sup>lxxxi</sup> However, by 2010, China had allocated approximately \$100 billion to its defense budget, an increase of about 8% from \$88 billion in 2009, making China the second-largest military spender in the world after the United States.<sup>lxxxii</sup> In the fiscal year 2022, China's announced defense expenditure was approximately 4.8 times that of Japan.<sup>lxxxiii</sup> If Japan had continued to maintain its defense spending at 1%, China's military budget would have grown to ten times that of Japan.<sup>lxxxiv</sup>

However, despite the significant increase in the defense budget, Japan remains in an inferior position to China in infrastructure development and will still be unable to compete in the arms race with China.<sup>lxxxv</sup> Through continuous growth in China's defense spending, the Chinese naval force has significantly surpassed Japan's. Moreover, no other country in the SCS region can compete with the overwhelming military superiority established by the People's Liberation Army.<sup>lxxxvi</sup> China has developed into the world's largest naval power, with its fleet exceeding 300 ships and submarines.<sup>lxxxvii</sup> In contrast, according to data from 2019, the Japan Maritime Self-

Defense Force has a far smaller though diverse fleet, including 4 light helicopter carriers, 2 cruisers, 34 destroyers, 11 frigates, 3 amphibious assault ships, 6 fast attack missile boats, and 21 submarines.<sup>lxxxviii</sup> Looking ahead to 2030, the Japan Maritime Self-Defense Force is not expected to significantly increase its scale.<sup>lxxxix</sup> In comparison, the total number of ships in the Chinese Navy may increase to over 450, with nearly 110 submarines.<sup>xc</sup>

To achieve the goals set for the defense budget, the Japanese government will need to make fiscal adjustments to cover the funding shortfall. However, the Kishida administration announced that approximately one-fourth of the additional funds required will be raised through tax increases.<sup>xc<sup>i</sup></sup> This move to increase taxes may provoke widespread public discontent, exacerbating the tension between the government and its citizens. While a majority of the Japanese public supports an increase in defense spending, they are opposed to funding it through higher taxes. Surveys conducted in November and December 2022 revealed that over 60% of the public disapproved of tax increases.<sup>xc<sup>ii</sup></sup> This opposition to raising taxes for defense spending persisted into 2023, as evidenced by polls in January and February, where 71% and 64% of respondents, respectively, opposed tax increases to fund the defense budget.<sup>xc<sup>iii</sup></sup> Also, according to a December 2022 survey, the approval rating for the Kishida cabinet fell sharply to 31% amid discussions of potential tax hikes to boost defense spending.<sup>xc<sup>iv</sup></sup> Overall, while there is a recognized need to strengthen national defense, the public demands that the government allocate funds for this purpose without increasing the financial burden on individuals.

Additionally, in both the 2022 NSS and NDS documents, the government highlighted Japan's pressing domestic challenges: the combined forces of severe aging and low fertility rates causing a continuous decline in population numbers, resulting in a demographic crisis.<sup>xc<sup>v</sup></sup> The proportion of adults aged 65 and above in Japan is the highest in the world (23%), and the country has more centenarians (individuals aged 100 and above) than any other nation, with nearly one-fifth of such individuals globally residing in Japan.<sup>xc<sup>vi</sup></sup> Moreover, Japan's fertility rate has now consistently been low for decades, remaining below 1.5 since 1995 and falling to 1.26 in 2022.<sup>xc<sup>vii</sup></sup> It is projected that, by 2070, Japan's population will decrease from approximately 124.9 million in 2022 to about 87 million, representing a reduction of 30%.<sup>xc<sup>viii</sup></sup> This scale of population decline is unprecedented among developed nations and has profound implications for Japan's labor market.

Ono Keishi posits that a decrease in military personnel is unavoidable in developed nations, attributing this trend to declining birth rates, aging populations, and the consequent rise in social security costs and budgetary limitations.<sup>xc<sup>ix</sup></sup> Yoshihara elaborated and summarized that the observed demographic shifts are bound to result in a steady decline of available personnel suitable for recruitment and deployment in military operations.<sup>c</sup> As Tom Le articulates in "Japan's Aging Peace: Pacifism and Militarism in the Twenty-First Century," population aging and decline profoundly impact a nation's capacity to recruit and maintain forces in a state of readiness.<sup>ci</sup>

For Japan, a diminishing population size will lead to a shrinkage in the recruitment pool, resulting in a decrease in military manpower. A shortage of personnel could directly impact the effectiveness and execution of defense missions and severely constrain the military's strategic planning. For example, the 2022 NDS does not explicitly mention plans to increase the number

of JSDF personnel. This omission indirectly suggests that maintaining the size and combat readiness of the JSDF through conventional recruitment methods will become increasingly challenging. Japanese youth between the ages 18 and 26 have long been the cornerstone of recruitment for the JSDF.<sup>cii</sup> However, since 1994, the population within this age group has been in rapid decline, plummeting from 17 million in 1994 to 10.5 million by October 2021.<sup>ciii</sup> Indeed, this dwindling talent pool poses a significant challenge to the manpower and recruitment efforts of the JSDF. Since 2013, the JSDF has consistently failed to meet its recruitment targets.<sup>civ</sup> For instance, in 2018, although the JSDF set a standing force target of 247,000 personnel, the actual strength was only 227,000, resulting in an 8% shortfall.<sup>cv</sup> Moreover, the National Defense Program Guidelines released in 2019 already identified the shortfall in planned forces as “an imminent challenge.”<sup>cvi</sup> By the end of fiscal year 2019, the ground, maritime, and air units had not achieved their fixed-term recruitment targets.<sup>cvi</sup>

The economic challenges sparked by the population crisis are another undeniable reality. In light of long-term economic development trends, Japan's modest growth potential may become a significant fiscal constraint on defense budget allocations. Economists widely agree that changes in population structure are expected to diminish output growth and restrict the expansion of economic welfare.<sup>cvi</sup> Concurrently, a decline in GDP will inevitably impact the real value of defense budgets. In such a context, even if the defense budget GDP terms is doubled, the absolute amount available for defense will decrease, potentially complicating the achievement of established defense objectives.

Economist Klaus Pretzner has found that declines in fertility are associated with declines in GDP per capita in industrialized countries.<sup>cix</sup> Japan's case supports his findings, as real per capita GDP has been on a downward trend since 1990.<sup>cx</sup> Japan's real economic growth has averaged 0.6% of GDP over the past decade.<sup>cx</sup> Based on long-term simulations produced by the IMF's world macroeconomic model (MULTIMOD), GDP per capita is expected to drop by about 5 percent relative to the baseline scenario.<sup>cxii</sup> According to research by Colacelli and Corugedo, solely due to demographic factors, Japan's economic growth rate is projected to decline by an average of approximately 0.8 percentage points annually over the next 40 years.<sup>cxiii</sup> Against this backdrop of economic slowdown, the outlook for growth in defense budgets appears less optimistic. By 2034, the defense budgets of China and the United States are expected to see significant growth, whereas Japan will likely lag behind in budget increases and could face increased pressures in maintaining its national security and regional stability.<sup>cxiv</sup>

## **Future Development**

Despite these challenges, there are multiple strategies available to enhance Japan's security posture and regional influence in the SCS. This paper will conclude by exploring several potential solutions to the threats confronting Japan's core security interests, with the goal of hypothesizing key components of a comprehensive, sustainable security strategy for Japan's future.

First, since these threats have intensified amidst Japan's efforts to strengthen its defense architecture, Japan should be proactive by adopting countermeasures that reshape threats and crises and limit their risk to security interests.

In the face of the demographic crisis, a core policy recommendation is investment in cutting-edge technologies such as robotics and artificial intelligence. The introduction and promotion of automation technology can effectively mitigate reliance on human resources, thereby addressing the issue of population shortage.<sup>cxv</sup> Taking the JSDF as an example, the implementation of this strategy can enhance its effectiveness in several ways. The use of drones, automated surveillance systems, and remote operation technologies can significantly improve the JSDF's capabilities in monitoring, reconnaissance, and combat execution, while also substantially reducing the need to deploy personnel in high-risk environments. This approach not only effectively addresses current challenges with recruitment, but also ensures that the JSDF maintains its competitive advantage on the increasingly technology-oriented modern battlefield. Furthermore, this move would herald a shift from traditional labor-intensive strategies to more technology-reliant modern strategies.

Technological transformation would be pertinent not only to the JSDF but also to society-wide issues such as population aging and labor market tightening. By investing in and applying these advanced technologies, new ideas and methods can be devised to solve a range of socio-economic issues. However, the development of cutting-edge technologies often requires substantial financial resources and time. Between researching advanced technologies, creating prototypes, and ultimately realizing production, each step faces complex challenges and high costs. The entire process, from theoretical research to technological implementation, and lastly to market application, is fraught with uncertainties, making technological innovation both a costly long-term battle and a risky strategy.

Relaxing immigration policies can also serve as a potential solution. The Japanese Cabinet proposed in its 2010 "New Growth Strategy: Blueprint for Revitalizing Japan" that welcoming foreign talent is key to Japan's economic growth and revitalization. Immigration can not only inject new vitality into economic growth but also provide a necessary supplement to the labor market, thereby helping to mitigate the economic downturn or even recession caused by population decline.<sup>cxvi</sup> Furthermore, in the matter of JSDF recruitment, the introduction of foreign talent and labor can provide an important resource pool to support Japan's national defense demands. By relaxing immigration policies, Japan can attract not only individuals with high skills but also those immigrants who are willing and capable of contributing to national security.

Nevertheless, the defense strategy and military construction of any country are deeply rooted in a spirit of nationalism and a strict system of secrecy, which together safeguard national sovereignty and security, prevent the leakage of sensitive information, and ensure that national secrets are rigorously protected. Therefore, when proposing to introduce more overseas talent into the ranks of the JSDF, Japan faces not only adjustments in recruitment strategies but also the challenge of ensuring these new members can be unconditionally loyal to Japan and effectively integrated into its national security framework. This requires Japan to not only value the economic potential of immigrants and their contribution to military manpower but also to strengthen security vetting and loyalty cultivation, ensuring that Japan's national security and sovereignty can be robustly protected even in the face of demographic and economic challenges. The need to achieve this balance will be a key factor for Japanese policymakers to consider when contemplating the relaxation of immigration policies.

Japan can also improve the implementation of national defense tasks by the JSDF through the recruitment of non-JSDF officials and experts into the JSDF.<sup>cxvii</sup> For instance, experts in specific technological fields could be appointed to five-year positions to support the JSDF's objectives in advanced warfare and defense technologies. These appointments would be made under stringent security screenings and confidentiality agreements, ensuring national security while advancing the professionalism and technological sophistication of JSDF operations. This interdisciplinary cooperation model not only helps bridge the gap between military and civilian technological sectors but also infuses the JSDF with fresh ideas and technologies, enhancing tactical execution and elevating the overall strategic efficacy of national defense. In other words, Japan should continue to develop and deepen cooperation with the private sector.

Although SCS disputes remain unresolved—and their future developments unpredictable—it is evident that Japan's future strategy in the region will tend to be reactive, significantly influenced by China's foreign policy and regional actions. In addition, China is expected to maintain its confident posture on the international stage, not relinquishing any claims to sovereignty or associated jurisdictional rights. Despite the Permanent Court of Arbitration's ruling under international law that almost all of China's maritime sovereignty claims in the disputed area are invalid, Beijing has resolutely refused to accept this decision, declaring the outcome invalid and without legally binding force.<sup>cxviii</sup> President Xi Jinping has explicitly stated that China's "territorial sovereignty and marine rights" in these waters will remain unaffected by the ruling.<sup>cxix</sup>

In this context, Japan's short-term security strategy should focus on enhancing collective influence on the SCS through cooperation with allies, particularly Southeast Asian countries, who not only serve mutual security interests but are also crucial for promoting regional stability and peace. Japan should expedite the signing of Acquisition and Cross-Servicing Agreements, Information Exchange and Protection Agreements, and Reciprocal Access Agreements with like-minded nations that share similar values, such as the Philippines and Vietnam. These measures would simultaneously accelerate Japan's implementation of its national defense strategy and joint defense objectives while enhancing collective deterrence within the region. Japan could also increase its role in multilateral alliance diplomacy, including the Japan-U.S.-South Korea and Japan-U.S.-Philippines alliances, by regularizing joint military exercises in the SCS, enhancing coordination among national maritime forces, and improving maritime awareness and rapid response capabilities.

On the other hand, China also recognizes and is concerned that the United States, Japan, and surrounding nations might leverage maritime disputes in the SCS to strengthen their alliance systems. During a press conference in August 2023, China Foreign Ministry Spokesperson Wang Wenbin addressed criticisms from officials within the U.S.-Japan-South Korea alliance that China had exhibited "aggressive behavior" and held to "unlawful maritime claims."<sup>cxx</sup> He described these criticisms as slanderous and aggressive attacks on China, as well as blatant interference in China's internal affairs, deliberately sowing discord between China and its neighboring countries.<sup>cxxi</sup> Another spokesperson, Mao Ning, expressed that the tripartite summit between the U.S., Japan, and the Philippines introduced "bloc confrontation," escalating tensions in the region.<sup>cxxii</sup> She argued that these exclusionary groupings undermine regional peace and stability, create a containment network against China, and damage Chinese interests.<sup>cxxiii</sup>

Moreover, if China realizes that further provocations in the SCS might lead to increased intervention by Japan and other nations, along with negative impacts on diplomatic relations and global influence, it is rational to expect that China might adjust its behavior.<sup>cxixv</sup> China may adopt new maritime strategies and diplomatic tactics that shift from taking unilateral coercive actions to resolving territorial disputes through peaceful dialogue and negotiation.<sup>cxixv</sup> Such changes in China's outlook would not only reduce regional tensions but also diminish the threat to Japan, who would more than likely adopt a more restrained stance on security conflicts in response.

However, it is far from guaranteed that China's behavior will change. If Japan fails to fundamentally address the challenges posed by its security strategy, remains constrained by inadequate defense capabilities and a lack of military strength, or, if other geopolitical crises escalate and pose direct threats to Japanese national security, Japan will struggle to conduct military operations on multiple fronts simultaneously, leading to a passive dilemma in the SCS disputes, a disadvantageous position, and irreversible damage to its national interests.

## Endnotes

---

- <sup>i</sup> Xu, Beina. “South China Sea Tensions.” Council on Foreign Relations, May 14, 2014. <https://www.cfr.org/backgrounder/south-china-sea-tensions>.
- <sup>ii</sup> Céline Pajon, *Japan and the South China Sea: Forging Strategic Partnerships in a Divided Region*, IFRI: Institut Français des Relations Internationales. *Asie.Visions*, no. 60 (January 2013), accessed May 14, 2024, <https://policycommons.net/artifacts/1407008/japan-and-the-south-china-sea/2021273/>. CID: 20.500.12592/4nbh47.
- <sup>iii</sup> Storey, Ian. “Japan’s Maritime Security Interests in Southeast Asia and the South China Sea Dispute.” *Political Science* 65, no. 2 (December 2013): 135–56. <https://doi.org/10.1177/0032318713508482>.
- <sup>iv</sup> Céline Pajon, *Japan and the South China Sea: Forging Strategic Partnerships in a Divided Region*, IFRI: Institut Français des Relations Internationales. *Asie.Visions*, no. 60 (January 2013), accessed May 14, 2024, <https://policycommons.net/artifacts/1407008/japan-and-the-south-china-sea/2021273/>. CID: 20.500.12592/4nbh47.
- <sup>v</sup> Bijian, Zheng. “China’s ‘Peaceful Rise’ to Great-Power Status.” *Foreign Affairs* 84, no. 5 (2005): 18–24. <https://doi.org/10.2307/20031702>.
- <sup>vi</sup> Ibid.
- <sup>vii</sup> Vu, Truong-Minh. “Between System Maker and Privileges Taker: The Role of China in the Greater Mekong Sub-Region.” *Revista Brasileira de Política Internacional* 57, no. spe (2014): 157–73. <https://doi.org/10.1590/0034-7329201400210>.; Yu, Hong. “China’s Belt and Road Initiative and Its Implications for Southeast Asia.” *Asia Policy* 24, no. 1 (2017): 117–22. <https://doi.org/10.1353/asp.2017.0029>.
- <sup>viii</sup> Ibid.
- <sup>ix</sup> Hooper, Mira , Michael Chase, Mataka Kamiya, Shin Kawashima, and Yuichi Hosoya. “Responding to China’s Complicated Views on International Order.” Carnegie Endowment for International Peace, October 10, 2019. <https://carnegieendowment.org/posts/2019/10/responding-to-chinas-complicated-views-on-international-order?lang=en>.
- <sup>x</sup> Center for Preventive Action. “Territorial Disputes in the South China Sea.” Global Conflict Tracker. Council on Foreign Relations, March 19, 2024. <https://www.cfr.org/global-conflict-tracker/conflict/territorial-disputes-south-china-sea>.
- <sup>xi</sup> Yoshimatsu, Hidetaka. “China, Japan and the South China Sea Dispute: Pursuing Strategic Goals through Economic and Institutional Means.” *Journal of Asian Security and International Affairs* 4, no. 3 (December 2017): 294–315. <https://doi.org/10.1177/2347797017733821>.
- <sup>xii</sup> Ministry of Foreign Affairs of Japan, *National Security Strategy of Japan*, December 16, 2022, <https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf>; Ministry of Defense of Japan, *National Defense Strategy*, December 6, 2022, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf); Ministry of Defense of Japan, *Defense Buildup Program*, December 16, 2022, [https://www.mod.go.jp/j/policy/agenda/guideline/plan/pdf/program\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/plan/pdf/program_en.pdf).
- <sup>xiii</sup> Ibid.
- <sup>xiv</sup> Green, Michael. *Line of Advantage: Japan’s Grand Strategy in the Era of Abe Shinzō*. Columbia University Press, 2022.
- <sup>xv</sup> Ibid.
- <sup>xvi</sup> Koji, Murata. “Kishida’s ‘Realism’ Diplomacy: From the Yoshida Doctrine to Values-Based Diplomacy?” Center for Strategic and International Studies, June 8, 2023. <https://www.csis.org/analysis/kishidas-realism-diplomacy-yoshida-doctrine-values-based-diplomacy>.
- <sup>xvii</sup> Ibid.
- <sup>xviii</sup> Ministry for Foreign Affairs. “MOFA: Speech by Mr. Taro Aso, Minister for Foreign Affairs on the Occasion of the Japan Institute of International Affairs Seminar ‘Arc of Freedom and Prosperity: Japan’s Expanding Diplomatic Horizons.’” Minister for Foreign Affairs, November 30, 2006. <https://www.mofa.go.jp/announce/fm/aso/speech0611.html>.
- <sup>xix</sup> Ministry of Foreign Affairs of Japan, *National Security Strategy of Japan*, December 17, 2013, <https://www.cas.go.jp/jp/siryou/131217anzenhoshou/nss-e.pdf>

- 
- <sup>xx</sup> Ibid.
- <sup>xxi</sup> Ibid.
- <sup>xxii</sup> Prime Minister of Japan and His Cabinet. “A New Vision from a New Japan, World Economic Forum 2014 Annual Meeting, Speech by Prime Minister Abe (Speeches and Statements by Prime Minister) | Prime Minister of Japan and His Cabinet.” Prime Minister of Japan and His Cabinet, January 22, 2014. [https://japan.kantei.go.jp/96\\_abe/statement/201401/22speech\\_e.html](https://japan.kantei.go.jp/96_abe/statement/201401/22speech_e.html).
- <sup>xxiii</sup> Ibid.
- <sup>xxiv</sup> Ibid.
- <sup>xxv</sup> Koshino, Yuka. “Japan’s Transformational National-Security Documents.” International Institute for Strategic Studies, December 21, 2022. <https://www.iiss.org/online-analysis/online-analysis/2022/12/japans-transformational-national-security-documents/>.
- <sup>xxvi</sup> Interview with Ken Jimbo, Tokyo, March 2024.
- <sup>xxvii</sup> Ibid.
- <sup>xxviii</sup> Ibid.
- <sup>xxix</sup> Tsuneo, Watanabe. “What’s New in Japan’s Three Strategic Documents.” Center for Strategic and International Studies, February 13, 2023. <https://www.csis.org/analysis/whats-new-japans-three-strategic-documents>.
- <sup>xxx</sup> Koshino, Yuka. “Japan’s Transformational National-Security Documents.” International Institute for Strategic Studies, December 21, 2022. <https://www.iiss.org/online-analysis/online-analysis/2022/12/japans-transformational-national-security-documents/>.
- <sup>xxxi</sup> Ibid.
- <sup>xxxii</sup> Ministry of Defense of Japan, *National Defense Strategy*, December 6, 2022, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf)
- <sup>xxxiii</sup> Ministry of Defense of Japan, *Defense Buildup Program*, December 16, 2022, [https://www.mod.go.jp/j/policy/agenda/guideline/plan/pdf/program\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/plan/pdf/program_en.pdf).
- <sup>xxxiv</sup> Ministry for Foreign Affairs. “Diplomatic Bluebook.” Ministry of Foreign Affairs of Japan, 2017. <https://www.mofa.go.jp/policy/other/bluebook/2017/html/chapter3/c030106.html>.
- <sup>xxxv</sup> Ibid.
- <sup>xxxvi</sup> Ibid.
- <sup>xxxvii</sup> Ibid.
- <sup>xxxviii</sup> Ibid.
- <sup>xxxix</sup> Ibid.
- <sup>xl</sup> Envall, HDP. “South China Sea Perspectives: Japan.” H.D.P. Envall, October 15, 2022. <https://hdpenvall.com/essays/south-china-sea-perspectives-japan/>.
- <sup>xli</sup> The White House. “The Spirit of Camp David: Joint Statement of Japan, the Republic of Korea, and the United States.” The White House, August 18, 2023. <https://www.whitehouse.gov/briefing-room/statements-releases/2023/08/18/the-spirit-of-camp-david-joint-statement-of-japan-the-republic-of-korea-and-the-united-states/>.
- <sup>xlii</sup> Ministry of Foreign Affairs of Japan. “Japan-U.S. Summit Meeting.” Ministry of Foreign Affairs of Japan, April 10, 2024. [https://www.mofa.go.jp/na/na1/us/pageite\\_000001\\_00256.html](https://www.mofa.go.jp/na/na1/us/pageite_000001_00256.html).
- <sup>xliii</sup> Ibid.
- <sup>xliiv</sup> Hudson Institute. “A Conversation with Deputy Secretary of State Kurt Campbell: The New Era in the US-Japan Relationship | Hudson.” Hudson Institute, April 30, 2024. <https://www.hudson.org/events/conversation-deputy-secretary-state-kurt-campbell-new-era-us-japan-relationship>.
- <sup>xliv</sup> Johnson, Jesse. “U.S. Aircraft Carrier and MSDF Helicopter Destroyer Conduct Joint Exercises in Disputed South China Sea.” The Japan Times, March 13, 2018. <https://www.japantimes.co.jp/news/2018/03/13/asia-pacific/politics-diplomacy-asia-pacific/u-s-aircraft-carrier-msdf-helicopter-destroyer-conduct-joint-exercises-disputed-south-china-sea/>.
- <sup>xlvi</sup> Gady, Franz-Stefan. “US, Japan Aircraft Carriers Conduct Naval Exercise in South China Sea.” The Diplomat, June 12, 2019. <https://thediplomat.com/2019/06/us-japan-aircraft-carriers-conduct-naval-exercise-in-south-china-sea/>.
- <sup>xlvii</sup> Ibid.



- 
- xlvi United States Navy. “Japan, U.S. Navies Conduct Bilateral Maritime Exercise.” United States Navy, December 11, 2023. <https://www.navy.mil/Press-Office/News-Stories/Article/3613052/japan-us-navies-conduct-bilateral-maritime-exercise/>.
- xlix Shoji, Tomotaka. “The South China Sea: A View from Japan.” NIDS Journal of Defense and Security, December 15, 2014. [https://www.nids.mod.go.jp/english/publication/kiyo/pdf/2014/bulletin\\_e2014\\_7.pdf](https://www.nids.mod.go.jp/english/publication/kiyo/pdf/2014/bulletin_e2014_7.pdf).; Yoshimatsu, Hidetaka. “China, Japan and the South China Sea Dispute: Pursuing Strategic Goals through Economic and Institutional Means.” *Journal of Asian Security and International Affairs* 4, no. 3 (December 2017): 294–315. <https://doi.org/10.1177/2347797017733821>.
- <sup>1</sup> Ibid.
- <sup>li</sup> Collin, Koh. “Japan and the ‘Maritime Pivot’ to Southeast Asia.” *The Diplomat*, December 14, 2015. <https://thediplomat.com/2015/12/japan-and-the-maritime-pivot-to-southeast-asia/>.
- <sup>lii</sup> Shoji, Tomotaka. “The South China Sea: A View from Japan.” NIDS Journal of Defense and Security, December 15, 2014. [https://www.nids.mod.go.jp/english/publication/kiyo/pdf/2014/bulletin\\_e2014\\_7.pdf](https://www.nids.mod.go.jp/english/publication/kiyo/pdf/2014/bulletin_e2014_7.pdf).; Yoshimatsu, Hidetaka. “China, Japan and the South China Sea Dispute: Pursuing Strategic Goals through Economic and Institutional Means.” *Journal of Asian Security and International Affairs* 4, no. 3 (December 2017): 294–315. <https://doi.org/10.1177/2347797017733821>.
- <sup>liii</sup> Koga, Kei. “Japan’s Strategic Interests in the South China Sea: Beyond the Horizon?” *Australian Journal of International Affairs* 72, no. 1 (November 27, 2017): 16–30. <https://doi.org/10.1080/10357718.2017.1399337>.
- <sup>liv</sup> Ibid.
- <sup>lv</sup> NEWS, KYODO. “Japan to Provide Equipment to Militaries of Like-Minded Nations.” *Kyodo News*, April 5, 2023. [https://english.kyodonews.net/news/2023/04/14ef848217aa-japan-to-extend-equipment-to-militaries-of-like-minded-nations.html#google\\_vignette](https://english.kyodonews.net/news/2023/04/14ef848217aa-japan-to-extend-equipment-to-militaries-of-like-minded-nations.html#google_vignette).
- <sup>lvi</sup> Jimbo, Ken. “JAPAN SHOULD BUILD ASEAN’S SECURITY CAPACITY.” The Japan Institute of International Affairs Repository, May 30, 2012. <https://jia.repo.nii.ac.jp/records/194>.; Drifte, Reinhard. *Japan’s Policy towards the South China Sea – Applying “Proactive Peace Diplomacy”?* Peace Research Institute Frankfurt, 2016. <http://www.jstor.com/stable/resrep14495.1>.
- <sup>lvii</sup> Drifte, Reinhard. *Japan’s Policy towards the South China Sea – Applying “Proactive Peace Diplomacy”?* Peace Research Institute Frankfurt, 2016. <http://www.jstor.com/stable/resrep14495.1>.
- <sup>lviii</sup> Ibid.
- <sup>lix</sup> Ibid.
- <sup>lx</sup> Dominguez, Gabriel. “Concerns over China Drive Tokyo and Manila Closer Together.” *The Japan Times*, February 10, 2023. <https://www.japantimes.co.jp/news/2023/02/10/national/japan-philippines-closer-security-ties/>.
- <sup>lxi</sup> Ibid.
- <sup>lxii</sup> Drifte, Reinhard. *Japan’s Policy towards the South China Sea – Applying “Proactive Peace Diplomacy”?* Peace Research Institute Frankfurt, 2016. <http://www.jstor.com/stable/resrep14495.1>.
- <sup>lxiii</sup> Ibid.
- <sup>lxiv</sup> Jimbo, Ken. “JAPAN SHOULD BUILD ASEAN’S SECURITY CAPACITY.” The Japan Institute of International Affairs Repository, May 30, 2012. <https://jia.repo.nii.ac.jp/records/194>.
- <sup>lxv</sup> De Castro, Renato Cruz. “21st Century Japan–Philippines Strategic Partnership: Constraining China’s Expansion in the South China Sea.” *Asian Affairs: An American Review* 44, no. 2 (April 3, 2017): 31–51. <https://doi.org/10.1080/00927678.2017.1296743>.
- <sup>lxvi</sup> NEWS, KYODO. “Japan to Provide Equipment to Militaries of Like-Minded Nations.” *Kyodo News*, April 5, 2023. [https://english.kyodonews.net/news/2023/04/14ef848217aa-japan-to-extend-equipment-to-militaries-of-like-minded-nations.html#google\\_vignette](https://english.kyodonews.net/news/2023/04/14ef848217aa-japan-to-extend-equipment-to-militaries-of-like-minded-nations.html#google_vignette).
- <sup>lxvii</sup> Ministry of Foreign Affairs of Japan. “Official Security Assistance (OSA).” Ministry of Foreign Affairs of Japan, February 23, 2024. [https://www.mofa.go.jp/fp/ipc/page4e\\_001366.html](https://www.mofa.go.jp/fp/ipc/page4e_001366.html).
- <sup>lxviii</sup> The Japan Times. “Japan to Offer Surveillance Radars to Philippines.” *The Japan Times*, November 1, 2023. <https://www.japantimes.co.jp/news/2023/11/01/japan/japan-philippines-surveillance-radars/>.
- <sup>lxix</sup> U.S. Department of Defense. “JOINT STATEMENT: Australia – Japan – Philippines – United States Maritime Cooperative Acti.” U.S. Department of Defense, April 5, 2024. <https://www.defense.gov/News/Releases/Release/Article/3733095/joint-statement-australia-japan-philippines-united-states-maritime-cooperative/>.

---

<sup>lxx</sup> Ibid.

<sup>lxxi</sup> U.S. Department of Defense. “Joint Readout from Australia-Japan-Philippines-United States Defense Ministers’ Meeting.” U.S. Department of Defense, May 3, 2024. <https://www.defense.gov/News/Releases/Release/Article/3765061/joint-readout-from-australia-japan-philippines-united-states-defense-ministers/>.

<sup>lxxii</sup> Ibid.

<sup>lxxiii</sup> Murphy, Erin L., and Gregory B. Poling. “A ‘New Trilateral Chapter’ for the United States, Japan, and the Philippines.” Center for Strategic and International Studies, April 15, 2024. <https://www.csis.org/analysis/new-trilateral-chapter-united-states-japan-and-philippines>.; The White House. “Joint Vision Statement from the Leaders of Japan, the Philippines, and the United States.” The White House, April 12, 2024. <https://www.whitehouse.gov/briefing-room/statements-releases/2024/04/11/joint-vision-statement-from-the-leaders-of-japan-the-philippines-and-the-united-states/>.

<sup>lxxiv</sup> Ibid.

<sup>lxxv</sup> Ibid.

<sup>lxxvi</sup> Cooper, Zack, and Eric Sayers. “Japan’s Shift to War Footing.” War on the Rocks, January 12, 2023. <https://warontherocks.com/2023/01/japans-shift-to-war-footing/>.

<sup>lxxvii</sup> Hughes, Christopher W. “Japan’s ‘Three National Security Documents’ and Defense Capabilities: Reinforcing a Radical Military Trajectory.” *Journal of Japanese Studies (Print)* 50, no. 1 (January 1, 2024): 155–83. <https://doi.org/10.1353/jjs.2024.a918586>.

<sup>lxxviii</sup> Ibid.

<sup>lxxix</sup> Koshino, Yuka. “Japan’s Transformational National-Security Documents.” International Institute for Strategic Studies, December 21, 2022. <https://www.iiss.org/online-analysis/online-analysis/2022/12/japans-transformational-national-security-documents/>.

<sup>lxxx</sup> Cooper, Zack, and Eric Sayers. “Japan’s Shift to War Footing.” War on the Rocks, January 12, 2023. <https://warontherocks.com/2023/01/japans-shift-to-war-footing/>.

<sup>lxxxi</sup> Interview with Ken Jimbo, Tokyo, March 2024.

<sup>lxxxii</sup> Tse, Kay, Ildar Ablaeu, and Omer Malkan. “Potential Threats the Rise of China’s Economic and Military Power in the Asia Pacific Region.” *International Journal of Multidisciplinary Approach Research and Science* 1, no. 01 (January 31, 2023): 18–30. <https://doi.org/10.59653/ijmars.v1i01.24>.

<sup>lxxxiii</sup> Interview with Ken Jimbo, Tokyo, March 2024.

<sup>lxxxiv</sup> Ibid.

<sup>lxxxv</sup> Ibid.

<sup>lxxxvi</sup> Koda, Yoji. “Japan’s Options in the South China Sea.” *The Diplomat*, December 9, 2019. <https://thediplomat.com.proxy1.library.jhu.edu/2019/12/japans-options-in-the-south-china-sea/>.

<sup>lxxxvii</sup> Yoshihara, Toshi. “How China Has Overtaken Japan in Naval Power and Why It Matters | Center for International Maritime Security.” Center for International Maritime Security, June 22, 2020. <https://cimsec.org/how-china-has-overtaken-japan-in-naval-power-and-why-it-matters/>.

<sup>lxxxviii</sup> Ibid.

<sup>lxxxix</sup> Ibid.

<sup>xc</sup> Ibid.

<sup>xci</sup> Bosack, Michael Macarthur. “Kishida’s Proposed Tax Cuts Put Higher Defense Spending on Hold.” *The Japan Times*, October 23, 2023. <https://www.japantimes.co.jp/commentary/2023/10/23/japan/kishida-tax-cuts-defense-budget/>.

<sup>xcii</sup> Tatsumi, Yuki. “Making Defence Spending Sustainable for Japan.” *East Asia Forum*, June 24, 2023. <https://eastasiaforum.org/2023/06/24/making-defence-spending-sustainable-for-japan/>.

<sup>xciii</sup> Ibid.

<sup>xciv</sup> Akimoto, Daisuke, and Purnendra Jain. “Doubling the Defense Budget Won’t Be Easy for Japan.” *The Diplomat*, January 21, 2023. <https://thediplomat.com/2023/01/doubling-the-defense-budget-wont-be-easy-for-japan/>.

<sup>xcv</sup> Ministry of Foreign Affairs of Japan, *National Security Strategy of Japan*, December 16, 2022, <https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf>; Ministry of Defense of Japan, *National Defense Strategy*, December 6, 2022, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf)

- 
- <sup>xcvi</sup> Takenaka, Ayumi. “Demographic Challenges for the 21st Century: Population Ageing and the Immigration ‘Problem’ in Japan.” *Anthropology & Aging* 33, no. 2 (May 1, 2012): 38–43. <https://doi.org/10.5195/aa.2012.52>.
- <sup>xcvii</sup> Kobayashi, Yohei. “Can Japan’s ‘New Dimension’ Measure Reverse Its Low Fertility Rate?” *Center for Strategic and International Studies*, November 9, 2023. <https://www.csis.org/analysis/can-japans-new-dimension-measure-reverse-its-low-fertility-rate>.
- <sup>xcviii</sup> Ibid.
- <sup>xcix</sup> Ono, Keishi. “Demographics and Security: Defense Capabilities Building and Economic Hegemony Towards the 22nd Century.” *NIDS Journal of Defense and Security*, no. 18 (2017): 33–57. [https://www.nids.mod.go.jp/english/publication/kiyo/pdf/2017/bulletin\\_e2017\\_3.pdf](https://www.nids.mod.go.jp/english/publication/kiyo/pdf/2017/bulletin_e2017_3.pdf).
- <sup>c</sup> Yoshihara, Toshi. “The Setting Sun? Strategic Implications of Japan’s Demographic Transition.” *Population Decline and the Remaking of Great Power Politics*, 2012, 137–58.
- <sup>ci</sup> Le, Tom. *Japan’s aging peace: pacifism and militarism in the twenty-first century*. Columbia University Press., 2021.
- <sup>cii</sup> Oros, Andrew. “Japan’s Demographic Shifts and Regional Security Challenges Ahead.” East-West Center | [www.eastwestcenter.org](http://www.eastwestcenter.org), August 26, 2020. <https://www.eastwestcenter.org/publications/japan%E2%80%99s-demographic-shifts-and-regional-security-challenges-ahead>.
- <sup>ciii</sup> Eldridge, Robert. “Japan’s Changing Demographics and the Impact on Its Military - Association for Asian Studies.” Association for Asian Studies, season-04 2017. <https://www.asianstudies.org/publications/aaa/archives/japans-changing-demographics-and-the-impact-on-its-military/>.
- <sup>civ</sup> Kobara, Junnosuke. “Japan’s Latest Security Threat: Its Declining Birthrate.” *Nikkei Asia*, November 28, 2020. <https://asia.nikkei.com/Politics/Japan-s-latest-security-threat-its-declining-birthrate>.
- <sup>cv</sup> Oros, Andrew. “Japan’s Demographic Shifts and Regional Security Challenges Ahead.” East-West Center | [www.eastwestcenter.org](http://www.eastwestcenter.org), August 26, 2020. <https://www.eastwestcenter.org/publications/japan%E2%80%99s-demographic-shifts-and-regional-security-challenges-ahead>.
- <sup>cvi</sup> Ibid.
- <sup>cvi</sup> Kobara, Junnosuke. “Japan’s Latest Security Threat: Its Declining Birthrate.” *Nikkei Asia*, November 28, 2020. <https://asia.nikkei.com/Politics/Japan-s-latest-security-threat-its-declining-birthrate>.
- <sup>cviii</sup> Mühleisen, Martin, and Hamid Faruqee. “Japan: Population Aging and the Fiscal Challenge.” International Monetary Fund, March 1, 2001. <https://www.imf.org/external/pubs/ft/fandd/2001/03/muhleise.htm>.
- <sup>cix</sup> Prettnner, Klaus. “Population Aging and Endogenous Economic Growth.” *Journal of Population Economics* 26, no. 2 (September 15, 2012): 811–34. <https://doi.org/10.1007/s00148-012-0441-9>.
- <sup>cx</sup> Mühleisen and Faruqee, “Japan: Population Aging and the Fiscal Challenge.”
- <sup>cxii</sup> Ibid.
- <sup>cxiii</sup> Colacelli, Mariana, and Emilio Corugedo. “Macroeconomic Effects of Japan’s Demographics: Can Structural Reforms Reverse Them?” *IMF Working Papers*, November 28, 2018. <https://www.imf.org/en/Publications/WP/Issues/2018/11/28/Macroeconomic-Effects-of-Japans-Demographics-Can-Structural-Reforms-Reverse-Them-46356>.
- <sup>cxiv</sup> Ibid.
- <sup>cxv</sup> Interview with Ken Jimbo, Tokyo, March 2024.
- <sup>cxvi</sup> Cabinet Office, Japan. “New Growth Strategy.” Published July 6, 2010. Accessed April 8, 2024. [https://www.cas.go.jp/jp/seisaku/npu/policy04/pdf/20100706/20100706\\_newgrowstrategy.pdf](https://www.cas.go.jp/jp/seisaku/npu/policy04/pdf/20100706/20100706_newgrowstrategy.pdf).
- <sup>cxvii</sup> Interview with Ken Jimbo, Tokyo, March 2024.
- <sup>cxviii</sup> Phillips, Tom, Oliver Holmes, and Owen Bowcott. “Beijing Rejects Tribunal’s Ruling in South China Sea Case.” *the Guardian*, November 28, 2017. <https://www.theguardian.com/world/2016/jul/12/philippines-wins-south-china-sea-case-against-china>.
- <sup>cxix</sup> Ibid.
- <sup>cxx</sup> Ministry of Foreign Affairs of the People's Republic of China. “Foreign Ministry Spokesperson Wang Wenbin’s Regular Press Conference on August 21, 2023.” [www.fmprc.gov.cn](http://www.fmprc.gov.cn), August 21, 2023. [https://www.fmprc.gov.cn/eng/xwfw\\_665399/s2510\\_665401/2511\\_665403/202308/t20230821\\_11129753.htm](https://www.fmprc.gov.cn/eng/xwfw_665399/s2510_665401/2511_665403/202308/t20230821_11129753.htm)

---

<sup>cxxi</sup> Ibid.

<sup>cxxii</sup> Ministry of Foreign Affairs of the People's Republic of China. "Foreign Ministry Spokesperson Mao Ning's Regular Press Conference on April 12, 2024." [www.fmprc.gov.cn](http://www.fmprc.gov.cn), April 12, 2024. [https://www.fmprc.gov.cn/eng/xwfw\\_665399/s2510\\_665401/2511\\_665403/202404/t20240412\\_11281055.html](https://www.fmprc.gov.cn/eng/xwfw_665399/s2510_665401/2511_665403/202404/t20240412_11281055.html).

<sup>cxxiii</sup> Ibid.

<sup>cxxiv</sup> Hayashi, Nozomu. "A New Phase for Japan-China Ties after the South China Sea Ruling." Center for Strategic and International Studies, August 1, 2016. <https://www.csis.org/analysis/new-phase-japan-china-ties-after-south-china-sea-ruling>.

<sup>cxxv</sup> Ibid.

# May I Be of Assistance? Japan's Shifting Security Assistance Landscape in Southeast Asia

*By Joy Woods*

## Introduction

Japan is slowly becoming a more “normal” country when it comes to security. While still heavily restricted compared to most other countries, Japan is revising the controversial Article 9 of its Constitution, which renounces having a warmaking capability, to allow for more options in defense, including a limited collective self-defense capability. In late 2022, Japan released three security documents, the National Security Strategy (NSS), the National Defense Strategy (NDS), and Defense Buildup Program (DBP), all of which dramatically shifted Japan's stance on both domestic and international security.<sup>i</sup> In the two years since former PM Kishida Fumio's announcement, Japan has rolled out several programs related to security, building upon the groundwork of the NSS, NDS, and DBP. One such program is the new Official Security Assistance (OSA), a companion to Japan's famous Official Development Assistance (ODA) program. This paper will describe what OSA is, what Japan intends for other countries to do with its funding, and what the circumstances around the Japanese decision to create this program were in 2023. It will also examine how OSA has unfolded in two recipient countries: Malaysia and the Philippines. Lastly, this article will identify China's reaction to OSA in Southeast Asia and the other challenges that Japan has faced in its implementation.

## The Evolution of OSA

Official Security Assistance is the culmination of several years of planning by the Japanese government. Administered by the Ministry of Foreign Affairs (MOFA), the program is meant to provide aid to countries with close relations with Japan, specifically to supplement their ability to protect themselves.<sup>ii</sup> Notably, Japan has repeatedly espoused that OSA is meant to “maintain and strengthen international peace and security, by enhancing their security and deterrence capabilities through the provision of equipment and supplies as well as assistance for the development of infrastructures.”<sup>iii</sup> The Japanese government has been clear that OSA must follow the Three Principles on Transfer of Defense Equipment and Technology and cannot be used in any active international conflict. This limits OSA to humanitarian activities, international peace cooperation operations, and “activities for ensuring peace, stability and security based on the rule of law.”<sup>iv</sup> This aid does not otherwise have strict limitations, and recipient countries have suggested using it for everything from buying submarines to using it to reinforce semiconductor chip supply chains. With such a wide breadth of possibilities, many countries are interested in participating in the OSA program, both as donors and recipients. During the first cycle of OSA, only four countries have been selected—Malaysia, Bangladesh, the Philippines, and Fiji—although more are expected to be added during the 2024 fiscal year.<sup>v</sup>

Japan's Official Development Assistance program is decades old, coming about as a way for Japan to improve its image in the aftermath of World War II. Japan has given billions of dollars of aid over the past 60 years, gaining a reputation as a stable and reliable partner for developing countries, especially for those in Southeast Asia.<sup>vi</sup> ODA is notable for its strict standards and consistency; Japan does not normally give aid in situations it is not sure will become successful.

The OSA, however, is in a slightly different position. While ODA is administered by the Japan International Cooperation Agency (JICA), OSA is not, instead being overseen by MOFA, as mentioned earlier. This means that ODA benefits from decades of prior assistance experience, whereas OSA does not despite its occasional support from JICA. This lack of institutional experience is likely part of the reason that OSA has allotted such few funds, just \$2.5 million per country, as the government of Japan (GOJ) tries to mitigate the cost of the learning curve.<sup>vii</sup>

The countries to which Japan has extended its first round of security assistance all have significant strategic importance. Bangladesh has received an abundance of investment from China in recent years, especially in the defense field. That, paired with growing diplomatic breakdowns with the United States over human rights in the country, has caused it to become increasingly isolated, even though its proximity to the Indo-Pacific makes it important strategically. Fiji is also strategically located near critical sea lanes that lie between Japan and Australia, one of Japan’s partners in the Quadrilateral Security Dialogue, making it an advantageous location for establishing dual-use infrastructure. Malaysia and the Philippines are of more obvious strategic use to Japan. Both have territorial claims against China in the South China Sea, an issue of paramount interest to Japan, as it also has its own territorial dispute with China over the Senkaku (Diaoyu) Islands and its goal of a “free and open Indo-Pacific.” In the next cycle of OSA, Japan is expected to include Djibouti, Mongolia, the Philippines, and Vietnam; Indonesia and Papua New Guinea are potential additional candidates. These countries are also of strategic significance to Japan and China, cementing that part of the goal of OSA is rein in Beijing from further actions in the South China Sea.<sup>viii</sup>

Figure 1. Countries Given or Considered for OSA



(Source: *Japan’s Shifting Foreign-Assistance Schemes*, IJSS)

One of the key motivations behind Japan’s current security transition is the growing conflict playing out in the South China Sea (see figure 2).<sup>ix</sup> Japan, along with the Philippines, Malaysia, Vietnam, Taiwan, and Brunei, currently have concerns about China’s increasingly aggressive behavior in the region. China’s infamous “Nine Dash Line,” the area in the South China Sea that

China is now claiming as its own territory, deeply concerned maritime Southeast Asian countries, as much of what China claimed is widely considered to be the territory of these countries. While Japan is not a direct claimant in this dispute in the South China Sea, it does have a vested interest in making sure that China does not gain this territory, as a victory for China in one area would bolster their claim in another. Japan also likely fears that China may try and retake control of Taiwan, which could lead to a widescale conflict, most likely involving the United States. While Japan would not be a direct party to the dispute, it and maritime Southeast Asian countries would be forced to pick sides between the two great powers, ostensibly leading to negative outcomes for all. These ongoing escalations with China have made it even more important for Japan to cooperate with these Southeast Asian countries to keep the region more stable, by providing them with more security funding to counter Chinese ambitions.<sup>x</sup>

Figure 2. Map of the Disputed Territories in the South China Sea



(Source: BBC, "What is the South China Sea Dispute?")

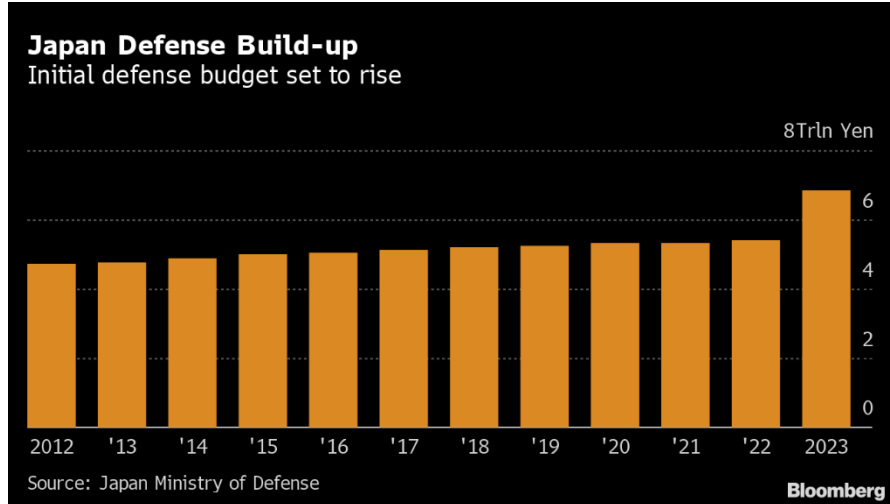
This is not to say that Japan has a strictly adversarial relationship with China, as Japan's stance is far softer than that of the United States.' It appears that the government of Japan's goal is to maintain the current status quo of the South China Sea, Southeast Asia, and Indo-pacific region. While security often implies offensive military capability, part of Japan's goal is capacity building and deterrence enhancement for the countries of Southeast Asia, as well as increased trainings for search and rescue missions.<sup>xi</sup> As global climate change intensifies climate related catastrophes, Southeast Asia will need to be prepared for increasingly dangerous weather events, making contingencies like a well-trained coast guard a necessity. This also provides a secondary use of deterring other nations, such as China, from encroaching on the claimed sovereign

territory of these countries, upping the ante so that a fight, if winnable, is not worth the high costs. In both goals, Japan seeks to strengthen these countries, both for their own benefit and for Japan's.

While Japan is new to security assistance, many policymakers and researchers have been advocating for Japan to enter the space for decades. Since the inception of Article 9, experts have feared that Japan's complete demilitarization could put the country at a significant disadvantage, and that the strict guidelines could prevent it from taking the necessary steps to protect itself and its allies.<sup>xii</sup> With the strictest interpretation of Article 9, Japan would not have been constitutionally able to enact its new National Security Strategy, and OSA certainly would not be possible. However, there has been a steady loosening of Japan's definition of pacifism, expanding the concept to allow the government to conduct more deterrence activities without running afoul of Article 9. This shift began in the early 2000s, as Japan struggle to find a new path, and began its "Free and Open Indo-Pacific" strategy.<sup>xiii</sup> During Abe Shinzo's premiership beginning in 2012, this focus intensified, culminating during President Donald Trump's administration, where Abe struggled to achieve consistent support from the United States.<sup>xiv</sup> While Abe left office in 2020, his cabinet laid most of the groundwork for the new security doctrine and its supporting documents, which were simply carried to fruition by his less popular successors. While there has been some public pushback to the NSS, it has mostly been focused on its proposal to increase the defense budget to 2% of GDP, as it would mean raising taxes, with OSA becoming an afterthought at worst, and a positive addition to Japan's assistance portfolio at best.<sup>xv</sup> A higher overall; defense budget would not guarantee increased importance being placed on OSA, however, since OSA would still need its own budget increased to be effective. Part of the OSA budget could eventually be supplemented by Strategic Investment, such as that from the Bank of Japan (BOJ), though it remains to be seen if other arms of the government will find OSA stable enough to contribute to.



Figure 3. Increases in Japan’s Defense Budget 2012-2023



(Source: Bloomberg, “Japan Begins Defense Upgrade With 26% Spending Increase for 2023”)

### Japan and Southeast Asia

Japan has historically had a complicated relationship with the countries of Southeast Asia, one that deteriorated during imperialist Japan’s raids and occupations during World War II. This relationship has steadily improved since the end of the war after Japan paid reparations but did not experience a sincere boost until the 1977 Fukuda Doctrine.<sup>xvi</sup> This doctrine was developed by Prime Minister Fukuda Takeo before a historic visit to Southeast Asia, specifically to help repair Japan’s relationship with Southeast Asian countries after it had paid its reparations to them. The Fukuda Doctrine contains three main tenets: 1) emphasizing a commitment to peace and rejecting its former role of military power; 2) Japan is a “true friend” to Southeast Asia, where the term “heart-to-heart” was first used; 3) Japan is an equal partner to ASEAN (Association of Southeast Asian Nations) and its member countries.<sup>xvii</sup> Many policy makers and researchers were skeptical of how successful this policy could be, especially given the animosity most Southeast Asians felt towards Japan in the wake of World War II, and many anti-Japanese protests, both violent and non-violent, had broken out. However, the Fukuda Doctrine has been incredibly successful and has allowed Japan to become a reliable partner to many of the countries in Southeast Asia as one of the largest providers of aid, especially infrastructure aid, in the region.<sup>xviii</sup>

Given Japan’s positive aid record in Southeast Asia, many countries have viewed OSA as a valuable proposition. Even though Japan has promised Southeast Asia that it will stay in a pacifist role indefinitely - a promise that the new national security strategy and OSA particularly weaken - Southeast Asian leaders see a more normal Japan as additive. As these countries navigate what some researchers have called a great power competition between the United States and China, having options that are somewhere in between the two is vital for smaller powers.<sup>xix</sup> Even while some countries may choose to align more closely with one side or the other, like the Philippines and Malaysia, most are hedging in some form or another. Most of the Southeast Asian countries are economically dependent on the financially and populationally huge China, meaning that a poor relationship could dash their chances of becoming highly developed. On the

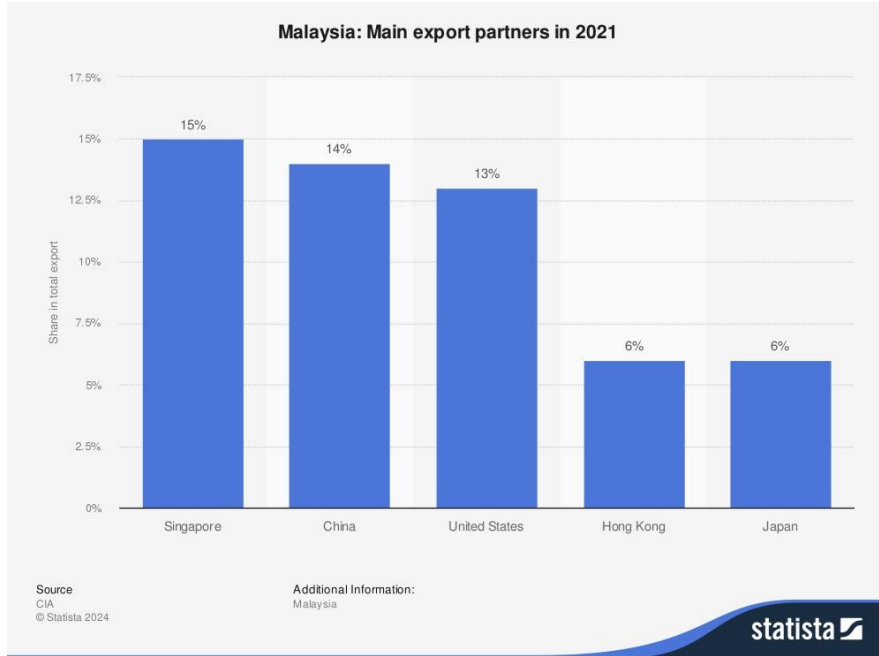
other hand, many also have territorial disputes with China or are wary, at least, of China's territorial ambitions. These countries, therefore, often engage positively with the United States and its allies, especially Japan. Japan's softer stance on China means that these countries are likely to receive far less Chinese opposition when receiving security assistance from Japan than from the United States.

## **OSA in Action**

### *Malaysia*

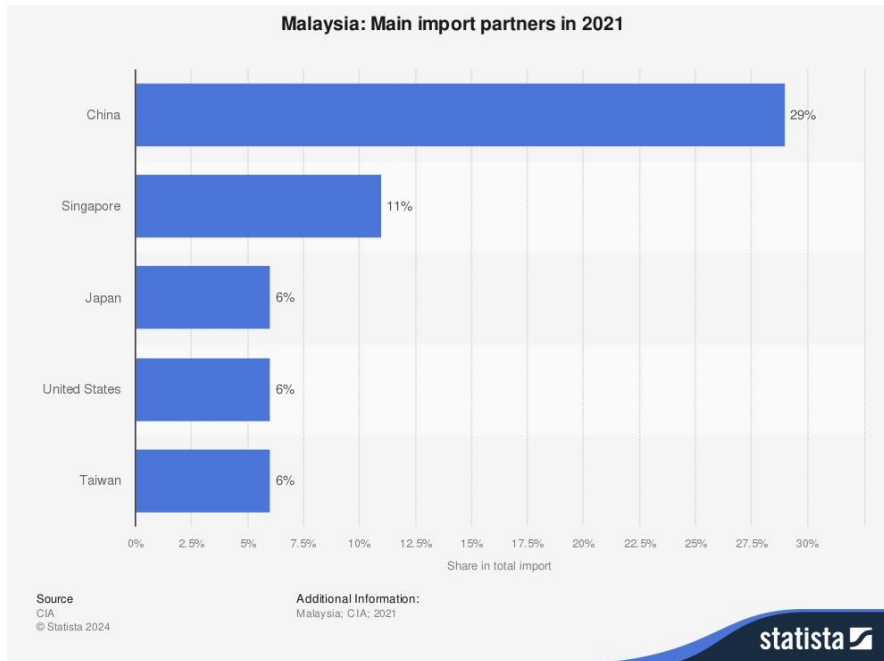
As an OSA recipient country, Malaysia has received about 400 million yen (\$2.8 million USD), as well as a transfer of "monitoring and surveillance equipment" from Japan.<sup>xx</sup> At the signing of the agreement in December 2023, Japan and Malaysia also upgraded their relationship to a Strategic Partnership, signaling that more security cooperation between the Malaysia and Japan may be coming soon.<sup>xxi</sup> marks the 50<sup>th</sup> Anniversary of ASEAN-Japan Friendship and Cooperation, and Malaysia will receive ASEAN chairmanship in 2025.<sup>xxii</sup> Japan seems intent on furthering its relationships with all ASEAN countries, but its focus on deepening ties with Malaysia while it has the chairmanship appears particularly strategic. While the amount of funding that Malaysia initially received is small, Japan does not seem content with this one-time transfer, and it is likely that OSA will add to its original budget for Malaysia, including putting more funding into equipment sharing and joint training exercises. Malaysia accepted Japan's overtures positively but could change its course depending on its own internal politics and Chinese pressure.

Figure 4: Malaysia's Export Partners 2021



(Source: WTO)<sup>xxiii</sup>

Figure 5: Malaysia's Import Partners 2021



(Source: CIA)<sup>xxiv</sup>

While the Japanese government seems enthusiastic about deepening its relationship with Malaysia, it still has some hesitation. If OSA is to move beyond its current iteration, it will require more political will from the recipient country, in this case Malaysia, to establish a

baseline capacity for distributing aid in-country and deciding the highest priority needs. While Malaysia has improved its rankings in the 2023 Transparency International's Corruption Perception Index, moving from 61st to 57th position out of 180 countries, its current corruption score of 50 remains concerning.<sup>xxv</sup> Japan has historically been very selective about the countries to which it gives aid, and this may forestall improvements to the OSA program.<sup>xxvi</sup> Malaysia is not the only responsible party, however. Japanese ODA is typically administered to projects at the request of the recipient country, meaning Japan is not typically as involved in the inception and design of the project. If OSA is to achieve the purposes that Japan finds strategic, as well as avoid being rerouted into corrupt pockets or simply wasted, the OSA committee will need to be much more involved in individual projects and will need to create a narrower framework for what the funding is to be used for.

With both China and the United States vying for footholds in Southeast Asia, Malaysia is constantly managing these relationships to maximize benefits and reduce the backlash that can result from strengthening relations with others.<sup>xxvii</sup> Given the region's power dynamics, Malaysia runs the risk of invoking China's displeasure by accepting security aid from Japan. At the same time, it is important to note that, while Japan has been aligned with the United States since the end of World War II, it is not simply an arm of the U.S. government, and the Southeast Asian governments do not typically think of it that way. Japan has been much softer in its rhetoric towards China, likely because of its own proximity to and trade with China, making it a safer choice than the U.S. as a security assistance provider for Southeast Asian countries that need to continue a positive relationship with China. Japan has also built a powerful reputation in the developmental aid sector through its Official Development Assistance, historically focused on Southeast Asia, proving itself a reliable partner for Malaysia.<sup>xxviii</sup>

While Malaysia's position may seem precarious, OSA provides the country with a unique opportunity.<sup>xxix</sup> Japan is seeking to provide a third option for Southeast Asian countries like Malaysia, in juxtaposition to the United States and China, making it easier for Malaysia to hedge. Were the U.S. to launch a security assistance program with a Southeast Asia focus, China would likely have a far more indignant reaction than any response it might make in the foreseeable future to Japan's continued deployment of OSA. While Malaysia is somewhat reliant on the United States in terms of security, especially in the case of the South China Sea disputes, it is also economically dependent on China, meaning that it often must forgo security interests for economic success and vice versa.<sup>xxx</sup> If Japan was to become a stronger security provider, however, Malaysia and other-China aligned Southeast Asian states might find a more moderate compromise, one that does not greatly alienate the United States or China.

### *The Philippines*

The Philippines stands somewhat in opposition to Malaysia. While it also received about 400 million yen (\$2.8 million USD) in OSA, as well as a coastal radar system, it also currently has a closer relationship with the United States and Japan than with China. In the brief published by the Philippines to announce the receipt of the funding, the Philippine government noted that:

“The Philippines faces important sea lanes for Japan including the South China Sea and the Luzon Strait. To ensure the safety and security of these sea lanes, it is very timely and crucial that the maritime domain awareness (MDA) capabilities of the Department of National Defense, including the Armed Forces of the Philippines and especially the

Philippine Navy, are enhanced for the effective monitoring of these sea lanes and waters”<sup>xxxix</sup>.

This statement’s insertion makes clear that Japanese-Philippine cooperation is significantly focused on the South China Sea. It is also notable that the Philippine Department of Defense, specifically the Armed Forces and the Navy, were named since these are departments that Japan previously would not have been constitutionally allowed to fund. Japan has also upgraded its relationship with the Philippines to a Strategic Partnership. The two governments also discussed setting up a reciprocal access agreement, which would streamline Japan's Self-Defense Forces’ and the Philippine military’s ability to move troops and equipment between the two countries. This quasi-alliance with the Philippines is notable for Japan, as it only has this type of relationship with two other countries—the United Kingdom and Australia.<sup>xxxix</sup>

Unlike Malaysia, the Philippines maintains a much closer relationship to the United States than to China. At the same meeting in which Japan and the Philippines negotiated the OSA agreement, they also signaled their intentions to increase trilateral cooperation with the United States. In April, President Joe Biden, former Japanese Prime Minister Kishida Fumio, and Philippine President Ferdinand “Bongbong” Marcos Jr., held the first-ever U.S.-Japan-Philippines trilateral summit, bringing the three countries even closer together. This summit led to promises of even closer ties in the coming months, including plans to hold more trilateral coast guard operations and to allow Japanese and Philippine personnel to join a U.S. Coast Guard vessel patrolling the Indo-Pacific.<sup>xxxix</sup> The United States is also economically entwined with the Philippines as its third-largest trading partner and one of its largest investors.<sup>xxxix</sup> While Japan’s economic relationship with the Southeast Asian country is nowhere near as robust, Japan seems willing to further cooperation on this front, with OSA being one of many steps towards that effect.

One problem that Japan will need to navigate in its relations with both Malaysia and the Philippines is corruption. While a key concern in Malaysia, it is a significantly more pressing issue in the Philippines. Out of the ten ASEAN member-states, the Philippines landed in the bottom four on the Corruption Perception Index, beating only Laos, Myanmar, and Cambodia.<sup>xxxix</sup> All the same concerns that exist for Malaysia’s corruption are intensified for the Philippines, and the Japanese government will need to make a concerted effort to ensure that the OSA funds given to the Philippines are used to ensure capacity building deterrence. This is, again, an important issue to consider for Japan, given that the money could find its way to military actions and equipment it did not approve, possibly in violation of its “Three Principles on Transfer of Defense Equipment and Technology” and of Article 9.<sup>xxxix</sup> To Japan’s advantage, however, the United States’ close partnership with the Philippines and alliance with Japan means that Japan will have a reliable third partner as it embarks into security projects with the Philippines, lending more stability and confidence to the relationship.

Japan’s involvement with the Philippines, and its expected second round of support through the OSA, are largely because of the Philippines’ confrontation with China. While Malaysia must cater to China in some regards, President Marcos has made clear his disapproval of the Chinese government, especially regarding their conflict in the South China Sea over the Spratly Islands.<sup>xxxix</sup> Diplomatic relations between the countries have begun to break down entirely over

the conflict, especially since May 2024, when Chinese representatives asserted that a Filipino admiral had agreed to concessions in the South China Sea with a Chinese diplomat, threatening to prove it by releasing audio from the negotiations.<sup>xxxviii</sup> This, predictably, has caused an enormous backlash from the Philippine side, who denied the call took place, making it less likely that further negotiations between the Philippines and China will succeed going forward, if they are even to continue in the future.<sup>xxxix</sup> It is possible that these developments will put Japan in a precarious position, but this seems unlikely unless the relationship between China and the Philippines further deteriorates.

## Negative Reactions to OSA

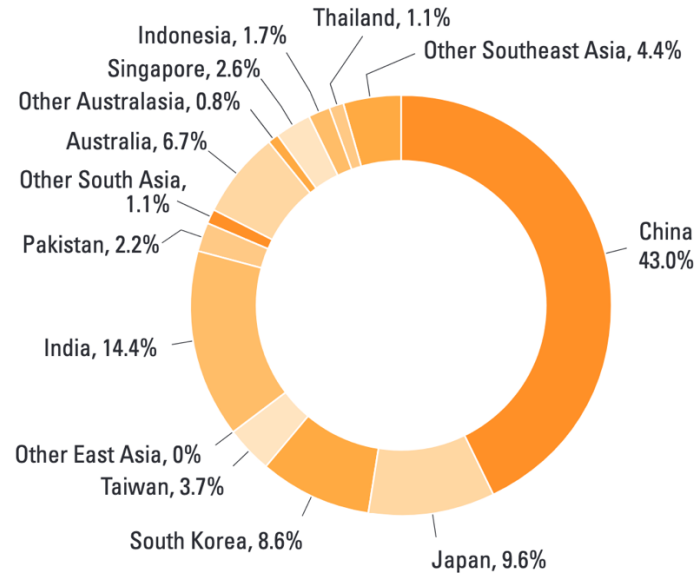
Despite Japan's push for OSA being encouraged in part by the rise of China, the Chinese government has remained largely quiet about the program. Still, Chinese researchers and journalists have intimated that OSA is simply a way for Japan to arm countries in Southeast Asia without directly being involved, even as they raise the stakes for any conflict in the South China Sea. More so than the money and equipment transfers, these researchers are most concerned about Japan's plans to build dual use airports and seaports, which could promote Japanese Self Defense Force naval ships and aircraft visits. China's *Global Times* even went as far to say that Japan's attempt to build security partnerships in Southeast Asia and Oceania "not only risks dragging the Pacific region into a dangerous quagmire but may also lead the world into turmoil once again".<sup>xl</sup> While such concerns seem overblown, it is worrying that the Chinese government and government-sanctioned news sources may interpret Japan's security buildup and OSA in this way.<sup>xli</sup>

While many countries in Southeast Asia do not view Japan simply as an arm of the United States, China's actors seem to think that Japan's increase in security-related funding is due to pressure from the U.S. government. This view seems misguided and may only serve to heighten tensions unnecessarily. This is especially salient since researchers have speculated that Japan's increase in defense spending was due in part to the Trump presidency from 2017 to 2020, when Japan felt unable to rely on the United States to completely protect it.<sup>xlii</sup> Now, faced with the reality of a second Trump presidency, inconsistent security support from the U.S. indeed seems to be one among many plausible causes for Japan's reinforcement of its security capacity. By giving smaller countries that fall within China's nine-dash line or its broader frame of interests the ability to protect themselves, Japan could help ensure that the current balance of power remains intact in Southeast Asia, one of their stated goals. Japan is likely trying to avoid any conflicts—particularly involving the United States—from breaking out, especially a war between the United States and China over Taiwan, as it would necessarily involve Japan to some extent.<sup>xliii</sup>

It is also important to note that China has its own security assistance program, which is much older and better funded than OSA. Through its own programs, China has also supplied security and defensive equipment to other countries, given money to countries for security-related purposes, and sought to develop dual-use facilities, much like Japanese OSA plans to do. From 2013 to 2018, China's gave approximately \$560 million total in military aid.<sup>xliv</sup> Most recently, in 2022, President Xi's administration announced their Global Security Initiative (GSI), part of which seeks to further China's security ties with countries in both Southeast Asia and Africa.<sup>xlv</sup> Japan is reasonably concerned about China's own increase in defense spending, especially as it

has correlated with increased Chinese actions in the South China Sea and intense rhetoric about Taiwan.

Figure 6: Asia Defense Spending by Country and Sub-Region, 2023

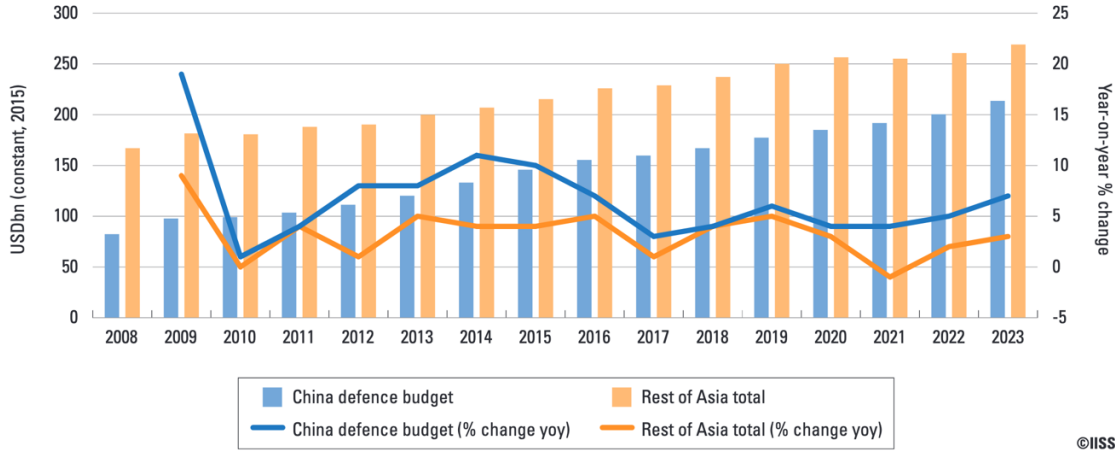


Note: Analysis excludes Afghanistan, North Korea and Laos

©IISS

(Source: IISS, "The Military Balance 2024")

Figure 7: China: Defense Budget Compared with the Rest of Asia (total), 2008–23



(Source: IISS, “The Military Balance 2024”)

### Ongoing Issues for OSA

While researchers and policy analysts have identified security assistance as a goal of Japan’s foreign policy, there is not yet consensus that OSA, in its current form, can be successful. Its small budget, especially in an area as expensive as military and security buildup, seems far too low for its aims. When security equipment can sometimes cost billions of dollars, allotting about \$2.8 million per country seems comically insufficient. In addition to the minuscule budget, OSA also has a small team of 10 officials who are also given other tasks within the Ministry of Foreign Affairs. While this severe limitation on productivity should be gradually eased as OSA grows in importance and increases its manpower, it is difficult to tell whether the OSA program can excel in all the areas it needs to bring the returns on investment that Tokyo is anticipating. While other ministries and arms of the government may be willing to lend assistance, such as strategic investment from the Bank of Japan, they will want to see evidence of success before extending significant resources.

In addition to concerns over funding, there are also concerns over political stability in Japan. Though Japan will certainly remain a stable democracy, it is experiencing something of a crisis of leadership. After the resignation of Prime Minister Abe in 2020, the longest-serving prime minister in recent history, there have been three more prime ministers. Suga Yoshihide served as prime minister from 2020 to 2021 and was then replaced by Kishida Fumio. Kishida was also unpopular, his approval rating having dropped during his tenure to a record low of 20%,<sup>xlvi</sup> foreshadowing his early resignation in September 2024 before Shigeru Ishiba assumed the role of prime minister. There are concerns among Japan watchers that the Liberal Democratic Party (LDP) may lose its grip on the government and that the country may return to a pattern of “revolving door” prime ministers. Given Kishida’s premature departure, it seems far from guaranteed that PM Ishiba will be able to guide the new National Security Strategy past what was outlined by Abe, the architect of the new security policy shift. If this is the case, it may be difficult to continue the programs outlined in the new strategy, and it will certainly be difficult to help shape them for a changing international landscape. There is also no guarantee that PM Ishiba’s administration or future administrations will maintain these programs, as they could also



decide to cut their funding to make way for other policy priorities, or decide to lower taxes, in either case robbing OSA of the time and resources it will need to succeed.

## **Conclusion**

Japan's first official foray into security aid has the potential to be enormously successful in Southeast Asia, the Pacific, and Africa. However, to do so, it will need to overcome its own institutional and budgetary hurdles. In the case of both Malaysia and the Philippines, OSA seems to be an overwhelmingly positive step, but it will need to be followed with more concrete actions to ensure that the money, equipment transfers, and joint training exercises are tailored to Japan's goals, as well as to the goals of its partner countries. Japan has already successfully rolled out an assistance program, ODA, so it seems reasonable that the country can replicate this success with OS. This time, however, Japan will have to navigate a much stronger and increasingly skittish China. Overall, Japan has the tools it needs to make Official Security Assistance a success; it simply needs to provide the program with the time and funding it needs to do so.

## Endnotes

---

- <sup>i</sup> Isabel Reynolds, “Japan Begins Defense Upgrade With 26% Spending Increase for 2023,” *Bloomberg.Com*, December 23, 2022, <https://www.bloomberg.com/news/articles/2022-12-23/japan-begins-defense-upgrade-with-26-spending-increase-for-2023>.
- <sup>ii</sup> Ippeita Nishida, “Outstanding Issues for Official Security Assistance (OSA) and Its Strategic Utilization | List of Articles,” International Information Network Analysis | SPF, November 8, 2023, [https://www.spf.org/iina/en/articles/nishida\\_03.html](https://www.spf.org/iina/en/articles/nishida_03.html).
- <sup>iii</sup> Ministry of Foreign Affairs of Japan, “Signing and Exchange of Notes for Official Security Assistance (OSA) to the Republic of the Philippines,” Ministry of Foreign Affairs of Japan, accessed April 13, 2024, [https://www.mofa.go.jp/press/release/press4e\\_003330.html](https://www.mofa.go.jp/press/release/press4e_003330.html).
- <sup>iv</sup> MOFA, “Development Cooperation Charter,” Ministry of Foreign Affairs of Japan, accessed November 7, 2023, [https://www.mofa.go.jp/policy/oda/page\\_000138.html](https://www.mofa.go.jp/policy/oda/page_000138.html).
- <sup>v</sup> Tunchinmang Langel, “Japan’s Official Security Assistance (OSA) - Indian Council of World Affairs (Government of India),” November 29, 2023, [https://www.icwa.in/show\\_content.php?lang=1&level=3&ls\\_id=10210&lid=6512](https://www.icwa.in/show_content.php?lang=1&level=3&ls_id=10210&lid=6512).
- <sup>vi</sup> Peng Er Lam, *Japan’s Relations with Southeast Asia: The Fukuda Doctrine and Beyond* (London, UNITED KINGDOM: Taylor & Francis Group, 2012), <http://ebookcentral.proquest.com/lib/jhu/detail.action?docID=1024491>.
- <sup>vii</sup> James Kaizuka, “Japan’s Official Security Assistance: The Sleeping Giant Stirs?,” April 11, 2023, <https://thediplomat.com/2023/04/japans-official-security-assistance-the-sleeping-giant-stirs/>.
- <sup>viii</sup> Jumpei Ishimaru, “Japan’s Shifting Foreign-Assistance Schemes,” IISS, accessed May 9, 2024, <https://www.iiss.org/en/online-analysis/online-analysis/2024/04/japans-shifting-foreign-assistance-schemes/>.
- <sup>ix</sup> Kei Koga, “Japan’s Strategic Interests in the South China Sea: Beyond the Horizon?,” *Australian Journal of International Affairs* 72, no. 1 (February 2018): 16–30, <https://doi.org/10.1080/10357718.2017.1399337>.
- <sup>x</sup> Yuka Hayashi and Mayumi Negishi, “Japan’s Firms Shun China in Favor of Southeast Asia.,” *The Wall Street Journal*, accessed November 2, 2023, <https://catalyst.library.jhu.edu>.
- <sup>xi</sup> Ishimaru, “Japan’s Shifting Foreign-Assistance Schemes.”
- <sup>xii</sup> Nishida, “Outstanding Issues for Official Security Assistance (OSA) and Its Strategic Utilization | List of Articles.”
- <sup>xiii</sup> Jain Purnendra, “Japan’s New Security Assistance to the Indo-Pacific Region,” orfonline.org, January 8, 2024, <https://www.orfonline.org/expert-speak/japan-s-new-security-assistance-to-the-indo-pacific-region>.
- <sup>xiv</sup> Richard Heydarian, “Japan in the Shadow of China | Lowy Institute,” accessed April 17, 2024, <https://www.loyyinstitute.org/the-interpretor/japan-shadow-china>.
- <sup>xv</sup> Michael Macarthur Bosack, “Kishida’s Proposed Tax Cuts Put Higher Defense Spending on Hold,” *The Japan Times*, October 23, 2023, <https://www.japantimes.co.jp/commentary/2023/10/23/japan/kishida-tax-cuts-defense-budget/>.
- <sup>xvi</sup> Kikuchi Tsutomu, “‘Heart to Heart’ Relations with ASEAN: The Fukuda Doctrine Revisited,” December 21, 2007, [https://www.jiia.or.jp/en/ajiss\\_commentary/column-24.html](https://www.jiia.or.jp/en/ajiss_commentary/column-24.html).
- <sup>xvii</sup> Amitav Acharya, *The Making of Southeast Asia: International Relations of a Region* (Ithaca, UNITED STATES: Cornell University Press, 2013), <http://ebookcentral.proquest.com/lib/jhu/detail.action?docID=3138449>.
- <sup>xviii</sup> Tsutomu, “‘Heart to Heart’ Relations with ASEAN: The Fukuda Doctrine Revisited.”
- <sup>xix</sup> Eslam M. Omar, “Japan Balances Power Dynamics in Southeast Asia: An Analysis of Japan’s Role in Crystalizing Asian Relations,” *Open Journal of Political Science* 13, no. 2 (April 17, 2023): 180–204, <https://doi.org/10.4236/ojps.2023.132011>.
- <sup>xx</sup> Sebastian Strangio, “Japan, Malaysia Announce Diplomatic Upgrade, Enhanced Security Cooperation,” *the Diplomat*, December 18, 2023, <https://thediplomat.com/2023/12/japan-malaysia-announce-diplomatic-upgrade-enhanced-security-cooperation/>.
- <sup>xxi</sup> Ministry of Foreign Affairs of Japan, “Signing and Exchanging of Notes for Official Security Assistance (OSA) to Malaysia,” Ministry of Foreign Affairs of Japan, December 16, 2023, [https://www.mofa.go.jp/fp/nsp/pageite\\_000001\\_00050.html](https://www.mofa.go.jp/fp/nsp/pageite_000001_00050.html).

- 
- <sup>xxii</sup> Collins Chong Yew Keat, “The Role of Malaysia in Japan’s New Security Strategy,” November 16, 2023, <https://thediplomat.com/2023/11/the-role-of-malaysia-in-japans-new-security-strategy/>.
- <sup>xxiii</sup> *WTO. “Malaysia: Import of goods from 2012 to 2022” Chart. October 5, 2023. Statista.*
- <sup>xxiv</sup> *CIA (Central Intelligence Agency). “Malaysia: Main import partners in 2021.” Chart. March 18, 2024. Statista*
- <sup>xxv</sup> The Malaysian Society for Transparency and Integrity (TI Malaysia), “Malaysia,” Transparency.org, January 30, 2024, <https://www.transparency.org/en/countries/malaysia>.
- <sup>xxvi</sup> Gabriel Dominguez, “Why Japan Still Leads in Southeast Asian Infrastructure Investment,” The Japan Times, December 6, 2022, <https://www.japantimes.co.jp/news/2022/12/06/business/japan-southeast-asia-infrastructure-investment/>.
- <sup>xxvii</sup> Cheng-Chwee Kuik, “Active Neutrality: Malaysia in the Middle of U.S.-China Competition,” United States Institute of Peace, October 11, 2023, <https://www.usip.org/publications/2023/10/active-neutrality-malaysia-middle-us-china-competition>.
- <sup>xxviii</sup> Dominguez, “Why Japan Still Leads in Southeast Asian Infrastructure Investment.”
- <sup>xxix</sup> Kuik, “Active Neutrality.”
- <sup>xxx</sup> Keat, “The Role of Malaysia in Japan’s New Security Strategy.”
- <sup>xxxi</sup> Ministry of Foreign Affairs of Japan, “Signing and Exchange of Notes for Official Security Assistance (OSA) to the Republic of the Philippines.”
- <sup>xxxii</sup> “Japan Envisions ‘quasi-Alliance’ with Philippines,” Nikkei Asia, accessed May 10, 2024, <https://asia.nikkei.com/Politics/Defense/Japan-envisions-quasi-alliance-with-Philippines>.
- <sup>xxxiii</sup> Erin L. Murphy and Gregory B. Poling, “A ‘New Trilateral Chapter’ for the United States, Japan, and the Philippines,” April 15, 2024, <https://www.csis.org/analysis/new-trilateral-chapter-united-states-japan-and-philippines>.
- <sup>xxxiv</sup> C Balita, “Philippines: Major Export Partners by FOB Value 2023,” Statista, accessed May 12, 2024, <https://www.statista.com/statistics/1136569/philippines-value-export-goods-to-major-trade-partner-by-country-or-region/>.
- <sup>xxxv</sup> “ASEAN: Perceived Corruption by Country 2022,” Statista, accessed May 10, 2024, <https://www.statista.com/statistics/651015/most-corrupt-countries-asean-region/>.
- <sup>xxxvi</sup> “Japan Envisions ‘quasi-Alliance’ with Philippines.”
- <sup>xxxvii</sup> Reynolds, “Japan Begins Defense Upgrade With 26% Spending Increase for 2023.”
- <sup>xxxviii</sup> Karen Lema, “Philippines Calls for Expelling Chinese Diplomats as South China Sea Row Escalates,” *Reuters*, May 10, 2024, sec. Asia Pacific, <https://www.reuters.com/world/asia-pacific/philippine-calls-chinese-diplomats-be-expelled-disinformation-2024-05-10/>.
- <sup>xxxix</sup> *Ibid.*
- <sup>xl</sup> “Japan’s Arms Transfers to Southeast Asia: Upping the Ante?,” FULCRUM, February 15, 2024, <https://fulcrum.sg/japans-arms-transfers-to-southeast-asia-upping-the-ante/>.
- <sup>xli</sup> “Japan Hosts Anti-China ‘Security Support’ Talks with Pacific Island Foreign Ministers,” World Socialist Web Site, March 23, 2024, <https://www.wsws.org/en/articles/2024/03/23/gjnl-m23.html>.
- <sup>xlii</sup> Nishida, “Outstanding Issues for Official Security Assistance (OSA) and Its Strategic Utilization | List of Articles.”
- <sup>xliii</sup> Ishimaru, “Japan’s Shifting Foreign-Assistance Schemes.”
- <sup>xliv</sup> Nathan Beauchamp-Mustafaga, “China’s Military Aid Is Probably Less Than You Think,” July 26, 2022, <https://www.rand.org/pubs/commentary/2022/07/chinas-military-aid-is-probably-less-than-you-think.html>.
- <sup>xliv</sup> “Jointly Implementing the Global Security Initiative For Lasting Peace and Security of the World,” accessed May 15, 2024, [https://www.mfa.gov.cn/eng/wjbxw/202311/t20231102\\_11172214.html](https://www.mfa.gov.cn/eng/wjbxw/202311/t20231102_11172214.html).
- <sup>xlvi</sup> “Japan PM Kishida’s Approval Rating Mired near Record Low,” Nikkei Asia, accessed May 13, 2024, <https://asia.nikkei.com/Politics/Japan-PM-Kishida-s-approval-rating-mired-near-record-low>.

# **Beyond Boundaries: Japan's Role in African Development from 1954 to Present**

*By Yuxuan Wang*

## **Introduction**

Since its initial involvement in international assistance in 1954, Japan has gradually expanded its official development assistance (ODA) beyond the Asian region to include African and South American countries. This expansion has made Japan an important ODA donor on the global stage. The first Tokyo International Conference on African Development (TICAD), held in 1993, provided an important platform for Japan's multilateral cooperation with African countries. TICAD has facilitated many infrastructure projects in Africa, as well as human resource development and sustainable socio-economic development. In particular, the conference has had a significant influence on attracting private investment, improving agricultural production, and contributing to stronger local ownership and international partnerships in Africa. However, with the establishment of the China-Africa Forum in 2000, China also began to rapidly invest in Africa. This relationship led to a historic milestone in China-Africa trade, surpassing \$1 billion for the first time, a threefold increase over trade levels in 1994.<sup>i</sup> More recently, China's Belt and Road Initiative (BRI) seems to have challenged Japan's aid programs to Africa through its infrastructure development and broader economic cooperation with African countries.

This paper aims to assess the evolution of Japan's aid and investment in Africa from its early days as a single donor country to its current involvement in Africa through TICAD. The paper examines how Japan's motivations for its aid policy towards Africa have changed over time in a complex global environment. It also assesses the effectiveness of the assistance projects according to how local conditions changed once projects were concluded. By examining Japan's aid and investment in Africa, this paper provides insights into Japan's role in the international community and its contribution to the development of African countries. These findings can assist policymakers in formulating more effective international aid policies.

The initial section of this paper will summarize the historical background and evolution of Japan's assistance to African countries, exploring the motives and the external environment that shaped its early policies. The second section will analyze China's involvement in Africa and its influence on Japan's investment strategies. It will also compare the two countries' aid programs' characteristics and key differences. The third section will discuss the current challenges and limitations of Japan's aid strategy to Africa and conclude with recommendations on how to improve its effectiveness and sustainability in the end.

## **Historical Evolution of Japanese Aid in Africa**

### *1954-1970: Foundations of Partnership*

Japan's foreign aid policy began in 1954, when Japan joined the Colombo Plan and formally became an official development assistance donor.<sup>ii</sup> Japan's foreign aid strategy was primarily focused on the restoration of fractured foreign relations amidst Japan's post-war economic recovery. Japan's earliest development assistance projects were small in scale and mainly focused on compensatory and quasi-compensatory measures<sup>iii</sup> to help Asian countries recover from

wartime losses. Specifically, Japan sought to repair the damage caused by the war and to enhance its international reputation through economic assistance to Southeast Asian countries. Japan's aid not only promoted industrialization in these recipient countries, but also enhanced Japan's domestic economic growth by increasing demand for Japanese machinery and technological products.<sup>iv</sup>

After joining the OECD in 1964, Japan improved the quality of its aid by eliminating attached conditions to the aid and increasing grant allocation to further optimize its foreign aid strategy.<sup>v</sup> Twelve years after its initial focus on Southeast Asia countries, Japan began to extend its aid assistance to several African countries to strengthen cooperation through small-scale development projects. In 1966, Japan provided development loans to Uganda, Kenya, and Tanzania, primarily for machinery procurement to support industrial projects such as cashew processing factories.<sup>vi</sup> While Japan's assistance to African countries was relatively small compared to its investments in Southeast Asia, which, themselves, only accounted for 1% of Japan's total foreign aid expenditure at that time, these early interactions in Southeast Asia and Africa were important. They established a foundation for Japan's long-term engagement with African countries and helped shape the characteristics of Japan's ODA.<sup>vii</sup> These principles are based on East Asian development models and provide aid on a request-only basis, supporting recipient countries' locally-managed development efforts.<sup>viii</sup> This early stage in Japan's ODA program was important in establishing a sustainable foreign aid model for Japan to adhere to.

From 1954 to 1970, Japan's foreign aid was primarily directed towards Asia, with the objective of promoting industrialization in these countries and enhancing Japan's international status and influence. During the 1960s, Japan's official development assistance steadily increased in quantity, rising from approximately \$100 million annually to around \$500 million.<sup>ix</sup> By 1970, Japan had become the fifth largest aid donor in the world.<sup>x</sup> Although Japan's aid to Africa was relatively minimal during this period, it provided valuable experience and a foundation for subsequent aid activities and policies in Africa.

#### *1971-1980: Diversifying Engagement*

In the 1970s, the oil embargo imposed by the Organization of Arab Petroleum Exporting Countries (OAPEC) significantly impacted the global economy. The subsequent energy crisis led to a spike in oil prices. This severely affected the Japanese economy, which had—and maintains to this day—an extreme dependence on oil imports.<sup>xi</sup> The oil crisis made Japan realize, however, that it was overdependent on Middle Eastern oil in particular, showing the fragility of its energy security.<sup>xii</sup> The urgent need for energy diversity led Japan to seek a new strategic focus on Africa, especially oil resources.<sup>xiii</sup> Many African countries' under-exploited mineral resources attracted Japan. The strategic movement not only diversified Japan's energy sources but also reduced its vulnerability to similar energy crises in the future.<sup>xiv</sup> During this period, many African oil-producing countries rapidly became important partners for Japan.

Additionally, Japan sought to diversify its diplomatic relations in the 1970s. There was growing dissatisfaction with Japan's investments in Southeast Asia, leading to some riots in Southeast Asian cities like Bangkok and Jakarta.<sup>xv</sup> These events also encouraged Japan's efforts to broaden its international relations with African countries to enhance its standing on the global stage, particularly in international organizations. For example, Japan garnered enough support to become

a non-permanent member of the UN Security Council through the support and votes it received from African countries.<sup>xvi</sup> This diplomatic effort highlights how Japan used its aid and investment in Africa to its own advantages. During the energy crisis, Japan aimed not only for economic benefits but also sought geopolitical gains.

During this period, Japan's diversification of its engagement in Africa also demonstrated its adaptive foreign aid strategy. The strategy began not only to fulfill energy security imperatives, but also to support broader geopolitical objectives and to enhance Japan's voice in international organizations over the long run.

#### *1981-1989: Strengthening Economic Ties*

Following the depreciation of the U.S. dollar via the Plaza Accord in 1985, the sharp appreciation of the yen significantly reduced the competitiveness of Japan's merchandise exports and shocked Japan's economy.<sup>xvii</sup> Previously, Japan had maintained a substantial trade surplus for decades, causing significant dissatisfaction among the United States and other Western countries. In response to these economic pressures, Japan sought to ease trade tensions and improve its international trade image by increasing foreign aid, particularly through grants to developing countries.<sup>xviii</sup>

During the mid-1980s, many African countries were hit by severe drought and famine. These conditions led the United States and other countries to pressure Japan at several international conferences. They urged Japan to increase its humanitarian and development assistance to the affected African countries. At an international conference in Paris in 1985, the head of the U.S. Agency for International Development made a direct appeal to Japan to increase its aid and take on greater international responsibilities.<sup>xix</sup> In addition, the extensive coverage of the African famine in the Japanese media triggered a strong domestic public response, leading to a spontaneous relief movement.

In response to domestic and international pressures, as well as domestic public expectations, the Japanese government actively participated in African famine relief efforts in 1984, sending the Japanese foreign minister on a personal visit to affected areas in Zambia and Ethiopia and conducting large-scale relief operations.<sup>xx</sup>

During this period, Japan's official development assistance increased rapidly. By 1989, Japan's aid to Africa reached an all-time high of 15.3 percent of its total aid budget.<sup>xxi</sup> Although its percentage has since declined, it has consistently remained above 10 percent.<sup>xxii</sup> Furthermore, through collaboration with international financial institutions such as the World Bank and the African Development Bank, Japan significantly expanded its agriculture infrastructure and food aid initiatives in Africa, thereby facilitating the realization of the "African Green Revolution."<sup>xxiii</sup>

From 1970 to 1980, Japan's bilateral aid to Africa increased 27.5 times in nominal terms.<sup>xxiv</sup> This substantial increase not only reflected a reorganization of Japan's foreign aid strategy but also demonstrated Japan's efforts to enhance its strategic position in the global political economy.

#### *1990-2000: Solidifying Partnerships*

In 1992, in response to growing domestic and international criticism of Japan's aid assistance, the Japanese Cabinet formulated the ODA Charter. Japan's ODA practices had in the years prior come under increasing scrutiny, particularly after the Philippine President misused Japanese aid in 1986.<sup>xxv</sup> Many critics pointed out that ODA lacked basic principles and transparency in fund allocation and ignored recipient countries' local environmental and developmental issues.<sup>xxvi</sup>

The newly enacted ODA Charter mainly proposed four guiding principles: 1) Sustainable Development and Environmental Conservation, 2) Prohibition of ODA Use for Military Purposes, 3) Monitoring and Evaluating Resource Allocation, and 4) Promotion of Democratization and Market-Oriented Economies.<sup>xxvii</sup> In 1993, Japan launched TICAD, a direct result of the new ODA Charter.<sup>xxviii</sup> TICAD has since become an important platform for dialogue and cooperation between Japan and African countries. Throughout the 1990s, Japan's aid strategy gradually expanded from a single economic, infrastructure-based program to incorporate other fields, including education, health, and human security.

#### TICAD I (1993)

TICAD I was co-hosted by the Japanese Government, the United Nations, the United Nations Development Programme, the World Bank, and the African Union Commission in 1993.<sup>xxix</sup> It attracted participation from many different international organizations, including the African Development Bank, the World Bank, the International Monetary Fund, the Organization for Economic Cooperation and Development and other international organizations. This first conference emphasized the importance of self-help, or ownership, in Africa and the need for international support for Africa.<sup>xxx</sup> TICAD I established partnerships between donor countries and recipient countries, contrasting with the traditional Western method of delivering assistance through a one-way approach.<sup>xxxi</sup>

This extensive international participation not only proved TICAD's multilateral significance, but also showed the necessity of establishing effective international partnerships to help African countries take a more active role in shaping globalization and the world economy.

#### TICAD II (1998)

Japan held TICAD II in Tokyo in 1998, further displaying its commitment to promoting African ownership and global economic development. The conference themes focused on poverty reduction and integration into the global economy.<sup>xxxii</sup> It emphasized the importance of African-led development for Africa and the importance of building development partnerships.<sup>xxxiii</sup> The "Tokyo Agenda for Action" adopted during the conference outlined three key areas of development: 1) social development, encompassing education, health, and population measures to assist the poor; 2) economic development, including private sector, industrial, and agricultural development, and the management of external debt; and 3) foundations for development, including good governance, conflict prevention, and post-conflict development.<sup>xxxiv</sup>

The Japanese Government made a commitment to provide 90 billion yen in grant aid to support education, health, medical care, and water management sectors in Africa over the following five years.<sup>xxxv</sup> In economic development, TICAD II initiated the establishment of the Asia-Africa Investment Information Service Center in Malaysia. The center, alongside the launch of the Asia-Africa Business Forum with the United Nations Development Programme, was designed to

strengthen trade and investment links between Africa and Asia.<sup>xxxvi</sup> In addition, Japan promoted Asia's development experience and supported Africa's economic development through economic ties and technical cooperation.

In agriculture, Japan supported joint research with the Philippines-based International Rice Research Institute to increase agricultural productivity in Africa. This collaboration led to the development of “New African Rice,” a high-yield rice that combines the advantages of Asian and African rice.<sup>xxxvii</sup> In addition, Japan sent Asian experts to help farmers in East and Southern African countries, where the climate is similar to Southeast Asia, to increase local rice production.<sup>xxxviii</sup>

### *2001 to 2010: Responding to Challenges*

Since 2001, Japan's ODA budget has faced a significant reduction due to economic recession and fiscal deficits. In 2001, Japan's ODA budget was reduced by 27%, with a corresponding reduction in African aid.<sup>xxxix</sup> By 2003, the budget had further decreased to 70% of its previous highest level.<sup>xl</sup> Despite fiscal pressures, Japan still kept its commitment to increasing its assistance to Africa at the G8 summits in 2002 and 2005, displaying a keen awareness that the international community as a whole was also placing more attention on Africa.<sup>xli</sup>

In 2003, the Japanese government revised its ODA charter to clearly state its policy of supporting the developing countries' autonomous development and to emphasize the concept of human security.<sup>xlii</sup> The revised charter reflected Japan's increasing emphasis on integrating security and development in its international development assistance.<sup>xliii</sup> By 2006, Japan's ODA to Africa had reached \$2.56 billion, representing a 2.2-fold increase from the previous year.<sup>xliv</sup> This increase indicated Japan's increasing focus on humanitarian aid and its ongoing efforts to promote peace.

During this same period, China rapidly expanded its own influence in Africa through extensive large-scale infrastructure investments and resource development. This expansion posed a significant challenge to Japan's aid policy in Africa. In response, Japan sought to reassess and strengthen its cooperation with African countries through multilateral platforms such as TICAD to ensure Japan's influence in Africa continued to grow amidst evolving geopolitical dynamics.

### *TICAD III (2003)*

TICAD III was held in 2003 and prefaced upon the successes of the previous two conferences. Japanese leaders further promoted the Asian development model at the conference and emphasized the importance of ownership in Africa's development. The conference also continued Japan's diplomatic efforts to secure a permanent seat on the UN Security Council.<sup>xlv</sup> Prime Minister Junichiro Koizumi emphasized Japan's commitment to three main themes at this conference: human-centered development, poverty reduction through economic growth, and consolidation of peace in the conference.<sup>xlvi</sup>

Prime Minister Koizumi also made a commitment of a total of \$1 billion in grant aid to directly improve the lives of African people in the areas of health and medical care, education, water and food aid.<sup>xlvii</sup> Additionally, he announced approximately \$3.6 billion in debt relief.<sup>xlviii</sup> Japan also highlighted its support for the African Union-led New Partnership for Africa's Development (NEPAD) initiative to strengthen Africa's capacity for self-determined development. The



conference reinforced support for the private sector and infrastructure development to sustain economic growth and facilitate poverty reduction.<sup>xlix</sup>

TICAD III also stressed the importance of South-South cooperation in facilitating the exchange of technology and experience between Asian and African countries.<sup>1</sup> Improved knowledge sharing was touted as a key means of strengthening local ownership and promoting further cooperation between Asian and African countries over the long term. In 2005, Prime Minister Koizumi announced that Japan would double its ODA to Africa to \$1.8 billion over the ensuing three years, with a focus on supporting the private sector and infrastructure projects.<sup>li</sup>

Despite Japan's economic pressures, TICAD III still managed to build upon the success of previous conferences, reinforcing the need for African-led development initiatives, long-term sustainable development in Africa, and the development of partnerships, ownership, and human security in African countries.

#### TICAD IV (2008)

TICAD IV was held in Yokohama in 2008, deepening Japan's economic ties with Africa and addressing more directly the geopolitical threat of China's growing influence in Africa. At the conference, Japan committed to doubling Japanese private sector direct investment in Africa between 2008 and 2012, focusing on building regional infrastructure, developing electric power facilities, and simplifying cross-border procedures.<sup>lii</sup> These measures were designed not only to promote African economic development but also to increase the Japanese private sector's global competitiveness.<sup>liii</sup> TICAD IV adopted the Yokohama Action Plan, which focused on three main objectives: 1) economic growth in Africa, 2) human security, and 3) addressing environmental issues and climate change under the broadening Japan-Africa partnership.<sup>liv</sup>

In the agricultural sector, Japan aimed to increase agricultural productivity, including doubling rice production in Africa and capacity building for 50,000 agricultural leaders.<sup>lv</sup> Furthermore, the Japan Bank for International Cooperation (JBIC) promised to provide \$2.5 billion in financial support for the establishment of an Africa Investment Fund, aiming to further promote project development in Africa.<sup>lvi</sup> In order to ensure sustained engagement and accountability, TICAD IV established a TICAD follow-up mechanism, which included, in part, creating a secretariat within the Japanese Ministry of Foreign Affairs.<sup>lvii</sup> The secretariat's purpose was to strengthen, institutionalize, and monitor initiatives agreed to during TICAD conferences, better ensuring their implementation and enhancing TICAD's transparency and accountability.<sup>lviii</sup>

TICAD IV further emphasized the importance of collaboration between Japan and African countries in deepening their economic and geopolitical ties. In addition, Japan has in the years since demonstrated a long-term commitment to supporting Africa's development through financial contributions and follow-up mechanisms.

#### *2011 to the present: Enhancing Sustainable Development*

Japan has since TICAD IV remained committed to strengthening cooperation with Africa through its official development assistance, particularly in infrastructure development. During the TICAD follow-up meetings, Japan deepened its economic and technical cooperation with Africa through a new public-private partnership.<sup>lix</sup> In addition, Japan has integrated its aid strategies with new

global trends, such as the Sustainable Development Goals, to strengthen its support for peace and security.

#### TICAD V (2013)

TICAD V was held in 2013 and included the following focus areas: Robust and Sustainable Economy, Inclusive and Resilient Society, and Peace and Stability.<sup>lx</sup> The conference also launched a new "Dialogue with the Private Sector" meeting between African leaders and Japanese private sector representatives, reflecting the importance of the private sector in the conference.<sup>lxi</sup> Japan committed \$32 billion towards the public-private partnership initiatives. The partnership was established to promote economic development in Africa through private sector trade and investment, which included \$14 billion in official development assistance.<sup>lxii</sup>

TICAD V also supported private sector investments in Africa by extending \$300 million, in collaboration with the African Development Bank, to encourage and support the activities of Japanese enterprises in Africa.<sup>lxiii</sup> Furthermore, Japan intensified its efforts to enhance business and industrial capacity building, including the establishment of the "African Business Education Initiative for the Youth: ABE Initiative," for human resource development.<sup>lxiv</sup>

TICAD V highlighted Japan's ongoing engagement. It emphasized empowering and enhancing the capacity of African countries to drive their own development through a focus on private-sector collaboration.

#### TICAD VI (2016)

From TICAD VI, TICAD shifted from a five-year to a three-year conference cycle. In 2016, TICAD VI marked the first time the conference had been held in Africa, as the first five conferences had all been held in Japan. This time, Nairobi, Kenya was the host city. The relocation emphasized Japan's intention to engage more directly with African nations and to reinforce Japan's status as a reliable development partner. During the sixth conference, Japan announced a new commitment of \$30 billion to Africa over three years with the goal of empowering human capital development in 10 million people.<sup>lxv</sup> The conference emphasized three main themes: 1) economic diversification and industrialization, 2) resilient health systems, and 3) social stability.<sup>lxvi</sup>

Towards industrialization, Japan emphasized investment in quality infrastructure, including the construction of roads and ports and the expansion of renewable energy sources.<sup>lxvii</sup> Additionally, it highlighted the importance of building food value chains and improving human resources development.<sup>lxviii</sup>

On resilient health systems, the conference addressed the many health issues facing Africa following the 2014 Ebola outbreak. Leaders emphasized upgrades to epidemic preparedness and the prevention of public health emergencies, in alignment with the Sustainable Development Goals and Agenda 2063, to achieve Universal Health Coverage.<sup>lxix</sup>

In terms of social stability, TICAD VI focused on enhancing employment for women and youth, mitigating the impact of disasters, and ensuring food security.<sup>lxx</sup> In addition, Prime Minister Abe Shinzo announced the establishment of the Japan-Africa Public-Private Economic Forum to support private companies in promoting business in Africa.<sup>lxxi</sup>

TICAD VI contributed towards Africa's sustainable development by emphasizing quality, long-term cooperation through concrete financial assistance and commitments to health, industrialization, and social stability.

#### TICAD VII (2019)

TICAD VII focused on the following segments: 1) economic transformation and improvements in both business environment and institutions through private investment and innovation; 2) resilient and sustainable societies through improvement in human security, and 3) peace and stability.<sup>lxxii</sup> Japan committed to providing more than \$20 billion in private investment sectors to improve the business environment in Africa.<sup>lxxiii</sup> Under the Abe Initiative 3.0, Japan aimed to develop 3,000 industrial human resources over six years to facilitate trade between Africa and Japan.<sup>lxxiv</sup> In addition, the Kaizen Initiative collaborated with the African Development Bank to train 140,000 individuals in support of industrial diversification and job creation, with a particular focus on innovation, agriculture, and the blue economy.<sup>lxxv</sup>

Furthermore, the Japan Business Council for Africa (JBCA) was established to facilitate the expansion of Japanese companies' business operations in Africa through public-private partnerships.<sup>lxxvi</sup> This initiative included the Enhanced Private Sector Assistance Program for Africa, a joint venture with the African Development Bank, aimed at providing \$3.5 billion over three years to enhance Africa's investment climate.<sup>lxxvii</sup>

In the social sphere, Japan intensified collaboration in healthcare and disaster preparedness in Africa. The Japan-Africa Disaster Prevention and Reduction Public-Private Symposium was designed to provide capacity-building by introducing Japan's disaster prevention and reduction policies, technologies, and expertise<sup>lxxviii</sup>. Regarding the peace and stability theme, Japan initiated the New Approaches to Peace and Stability in Africa, with a special focus on stability and long-term human resource development<sup>lxxix</sup>.

#### TICAD VIII (2022)

TICAD VIII took place in Tunisia and focused on three themes: 1) economic growth and social development; 2) resilient and sustainable society; and 3) peace and stability.<sup>lxxx</sup> The conference also highlighted the importance of investing in people and the quality of growth.<sup>lxxxi</sup> Japan committed to investing \$30 billion in Africa over three years through both public and private sources of finance.<sup>lxxxii</sup> The investment was earmarked for three main areas: 1) Green Investment: Japan launched the "Japan-Africa Green Growth Initiative," wherein the public and private sectors have invested a total of \$4 billion;<sup>lxxxiii</sup> 2) Investment Promotion: Japan will support companies with strong entrepreneurial potential through a planned investment fund for start-ups backed by more than JPY 10 billion;<sup>lxxxiv</sup> and 3) Development Finance: Japan committed to, in cooperation with the Development Bank of Africa, provide \$5 billion in financing to improve peoples' lives in Africa. The financing is designed to provide new loans of up to \$1 billion to countries that are advancing reforms and managing debt effectively.<sup>lxxxv</sup>

While recently departed Prime Minister Kishida Fumio was still in office, he also announced further aid to Africa's economic recovery after the continent was severely affected by the coronavirus pandemic and the war in Ukraine. This aid was announced to promote private

investment and green investment and to enhance food and nutritional security.<sup>lxxxvi</sup> Additionally, it was announced during Kishida's administration that Japan would continue assisting African governments in building more resilient societies by providing \$300 million to enhance food and agricultural production. Japan will also assist 200,000 agricultural communities in their efforts to sustainably develop.<sup>lxxxvii</sup>

### *Trend Analysis*

Japan initiated its aid to Africa primarily to enhance its international status. Over time, these aid projects have also become crucial for Japan's energy security. Self-help and partnership have remained as the fundamental concepts undergirding Japan's ODA, which aims to strengthen African economies and enhance their ownership over the process of development. Although initial assistance to Africa was minimal, it is evident that ODA has contributed positively to sustainable socio-economic development in Africa. Japan has maintained dedication to addressing both the immediate and long-term development needs of African countries.

However, Japan's ability to provide consistent aid has been affected by its economic situation and the global economic environment. In addition, China's increased investments in Africa have challenged Japan's aid strategy. Given these factors, it is necessary for Japan to reassess and adapt its strategy in Africa within a rapidly changing economic and geopolitical environment.

### **China's Involvement in Africa and Implications for Japan's Investment Strategy**

China's investment strategy in Africa is primarily driven by economic and political considerations, which are largely facilitated through the Belt and Road Initiative (BRI) by implementing infrastructure development projects. In addition, China's aid typically comes without political conditions, emphasizing the principles of South-South cooperation, equality, mutual benefit, and respect for the recipient country's development model choice.<sup>lxxxviii</sup> Since 2000, China has launched the Forum on China-Africa Cooperation (FOCAC), whose primary objective is to facilitate economic collaboration between China and Africa in areas such as trade, investment, and infrastructure development. FOCAC serves as a platform for China to advance its foreign policy and enhance its relations with African countries.<sup>lxxxix</sup>

Regarding project characteristics, China promotes large-scale development through the BRI and is able to complete infrastructure projects in a timely and efficient manner. This efficiency has led some African countries to prefer Chinese projects over Japanese ones, despite Japan's projects potentially offering superior quality and sustainability.<sup>xc</sup> In contrast, Japanese projects focus more on the concept of quality infrastructure, which places more weight on life-cycle costs, safety, resilience, and the environmental impact of infrastructure installations.<sup>xcii</sup> Additionally, Japan's projects emphasize transparency and improving the policy environment in recipient countries.<sup>xcii</sup> However, these characteristics of ODA may not be seen as priorities or as attractive as Chinese aid by some recipient countries.

China's rapid expansion and cost-effectiveness in infrastructure development projects contrasts with Japan's high quality and sustainability, demonstrating two very different approaches to international aid programs. The differing foreign aid strategies and priorities of China and Japan also reflect two countries' differing economic and political objectives. As China's influence on

Africa has grown steadily since China increased its aid to Africa in the late 1990s,<sup>xciii</sup> Japan must, going forward, better take into account the impact of China's Belt and Road Initiative when formulating its own African aid strategy.

## **Challenges and Limitations of TICAD**

Despite TICAD's success in promoting more international attention on African development issues, the conference has been criticized for a perceived lack of effectiveness and follow-through in implementation since it was first held in 1993. Criticisms have focused mainly on the following:

### *Aid Effectiveness Challenges:*

TICAD often uses attractive development language when announcing aid commitments to Africa. However, critics pointed out that there is often a gap between these high-level policy statements and the actual delivery of official development assistance.<sup>xciv</sup> Specifically, promised funds and resources may not always be provided to recipient countries as anticipated, and resources may not achieve their intended impact after being delivered. Moreover, while TICAD has had some success in elevating the global importance and relevance of African development issues and enhancing Japan's status on the international stage, Japan's trade and investment in Africa are relatively small and, now, shrinking in quantity.<sup>xcv</sup>

### *National Interests Consideration:*

Critics argue that the motives behind TICAD are driven by Japan's national interests rather than by altruistic motives, particularly in securing Africa's resources and countering China's growing influence in the region.<sup>xcvi</sup> China's Belt and Road Initiative has increased its competitive pressure on Japan's influence and program implementation in Africa, and this competition could lead to the marginalization of ODA's impact in Africa. These challenges have led TICAD to prioritize support in areas that are beneficial to Japanese firms, rather than aligning ODA fully with the actual needs and priorities of African countries.

### *The Limits of TICAD's Multilateralism*

Despite TICAD being labeled as a multilateral initiative, it is primarily Japanese-led. It is not easy for a format where one primary donor country facilitates and sets foreign aid objectives and requirements for various recipient countries to succeed; it can be argued that this arrangement, itself, may reduce the effectiveness of Japan's aid in Africa since it cannot always effectively incorporate or address recipient countries' needs.<sup>xcvii</sup> Moreover, this unilateral approach could limit the contribution of other international participants, thus affecting the inclusiveness and effectiveness of the initiative.

## **Policy Recommendations**

### *Deepening Cooperation with Multilateral Organizations:*

By collaborating more extensively with organizations such as the United Nations Development Programme, the World Bank, and the African Development Bank, Japan can consolidate more international resources and expand the coverage and impact of its assistance projects. For example, the aforementioned "Quality Infrastructure" program, which also receives World Bank funding,

has successfully supported the development of high-quality infrastructure in a growing number of African countries,<sup>xcviii</sup> which, in turn, increases ODA's overall impact in Africa.

*Expanding Public-Private Partnership:*

The Japanese government should encourage and support more private sector participation in African development projects. Actions could include providing tax incentives, loan guarantees, and technical support to reduce private enterprises' investment risks. In addition, establishing more public-private partnerships would attract more participation from a greater number of Japanese and African enterprises. If more collaborators are involved, aid recipient countries will reap more benefits of advanced technology and best management practices, further enhancing their ownership over their own economic development.

*Promoting High-Tech and Agricultural Programs:*

Lastly, Japan should promote more technologies such as precision agriculture, water-saving irrigation, and high-yielding crop varieties to improve agricultural productivity and food security in African countries. Japan can also help expand successful projects, such as the Consortium for African Rice Development program,<sup>xcix</sup> to help other African countries increase rice production and address food shortages. In addition, Japan could invite more stakeholders to participate in the planning phases of these assistance programs. By involving local governments, farmer cooperatives, private sector partners, and NGOs into the planning phase, ODA officials could improve the ultimate effectiveness of ODA. In addition, Japan could ask local governments to provide more supportive policies and systems, such as credit facilities, insurance, and technical assistance to help ensure that successful projects are implemented.

By utilizing proven, successful strategies, Japan can significantly increase the impact of its overseas assistance. In effect, Japan will also support broader development goals such as poverty reduction and economic development in the region, more firmly enabling local populations to pursue sustainable development and better lives.

## Endnotes

---

- <sup>i</sup>宋志勇,“中国与非洲贸易投资,” accessed May 16, 2024, [https://www.ide.go.jp/library/Japanese/Publish/Reports/Kidou/pdf/2007\\_03\\_03\\_5\\_song\\_c.pdf](https://www.ide.go.jp/library/Japanese/Publish/Reports/Kidou/pdf/2007_03_03_5_song_c.pdf).
- <sup>ii</sup> Ministry of Foreign Affairs of Japan. “History of Official Development Assistance” accessed June 15, 2024, <https://www.mofa.go.jp/policy/oda/summary/1994/1.html#1>.
- <sup>iii</sup> Masahiro Kawai and Shinji Takagi, “Japan’s Official Development Assistance: Recent Issues and Future Directions,” *Journal of International Development* 16, no. 2 (March 2004): 255.
- <sup>iv</sup> Makoto Sato, “A historical analysis of Japan’s aid policy in Africa” in Leeman, ed., *Japan and Africa: Globalization and foreign aid in the 21st Century*, 2010. pp.8-24.
- <sup>v</sup> Dennis D. Trinidad, “Japan’s Oda at the Crossroads: Disbursement Patterns of Japan’s Development Assistance to Southeast Asia,” *Asian Perspective* 31, no. 2 (2007): 95–125.
- <sup>vi</sup> Scarlett Cornelissen, “Japan’s Official Development Assistance to Sub-Saharan Africa: Patterns, Dynamics, and Lessons.” *Japan’s Development Assistance*, Palgrave Macmillan UK, pp. 149–65, [https://doi.org/10.1057/9781137505385\\_10](https://doi.org/10.1057/9781137505385_10).
- <sup>vii</sup> Scarlett Cornelissen, “Japan’s Official Development Assistance to Sub-Saharan Africa: Patterns, Dynamics, and Lessons.”
- <sup>viii</sup> Makoto Sato, “A historical analysis of Japan’s aid policy in Africa”.
- <sup>ix</sup> Masahiro Kawai and Shinji Takagi.
- <sup>x</sup> Ibid.
- <sup>xi</sup> Makoto Sato, “A historical analysis of Japan’s aid policy in Africa”.
- <sup>xii</sup> Ibid.
- <sup>xiii</sup> Ibid.
- <sup>xiv</sup> Ibid.
- <sup>xv</sup> Motoki Takahashi, “The ambiguous Japan Aid experience and the notion of self-help” in Leeman, ed., *Japan and Africa: Globalization and foreign aid in the 21st Century*, 2010. pp.39-70.
- <sup>xvi</sup> Scarlett Cornelissen, “Japan’s Official Development Assistance to Sub-Saharan Africa: Patterns, Dynamics, and Lessons.”
- <sup>xvii</sup> Willem THORBECKE, “Why Japan Lost Its Comparative Advantage in Producing Electronic Parts and Components” accessed May 16, 2024, [https://www.rieti.go.jp/en/columns/v01\\_0127.html](https://www.rieti.go.jp/en/columns/v01_0127.html).
- <sup>xviii</sup> Makoto Sato, “A historical analysis of Japan’s aid policy in Africa”
- <sup>xix</sup> Scarlett Cornelissen, “Japan’s Official Development Assistance to Sub-Saharan Africa: Patterns, Dynamics, and Lessons.”
- <sup>xx</sup> Makoto Sato, “A historical analysis of Japan’s aid policy in Africa”
- <sup>xxi</sup> Ibid.
- <sup>xxii</sup> Ibid.
- <sup>xxiii</sup> Scarlett Cornelissen, “Japan’s Official Development Assistance to Sub-Saharan Africa: Patterns, Dynamics, and Lessons.”
- <sup>xxiv</sup> Makoto Sato, “A historical analysis of Japan’s aid policy in Africa”
- <sup>xxv</sup> Hiroyuki HOSHIRO, “Japan’s Foreign Aid Policy: Has It Changed? Thirty Years of ODA Charters,” *Social Science Japan Journal* 25, no. 2 (June 1, 2022): 297–330, <https://doi.org/10.1093/ssjj/jyac010>.
- <sup>xxvi</sup> Ibid.
- <sup>xxvii</sup> Ministry of Foreign Affairs of Japan. “MOFA: Japan’s Official Development Assistance Charter,” accessed June 15, 2024, <https://www.mofa.go.jp/region/n-america/us/q&a/oda/3.html>.
- <sup>xxviii</sup> “TICAD 8 - Official Website - TICAD’S History” accessed May 16, 2024, <https://www.ticad8.tn/content/2>.
- <sup>xxix</sup> Ministry of Foreign Affairs of Japan. “MOFA: Japan’s Official Development Assistance Charter,”
- <sup>xxx</sup> Ministry of Foreign Affairs of Japan. “TICAD I Outline Tokyo International Conference on African Development” accessed May 16, 2024, <https://www.mofa.go.jp/region/africa/ticad/outline.html>.
- <sup>xxxi</sup> Howard Lehman, “Japan’s Foreign Aid Policy to Africa Since the Tokyo International Conference on African Development,” *Pacific Affairs* 78, no. 3 (2005): 423–42, <https://doi.org/10.5509/2005783423>.

- 
- xxxii Ministry of Foreign Affairs of Japan. “MOFA: AFRICAN DEVELOPMENT TOWARDS THE 21st CENTURY: THE TOKYO AGENDA FOR ACTION,” accessed May 16, 2024, <https://www.mofa.go.jp/region/africa/ticad2/agenda21.html>.
- xxxiii Ibid.
- xxxiv Ministry of Foreign Affairs of Japan. “MOFA: Outline of TICAD II,” accessed May 16, 2024, <https://www.mofa.go.jp/region/africa/ticad2/outline.html>.
- xxxv Ministry of Foreign Affairs of Japan. “MOFA: Japan’s New Assistance Program for Africa in Line with the TICAD II Agenda for Action,” accessed May 16, 2024, [https://www.mofa.go.jp/region/africa/ticad2/agenda\\_n.html](https://www.mofa.go.jp/region/africa/ticad2/agenda_n.html).
- xxxvi Ibid.
- xxxvii Ibid.
- xxxviii Ibid.
- xxxix Makoto Sato, “A historical analysis of Japan’s aid policy in Africa”
- xl HOSHIRO, “Japan’s Foreign Aid Policy.”
- xli Elizabeth Donnelly, “Japan–African Engagement and TICAD IV: Can Japan Lead the Way on African Development?” July 2008, [https://www.chathamhouse.org/sites/default/files/public/Research/Africa/ticad\\_4\\_report\\_final-110708.pdf](https://www.chathamhouse.org/sites/default/files/public/Research/Africa/ticad_4_report_final-110708.pdf).
- xlii Scarlett Cornelissen, “Japan’s Official Development Assistance to Sub-Saharan Africa: Patterns, Dynamics, and Lessons.”
- xliii Ibid.
- xliv Makoto Sato, “A historical analysis of Japan’s aid policy in Africa”
- xlvi Lehman, “Japan’s Foreign Aid Policy to Africa Since the Tokyo International Conference on African Development.”
- xlvii Ministry of Foreign Affairs of Japan. “MOFA: SUMMARY by the Chair of TICAD III,” accessed May 16, 2024, <https://www.mofa.go.jp/region/africa/ticad3/chair-1.html>.
- xlviii Ibid.
- xlviii Ministry of Foreign Affairs of Japan. “The TICAD Process: Achievement over the 10 Years.Pdf,” accessed May 16, 2024, <https://www.mofa.go.jp/region/africa/ticad3/initiative.pdf>.
- xlix Ministry of Foreign Affairs of Japan. “MOFA: SUMMARY by the Chair of TICAD III.”
- <sup>1</sup> Ibid.
- <sup>ii</sup> Scarlett Cornelissen, “Japan’s Official Development Assistance to Sub-Saharan Africa: Patterns, Dynamics, and Lessons.”
- <sup>iii</sup> Ibid.
- <sup>iii</sup> Ministry of Foreign Affairs of Japan. “TICAD IV Yokohama Action Plan,” accessed May 16, 2024, <https://www.mofa.go.jp/region/africa/ticad/ticad4/doc/actoin.pdf>.
- <sup>liv</sup> Ministry of Foreign Affairs of Japan. “TICAD IV Yokohama Action Plan.”
- <sup>lv</sup> Ministry of Foreign Affairs of Japan. “Japan’s Initiatives at TICADIV s Initiatives at TICADIV,” accessed May 16, 2024, <https://www.mofa.go.jp/region/africa/ticad/ticad4/doc/initiative.pdf>.
- <sup>lvi</sup> Ibid.
- <sup>lvii</sup> Ministry of Foreign Affairs of Japan. “TICAD Follow-up Mechanism,” accessed May 16, 2024, <https://www.mofa.go.jp/region/africa/ticad/ticad4/doc/followup.pdf>.
- <sup>lviii</sup> Ibid.
- <sup>lix</sup> Ibid.
- <sup>lx</sup> Ministry of Foreign Affairs of Japan. “Fifth Tokyo International Conference on African Development (TICAD V),” Ministry of Foreign Affairs of Japan, accessed May 16, 2024, [https://www.mofa.go.jp/region/page6e\\_000075.html](https://www.mofa.go.jp/region/page6e_000075.html).
- <sup>lxi</sup> Ibid.
- <sup>lxii</sup> Ibid.
- <sup>lxiii</sup> Fumio Kishida, “1 St TICAD V Ministerial Meeting Plenary Session 1: ‘Progress of Yokohama Action Plan 2013-2017’ Keynote Speech by His Excellency Mr. Fumio Kishida, Minister of Foreign Affairs,” accessed May 16, 2024, <https://www.mofa.go.jp/files/000038892.pdf>.
- <sup>lxiv</sup> Ministry of Foreign Affairs of Japan. “Fifth Tokyo International Conference on African Development (TICAD V).”



- 
- <sup>lxv</sup> Ministry of Foreign Affairs of Japan. “Sixth Tokyo International Conference on African Development (TICAD VI),” Ministry of Foreign Affairs of Japan, accessed May 16, 2024, [https://www.mofa.go.jp/af/af1/page3e\\_000551.html](https://www.mofa.go.jp/af/af1/page3e_000551.html).
- <sup>lxvi</sup> Ibid.
- <sup>lxvii</sup> Ibid.
- <sup>lxviii</sup> Ibid.
- <sup>lxix</sup> Ministry of Foreign Affairs of Japan. “TICAD VI Nairobi Declaration,” accessed May 16, 2024, [https://www.mofa.go.jp/af/af1/page3e\\_000543.html](https://www.mofa.go.jp/af/af1/page3e_000543.html).
- <sup>lxx</sup> Ibid.
- <sup>lxxi</sup> Ministry of Foreign Affairs of Japan. “Sixth Tokyo International Conference on African Development.”
- <sup>lxxii</sup> Ministry of Foreign Affairs of Japan. “The 7th Tokyo International Conference on African Development (TICAD7) 28-30 August 2019, Yokohama, Japan,” accessed May 16, 2024, <https://www.mofa.go.jp/files/000521256.pdf>.
- <sup>lxxiii</sup> Ministry of Foreign Affairs of Japan. “The 7th Tokyo International Conference on African Development (TICAD7) 28-30 August 2019, Yokohama, Japan” accessed May 16, 2024, <https://www.mofa.go.jp/files/000521256.pdf>.
- <sup>lxxiv</sup> Ibid.
- <sup>lxxv</sup> Ibid.
- <sup>lxxvi</sup> Ibid.
- <sup>lxxvii</sup> Ibid.
- <sup>lxxviii</sup> Ibid.
- <sup>lxxix</sup> Ibid.
- <sup>lxxx</sup> Ministry of Foreign Affairs of Japan. “TICAD 8 Tunis Declaration,” accessed May 16, 2024, <https://www.mofa.go.jp/files/100387033.pdf>.
- <sup>lxxxi</sup> Ibid.
- <sup>lxxxii</sup> Ministry of Foreign Affairs of Japan. “The Eighth Tokyo International Conference on African Development (TICAD 8),” accessed May 16, 2024, <https://www.mofa.go.jp/files/100419611.pdf>.
- <sup>lxxxiii</sup> Ibid.
- <sup>lxxxiv</sup> Ibid.
- <sup>lxxxv</sup> Ibid.
- <sup>lxxxvi</sup> Ibid.
- <sup>lxxxvii</sup> Ibid.
- <sup>lxxxviii</sup> Meibo Huang, “Policies and Practices of China’s Foreign Aid: A Comparison with Japan,” in *Japan’s Development Assistance: Foreign Aid and the Post-2015 Agenda*, ed. Hiroshi Kato, John Page, and Yasutami Shimomura (London: Palgrave Macmillan UK, 2016), 135–48, [https://doi.org/10.1057/9781137505385\\_9](https://doi.org/10.1057/9781137505385_9).
- <sup>lxxxix</sup> Yang Jiang, “Competitive Partners in Development Financing: China and Japan Expanding Overseas Infrastructure Investment,” *The Pacific Review* 32, no. 5 (September 3, 2019): 778–808, <https://doi.org/10.1080/09512748.2019.1569117>.
- <sup>xc</sup> Hidetaka Yoshimatsu, “Japan’s Strategic Response to China’s Geo-Economic Presence: Quality Infrastructure as a Diplomatic Tool,” *The Pacific Review* 36, no. 1 (January 2, 2023): 148–76, <https://doi.org/10.1080/09512748.2021.1947356>.
- <sup>xci</sup> Yoshimatsu.
- <sup>xcii</sup> Huang, “Policies and Practices of China’s Foreign Aid.”
- <sup>xciii</sup> Yang Jiang, “Competitive Partners in Development Financing.”
- <sup>xciv</sup> Lehman, “Japan’s Foreign Aid Policy to Africa Since the Tokyo International Conference on African Development.”
- <sup>xcv</sup> Judd Devermont, “The Art of Summitry,” September 30, 2019, <https://www.csis.org/analysis/art-summitry>.
- <sup>xcvi</sup> Yun Sun, “Rising Sino-Japanese Competition in Africa,” Brookings, August 31, 2016, <https://www.brookings.edu/articles/rising-sino-japanese-competition-in-africa/>.
- <sup>xcvii</sup> Faith Hatani, “Does a Multilateral Forum Work for Africa? Daunting Tasks of Japan’s TICAD Initiative,” *International Journal of Development Issues* 15, no. 1 (2016): 62–75, <https://doi.org/10.1108/IJDI-09-2015-0059>.

---

<sup>xcviii</sup> George Mgendi, Mao Shiping, and Cheng Xiang, “A Review of Agricultural Technology Transfer in Africa: Lessons from Japan and China Case Projects in Tanzania and Kenya,” *Sustainability* 11, no. 23 (November 22, 2019): 6598, <https://doi.org/10.3390/su11236598>.

<sup>xcix</sup> Mgendi, Shiping, and Xiang.

## **JICA Urban Master Planning: Does it Matter for the “Least of These”?**

*By Chad Higgenbottom*

### **Introduction**

It is difficult to estimate the extent of change that accelerated urbanization over the past half century has brought upon culture and politics. Urban development in Asia attracted much of the attention given in scholarship and public discourse to this topic, but less studied are the changes ongoing in Africa. The continent is home to many of the world’s fastest-growing cities, including some that will double their population during this period. What Asia has been to observers of rapid economic growth and change based in cities, so Africa should be over the ensuing half century.

Yet, with great change comes great risks. Nairobi, Kenya, is one of Africa’s more internationally-recognized cities, yet a majority of its population occupy informal settlements, or slums. Urban planners and local governments bear an especially difficult burden in remedying the expansion of slums and a lower quality of life for new urban residents as they continue to pour into Africa’s growing metropolises. Good policies and their effective implementation will now be essential if the risk of rapidly expanding poverty is to be overcome by more equitable growth and resilient cities.

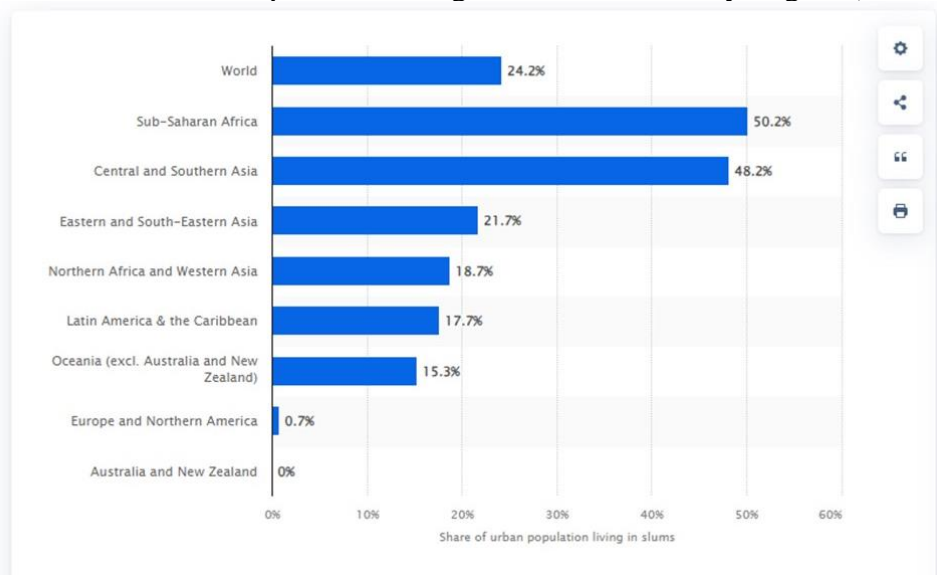
The Japan International Cooperation Agency (JICA) has had a presence in Africa since the 1980s. Its Official Development Assistance (ODA), particularly in the form of “urban master planning,” may be of use in remedying extreme poverty and slum expansion in Africa. In observing a few of JICA’s ongoing master plans in Sub-Saharan Africa, mainly focused in Nairobi, Kenya, while I find that JICA is keenly aware of the issue of rapid slum expansion and has begun taking measures in response, the agency has not yet developed a comprehensive strategy on halting slum expansion and facilitating long term poverty alleviation. In this paper I will define conditions in a large Nairobi slum and assess how JICA’s “urban master planning” has an even stronger social impact when it incorporates private investment and cooperation with on-the-ground nonprofit organizations.

### **The Challenge of Rapid Slum Development**

Every two out of three persons on the planet will live in cities by 2050.<sup>i</sup> But nowhere does urbanization appear to be occurring more quickly than in Africa. It was reported in 2019 that 2.5 million of Nairobi’s 4.4 million live in slums, or informal settlements;<sup>ii</sup> that number has since grown closer to 70 percent of the city’s entire population.<sup>iii</sup> Nairobi is among Africa’s more well-known cities, yet more than two out of every three Nairobi residents are technically ungoverned. Similarly, it is difficult to fathom the massive scale of change urbanization has wrought upon the continent’s cultures and economies, for good and for ill: Only 27 million Africans were urban residents in 1950, less than a 20th of the 570 million who live in cities now.<sup>iv</sup> Perhaps most astoundingly, “of the 30 fastest-growing cities in the world between 2018 and 2035, 21 will be in Africa,” and the vast majority of this growth is unplanned and less advantageous to new migrants than, for instance, in well-concentrated Asian cities offering robust public services, since new

African urban growth has been predominantly outward-stretching.<sup>v</sup> With 10 African cities forecast to double their population or better between 2020 and 2035,<sup>vi</sup> there is a strong argument that no other continent or region in the world needs new, locally-led sustainable urban development solutions more urgently than sub-Saharan Africa.

Figure 1: Share of Urban Population Living in Slums in 2020, by Region (in Millions)



(Source: Statista)<sup>vii</sup>

The consequences of this rapid urbanization are themselves appearing rapidly. While Western political scientists and economists frequently celebrated the undoing of extreme poverty throughout much of the developing world through increasingly open markets from the late 20th century into the 21st century, what originally was decreasing extreme rural poverty is, especially in Africa, now increasing extreme urban poverty.<sup>viii</sup> Upwards of 80 percent or more of the continent’s population are, similar to the continent’s immediate postcolonial period, facing a fall into extreme poverty once again, with some nations like Sudan already experiencing close to a 90 percent extreme poverty rate.<sup>ix</sup> Without more inclusive development throughout the continent, as much as 90% of the continent’s population could be in poverty by 2030.<sup>x</sup> A.R. Pashayan, a professor and researcher who spent over a decade living intermittently in Mukuru, Nairobi’s second largest slum, stressed the other grave consequences that such poverty brings to the world at-large: “These (extremely impoverished) are the people Boko Haram go to and say ‘we’re going to pay you 200-300 dollars a week if you gather up people, rape them, and shoot them.... These are the people ISIS goes to.... This is why we have so much insecurity in this region.... Poverty doesn’t pay. It’s not just a violation of human rights. It’s a security risk.”<sup>xi</sup> Beyond the enhanced threat of transnational terrorism, the sub-Saharan “Coups Belt” is another case in point. Pashayan was not optimistic as to the future of the continent and global markets if conditions remain as they are: “Many of the resources we need the world to keep running - they’re in the ground in Africa.... As long as that extreme poverty remains there, the continent will remain extremely vulnerable. And people will keep doing what they need to do get money. They will kill, they will steal.”<sup>xii</sup> The potential for disease-borne humanitarian crises in slums and even more pandemics like Covid-19 is also exacerbated by continuing slum expansion.<sup>xiii</sup>

To create conditions for change in rapidly scaling cities, effective and innovative institutions are more necessary than infrastructure improvements. Having both is preferable – the government of São Paulo created a pass that allows residents to use both informal minibuses and formal rapid transit, for instance.<sup>xiv</sup> This combination is unfortunately much rarer in Africa, and improvements to infrastructure in cities like Nairobi have benefitted mainly middle and upper classes rather than lower classes, especially those dwelling in slums.<sup>xv</sup> Underlying causes of the migration surge to cities also need to be addressed, though this phenomenon in Africa is not new, only accelerating, as it first became a trend under the former “colonial capitalist” empires that ruled much of the continent until the 1960s.<sup>xvi</sup> The trend has accelerated over the past 20 years, due largely to land shortages amidst extensive population growth in what, pre-colonially, were many areas throughout the continent maintaining “shared ancestral land” traditions.<sup>xvii</sup> Attempts to modernize these traditions have had mixed results, at best; in Mozambique’s case, land law reform per IMF structural adjustment stipulations in the 1980s led to a land grab by new private firms as the country focused on readying itself for FDI.<sup>xviii</sup> Rural residents were pushed to urban areas as a result, and subsistence farming gradually became an unsustainable livelihood for much of the continent’s rural population.<sup>xix</sup>

How does extreme poverty manifest itself in these slums? It is “multi-dimensional poverty,” meaning a lack of access to clean water, lack of livable wage, lack of access to energy, hunger, polluted environment, and lack of affordable medical and other basic services.<sup>xx</sup> More aid agencies active in Kenya, including the World Food Program, are actively addressing rural poverty rather than poverty in slums since, per capita, more rural residents are impoverished than urban residents. However, multi-dimensional urban poverty is arguably more difficult to endure than rural poverty: “When you’re poor but have space around you, it’s different than being poor and packed in like sardines.... When people defecate, it’s right there... if animals get sick, you’re smushed right there with them; mosquitos breeding, in that water - if they’re carrying any kind of disease, those mosquitoes have plenty of bodies (to infect).”<sup>xxi</sup> For many families, living within small, makeshift homes, space is not large enough for multiple rooms. This means no privacy during sexual activities or menstruation and open defecation near polluted rivers or within plastic bags tossed onto walkways (2). In the Muruku slum, out of approximately 1.3 million residents, well over 55 percent are unemployed.<sup>xxii</sup> No data has been published that show how many among these unemployed still, in fact, have gainful employment through the informal sector, but on-the-ground observations reveal that a significant proportion of those working informally are without a “steady” occupation. Many work “gig jobs” on construction sites, performing labor such as picking up rocks, but may only have work a day per week; others sell coal to other households or participate in other kinds of streetside “hawking,” or informal vending of goods.<sup>xxiii</sup> Concerning the implications of long-term unemployment for new migrants into slums, researchers, JICA officials and even Kenya officials, per the country’s national development plan “Vision 2030,” recognize the risk of a “youth bomb” in African cities, propelled by skyrocketing birth rates, urban migration and a shortage of jobs, and that will worsen extreme poverty in these cities.<sup>xxiv</sup> Demand for labor in Nairobi falls drastically short of the available—and growing—supply.

As to whether any developmental approaches have proven effective in alleviating poverty in African slums, there are so far more failures than successes. Public housing was established in Cape Town slums after apartheid, but it ultimately perpetuated racial division: there were no

white residents in these communities, only black residents disadvantaged by decades of apartheid who lacked the wealth to move to areas with more opportunity, and the public housing installations inadvertently strengthened their isolation from such areas.<sup>xxv</sup> Back in Nairobi, aid organizations have had difficulty helping slum inhabitants build financial and social capital due to myriad land use and tenure problems.<sup>xxvi</sup> It is completely unknown who owns some of the land in the slums, and ownership claims often have no paperwork to prove them.<sup>xxvii</sup> Concerning the legal right to land in slums, geographer and anthropologist Yohei Miyauchi explains: “Part of it’s owned by the government. Part of it’s owned by private individuals. Part of it’s owned by nobody knows who.... Many of these people who own the land were white settlers from colonialism. But that was years ago, and no one can come back to claim this land.... There are areas of land that are just question marks, (and if) word gets out that (the land is) free, someone... shows up” and claims the land is theirs.<sup>xxviii</sup>

Given the terrifyingly complex myriad of challenges to legal, sustained land use, building generational wealth in such circumstances is extremely challenging, and would remain extremely challenging even if the unemployment rate was not deplorably high as it is in Nairobi. The greatest need in Nairobi’s slums is more jobs,<sup>xxix</sup> and only a strong confluence of private sector investment, improved governance, nonprofit support, and, most crucially, solutions devised and led by communities in slums themselves will suffice to provide jobs and a better future for the hundreds of millions of Africans that are inhabiting or will inhabit informal settlements. Nairobi is but one of many metropolises in Sub-Saharan Africa where extraordinary population and urban growth are expected to continue, so time is of the essence in finding solutions that can be applied by policymakers throughout the region.

### **The Potential for JICA to Help Create More Sustainable Cities and Alleviate Poverty in Sub-Saharan Africa**

The Japan International Cooperation Agency (JICA) is Japan’s governmental body chiefly responsible for devising and implementing Japan’s overseas development assistance (ODA). Japan began administering ODA after World War II to make war reparations to countries like Myanmar and Indonesia and to expand Japan’s export markets and secure raw material imports.<sup>xxx</sup> ODA takes on many forms, as informed by JICA’s “transcalar” perspective on development: “Actors with different ideas, interests and capacities are drawn together in context-specific projects or territorial engagements, producing different sets of outcomes.”<sup>xxxi</sup> Broadly, however, there are three kinds of ODA administered by JICA: loans, grants, and technical cooperation, with loans accounting for 80 to 90 percent of all JICA-delivered aid.<sup>xxxii</sup> JICA designs aid on the basis of the UN Sustainable Development Goals,<sup>xxxiii</sup> the same standards by which mindful researchers and aid organizations are evaluating conditions in Nairobi’s slums. One unique trait of ODA is that it remains request-based, with extensive dialogue between in-country JICA offices and their host governments taking place before the host government issues a request.<sup>xxxiv</sup> Economic internal rate of return (EIRR), financial IRR, and, crucially, social return on investment (SROI) are all used by JICA to evaluate the effectiveness of ODA.<sup>xxxv</sup> Wherever it operates, JICA strives “to bridge the Japanese government to actual needs on the ground,” cooperating significantly with the Japanese Ministry of Foreign Affairs (MOFA), Ministry of Finance (MOF), and Ministry of Economy, Trade and Industry (METI).<sup>xxxvi</sup> Some projects have higher level of priorities than others and, accordingly, receive grant aid or concessional

loans.<sup>xxxvii</sup> Overall, there is significant divergence between Japan and China’s respective approaches to foreign aid in Africa – Japan strives through knowledge and technological transfer and extensive consultation with local governments to “shap(e) local and transnational planning visions, decisions and investments over extended periods of time,” which “stands in contrast to the much more visible and publicly debated presence and investments of Chinese investors or state-owned companies.”<sup>xxxviii</sup>

This paper focuses on the impact of one form of technical cooperation ODA: urban master planning. This form predates the institutionalization of ODA; Taipei and cities in China received master plans while each were still colonies of Japan.<sup>xxxix</sup> Between 2008 and 2019, JICA delivered 10 such plans to governments throughout Africa, from Cairo to Abidjan to Kumasi and others, as well as elsewhere throughout the world.<sup>xl</sup> These plans are well-guarded by the Japanese government as they are developed; in one example, JICA refused to share a master plan made for the Philippines with their U.S. counterparts until six months after it had already been presented to the Philippine government.<sup>xli</sup> Without local government approval and implementation, JICA plans are a “pie in the sky,”<sup>xlii</sup> so JICA undergoes a thorough process to generate and deliver plans to maximize their chance of success: 1) Discussions between a local JICA office and host government create the conditions for an ODA request; 2) The host government makes an official request; 3) The local Japanese embassy approves the request; 4) A tendering process is launched in Japan to find private firms capable of designing the plan, which usually are a combination of a consultancy and engineering firm; 5) A scope of work is agreed upon once companies are selected; 6) A study team of company representatives go to the host country to evaluate needs; 7) Contracts to permit the team’s work are signed at the ministerial level; 8) Finally, the study team works with local government agencies to create and implement an urban master plan;<sup>xliii</sup> 9) The plan is evaluated at a certain midpoint, usually five years from its implementation, though not always at this time since plans are very often delayed due to “unforeseen circumstances” and local government capacity issues; 10) Adjustments are made as needed to carry out the plan until the end of its designated scope.<sup>xliv</sup>

The JICA urban master plan is a central example of how the organization focuses on capacity building through its technical assistance rather than only executing infrastructure installations. Since China has a comparative advance in constructing standard infrastructure such as road and rail, Japan wins fewer contracts overall for large-scale projects and focuses more on high-end infrastructure construction and helping host country officials enhance their quality of administration.<sup>xlv</sup> JICA’s capacity building component is actually the reason that government officials in Yangon, Myanmar preferred JICA’s assistance over an aid package from the World Bank, for example, according to a JICA official who oversaw project implementation in SE Asia.<sup>xlvi</sup> The official described that approach as listening very clearly to what a local government says, as not listening “hurts the ownership of the local government,” and the strength of local ownership in implementing a JICA-developed plan is the key factor in determining whether the plan is successful.<sup>xlvii</sup> JICA excels at maintaining longer interactions with local governments, and in the case of Yangon, a Japanese expert was dispatched to assist in Myanmar’s Ministry of Energy, building local capacity through expertise rather than imposition.<sup>xlviii</sup> JICA has demonstrated excellence in this niche of development, as France, for example, also produces urban master plans, though less detailed, and the World Bank supports public transit improvements but not comprehensive urban planning.<sup>xlix</sup>

The central thesis of this paper is that a three-pronged (public, private, and nonprofit) approach to development is needed to halt the expansion of slums. According to the JICA official, the agency has over the past year and a half been updating its strategy and protocols for coordinating ODA delivery with private investment.<sup>i</sup> JICA is also seeking stronger “synergy” with NGOs and has already expressly included one UN agency in a recent master plan.<sup>ii</sup> However, JICA is a government agency and “tries to bridge the Japanese government to actual needs on the ground,” collaborating and communicating frequently with the Ministry of Foreign Affairs, Ministry of Finance, Ministry of Economy and Trade and others in setting priorities and delivering results.<sup>iii</sup> Poverty alleviation in least developed countries (LDCs) has obvious moral significance, and it was discussed in the previous section how a failure to address slum expansion threatens international security and global health. But do the travails of LDCs command the attention of Japan’s national interest? When questioned, the official did not attempt to speak for all governmental ministries, but of JICA he stated, “We always care about human security.” He described providing human security as being at the heart of JICA’s mission.<sup>liii</sup> In the ensuing section I broadly describe JICA’s activity in Africa and whether specific projects in Nairobi and Mombasa, Kenya, seem to have been effective in achieving greater human security and discouraging slum expansion.

#### *JICA’s Engagement in Africa*

JICA maintains offices in 28 African countries, with 49 African countries in total being included within the organization’s “purview” as larger offices in countries like South Africa are able to facilitate projects in smaller neighboring countries.<sup>liiv</sup> In FY 2022, 19% of all of JICA’s technical cooperation was directed towards Africa, including in human resource development, public works and other areas, while 32% of all grants targeted the continent.<sup>liv</sup> Japan has decades of involvement in African development, especially through the Tokyo International Conference on African Development (TICAD) that has been held semi-regularly since the early 1990s.<sup>lvi</sup>

As they progress in their development, can or should African cities seek to emulate any aspects of Japan’s miraculous post-World War II development, including of its cities? African states would certainly boost growth by increasing their export markets, as Japan did beginning in the 1950s. Japan had a very vulnerable economy at that time and did borrow significantly from the World Bank and U.S. amidst what was, as in Africa today, a massive population boom and trend of migration to urban areas. However, severe contrasts in history and circumstance prevent Japan’s development from the 1940s through the 1960s from being a sensible model for African cities to follow. Without a record of extensive capital accumulation and technological development dating back to the mid-19th century, combined with exceptional governance, favorable export markets, and productive state-civil society relations, neither Tokyo nor any other Japanese city could have attained such a high level of development.<sup>lvii</sup> Moreover, Africa was left deeply damaged and impoverished by colonialism,<sup>lviii</sup> which continued in the sub-Saharan region throughout the vast majority of the period wherein Japan, by contrast, was modernizing and becoming an imperial power itself. Therefore, it is not productive to consider Africa a new frontier for an “Asian developmental state” model, which thrived in certain Asian states – and not elsewhere – under certain circumstances.



African cities, of course, will need to self-govern and develop foremost through local wisdom and ownership. Despite the prevalence of poverty, there are causes for optimism: one is that digital infrastructure implementation is achieving results, economically and socially. Digitization has played an exceptional role in facilitating average income increases and creating financial capital for entrepreneurs in Africa’s slums through widespread cellular network access and the M-Pesa digital currency, a state-approved digital currency that enables transactions even by those without bank accounts.<sup>lix</sup> This impacts economic activity in slums as well: With digital payments enabled, many rural families dependent on agriculture send a relative to live in a slum to sell produce for higher prices, usually resulting in an overall increase in the family’s livelihood despite the conditions of the slum itself.<sup>lx</sup> JICA, with its network of Japanese firms providing smart infrastructure, will certainly aid any African country’s overall development by carrying out projects to expand that country’s connectivity internally and globally. But the bigger task at hand for JICA, if it intends for some 70% of Nairobi residents, dwelling in slums as they are, to be able to improve their standard of living and become regular users of new infrastructure, is human capital development.

Before exploring potential implications on human capital development from JICA’s work in Nairobi, it should be understood how the agency describes the problem of extremely rapid urbanization and how this outlook affects its urban master planning projects. In a briefing on its priorities for urban and regional development, JICA states it promotes livable cities by “strengthening the capacity of urban administration and working with diverse stakeholders, including private sector, academia, and the community.”<sup>lxi</sup> In its 2023 annual review, JICA highlighted transit-focused projects. In response to India becoming the most populous country, JICA implemented a project to construct high-speed rail to meet growing passenger demand, inspiring praise from an official in India’s Ministry of Housing and Urban Affairs who claimed high-speed rail would boost general economic growth, create a better urban environment, and lead to job creation.<sup>lxii</sup> This all may be the case, but no high-speed rail in the world is a free public service. Just as China’s high-speed rail serves predominantly middle-class passengers, it is more likely that high speed rail will help raise per capita incomes and job opportunities for India’s middle class but much less for slum residents who lack disposable income to benefit from new infrastructure developments.

Over the long run, the effect on the impoverished should be more palpable. A JICA official working on transit in India described “regional industrial promotion” as key.<sup>lxiii</sup> To the extent that high-speed rail encourages investors to expand the geographic scope of investments—assuming transportation infrastructure for industry develops simultaneously with improved infrastructure for private travel by workers—this would presumably lead to more diffuse economic growth and, in turn, create more jobs across more regions, thereby discouraging migrants from all moving to the same city or small number of cities for work, as is currently the case in Kenya. This and other long-term processes, however, do little to address rapid slum or general urban expansion in the near term.

In its briefing on urban and regional development, JICA does address the ramifications of rapid urbanization and its effects more specifically:

The rapid population growth in developing countries is escalating urbanization at an unprecedented level. In many cases, the government agencies are unable to respond adequately to the emerging issues such as traffic congestion, air pollution, flooding due to heavy rain, and dumped solid waste. It tends to spread low level settlements in tandem with expansion of towns and cities. The social friction caused by the disparity of residents and the deterioration of public safety cannot be overlooked.<sup>lxiv</sup>

JICA's Kenya office also describes the issue in its overview of the country. Despite Kenya being a driver behind East Africa's regional economy and "an important base for Japanese companies expanding into Africa... there is an urgent need to support those who have been left behind by economic growth, such as the deterioration of the living environment due to rapid urbanization and the problem of unemployment among young people."<sup>lxv</sup> This description holds well with the on-the-ground observations described earlier in this paper. JICA describes its general approach to bettering urban management and creating more resilient, quality cities as follows: 1) support the construction of smart cities; 2) support transit-oriented development; 3) improve the environment for investment; lastly, 4) engage with stakeholders from the private sector, other donor countries and agencies, and local government and communities while drafting a plan for the city.<sup>lxvi</sup> Based on the needs assessment that Pashayan conducted in Mukuru, Nairobi, she points to 3) and 4) of this approach as having a tangible impact on communities in slums. In practice, is JICA actively employing this approach in Nairobi?

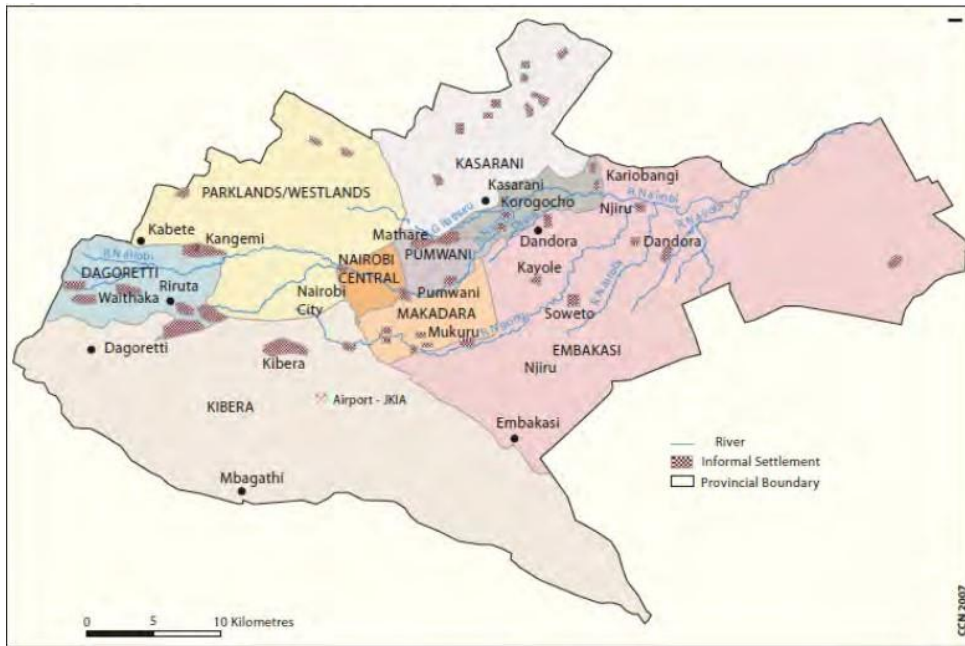
This paper observes the implications of two JICA urban master plan projects actively being implemented in Kenya, one in Nairobi and the other in Mombasa. The former, the "Project on Detailed Planning of Integrated Transport System and Loop Line in the Nairobi Urban Core," henceforward referred to as the "Urban Report," describes Nairobi's slums in great detail but provides few ideas as to how to halt their expansion and alleviate poverty. The latter, the "Project for Infrastructure Development in Mombasa Special Economic Zone in the Republic of Kenya," henceforward called the "SEZ Report," does not describe slums specifically but does detail a workforce development and livelihood restoration plan that could be integrated into a comprehensive strategy to reduce slum expansion. These plans will be discussed in the same order they have been introduced, followed by an evaluation of their implications.

### *The Urban Report*

In the Urban Report, JICA describes Nairobi as the "top city in the Sub-Saharan Africa region" due to the amount of international commerce and diplomacy that is facilitated through the city.<sup>lxvii</sup> Nevertheless, it is far from reaching its potential due to structural problems going back to the 1960s. Nairobi has been struggling to sustain a booming population since that decade because the city was designed during its colonial period under British rule to only hold a population of around 600,000.<sup>lxviii</sup> According to JICA, no master plan for Nairobi was ever drawn from 1973, when Nairobi officials first announced a metropolitan growth strategy, until 2008 when Kenyan leaders launched "Vision 2030," a national strategy to transition Kenya from a lower-income to a middle-income country; in the 35 years in between each strategy's introduction, Nairobi's population grew 500%.<sup>lxix</sup> Kenyan officials would be behooved, I presume, by the opportunity to time travel to the past to undue the constraints of colonial-era city planning and their predecessors' failure to plan, but that option is not on the table. JICA has over the past decade increased their support to Kenyan officials as they work to meet the lofty

ambitions in Vision 2030, now more than 15 years old. The integrated transport system described in the Urban Report was first conceptualized in the NIUPLAN, or Nairobi Integrated Urban Development Master Plan, devised by JICA between 2013-2014 to respond to urban problems, chiefly “perennial traffic congestion, expansion of slum areas, insecurity, poor urban governance, and environment deterioration.”<sup>lxv</sup> The Urban Report contains its own map of Nairobi’s urban areas:

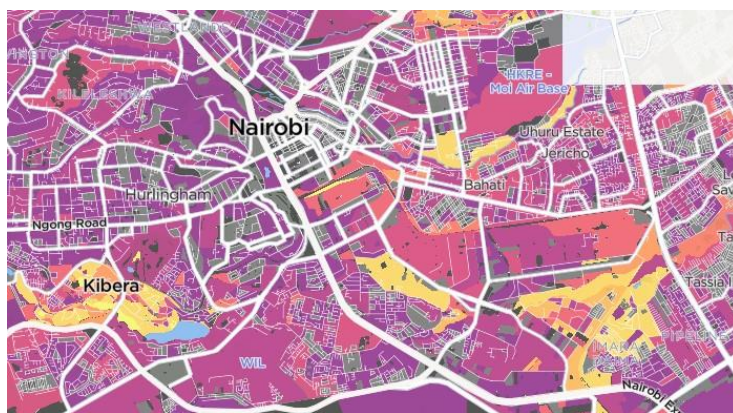
Figure 2: Map of Slums in Nairobi, c. 2018



(Source: JICA)<sup>lxvi</sup>

Judging it against the nonprofit Million Neighborhood’s map, JICA may underestimate the size and density of the city’s largest slums, Kibera and Muruku, especially the latter, which Pashayan estimates as containing 1.3 million residents, better than a quarter of Nairobi’s entire population.

Figure 3: Partial Map of Nairobi Slums (Areas in Yellow Have No Public Service Provisions)



Source: (Million Neighborhoods)<sup>lxvii</sup>

Despite this shortcoming, the Urban Report shows JICA is aware of the overall scale of Nairobi's slums. Though the percentage has since increased, at the time of the report's publishing in 2018, JICA estimated 60% of the city's total population were slum residents, contending with endemic overcrowding and poor sanitary conditions. In the original 2014 release of the city's master plan, JICA predicted the issue's deepening severity, finding without a "huge incremental supply of infrastructure and public services" provided in step with population growth, there could be an "uncontrollable expansion of slums."<sup>lxxiii</sup> What the more recent Urban Report has found is that slums are indeed rapidly expanding, leading to increasing numbers of residents in extreme poverty and privation without basic infrastructure or secure residence.<sup>lxxiv</sup> JICA faults a lack of investment in middle- and low-income housing for the "mushrooming" of makeshift residences in slums.<sup>lxxv</sup> Water is insufficiently supplied, leading to higher prices slum residents often cannot afford for already-polluted water.<sup>lxxvi</sup>

JICA also observes how frail infrastructure in the slums creates adverse conditions throughout the rest of Nairobi. All of the city's rivers are facing severe pollution; other than industrial discharge, raw sewage from slums is their primary pollutant.<sup>lxxvii</sup> Healthcare is also unaffordable for many of these residents. According to the report, efforts to mitigate the growth of slums, particularly through the "Kenya Slum Upgrading Program" (KENSUP), tend to lead to slums being relocated rather than "upgraded" into formal areas receiving government services and higher standards of living.<sup>lxxviii</sup>

Ultimately, JICA finds an unsustainable rate of urbanization and pressures on land use caused by unsustainable population growth at the heart of the matter,<sup>lxxix</sup> findings which resonate with the statistics from the UN and World Bank shared earlier in this paper. There is, additionally, the suspected joint issues of poor governance and corruption, which do lead to "resources being diverted away from the (master plan's) activities" if not addressed.<sup>lxxx</sup> Like Pashayan, the Urban Report portrays bleak conditions that will only worsen without strong measures in response.

JICA grasps the problem well, but are there solutions to the slums' travails in the 2018 Urban Report? It is important to first note that in the larger report that preceded it, the nearly 700-page "Project on Integrated Urban Development Master Plan for the City of Nairobi in the Republic of Kenya Final Report" published in 2014, some solutions are considered. First, "slum upgrading," like financial planning or efficient use of resources, is described as an administrative skill that local officials could be better trained in.<sup>lxxxi</sup> The importance of nonprofit and community partnership is also acknowledged: The UN Habitat was named as a key partner in providing cleaner water and sanitation in slums, while community-based organizations were designated as the primary "good Samaritans" in cleaning up trash in slums.<sup>lxxxii</sup> The report recommended any new residential areas, from the time of publishing forward, receive at least basic infrastructure and services before new residents occupy them so that they do not become slums.<sup>lxxxiii</sup> It also described in greater detail how the whole region's leading cities were beset by the failure to establish clear, consistent land use regulations:

All of Nairobi, Dar es Salaam, and Addis Ababa suffer from lack of land use plans to guide investments and physical development of the city.... Dar es Salaam's 1979 Plan has not been updated for slightly over three decades. This phenomenon has led to the

chaotic nature of the urban space in both towns where different sectors operate independently without the guidance of a land use framework. Whereas, Kampala has the plan, but it has not been implemented.<sup>lxxxiv</sup>

This suggests that simply the presence of a master plan is already a great improvement. And the heart of the report's recommendations overlaps strongly with what slum residents interviewed by Pashayan requested most: jobs, along with improved, affordable access to clean water and healthcare. Slum residents must "improve income earning capacity so they are able to afford better livelihood(s) and better homes," JICA writes,<sup>lxxxv</sup> adding, "All slums in city must be captured in the master plan;"<sup>lxxxvi</sup> in other words, all slums must be governed. If the slums are to be "upgraded," then slum inhabitants must receive land deeds; public services must extend into existing and new slums; better housing structures must be built; moreover, more community-based task forces must be active.<sup>lxxxvii</sup>

These are excellent proposals, but they require the most difficult of conditions to be realized. First, there must be actual governance and accountability by authorities in slum communities, something the government is reticent to pursue for massive communities of mostly non-taxpaying residents. Without this factor, there cannot be trust or collaboration in redevelopment. Acknowledging and countering the spread of mostly non-tax paying slum communities are no easy matter for a government to undertake in private, let alone in public view or in coordination with agencies from other countries. I recall asking a visiting state-level Nigerian official at an event in Washington, D.C. in May 2024 how his government was handling the growth of slums and the urban population—he claimed in response they were "doing well with the slums" but declined to elaborate any further.

Returning to Nairobi, if the Kenyan government received a JICA grant, for instance, to create affordable housing for lower income residents, but began construction without consulting slum communities, would it build the housing where those communities currently exist by first demolishing slum residents' living structures? Or, if it built the housing elsewhere but then offered slum residents to move, would these residents be able to afford rent or continue their informal economic activity there? Pashayan shared that the government had in recent years developed new housing, but for each of the issues just noted, most of the units ultimately were not occupied by former slum tenants.<sup>lxxxviii</sup>

Regarding increases in income, there must be investment that creates increased demand for a larger workforce sourced from these communities, which itself cannot happen unless the investment creates jobs that slum residents can do. But, as the report identifies, there is a prevalence of "unskilled manpower" in slum communities,<sup>lxxxix</sup> so a greater quantity of better jobs are not possible without more opportunity for human capital development. In the 2018 plan, JICA does not share substantial updates to these prescient proposals regarding slum management and upgrades. JICA states it will continue to support the construction of public facilities, such as secondary schools, health centers, community facilities and others of which there remains a large deficit relative to what's needed. But the plan admits the "improvement of transport alone has limited impact on poverty"<sup>xc</sup> and expects ambiguous effects from installation of an integrated transport system, a bus rapid transport system (BRT) and rail. This is a frank but crucial admission. Pashayan argued that infrastructure developments

established during her observation period in Muruku benefitted mainly upper classes, not slum residents, as the additional disposable income required of residents to use this infrastructure is simply nonexistent for most slum residents.<sup>xcii</sup>

The Urban Report does devise practical measures to reduce traffic congestion, noise levels, and threats to road safety while also enhancing worker productivity by reducing commute times and eliminating pressures on land use.<sup>xciii</sup> There are also intended social impacts, including “more space and comfort in doing business,” a safer urban environment and more free time for city residents in general.<sup>xciii</sup> All of these proposals do help Kenya march towards middle income status, indeed, but they do not necessarily reduce inequality, given their lack of impact on slum communities. It is not obvious from JICA’s reporting whether any major progress, in fact, has been made on proposals in its 2014 report to boost income levels in slums and create more formalized settlements. As the percentage of Nairobi residents in slums has only increased since 2018, the probable verdict is that conditions have worsened. It therefore cannot be concluded from the 2018 Urban Report that JICA’s urban master planning, or implementation efforts by local officials, is effectively reducing poverty or halting the expansion of slums.

### *The SEZ Report*

The 2022 SEZ Report concerns the development of a new region to attract greater investment and trade via Mombasa, but the plans it contains to support residents dislocated by construction have important implications for poverty alleviation and slum management in Nairobi and likely all other major cities in Sub-Saharan Africa. In the plan, for the less than 200 local residents expected to be displaced by construction of roads and other transportation infrastructure, JICA describes a “livelihood restoration program” to offset the costs to project-affected persons (PAPs).<sup>xciv</sup> The first major measure is to give priority to PAPs during the hiring process for construction workers needed to build the infrastructure. Secondly, and most crucially, JICA offers vocational training for one individual from every affected household who does not expect to be able to practice their current trade once relocated. Training, lasting from 3-6 months, includes plumbing, mechanics, drivers, carpentry, welders/fabricators, tailors, masonry, security, painting, computer studies, export processing, cargo handling, and electrical installation.<sup>xcv</sup> When consulting with local youth on the plan, their primary feedback was to extend the length of training so that they could acquire greater professional knowledge and better long-term employment prospects.<sup>xcvi</sup>

If this same program was offered to an entire slum community, would community members be likely to see improved employment opportunities, higher incomes and an overall higher quality of life, through either measure? Would they gain transferrable skills? It depends. For JICA’s rapid bus and rail transit systems under construction in Nairobi, most slum residents may not have the requisite training to be hired to help build them. For projects in Mombasa, the SEZ Report notes, “The contractor will require specific skill sets to fill employment opportunities. Nonetheless, the majority of residents have attained primary and secondary school levels.... (However) empowerment programs (will still be) required to capacity build locals to take up most opportunities; otherwise, the contractor ends up outsourcing staffing deficits.”<sup>xcvii</sup> But, back in Muruku and other slums of Nairobi, a significant proportion of residents have not attained to secondary school education,<sup>xcviii</sup> giving other job applicants a strong advantage. And there are

similar vocational trainings that nonprofits facilitate in Mukuru, but residents have reported there being a mismatch between trainings offered and actual jobs available.<sup>xcix</sup>

It is evident that many different public and nonprofit actors are aware of the conditions and are making attempts to provide slum residents with a light at the end of the tunnel, but gains overall are minimal. It is, moreover, another question entirely as to whether slum residents in Nairobi would be fairly compensated if more of their living and working spaces were confiscated for the development of new infrastructure and commercial and residential districts. The SEZ Report found, “There is a gap for compensation for the informal occupants’ structures and resettlement assistance.”<sup>xc</sup> For slum residents, defined by JICA alongside women, orphans, the elderly and handicapped as “vulnerable groups,” “Kenyan legislation does not require consideration (of these groups).”<sup>xi</sup> Of all groups JICA predicts to lose business or living space due to the transit infrastructure construction that its master plan calls for, only operators of Matatu, or informal bussing services, are expected to be able to adjust quite well since they “enjoy substantial political and economic power” and will be able to adopt roles in new transport systems.<sup>xii</sup> JICA has an extensive resettlement policy but no certain strategy on how people displaced from slums will ultimately have better living arrangements afterward.

The Urban Report, and the larger master plan released in 2014, identify clearly the conditions in slums, identify the fact that higher income levels and higher-quality governance are needed for slum residents to exit their present circumstances, and demonstrate an active collaboration with nonprofits and community groups. The SEZ Report describes promising measures to enhance job prospects for locals. Ultimately, governance cannot be expected to improve in slums to a fully “formalized” level until an increasingly large mass of slum residents become standard taxpayers themselves. Given the level of skepticism that many groups interviewed by JICA in their reports expressed towards the idea of the local government effectively carrying out large infrastructure improvements, it would be unwise for the government to prioritize extracting taxes first. For slum residents to have sufficient income and mutual trust with the government to pay the costs of “formalizing,” conditions in their communities should first show noticeable signs of improvement. What should be done in these communities is to take the best practices from JICA as listed above and to pair them with stronger, socially-conscious private investment.

Specifically, JICA needs to extend the workforce development strategy already developed for PAPs over to slum communities, coordinating job training conducted by nonprofits or local authorities with the workforce needs of investing firms. With better opportunities and higher incomes, slum residents can then begin to afford more public utilities like transport, clean toilets, cleaner energy sources and so forth and to begin exiting extreme poverty.

#### *Developing an Improved Approach to Urban Poverty Alleviation*

Private sector cooperation is not a new practice for JICA. In its Private Sector Investment and Finance Scheme (PSIF), JICA works with partnering financial institutions to support Japanese companies supporting infrastructure development, poverty reduction and climate change mitigation efforts.<sup>xiii</sup> According to a strategy laid out in JICA’s “JICA SDGs Business Supporting Survey,” the agency also “impact invests” into firms deemed to be helping resolve development issues.<sup>xiv</sup> One example given was a Tokyo-based education startup providing

improved learning technology to Cambodian schoolchildren, which succeeded in raising graduation rates and academic performance.<sup>cv</sup>

JICA also issues social bonds, such as financing support to transportation infrastructure development and other projects, that help developing countries meet UN sustainable development goals.<sup>cv</sup> Owing to a few factors, however, these schemes still have limited impact in slums. Within the PSIF, many promising investment ideas are derailed by an “inadequate investment environment in both physical and nonphysical aspects” and insufficient support from local authorities in bearing financial risk.<sup>cvii</sup> In terms of impact investing in education, it is difficult to match this investment with employment outcomes for youth since, as one school in the Mukuru slum clarifies, “a huge population of the Mukuru slum cannot access high school education because of the prohibiting costs in education,” thence leading to low enrollment figures.<sup>cviii</sup>

Of all potential means to raise the standard of living in Mukuru, perhaps that with the most upside is a proposal from leading carmaker Toyota to increase its presence in Kenya. According to an agreement inked with officials earlier this year, Toyota is set to establish a facility in Nairobi to manufacture electric vehicles, which, beyond providing capital investment, provides an opportunity for more Kenyans to gain employment in a labor-intensive sector and earn higher incomes.<sup>cx</sup> Work in a Toyota factory would provide much higher incomes for slum residents, but could they take upon such work? According to a JICA official I spoke to in Washington, D.C., “If Toyota invests in a country, it does not necessarily guarantee they will hire local people... they need certain qualifications and skills.”<sup>cx</sup> Tertiary education is usually required to acquire these skills, which may or may not accept enrollees without a secondary school background, as many in slums are. The official reaffirmed a key premise in the urban master plan reports, that JICA aims to improve the business environment in developing countries to promote more local jobs. As pertains to impoverished communities, the shortcoming of this strategy is two-fold: 1) Infrastructure development and improvements to the business environment in a city’s central business district tend to aid the middle and upper classes considerably more than slum residents, who are more likely to be relocated due to these projects rather than directly benefitted; 2) Even granting that an improved business environment eventually creates jobs for low-skilled slum residents, the speed at which this environment is improving, which is contingent on local government capacity, seems to be slower than the speed at which slums are expanding. In other words, a general improvement of the business environment is not a sufficiently specific measure to halt slum expansion.

However, it *is* possible for JICA to do much more in incorporating tertiary or vocational training into its master plans to achieve socially conscious outcomes. The key is in adjusting the agenda that JICA brings to discussions with local government to design a scope for urban master planning. Because JICA aid continues by tradition to be request-based, JICA will not in any master plan for Nairobi or elsewhere allocate a budget for workforce training if it is not directly requested by the local government. But if JICA can in these discussions confirm that Japanese firms not only want to invest in, for example, Nairobi, but also to hire more of the city’s extraordinarily young workforce once they are properly trained, then the basis is set for discussions to culminate in a formal request by local authorities for workforce training in a specific industry.<sup>cx</sup> If this hypothetical sequence is to be realized, JICA must first consult more



actively with firms like Toyota and others across a broad range of sectors, especially labor-intensive sectors, who are willing to hire and train workers from disadvantaged backgrounds. With just a few socially-conscious firms willing to make this investment, JICA could help slum residents gradually raise their purchasing power and, by continuing to coordinate closely with nonprofits and community organizations, ensure that information on new job opportunities is shared throughout communities and that vocational training already offered by nonprofits can be tailored more towards jobs that are in demand. It is not a simple strategy, but by executing an effective partnership with just one firm, be it Toyota or any other, and enhancing the impact of nonprofits and community partnerships, JICA could display a proof-of-concept approach that demonstrably aids local authorities alleviate poverty in slums and gradually slow their expansion.

### *Keeping an Eye on the Countryside*

In tandem with a more robust public-private-nonprofit cooperation strategy in urban areas, JICA will support healthier urban areas by continuing to support greater agricultural productivity in the countryside. One of the largest reasons Sub-Saharan Africa still lags behind most of Latin America and Southeast Asia, regions that were mired in comparable levels of extreme poverty in the immediate postwar era, is because the region has still not had a “green revolution” in agriculture that massively increases yields and food security.<sup>cxii</sup> It is also one of the driving forces behind extreme levels of migration inflows to cities like Nairobi.<sup>cxiii</sup> Rural people in this region find it increasingly difficult to produce enough food for subsistence or commercial purposes as population rates continue to increase, especially since unclear land tenure regulations continue to limit small-scale farmers’ economic activity in rural areas more in the 21st century than previously.<sup>cxiv</sup> JICA is already involved in the “Africa Food Security Initiative” and, according to recent research on farmers in Mozambique, could support the proliferation of green revolution technologies even without very large financial investment. In a recent test where farmers in Mozambique were paid out via a one-time subsidy to purchase higher-quality agricultural inputs that increase yields, the benefit-cost ratio of the experiment, in terms of productivity gains relative to the initial investment, was 10-1.<sup>cxv</sup> The research also noted that as much as 75% of Sub-Saharan Africa could increase overall economic well-being through such an input subsidy program.<sup>cxvi</sup> While not achieving quite as substantial results, JICA has for the past 15 years helped implement a similar program in Tanzania, which, according to a recent program update, has certainly achieved higher rates of agricultural productivity and poverty reduction for farmers in Tanzania.<sup>cxvii</sup> As JICA continues to employ successful rural development programs, it should note their impact on migration patterns and whether they are effective in keeping more residents stable and stationary in the countryside rather than “following the pack” towards overcrowded areas of cities for work. For a problem as vast as extreme urban expansion and slum expansion, it cannot be resolved without both cities and the countryside becoming more secure economically.

## **Conclusion**

To prevent the trifecta of extreme poverty, unsustainable, stunted regional development and global security risks that unabated urban growth in African cities threatens, a two-front solution is needed. On one front, a coordinated employment of tangible resources and expertise by public agencies, private firms, and nonprofits active in slums can effectively create new jobs for slum

residents and, over time, improve living standards and governance. JICA has the capability to lead this coordination. The agency has already devised urban master plans in African cities that describe uncontrolled urban growth and the proliferation of slums in great detail. These plans, to date, have not been conspicuously effective in alleviating poverty, due to a lack of targeted investment that creates jobs for residents of slums.

By engaging more heavily with socially-conscious private sector firms prepared to make investments in labor-intensive economic activities, JICA can coordinate a response to extreme urban growth that improves local government capacity in African cities, creates jobs and raises living standards for “the least of these,” and increases the impact of nonprofits and community organizations already active in slum communities. On a second front, though projections by the UN all portray an inevitable acceleration of urbanization in the continent, this projection should be challenged by efforts to simultaneously improve rural living conditions in Africa so that demand for urban areas will decrease. A more thorough “green revolution” in sub-Saharan Africa would boost food security, raise incomes in rural areas, and increase regional economic integration among African economies, as well as their global competitiveness in export markets.

JICA, in the countries where the organization creates and attempts to implement urban master plans, is not far from developing an approach that harnesses sufficient financial, political, and human capital to break through the threshold of lasting, widespread poverty alleviation. It is clear from the organization’s reporting that personnel on the ground understand drivers of poverty and unplanned slum expansion in the communities where they work, and that they have empirically determined many policy choices that do *not* alleviate poverty or halt slum expansion.

Yet, if JICA officials fail to coordinate a development strategy where private capital and workforce training are complementary, the infrastructure improvements and other kinds of technical assistance that JICA provides will continue to benefit predominantly the middle and upper classes; meanwhile, below the new bridges where the middle and upper classes commute, new slums will continue to emerge. Hopefully, JICA, investors, local leaders, and slum communities will take steps in tandem to slow this trend and to ultimately create more dignified jobs and residential areas at a rate that matches or exceeds the rate of urban migration inflows. For JICA to maintain its commitment to providing human security in developing countries where it works, it must ceaselessly innovate and refine its approach to delivering assistance. And, if Africa’s cities of the future are to stride—not crawl—towards becoming the world’s cities of the future, they must provide greater hope and economic empowerment for the “least of these.”

## Endnotes

---

- <sup>i</sup> United Nations-DESA, 2019. World Population Prospects 2019. [online] Available at: [https://population.un.org/wpp/Publications/Files/WPP2019\\_10KeyFindings.pdf](https://population.un.org/wpp/Publications/Files/WPP2019_10KeyFindings.pdf)
- <sup>ii</sup> Pilling, David. “Africa’s Looming Urban Population Explosion.” Financial Times, June 26, 2022. <https://www.ft.com/content/4be3e836-557d-4a11-8575-d2ccdfd9682b>.
- <sup>iii</sup> Angela R. Pashayan, interview by the author over Zoom, March 2024.
- <sup>iv</sup> “Africa’s Urbanisation Dynamics 2020: Africapolis, Mapping a New Urban Geography: Read Online.” OECD, 2020. [https://read.oecd-ilibrary.org/development/africa-s-urbanisation-dynamics-2020\\_b6bccb81-en#page1](https://read.oecd-ilibrary.org/development/africa-s-urbanisation-dynamics-2020_b6bccb81-en#page1).
- <sup>v</sup> Pilling, 2022.
- <sup>vi</sup> Ibid.
- <sup>vii</sup> Dyvik, Einar H. “Share of Urban Population Living in Slums by Region 2020.” Statista, November 7, 2023. <https://www.statista.com/statistics/684694/percentage-of-world-urban-population-in-slums-by-region/#:~:text=As of 2020%2C 24.2 percent,slums was zero in 2020.>
- <sup>viii</sup> Pashayan, 2024.
- <sup>ix</sup> Ibid.
- <sup>x</sup> Pashayan, Angela R. *Development in Africa’s informal settlements: Below the proletariat*. Wilmington, DE: Vernon Press, 2023, 34.
- <sup>xi</sup> Pashayan, 2024.
- <sup>xii</sup> Ibid.
- <sup>xiii</sup> Pashayan, 2023.
- <sup>xiv</sup> Pilling, 2022.
- <sup>xv</sup> Yohei Miyauchi, interview by the author, Tokyo, March 2024.
- <sup>xvi</sup> Ibid.
- <sup>xvii</sup> Ibid.
- <sup>xviii</sup> Akiyo Aminaka, interview by the author over Zoom, March 2024.
- <sup>xix</sup> Miyauchi, 2024.
- <sup>xx</sup> Pashayan, 2023, 1.
- <sup>xxi</sup> Pashayan, 2024.
- <sup>xxii</sup> Pashayan, 2023, 25.
- <sup>xxiii</sup> Ibid.
- <sup>xxiv</sup> Ibid, 10.
- <sup>xxv</sup> Miyauchi, 2024.
- <sup>xxvi</sup> Pashayan, 2024.
- <sup>xxvii</sup> Ibid.
- <sup>xxviii</sup> Ibid.
- <sup>xxix</sup> Ibid.
- <sup>xxx</sup> Croese, Sylvia, and Yohei Miyauchi. “The Transcalar Politics of Urban Master Planning: The Japan International Cooperation Agency (JICA) in Africa.” *Area Development and Policy* 8, no. 3 (2023): 303.
- <sup>xxxi</sup> Ibid, 314.
- <sup>xxxii</sup> JICA Southeast Asia Specialist, interview by the author, Tokyo, March 2024.
- <sup>xxxiii</sup> Ibid.
- <sup>xxxiv</sup> JICA Southeast Asia, 2024; Miyauchi, 2024.
- <sup>xxxv</sup> JICA Southeast Asia, 2024.
- <sup>xxxvi</sup> Ibid.
- <sup>xxxvii</sup> Ibid.
- <sup>xxxviii</sup> Croese and Miyauchi, 2023, 314.
- <sup>xxxix</sup> Miyauchi, 2024.
- <sup>xl</sup> Croese and Miayuchi, 2023, 300.
- <sup>xli</sup> Anonymous official, in conversation with the author, Tokyo, March 2024.
- <sup>xlii</sup> Croese and Miyauchi, 2023, 300.
- <sup>xliii</sup> Ibid, 308.

- 
- xliv JICA Southeast Asia, 2024.
- xlv Izumi Ohno, interview with the author, Tokyo, March 2024; Miyauchi, 2024.
- xlvi JICA Southeast Asia, 2024.
- xlvii Ibid.
- xlviii Ibid.
- xlix Miyauchi, 2024.
- <sup>1</sup> JICA Southeast Asia, 2024.
- <sup>li</sup> Ibid.
- <sup>lii</sup> Ibid.
- <sup>liii</sup> Ibid.
- <sup>liv</sup> “Africa | about Jica.” JICA, n.d. <https://www.jica.go.jp/english/about/basic/structure/overseas/africa.html>.
- <sup>lv</sup> “JICA 2023.” Japan International Cooperation Agency Annual Report, December 2023.
- <sup>lvi</sup> “What Is TICAD?” Ministry of Foreign Affairs of Japan, n.d. <https://www.mofa.go.jp/region/africa/ticad/what.html>.
- <sup>lvii</sup> Ohno, 2024.
- <sup>lviii</sup> Pashayan, 2024.
- <sup>lix</sup> Miyauchi, 2024.
- <sup>lx</sup> Kazushi Takahashi, interview with the author, Tokyo, March 2024.
- “Kenya | Where We Work.” JICA, n.d. <https://www.jica.go.jp/english/overseas/kenya/index.html>.
- <sup>lxi</sup> “Urban Management for Livable and Sustainable Cities.” JICA Global Agenda, March 2020. [https://www.jica.go.jp/english/activities/issues/urban/\\_icsFiles/afieldfile/2023/07/05/01\\_Urban\\_and\\_Regional\\_Development\\_En\\_1.pdf](https://www.jica.go.jp/english/activities/issues/urban/_icsFiles/afieldfile/2023/07/05/01_Urban_and_Regional_Development_En_1.pdf).
- <sup>lxii</sup> “JICA 2023,” 26.
- <sup>lxiii</sup> Ibid.
- <sup>lxiv</sup> “Urban Management,” 2020, 2.
- <sup>lxv</sup> “Kenya | Where We Work.” JICA, n.d. <https://www.jica.go.jp/english/overseas/kenya/index.html>.
- <sup>lxvi</sup> Ibid.
- <sup>lxvii</sup> Project on Detailed Planning of Integrated Transport System and Loop Line in the Nairobi Urban Core Final Report, JICA. May 2018. [https://libopac.jica.go.jp/images/report/12307658\\_01.pdf](https://libopac.jica.go.jp/images/report/12307658_01.pdf), 5-4.
- <sup>lxviii</sup> Ibid, (3-4)(5-1).
- <sup>lxix</sup> Ibid, 3-5.
- <sup>lxx</sup> Project on Integrated Urban Development Master Plan for the City of Nairobi in the Republic of Kenya Final Report, JICA. December 2014. [https://www.kpda.or.ke/documents/Nairobi\\_Integrated\\_Urban\\_Development\\_Master\\_Plan.pdf](https://www.kpda.or.ke/documents/Nairobi_Integrated_Urban_Development_Master_Plan.pdf), ES-1.
- <sup>lxxi</sup> Project on Detailed Planning, 2018, 8-34.
- <sup>lxxii</sup> “Mapping Development down to the Street Block.” Million Neighborhoods, n.d. <https://www.millionneighborhoods.org/#2.96/-5.05/15>.
- <sup>lxxiii</sup> Project on Integrated Urban Development Master Plan, 2014, 6-4.
- <sup>lxxiv</sup> Project on Detailed Planning 2018, 8-36.
- <sup>lxxv</sup> Ibid, 8-37.
- <sup>lxxvi</sup> Ibid.
- <sup>lxxvii</sup> Ibid, 8-60.
- <sup>lxxviii</sup> Ibid.
- <sup>lxxix</sup> Ibid, 8-36.
- <sup>lxxx</sup> Ibid, 8-59.
- <sup>lxxxi</sup> Project on Integrated Urban Development Master Plan, 2014, 3-55.
- <sup>lxxxii</sup> Ibid, 4-26, 4-66.
- <sup>lxxxiii</sup> Ibid, 4-2.
- <sup>lxxxiv</sup> Ibid, appendix 2-17.
- <sup>lxxxv</sup> Ibid, (appendix 6-5).
- <sup>lxxxvi</sup> Ibid, (appendix 6-10).
- <sup>lxxxvii</sup> Ibid.
- <sup>lxxxviii</sup> Pashayan, 2024.

- 
- lxxxix Project on Integrated Urban Development Master Plan, 2014, 6-18.
- xc Project on Detailed Planning, 2018, (8-72, 73).
- xcI Pashayan, 2024.
- xcii Project on Detailed Planning 2018, (8-72, 73).
- xciii Ibid.
- xciv Preparatory Survey for the Project for Infrastructure Development in Mombasa Special Economic Zone in the Republic of Kenya, JICA. November 2022. [https://openjicareport.jica.go.jp/pdf/12374575\\_01.pdf](https://openjicareport.jica.go.jp/pdf/12374575_01.pdf), (1-42).
- xcv Ibid, 1-138.
- xcvi Ibid, 1-111.
- xcvii Ibid, (1-67).
- xcviii Pashayan, 2024.
- xcix Ibid.
- c Preparatory Survey, (1-126).
- ci Preparatory Survey, (1-128).
- cii Project on Detailed Planning, 8-71.
- ciii JICA 2023, 50.
- civ Ibid, 51.
- cv Ibid.
- cvi Ibid, 26.
- cvii Ibid, 50-1.
- cviii "Mercy Mukuru." St. Michael's Secondary School, n.d. <https://www.mercymukuru.co.ke/wp-content/uploads/2020/04/St-Michaels-A4.pdf>.
- cix "Kenya Toyota Partnership to Spur Vehicle Manufacturing Industry, President Ruto." The Official Website of the President of the Republic of Kenya, February 7, 2024. <https://www.president.go.ke/kenya-toyota-partnership-to-spur-vehicle-manufacturing-industry-president-ruto/#:~:text=Kenya and Toyota Tsusho Corporation,manufacturing plant in the country.>
- cx JICA Western Hemisphere Specialist, interviewed by the author, Washington, D.C., April 2024.
- cxI Ibid.
- cxii Kazushi, 2024.
- cxiii Ibid.
- cxiv Miyauchi, 2024.
- cxv Carter, Michael, Rachid Laajaj, and Dean Yang. "Subsidies and the African Green Revolution: direct effects and social network spillovers of randomized input subsidies in Mozambique." *American Economic Journal: Applied Economics* 13, no. 2 (2021): 220.
- cxvi Ibid.
- cxvii Fujiie, Hitoshi, and Fumihiko Suzuki. "How Has Rice Production in Sub-Saharan Africa Expanded? A Comparison of Growth Rates Before and After CARD Implementation and the Case of Tanzania." JICA, March 2024. [https://www.jica.go.jp/english/jica\\_ri/publication/discussion/icsFiles/afieldfile/2023/07/20/Discussion\\_Paper\\_No.11\\_1.pdf](https://www.jica.go.jp/english/jica_ri/publication/discussion/icsFiles/afieldfile/2023/07/20/Discussion_Paper_No.11_1.pdf), 18.

# Overcoming a Painful Past: The Future of the Japan-Korea Relationship

By Riel Whittle

## Introduction

South Korea and Japan are both East Asian powerhouses, having risen out of poverty and underdevelopment, overcome war and decades of subsequent instability, rebuilt infrastructure and production capabilities, and, finally, undergone a period of rapid industrialization during the latter half of the twentieth century to become major advanced economies. Because of regional proximity, each country faces similar security threats. This included Russia during the Cold War and today includes China and North Korea, the latter's provocations having caused increased tensions in recent years with constant threats of nuclear missile launches, creating several close calls as they dropped into Japan and South Korea's territorial waters.<sup>i</sup>

However, coordination to combat these issues has been difficult because of centuries of historical issues resulting in decades of disagreements and icy relations. There was, for instance, an outright ban on the importation of Japanese cultural goods into South Korea from the time of independence in 1945 until 1998, despite the normalization of diplomatic ties between the two countries in 1965.<sup>ii</sup> As the *Korea Herald* observed, "Following the normalization of Korea-Japan ties... Japan made efforts to export its films to Korea, but the Park Chung-hee administration at the time refused the offer out of consideration for public sentiment."<sup>iii</sup> This normalization was primarily done to boost Korea's economy, but public sentiment at the time was deeply negative towards the culture of their former colonizer.<sup>iv</sup> South Korea remained insulated from the influence of Japanese culture for the next two decades, but this began to change in the late 1980s.

In 1989, overseas travel restrictions were completely lifted (the country had been, up to that point, ruled by a series of authoritarian leaders and had their first democratic election in forty years two years prior in 1987), and ordinary Koreans flocked to neighboring Japan, bringing home Japanese products.<sup>v</sup> These 'illegally obtained' Japanese manga, anime, and J-pop albums secretly spread throughout the nation, gaining a particular fanbase among the youth at the time. The ultimate repeal of the cultural ban required direct intervention by then-president Kim Dae-Jung, who signed a joint declaration with the Japanese Prime Minister Obuchi; for his part, Obuchi issued the first direct Japanese government apology for its colonial rule.<sup>vi</sup> This act opened the door to the imports of Japanese pop music and TV programming in their original language as, before this, Japanese pop acts had their master tapes shipped to South Korea, where cover versions of their songs were made in Korean, providing a windfall for Japanese record and TV companies.<sup>vii</sup> Given the rise of Korean culture around the globe, this windfall has benefited both countries as the tides shift in South Korea's favor.

There have also been numerous trade disputes between the two nations over the years. In 2019, each country removed the other from their "whitelist" of countries that have the most-favored status as trade partners.<sup>viii</sup> Japan began this round of tit-for-tat by imposing restrictions on the exports of three materials to South Korea used in its chips and display industries.<sup>ix</sup> This sudden move shocked South Korea, who filed a WTO dispute with Japan on export curbs and later approved its own plans to drop Japan from its list of countries with fast-track trade status.<sup>x</sup> The

South Korean government defended this thinly veiled retaliatory move with an official response by the Ministry of Trade, Industry and Energy, “The purpose of the amended trade regulations are to improve South Korea's export control system, not retaliation against Japan.”<sup>xi</sup> Japan’s reasoning stemmed from a decades-long dispute between the two countries over the atrocities committed by the nation during its occupation of the South Korean peninsula from 1910-1945, namely controversial issues of “comfort women” and wartime forced labor.”<sup>xii</sup> This culminated in a ruling by South Korea’s Supreme Court in 2018 that Nippon Steel & Sumitomo Metal Corp. and Mitsubishi Heavy Industries must compensate Korean victims of wartime forced labor; however, Japan disputed this ruling, “...saying all reparations had already been settled in a 1965 treaty that normalized relations between the two countries.”<sup>xiii</sup>

There have been repeated attempts at reconciliation by both sides over the years, with, at present, a strong push occurring under each country’s current leadership. Last year, South Korea and Japan both restored each other to their respective whitelists, ending a four-year trade war that affected the global semiconductor supply chain.<sup>xiv</sup> The *Korea Herald* reported: “Talks for a recovery in relations reignited last year, when the Yoon Suk Yeol administration took over in May 2022. Yoon traveled to Tokyo for a summit with recently departed Japanese Prime Minister Fumio Kishida in March of this year, and reinstated Japan's status the following month.”<sup>xv</sup> After this summit, Japan lifted restrictions on exports of key semiconductor materials to Korea; South Korea, in turn, withdrew its complaint filed with the World Trade Organization against the export curbs.<sup>xvi</sup> This thawing of economic tensions continued as the two leaders met again in Seoul in May 2023 to agree on cooperation in various sectors including semiconductors, materials, parts, and equipment.<sup>xvii</sup> The two nations have continued to increase bilateral and multilateral trade opportunities in the months since.

The two nations have also begun working to tighten their three-way security cooperation with Washington to counter the threat posed by North Korea. The U.S. Department of Defense reported: “The United States has decades of solid relations with both South Korea and Japan bilaterally – both nations are treaty allies of the United States. But forging a trilateral relationship has long proved difficult, as there have been roadblocks to relations between South Korea and Japan.”<sup>xviii</sup> Leaders from the three nations met at Camp David last year, where they agreed to elevate defense collaboration, including launching annual multidomain military exercises and speeding up information sharing on North Korea’s missile launches and cyber activities.<sup>xix</sup>

Though these developments have been positive, public opinion has not reflected this progress. Some of the disgruntlement is politically motivated, as the Voice of America reported, “South Korea’s left-leaning opposition forces blasted the country's president, Yoon Seok Yeol, on Friday as he returned from a summit aimed at opening a new era in Korea-Japan relations,”<sup>xx</sup> This occurred after President Yoon became the first South Korean president in 12 years to hold a bilateral summit with a Japanese prime minister. Critics also took aim at Yoon’s meeting with Lee Jae-myung, the head of the main opposition Democratic Party, saying at a party meeting that it looked, “as if we [Koreans] were paying tribute to Japan, begging for reconciliation and surrendering.”<sup>xxi</sup> These remarks, though not unexpected, highlight the challenge the current South Korean government faces in moving ahead with efforts to improve ties with Japan. Additionally, the two countries often go through cycles of intermittent friction and cooperation, which cannot be fully explained by historical animosities or weaponized political rhetoric. This

paper will expand more upon each of these issues and others, analyzing how these recent efforts to repair relations between the two nations have been received by the general populace of each country and, finally, how such efforts could be improved throughout the remainder of the current administrations' tenures and beyond.

## **Major Issues**

Previously, the Japan-ROK relationship deteriorated significantly under former President Moon Jae-In, as he chose instead to forge closer ties with China and to prioritize peace talks with North Korea. Relations became openly hostile as the South Korean president declined to visit Japan during his term. Further bad blood was stirred up after he rejected a 2015 agreement made under his predecessor Park Geun-hye regarding compensation for the issue of comfort women during the colonial period, upending the work of a foundation that had been set up in South Korea and had already received one billion yen from Japan.<sup>xxii</sup> President Moon also halted security cooperation even as the North Korean nuclear threat increased. This hardline, anti-Japan stance was backed by political support from his Democratic base. His counterpart in Japan, the late Prime Minister Abe Shinzo, took a similarly acrimonious stance towards South Korea. As a Brookings Institution report noted, "Of the 1965 treaty that established diplomatic relations, Japanese Prime Minister Shinzo Abe stated that South Korea has unilaterally 'violated the treaty that served as the basis for us to normalize ties,' and South Korean President Moon Jae-in declared, 'We will never again lose to Japan,' invoking Japan's colonization of the Korean Peninsula from 1910–1945."<sup>xxiii</sup>

However, now under Moon's successor, Yoon Suk-yeol, the tone between the two nations has become more conciliatory as Japan-South Korea relations begin to warm. These positive developments include a tightening security relationship as well as improved economic ties.<sup>xxiv</sup> This rapprochement, strongly encouraged by their mutual, trilateral partner, the United States, is in each nation's best interests. Both countries are regional neighbors with dynamic economies who face shared external threats from hostile nations, such as China and North Korea. As Kawasaki Tsuyoshi observed, "By virtue of its geographical proximity, the Korean peninsula is critical to Japan's security. It is a geopolitical imperative for Japan's grand strategy to keep the peninsula threat free."<sup>xxv</sup> Furthermore, South Korea serves as a buffer between Japan and the Asian continent. Altogether, maintaining friendly diplomatic relations is of utmost importance to the Japanese government, an integral part of its larger Indo-Pacific strategy. Conversely, for South Korea, Japan serves as a strategic partner holding similar views on issues of mutual importance.

Such encouraging developments are relatively new between the two East Asian powerhouses. Decades of failed attempts at reconciliation after a horrific era of colonial occupation have left both sides grasping at straws, wondering if their relationship can ever be made firm and stable. Frequent missteps have occurred on both sides, and miscommunication at every level of government, diplomatic faux pas boycotts, and open hostility have often poisoned the waters between Japan and Korea, making positive dialogue almost impossible. The United States has attempted to be a mediator between the two nations as it hopes to foster closer ties to hedge against its growing war with the regional rival, China, but American officials often underestimate or oversimplify the level of complexity and animosity between the two nations. The next two



sections will outline the challenges the Japan-ROK relationship has faced, particularly in recent decades, followed by an analysis of the actions taken by current the administrations to rebuild it.

### *Territorial Disputes*

Dokdo (Takeshima) island is at the center of a long-running conflict without an apparent solution. A small island in the middle of the Sea of Japan, between the Korean island of Ulleungdo and the Japanese Oki islands, its ownership has been an intensely nationalistic issue dating back to the end of World War II.<sup>xxvi</sup> It is worth little materially, having no natural resources of value, and is currently administered by the Korean government, which has set up a small permanent settlement on the island. Its public access is restricted though it can be reached by ferry from Ullengdo. In 2022, 280,312 tourists visited the island, averaging about 500 visitors per day.<sup>xxvii</sup>

The Japanese claim that the United States bestowed the island to them after the war. To this end, Japan has repeatedly pushed for adjudication of the issue in international courts, which South Korea has flatly refused.<sup>xxviii</sup> Meanwhile, South Korean officials argue that, because they currently have full control over the island, they do not need to defend their claim through international arbitration where they could risk losing the territory.<sup>xxix</sup> Additionally, Korea points out hypocrisies in Japan's line of argumentation, namely a similar territorial dispute with China over the Senkaku (Diaoyutai Qundao) islands; in that dispute, Japan has administrative control over the territory and, like South Korea, refuses international arbitration.<sup>xxx</sup>

Recently, a Japanese diplomat was summoned by South Korea's foreign ministry to protest a claim in Japan's annual Diplomatic Bluebook.<sup>xxxi</sup> South Korea's foreign ministry strongly protested Japan's claim that the islands were historically and geographically its sovereign territory. Japan's Bluebook wrote that the islands were its territory based on historical facts and under international law.<sup>xxxii</sup> Incidents like these pop up periodically from both sides, with virtually zero repercussions to either side.

South Korea has been very persistent in pushing the matter at the national level, blasting public service announcements about it to visitors entering the country on the subway from Incheon International Airport. However, for Japan, it is more of a regional issue, with only those prefectures closest to the island stressing Japan's claim on the island. Though the Japanese are taught about the territorial issue in schools, it is not as important to the Japanese people on a personal level. But for Koreans, the issue stokes tensions and inflames negative sentiment toward Japan for having stolen ancestral Korean land. Thus, it is a perpetual flashpoint and political football, used by Japanese and Korean politicians from all sides of the political spectrum each election cycle to rile up their bases and get votes.

### *Forced Labor and Comfort Women*

“Comfort women” were women and girls forced into sexual slavery by the Imperial Japanese Army in occupied countries and territories before and during World War II. During World War II, Japanese troops forced hundreds of thousands of women into such slavery from Australia, the Philippines, China, and Indonesia, though the vast majority were from South Korea.<sup>xxxiii</sup> The women typically lived in harsh conditions, where they were subjected to continual rape and were beaten or murdered if they resisted.<sup>xxxiv</sup> Likewise, as many as 7.8 million Koreans were

conscripted as forced labor or soldiers during Japan's imperial expansion before and during World War II.<sup>xxxv</sup> Companies' treatment of Korean labor was frequently brutal as they toiled in mines and munitions factories across Asia and fought alongside Japanese troops. Understandably, many Koreans still harbor animosity from this period, even as the generations who experienced the horrors firsthand slowly die out. This has led to numerous calls by South Korean citizens for their government to seek redress and official apologies from the Japanese, pleas that have gone largely ignored or which the Koreans did not feel showed adequate repentance for past Japanese aggression.<sup>xxxvi</sup>

Such complaints include legal petitions by South Korean citizens who attempted to extract concessions from Japanese companies. These have resulted in conflicting court rulings in Seoul over whether these companies can be compelled by South Korean civil courts to pay compensation to Korean plaintiffs over both issues of forced labor and comfort women during the colonial period. In 2018, South Korea's Supreme Court ordered Japanese companies to compensate 15 victims of forced labor, but the companies, including Mitsubishi and Nippon Steel, refused.<sup>xxxvii</sup> A separate Korean High Court ruling held Japan liable for damages to a group of plaintiffs who had been forcibly used as "...comfort women in the late 1930s and 1940s, overturning an earlier ruling by a lower court in April 2021 which had denied the lawsuit explaining that it "...could result in the violation of international law, including Article 27 of the Vienna Convention on the Law of Treaties."<sup>xxxviii</sup> Japan had protested this decision, citing sovereignty issues, but South Korean courts dismissed the appeal under the grounds that customary international law "does not recognize state immunity for tortious acts committed within the territory of a forum state against its nationals, and thus Korean courts had jurisdiction to try the plaintiff's case against Japan."<sup>xxxix</sup>

Regarding the 2018 case, President Yoon decided to have the South Korean government compensate its own citizens. According to a BBC news report, "Seoul's plan proposes that South Korean companies who benefited from a 1965 post-war treaty will pay donations. The fund of \$3m (£2.5m) will be distributed among the families of fifteen original plaintiffs, only three of whom remain alive."<sup>xl</sup> Officials on both sides applauded the proposal as a breakthrough, but Koreans say it fails to hold Japan accountable, with the main opposition Democratic Party referring to the deal as "...the most humiliating moment "in South Korea's diplomatic history..." and challenging it on the grounds that "a recent Gallup poll indicated that 59% of South Koreans also opposed Yoon's "unilateral gesture" to Japan."<sup>xli</sup> The three plaintiffs also refused to accept the money.<sup>xlii</sup> Regarding these issues, recently there have been more attempts at resolutions. However, they have also led to serious economic consequences as the two sides waffle, entrenched in positions dictated by domestic pressures; for either side to concede ground would be political suicide.

### *Trade Disputes*

Tensions over the 2018 forced labor court ruling came to a head when, in 2019, each country removed the other from their "whitelist" of countries that have the most-favored status as trade partners. Japan then imposed restrictions on exports of three materials to South Korea used in its chips and display industries.<sup>xliii</sup> In response, South Korea filed a WTO dispute with Japan on export curbs and later approved plans to drop Japan from its list of countries with fast-track trade status. The South Korean government defended this thinly veiled retaliatory move by arguing:

“The purpose of the amended trade regulations is to improve South Korea's export control system, not retaliation against Japan.”<sup>xliv</sup>

This conflict was resolved in 2023 when each country reinstated the other to its “whitelist,” while agreeing they would work closely together on bilateral and multilateral export control issues in the future.<sup>xlv</sup> Such statements are positive and forward-thinking. However, if historical trends are any indicator, similar problems are sure to arise in the future until a suitable compromise is reached; both sides must agree to give something up in support of a lasting resolution. Only then can the bilateral relationship persist.

However, a new economic dispute has arisen in 2024. The Japanese government is attempting to pressure the Korean tech company Naver to reduce its ownership in Tokyo-based Line Yahoo (LY), the operator behind the social media app Line.<sup>xlvi</sup> LY is 64.5% owned by A Holdings, a 50:50 joint venture between Naver and SoftBank.<sup>xlvii</sup> “While the Japanese government claims that there was no mention of equity divestment in the administrative guidance, we regret that it is perceivably pressuring Naver to diminish its ownership in LY,” said Vice Science Minister Kang Do-hyun at a press briefing at the governmental complex in central Seoul.<sup>xlviii</sup> This concern over Naver’s 50% stake first surfaced after a major security breach at Naver’s cloud computing servers last year. This led the Japanese side to, “...improve its governance and rely less on Naver after the leak of more than 300,000 records, including information of Line users.”<sup>xlix</sup>

Unfortunately, frustrating, conflicting reports have emerged wherein: “Kang Dohyun, South Korea’s second vice technology minister, told reporters in Seoul that the Korean government had confirmed that the instructions to LY from Japan’s Internal Affairs and Communications Ministry do not specifically require Naver to reduce its stake in the company.”<sup>l</sup> The order has been perceived, mainly by Korean analysts, as pressure for Naver to divest.<sup>li</sup> The Korean government has pledged to support Naver, however it ultimately decides to resolve this issue. This conflict is yet another flash point adding to the litany of economic quibbles between the two nations.

### *North Korea*

North Korea has been designated as “a grave and imminent threat” in Japan’s defense policy statements since 2018, but recent developments have increased the level of threat perception.<sup>lii</sup> Previously, Japan has attempted to secure high-level talks with North Korea over unresolved, longstanding issues such as the return of Japanese citizens who were abducted by North Korea in the 1970s, and concerns over its nuclear weapons program. Former Prime Minister Kishida has stated “The window of a discussion with North Korea is open....The establishment of a meaningful relationship between Japan and North Korea is in the interests of both Japan and North Korea and it could be hugely beneficial to the peace and stability of the region.”<sup>liii</sup> However, Kim Yo Jong, the powerful sister of North Korean leader Kim Jong-un flatly rejected such attempts, claiming Japan is “obsessed by the past” over such issues, with Kim further insisting the country has “no courage at all” to change history after Japan raised the issue of the abducted Japanese nationals and Pyongyang's nuclear and missile programs.<sup>liv</sup> “This is proved by the attitude of Japan clinging to the unattainable issues which can never be settled and have nothing to be settled,” Kim said.<sup>lv</sup>

South Korea's history with the DPRK is beyond the scope of this paper, but it may be simply put that Kim Jong-un has been the latest in a long line of headaches for South Korean presidents, all of whom have navigated frigid relations with South Korea's belligerent neighbor to the north. In response to repeated peace talks, North Korea has increased its saber-rattling in recent years, fast-tracking the development of its nuclear weapons program and upping its combative rhetoric towards both the ROK and Japan. This puts the two East Asian democracies in a precarious position, where coordination is vital to successfully handling this increasingly unpredictable threat. However, this arrangement comes with its own set of risks, as North Korea has used this push toward strengthened bilateral and trilateral military cooperation as a reason to continue pursuing its nuclear program, despite Washington and its allies' repeated assurances they have no hostile intent toward Pyongyang and attempts to engage in disarmament talks.<sup>lvi</sup>

### *China*

Despite their strengthened security ties with the U.S., South Korea and Japan depend more on trade with China than the U.S. Yet, both countries' populaces view China very negatively. These public sentiments have coincided with a period of souring relationships with China.<sup>lvii</sup> Bilateral ties between Seoul and Beijing deteriorated to a low point last year when Chinese Ambassador to Seoul Xing Haiming publicly warned his host country that it would "definitely regret it" if it "bets on China's defeat" in its rivalry with the U.S.<sup>lviii</sup>

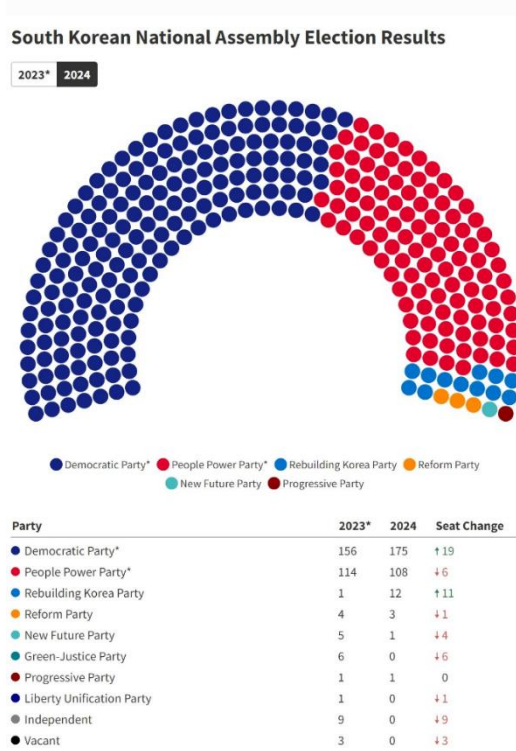
However, ties seem to be on the mend. On May 13-14, 2024, South Korean Foreign Minister Cho Tae-yul visited Beijing, the first such trip by a South Korean top diplomat in more than six years. This trip was deemed important since "South Korea faces the task of managing the relationship with China that has soured amid Seoul's strong alignment with the United States under the Yoon Suk Yeol government," as reported by the *Korea Times*.<sup>lix</sup> Cho's visit also came ahead of a widely expected trilateral summit between the leaders of South Korea, China, and Japan, in which Seoul wishes to boost three-way cooperation with its Asian neighbors.<sup>lx</sup> Likewise, Japan's 2024 annual diplomatic report calls for the promotion of strategic and mutually beneficial ties with China for the first time in five years, coming after a bilateral summit held last November in San Francisco.<sup>lxi</sup> The major issue hindering efforts in Japan's case is China's blanket ban on imports of Japanese fishery products, first imposed in August 2023, though a recent report indicates the ban could be lifted in the near future.<sup>lxii</sup> These diplomatic developments must all be executed delicately as Japan and South Korea attempt a strong, unified stance to stave off efforts from the PRC to usurp their power and influence in the region.

While both countries have openly stated that improved ties would help combat threats from North Korea and China, cooperation on this issue remains largely bound to trilateral efforts carried out with the U.S., and most efforts have been confined to combating cyber threats and information sharing.<sup>lxiii</sup> There must be more of an effort made at the bilateral level, independent of the United States, to coordinate resources; devising an interlocking information network, for instance, would expedite the establishment of a more effective bilateral channel. Such a channel would allow for quicker actions and more flexibility from both governments, each of whom must seize each opportunity to improve its security capabilities as North Korea increases its saber rattling and as China continues territorial ambitions that cannot be deterred except, potentially, by a united front in the region.

## Important Recent Events

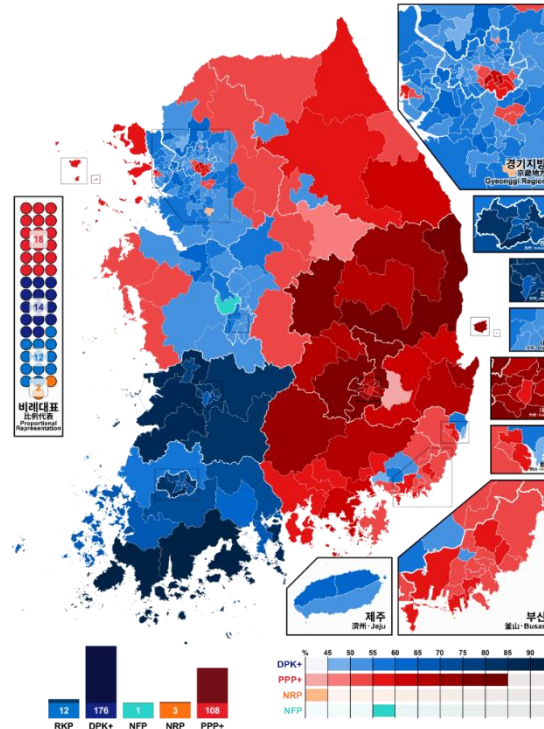
### *Electoral Woes Breed Uncertainty*

Figure 1.



(Source: South Korea National Assembly)<sup>lxiv</sup>

Figure 2.



(Source: Wikimedia)<sup>lxv</sup>

On April 10<sup>th</sup>, 2024, AP reported: “Soaring green onion prices. Striking doctors. A politician’s allegedly sexist jab at a female candidate. These are among the issues animating voters in South Korea as they go the polls... to elect a new 300-member parliament.”<sup>lxvi</sup> Voters were focused on domestic concerns, largely forgoing traditional topics such as North Korean nuclear threats and U.S. security commitments to South Korea. The election was seen as a referendum on President Yoon’s ruling People’s Power Party (PPP) as he faced abysmal approval ratings, reflecting his perceived mishandling of important issues such as soaring inflation, a months-long, ever-expanding doctors strike impacting access to critical medical care, and an alleged bribery scandal surrounding a designer handbag given to his wife.<sup>lxvii</sup> The result was a landslide victory by the opposition Democratic Party (DPK), as seen in figures 1 and 2, carried largely by the country’s western half, including the capital region. This outcome, which will have undoubtedly dramatic ramifications on domestic policies, is unlikely to affect President Yoon’s foreign policy, which rests solely in the control of the South Korean president.

However, a potential Democratic Party victory in the upcoming 2027 presidential elections could be disastrous for the bilateral relationship with Japan and the trilateral relationship with the United States, assuming it were to lead to a systematic dismantling of reproachment efforts

during the Moon Jae-in presidency in favor of closer ties with China and an attempted peace agreement with North Korea. This outcome is conceivable since the Democratic Party have already attacked President Yoon on these points, believing him to be unnecessarily provoking North Korea via his insistence on closer coordination with the U.S. military.<sup>lxviii</sup>

Similarly, prior to his resignation, Japanese Prime Minister Kishida Fumio faced his own domestic challenges as his Liberal Democratic Party (LDP) was beset by a fundraising scandal, in which dozens of lawmakers allegedly pocketed profits from ticket sales to political events by falsifying accounting reports.<sup>lxix</sup> Additionally, his party's major defeats in by-elections at the end of April 2024 likely contributed to Fumio's early resignation since, rather than respond directly to criticisms he faced at those elections' end, he continued to push through anti-corruption measures and political reforms.<sup>lxx</sup>

Lastly, while President Biden has repeatedly emphasized the Japan-U.S. relationship throughout his presidency, as part of a larger Indo-Pacific grand strategy aiming at curbing China's growing power and influence in the region, uncertainties abound regarding this rosy view of the future U.S.-Japan relationship. With a second Trump presidency now confirmed, it is difficult to assess what the state of the South Korea-Japan-United States bilateral and trilateral relationships will be a year from now, whether the nations will push more closely together or whether progress will be stifled and destroyed. This looming uncertainty from all sides shows why institutionalizing these relationships, rather than the current modus operandi of relying on force of personality to strong-arm relationship-building efforts, is vital for the relationships' long-term survival and growth.

### *Multilateral Victories*

“We, the leaders of Japan, the Republic of Korea (ROK), and the United States, convened at Camp David to inaugurate a new era of trilateral partnership... This is a moment that requires unity and coordinated action from true partners, and it is a moment we intend to meet, together... we believe our trilateral partnership advances the security and prosperity of all our people, the region, and the world.”<sup>lxxi</sup>

These words, delivered in a joint statement during a trilateral summit at Camp David in 2023, are emblematic of a deepening partnership among the three nations. At the historic meeting, the three world leaders presented a united front in the face of growing Chinese aggression. They also committed to bolstering cooperation with ballistic missile defense, expanding annual three-way military exercises, and developing a framework for security assistance in Southeast Asia and the Pacific islands.<sup>lxxii</sup> Furthermore, they inaugurated the first trilateral hotline between the three nations and agreed to participate in annual meetings as an institutional arrangement, akin to the regular sessions that the United States has with Canada and Mexico.<sup>lxxiii</sup>

While Japan has not gone so far as to agree to join a compact with the U.S. and South Korea, such as the “Nuclear Consultative Group” that now convenes leaders from Washington and Seoul to discuss strategic planning for the use of nuclear weapons, South Korea remains cautiously optimistic that recent upgrades in the U.S.-Japan alliance will ultimately lead to Japan becoming as active in trilateral security discussions and activities as its other two partners.<sup>lxxiv</sup> China, meanwhile, is deeply suspicious of this growing security alliance and is putting pressure on

South Korea and Japan economically to “punish” them.<sup>lxxv</sup> It remains to be seen if and how these actions will change the calculus on the part of Japanese and Korean leadership. In the near term, the two nations see a U.S. military alliance as valuable enough to risk China’s ire; last month, a South Korean foreign ministry spokesperson delivered an email to VOA’s Korean Service reinforcing this sentiment: “South Korea, the U.S. and Japan are making efforts to institutionalize expanded trilateral cooperation through agreements made at Camp David last year... (and) to strengthen rules-based international order.”<sup>lxxvi</sup>

Before Camp David, South Korea and Japan held a bilateral summit in 2023, the first such meeting between leaders of the two countries since 2011. Prime Minister Kishida told reporters, “As the cherry blossoms bloomed in Tokyo, we welcomed the president of South Korea to Japan for the first bilateral visit to Japan in about 12 years after going through a long winter.”<sup>lxxvii</sup> The meeting, partially held to reassure their mutual ally, the United States, yielded several positive dividends. Among these were a pledge to normalize an intelligence-sharing agreement, a resumption of reciprocal visits and security dialogues, and steps toward the resolution of long-standing trade disputes.<sup>lxxviii</sup>

During President Yoon’s visit to the United States in April 2023, President Biden made references to Yoon’s “political courage” and leadership in taking the initiative to improve South Korea’s relations with Japan. During their meeting on the “strong” ROK-U.S. relationship, the two leaders also mentioned engaging in further economic and security dialogues bilaterally and trilaterally with Japan.<sup>lxxix</sup> This included American acceptance of a Yoon-proposed 2x2x2 deal on economic security issues.<sup>lxxx</sup> Meanwhile, Prime Minister Kishida visited the United States in April 2024 on an official state visit. During the productive week, the two leaders engaged in positive dialogue on various issues including Japan’s increased military spending.<sup>lxxxi</sup> These developments could be a boon to the trilateral relationship, as they may indicate Japan and South Korea are further integrating into a greater U.S. Indo-Pacific defense relationship meant to counter threats in the region from China and North Korea.

As a final addendum to this section, Victor Cha’s quasi-alliance theory states that the bilateral relationship between Japan and South Korea is strongest when the U.S. is less invested.<sup>lxxxii</sup> Essentially, he stresses the abandonment fears of the concerned regional players, South Korea and Japan, concerning their third-party patron, the United States. He notes:

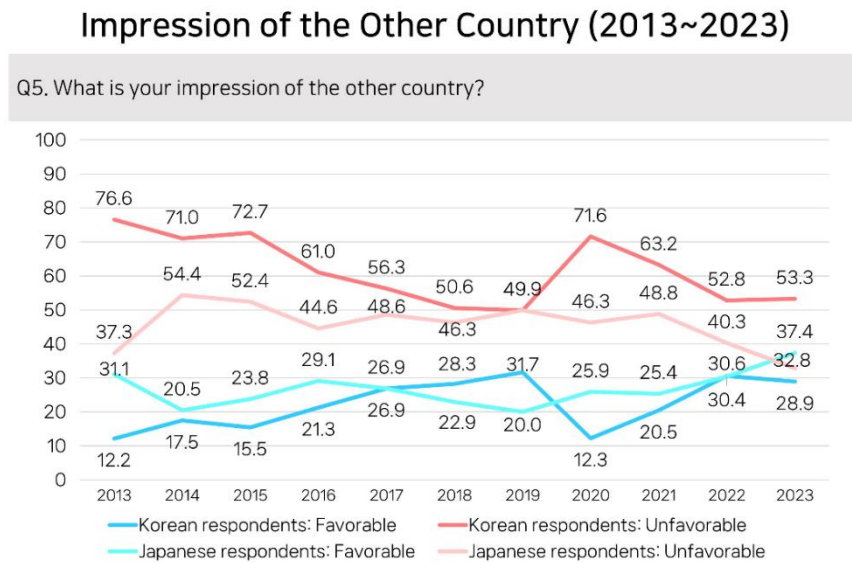
“IF the U.S. appears withdrawn, weak, or uncommitted to the security of both nations, the quasi-alliance theory states that Japan will have more incentives to cooperate. However, if there is an asymmetry in U.S. commitment to its allies, there will be friction between them.”<sup>lxxxiii</sup>

Mr. Tamamizu from the Japanese Institute for International Affairs disagrees with this assessment. While speaking with him during my research trip to Japan in March, he stressed that this theory produced a U.S.-centric view of the trilateral relationship, resulting in an overly simplistic and reductive conclusion. He further stressed that there have been numerous times when the relationship between the two East Asian nations has been in good condition while the U.S., simultaneously, was more invested in its own success, as well as other instances when the opposite was true. He concluded that the two countries must want the relationship to work independently of the United States wants.<sup>lxxxiv lxxxv</sup>

As revealed in the previous two sections, South Korea and Japan have shown an intention to improve their relationship and have invested significant time and effort to achieve this goal. However, more work is needed to raise the bilateral relationship to the same standard as the existing trilateral one.

## Public Opinion

Figure 3.



Copyright© 2023 East Asia Institute and the Genron NPO. All Rights Reserved.

(Source: EAI-Genron NPO)<sup>lxxxvi</sup>

Work to improve the Japan-Korea Relationship at the state level has trickled down to the grassroots level, resulting in an increase in favorable impressions among citizens from both countries. A recent joint public opinion poll, released in 2023 and conducted jointly by the Japanese nonprofit organization Genron NPO and the South Korean think tank East Asia Research Institute, found that Japanese respondents aged 18 and older had a more favorable impression of their East Asian neighbor than at any other time in the past decade, with 37.4% of 1,000 respondents having a “good” impression of South Korea.<sup>lxxxvii</sup> The number of respondents whose impression was “good” exceeded those whose impression was “not good” for the first time in a decade.<sup>lxxxviii</sup> The most common reasons for this improvement were pop culture, food, and shopping (fig. 4). Meanwhile, 53.3% of Koreans did not have a good impression of Japan, while 28.9% had a “good” impression, a clear improvement from a record low in 2015 but lower than the peak recorded in 2019 (fig. 3).

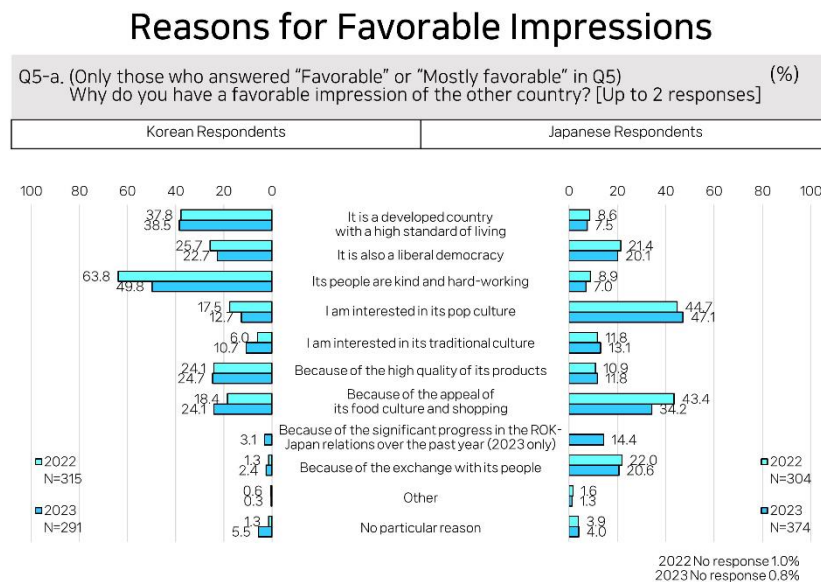
Another survey conducted by the Japanese Press Research Institute released this year showed that the share of South Koreans with a favorable impression of Japan stood at 44%.<sup>lxxxix</sup>



Additionally, a survey released by the Japanese Cabinet Office found that a total of 52.8% of respondents said they “feel an affinity” with Korea. The survey also stated, “Close to two-thirds of young people under thirty years of age in both Korea and Japan have a sense of positive feelings towards the other side. This is most notable on the Korean side, where interest in Japan and Japanese products is booming.”<sup>xc</sup>

These polls are emblematic of recent and historical trends. South Koreans, for a myriad of reasons discussed in prior sections, are more reticent to see their former colonizers in a positive light; the fact that it took twenty years for Seoul to agree to normalize relations with Japan speaks volumes to this fact. Deep-seated grievances, which trace their roots to before the twentieth century, have taken decades to heal to this present lukewarm level. However, current geopolitical realities and threats may help push the two countries together. For example, South Koreans have the world’s most negative view of China. “When asked about general views of China, 81 percent of South Korean respondents expressed negative or very negative sentiments.”<sup>xcii</sup> This is compared with 69% of Japanese holding negative perceptions in the same poll. Overall, while still low, these numbers are indicative of a general upward trend and showcase the hard work President Yoon and former Prime Minister Kishida have done to repair bilateral ties. However, reproachment is a long, evolving process. Push too fast, and relations will just as quickly sour; expect too much and policymakers are likely to be burned once again.

Figure 4.



Copyright© 2023 East Asia Institute and the Genron NPO. All Rights Reserved.

(Source: EAI-Genron NPO)<sup>xcii</sup>

However, hope can be found in the younger generations of Koreans and Japanese who see cultural preferences as more important than festering, old wounds carved decades before they were born. They like what they like and resent being told what they should or should not consume. For example, the highest-rated film in South Korea these days is “Exhuma,” a

supernatural horror with seemingly anti-Japanese overtones—a message lost on many young viewers. “I didn’t even think about anti-Japanese sentiments,” says Kim Do-hoon, a 23-year-old fan. “My blood isn’t boiling from anger.”<sup>xciii</sup> This bitter history generates less passion among today’s youth who have only learned about it through textbooks. Indeed, age is among the most important variables affecting South Koreans’ favorable views of Japan. Younger generations, instead, are impassioned by more contemporary issues. Environmentalism and anti-consumerism are their rallying cries,<sup>xciv</sup> and they find commonality in these issues with their Japanese counterparts.

A final curiosity found within each of these polls is that Korean females held a stronger negative opinion of the Japanese than Korean males did. A few factors can explain this disparity. There is a growing feminist movement in South Korea. Young Korean females are more liberal than their male counterparts and thus more closely align with the Democratic Party which has done more to address their growing concerns about issues such as the gender pay gap, sexual violence, underrepresentation in government, and women’s empowerment.<sup>xcv</sup> Additionally, the wartime sex slavery issue at the core of the historical disputes between the two nations is often framed from the Korean perspective as victims pitted against Japanese aggressors who have not properly atoned for their wrongdoings. This mindset is intensely personal for Korean women, and politicians have capitalized on these acrimonious sentiments to stoke tensions and gain votes. Lastly, the Democratic Party has also, as previously mentioned, held stronger anti-Japanese views, potentially further leading women to sympathize with this position.

### *The Effect of Soft Power*

Despite Japan and South Korea normalizing diplomatic relations in 1965, bilateral cultural diplomacy and imports and exports of cultural products did not occur until 1998 when “...Japanese Prime Minister Obuchi Keizo and Korean President Kim Dae-jung decided to build a “future-oriented relationship” aimed “towards the 21<sup>st</sup> century.”<sup>xcvi</sup> In line with the spirit of the joint statement, South Korea lifted its unilateral restrictions on the import of Japanese cultural products... in what was known as the Open Door Policy (1998-2004).”<sup>xcvii</sup>

Since then, there have been three main waves of *Hallyu*, a term used to describe the global boom in Korean culture, in Japan: the first centered around middle-aged Japanese women. The second and third predominantly reached younger females, though more males were reached than during the first wave. Surprisingly, these young fans have attempted to distance themselves from their older forebearers, avoiding the term *Hallyu* in favor of blatantly exposing their affinity towards Korean culture as a way of rejecting the right-wing anti-Korea agenda.<sup>xcviii</sup>

*The Economist* has described one of the latest successes of *Hallyu*:

Motomiya Yuri, the heroine of ‘Eye Love You’ ... is a Japanese woman with the power to read minds. Her gift makes romance hard, so she gives up on love—until she meets Yoon Tae-oh, a hunky South Korean who becomes an intern at her chocolate company. He thinks in Korean, rendering Ms Motomiya’s mind-reading moot; the two begin a torrid affair. The show is the first Japanese prime-time love story to feature a Korean actor as the lead.<sup>xcix</sup>

Soft power can be used as a powerful tool, in conjunction with others, in swaying public opinion in favor of the Japan-South Korea relationship. This includes exchange and cultural programs, as well as movies and dramas like the aforementioned “Eye Love You.” The soft power exchange goes both ways: in 2022, three Korean girl groups, LE SSERAFIM, IVE, and TWICE performed on the NHK New Year’s Eve Special Kohaku Uta Gassen; this marked the return of K-pop on the show for the first time since 2019, when TWICE appeared on the program.<sup>c</sup>

Anecdotally, I have also witnessed this effect when talking with Korean friends who have traveled to or studied in Japan; they have a vastly more favorable opinion of Japan than those who have never been. Some have even chosen to study the language, further showcasing the positive effects of “soft power” initiatives. Additionally, they highlight the split in ideas about Japan between Korean youth and their parents who were indoctrinated from a young age to hate Japan, their former colonial master.

These positive opinions also, somewhat paradoxically, grew even as general Japan-South Korea relations weakened during the early 2000s and into the late 2010s. In a poll conducted by Genron GPO in 2021, 81% of Koreans and 52.7% of Japanese had a pessimistic outlook on bilateral ties.<sup>ci</sup> Meanwhile, the same opinion poll indicated that 64.6% of Japanese respondents under 40 years old still enjoyed K-pop culture even at a time when bilateral relations were deteriorating.<sup>cii</sup> This separation of culture and politics in Japan-Korea relations is consistent among Japanese youth, whose engagement in politics is at its lowest in post-World War history. These trends further emphasize a void that cultural diplomacy can fill in the hearts and minds of future generations in both nations.

However, some critics question the efficacy of soft power as a tool for strengthening the bilateral relationship between Japan and South Korea. In my interview with Mr. Tamamizu, he disagreed with the usefulness of soft power, stating that it is not seen as effective by Japanese diplomats who are more economically and trade-focused; they see these focus areas as a better use of money.<sup>ciii</sup> Thus, the Japanese government is not keen on increasing the funding of soft power programs. This stands in contrast to the Korean government’s approach of investing heavily in various cultural programs, often without a clear goal. Hallyu’s rapid and recent rise is seen as a golden cash cow for the Korean government, one they seek to milk for as long as they can.<sup>civ</sup> It is unlikely that South Korea will reach the same level of disillusionment with soft power as Japan; it remains to be seen if this strategy will continue to pay dividends in the long term.

## **Conclusion**

According to a Stimson Center report, Japanese and Korean leaders have “welcomed each other’s vision for the Indo-Pacific and concurred on aligning their collective efforts in pursuit of a free and open Indo-Pacific, that is inclusive, resilient, and secure.”<sup>cv</sup> They have made promising steps towards closer cooperation such as the creation of a “three-way hotline,” pledging to conduct annual security meetings; to increase coordination on development issues in the Indo-Pacific, specifically in areas related to carbon neutrality, supply chain resilience, and information and communications gathering; additionally, to form an early warning system to share information about disruptions, including from economic coercion, and cooperation in preventing technological threats.<sup>cvi</sup>

However, bad blood remains. Despite the future-oriented outlook of the current leaders of each nation, past historical grievances are not easily resolved. Decades of miscommunication, false starts, and broken promises have repeatedly threatened to destroy the rapprochement progress. As such, this bilateral relationship must be institutionalized if it is to continue developing positively into the future and to avoid the same pitfalls that have befallen similar indications of progress in the past. The two nations must weave this “new normal” into permanent intelligence, security, political, diplomatic, and economic institutions between the three nations. To continue the positive momentum of favorable public opinion, the two nations should utilize their soft power by appealing to the youth, rather than earning cheap political wins, and, thus, focusing on long-term success. But to accomplish these goals, the two nations must first decisively address pressing concerns: President Yoon’s domestically unpopular conciliatory actions, Japan’s fear of uncertainty in dealings with other nations, and lingering historical grievances and questions of reparations. Otherwise, pledges for improved relations will be reduced to useless, mere words, empowering the two nations’ true enemies, who will not hesitate to capitalize on lingering tensions and to attempt to drive a permanent wedge between Asia’s two strongest democracies.

## Endnotes

---

- <sup>i</sup> Dzirhan Mahadzir, “North Korea fires ‘super-large’ rockets into the Sea of Japan,” *USNI News*, March 19, 2024, <https://news.usni.org/2024/03/19/north-korea-fires-super-large-rockets-in-to-the-sea-of-japan>.
- <sup>ii</sup> Young-Kyun Han as cited in Jung Min-Kyung, “In 1998, Korea lifts ban on Japanese pop culture,” *The Korean Herald*, September 6, 2023. <https://www.koreaherald.com/view.php?ud=20230903000250>.
- <sup>iii</sup> Ibid.
- <sup>iv</sup> Ibid.
- <sup>v</sup> Ibid.
- <sup>vi</sup> “MOFA: Japan-Republic of Korea Joint Declaration a New Japan-Republic of Korea Partnership towards the Twenty-First Century,” *MOFA*, October 8, 1998, <https://www.mofa.go.jp/region/asia-paci/korea/joint9810.html>.
- <sup>vii</sup> Herskovitz, Jon, “S. Korea to Lift Ban on Japanese Culture,” *Variety*, October 9, 1998. <https://variety.com/1998/music/news/s-korea-to-lift-ban-on-japanese-culture-1117481242/>.
- <sup>viii</sup> Reuters, “South Korea removes Japan from fast-track trade ‘white list,’” September 17, 2019, <https://www.reuters.com/article/idUSKBN1W21T2/>.
- <sup>ix</sup> Ibid.
- <sup>x</sup> Ibid.
- <sup>xi</sup> Ibid.
- <sup>xii</sup> Joohee Cho, “Japan removes South Korea from trade ‘whitelist’,” *ABC News*, August 2, 2019, <https://abcnews.go.com/International/japan-removes-south-korea-trade-white-list/story?id=64728582>.
- <sup>xiii</sup> Ibid.
- <sup>xiv</sup> Ibid.
- <sup>xv</sup> He-rim Jo, “Japan restores South Korea to export ‘whitelist’ after 4 years,” *The Korean Herald*, June 27, 2023, <https://www.koreaherald.com/view.php?ud=20230627000584>.
- <sup>xvi</sup> Ibid.
- <sup>xvii</sup> Shin, Mitch, “South Korean President Holds Meeting with Japanese Prime Minister in Seoul,” *The Diplomat*, May 8, 2023, <https://thediplomat.com/2023/05/south-korean-president-holds-meeting-with-japanese-prime-minister-in-seoul/>.
- <sup>xviii</sup> Jim Garamone, “Japan, South Korea, U.S. Strengthen Trilateral Cooperation,” *Defense.gov*, August 18, 2023, <https://www.defense.gov/News/News-Stories/Article/Article/3498451/japan-south-korea-us-strengthen-trilateral-cooperation/>.
- <sup>xix</sup> Cha, Victor, Christopher B. Johnstone, Ellen Kim, and Nicholas Szechenyi, “The Camp David U.S.-Japan-Korea Trilateral Summit: An Exchange among CSIS Japan and Korea Chairs,” *CSIS*, August 2023, <https://www.csis.org/analysis/camp-david-us-japan-korea-trilateral-summit-exchange-among-csis-japan-and-korea-chairs>.
- <sup>xx</sup> William Gallo and Juhyun Lee, “Yoon’s bid to improve Japan ties faces backlash from South Korean left,” *VOA*, March 17, 2023, <https://www.voanews.com/a/yoons-bid-to-improve-japan-ties-faces-backlash-from-south-korean-left/7009552.html>.
- <sup>xxi</sup> Ibid.
- <sup>xxii</sup> Jung H. Pak and Ethan Jewell, “South Korea and Japan have more in common than they think,” *Brookings*, <https://www.brookings.edu/articles/south-korea-and-japan-have-more-in-common-than-they-think/>.
- <sup>xxiii</sup> Ibid.
- <sup>xxiv</sup> Yeo, Andrew, “South Korea-Japan Rapprochement Creates New Opportunities in the Indo-Pacific,” *Brookings*, March 17, 2023. <https://www.brookings.edu/articles/korea-japan-rapprochement-creates-new-opportunities-in-the-indo-pacific/>.
- <sup>xxv</sup> Tsuyoshi Kawasaki, “South Korea and the Camp David Agreement in Japan’s Grand Strategy,” *Australian Outlook*, *International Affairs*, October 3, 2023, <https://www.internationalaffairs.org.au/australianoutlook/south-korea-and-the-camp-david-agreement-in-japans-grand-strategy/>.
- <sup>xxvi</sup> Tasevski, Olivia, “Islands of Ire: The South Korea–Japan Dispute,” *Lowy Institute*, April 27, 2020, <https://www.lowyinstitute.org/the-interpretor/islands-ire-south-korea-japan-dispute>.

- 
- xxvii “独岛, 獨島, Korean Islands Dokdo | 独岛, *MOFA Republic of Korea*.” n.d. Mofa.go.kr.  
<https://dokdo.mofa.go.kr/m/cn/introduce/residence.jsp>.
- xxviii Hutagalung, Simon, “Japan-South Korea Relations: The Dokdo Dispute – OpEd,” *Eurasia Review*, February 5, 2024, <https://www.eurasiareview.com/05022024-japan-south-korea-relations-the-dokdo-dispute-oped/>.
- xxix Ibid.
- xxx Ibid.
- xxxi “South Korea summons Japanese diplomat over disputed islands,” *Reuters*, April 16, 2024, <https://www.reuters.com/world/asia-pacific/south-korea-foreign-ministry-summons-japan-diplomat-over-disputed-islands-2024-04-16/>.
- xxxii Ibid.
- xxxiii Dudden, Alexis, “A Guide to Understanding the History of the ‘Comfort Women’ Issue,” *United States Institute of Peace*, September 16, 2022. <https://www.usip.org/publications/2022/09/guide-understanding-history-comfort-women-issue>.
- xxxiv Ibid.
- xxxv Jaewon, Kim, Steven Borowiec, and Andrew Sharp, “South Korea’s Wartime Labor Proposal to Japan: 5 Things to Know” *Nikkei Asia*, March 6, 2023. <https://asia.nikkei.com/Spotlight/Japan-South-Korea-rift/South-Korea-s-wartime-labor-proposal-to-Japan-5-things-to-know>.
- xxxvi Ibid.
- xxxvii Yonhap, “Court says Japan can’t be forced to pay former sex slaves’ legal fees,” *The Korea Herald*, April 21, 2021, <https://www.koreaherald.com/view.php?ud=20210421000802>.
- xxxviii Ibid.
- xxxix Daniel Mandell, “Another Blow to the Sovereign Shield: South Korean Court Rejects Japan’s Sovereign Immunity Defense in ‘Comfort Women’ Case,” *American Society of International Law* 28, no. 5 (February 2024). [https://www.asil.org/insights/volume/28/issue/5#\\_edn8](https://www.asil.org/insights/volume/28/issue/5#_edn8).
- xl Jean Mackenzie & Nicholas Yong, “South Korea to compensate victims of Japan’s wartime forced labour,” *BBC*, March 6, 2023, <https://www.bbc.com/news/world-asia-64858944>.
- xli Andrew Yeo, “South Korea-Japan rapprochement creates new opportunities in the Indo-Pacific,” *Brookings*, <https://www.brookings.edu/articles/korea-japan-rapprochement-creates-new-opportunities-in-the-indo-pacific/>
- xliv Ibid.
- lviii “South Korea removes Japan,” *Reuters*.
- xliv Ibid.
- xlvi He-rim Jo, “Japan restores South Korea to export ‘whitelist.’”
- xlvi Jae-lim Lee, “Gov’t to support Naver if it maintains stake in Line despite Japanese pressure,” *Korea JoongAng Daily*, May 10, 2024, <https://koreajoongangdaily.joins.com/news/2024-05-10/business/industry/Govt-to-support-Naver-if-it-maintains-stake-in-Line-despite-Japanese-pressure/2044429>
- xlvii Ibid.
- xlviii Ibid.
- lix The Associated Press, “South Korea stresses need for fair treatment for Line chat app operator Naver,” May 10, 2024, <https://www.msn.com/en-us/news/other/south-korea-stresses-need-for-fair-treatment-for-line-chat-app-operator-naver/ar-BB1m9s5m?ocid=BingNewsSerp>
- <sup>1</sup> Ibid.
- li Ibid.
- lii Yasuyo Sakata, “Japan’s National Security Strategy & the Two Koreas,” *Stimson*, February 21, 2023, <https://www.stimson.org/2023/japans-national-security-strategy-the-two-koreas/>.
- liii “Biden says he backs Japan’s outreach to North Korea and says he’s still open to talks with Kim,” *The Associated Press*, April 10, 2024, <https://apnews.com/article/biden-japan-diplomacy-north-korea-abductees-south-korea-d6db8a1444f81281ce5ed60bacd665ed>
- liv Ibid.
- lv Hyonhee Shin, “North Korea has no interest in summit with Japan or talks, Kim’s sister says,” *Reuters*, March 26, 2024, <https://www.reuters.com/world/europe/north-korea-says-no-interest-summit-with-japan-rejects-more-talks-2024-03-26/>

- 
- <sup>lvi</sup> Terry, Sue Mi, “The North Korean and Chinese Threats Are Growing. But so Is the Trilateral Response,” *Council on Foreign Relations*, May 24, 2024, <https://www.cfr.org/blog/north-korean-and-chinese-threats-are-growing-so-trilateral-response>.
- <sup>lvii</sup> Silver, Laura, Christine Huang, and Laura Clancy, “How Global Public Opinion of China Has Shifted in the Xi Era,” *Pew Research Center*, September 28, 2022, <https://www.pewresearch.org/global/2022/09/28/how-global-public-opinion-of-china-has-shifted-in-the-xi-era/>.
- <sup>lviii</sup> Yonhap, “FM Cho to visit China next week for talks with Wang Yi,” *The Korea Times*, May 10, 2024, [https://www.koreatimes.co.kr/www/nation/2024/05/120\\_374401.html](https://www.koreatimes.co.kr/www/nation/2024/05/120_374401.html)
- <sup>lix</sup> *Ibid.*
- <sup>lx</sup> *Ibid.*
- <sup>lxi</sup> 新聞, “2024 Diplomatic Bluebook Highlights Japan-China Dialogue amid Military Concerns; Reinstates Key Phrase After...” *The Japan News*, April 16, 2024. <https://japannews.yomiuri.co.jp/politics/politics-government/20240416-180774/>.
- <sup>lxii</sup> Gale, Alastair, James Mayger, Josh Xiao, and Yuki Hagiwara, “China, Japan Reach Deal That Would Allow Easing of Seafood Ban,” *Bloomberg*, September 20, 2024, <https://www.bloomberg.com/news/articles/2024-09-20/japan-eyes-deal-to-end-chinese-ban-on-seafood-imports-media-say>.
- <sup>lxiii</sup> Handler, Simon, “The 5×5—the US-Japan-South Korea Trilateral Cybersecurity Relationship,” *Atlantic Council*, August 15, 2022, <https://www.atlanticcouncil.org/content-series/the-5x5/the-5x5-the-us-japan-south-korea-trilateral-cybersecurity-relationship/>.
- <sup>lxiv</sup> South Korea National Assembly. Election Results, National Assembly, National Election Commission, as found in EIAS, 2024, <https://eias.org/publications/how-yoons-defeat-could-change-domestic-and-foreign-politics-in-south-korea/>
- <sup>lxv</sup> Wikipedia, “2024 South Korean Legislative Election,” *Wikimedia Foundation*, May 9, 2024, [https://en.wikipedia.org/wiki/2024\\_South\\_Korean\\_legislative\\_election](https://en.wikipedia.org/wiki/2024_South_Korean_legislative_election).)
- <sup>lxvi</sup> Hyung-jin Kim and Tong-hyung Kim, “South Korean parliamentary elections: Here’s what people are worried about as they vote this week,” *AP*, April 8, 2024, <https://apnews.com/article/south-korea-election-hot-issues-green-onions-860cbb313a4afb3776fd87052a051c9d>
- <sup>lxvii</sup> Lee, Claire, “Yoon Suk Yeol, South Korea’s ‘Lame Duck’ President,” *Barrons*, April 11, 2024, <https://www.barrons.com/news/yon-suk-yeol-south-korea-s-lame-duck-president-cl1defcd4>.
- <sup>lxviii</sup> Kim, Hyejin, “The Democratic Party of Korea Urged the Yoon Suk Yeol Government on the 15th to “Change Its Policy T.. – MK,” *매일경제*, October 15, 2024. <https://www.mk.co.kr/en/politics/11140339>.
- <sup>lxix</sup> Kantaro Komiyama, “Explainer: What Is the Fundraising Scandal Engulfing Japan’s Ruling Party?” *Reuters*, December 14, 2023, <https://www.reuters.com/world/asia-pacific/what-is-fundraising-scandal-engulfing-japans-ruling-party-2023-12-14/>.
- <sup>lxx</sup> Yamaguchi, Mari, “Japan’s PM Kishida Denies He Will Step down over His Party’s Loss in Special Elections,” *AP News*, April 30, 2024, <https://apnews.com/article/japan-politics-kishida-byelection-loss-scandal-07e1399ac7eaeac84995735dfe1c6598>.
- <sup>lxxi</sup> “The Spirit of Camp David: Joint statement of Japan, the Republic of Korea, and the United States,” *The White House*, August 18, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/08/18/the-spirit-of-camp-david-joint-statement-of-japan-the-republic-of-korea-and-the-united-states/>
- <sup>lxxii</sup> *Ibid.*
- <sup>lxxiii</sup> Hunnicutt, Trevor, David Brunnstrom, and Hyonhee Shin, “US, South Korea and Japan Condemn China, Agree to Deepen Military Ties,” *Reuters*, August 19, 2023, <https://www.reuters.com/world/us-south-korea-japan-agree-crisis-consultations-camp-david-summit-2023-08-18/>.
- <sup>lxxiv</sup> Christy Lee, “South Korea cautiously optimistic about US-Japan military upgrades,” *VOA*, April 16, 2024, <https://www.voanews.com/a/south-korea-cautiously-optimistic-about-us-japan-military-upgrades/7573180.html>
- <sup>lxxv</sup> Rozman, Gilbert, “How China Doubled down on the Polarization of Northeast Asia - the Asan Forum,” *The Asan Forum*, August 12, 2024, <https://theasanforum.org/how-china-doubled-down-on-the-polarization-of-northeast-asia/>.

---

<sup>lxxvi</sup> Ibid.

<sup>lxxvii</sup> Kuhn, Anthony, “Japan and South Korea renew ties in first summit in 12 years,” *NPR*, March 16, 2023, <https://www.npr.org/2023/03/15/1163633429/japan-south-korea-summit>

<sup>lxxviii</sup> Ibid.

<sup>lxxix</sup> “FACT SHEET: Republic of Korea State Visit to the United States,” *The White House*, April 26, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/04/26/fact-sheet-republic-of-korea-state-visit-to-the-united-states/>.

<sup>lxxx</sup> Ibid.

<sup>lxxxii</sup> Miyake, Kuni. “Kishida’s U.S. State Visit May Be a Turning Point in the Nation’s Foreign Policy.” *The Japan Times*, April 11, 2024. <https://www.japantimes.co.jp/commentary/2024/04/11/japan/kishid-biden-summit/>.

<sup>lxxxiii</sup> Kim, Anna. "Understanding Japan–South Korea Cooperation and Friction Through Neoclassical Realist Theory." *Jadavpur Journal of International Relations* 24, no. 1 (2020): 28-52.

<sup>lxxxiii</sup> Ibid, 30.

<sup>lxxxiv</sup> Leo Tamamizu, interview by the author, Tokyo, March 21, 2024.

<sup>lxxxvi</sup> EAI-Genron NPO, “Korea-Japan Join Public Opinion Poll,” 2023,

[https://www.eai.or.kr/main/english/program\\_view.asp?intSeq=22176&code=54&gubun=program](https://www.eai.or.kr/main/english/program_view.asp?intSeq=22176&code=54&gubun=program))

<sup>lxxxvii</sup> Kyodo and Jiji, “Poll shows more in Japan positive on South Korea than negative,” *The Japan Times*, October 13, 2023, <https://www.japantimes.co.jp/news/2023/10/13/japan/politics/south-korea-japan-positive-poll/>

<sup>lxxxviii</sup> Ibid.

<sup>lxxxix</sup> Jiji, “Record 44% of South Koreans have good impression of Japan, survey says,” *The Japan Times*, February 18, 2024, <https://www.japantimes.co.jp/news/2024/02/18/japan/south-korean-people-japan-impression-improves/>

<sup>xc</sup> Terrence Matsuo, “Public opinion surveys and diplomatic dynamics in Korea-Japan Relations,” *KEI*, February 26, 2024, <https://keia.org/the-peninsula/public-opinion-surveys-and-diplomatic-dynamics-in-korea-japan-relations/>

<sup>xcii</sup> Richard Q. Turcsanyi and Esther E. Song, “South Koreans have the world’s most negative views of China. Why?” *The Diplomat*, December 24, 2022, <https://thediplomat.com/2022/12/south-koreans-have-the-worlds-most-negative-views-of-china-why/>

<sup>xcii</sup> EAI-Genron NPO, “Korea-Japan Join Public Opinion Poll.”

<sup>xciii</sup> Relations between Japan and South Korea are blossoming,” *The Economist*, March 18, 2024,

<https://www.economist.com/asia/2024/03/18/relations-between-japan-and-south-korea-are-blossoming>

<sup>xciv</sup> The Rise of Skinimalism and What It Means for the Korean Beauty Market,” *Toppandigital Language*, October 25, 2021, <https://toppandigital.com/translation-blog/skinimalism-korean-beauty-market/>.

<sup>xcv</sup> Draudt, Darcie, “The South Korean Election’s Gender Conflict and the Future of Women Voters,” Council on Foreign Relations, February 8, 2022, <https://www.cfr.org/blog/south-korean-elections-gender-conflict-and-future-women-voters>.

<sup>xcvi</sup> Linbin Wang, “How has the Korean Wave impacted Japan-South Korea relations?” *The Diplomat*, January 6, 2023, <https://thediplomat.com/2023/01/how-has-the-korean-wave-impacted-japan-south-korea-relations/>

<sup>xcvii</sup> Ibid.

<sup>xcviii</sup> “Relations between Japan and South Korea are blossoming,” *The Economist*.

<sup>xcix</sup> Ibid.

<sup>c</sup> Wang, “How has the Korean Wave.”

<sup>ci</sup> Ibid.

<sup>cii</sup> Yasushi Kudo, “What signs are there that the relationship between Japan and South Korea will improve? Public sentiment less acrimonious, but still chilly,” *The Genron NPO*, November 30, 2021,

[https://www.genron-npo.net/en/opinion\\_polls/archives/5589.html](https://www.genron-npo.net/en/opinion_polls/archives/5589.html)

<sup>ciii</sup> Leo Tamamizu, interview by the author.



---

<sup>civ</sup> Dincer, Sumeyye Dilara, “From Cultural Phenomenon to State Strategy: South Korea’s ‘Hallyu Policy,’” *Anadolu Ajansı*, August 22, 2023, <https://www.aa.com.tr/en/asia-pacific/from-cultural-phenomenon-to-state-strategy-south-koreas-hallyu-policy/2973735>.

<sup>civ</sup> Sakata, “Japan’s National Strategy”, <https://www.stimson.org/2023/japans-national-security-strategy-the-two-koreas/>.

<sup>civ</sup> Ibid.

# Semiconductors, the Trade War, and Japan's Tech Future

*By Julia Allen*

## Introduction

Since 2018, there has been an ongoing trade war with China conducted by the United States and its allies, focusing on high-technology products. While the U.S. initiated this trade war, allies began to join during the COVID-19 pandemic as more countries realized that their supply chains were not secure and stable.<sup>i</sup> They were too heavily dependent on China and upon Taiwan for crucial items such as semiconductor chips. Most of the world's chip-making capabilities are vested in Taiwan, with an estimated 75% of chips globally coming out of the island.<sup>ii</sup> China's increasingly aggressive anti-espionage laws have also made it even more difficult for businesses to work within the country, especially American-based companies, as they are now subject to unannounced search and seizures by officials that could result in technology and company products being stolen.<sup>iii</sup>

As countries look to alternatives in the region to invest in for their semiconductor chip needs, Japan, an important U.S. ally in East Asia, has become a more prominent option. In 2022, China launched missiles that landed in a Japanese economic zone in response to Nancy Pelosi's visit to Taiwan, heightening Japan's urgency to buttress its own security and, most likely, increasing the strength of the U.S.-Japan military alliance in the years to come.<sup>iv</sup> Will the trade war between the U.S. and China set up Japan for greater success in the region's semiconductor industry?

This paper will address this question in eight parts: 1) how semiconductors are a crucial technology for the global economy; 2) the history and causes of Japan's rise and fall in the global semiconductor industry; 3) Japan's current standing in semiconductor manufacturing and within the global advanced technology industry; 4) how Japanese businesses drive policy, and how and why they have been moving away from China; 5) the Japanese government's approach and challenges to building up the industry; 6) recommendations from policy experts and academics on how Japan can take advantage of an opening in the tech industry in East Asia; 7) how Japan can de-risk trade with China without a full decoupling; and 8) the projected future of the Japanese semiconductor industry.

Overall, Japan is poised to grow its semiconductor industry and become an alternative to China, but it must focus on more long-term policy work, not solely on funds-based solutions, to be successful.

## Importance of Semiconductors

Semiconductor chips, otherwise known as integrated circuits, microchips, and chips, are a series of interconnected electronic components printed onto a material such as silicon. They store and process device information and are called the "the brains of modern electronics" by the semiconductor industry.<sup>v</sup> Chips are important because they are in everything. They are an essential component of electronic devices, enabling advances in communications, computing, healthcare, military systems, transportation, and countless other applications.

With the increasing rise in integration between military tech and civilian tech, chips have become even more important. In China, there is currently a Military-Civil Fusion (MCF) strategy being implemented, where the Chinese Communist Party (CCP) is “acquiring the intellectual property, key research, and technological advances of the world’s citizens, researchers, scholars, and private industry in order to advance the CCP’s military aims.”<sup>vi</sup> This strategy presents a significant national security risk for all countries involved, as China may be using their technology without their consent or for other causes than the ‘peaceful’ purposes China claims when it requests consent. Given that the reach of the MCF into China’s normal trading relations remains unclear, countries are wise to consider alternative trading partners for supply chains involving sensitive technologies. Japan, in fact, used to be a semiconductor hub, a key reason why Japan could serve as an alternative in the region for U.S. producers and others.

### **A Brief History of the Japanese Semiconductor Industry**

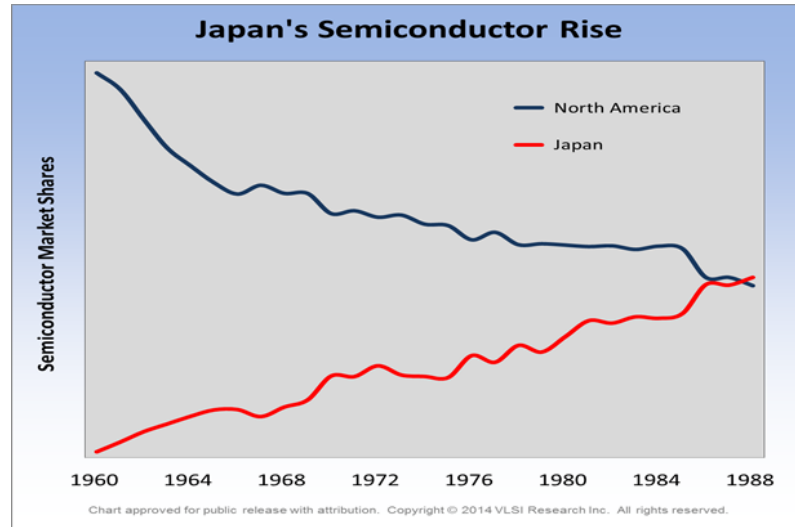
Japan was previously a powerful force in the technology sector, especially in chips. In the 1980s, Japan had developed a sea moss technology that led to the country becoming a semiconductor hub.<sup>vii</sup> At this time, six of the top ten manufacturers for chips in the world were Japanese, and by 1988 Japan controlled about half of the global market.<sup>viii</sup>

However, friction and a trade war between the U.S. and Japan contributed significantly to a severe decline in Japan’s chip-making capabilities.<sup>ix</sup> U.S. policymakers began to view Japan as a growing market competitor and even as a threat, given they believed that Japanese firms were crowding out U.S. firms and refusing to allow foreign access to their own market.<sup>x</sup> As a result, the U.S. pushed for trade concessions from the Japanese government.<sup>xi</sup>

Out of concern that they would be shut out of the U.S. market, Japan agreed to the Japan Semiconductor Agreement in 1986, which gave Washington authority in two main areas: 1) The U.S. government could set the minimum fair market prices for chips in the U.S.; and 2) The U.S. government could simultaneously increase the foreign share of the Japanese semiconductor market from 10% to 20%.<sup>xii</sup> These effects of the agreement eroded Japanese competitiveness in its domestic and foreign markets, allowing for countries like South Korea and Taiwan to become more prominent chip makers in the region.<sup>xiii</sup>

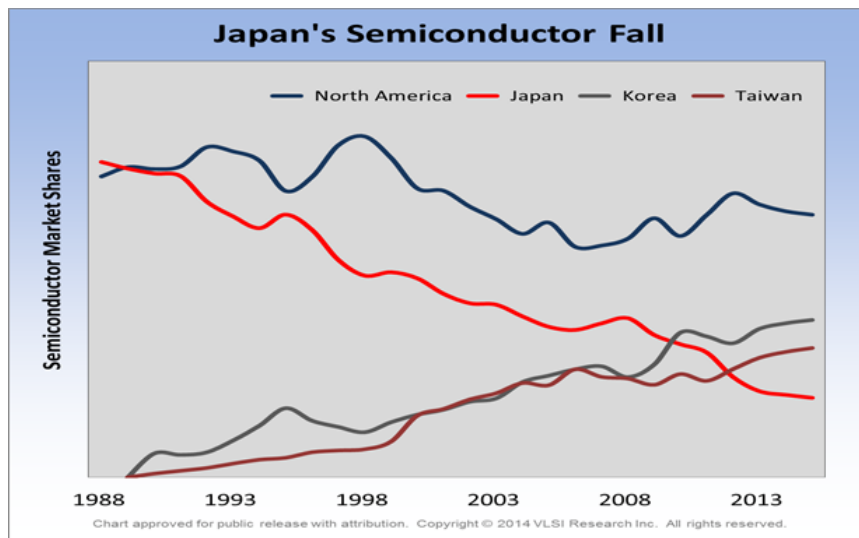
Now, the Taiwanese chip manufacturer Taiwan Semiconductor Manufacturing Company Limited (TSMC) makes approximately 75% of the world’s chips, whereas by 2021, Japan was making only 7%.<sup>xiv</sup> TSMC took the opportunity to perfect a model that Japan had failed to realize. By servicing companies as opposed to competing with them, TSMC presented itself as less of a threat than the competitive Japanese companies and gained market dominance. Another factor that killed Japan’s technology industry was the global financial crisis of 2008.<sup>xv</sup> Powerful tech companies like Sony and Sharp both suffered during the financial crisis, leading to even more stagnation surrounding chip and technology advancement.<sup>xvi</sup> Japan’s situation today is beginning to improve, but the effects of the industry’s decline during the 1980s remain severe.

Figure 1. Japan's Semiconductor Market Share during its Competitive Years



(Source: VLSI Research Inc.)

Figure 2. Japan's Fall in Market Share after Signing the Japan Semiconductor Agreement in 1986



(Source: VLSI Research Inc.)

### Japan's Current Semiconductor Situation

Most of Japan's chip-making factories and facilities have not advanced technologically since the 1980s. As a result, they can only produce low-end semiconductors. For reference, a high-end semiconductor is less than 10 nanometers in size. These are the types of chips that get used in advanced technologies like phones and advanced weaponry. Japanese factories are producing the lowest-end semiconductor chips, with a size of about 130 nanometers each.

These low-end chips are used in refrigerators, not high-functioning and competitive technologies. The disparity between what the world is looking for and what Japan can offer is startling. Economist Yokoyama Tadashi has stated that Japan is entering its final opportunity to be competitive within the tech industry.<sup>xvii</sup> Aside from these low-end chips, Japan has found its place within the technology market by producing niche segments like image sensors for phones and key chemicals.<sup>xviii</sup> Japanese firms have earned considerable profits by producing specialized parts.<sup>xix</sup>

To boost the country's technology sector, Japan's Sony has partnered with Taiwan's TSMC to open new plants under a subsidiary called Japan Advanced Semiconductor Manufacturing Company (JASM).<sup>xx</sup> Japan and Taiwan work well together, due to their similarity in work culture and supply chains, as well as a long-term history of cultivated trust.<sup>xxi</sup> The first new plant will focus on producing middle-range semiconductors, which range between 22-28 nanometers and 12-16 nanometers.<sup>xxii</sup> The second plant is set to build high-end chips for advanced technologies, with chips being between 6-8 nanometers in size.<sup>xxiii</sup>

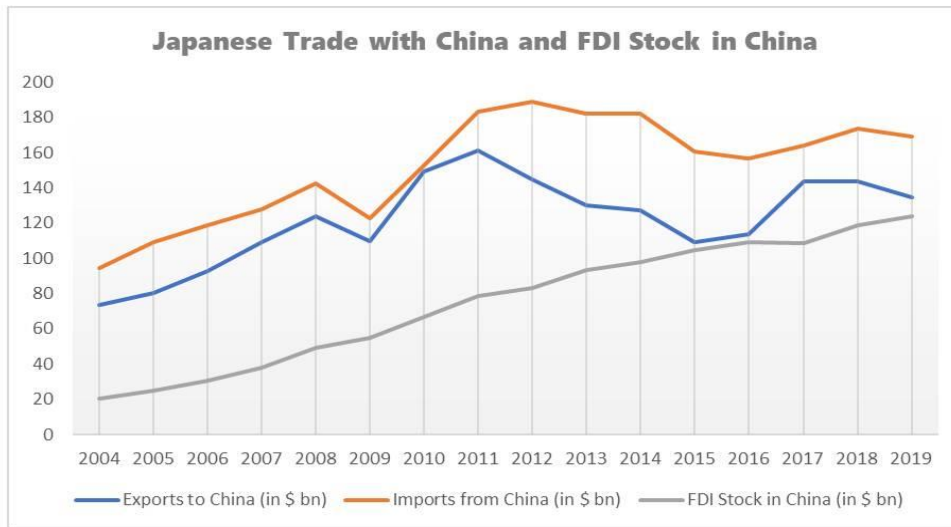
Japan is also beginning to receive investment from other countries and companies into its chips sector. Micron, among the U.S.'s largest chip producers, plans to set up another plant in Hiroshima.<sup>xxiv</sup> Japan also has a competitive advantage in the capital goods and chemicals that go into the making of semiconductor chips, owing to its global market share of 56% in materials and 32% in manufacturing equipment.<sup>xxv</sup> Companies like Tokyo Electron are especially important to this production.<sup>xxvi</sup>

As Japan continues to partner with international companies, develop its own chips industry, and move further away from China geopolitically, it is important to understand how Japanese businesses work and manage economic ties to China.

### **How Japanese Business Works**

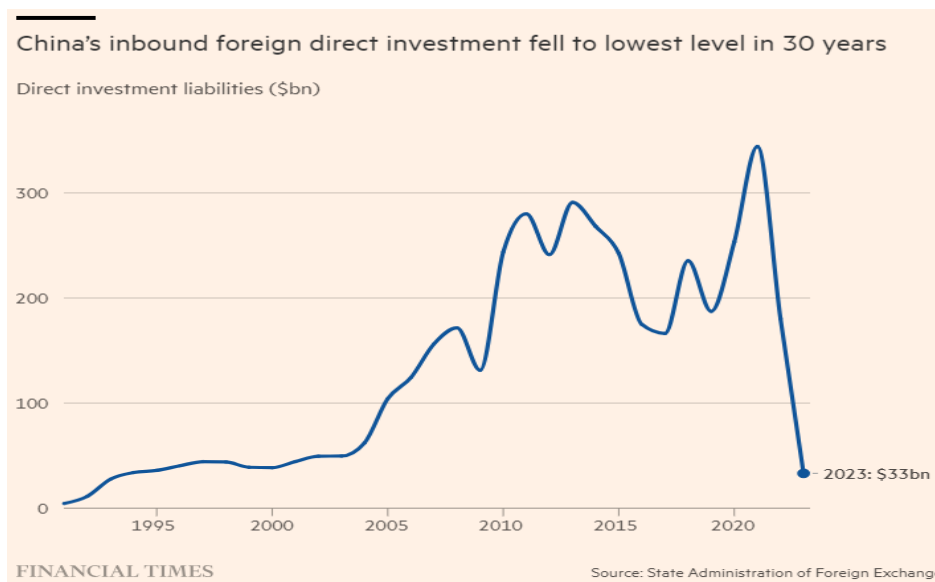
Japanese industry is heavily reliant upon imported raw materials, but since Covid-19 disrupted supply chains in Japan and elsewhere in 2020, Japanese companies realized they were too reliant on China for these materials.<sup>xxvii</sup> Supply chain insecurity and mounting national security threats have driven significant amounts of Japanese investment out of China, especially given businesses in Japan tend to be risk-averse.<sup>xxviii</sup> These businesses have begun to divert Chinese investment and are striving to diversify their semiconductor supply chains.<sup>xxix</sup> Japanese businesses have helped drive a resurgence in industrial policy designed to bolster Japan's chips production.<sup>xxx</sup>

Figure 3. Japanese Trade and FDI Stock with China until 2019



(Source: JETRO Statistics)

Figure 4. Decreased FDI in China from 1995 to 2023, Post-Covid



(Source: State Administration of Foreign Exchange)

Japan is a high-wage country, and firms would rather create and maintain white-collar jobs in Japan while exporting blue-collar work to other countries besides China.<sup>xxxii</sup> Currently, Japan and other U.S. allies are looking more towards Southeast Asia, including countries like Vietnam and Malaysia.<sup>xxxiii</sup> Labor was previously exported to China because the wages were lower and the relationship between the two countries was less risky.<sup>xxxiii</sup> Under current circumstances, risk-averse businesses are not only moving away for security, but also because Chinese wages have

gone up.<sup>xxxiv</sup>

Beyond the effects of regional economic trends, recent actions by the Japanese government are also having a large influence on the revitalization of Japan's semiconductor industry.

### **Incentives and Industrial Policy**

With Japanese businesses looking towards the government to help them ensure a more stable and consistent semiconductor supply, the government has been attempting to institute incentives programs to encourage chip industry development.<sup>xxxv</sup> The government passed the Economic Security Promotion Act of Japan (ESPA) in 2022, which allowed for semiconductors to be labeled as a critical product.<sup>xxxvi</sup> This has led to more funding and promotion, as well as easier access to funds and aid.<sup>xxxvii</sup> The government has also approved more subsidies for future investment in chips and created more tax incentives for tech companies to invest in chip-related research and development programs.<sup>xxxviii</sup>

Despite these notable deployments of industrial policy, firms should not celebrate prematurely, as Japan's single year budget principle could prevent sufficient funding from being earmarked to these initiatives. Under the principle, the Japanese government's budget for the fiscal year is set at the start of the year, and all funds are to be spent by the government by the end of the fiscal year, with no carry-over.<sup>xxxix</sup> This principle disadvantages businesses, as they cannot predict government spending as well or plan long-term because of the uncertainty surrounding where the money will go.

However, this principle is being increasingly bypassed. Most recently, during the pandemic, a special COVID fund was created for the development of vaccines and other COVID related issues.<sup>xl</sup> Moreover, since Covid-19, the government has created large funds specifically for semiconductor chips and development. The Ministry of Economy, Trade, and Industry (METI) allotted USD \$13 billion in funding for its total "semiconductor budget" in FY2023, 4.1 billion of which will be allotted specifically to the ESPA.<sup>xli</sup> The New Energy and Industrial Technology Development Organization (NEDO) also provides subsidies for the industry with money from METI.<sup>xlii</sup>

This realignment of policy tools with business interests harkens back to an earlier time in Japanese politics. Prior to 1990, business and politics were more heavily in contact.<sup>xliii</sup> Politicians and businessmen would sit down in informal, alcohol-serving settings to discuss market needs and remedies, which then informed policymaking.<sup>xliv</sup> This practice was made illegal after 1990 but, arguably, had helped policymakers make fiscal decisions better for the economy.<sup>xlv</sup> The establishment of new strategic, business-oriented funds by METI and other arms of the government could once again enable a more collaborative relationship between Japanese policymakers and firms.<sup>xlvi</sup> Other measures beyond strategic fiscal support, however, will be necessary if Japan is to emerge amidst the U.S.-China trade war as a more formidable producer of critical technology.

### **Experts' Recommendations on Boosting Japan's Competitiveness in Technology**

Interviews of experts conducted by the author and extended research have revealed additional recommendations on what Japan must do to renew its semiconductor industry and compete with China. Dr. Willem Thorbecke, Senior Fellow at Japan's Research Institute of Economy, Trade, and Industry, believes Japan needs to learn from Taiwan and South Korea's successes and Malaysia's failure.<sup>xlvii</sup> One takeaway is that the Japanese government should do more to encourage entrepreneurs and start-ups, who presently play a lesser role in the Japanese economy than in the past.<sup>xlviii</sup> Japan must, moreover, avoid isolationism and protectionist policies and ideologies, even as the latter enjoy a resurgence in popularity in the West.<sup>xlix</sup> Thorbecke also related that the urgency of the situation at hand must be communicated effectively to Japanese citizens. If the government makes it clear that national survival is at risk, citizens will unite behind a more advanced industrial policy.<sup>1</sup>

Thorbecke and one of Japan's lead contributors to the World Economic Forum agree that Japan must do better at developing industry talent and acquiring technological transfer.<sup>li</sup> As it currently stands, younger people entering the workforce do not have the necessary know-how to make Japan a world-leading competitor in semiconductor technology.<sup>lii</sup> More programs incentivizing young people to study and work in technology will be important for Japan's development. International technology transfer will also enable Japan's limited workforce to clear a path for quicker advancement through collaborative teams and technologies.<sup>liii</sup> Taiwan is an important partner in this regard, with its complementary supply chain systems and comparable work culture.<sup>liv</sup> Japan Advanced Semiconductor Manufacturing Company, the aforementioned subsidiary established by Sony and TSMC, continues to expand operations as of 2024,<sup>lv</sup> and may ultimately prove as Japan's prime example for successful technological transfer for chips development.

More targeted incentives by the Japanese government towards companies, as well as greater FDI inflows, will also boost Japan's chips development and related industries. Increased FDI could boost industrial production beyond Tokyo and other urban cores, revitalizing local economies in suburbs and contributing strength to the technology sector.<sup>lvi</sup> And, by establishing more targeted incentives, firms will be encouraged to make long-term investments, such as capital improvements, that enhance chip production.<sup>lvii</sup> It is important that specific policy tools and performance metrics are established as these funds are made available to firms, since, as previously stated, funding alone will neither guarantee transparency in the use of these funds nor a more competitive Japanese chips sector. Policy and program advancements should go hand-in-hand with funding.<sup>lviii</sup>

If it were to employ these various recommendations, Japan would almost certainly become a more competitive option in semiconductor production in East Asia for multinationals who want to diversify their supply chains and whose products require high-quality chips. Furthermore, not only these multinationals must consider "derisking" options in regards to supply chains involving China. Experts also recommend that Japan, itself, consider ways to better de-risk its trade with China and protect critical technology production, as there are no signs that the trade war between the U.S. and China will subside in the foreseeable future.<sup>lix</sup>

## **How Japan can De-Risk Trade with China and How the U.S. can Support**



Japan's close relationship with the U.S. means that U.S. actions will impact China's actions towards Japan. A visit by Nancy Pelosi in 2022 to Taiwan resulted in missiles being fired by China into Japan's economic zone, even though the visit was done by an American lawmaker.<sup>lx</sup> In order for Japan to actively prevent a military escalation, the U.S. must, too, be more careful in its diplomacy. The current U.S. ambassador to Japan has been voicing his disagreements with China via social media, creating publicity that negatively impacts efforts to work with China. The following two comments are examples of the criticisms of China's governance Ambassador Rahm Emanuel often posts publicly: 1) "First, Foreign Minister Qin Gang goes missing, then the Rocket Force commanders go missing, and now Defense Minister Li Shangfu hasn't been seen in public for two weeks. Who's going to win this unemployment race? China's youth or Xi's cabinet?" 2) "(It) might be getting crowded in there," referencing Chinese prisons.<sup>lxi</sup>

Using this kind of language in an official capacity makes it more difficult for Japan to find compromises with China. According to Thorbecke, the U.S. should provoke China less. He recommends the following measures to avoid provocation:

- There should be no more visits by high-level U.S. dignitaries to Taiwan, such as the 2022 Pelosi visit.
- The U.S. must be more diplomatic and less aggressive in its approach to China and, it should work on U.S.-China issues in tandem with Japan by inviting Japanese leaders into policy planning discussions and other high-level talks more consistently.
- The U.S. must look for more opportunities to cooperate with China.<sup>lxii</sup>

Japan must also better incentivize local businesses to broaden investment and trade ties beyond China. A failure to do so would demonstrate that Japanese leaders are not serious about lessening dependency on China, which, in turn, would decrease incentives for China to soften its own stance on trade and other issues. Diversifying supply chains is necessary for Japanese firms to meaningfully de-risk.

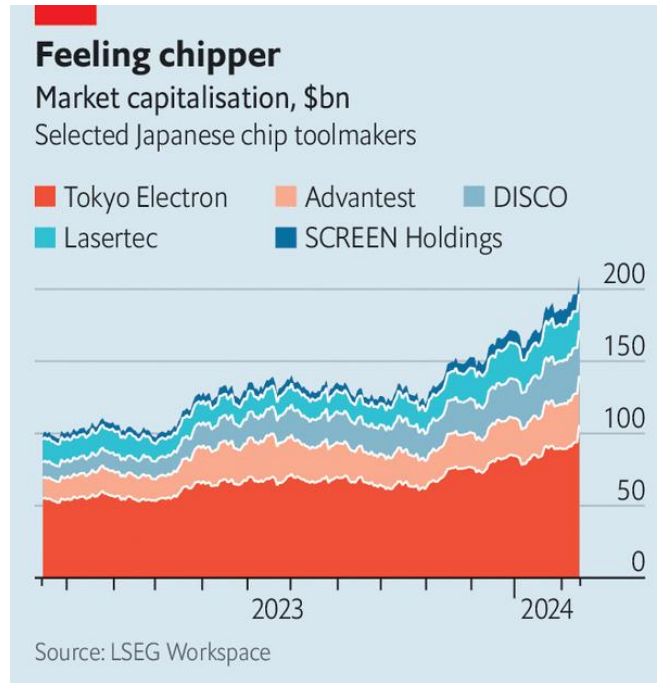
As Japan continues to de-risk and take the steps towards the revitalization of its semiconductor industry, it can look ahead with cautious optimism towards the future of its technology sector and its relative competitiveness in global markets.

## **Japan's Projected Future**

While in the short-term Japan struggles issues such as a shortage of skilled labor, outdated factories, incentives programs, and a lack of focused and regulated funding, the long-term predictions for Japan are positive. The government's semiconductor plan is set to boost GDP by an estimated 4.2 trillion yen,<sup>lxiii</sup> with the projected addition of 463,000 related jobs.<sup>lxiv</sup> Japan looks to boost FDI by 50%, or 80 trillion yen, by 2050 and already is attracting increased investment from global semiconductor titans like TSMC and Micron.<sup>lxv, lxvi</sup>

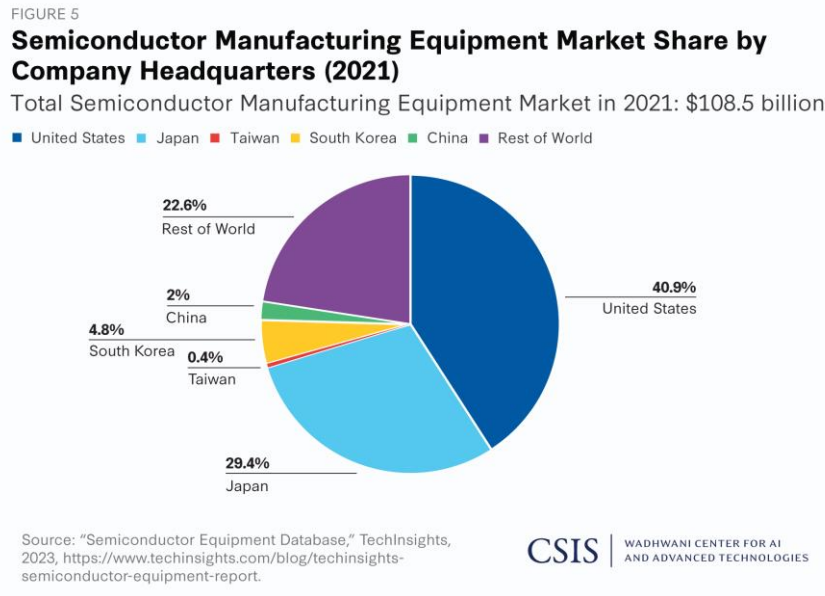
Signs of progress are also showing in Japan's semiconductor tool-making companies. The value of firms has begun to increase exponentially; Tokyo Electronics, for instance, is now worth roughly ten times what it was a decade ago.<sup>lxvii</sup>

Figure 5. Increasing Value of Japanese Tool Making Companies



(Source: LSEG Workspace, The Economist)

Figure 6. Semiconductor Manufacturing Equipment Market Share in 2021



(Source: CSIS)

In addition, semiconductors were on the agenda at the most recent U.S.-Japan Summit Meeting in April 2024.<sup>lxviii</sup> The U.S. and Japan will work on steadying the global supply of legacy semiconductors—as both believe that China is also producing an overcapacity of these instruments—and work more closely on developing next generation semiconductors.<sup>lxix</sup> As long

as the Japanese government continues to be proactive and listen to expert advice, growing investments will eventually lead to long-term success. Through robust cooperation with allies, more policy coordination between government and the country's leading semiconductor producers, and continuing to employ its comparative advantage in producing manufacturing equipment, Japan can leverage its adjacent positioning amidst the U.S.-China trade war to emerge as a stronger competitor in semiconductor production and in other critical technologies.

## Endnotes

---

- <sup>i</sup> Goodman, Peter S. 2024. “The Changing Supply Chain.” *The New York Times*, August 12, 2024. <https://www.nytimes.com/2024/08/12/briefing/supply-chain-china-pandemic.html>.
- <sup>ii</sup> Walters, Riley. 2023. “Losing Taiwan’s Semiconductors Would Devastate the US Economy | Hudson.” *Www.hudson.org*. Hudson Institute. October 16, 2023. <https://www.hudson.org/technology/losing-taiwan-semiconductor-would-devastate-us-economy-riley-walters>.
- <sup>iii</sup> Goldenziel, Jill. 2023. “China’s Anti-Espionage Law Raises Foreign Business Risk.” *Forbes*. Forbes. July 3, 2023. <https://www.forbes.com/sites/jillgoldenziel/2023/07/03/chinas-anti-espionage-law-raises-foreign-business-risk/>.
- <sup>iv</sup> Stokes, Jacob, Lisa Curtis, Joshua Fitt, Joseph I. Grimm, Lieutenant Colonel, and Rebecca Wittner. 2024. “Strengthening the Shield.” *CNAS*. Center for a New American Security. September 13, 2024. <https://www.cnas.org/publications/reports/strengthening-the-shield>.
- <sup>v</sup> “Building America’s Innovation Economy.” n.d. Semiconductor Industry Association. [https://www.semiconductors.org/wp-content/uploads/2021/05/SIA-Industry-Facts\\_4-20-2022.pdf](https://www.semiconductors.org/wp-content/uploads/2021/05/SIA-Industry-Facts_4-20-2022.pdf).
- <sup>vi</sup> “What Is Military-Civil Fusion (MCF)?” *The Chinese Communist Party’s Military-Civil Fusion Policy*, n.d. <https://www.state.gov/wp-content/uploads/2020/05/What-is-MCF-One-Pager.pdf>.
- <sup>vii</sup> Kaufman, Charles S. “The US-Japan Semiconductor Agreement: Chipping Away at Free Trade.” *UCLA Pac. Basin LJ* 12 (1993): 329.
- <sup>viii</sup> Lim, Lionel. 2024. “Japan Lost Its Early Lead in Chips to Companies in Korea and Taiwan. Now a New TSMC Project Could Lead the Way to ‘a Renaissance of Semiconductors.’” *Fortune Asia*. Fortune. March 4, 2024. <https://fortune.com/asia/2024/03/02/japan-lost-early-lead-chips-korea-taiwan-tsmc-project-morris-chang-renaissance-of-semiconductors/>.
- <sup>ix</sup> Dr. Willem Thorbecke, interview with the author, March 2024.
- <sup>x</sup> *Ibid.*
- <sup>xi</sup> *Ibid.*
- <sup>xii</sup> Kaufman, Charles S. “The US-Japan Semiconductor Agreement: Chipping Away at Free Trade.” *UCLA Pac. Basin LJ* 12 (1993): 329.
- <sup>xiii</sup> *Ibid.*
- <sup>xiv</sup> Uno, Hideki. 2022. “Japan’s Semiconductor Industrial Policy from the 1970s to Today.” *CSIS Blogs*. CSIS. September 19, 2022. <https://www.csis.org/blogs/perspectives-innovation/japans-semiconductor-industrial-policy-1970s-today>.
- <sup>xv</sup> Sposato, William. 2023. “Japan Bets Big on Bringing Semiconductor Manufacturing Home.” *Foreign Policy*. Foreign Policy. January 9, 2023. <https://foreignpolicy.com/2023/01/09/japan-semiconductor-chip-manufacturing-china/>.
- <sup>xvi</sup> *Ibid.*
- <sup>xvii</sup> Tadashi Yokoyama, interview with the author, March 2024.
- <sup>xviii</sup> Pfanner, Eric. 2014. “What’s behind Japan’s Profit Rebound? Unsexy Companies like Toray.” *Wall Street Journal*. October 5, 2014. <https://www.wsj.com/articles/whats-behind-japans-profit-rebound-unsexy-companies-like-toray-1412562603>.
- <sup>xix</sup> *Ibid.*
- <sup>xx</sup> Shilov, Anton. 2024. “TSMC to Build Second Fab in Japan: 6nm and 7nm Coming to Japan.” *AnandTech*. February 6, 2024. <https://www.anandtech.com/show/21256/tsmc-to-build-second-fab-in-japan-6nm-and-7nm-coming-to-japan>.
- <sup>xxi</sup> Wilkins, Thomas S. “Taiwan-Japan Relations in an Era of Uncertainty.” *Asia Policy*, no. 13 (2012): 121.
- <sup>xxii</sup> Shilov, “TSMC to Build Second Fab,” 2024.
- <sup>xxiii</sup> *Ibid.*
- <sup>xxiv</sup> “Micron to Bring EUV Technology to Japan, Advancing Next-Generation Memory Manufacturing | Micron Technology.” 2023. Micron Technology. May 17, 2023. <https://investors.micron.com/news-releases/news-release-details/micron-bring-euv-technology-japan-advancing-next-generation>.

---

<sup>xxv</sup> Naoko Tochibayashi and Naoko Kutty. 2023. “How Japan’s Semiconductor Industry Is Moving into the Future.” World Economic Forum. November 20, 2023. <https://www.weforum.org/stories/2023/11/how-japan-s-semiconductor-industry-is-leaping-into-the-future/>.

<sup>xxvi</sup> Dr. Kent Calder, interview with the author, March 2024.

<sup>xxvii</sup> Backeberg, Nils. 2023. “Project Blue Visits Critical Material Supply Chains in Japan.” Project Blue. December 15, 2023. <https://projectblue.com/blue/news-analysis/704/project-blue-visits-critical-material-supply-chains-in-japan>.

<sup>xxviii</sup> Chalfant, Morgan. 2024. “Japan Walks Tightrope Away from China | Semafor.” Semafor. March 29, 2024. <https://www.semafor.com/article/03/29/2024/japan-walks-tightrope-away-from-china>.

<sup>xxix</sup> Ibid.

<sup>xxx</sup> Shivakumar, Sujai, Charles Wessner, and Thomas Howell. 2023. “Japan Seeks to Revitalize Its Semiconductor Industry.” CSIS. <https://www.csis.org/analysis/japan-seeks-revitalize-its-semiconductor-industry>.

<sup>xxxi</sup> Dr. Kent Calder, interview, March 2024.

<sup>xxxii</sup> Ibid.

<sup>xxxiii</sup> Ibid.

<sup>xxxiv</sup> Ibid.

<sup>xxxv</sup> “Japan Making Major Investments in Its Semiconductor Industry.” 2024. Nippon.com. April 22, 2024. <https://www.nippon.com/en/japan-data/h01965/>.

<sup>xxxvi</sup> Koyu, Izumi, Chihara Takahiro, Hirosaki Takuto, Kunito Takayuki, Miyake Yuta, Nagano Hiroaki, Shimizu Ryota, et al. “Japan’s Economic Security Promotion Act: Background and Overview.” *Asia-Pacific Review* 29, no. 3 (2022): 28-30.

<sup>xxxvii</sup> Ibid.

<sup>xxxviii</sup> Ibid.

<sup>xxxix</sup> Yamada, H. (2018). Budget Formulation Process of Japan’s National Government. In: Farazmand, A. (eds) *Global Encyclopedia of Public Administration, Public Policy, and Governance*. Springer, Cham. [https://doi.org/10.1007/978-3-319-31816-5\\_3443-1](https://doi.org/10.1007/978-3-319-31816-5_3443-1)

<sup>xl</sup> The Government of Japan. 2021. “Economic Measures to Overcome COVID-19 and Pioneer a New Era.” The Government of Japan - JapanGov -. December 23, 2021.

[https://www.japan.go.jp/kizuna/2021/12/economic\\_measures\\_to\\_overcome\\_covid19.html](https://www.japan.go.jp/kizuna/2021/12/economic_measures_to_overcome_covid19.html).

<sup>xli</sup> Basic Semiconductor Revitalization Strategy in Japan, July 2024.

[https://www.meti.go.jp/english/policy/0704\\_001.pdf](https://www.meti.go.jp/english/policy/0704_001.pdf).

<sup>xlii</sup> “Specified Semiconductor Funding Program | NEDO.” 2024. Nedo.go.jp. New Energy and Industrial Technology Development Organization. July 2024.

[https://www.nedo.go.jp/english/activities/activities\\_ZZJP\\_100212.html](https://www.nedo.go.jp/english/activities/activities_ZZJP_100212.html).

<sup>xliiii</sup> Dr. Kent Calder, interview, March 2024.

<sup>xliv</sup> Ibid.

<sup>xlv</sup> Ibid.

<sup>xlvi</sup> Ibid.

<sup>xlvii</sup> Ibid.

<sup>xlviii</sup> Ibid.

<sup>xlix</sup> Ibid.

<sup>l</sup> Thorbecke, Willem. “The semiconductor industry in the age of trade wars, Covid-19, and strategic rivalries.” *Age of Ferment* (2021) 21 (2021).

<sup>li</sup> Tochibayashi and Kutty, “How Japan’s Semiconductor Industry Is Moving,” 2023.

<sup>lii</sup> Ibid.

<sup>liii</sup> Ibid.

<sup>liiv</sup> Ibid.

<sup>liv</sup> “JASM Set to Expand in Kumamoto Japan.” 2024. Taiwan Semiconductor Manufacturing Company. February 6, 2024. <https://pr.tsmc.com/english/news/3105>.

<sup>lvi</sup> Tadashi Yokoyama, interview with the author, March 2024.

<sup>lvii</sup> Ibid.

---

<sup>lviii</sup> Ibid.

<sup>lix</sup> Dr. Kent Calder, interview, March 2024.

<sup>lx</sup> Davies, Alys, and Yaroslav Lukov. "China Fires Missiles near Taiwan after Pelosi Visit." BBC News, August 4, 2022. <https://www.bbc.com/news/world-asia-62419858>.

<sup>lxi</sup> Pamuk, Humeyra, Trevor Hunnicutt, and Tim Kelly. Rahm Emanuel takes the spotlight with snarky china tweets , September 18, 2023. <https://www.reuters.com/world/us-envoy-japan-rahm-emanuel-takes-spotlight-with-snarky-china-tweets-2023-09-15/>.

<sup>lxii</sup> Dr. Willem Thorbecke, interview, March 2024.

<sup>lxiii</sup> "Market Forecast Report Semiconductor and FPD Manufacturing Equipment Semiconductor Equipment Association of Japan." 2022. Semiconductor Equipment Association of Japan. <https://www.seaj.or.jp/english/file/January2022SEAJForecast%28Press%29E.pdf>.

<sup>lxiv</sup> Nohara, Yoshiaki. 2023. "Japan Renews Chip Plan and Confirms Sales Goal of ¥15 Trillion." The Japan Times. June 3, 2023. <https://www.japantimes.co.jp/news/2023/06/06/business/economy-business/japan-renews-chip-plan/>.

<sup>lxv</sup> <https://investors.micron.com/news-releases/news-release-details/micron-launches-us-japan-university-partnership-workforce>

<sup>lxvi</sup> Ministry of Foreign Affairs of Japan. 2024. "Invest Japan!" Ministry of Foreign Affairs of Japan. January 15, 2024. <https://www.mofa.go.jp/policy/economy/japan/invest/index.html>.

<sup>lxvii</sup> "Japan's Semiconductor Toolmakers Are Booming." 2024. The Economist. February 15, 2024. <https://www.economist.com/business/2024/02/15/japans-semiconductor-toolmakers-are-booming>.

<sup>lxviii</sup> Suzuki Kazuto. 2024. "Semiconductor Agreement at Japan-US Summit." The Diplomat. May 29, 2024. <https://thediplomat.com/2024/05/semiconductor-agreement-at-japan-u-s-summit/>.

<sup>lxix</sup> Ibid.

# **Navigating the U.S.-China-Japan Triangle: How Can Japan Pursue its Own National Interests?**

*By Eri Nakamura*

## **Introduction**

With the security environment surrounding Japan becoming increasingly severe, Japan has aligned itself more firmly with the U.S. than ever before. Japan's recent tougher stance on China, emboldened under the administration of recently departed Prime Minister Kishida Fumio demonstrates such close alignment with the U.S. Amid strategic competition with China, the U.S., on its part, also seeks closer cooperation with its allies and partners, including Japan. Given the perceived security threats posed by China, Japan may well continue to enhance cooperation with the U.S. in search of more robust security. However, stable and reciprocal Sino-Japan relations are mutually beneficial, given their long-standing and close economic ties. Furthermore, such relations will contribute to the stability and prosperity of the Indo-Pacific region, which holds strategic importance for Japan.

While Japan and the U.S. share interests in a free and open Indo-Pacific, it is important to note that their strategies for the region differ. While the U.S. focuses on containing China under the rubric of “strategic competition,” Japan opts to incorporate China into its regional approach. This difference has implications for Japan's policies towards China and the prospects for Japan's national interests. Is aligning with the U.S. always in Japan's interests? Are there ways to improve relations with China while enhancing security through collaboration with the U.S. and partners? How can Japan navigate the U.S.-China-Japan triangle? This essay aims to answer these questions.

## **Japan's Position in the Indo-Pacific Region: Interests and Approach**

In the last decade, Japan has attached particular significance to the Indo-Pacific region. The region hosts much of Japan's direct investments and major sea lanes, and it continues to experience significant economic growth. Japan also has benefited from the liberal international order established after the Second World War. Upholding such a liberal order in the region is important for Japan's security and prosperity.

However, Japan is now faced with challenges to safeguarding its interests in the region: the military and economic rise of China since the early 2000s and intensifying rivalry between the U.S. and China. In 2010, China overtook Japan in GDP, making it the second-largest economy after the U.S. This economic growth enabled China to expand its military spending and activities. The incident over the disputed Senkaku Islands the same year made Japan aware of China's direct threat to its territories. Japan was also suspicious of China's attempts to establish an economic order through the Asian Infrastructure Investment Bank (AIIB) and the Chinese Belt and Road Initiative (BRI). Moreover, the escalating U.S.-China rivalry also adds complexity to regional dynamics. While Japan is an ally of the U.S., such competition is not necessarily ideal for Japan, as it poses further uncertainty in the region.

Recognizing this complexity, Japan adopts a two-pronged approach to the Indo-Pacific: enhancing its security by bolstering the capabilities of the Self-Defense Forces (SDF) and collaborating with the U.S. and partner countries, while also leaving room for cooperation in economic and other areas with China. For security measures, Japan revised its National Defense Program Guidelines (NDPG) in 2010, embracing the concept of a "dynamic defense force." This necessitates a restructuring of the SDF for swift deployment, particularly in Japan's southwestern maritime regions, where new security challenges are perceived to converge due to Chinese military buildups.<sup>i</sup> This marked a significant departure from the traditional "concept of basic defense force," which focused solely on maintaining "minimum necessary" defensive capabilities.<sup>ii</sup>

Japan continued to strengthen its security reforms under the Abe administration. In December 2013, Japan introduced its inaugural National Security Strategy (NSS) with three primary objectives. First, Japan aimed to strengthen and expand its capabilities and roles. This involved the revision of its National Defense Program Guidelines (NDPG) in 2013, which introduced the concept of a 'Dynamic Joint Defense Force' to address gray-zone areas.<sup>iii</sup> The guideline also included the establishment of Japan's first amphibious force, tasked with promptly landing, retaking, and securing remote islands in case of invasion.<sup>iv</sup> Additionally, the government increased defense spending, which had been declining until then.<sup>v</sup> The second objective was to enhance the Japan-U.S. alliance. In 2015, Japan updated the Guidelines for Japan-U.S. Defense Cooperation to reinforce commitments within the alliance framework. Lastly, Japan aimed to foster security cooperation with third countries in the Asia-Pacific and beyond. This involved cultivating strategic partnerships, particularly with Australia and India. Furthermore, Japan institutionalized security collaboration with its allies and partners through initiatives such as the U.S.-Australia-Japan Trilateral Strategic Dialogue and the Australia-India-Japan-U.S. Quadrilateral Security Dialogue, commonly known as the "Quad."<sup>vi</sup>

The second pillar of Japan's regional approach involves diplomacy, represented by the Free and Open Indo-Pacific (FOIP) initiative launched in August 2016. The initiative envisions the convergence of two seas and two continents: specifically, the Pacific and Indian Oceans, and Africa and Asia, with the aim of fostering stability and prosperity by establishing a rules-based international order. Areas of cooperation include building high-quality infrastructure, fostering economic partnerships such as Free Trade Agreements, and capacity-building for the enforcement of maritime law.<sup>vii</sup> The initiative serves two crucial purposes: deterring China's assertive actions in the region without provoking hostility, and ensuring engagement of many regional and extra-regional actors besides the U.S to maintain a rules-based order. It is important to note that FOIP is an evolving concept that may require adjustments to adapt to ongoing international affairs. Under the Kishida administration, the concept was expanded to encompass a broader range of areas, such as global health and cyber space.<sup>viii</sup> Nevertheless, the two roles remain unchanged.

FOIP is often perceived as a competitive approach to China as it appears more as a competitive strategy against China's BRI. However, the Ministry of Foreign Affairs clearly states that "no country is excluded from partnership," underscoring Japan's intention to work with a broad range of partners who share the vision of FOIP.<sup>ix</sup> Indeed, amid efforts to rebuild its relations with China, the Abe administration did not rule out possible economic cooperation contingent on four



conditions: adherence to international standards of openness, transparency, economic efficiency, and financial soundness, thereby offering partial support to the BRI Initiative. <sup>x</sup>Professor Kawashima Shin of Tokyo University notes that Japan seeks to find common ground between China and U.S. allies by bridging FOIP advocated by Japan and the U.S. with China's BRI.<sup>xi</sup>

The introduction of the new geopolitical concept “Indo-Pacific” aims to create a broader strategic space in the region by involving a diverse array of actors, or stakeholders, in addition to China.<sup>xii</sup> FOIP enables Japan to collaborate with regional powers, including India, Australia, ASEAN countries, and even extra-regional powers, such as the UK and France, to sustain a rules-based order in the region.<sup>xiii</sup> This is particularly important amidst the escalating U.S.-China rivalry, where the struggle for hegemony could prioritize power dynamics over rule-making.

The impetus behind this two-pronged approach is multifaceted. Japan has employed a variety of means to reshape its surrounding environment, encompassing aid, rule-making, and the deployment of self-defense forces, with the aim of establishing influence over an extended period.<sup>xiv</sup> Taking a long-term perspective, Japan has avoided confrontation with China and instead sought to collaborate with other countries, including China. This represents Japan’s strategy to maximize its national interests through economic engagement and stability in the Indo-Pacific region.

### **Convergence and Divergence of Interests with the U.S.**

The U.S. shares interests in the Indo-Pacific with Japan. The U.S. has abiding interests in keeping the region free, open, connected, prosperous, secure, and resilient. To achieve these shared objectives, the U.S. historically has increased its regional presence through military, economic, and diplomatic means. These include concluding bilateral security treaties and deploying U.S. forces in the region, participating in the Asia-Pacific Economic Cooperation (APEC), leading the negotiations for the Trans-Pacific Partnership (TPP), and engaging in bilateral and multilateral dialogues, such as the ASEAN Regional Forum (ARF) and the East Asia Summit (EAS). These efforts have been part of a broader strategy, spanning different U.S. administrations. In 2017, the Trump administration adopted its version of FOIP, whose basic ideas the Biden administration have also continued to endorse.

Despite shared interests, there are significant differences between Japan and the U.S. in their strategies for the region. The first difference lies in their approach to China. The U.S. approach is more confrontational than that of Japan's. Under the Trump administration, the U.S. identified China as a strategic competitor, framing the situation as "a geopolitical competition between free and repressive visions of world order" occurring in the Indo-Pacific region.<sup>xv</sup> While the Biden administration has not ruled out cooperation in certain areas, such as climate change and nonproliferation, it maintains an overall assessment of China and a fundamental orientation towards competition. The Indo-Pacific Strategy released in 2022 states that "the PRC is combining its economic, diplomatic, military, and technological might as it pursues a sphere of influence in the Indo-Pacific and seeks to become the world’s most influential power."<sup>xvi</sup> Additionally, the document highlights the necessity of "competing with the PRC to defend the interests and vision for the future."<sup>xvii</sup> The FOIP strategies of both countries encompass economic and security aspects. However, Professor Takahara Akio of Tokyo University points

out that while Japan prioritizes economic cooperation, the U.S. emphasizes security.<sup>xviii</sup> He also notes that, recognizing this distinction, China maintains space for cooperation with Japan.<sup>xix</sup>

Second, the U.S. is more value-oriented, advocating universal values, such as democracy and human rights, whereas Japan's FOIP primarily emphasizes the rule of law. The Biden administration has hosted multiple iterations of the Summit for Democracy to engage with selected countries in the region on human rights, as well as the democratic resilience needed to advance them. While Japan welcomes the Biden administration's initiative, the selectivity of the invitees poses a challenge for Japan's inclusive approach to the region, as it might create divisions among countries.<sup>xx</sup> Japan's FOIP does not prioritize the promotion of universal values, as doing so could risk gaining a reputation for interfering in the domestic affairs of Indo-Pacific nations.<sup>xxi</sup> Recognizing political and cultural diversity in the region, Japan considers promoting democracy and human rights in other countries as long-term ideals rather than short-term diplomatic goals.<sup>xxii</sup>

Third, the U.S.' commitment to the liberal economic order has waned while Japan's commitment remains intact. The attempt to establish the TPP was not merely a trade deal; it carried significant implications for a robust U.S. presence in rule-making in the region. Former President Barack Obama stated, "other countries should adhere to the rules set by America and our partners, not the other way around," and emphasized, "the United States, rather than countries like China, should be the ones to set them."<sup>xxiii</sup> However, President Donald Trump withdrew from the TPP immediately after taking office, expressing skepticism toward the U.S.'s internationalist approach.

Terence Roehrig, Professor of National Security Affairs at the U.S. Naval War College, argues that "if the central goal of U.S. strategy in the region is to maintain a free and open Indo-Pacific and the rules-based order, withdrawing from the TPP meant Washington was further ceding economic power to China to make the rules."<sup>xxiv</sup> The change of political control has not changed protectionist practices in the U.S. In May 2022, the Biden administration launched a new economic framework known as the Indo-Pacific Economic Framework (IPEF) in an effort to bolster the U.S.'s economic presence in the region. The framework encompasses four areas: trade, supply chains, clean energy and infrastructure, and fair economy. Participating countries are expected to negotiate separate agreements for each pillar. However, progress on the trade pillar has been hindered by the Biden administration's failure to secure the necessary Democratic and congressional support for the agreement.<sup>xxv</sup> Unless the administration demonstrates the IPEF could also obtain more tariff reductions and improved market access to Indo-Pacific trading partners, Congress is unlikely to support the framework, which already is overshadowed by existing free trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)—the successor to the TPP—and the Regional Comprehensive Economic Partnership (RCEP). The trade pillar's lack of momentum implies that domestic protectionist sentiments pose challenges to the U.S.'s commitment to a free and open economic order. Domestic protectionist sentiments pose challenges to the U.S.'s commitment to a free and open economic order.

## **How Differences in Regional Priorities Affect Sino-Japan Relations**

The fact that the U.S. and Japan exercise different approaches to the Indo-Pacific region bears implications for Sino-Japan relations, which have experienced repeated fluctuations since the normalization of diplomatic ties. Under the second Abe Shinzo administration, Japan and China made efforts to stabilize their relations. During Prime Minister Abe's visit to China in October 2018, both countries affirmed three principles: transitioning from competition to cooperation under international standards, ensuring non-threatening relationships, and jointly fostering a free and fair trading relationship.<sup>xxvi</sup> Despite the recent deterioration in relations, Japan would still benefit from improved relations with China.

First, economic ties with China are crucial for Japan. Bilateral relations have been characterized by "*seikei bunri*," meaning the separation of politics and the economy. Despite political tensions between the two countries, bilateral economic relations have remained deep. For instance, in 2004, amidst numerous issues during the Koizumi Junichiro administration, China's trade with Japan surpassed its trade with the U.S.<sup>xxvii</sup> China continues to be one of the largest trading partners for Japan, with exports to China accounting for 19.4 percent and imports from China accounting for 21.0 percent of Japan's total trade by value in 2022.<sup>xxviii</sup>

Second, a stable bilateral relationship would be the basis for addressing ongoing issues with China. In addition to security challenges, Japan must contend with disputed boundaries in the East China Sea, China's unilateral development of natural resources in these disputed areas, the arrest and the recent detention of a Japanese national in China, and other unresolved issues. Simply adopting a confrontational approach would not be productive. Japanese leaders cannot resolve these and other disputes without effective communication through high-level meetings with decision makers within China's opaque regime.

Third, China is a key actor in both regional and international security. China has considerable influence on consequential geopolitical issues such as the Korean Peninsula and the war in Ukraine. Despite differing positions, Japan should refrain from creating explicit divisions between China and the West, as doing so would not contribute to addressing these issues.

However, it is uncertain whether China benefits from improved relations as greatly as Japan does. Recent statistics show, for example, that the two nations' trade relations have declined. For China, exports to Japan accounted for 4.8 percent of its total trade in 2022, while imports from Japan accounted for 6.8 percent of total trade; overall trade between the two countries has now declined for two consecutive years.<sup>xxix</sup> These changes signal a decline in perceived economic interdependence.

Another concern is that the expanded scope of security will cast a shadow over bilateral relations. Departing from its long-standing "development-first" approach, China began to champion an integrated approach to development and security in 2020.<sup>xxx</sup> This suggests that prioritizing security alongside development has increased China's willingness to accept potential economic repercussions to achieve its security objectives.<sup>xxxi</sup> In 2023, China amended the Anti-Espionage Law to expand the definition of espionage and the law's scope of application. This development raised concerns among many foreigners and foreign companies operating in China, as the ambiguous definition of "national security and interests" in the law allows authorities to interpret espionage activities arbitrarily.<sup>xxxii</sup> Such ambiguity could potentially hinder business

and academic exchanges between the two countries. Furthermore, China's national security considerations extend to the ecological environment. The release of treated radioactive wastewater stored in the Fukushima nuclear plant into the Pacific Ocean has sparked strong backlash from China, viewing it as a threat to its national security due to the perception of “contaminated water” being released by Japan.<sup>xxxiii</sup>

However, it is likely that China seeks a stable relationship with other major countries, including Japan, amid intensifying U.S.-China competition. In November 2023, Japan and China reaffirmed their “strategic mutually beneficial relationship” in the summit meeting between former Prime Minister Kishida and President Xi Jinping. The term was used for the first time in six years. The then-ambassador to China, Tarumi Hideo, explained that China values a bilateral framework over individual issues.<sup>xxxiv</sup> He also stated that such a framework provides an environment for addressing specific issues.<sup>xxxv</sup> In this sense, the summit meeting set the stage for improved relations.

### **Japan’s Struggles amidst an Intensifying U.S.-China Rivalry**

Despite this development, the dynamics of Sino-Japan relations are evolving. The role of economic interdependence as a stabilizing factor is beginning to diminish. While economic ties with China once provided stability not only for Japan but also for the U.S., concerns have emerged regarding the strategic exploitation of economic interdependence by major power rivals, such as China and Russia. Farrell and Newman refer to this phenomenon “weaponized interdependence” and define the concept as “a condition in which an actor can exploit its position in an embedded network to gain a bargaining advantage over others in a contained system.”<sup>xxxvi</sup> For instance, the U.S. views TikTok, a social media platform operated by a Chinese company, as a potential threat to national security, as the Chinese government could exploit the company to gather information about the U.S.<sup>xxxvii</sup> In order to prevent new and existing networks from being weaponized, the U.S. has also employed tools of weaponized interdependence, often under the banner of economic security. By aligning with the U.S., adhering to the principle of *seikei-bunri* has become more challenging for Japan.

The regulations that have been imposed on China’s semiconductor exports illustrate Japan's struggle. The U.S. views semiconductors as crucial for maintaining a competitive edge over China in terms of computing capabilities and considers that this advantage will translate into more capable military systems.<sup>xxxviii</sup> Thus, the U.S. aims to curtail China’s ability to produce advanced semiconductors with potential military applications. Effective export controls require cooperation with allies and partners as the process of producing a finished semiconductor chip is globally dispersed. This involves design, fabrication, assembly, testing, and packaging (ATP). While the U.S. excels in the design aspect, particularly with software known as Electronic Design Automation (EDA), the majority of fabrication and ATP capacity is located in East Asia.<sup>xxxix</sup> Moreover, photolithography equipment, which prints circuits patterns, is primarily produced in the Netherlands and Japan.<sup>xl</sup> Therefore, the U.S. is calling on its allies and partners to align their export controls on China with its own.

The implementation of export controls on semiconductors began in the context of 5G networks. The U.S. was concerned about the dominance of the Chinese telecom giant Huawei in 5G

networks and how its potential weaponization could exploit vulnerabilities in the U.S. telecommunications sector. Consequently, the Trump administration sought to prevent Huawei from designing and manufacturing chips more advanced than 10 nm and from producing 5G chips by placing Huawei and its primary chip manufacturer, Semiconductor Manufacturing International Corporation (SMIC), on the Department of Commerce's Entity List. This list restricts the export, re-export, and transfer of specific items to foreign entities. However, the focus has shifted from 5G networks to broader national security considerations, including the capabilities of the Chinese semiconductor industry.

The Biden administration has escalated efforts to restrict China's access to semiconductors. In October 2022, the U.S. announced export control measures aimed at limiting China's acquisition of advanced computing chips, the development and maintenance of supercomputers, and the manufacturing of advanced semiconductors. Previously, U.S. semiconductor export controls aimed to ensure that China's access to semiconductors consistently lagged behind the contemporary cutting edge, following a strategy known as the "sliding scale" approach.<sup>xli</sup> However, there has been a notable shift in strategy to now "maintain as large of a lead as possible."<sup>xlii</sup> As a result, the U.S. now aims to impede China's chip manufacturing capabilities and even degrade existing capabilities.<sup>xliii</sup> For instance, the new regulations now encompass logic chips of "16nm or 14nm, or below," covering less advanced chips.<sup>xliv</sup> The U.S. further tightened the export control measures in October 2023 and April 2024.

To enhance the effectiveness of the export controls, the U.S. also urged Japan and the Netherlands to take similar actions. In response, both countries imposed export restrictions on advanced semiconductor manufacturing items. In July 2023, Japan introduced regulations mandating licenses for 23 advanced semiconductor manufacturing items, encompassing items related to extreme ultraviolet lithography (EUV) and etching equipment for stacking memory devices in three dimensions.<sup>xlv</sup> Additionally, the Dutch regulations took effect in September of the same year, requiring licenses for EUV technology, which the government ceased exporting to China in 2019 at the request of the U.S.<sup>xlvi</sup> In a likely effort to mitigate the risk of Chinese retaliation, both Japan and the Netherlands refrained from explicitly naming China as the target of the export controls, and neither country indicated that their actions were linked to any agreement with the U.S. The Japanese government explained that the new measures are not aimed at aligning with or following the U.S. actions taken in October 2023 and emphasized that they are not specifically targeting any particular country.<sup>xlvii</sup> It is important to note that Japanese regulations differ from those of the U.S. in that they only cover advanced chips and do not explicitly target China.

However, the chip war between the U.S. and China is now showing signs that it could expand to include not only advanced chips but also low-end chips, which do not directly affect national security. As a result of the export restrictions imposed by the U.S. and its partners, China is now allocating more resources to boost production capacity for "mature" or "legacy" chips, which are 28nm or larger. Despite being based on technology that is 10 to 20 years old, these chips are still used in a broad range of goods, such as cars and other consumer devices. An estimate suggests that China and Taiwan together could account for close to 80% of the 20 to 45 nm foundry capacity globally over the next three to five years.<sup>xlviii</sup> In the 50 to 180 nm range, China currently controls around 30%, and it could potentially control around 46% of global capacity

within a decade.<sup>xlix</sup> With the help of government subsidies, China might dominate the market share in legacy chips, making other countries dependent on China and creating vulnerabilities for the U.S. and its partners. Additionally, if a larger portion of the chip industry relocate to China, the country will have more leverage in demanding technology transfer, making it more costly for the U.S. and other countries to impose export restrictions.<sup>1</sup>

In March 2024, the U.S. reportedly urged Japan and the Netherlands to expand their restrictions to cover manufacturing equipment for older-generation chips, as well as chipmaking chemicals.<sup>li</sup> While the current restrictions broadly limit exports of equipment used in producing semiconductors in the 10 to 14 nanometer range or smaller, the U.S. aims to include certain equipment for older, generic chips.<sup>lii</sup> Trade Minister Saito Ken stated that no additional measures are planned at this time.<sup>liii</sup>

The situation concerning the U.S.-China chip war has raised several concerns for Japan. First, such regulations would harm private companies. Although then-trade minister Nishimura Yasutoshi expressed the view that the impact on companies would be limited, it would still be significant, given that China constitutes 30 percent of Japan's exports of semiconductor manufacturing items. There is a possibility that export restrictions will be expanded to include low-end chips in the name of economic security. If implemented, these items could be easily replaced by imports from other countries. Such a move would benefit neither Japanese security nor the economy.

Second, it could provoke retaliation from China. In fact, in August 2023, China imposed export control measures on gallium and germanium, which are used to produce some semiconductor items and others. Japanese companies are dependent on exports from China for these rare earth metals. It is reported that Former Vice-Minister of Commerce Wei Jianguo stated, "this is just the beginning of China's countermeasures."<sup>liv</sup> In June 2023, China also enacted the Law on Foreign Relations, which enshrines China's right to take "measures to counter or take restrictive measures against acts that endanger its sovereignty, national security and development interests."<sup>lv</sup> According to top Chinese diplomat Wang Yi, the legislation provides a "legal basis" for countering foreign sanctions and interference.<sup>lvi</sup> That could include semiconductor-related export restrictions imposed by the U.S. and its allies. Now, Japanese companies are in a tough position, as compliance with Japanese regulations might provoke retaliatory actions by China.

Finally, these export regulations introduce high levels of uncertainty, potentially undermining the liberal economic order. While WTO member countries are allowed to take actions necessary for the protection of security interests under the General Agreement on Tariffs and Trade (GATT), the scope and interpretation have been subject to debate, and what constitutes a national security concern remains unclear. In the name of economic security, export controls might be further expanded. Watanabe Tsuneo, a senior fellow at the Sasakawa Peace Foundation, points out that the current semiconductor restrictions imposed by the U.S. are intended not only for national security but also for industrial competition.<sup>lvii</sup> He argues that excessive competition beyond existing trade rules could jeopardize sustainable regional support and provide China with an opportunity to garner sympathy in the region.<sup>lviii</sup> If Japan were to tighten export controls, aligning with the U.S., it might raise doubts from countries in the region, impeding its goal to promote an open and fair economic order.

## Safeguarding Japan's National Interests

The U.S.-China-Japan triangle has posed challenges for Japan in pursuing its national interests. Sino-Japan relations, driven by economic ties, are undergoing a shift due to Japan's decreasing economic importance. Meanwhile, the gap between Japan and China in their military capabilities is expanding. Similarly, U.S.-Japan relations are also evolving. Previously, Japan benefited from the robust military and economic power of the U.S., including security assurances and gains from trade. However, the relative decline of U.S. power has compelled leaders in Washington to ask allies and partners to enhance their roles. This relative decline has also been accompanied by more inward-looking politics, exemplified both by the former Trump administration's "America-first" campaign and by the Biden administration's blockage of Nippon Steel's bid to acquire U.S. Steel. If this trend persists, the U.S.'s commitment to the liberal international order will be questionable, regardless of who occupies the White House.

Japan now confronts difficult questions: What role should it assume to ensure continued U.S. engagement in its security priorities and support in upholding liberal economic order? How can it stabilize its relations with China amid intensifying U.S.-China competition? To navigate the challenging landscape, Japan should transition from asymmetrical security relations with the U.S. to more symmetrical relations by bolstering its own defense capabilities. Additionally, Japan should also diversify its partnerships beyond existing security partners, such as the QUAD, to safeguard its interests. Furthermore, Japan should stay the course in realizing its own more inclusive diplomatic approach to China.

Ensuring robust security is increasingly crucial for Japan, particularly given China's expanding military activities and the threats posed by North Korea's missiles and nuclear capabilities. In December 2022, Japan revised its three strategic documents, outlining defense-related goals to adapt to the increasingly severe security environment. These include aiming for defense-related spending of 2% of GDP by fiscal 2027, with a specific defense spending target of 43 trillion yen over five years through fiscal 2027.<sup>lix</sup> Japan has also developed counter-strike capabilities to respond to and defend against incoming missile attacks more effectively.<sup>lx</sup> Additionally, Japan plans to establish a Joint Headquarters to strengthen joint operations, which would also enhance interoperability and planning between the SDF and U.S. forces.

Recognizing that security now encompasses economic and technological aspects, Japan has enhanced economic security alongside traditional security measures. In May 2022, Japan enacted the Economic Security Promotion Act. This legislation is designed to ensure the stable supply of specified key products, maintain essential infrastructure services, develop critical technologies, and safeguard selected patent applications.

These measures would enhance and promote cooperation with the U.S. and partner countries, showcasing a deeper commitment to the alliance. In fact, cooperation between Japan and the U.S. has reached unprecedented levels. For security, the U.S. government also plans to enhance the functions of its military command in Japan, currently overseen by the U.S. Indo-Pacific Command headquartered in Hawaii, with the aim of fostering smoother cooperation.<sup>lxi</sup> In the realm of economic security, the U.S. and Japan have been closely coordinating their policies through channels, such as the Economic 2+2 meetings, newly established in 2022.

However, such close alignment with the U.S. also places Japan in a delicate position concerning its relations with China. Policy coordination on economic security cannot require identical “de-risking” and sourcing commitments from each country since the U.S. and Japan have different economic relationships with China. Japan is more dependent on the Chinese economy than the U.S., and any partial or comprehensive decoupling from China would be expected to disproportionately disadvantage Japan.<sup>lxiii</sup> The impact of decoupling would, moreover, likely spill over to politics, erecting further hurdles for Sino-Japan relations while economic interdependence waned. Therefore, Japan must assess the necessity and effectiveness of its economic security measures based on a long-term vision and the potential repercussions they may entail.

While allied cooperation is expected to deepen, Japan should avoid entangling itself in the U.S.-China competition. Fostering collaboration with other countries, especially within the EU, would assist Japan in maintaining a balanced approach to its interests. Despite their geographical separation, Japan and the EU share key interests such as preserving a fair and open international economic order and upholding the liberal order in the Indo-Pacific.

In addition to historic levels of cooperation between the U.S. and Japan, there is considerable potential for Japan to enhance economic security cooperation with the EU. Recognizing the risks associated with economic dependence on China, the EU has been enhancing its economic security measures. Unlike Japanese measures focused on countering China’s economic coercion, the EU’s actions are not exclusively directed at China and are also designed to mitigate potential harm from U.S. economic security policies.<sup>lxiii</sup> For example, an anti-coercion instrument adopted in October 2023 responded in large part to tariffs on imports of aluminum and steel imposed during the Trump administration from 2017 to 2021.<sup>lxiv</sup> Despite increasing concerns towards China, the EU does not intend to dramatically reduce economic exchange with the country. To this end, in January 2023, the President of the European Commission, Ursula von der Leyen, introduced the term “de-risking” as an alternative to decoupling. Due to its close economic ties with China, Japan also favors de-risking. At the Japan-EU High-Level Economic Dialogue begun in May 2024, Japan and the EU confirmed their cooperation in economic security and set out shared principles. They launched the “Transparent, Resilient, and Sustainable Supply Chains Initiative” and affirmed intentions to maintain and strengthen the international rules-based trading system, with the WTO at its core.<sup>lxv</sup> Collaboration with the EU would guide rule-making in a manner that balances security considerations with the promotion of a fair and open economic order. It would also assist Japan in safeguarding its interests gained from the liberal international order, particularly given the reduced commitment of the U.S. to it.

In addition to economic security, Japan and the EU share the ideal of a stable Indo-Pacific. The EU has shown growing interest in the region, exemplified by its release of an Indo-Pacific strategy in 2021. While the EU has traditionally focused its attention on Asia through the lens of China, it now aims to diversify its partnerships in the region due to the evolving nature of its relationship with China, which is increasingly characterized by systemic rivalry and competition.<sup>lxvi</sup> Acknowledging a deteriorating security landscape in the Indo-Pacific characterized by geopolitical competition, vulnerable supply chains, military buildup, and climate change, among other factors, the EU’s strategy aims to promote stability through



enhanced engagement<sup>lxvii</sup> and to protect the EU's own economic and security interests in the region.<sup>lxviii</sup>

The EU's strategy refrains from explicitly naming China, emphasizing that the strategy is not directed at any particular country. Similarly, Japan's FOIP also adopts an inclusive approach. Japan has confirmed collaboration with many EU countries to realize a shared FOIP.<sup>lxix</sup> While the EU may only allocate limited military resources to the region, countries such as France and the UK have consistently deployed their vessels, including aircraft carriers, to the Indo-Pacific to uphold the rules-based order. Furthermore, additional European countries, such as Germany, Italy, and the Netherlands are increasing their presence in the region, engaging in joint exercises with regional partners, including Japan. In 2024, Nikkei Asia reported that European countries, such as Germany and France, are deploying ships and aircraft to the Pacific on an unprecedented scale, participating in joint exercises with Japan and the U.S. in the South China Sea.<sup>lxx</sup> Despite these intensified efforts, some harbor skepticism regarding the efficacy of deployments to the Indo-Pacific and efforts to enhance interoperability with U.S. forces and regional partners. Geographical remoteness presents challenges in providing direct support in potential conflicts, particularly those involving Taiwan or the South China Sea.<sup>lxxi</sup> Nevertheless, demonstrating military commitment, albeit limited, would help affirm Japan's commitment to upholding the international order, contributing to regional stability.

While enhancing cooperation with the U.S. and partner countries, Japan should maintain an inclusive approach toward China. In the long run, diplomatic efforts aimed at integrating China into the liberal international order would be beneficial for Japan. In this regard, China's accession to the CPTPP would be viewed positively in Tokyo. While the hurdles for China to meet the required conditions may be significant, Japan should leverage this opportunity to create a favorable environment by incorporating China.

## **Conclusion**

Since the 2000s, Japan has constantly adjusted its foreign and security policies to adapt to the shifting power balance in the Indo-Pacific, particularly with the rise of China. While enhancing its defense capabilities to effectively respond to contingencies, Japan has also employed an inclusive diplomatic approach to create a more favorable environment for economic ties, as exemplified by FOIP. These policy shifts by the Japanese government have enabled a more distinguishable U.S.-China-Japan diplomatic triangle to form, as competition between China and the U.S. continues to rise. But, at odds with Japan's intent to set its own standards for relations with China, the relative decline of U.S. power—meaning decreased agency to set norms in the Indo-Pacific—necessitates Japan making greater contributions to the U.S.-Japan security alliance through close policy coordination, a development with the potential to harm Sino-Japan relations.

In order to navigate this complex landscape, Japan must possess a long-term vision aligned with its national interests. Japan should continue to enhance security cooperation with the U.S. and partner countries, including the QUAD. In an increasingly severe security environment, robust deterrence is crucial. Given that economic coercion and technological capabilities significantly affect security, cooperation in economic security is also vital. However, the notion of achieving

economic security remains ambiguous both in concept and in practice, raising concerns such as impediments to free economic activities, decoupling from China, and consistency with the free and open trade system.

Japan must strike a delicate balance between security considerations and other interests, such as economic gains from trade with China and upholding the liberal international order. Diversifying cooperative relations with other countries, especially within the EU, would help Japan increase its diplomatic and economic agency, overcome policy restrictions inevitably encountered within the U.S.-China-Japan triangle, and safeguard its broader interests. Finally, embracing inclusive diplomacy with China would contribute to stabilizing bilateral relations and ultimately promote peace and stability in the Indo-Pacific and beyond.

## Endnotes

---

- <sup>i</sup> Sebastian Maslow, “A Blueprint for a Strong Japan? Abe Shinzo and Japan’s Evolving Security System” *Asian Survey* 55, no. 4 (July/August 2015):759.
- <sup>ii</sup> Kei Koga, “Japan’s ‘Indo-Pacific’ question: countering China or shaping a new regional order?” *International Affairs* 96 no.1 (January 2020):60.
- <sup>iii</sup> “National Defense Program Guidelines for FY 2014 and beyond,” Ministry of Defense, Japan, December 17, 2013, [https://warp.da.ndl.go.jp/info:ndljp/pid/11591426/www.mod.go.jp/j/approach/agenda/guideline/2014/pdf/20131217\\_e2.pdf](https://warp.da.ndl.go.jp/info:ndljp/pid/11591426/www.mod.go.jp/j/approach/agenda/guideline/2014/pdf/20131217_e2.pdf).
- <sup>iv</sup> Ibid.
- <sup>v</sup> Tomohiko Satake and Yuji Maeda, “Chapter 7 Japan: New National Defense Program Guidelines,” in *East Asian Strategic Review* 2019, 215. [https://www.nids.mod.go.jp/english/publication/east-asian/pdf/2019/east-asian\\_e2019\\_07.pdf](https://www.nids.mod.go.jp/english/publication/east-asian/pdf/2019/east-asian_e2019_07.pdf).
- <sup>vi</sup> G.V.C. Naidu & Yasuyuki Ishida, “Japan’s Security Reforms under Abe Shinzo: Setting the Stage for Proactivism in the Indo-Pacific?,” *Strategic Analysis* 46 no.3 (July 2022):286.
- <sup>vii</sup> “Free and Open Indo-Pacific,” Ministry of Foreign Affairs of Japan, accessed May 14, 2024, [https://www.mofa.go.jp/fp/pc/page3e\\_001336.html](https://www.mofa.go.jp/fp/pc/page3e_001336.html).
- <sup>viii</sup> “New Plan for a ‘Free and Open Indo-Pacific (FOIP)’,” Ministry of Foreign Affairs of Japan, last modified November 28, 2023, [https://www.mofa.go.jp/fp/pc/page3e\\_001336.html](https://www.mofa.go.jp/fp/pc/page3e_001336.html).
- <sup>ix</sup> Diplomatic Bluebook 2020, Ministry of Foreign Affairs of Japan, last accessed May 14, 2024, <https://www.mofa.go.jp/policy/other/bluebook/2020/html/feature/f0104.html#SnippetTab>.
- <sup>x</sup> “Press Conference by Prime Minister Shinzo Abe Following His Attendance at the APEC Economic Leaders’ Meeting, ASEAN-related Summit Meetings, and Other Related Meetings,” Prime Minister’s Office of Japan, last modified November 14, 2017, [https://japan.kantei.go.jp/98\\_abe/statement/201711/\\_00007.html](https://japan.kantei.go.jp/98_abe/statement/201711/_00007.html).
- <sup>xi</sup> Shin Kawashima, “Japanese Diplomacy and the ‘Improvement’ in Sino-Japanese Relations,” *Asia Policy* 14, no.1 (January 2019):159.
- <sup>xii</sup> Tomohiko Satake and Ryo Sahashi, “The Rise of China and Japan’s ‘Vision’ for Free and Open Indo-Pacific,” *Journal of Contemporary China* 30, no. 127 (May 2020): 24.
- <sup>xiii</sup> Satake and Sahashi, “The Rise of China,” 26.
- <sup>xiv</sup> Ryo Sahashi, “Japan’s strategy amid US–China confrontation,” *China International Strategy Review* (November 2020) 2: 235.
- <sup>xv</sup> “National Security Strategy of the United States of America,” The White House, last modified December 2017, <https://trumpwhitehouse.archives.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>
- <sup>xvi</sup> “Indo-Pacific Strategy,” The White House, last modified February 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/02/U.S.-Indo-Pacific-Strategy.pdf>.
- <sup>xvii</sup> Ibid.
- <sup>xviii</sup> 高原明生, 園田茂人, 丸川知雄, 川島真 編. 日中関係 2001-2022. 東京大学,2023, p401.
- <sup>xix</sup> Ibid.
- <sup>xx</sup> “Global Views of Biden’s Democracy Summit,” Carnegie Endowment for International Peace,” last modified December 6, 2021, <https://carnegieendowment.org/2021/12/06/global-views-of-biden-s-democracy-summit-pub-85917>.
- <sup>xxi</sup> Ryo Sahashi, “The Indo-Pacific in Japan’s Foreign Policy,” Center for Strategic and International Studies, p9, [https://csis-website-prod.s3.amazonaws.com/s3fs-public/2023-06/190401\\_Sahashi\\_Strategic\\_Japan.pdf?VersionId=2PymBHTvXauq2R672Lp8q0tDvryMDq.9](https://csis-website-prod.s3.amazonaws.com/s3fs-public/2023-06/190401_Sahashi_Strategic_Japan.pdf?VersionId=2PymBHTvXauq2R672Lp8q0tDvryMDq.9).
- <sup>xxii</sup> Nobuhiko Tamaki, “Japan’s quest for a rules-based international order: the Japan-US alliance and the decline of US liberal hegemony,” *Contemporary Politics* 26, no.4 (June, 2020): 398.
- <sup>xxiii</sup> “Post: President Obama: The TPP would let America, not China, lead the way on global trade,” The Office of United States Trade Representative, last modified May 3, 2016, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/may/cross-post-president-obama-tpp-would>.
- <sup>xxiv</sup> Terence Roehrig “The United States and Asia in 2021 Change, Continuity, Some of Each?” *Asian Survey* 62, no. 1 (April 2022):2.

- 
- <sup>xxv</sup> Chris Dixon and Bob Savic, “After APEC: Whither US Leadership on Trade?” *The Diplomat*, December 15, 2023, <https://thediplomat-com.proxy1.library.jhu.edu/2023/12/after-apec-whither-us-leadership-on-trade/>.
- <sup>xxvi</sup> “Policy Speech by Prime Minister Shinzo Abe to the 198th Session of the Diet,” Prime Minister’s Office of Japan, last modified January 28, 2019, [https://japan.kantei.go.jp/98\\_abe/statement/201801/\\_00003.html](https://japan.kantei.go.jp/98_abe/statement/201801/_00003.html).
- <sup>xxvii</sup> Ezra F. Vogel, *China and Japan Facing History* (Cambridge: Harvard University Press, 2019), 329.
- <sup>xxviii</sup> “Japanese Trade and Investment Statistics,” Japan External Trade Organization, accessed April 29, 2024, <https://www.jetro.go.jp/en/reports/statistics.html>.
- <sup>xxix</sup> “中国の貿易と投資（世界貿易投資動向シリーズ）,” Japan External Trade Organization, last modified November 11, 2023, <https://www.jetro.go.jp/world/asia/cn/gtir.html>.
- <sup>xxx</sup> Howard Wang, “‘Security Is a Prerequisite for Development’: Consensus-Building toward a New Top Priority in the Chinese Communist Party,” *Journal of Contemporary China* 32, no.142 (August 2022): 525.
- <sup>xxxi</sup> Wang, “Security,” 536.
- <sup>xxxii</sup> Long Piao and Yi Cui, “China in 2023 Economic Recovery Remains Challenging after COVID-19,” *Asian Survey* 64, no.2 (March/April 2023): 179
- <sup>xxxiii</sup> 東京新聞 TOKYO web. “垂秀夫・前中国大使が語る習近平政権の「現状認識」 台湾への武力行使は？日中の緊張緩和のカギは？【詳報あり】,” March 3, 2024. <https://www.tokyo-np.co.jp/article/312733>.
- <sup>xxxiv</sup> 産経新聞. “垂前駐中国大使インタビュー① 日中関係、「戦略的互惠関係」と何千回唱えても解決しない,” February 15, 2024. <https://www.sankei.com/article/20240215-DVOYEH7EBMLNELLFFTVYYWGXE/>.
- <sup>xxxv</sup> 産経新聞. “垂前駐中国大使インタビュー② 今の中国は経済発展以上に「国家の安全」を重視している,” February 16, 2024. <https://www.sankei.com/article/20240216-EXZK6DR3ZRMXRH5GV44WCPUARE/>.
- <sup>xxxvi</sup> Daniel W. Drezner, Henry Farrell, and Abraham L. Newman, *The Uses and Abuses of Weaponized Interdependence*. (Washington DC: Brookings Institution Press, 2021). Chap.1, doc. 1, [muse.jhu.edu/book/81304](https://www.brookings.edu/book/81304).
- <sup>xxxvii</sup> Drezner, Farrell, and Newman, *The Uses and Abuses of Weaponized Interdependence*, Chap.1, doc. 2-3.
- <sup>xxxviii</sup> Mercy A. Kuo, “‘Chip War’: The China-US Competition for Critical Technology Insights from Chris Miller,” *The Diplomat*, December 12, 2022, <https://thediplomat.com/2022/12/chip-war-the-china-us-competition-for-critical-technology/>.
- <sup>xxxix</sup> “Semiconductors and the Semiconductor Industry” (Congressional Research Service, April 19, 2023), pp14-16, <https://crsreports.congress.gov/product/pdf/R/R47508>.
- <sup>xl</sup> *Ibid*, p17.
- <sup>xli</sup> Matthew Schleich and William Alan Reinsch, “Contextualizing the National Security Concerns over China’s Domestically Produced High-End Chip,” Center for Strategic and International Studies, September 26, 2023, <https://www.csis.org/analysis/contextualizing-national-security-concerns-over-chinas-domestically-produced-high-end-chip>.
- <sup>xlii</sup> *Ibid*.
- <sup>xliii</sup> *Ibid*.
- <sup>xliv</sup> “Commerce Implements New Export Controls on Advanced Computing and Semiconductor Manufacturing Items to the People’s Republic of China (PRC),” Bureau of Industry & Security, last modified October 7, 2022, <https://www.bis.gov/press-release/commerce-implements-new-export-controls-advanced-computing-and-semiconductor>.
- <sup>xlv</sup> “Japan chip export curb to China will take effect in July Tokyo follows U.S. measures irrespective of Beijing’s anger,” *Nikkei Asia*, May 23, 2023, <https://asia.nikkei.com/Business/Tech/Semiconductors/Japan-chip-export-curb-to-China-will-take-effect-in-July>.
- <sup>xlvi</sup> Andy Bounds and Demetri Sevastopulo, “Netherlands to restrict chip exports after US pressure over China threat,” *Financial Times*, March 8, 2023, <https://www.ft.com/content/e911774c-a048-4ed1-9f90-e4bb684a3156>.
- <sup>xlvii</sup> “Press Conference by Minister Nishimura (Excerpt),” Ministry of Economy, Trade and Industry, March 31, 2023, [https://www.meti.go.jp/english/speeches/press\\_conferences/2023/0331001.html](https://www.meti.go.jp/english/speeches/press_conferences/2023/0331001.html).
- <sup>xlviii</sup> Ken Moriyasu, “U.S. nervous about ‘flood’ of older-generation chips from China

---

Committee urges immediate trade barriers to undermine Beijing's leverage,” *Nikkei Asia*, January 9, 2024, <https://asia.nikkei.com/Business/Tech/Semiconductors/U.S.-nervous-about-flood-of-older-generation-chips-from-China>.

<sup>xlix</sup> *Ibid.*

<sup>l</sup> Chris Miller, *Chip War: The Fight for the World's Most Critical Technology* (New York: Simon & Schuster, 2022), chap 52, Kindle.

<sup>li</sup> Rintaro Tobita, “U.S. urges Japan and Netherlands to tighten China chip tech curbs Tokyo says no measures planned for older, generic technology,” *Nikkei Asia*, March 9 2024, <https://asia.nikkei.com/Business/Tech/Semiconductors/U.S.-urges-Japan-and-Netherlands-to-tighten-China-chip-tech-curbs>.

<sup>lii</sup> *Ibid.*

<sup>liii</sup> *Ibid.*

<sup>liv</sup> NHK. “中国のレアメタル戦略 ガリウム・ゲルマニウム規制の狙いは?” August 1, 2023, <https://www3.nhk.or.jp/news/html/20230801/k10014149091000.html>.

<sup>lv</sup> Yukio Tajima, “China passes foreign relations law with eye on countering sanctions Legislation provides legal basis for addressing threats to sovereignty and security,” *Nikkei Asia*, June 30, 2023, <https://asia.nikkei.com/Politics/International-relations/China-passes-foreign-relations-law-with-eye-on-countering-sanctions2>.

<sup>lvi</sup> *Ibid.*

<sup>lvii</sup> Tsuneo Watanabe, “What are the common strategic interests and rationale to compete with China by Japan and the US?” Sasakawa Peace Foundation, March 22, 2022, [https://www.spf.org/iina/en/articles/watanabe\\_03.html](https://www.spf.org/iina/en/articles/watanabe_03.html).

<sup>lviii</sup> *Ibid.*

<sup>lix</sup> “National Security Strategy of Japan,” Ministry of Defense, Japan, last modified December 2022, [https://www.mod.go.jp/j/policy/agenda/guideline/pdf/security\\_strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/pdf/security_strategy_en.pdf).

<sup>lx</sup> “National Defense Strategy,” Ministry of Defense, Japan, last modified December 16, 2022, [https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy\\_en.pdf](https://www.mod.go.jp/j/policy/agenda/guideline/strategy/pdf/strategy_en.pdf).

<sup>lxi</sup> “U.S. military to strengthen functions of Japan command headquarters,” *Kyodo News*, March 25, 2024, <https://english.kyodonews.net/news/2024/03/d29648f5bd1c-urgent-us-military-to-strengthen-functions-of-japan-command-headquarters.html>.

<sup>lxii</sup> Mireya Solís, “Economic Security: Boon or Bane for the US-Japan Alliance?” Sasakawa Peace Foundation USA, November 5-6, 2022, [https://spfusa.org/publications/economic-security-boon-or-bane-for-the-us-japan-alliance/#\\_ftn19](https://spfusa.org/publications/economic-security-boon-or-bane-for-the-us-japan-alliance/#_ftn19).

<sup>lxiii</sup> Kazuto Suzuki, “地経学ブリーフィング 地経学的変動に揺らぐ EU,” <https://apinitiative.org/2023/10/03/50722/>.

<sup>lxiv</sup> Jiayi Zhou, Fei Su, Jingdong Yuan, “De-risking: the EU’s and Japan’s approaches to managing economic relations with China,” SIPRI Research Policy Paper, <https://www.sipri.org/sites/default/files/2024-02/de-risking.pdf>.

<sup>lxv</sup> “Japan-EU High-Level Economic Dialogue,” Ministry of Foreign Affairs of Japan, last modified May 2, 2024, [https://www.mofa.go.jp/ecm/ie/pageite\\_000001\\_00323.html](https://www.mofa.go.jp/ecm/ie/pageite_000001_00323.html).

<sup>lxvi</sup> James Crabtree, “Looking beyond China: Why it’s time to refresh the EU’s Indo-Pacific strategy,” European Council on Foreign Relations, December 4, 2023, <https://ecfr.eu/article/looking-beyond-china-why-its-time-to-refresh-the-eus-indo-pacific-strategy/>.

<sup>lxvii</sup> George Cunningham, “The EU’s Strategy for Cooperation in the Indo-Pacific,” Sasakawa Peace Foundation USA, last accessed May 15, 2024, [https://spfusa.org/publications/the-eus-strategy-for-cooperation-in-the-indo-pacific/#\\_ftn33](https://spfusa.org/publications/the-eus-strategy-for-cooperation-in-the-indo-pacific/#_ftn33).

<sup>lxviii</sup> *Ibid.*

<sup>lxix</sup> “Japan’s Effort for a ‘Free and Open Pacific.’” Ministry of Foreign Affairs. , n.d. <https://www.mofa.go.jp/files/100056243.pdf>.

<sup>lxx</sup> Shogo Akagawa and Takero Minami, “Germany, France to send naval and air forces to Indo-Pacific European vessels to participate in U.S.-led South China Sea exercise,” *Nikkei Asia*, May 8, 2024, <https://asia.nikkei.com/Politics/International-relations/Indo-Pacific/Germany-France-to-send-naval-and-air-forces-to-Indo-Pacific>.

---

<sup>lxxi</sup> Keith Johnson, “Europe Yearns to Be an Indo-Pacific Player,” *Foreign Policy*, March 17, 2024, <https://foreignpolicy.com/2024/03/19/europe-navy-indo-pacific-strategy-maritime-security/>.

# Japan's Approach to Securing Critical Minerals

*By Derek Tingblad*

## Introduction

In today's interconnected global economy, critical minerals play an indispensable role in driving technological advancement and sustainable development. These minerals, essential for a wide range of industries including electronics, renewable energy, and advanced manufacturing, face increasing demand and potential supply disruptions. For a resource-poor country like Japan, securing a reliable supply of critical minerals is not merely an economic necessity but a strategic imperative.

I became interested in this topic as Japan announced or partnered on a series of international initiatives and laws concerning critical minerals. These include the Economic Security Promotion Act (ESPA), Five-Point Plan for Critical Minerals Security, Partnership for Global Infrastructure and Investment (PGII), U.S.-Japan Critical Minerals Agreement (CMA), and the Resilient and Inclusive Supply-chain Enhancement (RISE) Initiative.

Historically, Japan has navigated various challenges related to resource scarcity, from the energy crises of the 1970s to the rare earth element embargo by China in 2010.<sup>i</sup> These events underscored the vulnerability of Japan's supply chains and prompted a reevaluation of its approach to securing critical minerals. The past few years have seen a significant shift in Japan's strategy, marked by increased proactivity and international collaboration.

In this paper, I explore Japan's evolving strategy to secure access to critical minerals. It examines the historical context of Japan's resource challenges, the recent proactive measures undertaken by the Japanese government, and the implications of these policies for future resource security. Through a comprehensive analysis of Japan's diplomatic efforts, investment strategies, and domestic policies, this paper aims to provide a detailed understanding of how Japan is positioning itself to meet growing demand for critical minerals in an uncertain global market.

## *Definitions*

Critical minerals are mineral resources crucial for sustaining the economy that may face supply disruptions.<sup>ii</sup> What a government considers as critical minerals will change over time and from country to country. To determine what Japan's critical minerals are, three questions must be answered. First, what industries are vital to sustain Japan's economy? Second, what minerals are required for these industries to function? Last, what are the potential factors that might disrupt Japan's supply chains of these minerals?

The Japanese government has enacted legislation delineating strategic economic sectors, notably the Economic Security Promotion Act (ESPA).<sup>iii</sup> These sectors include electronic vehicle (EV) batteries, semiconductors, pharmaceuticals, green technologies for power generation, green recycling of steel, and green recycling of plastic, among others.

Furthermore, the same legislation grants authority to the Ministry of Economics, Trade, and Industry (METI) to compile a list of critical minerals essential to the above economic sectors. While many of these minerals are commonly seen on critical mineral lists compiled by other countries—such as cobalt, lithium, magnesium, and rare earth elements—they hold varying degrees of significance based on each nation's industrial priorities.

Japan's critical mineral list as of April 2024 is as follows:<sup>iv</sup>

Antimony, Barium, Beryllium, Bismuth, Boron, Carbon, Cesium, Chromium, Cobalt, Fluorine, Gallium, Germanium, Graphite, Hafnium, Indium, Lithium, Magnesium, Manganese, Molybdenum, Nickel, Niobium, PGMs (Platinum Group of Metals), Rare Earth Elements (REEs), Rhenium, Rubidium, Selenium, Silicon Metal, Strontium, Tantalum, Tellurium, Thallium, Titanium, Tungsten, Uranium, Vanadium, Zirconium

It is crucial to emphasize that rare earth elements (REEs) or rare earth minerals are not synonymous with critical minerals. While rare earth elements are often considered critical minerals, they do not encompass all critical minerals. Rare earth elements encompass seventeen distinct elements, each with specialized industrial applications, such as high-powered lasers, high quality lenses, and high-powered magnets used in wind turbines<sup>v</sup>.

### **What are the Causes of Disruptions to Japan's Critical Minerals Supply Chains?**

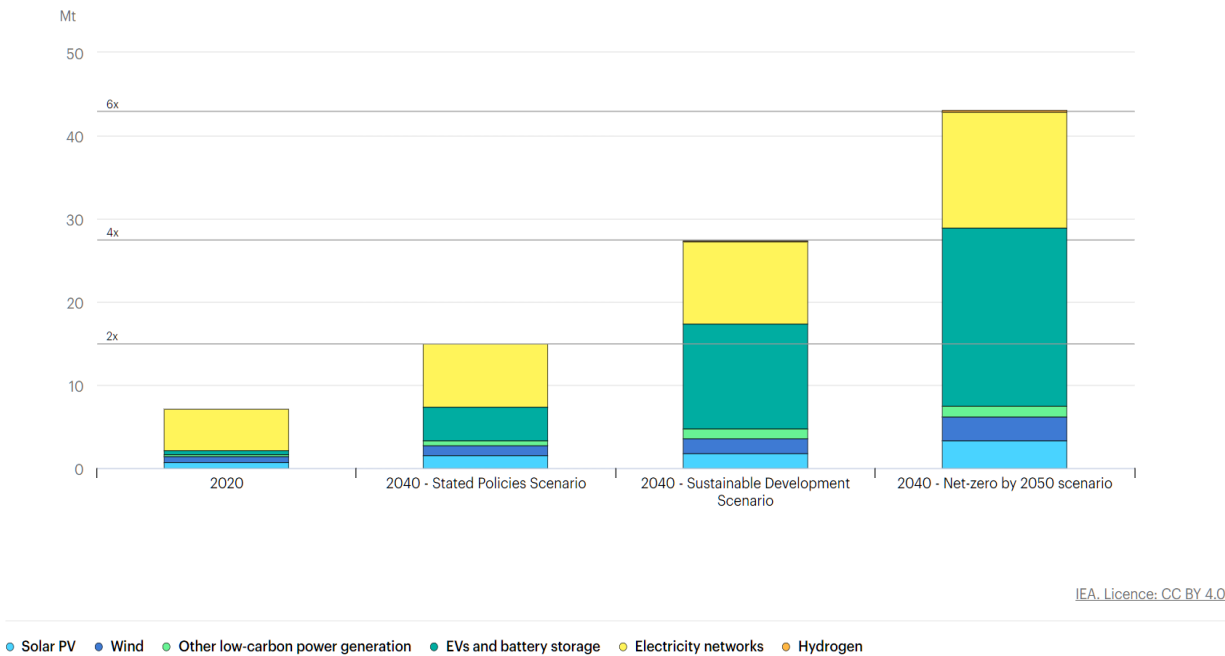
#### *The Green Energy Transition*

The first disruption stems from heightened demand spurred by the global shift towards the green transition. The transition from fossil fuels to renewable energy sources requires extensive infrastructure developments in renewable power generation and energy storage. This endeavor relies on critical minerals. The International Energy Agency (IEA) provides estimates regarding the escalating demand for critical minerals necessitated by this green transition. Achieving net zero emissions by 2050, as outlined in the Paris Agreement, is estimated to require a sixfold increase in annual critical mineral extraction by 2040. Even under more conservative scenarios that do not achieve net zero by 2050, demand for critical minerals is estimated to double (by 2050? Or within a nearer time frame?).<sup>vi</sup> To meet this sharp increase in demand, infrastructure for the extraction, processing, and shipping of critical minerals will need to increase dramatically. Japan, with its more ambitious goals, is likely to align its demand closer to the higher end of this estimate, necessitating a sixfold increase in critical mineral extraction.

However, a significant challenge arises from the global nature of this transition. As per the Paris Agreement, nations worldwide are committed to transitioning away from fossil fuels. Consequently, the global supply of critical minerals will face severe strain, with demand outstripping limited supply. This imbalance is expected to drive prices to unprecedented highs. Furthermore, given national security interests, governments will be prone to restricting the flow of certain critical minerals to other countries, exacerbating supply constraints.



Figure 1. Estimated Demand over Time for Critical Minerals Essential to the Green Transition



(Source: International Energy Agency)

### *China's Near Monopoly of Rare Earth Elements and Critical Mineral Processing*

China emerges as a significant disruptor due to its status as the largest producer of rare earth elements, a specific subset of critical minerals. Accounting for approximately 90% of global production, China wields a near-monopoly over these resources. Moreover, China dominates the processing facilities for critical minerals like cobalt and lithium, both essential for lithium-ion battery production. Even minerals mined outside China often undergo processing within its borders before being traded on the global market.<sup>viii</sup> This lack of diversified supply poses a substantial challenge for Japan.

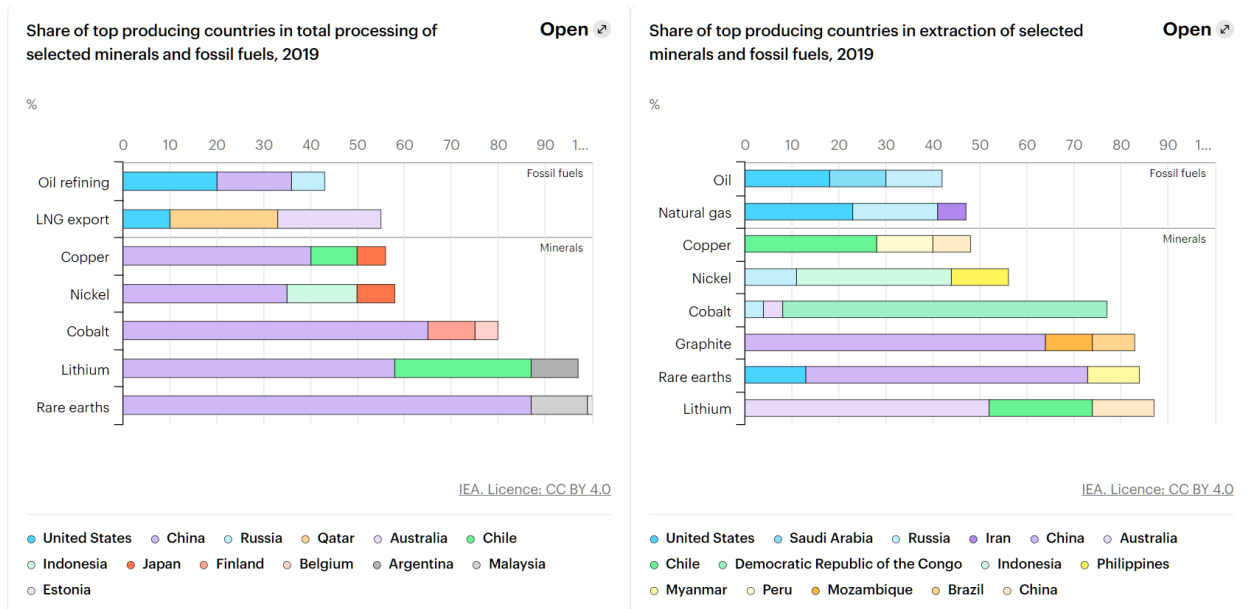
China's control extends beyond production to the ability to manipulate global supply. This was exemplified in 2010 when tensions escalated over the Senkaku Islands (known as Diaoyu Islands in China), administered by Japan but claimed by China. Despite being uninhabited, these islands hold strategic significance within the First Island Chain, offering control over access to the Pacific Ocean. The dispute intensified when a Chinese fishing boat illegally entered Japan's exclusive economic zone near the islands in 2010, leading to heightened demands from China to acknowledge its territorial claims.

Following plans conceived by the governor of Tokyo, the Japanese government purchased the islands in 2012, hoping to avoid further escalation with Beijing over the incendiary rhetoric from Tokyo's then-governor. This purchase effectively nationalized the islands. Instead of reducing tension, however, the move further aggravated the PRC, triggering anti-Japanese protests in China and resulting in a Chinese embargo on exports to Japan, including rare earth elements. At the time, Japan heavily relied on Chinese rare earth supplies – an estimated 90% of rare earth

elements in Japan came from China. This embargo severely constrained Japan's access to critical minerals.<sup>viii</sup>

Given the ongoing tensions in the South China Sea and the broader geopolitical rivalry between the United States and China, the specter of another embargo of rare earth elements from China looms large. While China eventually resumed rare earth exports to Japan, the incident prompted Japan to adopt a dual approach. This involved augmenting strategic mineral reserves and implementing a "China plus one" strategy, securing alternative suppliers to mitigate dependence on China and safeguard against potential embargoes. Yet, with China's near monopoly, the effectiveness of Japan's policies is limited. As of 2024, Japan still relies on China for about 60% of its supply of rare earth elements.<sup>ix</sup>

Figure 2. Top Producing Countries in Extraction and Processing of Critical Minerals



(Source: International Energy Agency)

### Russia's Invasion of Ukraine

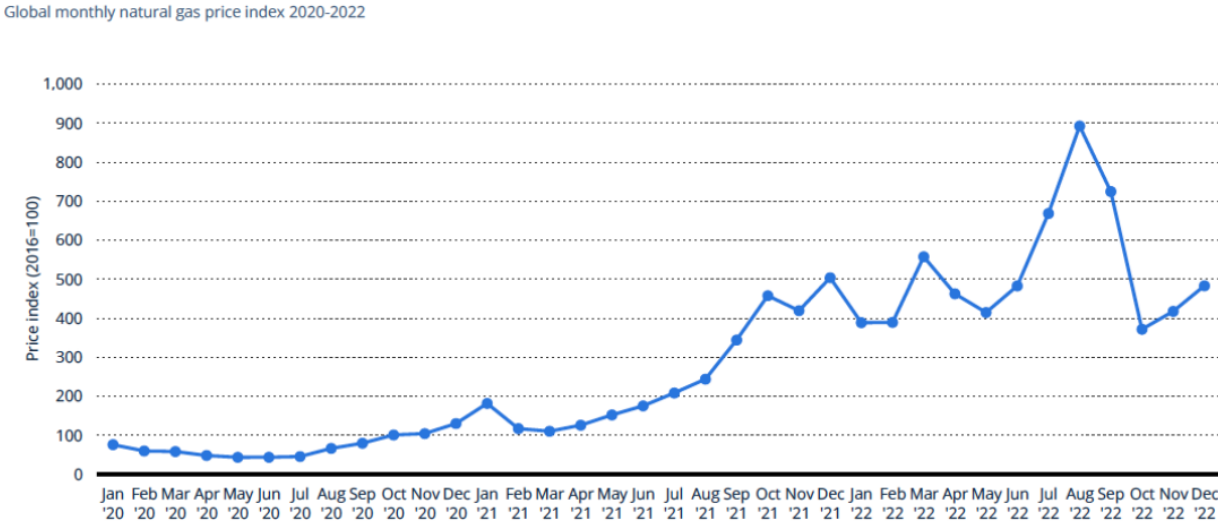
Another significant disruption stems from Russia's invasion of Ukraine. Japan relies heavily on imports from Russia, but the imposition of sanctions in the aftermath of the invasion significantly hampered the supply of Russian goods to Japan, particularly in energy-related sectors, and indirectly affected critical mineral imports. Interestingly, while the sanctions did not encompass minerals, both the Japanese government and industry leaders perceived Russia as a risky source, leading to a voluntary reduction in imports, even in sectors not directly affected by sanctions.<sup>x</sup>

The broader implications of Russia's actions extend beyond mineral imports. Russia stands as one of the world's largest suppliers of natural gas and fossil fuel exports, particularly to Europe. The immediate aftermath of the sanctions resulted in substantial spikes in natural gas prices. Despite Europe being the primary market for Russian energy exports, the interconnected nature

of the fuel market meant that price increases have affected global markets. This fact underscores a pivotal paradigm change beginning to take root among the most influential economies: fossil fuels can no longer be deemed reliable sources of energy.

Consequently, there is a growing impetus among nations, including Japan and other G7 members, the EU, and the United States, to expedite the transition away from fossil fuels.<sup>xi</sup> This imperative is twofold, intending not only to mitigate climate change but also to secure energy sources. The heightened security premium placed on fossil fuels has bolstered demand for alternatives, such as critical minerals vital for the green transition. Moreover, this surge in interest among G7 nations, notably the United States, has spurred numerous initiatives aimed at securing critical mineral sources worldwide.

Figure 3. Natural Gas price index 2020-2022



(Source: Groupe d'Études Géopolitiques)

**How Japan Acquires Critical Minerals**

The third major disruption, the impact of Russia's invasion of Ukraine on energy prices, has created increased urgency among the United States, the rest of the G7 countries, and the EU to secure critical minerals. This renewed focus on critical mineral security presents a significant opportunity for Japan. The question that has intrigued me throughout my research was why Japan began in 2022 to initiate various measures to secure critical mineral access. The sudden uptick in measures was puzzling, given that Japan has grappled with threats to its critical mineral supplies since 2010, when China disrupted the flow of rare earth elements to Japan.

The key insight I discovered was that Japan, recognizing the increased urgency of the U.S. and G7 countries to secure critical minerals, has discovered a golden opportunity to practice “critical mineral diplomacy” vis-à-vis allies and friendly countries. Key among Japan’s new diplomatic efforts is the Resilient and Inclusive Supply-chain Enhancement (RISE) initiative, launched in 2023 at the World Bank, aimed at developing midstream and downstream capabilities for critical mineral-producing nations.<sup>xii</sup> In this context, "midstream" involves processing or transporting

minerals to make them usable, while "downstream" involves transporting minerals to manufacturers to be transformed into products, such as electric vehicle batteries.

Additionally, Japan has forged various agreements with other countries, not only through the RISE initiative but also through bilateral agreements with critical mineral-producing nations like South Africa<sup>xiii</sup> and Canada.<sup>xiv</sup> Furthermore, Japan enacted new legislation comparable to the Biden administration's Inflation Reduction Act, the Economic Security Promotion Act (ESPA), which provides tax credits to companies that produce certain critical minerals, develop innovations for more efficient use of critical minerals, and increase recycling capacity.<sup>xv</sup>

Hence, the heightened excitement and activity in Tokyo surrounding this subject stem from the increased interest and engagement of other nations, particularly the United States and G7 countries, in securing critical minerals.

#### *Developing Relationships among Partner Countries through ODA*

The Japanese government employs several strategies to secure access to critical minerals. First, I will explain how Japan develops relationships with producing countries—nations possessing critical mineral resources who seek to extract and export them. This approach underscores Japan's active diplomacy, development efforts, and engagement with multilateral organizations.

A cornerstone of Japan's strategy is its use of Official Development Assistance (ODA). ODA encompasses programs that provide funds or expertise to developing nations to facilitate infrastructure development, improvements to living standards, and market growth. Typically, recipients of ODA are low or middle-income countries. Spearheading Japan's ODA efforts is the Japan International Cooperation Agency (JICA), which operates numerous branch offices worldwide.<sup>xvi</sup>

JICA's ODA programming follows a collaborative process. The Japanese government outlines its interests, such as critical minerals or infrastructure development, while recipient countries articulate their specific needs and priorities. JICA members stationed in branch offices then engage in discussions with both the recipient country and the Japanese government to devise comprehensive program plans. Crucially, JICA members often embed themselves within foreign government ministries, fostering extensive networks, cultural understanding, and effective collaboration.<sup>xvii</sup>

One initiative within Japan's ODA framework particularly pertinent to critical minerals is the Kizuna program,<sup>xviii</sup> wherein the government invites ministers from developing countries' natural resource departments to study mining and geology in Japan. Participants undergo educational stints at Japanese universities, with the option to engage in practical work experiences in Japan. Subsequently, Japanese experts reciprocate by collaborating with these ministries in developing mining programs, conducting geological surveys, and providing technical assistance. This exchange especially benefits Japanese researchers given the scarcity of domestic mines. Moreover, the interpersonal exchanges fostered by the Kizuna program cultivate enduring relationships. Japanese ministers gain firsthand insights into the operations of natural resource ministries in developing nations, alongside cultural understanding, thereby enhancing collaboration and cooperation.

Much of JICA's work centers on infrastructure investment.<sup>xix</sup> JICA offers technical and financial support in the construction of large-scale infrastructure projects such as roads, ports, and bridges. These infrastructure projects are supported by the Japan Bank for International Cooperation (JBIC) and support critical mineral acquisition in two ways. First, infrastructure development creates trust and develops better people-to-people relationships between Japan and the participant nation. Second, improved infrastructure, such as ports and rail, enables more exports of critical minerals.

#### *The Role of Multilateral Organizations*

Another avenue through which Japan cultivates relationships is via multilateral development banks (MDBs) like the World Bank and the Asian Development Bank (ADB). Japanese staff members within these MDBs perform roles akin to JICA employees in the Kizuna program. They collaborate with local ministries, civil society organizations, NGOs, and private firms within recipient countries, facilitating relationship-building and fostering a deeper understanding of local culture and governance structures.<sup>xx</sup>

Moreover, Japanese staff often collaborate closely with counterparts from other G7 countries. By leveraging these partnerships, Japan gains access to the extensive networks established by G7 nations. These relationships prove invaluable for other Japanese agencies involved in setting up extraction and processing facilities overseas, as they can tap into the pre-existing connections and expertise amassed by G7 countries.<sup>xxi</sup>

#### *The Role of JOGMEC and Other Export Agencies*

Next, I will examine the agencies collaborating with private industry and resource-exporting nations, primarily the Japan Bank for International Cooperation (JBIC), Japan Organization for Metals and Energy Security (JOGMEC), as well as other entities like NEXI and JETRO. These agencies initiate discussions with JICA regarding potential relationships and engage with Japanese and foreign private industries interested in investing in overseas mining or processing facilities, with JOGMEC primarily involved in critical minerals ventures.<sup>xxii</sup>

JOGMEC typically initiates conversations with private industry and governments about establishing extraction or processing facilities overseas, offering technical expertise such as geological surveys to identify critical mineral reserves. Subsequently, JOGMEC collaborates with both private sector and government stakeholders from Japan and the host country to negotiate contracts for setting up facilities, including mines or processing plants.<sup>xxiii</sup>

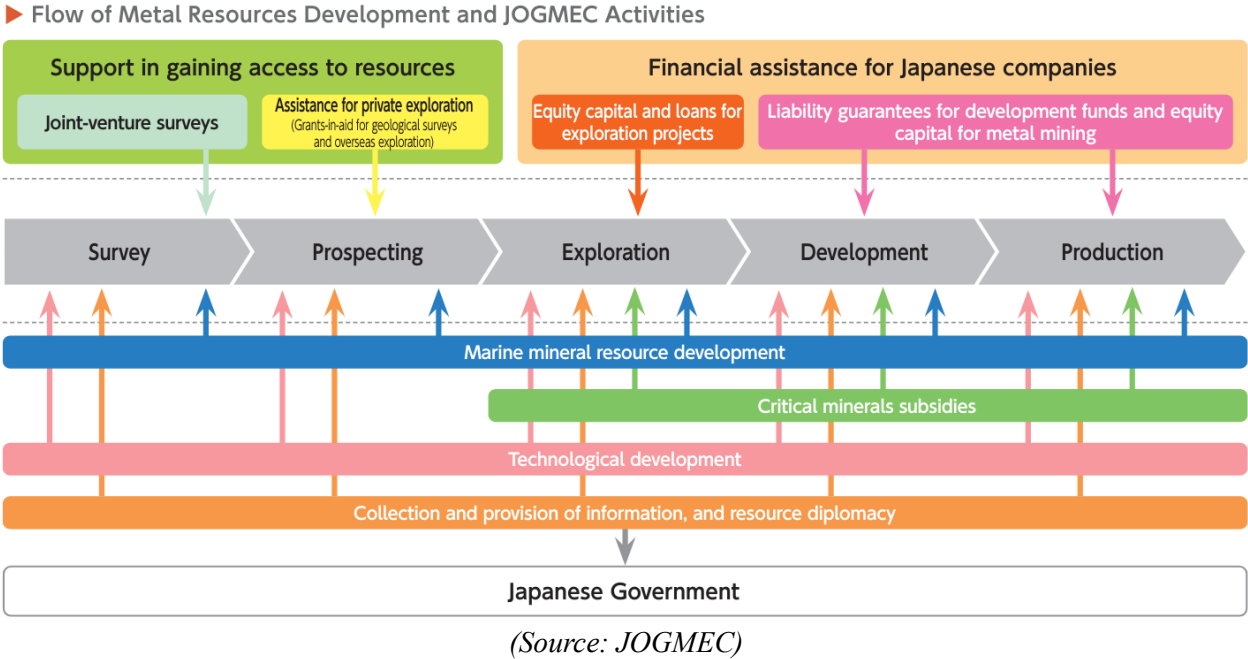
JBIC then steps in to provide loans for these projects, complemented by equity guarantees from JOGMEC. This may also involve developing infrastructure such as railways or ports for the efficient export of goods post-extraction or processing.<sup>xxiv</sup> JBIC's loans are offered at low-interest rates and can be combined with blended finance from multilateral development banks or private institutions to further mitigate risk and reduce interest rates. Meanwhile, JOGMEC's equity guarantees serve to further diminish project risks. By lowering risks, these initiatives incentivize investment from private industry in extraction and processing ventures that, in turn, support the Japanese government's strategic interests.

Moreover, JOGMEC's equity stake in these projects ensures a vested interest in their success. This stake allows JOGMEC to leverage its position to ensure that a portion of the extracted mineral resources are earmarked for export to Japan. However, maintaining a delicate balance between pursuing strategic interests and supporting economic development outcomes in the host country is crucial. Japanese government policy aims for the host country to maintain primary ownership over extraction and processing ventures, both to foster amicable relations and to further mitigate investment risk. This endeavor underscores Japan's commitment to being viewed as a friendly and beneficial investor by its development partners.

However, due to the extensive surveying and development required, these projects must entail significant timeframes before any critical minerals can be shipped. Additionally, commodity market fluctuations can significantly impact operational viability.<sup>xxv</sup> For instance, immediately following the opening of the first cobalt mine in the United States in 2023, a sudden drop in cobalt prices rendered the operation unprofitable.<sup>xxvi</sup> Such factors, compounded by the inherent risks of working in developing nations, contribute to investor hesitancy.

Therefore, the Japanese government's efforts to maintain positive relations with development partners and mitigate investment risks through policy interventions are paramount. Lastly, retaining a small equity stake ensures that Japan retains some benefit from its investments, mitigating the risk of other buyers, such as China, monopolizing the extracted minerals.

Figure 4. JOGMEC's Activities Concerning Critical Minerals



*Domestic Activities*

Once the critical minerals have been imported and refined, Japan implements several policies to ensure effective utilization and sustainable management. First, Japan maintains a strategic stockpile of critical minerals, a response to past embargoes such as the 2010 crisis with China.

This stockpile serves as a buffer to stabilize prices during disruptions or rapid price increases, ensuring continuity of supply.<sup>xxvii</sup>

Second, Japan provides tax credits to companies that invest in or innovate ways to use critical minerals more efficiently. One way is to reduce the required material for each unit produced, such as by minimizing cobalt usage in electric car batteries. By promoting efficiency, Japan aims to optimize resource use and minimize waste.

Third, Japan incentivizes recycling of critical minerals by offering tax credits to companies that invest in or innovate recycling technologies. The government's objective is to retain minerals within the country by preventing waste material or scrap containing critical minerals from being exported. By encouraging recycling, Japan aims to create a closed-loop system where minerals are reused, reducing reliance on imports and promoting sustainability.

These policies underscore Japan's commitment to ensuring a stable supply of critical minerals, optimizing resource usage, and fostering a circular economy approach to mineral management.

### **Policy Recommendations**

The model Japan has employed to secure access to critical minerals involves developing relationships, negotiating contracts with a small equity stake for access assurance, investing in infrastructure, and managing mineral imports and exports while striving for efficiency gains and promoting recycling. This model draws on experiences from over 50 years ago, spurred by concerns dating back to the 1970s energy crisis and exacerbated by more recent disruptions like the 2010 rare earth elements crisis with China.

The significant change in recent years lies in Japan's heightened proactivity. Previously, the government would often wait to gauge industry or other countries' needs before taking action. Now, however, policymakers are shifting towards actively pushing for the creation of contracts and relationships to secure critical minerals. While this proactive stance may enable Japan to secure contracts earlier and anticipate rising demand, it also presents challenges.

One of the main pros of this proactive approach is the ability to establish contracts and relationships ahead of increasing demand. However, there are potential cons as well. By being overly proactive, Japan risks losing touch with the evolving needs of industry. The dynamic nature of technology and industry demand means that investments made too far in advance may not align with future product requirements. For instance, advancements in electric vehicle battery technology could render large investments in cobalt mining obsolete.

Furthermore, the danger of government intervention in industrial policy lies in the risk of choosing winners and losers. While supporting industries that create value is beneficial, backing industries that do not meet market demands can lead to inefficiencies and wasted resources. Thus, Japan must strike a balance between proactive planning and responsiveness to industry needs to ensure effective investments and to promote sustainable growth in critical mineral access.

While the Japanese government has adopted a more proactive approach to critical resource management, many of their current initiatives rely on cooperation with the United States. Many of the standards and negotiations on critical mineral policy are led by the U.S., with the other G7 countries taking a more subsidiary approach. United States policy can be volatile. After each election, policy priorities can change drastically. Japan's critical mineral policies initiatives account for potential reduced funding or abandonment by the U.S.

The nature of critical minerals is that they change along with innovation in the economy. Changes in technology may result in certain resources becoming critical minerals and others becoming obsolete. As such, a continued dialogue between Japanese policy makers and private industry is essential. Furthermore, critical mineral policy must be flexible in order to pivot funding and attention if and when the status of critical minerals changes.

Despite efforts to diversify their critical mineral supply chains away from China, Japan still relies on China for 60% of its rare earth element imports. Furthermore, it will take years for critical mineral mines and processing facilities to begin producing finished products. In the short-run, Japan will have to keep trade with China open. I anticipate the two-track model of diplomacy developed by the Abe administration, separating economic and security matters, to continue despite a changing political climate in Japan that has encouraged increased defense spending.

## **Conclusion**

Japan's approach to securing critical minerals is a multifaceted strategy that has evolved significantly over the past several decades. The nation's proactive stance is driven by a keen awareness of the increasing global demand for these essential resources, especially in the context of the green transition away from fossil fuels. By developing robust relationships with resource-rich countries, investing in extraction and processing infrastructure, and leveraging multilateral development bank networks, Japan has positioned itself to ensure a steady supply of critical minerals.

The shift towards a more proactive approach marks a significant departure from past practices, where Japan often waited for industry signals before acting. While this new strategy allows Japan to preemptively secure necessary resources, it also carries the risk of misaligning with future industry needs due to rapid technological advancements.

Domestically, Japan has implemented policies to maintain a strategic stockpile, promote efficiency in the use of critical minerals, and incentivize recycling. These measures are designed to buffer against supply disruptions, optimize resource use, and create a sustainable, circular economy for critical minerals.

As Japan continues to navigate the complex landscape of global mineral supply, its blend of diplomacy, strategic investment, and forward-thinking domestic policies will be crucial. The lessons learned from past disruptions and the current proactive measures highlight Japan's commitment to securing its economic future and contributing to global sustainability efforts. By balancing immediate resource needs with long-term sustainability goals, Japan sets a comprehensive model for other nations facing similar challenges in securing critical minerals.



## Endnotes

---

- <sup>i</sup> “Japan’s Energy Supply Situation and Basic Policy.” Japan’s Vulnerable Energy Supply Situation - The Federation of Electric Power Companies of Japan (FEPC). Accessed May 14, 2024. [https://www.fepc.or.jp/english/energy\\_electricity/supply\\_situation/](https://www.fepc.or.jp/english/energy_electricity/supply_situation/).
- <sup>ii</sup> “Critical Mineral Basics.” American Geosciences Institute, March 28, 2018. <https://www.americangeosciences.org/critical-issues/critical-mineral-basics>.
- <sup>iii</sup> News, Kyodo. “Japan Designates Chips, Batteries Strategically Critical Materials.” Kyodo News+, December 20, 2022. <https://english.kyodonews.net/news/2022/12/5b0d50e16b3e-japan-designates-chips-batteries-strategically-critical-materials.html>.
- <sup>iv</sup> METI. “経済産業省[2023]、「重要鉱物に係る安定供給確保を図るための取組方針。」重要鉱物 (METI/経済産業省) . Accessed May 14, 2024. [https://www.meti.go.jp/policy/economy/economic\\_security/metal/index.html](https://www.meti.go.jp/policy/economy/economic_security/metal/index.html).
- <sup>v</sup> “What Are Rare Earth Elements, and Why Are They Important?” American Geosciences Institute, February 1, 2018. <https://www.americangeosciences.org/critical-issues/faq/what-are-rare-earth-elements-and-why-are-they-important>.
- <sup>vi</sup> IEA (2021), The Role of Critical Minerals in Clean Energy Transitions, IEA, Paris <https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions>, Licence: CC BY 4.0
- <sup>vii</sup> IEA (2023), Critical Minerals Market Review 2023, IEA, Paris <https://www.iea.org/reports/critical-minerals-market-review-2023>, Licence: CC BY 4.0
- <sup>viii</sup> Michael Green, Kathleen Hicks. “Counter-Coercion Series: Senkaku Islands Trawler Collision.” Asia Maritime Transparency Initiative, May 18, 2017. <https://ami.csis.org/counter-co-tiler-collision/>.
- <sup>ix</sup> WEF. “How Japan Strengthened Its Rare Earth Minerals Supply Chain .” World Economic Forum. Accessed May 14, 2024. <https://www.weforum.org/agenda/2023/10/japan-rare-earth-minerals/>.
- <sup>x</sup> Corbin, Michael, et al. “The Complete Falling out of Russian-Japanese Relations.” Responsible Statecraft, March 13, 2024. <https://responsiblestatecraft.org/japan-russia/>.
- <sup>xi</sup> Viñuales, Jorge. “The Ukraine War and the Energy Transition.” Groupe d’études géopolitiques. Accessed May 14, 2024. <https://geopolitique.eu/en/articles/the-ukraine-war-and-the-energy-transition/>.
- <sup>xii</sup> World Bank Group. “World Bank and Japan to Boost Mineral Investments and Jobs in Clean Energy.” World Bank, October 11, 2023. <https://www.worldbank.org/en/news/press-release/2023/10/11/world-bank-and-japan-to-boost-mineral-investments-and-jobs>.
- <sup>xiii</sup> MOFA. “Japan-South Africa Foreign Ministers’ Meeting.” Ministry of Foreign Affairs of Japan. Accessed May 14, 2024. [https://www.mofa.go.jp/afr/af2/za/page1e\\_000740.html](https://www.mofa.go.jp/afr/af2/za/page1e_000740.html).
- <sup>xiv</sup> Canada, Global Affairs. “Canada Welcomes Japan’s Minister of Economy, Trade and Industry.” Canada.ca, September 21, 2023. <https://www.canada.ca/en/global-affairs/news/2023/09/canada-welcomes-japans-minister-of-economy-trade-and-industry.html>.
- <sup>xv</sup> Bashe, Avery. “The Japanese Economic Security Promotion Act: A Solution to National Security Threats Resulting from Economic Globalization.” The Japanese Economic Security Promotion Act: A Solution to National Security Threats Resulting from Economic Globalization | Columbia Business Law Review. Accessed May 14, 2024. <https://journals.library.columbia.edu/index.php/CBLR/announcement/view/602#:~:text=The%20Japanese%20Economic%20Security%20Promotion%20Act%20effectively%20addresses%20the%20current,development%2C%20and%20critical%20intellectual%20property>.
- <sup>xvi</sup> JICA. “Oda and Jica | about Jica.” JICA. Accessed May 14, 2024. <https://www.jica.go.jp/english/about/basic/oda/index.html>.
- <sup>xvii</sup> JICA, and JICA, BASIC PRINCIPLES FOR TECHNICAL COOPERATION § (n.d.).
- <sup>xviii</sup> Tanaka, Hiroo. “Toward the Development of Developing Countries and the Stable Supply of Mineral Resources ~ Ten Years of the Kizuna Program ~ | News & Media.” JICA. Accessed May 14, 2024. [https://www.jica.go.jp/english/information/blog/1515998\\_24156.html](https://www.jica.go.jp/english/information/blog/1515998_24156.html).
- <sup>xix</sup> JICA, JICA Annual Report 2020 § (n.d.).

---

<sup>xx</sup> Asian Development Bank. “JICA to Provide up to \$1.5 Billion for ADB-Managed LEAP 2 Fund to Support Infrastructure in Asia and the Pacific.” Asian Development Bank, December 12, 2023. <https://www.adb.org/news/jica-provide-15-billion-adb-managed-leap-2-fund-support-infrastructure-asia-and-pacific>.

<sup>xxi</sup> “Fact Sheet: Partnership for Global Infrastructure and Investment at the G7 Summit.” The White House, June 1, 2023. <https://www.whitehouse.gov/briefing-room/statements-releases/2023/05/20/fact-sheet-partnership-for-global-infrastructure-and-investment-at-the-g7-summit/>.

<sup>xxii</sup> JOGMEC. “Jogmec Seminar on Exploration and Environmental Conservation on Mine Sites Held in Cape Town, South Africa. : News Releases: Japan Organization for Metals and Energy Security (JOGMEC).” JOGMEC Seminar on Exploration and Environmental Conservation on Mine Sites held in Cape Town, South Africa. : News Releases | Japan Organization for Metals and Energy Security (JOGMEC). Accessed May 14, 2024. [https://www.jogmec.go.jp/english/news/release/news\\_10\\_000016.html](https://www.jogmec.go.jp/english/news/release/news_10_000016.html).

<sup>xxiii</sup> JOGMEC. “Metals: Japan Organization for Metals and Energy Security (JOGMEC).” Metals | Japan Organization for Metals and Energy Security (JOGMEC). Accessed May 14, 2024. <https://www.jogmec.go.jp/english/metal/index.html>.

<sup>xxiv</sup> JBIC. “Role and Function.” Role and Function | JBIC Japan Bank for International Cooperation. Accessed May 14, 2024. <https://www.jbic.go.jp/en/about/role-function.html>.

<sup>xxv</sup> Krol-Sinclair, Maria J. “Bring Commodities Market Regulators into the Critical Minerals Discussion.” CSIS. Accessed May 14, 2024. <https://www.csis.org/analysis/bring-commodities-market-regulators-critical-minerals-discussion>.

<sup>xxvi</sup> Smith, Stacey Vanek, and Eric Whitney. “Cobalt Is in Demand, so Why Did America’s Only Cobalt Mine Close?” NPR, December 14, 2023. <https://www.npr.org/2023/12/14/1219246964/cobalt-is-important-for-green-energy-so-why-has-americas-only-coablt-mine-closed>.

<sup>xxvii</sup> JOGMEC, JOGMEC REPORT Integrated Report 2023 § (n.d.).

## Green Transformation in Japan: Energy Security in an Era of Climate Change

*By Evan Frey*

### Introduction

Japan is at an inflection point in its energy policy. As the country continues to deal with the long-term implications of the 2011 Fukushima Daiichi disaster, Japan has charted a new policy path that centers on energy security and decarbonization. Though portrayed as mutually beneficial, the tradeoffs needed to secure the former may compromise the latter. To meet these twin challenges, the government has developed a public and private investment roadmap totaling over \$1 trillion. This roadmap, the Basic Policy for the Realization of Green Transformation (GX), will transform the power sector, Japan's largest sectoral emitter, and in turn also transform Japan's energy security and decarbonization objectives.

Energy security has long posed a critical challenge to Japan's economy, strategic positioning, and way of life. Since its industrialization, Japan has been obsessed with securing energy resources and easing its dependence on foreign fossil fuel imports. Indeed, chronic energy insecurity was a driver of Japan's decision-making in the lead-up to World War II. In the post-war era, Japan has gone to extraordinary lengths to guarantee security of supply – diversifying fossil fuel sources to ease dependence on the conflict-prone Middle East; investing in upstream production abroad; developing a domestic fleet of nuclear plants; and fostering relationships with energy producing states. Despite such efforts, Japan remains highly dependent on global energy markets, and imports around 90% of its primary energy supply in the form of liquified natural gas (LNG), coal, and oil.<sup>i</sup> Most relevant to this paper, around 70 percent of Japan's power is generated using imported fossil fuels.<sup>ii</sup>

Japan has ambitious decarbonization targets. The country aims to reduce emissions by 46 percent below 2013 levels by 2030 and achieve net zero emissions by 2050.<sup>iii</sup> A dramatic change in Japan's energy mix will form the basis of this emissions reduction. Japan's policy framework – articulated by the GX – will determine the structure of these reductions and their impact on energy security.

The GX is a sweeping set of policies that complement and enable Japan's energy strategies. Its investment targets align with the government's decarbonization strategy, but it also acts as industrial policy much like the Inflation Reduction Act (IRA) and similar European policies. The GX will impact how power is generated, who generates it, and at what cost. It includes substantial funding for mature technologies such as solar PV, wind, and nuclear as well as nascent ones like hydrogen and ammonia, carbon capture and storage (CCS), and next generation nuclear.

Energy experts and environmental advocates have welcomed the GX as much-needed policy support, however, given the size of the reform package it proposes, there is concern about investment allocation. Experts have also critiqued the opacity of the policy making process and called for more realistic and transparent coordination with the private sector.

This paper provides an overview of the power sector and analyzes the impact of the GX in terms of decarbonization and energy security. It finds that, despite significant policy and regulatory support, Japan will likely fail to meet its electricity targets. Still, the paper finds that the GX enhances Japan's energy security, accelerating indigenous power generation and decreasing its exposure to volatile energy markets. Lastly, it recommends that Japan should pursue a more robust carbon price; prioritize investment in mature technologies; and account for the opportunity cost of public investment.

## Energy Security in Japan

Energy security is a broad concept whose meaning varies based on the context and history of the country considered. It is traditionally used to refer to fossil fuel supply chains and the geopolitical and hard security concerns that affect them. However, as energy systems become more complex and new technologies mature, this understanding has evolved – the Routledge Handbook of Energy Security notes no fewer than 45 definitions of energy security.<sup>iv</sup> For the purposes of this paper, energy security is defined as *the ability to meet current and future demand for energy in a reliable, affordable, and socially acceptable way*. While energy independence and energy security are closely related, they are not the same. The former is primarily concerned with a reduction in energy import dependence while the latter also includes issues such as affordability and price volatility.<sup>v</sup>

By nearly every definition, Japan is chronically energy insecure. Surprisingly, after the Meiji Restoration and as late as 1890, Japan was an important exporter of coal to East Asia.<sup>vi</sup> However, Japan's rapid modernization and industrialization quickly overcame the country's scant domestic energy supplies and revealed the chronic energy insecurity that Japan still faces today. In the post-World War II era, Japan's energy predicament became salient across politics and public life. As Dr. Kent Calder describes it, "Japan's bureaucratic structure, the organization of its private sector, the configuration of its elite politics and the operation of its mass media all accentuate that nation's consciousness of energy vulnerability, and the urgency of proactive steps to deal with it through the intensive development of energy resources."<sup>vii</sup> This consciousness was in no small part formed and motivated by the desire to become a technologically advanced, economically robust, industrial power.

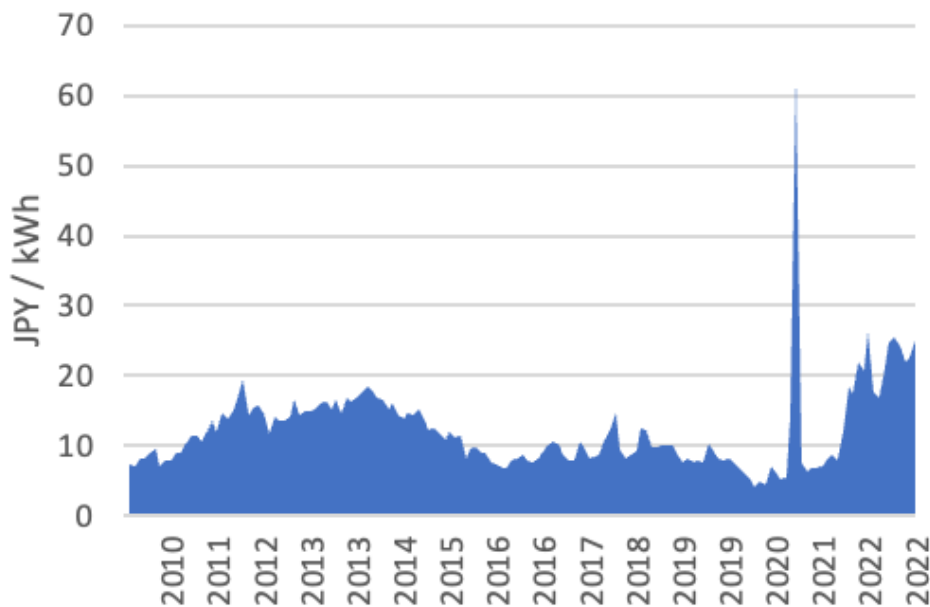
Reliable and affordable energy is a fundamental prerequisite of a robust developed economy, especially one like Japan which has strong, energy-intensive industrial and manufacturing sectors. High energy costs can erode the international competitiveness of industry.

Japan spent around \$1.8 trillion on fossil fuel imports between 2010 and 2022 – equivalent to more than 3 percent of its GDP.<sup>viii</sup> For comparison, Japan spent around 1 percent of GDP on defense annually during that period. The opportunity cost of spending 3 percent of GDP on fuel imports is immense. Japan could instead invest a portion of that money in domestic industry and the deployment of other energy technologies (discussed below) that do not require feedstock – generating jobs, financial returns, and economic growth.

Japan's reliance on fuel imports exposes it to global markets. These markets can be highly volatile, with rapid price fluctuations due to geopolitical tensions, supply disruptions, changes in

demand, and market speculation. A high degree of import dependence correlates domestic energy prices with the global market, which can have significant economic implications. As shown in Figure 1, following Russia's invasion of Ukraine, Japan saw significant spikes in power prices and power shortages.

Figure 1: Average Monthly JEPX Prices: 2010-2022



(Source: Renewable Energy Institute)

Energy insecurity impacts society and social life, as well. High energy prices put upwards pressure on the cost of living and inflation. Indeed, Japan's recent bout of inflation is in large part driven by energy prices.<sup>ix</sup>

### Energy Security & the Power Sector

In response to the dual energy crises of the 1970s, Japan implemented policies to mitigate its vulnerability in the energy sector. As a rapidly growing industrial power, Japan needed to fuel its economy, insulate itself from the chronically volatile Middle East supply chain, and provide its people with affordable energy supplies. Japan invested heavily in overseas energy sectors; fostered relationships with resource-rich states; diversified its power mix by incorporating new technologies; and diversified fossil fuel import sources.

Between 1950 and the early 1980s, Japan pursued a strategy of extensive FDI in energy sectors in the Middle East. The goal of this investment was to ensure the stable supply of affordable energy feedstock to Japan, but it also fostered strategic economic ties and diplomatic relations between Tokyo and Riyadh, Doha, and Abu Dhabi, among others, which persist today. After Russia's invasion of Ukraine, for example, former Prime Minister Kishida Fumio immediately scheduled calls with the Saudis, Qataris, and Emirates in an effort to stabilize energy markets.

While most of this FDI was done by the private sector, the government strongly incentivized Japanese firms to invest in the Gulf.

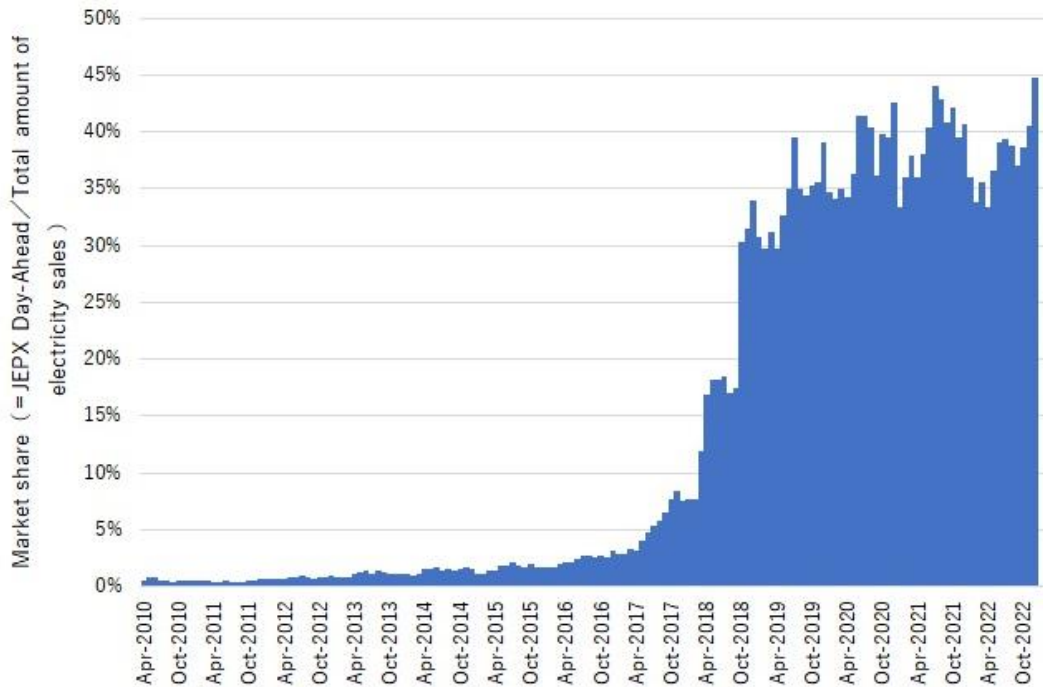
Some early investments with the potential to positively impact energy security were even deemed “national projects” by the Japanese government.<sup>x</sup> Indeed, FDI did boost oil and gas output in the region, but on a macro-level did not alter Japan’s dependence upon global market prices, over which it has little control. Recognizing this, Japan’s policies targeted the power sector – an area where innovation and investment could increase energy independence.

Today, the electricity sector is more salient to Japan’s energy strategy than ever before. Although electricity generation accounts for just a third of final energy consumption in Japan, the power sector is the only energy segment which can realistically be satisfied through only indigenous generation. Further, the sector will grow increasingly in importance as the government continues to push for electrification across the transportation, heating, and building sectors.

### *Power Sector Structure*

The structure of the power sector determines how electricity is generated, distributed, and sold, and it is critical to energy security. Shaped by the post-war reconstruction era and rapid industrialization, the power sector was amalgamated into nine vertically integrated power utilities and later expanded to ten. These utilities controlled every aspect of the power system, from generation to distribution and retail. In the 1990s, as much of the developed world moved to liberalize electricity markets, Japan began to introduce limited privatization and competition in that sector. Despite early market reform, cross regional competition in generation and distribution was extremely low, and most of the power system remained bundled under the utilities.<sup>xi</sup> Japan established a wholesale electricity market, the Japan Electric Power Exchange (JEPX) in 2005. This was significant because it allowed for greater levels of competition within generation (wholesale electricity markets allow competitive electricity producers to sell large amounts of power to meet demand through contracts for future delivery). Although the changes allowed for independent power producers (IPPs) to enter the market, their impact was marginal – less than 5 percent of Japan’s electricity was traded on the wholesale day-ahead market until after 2016 (see Figure 2).<sup>xiii</sup> Japan’s institutions generally do not change quickly, and it took an exogenous shock to generate sectoral reform.

Figure 2: Share of Day-ahead Market Share



(Source: ANRE and JEPX)

Following the 2011 triple disaster of a massive earthquake, tsunami, and meltdown of the Fukushima nuclear plant, Japan passed the Electricity System Reform act in 2013, accelerating power sector restructuring. The earthquake provided the political cover required for the government to pursue greater liberalization, and, in the words of one expert, “punish” the utilities for their perceived transgressions. The reform, which started to impact the power sector in 2015, made three major changes. First, it established the Organization for Cross-regional Coordination of Transmission Operators (OCCTO), which would become responsible for inter-regional transmission planning and system operations. Second, it fully liberalized the retail electricity market. Third, it legally unbundled the transmission and distribution sectors from the utilities and eliminated regulated retail rates (since deferred due to “insufficient competition”).<sup>xiii</sup>

The potential impact of electricity market liberalization on energy security is significant, but the actual impact has been mixed. Reforms led to growth in the wholesale market share and around 40 percent of electricity is now bought and sold on JEPX. Further, new electricity markets – baseload, capacity, non-fossil fuel certificate, and balancing – have been launched and are intended to address apparent market failures.

Many organizations have praised the market reforms, including the International Energy Agency (IEA), but some within the industry have found the pace of change confusing and difficult to coordinate and have even blamed reforms for price volatility. As shown in Figure 1, wholesale electricity prices initially decreased after the reform act passed, but rose significantly during the COVID-19 pandemic and after Russia’s invasion of Ukraine.<sup>xiv</sup>

It is important to note that the rise in prices correlates with LNG prices globally. Some media outlets in Japan have suggested that supply shortages were caused by poorly implemented power market policies and opaque demand and supply pressures.<sup>xv</sup> While experts contend that price volatility is more a function of Japan's structural energy insecurity than market reform, there is a consensus that the government's policy-making procedures have been opaque and have led to confusion within the industry. The imminent release of a government report on power market policy could elucidate the direction of market reform and provide greater clarity to market participants.

As Japan aims to integrate more variable renewable energy and new technologies into the grid, the structure of power markets becomes increasingly important. Market mechanisms interact with policy frameworks to drive investment decisions, shaping the composition of the power mix.

### *Transmission*

Japan's transmission system creates unique challenges for energy policymakers. As a mountainous, densely populated, isolated island nation, Japan's grid infrastructure faces geographic and structural constraints. Unlike other island nations like the UK, Japan lacks international transmission capacity and, accordingly, has no cross-border electricity trade. Further complicating the challenge, the country's grid infrastructure is bifurcated between two frequencies, with the West operating at 60hz and the East at 50hz, with just three frequency converters between them. Across two regions, transmission systems are further divided into regional grids based on Japan's original 10 power companies. This has long been a vulnerability in terms of supply disruptions.

Previously, the dominance of dispatchable fossil fuel generation mitigated the need for a nationally interconnected grid. An interconnected grid is essential for integrating variable renewable energy sources because it facilitates efficient transmission of electricity across regions, enabling surplus renewable energy from one area to compensate for shortfalls in another, thereby enhancing reliability and stability in the overall power system. As mentioned above, transmission companies were legally unbundled in the post-Fukushima round of reforms. As such, the grid is now open to connections by all generators. However, the fragmented structure of the grid and the large-scale deployment of renewables has led to congestion problems and substantive grid curtailment. Most areas of the grid lack the capacity to integrate large amounts of renewable energy.

In response to such concerns, the government has announced new policies and investments. OCCTO's "Master Plan", for example, calls for a significant grid buildout to connect areas with offshore wind potential like Hokkaido to demand centers like Tokyo, Chubu, and Kansai.<sup>xvi</sup> The government aims to finance these new grid expansions with a network use charge on generators. It hopes that these fees will incentivize renewables deployment and reduce inefficient fossil-fuel generation.<sup>xvii</sup> The GX also includes substantial funding for renewables, which could be used to enable faster interconnection, though specifics are still unclear.

## **Ambitious Targets: Decarbonization & Energy Security**



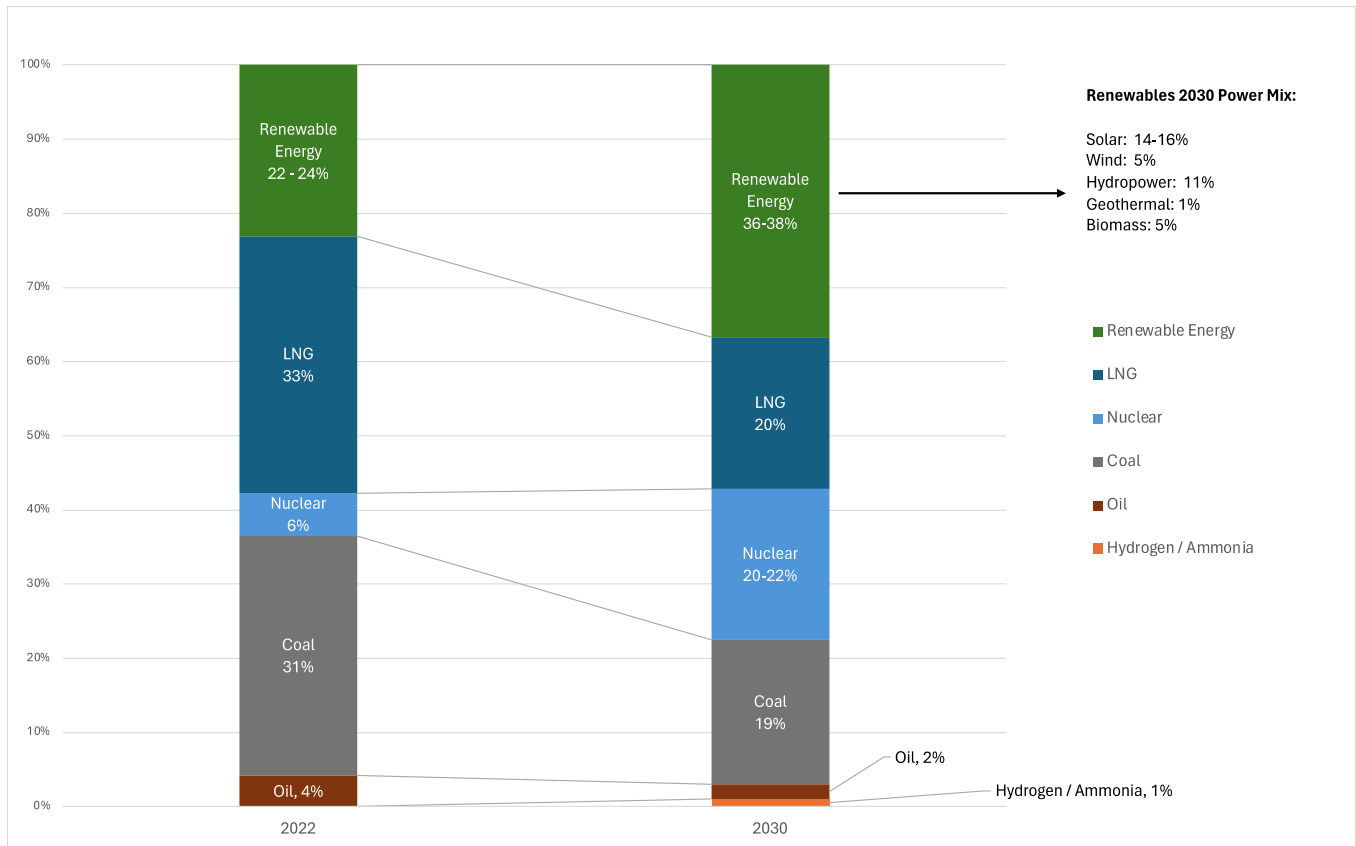
Articulated via its Strategic Energy Plans (SEP), Japan's energy policy is guided by its S+3E framework – safety, energy security, economic efficiency, and environmental sustainability. The S+3E principles were introduced in the 2018 SEP to incentivize affordability, sufficient capacity, and security in the energy sector. The policy also sought to reassure the public of its commitment to safety as Japan pivots its nuclear policy (discussed below).

Japan's 6<sup>th</sup> SEP Plan was released in 2021 and included two key objectives – achieving decarbonization and ensuring energy security. The government aims to reduce emissions 46 percent by 2030 relative to 2013 levels and reach carbon neutrality by 2050.<sup>xviii</sup> Change in the power sector is the foundation of achieving these ambitious goals.

Decarbonizing Japan's electricity system is an immense task. First, with roughly 335GW of installed capacity and over 950 TWh of power consumption, Japan's electrical system is enormous.<sup>xix</sup> Decarbonizing the power system requires significantly expanding non-conventional generation capacity like renewables and nuclear while investing in the grid infrastructure needed to integrate them and ensure system reliability and resiliency. As shown in Figure 3, power mix targets for non-fossil fuel power generation are dramatically increased from 24 percent in 2022 to between 57 and 61 percent by 2030.<sup>xx</sup> Key to this shift, the government aims to double solar capacity from around 7 percent to at least 14 percent and nearly triple wind generation to five percent. The other central component of the power mix targets is the restart of nuclear plants. After an extended hiatus, Japan has returned to its policy of boosting nuclear power. As shown in the figure below, government expects nuclear to account for between 20 and 22 percent of the energy mix by 2030.

Beyond the boost in renewables and nuclear power to come, the government is taking an 'all of the above' approach to generation and decarbonization technology. Specifically, the SEP emphasizes that emissions targets will be met through decarbonized thermal power using hydrogen and ammonia co-firing and CCS. As discussed below, the government's lofty ambitions for immature technologies signifies Japan's compromised energy position. The government does not believe it can meet its decarbonization, energy security, and economic targets without the commercialization of hydrogen/ammonia and CCS.

Figure 3: Japan's Target Power Mix: 2022 to 2030



(Source: METI / IEA)

How does the government hope to achieve its 2030 power mix targets? Following in the footsteps of industrial and climate change policies like the Inflation Reduction Act (IRA) in the U.S. and similar policies in Europe, Japan enacted its own raft of government-led investment and regulatory reform: the Green Transformation.

### The Green Transformation

The Green Transformation will enable and accelerate the trajectory of Japan’s energy transition. Japan’s Green Transformation Basic Policy, henceforth known as the Green Transformation Act or GX, was launched in 2023 to serve as a roadmap for public and private sector investment in decarbonization over the next 10 years. Associated laws like the Act on Promotion of a Smooth Transition to a Decarbonized Growth-Oriented Economic Structure will also support its aims. The GX package includes ¥20 trillion (\$150 billion) in government funding which aims to unlock a total of ¥150 trillion (\$1 trillion) in investment.<sup>xxi</sup> The GX is intended to transform Japan’s “industrial and social structures centering around fossil energy sources, long established since the Industrial Revolution, into ones based on clean energy.”<sup>xxii</sup> Launched after careful review of comparable European and American programs, the GX is both a climate change policy and an industrial policy. By comparison with the IRA, America’s signature energy transition and decarbonization policy, the GX aims to catalyze nearly 3x as much investment. The immense

scale of the GX will impact sectors across the economy. However, this paper focuses on its implications for the power sector – the most significant part of the GX by investment.

The GX aims to decarbonize the power sector while bolstering Japan’s energy security “based on the key prerequisites of S+3E.”<sup>xxiii</sup> The government views these goals as mutually reinforcing. Indeed, according to the Ministry of Economy, Trade and Industry (METI), “ensuring stable supply of energy is the fundamental prerequisite for both addressing climate change issues and facilitating” decarbonization – the GX is intended to bolster energy security.<sup>xxiv</sup> However, experts note that METI’s guiding S+3E principles in practice put affordability and economic efficiency ahead of decarbonization and sustainability. For the people of Japan, affordability and cost are the foremost priorities ahead of decarbonization.

The first group planning meetings for the GX were held just a few months after Russia’s invasion of Ukraine, amidst Japan’s ensuing energy shortage and power price spikes. Though the timing may suggest otherwise, the GX is fundamentally a decarbonization policy and not a reaction to Russia’s invasion. The government notes that the GX is structured to meet Japan’s Nationally Determined Contribution (NDC) outlined under the Paris Agreement. However, as discussed below, it is apparent that some aspects of the GX prioritize energy security and industry concerns over emissions reductions.

The GX governance structure includes the highest tiers of government. Prime Minister Shigeru Ishiba is the chair of the GX implementation council, while Nishimura Yasutoshi, the current Minister of METI, is also Minister for Green Transformation. The ministries of environment, finance, and foreign affairs are also involved in policy making. However, METI’s central control indicates the importance of industry to GX policy making decisions. Some experts have concerns about the institutional and technical capacity of the government regarding GX policy. The government has done little ex-post policy analysis to inform current policy making. For example, there has not been a policy analysis of Japan’s successful, but expensive Feed-in Tariff (FIT) enacted in 2011. Doing so could substantively inform the government’s future deployment of renewables subsidies.

The government expects to deploy GX investment to realize the SEP power sector targets discussed above. It includes both carrots – like energy subsidies and direct investment – and sticks – such as carbon pricing and fossil fuel charges – which will reshape the structure of Japan’s power sector over the next decade.

### *Investment Plan*

The GX investment plan is expansive across technologies. Government financing is expected to prioritize flows to the technologies and industries which METI deems to be underfunded or too risky for the private sector without public support. It is expected to specifically provide robust investment support for renewables, nuclear, hydrogen, and CCS. Based on estimations from GR Japan, a government relations firm, the GX investment structure for the energy sector is summarized in the table below.<sup>xxv</sup>

Figure 4: Technology and Corresponding GX Investments

Technology	Expected Public + Private Investment	Investment Activities
Renewables	¥31 trillion	Supply chain development; offshore wind; capital investment support; development subsidies through FIP.
Nuclear	¥1 trillion	Research, development, and construction of next-gen reactors; restart of existing reactors.
Hydrogen	¥7 trillion	Fuel difference coverage (natural gas to hydrogen); development of supply chains and hydrogen hubs; demo projects for hydrogen/ammonia co-firing.
CCS	¥4 trillion	Research and development; risk financing; infrastructure development.

(Source: GR Japan)

The government has not made concrete investment commitments yet; however, the table indicates METI's preferred technologies and expected investment plan. Renewables represent by far the largest expected investment allocation with ¥31 trillion. However, less mature technologies like hydrogen and ammonia co-firing and CCS are expected to receive significant funding as well. Other GX investment allocations not listed above include battery storage, pumped hydro storage, transmission, and even biomass. METI emphasizes the flexibility of the current proposal and plans to adjust investment allocations on an ongoing basis.

The breadth of the GX in terms of supply-side support is not necessarily a detriment but requires intentional policy planning by the government. METI, previously The Ministry of International Trade and Industry (MITI), has a track record of mostly positive industrial and political-economic policy making. However, it has also made missteps (e.g., MITI's handling of energy market deregulation in the 1990s). Technologies and energy market conditions move quickly, and the GX (METI) must be able to adapt to changes. This fast-paced policymaking environment is also a challenge and could lead to a failure to consider inter-technology competition and commercial viability, resulting in higher costs for consumers and the government.

The government has lofty expectations for private sector investment. The ¥20 trillion government investment is primarily targeted at R&D, risk financing, generating economies of scale, and demand-side interventions. The other ¥130 trillion is expected to come from the private sector, giving the GX an ambitious 7.5x public finance multiplier. This means that for every yen invested by the government, 7.5 yen would be spent by the private sector. By comparison, the IRA's multiplier is estimated to be between 1.1 and 1.6, significantly less than METI's estimate for the GX.<sup>xxvi</sup> Experts in Japan have suggested that the high level of investment is unrealistic.

#### *Growth-Oriented Carbon Pricing: Financing the GX*

The GX's "Growth-Oriented Carbon Pricing" policy aims to finance GX investments and leverage market forces to reduce emissions in the energy sector. Economists have long favored

carbon pricing as a policy for reducing emissions because it internalizes the cost of carbon, incentivizing businesses to reduce their carbon footprint. Theoretically, by gradually increasing the price on carbon, markets drive innovation towards low-carbon generation and other clean technologies, reducing emissions at the lowest possible cost to society. Japan's current emission trading system is run on a voluntary basis via Japan's Voluntary Emissions Trading Scheme (JVETS). However, it has had a reduced impact on carbon pricing and emissions due to its limited emission coverage.<sup>xxvii</sup> After much debate in the previous decades about the merits of carbon pricing, recently departed Prime Minister Kishida advocated for its inclusion in the GX.

The GX's growth-oriented carbon pricing' has two primary components. The first is the GX Transition Bonds, a new financial instrument issued over 10 years to fund the government's ¥20 trillion GX commitment. Unlike regular government bonds, GX Transition Bonds are issued under special accreditation with a unique repayment structure. Unlike Green Bonds, they are not sold for specific projects or purposes. GX transition funding will then be injected into the GX via subsidies, direct investment, loan guarantees, and demand-generation payments.

The government aims to repay the GX Transition Bonds with the revenue generated by obtaining fossil fuel import tariffs and emissions charges on power generators. The GX includes two carbon pricing mechanisms – the Carbon Levy and the GX Emissions Trading Scheme (GX-ETS). The carbon levy will impose a charge on fossil fuel importers proportionate to the amount of CO<sub>2</sub> derived from the fuel imported. The levy will start at a relatively low rate, evaluated annually, and increase over time to incentivize GX-investment.<sup>xxviii</sup> The Institute of Energy Economics Japan (IEEJ) has estimated an initial price of \$14 - \$42/t CO<sub>2</sub> for the carbon levy.<sup>xxix</sup>

The GX-ETS is modeled after the European Union ETS and is expected to operate in a similar way. The creation of the GX League, a forum for voluntary emissions trading, was launched in the 2023/2024 fiscal year, with full-scale operation expected around 2026. So far about 680 companies, accounting for over 40 percent of Japan's emissions, have joined the League.<sup>xxx</sup> Paid emissions allowances for the power sector will start in 2033, and emissions allowances will likely be traded on the Tokyo Stock Exchange.

Reflecting industry resistance and public sentiments, the carbon pricing mechanism is relatively lenient. The Japanese public is very reactive to tax and price increases, and METI goes to great lengths to call the carbon levy a tariff or surcharge rather than a "tax". The government contends that the fossil fuel tariffs will not be passed along to industry or consumers as it will be implemented concurrently with a reduction in petroleum and coal taxes. However, a decrease in taxes synchronized with an increase in fuel tariffs is unlikely to elicit the intended emissions reductions.

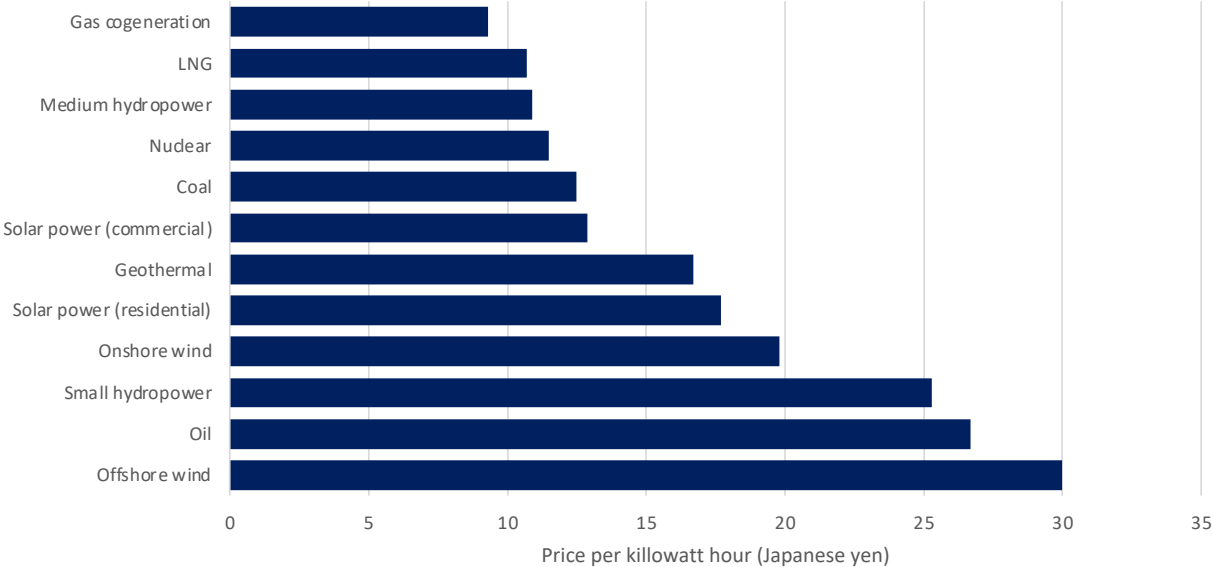
Critics of the GX carbon pricing scheme contend that it is too low to be effective. Principles for Responsible Investment (PRI), a UN-sponsored organization, notes that Japan's carbon price is only a tenth of Paris Agreement-aligned scenario planning targets.<sup>xxxi</sup> PRI predicts that the carbon price will not drive the necessary capital allocation to meet 2030 emissions reduction targets.

Despite the criticism, the establishment of the carbon pricing mechanism is significant for Japan’s energy sector and sends a strong signal to investors and energy companies. The pace at which the carbon levy and GX-ETS progress will largely determine the carbon price and its impact on the power mix. The clear communication of carbon price increases to the private sector is necessary to catalyze investment and ensure a smooth transition.

**The Electricity Sector: The GX & Energy Security**

The GX is designed to complement, finance, and enable the objectives articulated in Japan’s energy policies, including its SEP. While GX policymaking is ongoing, the existing frameworks provide an idea of how they will affect different generation technologies in terms of deployment and inter-generation competition. Given the rising importance of the wholesale market discussed above, inter-generation price competition will fundamentally impact the power mix, driving power producers to prioritize sources with lower costs. For example, if natural gas becomes more expensive relative to nuclear (e.g., because of a fossil fuel tariff), nuclear power becomes more economically favorable, leading to more nuclear in the power mix. Figure 5 provides an approximate breakdown of the levelized cost of energy (LCOE) for different generation types in yen per kilowatt hour (kWh).<sup>xxxii</sup> LCOE quantifies the average lifetime cost of power generation, which can help analyze the long-term viability of different technologies. However, it is important to note that LCOE alone does not capture price competition, and factors like local power price variability, grid integration costs, congestion, and regulatory changes are also important. As shown, both offshore and onshore wind are much more expensive than LNG, nuclear or even coal in Japan. Commercial solar, however, is much more competitive.

Figure 5: Levelized Cost of Energy of Power Generation in Japan



(Source: Statista)

Flexibility in power generation will also play a pivotal role in power mix development. Energy sources that are dispatchable and offer quick ramp-up and ramp-down capabilities, like natural gas plants, can gain market share due to their ability to quickly meet demand. Flexible and dispatchable power sources, like gas, nuclear, coal, or battery storage, will become important in Japan's recently launched balancing and real-time wholesale markets. Flexible generation is crucial for providing ancillary services like frequency regulation and voltage control, which are necessary to balance the grid in real-time. Capacity markets also value flexibility to some extent, as it ensures that there is sufficient capacity available to meet demand during peak periods or unexpected supply disruptions. However, the primary goal of Japan's new capacity markets is to ensure long-term resource adequacy.

### *Power Demand*

Japan's power demand expectations are changing. Industrial, residential, and service sectors consume about a third of total electricity demand each, with transportation and energy consuming only a small minority.<sup>xxxiii</sup> Power demand has been gradually decreasing over the past decade and was expected to plateau over the coming years as energy efficiency gains offset electrification. However, recent and rapidly growing demand from data centers and semiconductor plants has changed power projections. Japan is now facing a 35 to 50 percent power demand growth by 2050, the first significant increase in nearly two decades.<sup>xxxiv</sup> As a result, to achieve its power mix and meet electricity demand, Japan must expand non-fossil fuel generational capacity or prolong LNG and coal-fired plants on the grid. Its ability to do both in a clean way is, in part, dependent on the GX.

The following sections provide an overview of power generation technologies, how the GX is likely to affect them, and what it means for future power mix targets and energy security.

### *Technology: Nuclear*

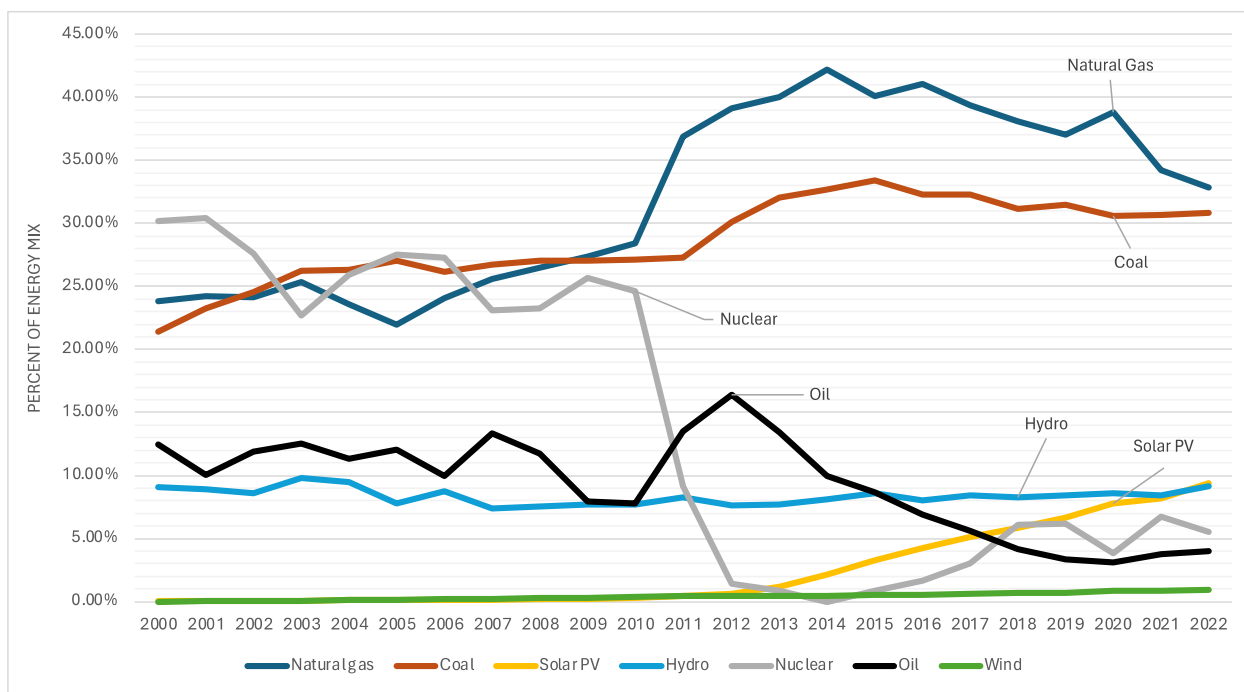
Since Japan's first commercial reactor, the Tokai Power Station, began commercial operation in 1963, nuclear power has been a keystone of Japan's energy policy. In the post-war era, with significant support from the US, Japan overcame political and commercial challenges to develop a successful domestic nuclear industry. Policymakers saw nuclear as the key generation technology that could reduce its fossil fuel import dependence. Between 1970 and 2000, Japan constructed 52 nuclear power plants and relied on nuclear power for over a quarter of its electricity by the year 2000 (see Figure 6).<sup>xxxv</sup> Japan saw nuclear as a way of alleviating its energy insecurity, reducing its fossil fuel dependence, and generating power in consistent, predictable way.

Though imported, nuclear power feedstock does not substantively impact energy prices or supply. Japan has no indigenous uranium reserves, and demand is met with imports from Australia, Canada, Kazakhstan, and elsewhere.<sup>xxxvi</sup> Uranium is relatively abundant globally, meaning Japan has a diversity of geopolitically aligned suppliers. Further, the intermittent import requirements of uranium insulate Japan from volatility in price.

The success of nuclear power in Japan came at the expense of other technologies and industries, specifically solar PV and wind. Energy experts today lament the loss of Japan's renewable energy manufacturing ascendancy. In the early 2000s, Japan was a world leader in solar PV

manufacturing. However, METI favored nuclear generation over solar PV technology and declined to provide early state support for the industry. Buoyed by extensive government subsidies, China quickly took the lead in solar PV manufacturing, and the cost of solar modules started to decline with mass production in 2006.<sup>xxxvii</sup> Japan’s nascent solar PV manufacturing industry virtually disappeared as a result and remains marginal today. A similar progression occurred with wind turbine manufacturing. During this time, Japan also failed to develop large, internationally competitive renewable energy developers like the ones that exist in Europe today, which has impacted Japan’s ability to deploy renewables at scale.

Figure 6: Electricity Generation Mix: 2000 - 2022



(Source: IEA)

Japan’s reliance on nuclear exacerbated the policy shock inflicted by the Fukushima Daiichi nuclear accident in March 2011. The accident had a seismic impact on the public opinion of nuclear power in Japan. As a result, Japan immediately adopted the long-term goal of reducing dependence on nuclear power as much as possible, a diametric shift in policy.

The disaster was an exogenous shock that altered the power mix in Japan. In its policy plans before 2011, the Japanese government had sought to drastically improve its “energy independence ratio” by doubling the relative quantity of nuclear power within Japan’s power mix to 40 percent or more.<sup>xxxviii</sup> As shown in Figure 6, nuclear power accounted for about a quarter of Japan’s electricity mix in 2011.<sup>xxxix</sup> By 2012, that number had fallen to just 1.5 percent.<sup>xl</sup> The power sector filled this gap in nuclear generation with imported natural gas, oil, and coal, causing Japan’s energy self-sufficiency ratio to fall from 20 to 7 percent – the lowest of any country in the G20.<sup>xli</sup> The government estimated that Japan would spend an additional \$40.1 billion per year on fossil fuel imports as nuclear power was curtailed.<sup>xlii</sup> Japan’s sudden and unexpected fuel demand also resulted in a power price spike.



Now, in a major reversal of post-Fukushima policy, the 6<sup>th</sup> SEP and GX view nuclear power as a critical component of energy security and the decarbonization policy. Partially motivated by Russia's invasion of Ukraine, the government has paved the way for nuclear plant restarts as well as new reactor construction. The GX Decarbonization Electricity Act extended the operating period of nuclear plants by subtracting years spent offline after Fukushima from the prescribed operating period of 40 years.<sup>xliii</sup> There are currently 14 operable nuclear reactors at various stages of the restart approval process and a total of 33 plants categorized as 'operable'.<sup>xliv</sup>

Beyond nuclear restarts, the GX supports next generation nuclear reactor research and development. The 6<sup>th</sup> SEP calls for the development of fast reactors, small modular reactors (SMRs), and nuclear fusion in cooperation with the international community, for which the GX will provide funding. However, next generation nuclear plant technology is speculative and therefore unlikely to play a significant role in the power mix before 2040.

The primary hurdle to nuclear restarts in Japan is not financial, but rather bureaucratic. The government established a new regulator, the Nuclear Regulation Authority (NRA), in the wake of the Fukushima disaster. With laborious safety regulations and a long restart process, the NRA has said that expediting restarts is "extremely difficult."<sup>xlv</sup> Despite pressure from the government, the pace of restarts is below expectations. Experts predict that Japan will achieve its 2030 nuclear power targets by the mid to late 2030s.<sup>xlvi</sup> Critics of the nuclear restart plan contend that the restart of plants is overly costly and poses significant safety concerns.<sup>xlvii</sup> However, this paper argues that nuclear is a vital component of Japan's energy security and critical to decarbonizing the energy system. Nuclear provides firm, dispatchable power generation and is a useful complement to variable renewable energy.

### *Technology: Renewables*

Renewables – principally solar PV and wind – are the cornerstone of Japan's new energy policy. Hydropower has been a constant and reliable component of the power sector for decades but is not expected to increase in capacity. Today, solar and wind account for roughly 9.5 percent and 1 percent of the power mix, respectively. As shown in Figure , renewable deployment, especially solar PV, began increasing in 2012 after the government enacted the FIT in response to the Fukushima disaster. Until recently, the 2012 FIT was the government's primary instrument for the promotion of renewables – solar PV, wind, bioenergy, hydropower and even geothermal. With a generous subsidy, solar PV was the initial primary beneficiary of the FIT and its share of the power mix grew from <1 percent to over 7 percent by 2020.<sup>xlviii</sup> The FIT scheme is financed by end users via a renewable energy surcharge, which can account for as much as 10 percent of consumer electricity bills.<sup>xlix</sup>

Japan's onshore and offshore wind capacity has remained relatively low despite high revenue levels generated through the FIT. Onshore wind has benefitted more than offshore wind to date. Offshore wind has huge potential in Japan but is a largely untapped resource made difficult by political opposition, deep coastal waters, insufficient maritime infrastructure, and interconnection issues. However, the 6<sup>th</sup> SEP and the GX include robust targets for the expansion of offshore wind capacity. Japan aims to reach 10 GW of offshore wind by 2030 and 30 – 45 GW by 2040 (Japan currently has only 136MW of wind power capacity).<sup>1</sup>

The government recently announced plans to gradually transition from the FIT scheme to a Feed-in Premium (FIP). Under the FIT, power companies are required to buy power from renewable generators at a set price, regardless of the wholesale market price. Accordingly, the FIT decouples renewable generators from market dynamics, providing no incentive to invest in increased power generation or to balance the grid – producing more during peak times or reducing over-supply.<sup>li</sup> This dynamic has proved exceedingly costly to the energy system. Under the new FIP scheme, renewable generators are paid a premium that fluctuates with the wholesale market price. Importantly, under the FIP, utilities are not mandated to buy power from renewable generators, who are in turn allowed to sell directly to corporate customers. Although the FIP exposes renewables companies to greater risk, it is ultimately a more efficient, market-based policy.

Energy pundits have long argued that renewable energy is infeasible in Japan due to numerous factors such as its difficult geography, natural disasters, regulatory environment, highly concentrated population centers, and idiosyncratic grid structure. Indeed, energy development is limited by the country's steep topography; many optimal sites for solar development were quickly utilized in the 2010s. Further, grid congestion has become problematic, leading to substantive curtailment in certain areas of the country. Despite various obstacles to the deployment of renewables, however, recent reports by prominent organizations like BloombergNEF indicate that a predominantly renewables-based energy system is feasible.

One such report is “The 2035 Japan Report” from the Lawrence Berkeley National Lab, UC Berkeley, and Kyoto University. The report shows that the decreasing cost of solar, offshore wind, and battery storage technology enables Japan to feasibly achieve a 90 percent clean energy power mix by 2035.<sup>lii</sup> Under such a scenario, the report finds that renewable energy deployment “coupled with enhanced energy storage and interregional transmission lines make it possible to displace a significant amount of generation from existing coal and natural gas plants, while maintaining grid dependability and decreasing wholesale electricity costs.”<sup>liii</sup> The study estimates that a 90 percent clean energy scenario requires ¥38 trillion in investment (about 27 percent of the GX) over a 15 year period allocated across generation, storage, and grid improvements.<sup>liv</sup> Even if Japan were to pursue a less aggressive renewable energy deployment campaign (e.g., a 75 percent target by 2035), the report indicates that renewable energy deployment in Japan is both technically feasible and economically viable.

The government is going in the right direction with the GX, which is expected to provide significant support for renewables, battery storage, and transmission. Though it is still unclear how investment will be deployed, it will likely be through FIT/FIP schemes. In total, the GX is expected to channel ¥31 trillion (over \$200 billion) to renewables over the next 10 years. Equally as important as renewable generation itself is funding for its associated storage and transmission infrastructure. The GX provides funding for the domestic battery manufacturing base and battery R&D. The government has been light on specifics regarding grid modernization, but OCCTO has planned to develop a national grid and submarine direct current transmission system, including to Hokkaido, which has a significant potential for wind power development.

Together with nuclear, renewable energy and battery storage deployment would dramatically reduce import dependence, bolstering Japan's energy security while effectively reducing power

sector emissions. This combination of investments – nuclear, renewables, battery storage, and transmission modernization – should accordingly be prioritized. Naturally, as the government allocates trillions of yen from GX, it is vital to consider cost effectiveness of technologies, energy system reliability, supply sufficiency, and technical feasibility.

Although Japan is critically dependent on China for imports of solar modules and wind turbines, experts stress that this is not an energy security concern. The long lifespan of renewables mitigates short-term risk, and the benefits of greater fossil fuel independence far outweigh import exposure risk. Further, it is very unlikely that China, running at industrial overcapacity, would stop sales to Japan.

Despite significant policy support from the GX, Japan’s slow pace of renewable energy expansion means that it will fall well short of its 2030 power mix targets. Experts expect renewables will finally account for 36 to 38 percent of the power mix by the late 2030s.

#### *Technology: Hydrogen & its Derivatives*

Japan has a long-held interest in hydrogen for both energy security and decarbonization. Green hydrogen, or hydrogen produced using renewable energy, is produced for fuel via electrolysis – a process whereby an electric current is applied to water to split molecules into their component parts, hydrogen and oxygen.<sup>lv</sup> Hydrogen is attractive as a decarbonization fuel source because it can be produced using clean energy and emits no CO<sub>2</sub> when combusted – its carbon intensity is a function of how it is produced. Most of the hydrogen produced globally today is generated using fossil fuels.<sup>lvi</sup>

Japan is interested in hydrogen as a zero or low-carbon fuel source for power generation. The 6<sup>th</sup> SEP aims for hydrogen and ammonia to account for at least 1 percent of the power mix by 2030. While this may seem insignificant, 1 percent of the power mix is equivalent to roughly 3.5 GW of power capacity – a substantial and symbolically important amount.

Technically, hydrogen can be used in fuel cells, combustion engines, and gas turbines for electricity generation. Japan aims to integrate hydrogen into the existing power mix by mixing it with natural gas and co-firing it in existing power plants. This is attractive for Japan’s gas industry and power utilities, as co-firing would allow existing plants to continue operating in a decarbonizing power system. Gas turbines have shown the ability to co-fire hydrogen in existing facilities up to 30 percent by volume without modification.<sup>lvii</sup> However, as noted below, the high cost of hydrogen today would require significant subsidies to make co-firing economically feasible.

Ammonia, a derivative of hydrogen, has attracted much attention as a vector for hydrogen storage and transport. Hydrogen is challenging to transport and store due to its low energy density and extensive infrastructure requirements. However, hydrogen can be combined with nitrogen to create ammonia, which has a much higher energy density and an existing distribution network, making it a potential green energy carrier. In power systems, ammonia can be co-fired in coal plants, an attractive proposition given Japan’s vast coal fleet. However, experts point out that ammonia co-firing has limited feasibility at scale, is extremely expensive, and has variable

lifecycle emissions depending on how it is produced. Under current market conditions, generating electricity by co-firing ammonia with coal is approximately 15 times more expensive than regular coal powered generation.<sup>lviii</sup> JERA, Japan's largest power company, plans to co-fire ammonia with coal in all its thermal plants at a ratio of 20/80 by 2030, and by 2050 expects all plants to run solely on ammonia.<sup>lix</sup>

Indicating its bullishness on hydrogen and its derivatives, Japan was the first country to launch a Basic Hydrogen Strategy in 2017.<sup>lx</sup> As articulated in this strategy and in the GX, policymakers in Tokyo seek to create a global supply chain of hydrogen/ammonia production with Japan at its center. Although hydrogen is cheapest if it is consumed near its site of production, Japan lacks the renewable energy capacity needed to generate hydrogen at scale in the short to medium term. Accordingly, Tokyo seeks to leverage its resource diplomacy expertise to secure agreements with hydrogen producing countries. Countries with inexpensive and abundant clean energy like Australia, Chile, Saudi Arabia, and the U.S. are targets for hydrogen investment and collaboration. Japanese companies and banks are actively pursuing debt and equity hydrogen deals globally.

The GX includes ¥7 trillion in expected funding for hydrogen. At least ¥3 trillion of that funding will go to cover the government's recently announced Contracts for Difference (CfD) subsidy scheme.<sup>lxi</sup> The scheme will subsidize recipients of hydrogen, covering the gap between green hydrogen and the fossil fuel equivalent. Given the high price of hydrogen, this is a substantial subsidy. The policy also provides direct financing for hydrogen infrastructure development. Interestingly, GX financing can be channeled to international hydrogen projects, provided they use Japanese technology, parts, and material manufacturers and their output is reserved for Japanese off-takers. Globally, Japan aims to build 15 GW of electrolyzers by 2030.<sup>lxii</sup>

Despite Japan's apparent optimism for hydrogen and ammonia, there are significant challenges to developing an economically viable supply chain. First, clean hydrogen (produced using renewable or carbon free energy) is extremely expensive. Japan's hydrogen proponents contend that economies of scale will drive down the cost of hydrogen, and that green hydrogen will be competitive with fossil fuels in the coming decades. However, boosting the scale of production is unlikely to drive down hydrogen costs in the same way it did for wind and solar. More than 85 percent of the cost of producing hydrogen comes from the cost of the electricity used to create it.<sup>lxiii</sup> Accordingly, even if the cost of hydrogen infrastructure (e.g., electrolyzers) were to significantly decline, it would only marginally impact prices.

Japan's strategy of centering itself in a new global market for hydrogen also faces challenges. The logic in this strategy is that Japan can leverage its shipping and LNG expertise to ship hydrogen and its derivatives like ammonia. However, this rationale is predicated on the economic viability of hydrogen shipping (given Japan's lack of international pipeline connections). The prohibitive cost of hydrogen and/or ammonia shipping is a critical inhibitor to the proliferation of a global marketplace.

Given the numerous obstacles to the deployment of hydrogen and ammonia at scale, Japan's strategy of hydrogen integration in its power sector is economically inefficient. Indeed, doing so will likely result in higher prices and compromise decarbonization efforts. Favored by industry,

Japan's pursuit of co-firing hydrogen/ammonia is likely to preserve existing fossil fuel players. The best use case for hydrogen and its derivatives is in hard-to-abate sectors like heavy industry, shipping, trucking, and aviation – not in the power sector.

#### *Technology: Carbon Capture & Storage*

Due to its high reliance on fossil fuels, Japan is investing heavily in CCS. As applied to the power sector, CCS involves capturing carbon dioxide emissions from coal or gas power plants, then transporting and securely storing them underground to prevent their release into the atmosphere. Given that coal and natural gas make up over 30 percent of the power mix (see Figure 7), the successful deployment of CCS would be a significant boon to Japan's decarbonization efforts. Like hydrogen, CCS provides an avenue for existing fleets of fossil fueled power plants to remain in operation.

Japan is a leader on CCS research and development in both the public and private sector and has long promoted the technology. Japan's Zero Emission Thermal Power Generation strategy describes CCS (and hydrogen/ammonia co- and single-firing) as a "trump card for decarbonization." The country has invested in CCS demonstration projects in Kyushu and Hokkaido, and several other tests are planned.<sup>lxiv</sup>

Though the full extent of the policy is still unclear, the GX provides substantial support for the promotion of CCS. The GX aims to develop a viable "business environment for starting CCS by 2030" modelled on government-funded demo projects.<sup>lxv</sup> Accordingly, the GX is expected to include ¥4 trillion in funding for CCS research & development and project construction. Direct financing will be made both domestically and abroad via Japanese public institutions like JOGMEC, JBIC, JICA.<sup>lxvi</sup> Government support will likely flow across the project development process, from feasibility studies to storage. Importantly, CCS projects are also being considered for coverage under the GX-ETS, which would provide CCS-enabled gas and coal-fired power plants with long-term policy support.

Despite policy promotion, CCS remains an immature technology with several challenges. To date, there are no commercial-scale CCS operations in Japan. Globally, there is just one operational power plant equipped with CCS. Another plant, located in the U.S., was launched in 2017 but was shuttered after just three years due to economic non-competitiveness.<sup>lxvii</sup> The failure of the U.S. plant implies a key problem with CCS today: cost. According to METI, the target cost for CCS power generation is between 13 and 15 yen/kWh, which is roughly double METI's own solar PV cost target of 7 yen / kWh and wind cost target of 8 to 9 yen / kWh.<sup>lxviii</sup> By these estimates, CCS is far from cost-competitive.

Another challenge to CCS is storage. Japan's geographic constraints make it impossible to store CO<sub>2</sub> at the scale required. Accordingly, Japan intends to store much of its captured CO<sub>2</sub> overseas, specifically in Southeast Asia. The government aims to capture and store about 300 million tons of CO<sub>2</sub> by 2050, much of which would have to be exported overseas.<sup>lxix</sup>

CCS is appealing as a technology because it allows for the continuation of Japan's thermal power producers. However, given its lack of technical maturity and cost and storage constraints, it is far

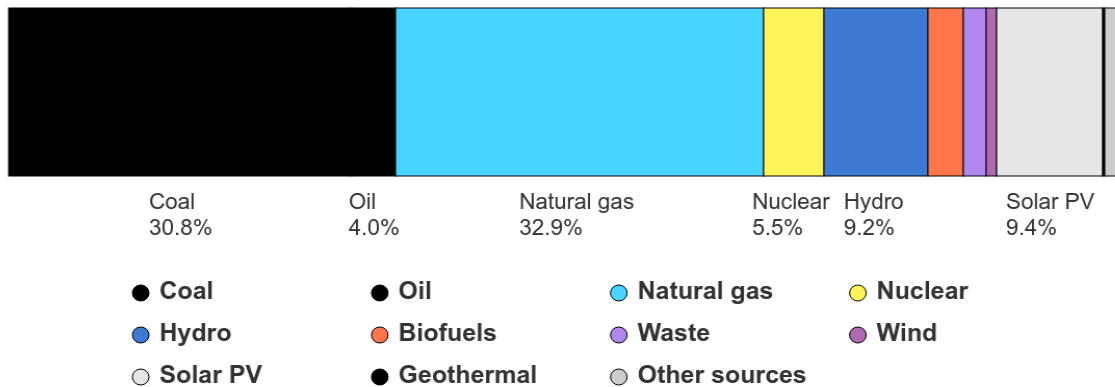
from a ‘decarbonization trump card.’ There is a significant opportunity cost to the GX’s investment in CCS.

Still, if CCS is proved viable with the support of GX funding, it could play an important role in firming Japan’s future power mix. Given Japan’s energy situation, it needs as many energy generation technologies as possible.

*Technology: Natural Gas*

As the largest source of power generation today, natural gas is the backbone of the power system. Over the years, Japan has developed a sophisticated, efficient, and influential gas industry, which helps to explain Japan’s bullishness on hydrogen and CCS. Gas accounts for over 30 percent of Japan’s power mix and is the preferred marginal, or peaking, generation technology (see Figure 7).<sup>lxx</sup> With virtually zero indigenous gas reserves, Japan is entirely dependent on imports and as a result is one of the least energy-self-sufficient developed countries in the world. Further, with no international pipeline connections, Japan relies entirely on seaborne LNG deliveries for its supply.

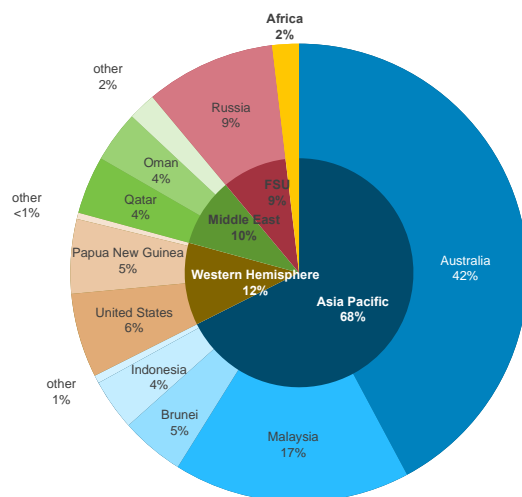
Figure 7: Power Generation by Source, 2022



(Source: IEA)

Japan has gone to great lengths to bolster its LNG supply security. It has tried, especially in recent years, to diversify its import sources towards strategically aligned partners. As relations between Australia and Japan have become more robust, Australian and American LNG imports have increased as the Middle East’s share has decreased. As shown in Figure 8, Japan now imports the bulk of its LNG from the Asia Pacific.<sup>lxxi</sup>

Figure 8: Japan's LNG Imports by Source, 2022



(Source: EIA)

Japan has long invested heavily in upstream gas production and LNG infrastructure overseas to secure long-term off take contracts. Since 2022, in response to Russia's invasion of Ukraine, Japanese buyers have done five large-scale equity deals in the U.S. and Australia, securing 10-to-20-year offtake contracts.<sup>lxxii</sup> However, notwithstanding decarbonization policy within Japan, the politics of climate change in both the U.S. and Australia – to halt LNG export approvals and impose stricter carbon emission rules – could pose a problem for buyers, and underscores the importance of building out non-conventional power generation capacity.

As discussed in Bryan Hong's paper "The Clean Spark" in last year's Reischauer Center Yearbook, Japan has preferred long-term contracts to shore up its energy security. Japan's sophisticated and somewhat unique gas contract structures are designed to ensure security of supply.<sup>lxxiii</sup> Japan imports LNG via long-term contracts indexed to oil prices with a time lag. Despite such contract structures, Russia's invasion of Ukraine resulted in high electricity prices in Japan, though the country was somewhat insulated from the immediate gas price spike in Europe. However, the global market still pushed prices higher in Japan, as Japanese companies re-exported gas to Europe.<sup>lxxiv</sup> Higher LNG prices also incentivized power companies to use coal-fired power plants, which in turn also pushed up the price of coal.

Gas has become an even more critical piece of the power system in the aftermath of Fukushima, and as Russia's invasion highlights, Japan remains susceptible to supply disruptions and price fluctuations. As the preferred base load fuel, gas will remain a key component of Japan's power system, even as it tries to reduce its percentage of the power mix (see Figure 3). Japan aims to phase-out old and inefficient coal plants in favor of natural gas. The percentage of gas in the power mix will likely depend on hydrogen co-firing, CCS, and the expansion of other dispatchable power generation technologies which could displace it (e.g., nuclear or battery storage). The impact of the GX's carbon price is unknown and will depend on the cost of the carbon levy and price set in the GX-ETS. Fuel taxes will be wound down as carbon pricing ramps up, potentially netting out the price impact. Over time, as the carbon price increases, gas

will be relatively less competitive. Still, gas has a more viable position in the future power mix than coal.

#### *Technology: Coal*

Accounting for over 30 percent of the power mix today, coal is a pillar of Japan's power system. Though the government aims to reduce the percentage of coal in the power mix to 19 percent by 2030, the country has a relatively young, large, and growing fleet of coal-fired power plants. Japan's coal fleet is also one of the most efficient in the world with an average efficiency of 41.6 percent, significantly better than the global average of around 32 percent.<sup>lxxv</sup> Still, despite its relative efficiency, coal is by far the largest power sector emitter, accounting for nearly 60 percent of total GHG emissions in 2021.<sup>lxxvi</sup>

With marginal domestic coal reserves, Japan is consistently a top global importer of coal. As with gas, Australia is Japan's primary import source. As mentioned above, coal demand increased dramatically in the wake of the 2011 accident. However, as shown in Figure 5, coal power plateaued around 2015 and marginally declined thereafter.

Despite its higher emissions, coal will be a significant part of Japan's power system for the foreseeable future. Indeed, coal generation capacity is increasing in Japan today. Given Japan's coal power industry, the GX is investing heavily in CCS and ammonia co-firing to provide a potential path for coal's long-term inclusion in the power sector. As with natural gas, the GX-ETS and carbon levy may incentivize fuel-switching away from carbon-intensive single-fire coal without CCS. Since natural gas and nuclear are the preferred base-load generation, coal will likely receive more compensation in the capacity market and will be gradually phased out.

### **Conclusion & Policy Recommendations**

With renewed focus on energy security, Japan is pushing forward with power sector decarbonization. The aftermath of Russia's invasion of Ukraine sharpened Japan's long-term efforts to reduce import dependence and exposure to global markets. For a country which has repeatedly faced energy crises, the prospect of a clean energy transition is transformational.

Japan's government aims to generate between 56 and 60 percent of its power from non-fossil fuel sources by 2030, by far its highest percentage ever. This would greatly improve Japan's energy security. Renewable and nuclear power generation is predictably dependent on capital investment, rather than global markets, reducing price volatility and increasing energy self-sufficiency. Further, demand-side policies like energy efficiency and electrification will make the economy less dependent on fossil fuels and more dependent on the power sector.

The GX has the scope and scale to transform Japan's energy system and economy. It includes both financial incentives (e.g., subsidies and direct investment) and penalties (e.g., a carbon price). With these carrots and sticks, the policy will accelerate the deployment of renewables, nuclear, and battery storage and accelerate the commercialization of hydrogen and CCS. Despite robust policy support, however, it is now clear that Japan will miss its 2030 solar, wind, and nuclear power mix targets. S&P Global predicts that renewables share of the electricity mix will



reach 26 percent by 2030 and 31 percent by 2035.<sup>lxxvii</sup> Nuclear restart targets are harder to predict but will likely not be reached until the mid-2030s.

The large scope of the GX and its support of nascent technologies, including hydrogen and CCS, are indications of Japan's vulnerable energy situation. The government does not believe it can achieve its goal of reducing emissions by 46 percent by 2030 with renewables alone. Although the deployment of solar and substantial offshore wind is promising, the integration of gigawatts of variable power generation remains a challenge. As a result of these obstacles, Japan aims to leverage its expertise in LNG infrastructure to become a world leader in the hydrogen supply chain. Japan believes that it can retain its extensive fleet of thermal plants by co- and single-firing gas with hydrogen and its derivatives. To further shore up its energy security and move towards decarbonization (and satisfy industry constituents), Japan is investing heavily in CCS. Though not commercially viable or technically proven, CCS is an appealing technology for Japan's legacy power system. Despite this paper's focus on cost and economic viability, long-term energy security is not always priced-in to the power sector. Higher costs for infrastructure like grid modernization are worthwhile investments.

This paper recommends that policymakers carefully evaluate inter-generation cost competitiveness, technical feasibility, economic viability, and opportunity costs to maximize the impact of the GX in terms of decarbonization and energy security. Specifically, this paper recommends that the government:

- Prioritize investment in mature technologies over hydrogen and ammonia in the power sector. Co-firing with hydrogen and ammonia is commercially unproven and expensive, whether fuel is produced domestically or overseas. Given the high opportunity cost of such investment, financial flows should be redirected to nuclear; onshore and offshore wind; solar PV; battery storage; and the associated infrastructure and grid modernization. Japan can minimize hydrogen and derivative imports and expense by allocating them to hard-to-decarbonize sectors like heavy industry, transportation, and shipping.
- Acknowledge the economic viability and storage concerns of CCS, while continuing investment in research and development. An emphasis on CCS comes at the expense of other technologies, and the government should constantly evaluate its feasibility.
- Promulgate a transparent and robust carbon price increase curve. Investors and energy developers need clarity on carbon pricing to make investments and develop projects. Japan is set to announce prices in 2026. Those prices should be announced as soon as possible and should steadily increase to achieve decarbonization targets.
- Invest in policy analysis and scenario planning capacity as needed. GX policymaking is evolving at an extraordinarily fast pace by Japanese standards. As noted by experts, there is a dearth of capacity for policy analysis in Japan's institutions. Much GX policymaking has lacked the benefit of empirical policy analysis (e.g., an analysis of the cost effectiveness of feed-in tariffs). As the GX unfolds, future policy should be guided by rigorous cost-benefit analysis.

- Institute intermediate energy targets. As it becomes apparent that Japan will miss its 2030 power mix targets, the country needs to develop and implement an adjusted policy plan. Although the government has published a few intermediate targets (e.g., wind deployment targets for 2040), it should update this plan to adjust to the pace of development.

## **Endnotes**

- 
- <sup>i</sup> “Japan 2021: Energy Policy Review.” *International Energy Agency*, May 2021.
- <sup>ii</sup> “Japan.” *International Energy Agency*, <https://www.iea.org/countries/japan/energy-mix> (Accessed May 8, 2024).
- <sup>iii</sup> “Japan’s Nationally Determined Contribution (NDC),” *United Nations Framework Convention on Climate Change*, April 2021.
- <sup>iv</sup> Benjamin K. Sovacool, *The Routledge Handbook of Energy Security* (New York: Routledge, 2011), 3.
- <sup>v</sup> Kim, Jaden, Augustus J Panton, and Gregor Schwerhoff. “Energy Security and The Green Transition”, *International Monetary Fund*, IMF Working Papers 2024, 006 (2024), <https://doi.org/10.5089/9798400263743.001.A001>.
- <sup>vi</sup> Kent Calder, “Circles of Compensation: Economic Growth and the Globalization of Japan,” (Stanford: Stanford University Press, 2017), 106.
- <sup>vii</sup> Kent Calder, “Japan’s Energy Angst: Asia’s Changing Energy Prospects and the View from Tokyo,” *Strategic Analysis* 32:1 (January 2008): 123, <https://doi.org/10.1080/09700160701559359>.
- <sup>viii</sup> “Japan Can Meet Net-Zero Goal With Minimal Reliance on Hydrogen, Report Shows,” *BloombergNEF*, July 25, 2023, <https://about.bnef.com/blog/japan-can-meet-net-zero-goal-with-minimal-reliance-on-hydrogen-report-shows/>.
- <sup>ix</sup> Leo Lewis, “Japan’s core inflation slows as energy prices fall,” *Financial Times*, August 18 2023, <https://www.ft.com/content/29b9fd69-87c7-4797-9170-614603f55faa>.
- <sup>x</sup> Ken Koyama, Jim Krane, “Energy security through FDI: The legacy of Early Japanese Investment in the Oil Sectors of the Persian Gulf,” *Resources Policy*, Volume 74, 2021, 102165, ISSN 0301-4207, <https://doi.org/10.1016/j.resourpol.2021.102165>.
- <sup>xi</sup> “Electricity System Reform in Japan,” *Anderson Mori & Tomotsune*, January 2014.
- <sup>xii</sup> “Share of JEPX Day-ahead Market in the Wholesale Market,” *Renewable Energy Institute*, April 24, 2023, <https://www.renewable-ei.org/en/statistics/electricitymarket/?cat=dayahead>.
- <sup>xiii</sup> “The electric Power Industry in Japan 2022,” *Japan Electric Power Information Center*, September 17, 2021.
- <sup>xiv</sup> “System Price of JEPX Day-ahead Market,” *Renewable Energy Institute*, April 24, 2023, <https://www.renewable-ei.org/en/statistics/electricitymarket/?cat=dayahead>.
- <sup>xv</sup> “Japan urged to review power market framework,” *Argus*, January 19, 2021, <https://www.argusmedia.com/en/news-and-insights/latest-market-news/2178201-japan-urged-to-review-power-market-framework>.
- <sup>xvi</sup> “2050: Decarbonizing Grid Systems with Renewables,” *Renewable Energy Institute*, April 7, 2023, <https://www.renewable-ei.org/en/activities/reports/20230407.php>.
- <sup>xvii</sup> “Japan 2021: Energy Policy Review.” *International Energy Agency*, May 2021.
- <sup>xviii</sup> “Strategic Energy Plan,” *Ministry of Economy, Trade, and Industry*, January 14<sup>th</sup>, 2022, [https://www.enecho.meti.go.jp/en/category/special/article/detail\\_168.html](https://www.enecho.meti.go.jp/en/category/special/article/detail_168.html).
- <sup>xix</sup> “Japan,” *US Energy Information Administration*, July 7, 2023, <https://www.eia.gov/international/analysis/country/JPN>.
- <sup>xx</sup> “6<sup>th</sup> Strategic Energy Plan,” *Ministry of Economy, Trade, and Industry*, October 2021, [https://www.meti.go.jp/english/press/2021/1022\\_002.html](https://www.meti.go.jp/english/press/2021/1022_002.html).
- <sup>xxi</sup> “The Basic Policy for the Realization of GX,” *Ministry of Economy, Trade, and Industry*, February 2023, 17.
- <sup>xxii</sup> “The Basic Policy for the Realization of GX,” *Ministry of Economy, Trade, and Industry*, February 2023, 1.
- <sup>xxiii</sup> “The Basic Policy for the Realization of GX,” *Ministry of Economy, Trade, and Industry*, February 2023, 5.
- <sup>xxiv</sup> “The Basic Policy for the Realization of GX,” *Ministry of Economy, Trade, and Industry*, February 2023, 5.
- <sup>xxv</sup> “Japan’s Green Transformation (GX) Plans,” *GR Japan*, January 2024, 12.
- <sup>xxvi</sup> “US Inflation Reduction Act: A catalyst for climate action,” *Credit Suisse*, November 30, 2022, <https://www.credit-suisse.com/about-us-news/en/articles/news-and-expertise/us-inflation-reduction-act-a-catalyst-for-climate-action-202211.html>.
- <sup>xxvii</sup> “Japan’s GX Policy and Carbon Pricing Trends,” *Nomura Research Institute*, December 2023, 1.
- <sup>xxviii</sup> “Japan’s GX Policy and Carbon Pricing Trends,” *Nomura Research Institute*, December 2023, 4.

- 
- xxix “Delivering Net Zero in Japan: Policy Imperatives and Investor Priorities,” *Principles for Responsible Investment*, December 2023, 11.
- xxx Yuka Obayashi and Katya Golubkova, “Explainer: Japan's carbon pricing scheme being launched in April,” *Reuters*, March 30, 2023, <https://www.reuters.com/markets/carbon/japans-carbon-pricing-scheme-being-launched-april-2023-03-30/>.
- xxxi “Delivering Net Zero in Japan: Policy Imperatives and Investor Priorities,” *Principles for Responsible Investment*, December 2023, 11.
- xxxii “Levelized cost of energy (LCOE) per kilowatt hour of major power generation technologies in Japan in 2020, by type,” *Statistica*, December 2021, <https://www.statista.com/statistics/1240806/japan-lcoe-power-generation-technologies-by-type/#:~:text=LCOE%20per%20kilowatt%20hour%20of%20power%20generation%20technologies%20Japan%202020%2C%20by%20type&text=In%202020%2C%20offshore%20wind%20had,form%20of%20energy%20into%20electricity>.
- xxxiii “Japan 2021: Energy Policy Review.” International Energy Agency, May 2021, 136.
- xxxiv “Japan sees need for sharp hike in power output by 2050 to meet demand from AI, chip plants,” *Reuters*, May 13, 2024, <https://www.reuters.com/business/energy/japan-sees-need-sharp-hike-power-output-by-2050-meet-demand-ai-chip-plants-2024-05-14/>.
- xxxv Calder, “Circles of Compensation: Economic Growth and the Globalization of Japan,” 113.
- xxxvi “Japan’s Nuclear Fuel Cycle,” *World Nuclear Association*, January 2021, <https://world-nuclear.org/focus/fukushima-daiichi-accident/japan-nuclear-fuel-cycle.aspx#:~:text=Uranium%20supply,%2C%20Canada%2C%20Kazakhstan%20and%20elsewhere>.
- xxxvii Ishihara, K. N. (2021). Japan Solar PV manufacturing in the past and future. IOP Conference Series. Materials Science and Engineering, 1127(1)<https://doi.org/10.1088/1757-899X/1127/1/012017>
- xxxviii Duffield, John S. and Woodall, Brian, “Japan’s New Basic Energy Plan” (2011). Political Science Faculty Publications. 29. [https://scholarworks.gsu.edu/political\\_science\\_facpub/29](https://scholarworks.gsu.edu/political_science_facpub/29)
- xxxix “Japan: Energy Mix,” *International Energy Agency*, <https://www.iea.org/countries/japan/energy-mix#where-does-japan-get-its-energy>.
- xl “Japan: Energy Mix,” *International Energy Agency*, <https://www.iea.org/countries/japan/energy-mix#where-does-japan-get-its-energy>.
- xli “Japan 2021: Energy Policy Review.” International Energy Agency, May 2021, 24.
- xlii Risa Maeda and Aaron Sheldrick, “Japan aims to abandon nuclear power by 2030s,” *Reuters*, September 14, 2012, <https://www.reuters.com/article/idUSBRE88D055/>.
- xliiii “IEEJ Outlook 2024,” *The Institute of Energy Economics Japan*, 2024, 86.
- xliv “Nuclear Power in Japan,” *World Nuclear Association*, March 25, 2024, [https://world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power#:~:text=Two%20under%20construction%20reactors%20\(Ohma,seven%20units%20by%20summer%202023](https://world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power#:~:text=Two%20under%20construction%20reactors%20(Ohma,seven%20units%20by%20summer%202023).
- xlv “Nuclear Power in Japan,” *World Nuclear Association*, March 25, 2024, [https://world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power#:~:text=Two%20under%20construction%20reactors%20\(Ohma,seven%20units%20by%20summer%202023](https://world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power#:~:text=Two%20under%20construction%20reactors%20(Ohma,seven%20units%20by%20summer%202023).
- xlvi “The Japanese Power Market with Aurora’s Leadership Team in Tokyo,” *Energy Unplugged by Aurora*, Audio podcast, June 15, 2023.
- xlvii “Japan’s “GX: Green Transformation Policy” is a Missed Opportunity to Respond to the Current Climate and Energy Crises,” *Renewable Energy Institute*, December 27, 2022, <https://www.renewable-ei.org/en/activities/reports/20221227.php>.
- xlviii “Japan 2021: Energy Policy Review.” International Energy Agency, May 2021, 98.
- xlix Ibid.
- l “Introduction of Japan’s Offshore Wind Policy,” *Agency for Natural Resources and Energy*, March 2023, 7.
- li David Wadham, Kensuke Inoue, Akemi Kishimoto, “Japan’s renewable FIP scheme and recent changes to the regime for battery storage,” *Ashurst*, August 12, 2022, <https://www.ashurst.com/en/insights/japans-renewable-fip-scheme-and-recent-changes-to-the-regime-for-battery-storage/>.

- 
- lii Shiraishi, Kenji, Won Young Park, Nikit Abhyankar, Umed Paliwal, Nina Khanna, Toru Morotomi, Jiang Lin, Amol A. Phadke, “The 2035 Japan Report: Plummeting Costs of Solar, Wind, and Batteries Can Accelerate Japan’s Clean and Independent Electricity Future,” *Lawrence Berkeley National Laboratory*, February 2, 2023.
- liii Shiraishi, Kenji, Won Young Park, Nikit Abhyankar, Umed Paliwal, Nina Khanna, Toru Morotomi, Jiang Lin, Amol A. Phadke, “The 2035 Japan Report: Plummeting Costs of Solar, Wind, and Batteries Can Accelerate Japan’s Clean and Independent Electricity Future,” *Lawrence Berkeley National Laboratory*, February 2, 2023.
- liv Shiraishi, Kenji, Won Young Park, Nikit Abhyankar, Umed Paliwal, Nina Khanna, Toru Morotomi, Jiang Lin, Amol A. Phadke, “The 2035 Japan Report: Plummeting Costs of Solar, Wind, and Batteries Can Accelerate Japan’s Clean and Independent Electricity Future,” *Lawrence Berkeley National Laboratory*, February 2, 2023, 39.
- lv “Hydrogen Production: Electrolysis,” *US Department of Energy*, <https://www.energy.gov/eere/fuelcells/hydrogen-production-electrolysis/>.
- lvi Thomas Koch Blank, Patrick Molloy, Kaitlyn Ramirez, Alexandra Wall, and Tessa Weiss, “Clean Energy 101: The Colors of Hydrogen,” *Rocky Mountain Institute*, April 13<sup>th</sup>, 2022, [https://rmi.org/clean-energy-101-hydrogen/?utm\\_source=google&utm\\_campaign=18654046274&utm\\_content=160572158107&utm\\_term=hydrogen%20facts&utm\\_medium=687071801997&gad\\_source=1&gclid=Cj0KCQjwk6SwBhDPARIsAJ59GwffddnsdME7HqqN48rDJsffmms\\_8gvB1xxIEQI9d3ZDKERhOtuLuOUaAsQSEALw\\_wcB](https://rmi.org/clean-energy-101-hydrogen/?utm_source=google&utm_campaign=18654046274&utm_content=160572158107&utm_term=hydrogen%20facts&utm_medium=687071801997&gad_source=1&gclid=Cj0KCQjwk6SwBhDPARIsAJ59GwffddnsdME7HqqN48rDJsffmms_8gvB1xxIEQI9d3ZDKERhOtuLuOUaAsQSEALw_wcB).
- lvii “Hydrogen in Combustion Turbine Electric Generating Units,” *U.S. Environmental Protection Agency*, May 23, 2023, 4.
- lviii “Delivering Net Zero in Japan: Policy Imperatives and Investor Priorities,” *Principles for Responsible Investment*, December 2023, 9.
- lix Christopher Doleman, “JERA is putting Japan's decarbonization goals at risk,” *Institute for Energy Economics and Financial Analysis*, January 26, 2024, <https://ieefa.org/resources/jera-putting-japans-decarbonization-goals-risk>.
- lx “Basic Hydrogen Strategy,” *The Ministerial Council on Renewable Energy, Hydrogen and Related Issues*, June 6, 2023.
- lxi Leigh Collins, “Japanese government allocates \$21bn to clean hydrogen subsidies,” *Hydrogen Insight*, December 20, 2023, <https://www.hydrogeninsight.com/policy/japanese-government-allocates-21bn-to-clean-hydrogen-subsidies/2-1-1574077>.
- lxii “Basic Hydrogen Strategy,” *The Ministerial Council on Renewable Energy, Hydrogen and Related Issues*, June 6, 2023, 17.
- lxiii Robin Gaster, “A Realist Approach to Hydrogen,” *Information Technology & Innovation Foundation*, January 16, 2024, <https://itif.org/publications/2024/01/16/a-realist-approach-to-hydrogen/>.
- lxiv “Japan 2021: Energy Policy Review.” *International Energy Agency*, May 2021, 118.
- lxv “The Basic Policy for the Realization of GX,” *Ministry of Economy, Trade, and Industry*, February 2023, 17.
- lxvi “Japan's CCS (Carbon Capture and Storage) Policy,” *Friends of the Earth Japan*, February 27, 2024, <https://foejapan.org/en/issue/20240227/16297/>.
- lxvii Teruyuki Ohno, Yuri Okubo, Akiko Hirose, “Bottlenecks and Risks of CCS Thermal Power Policy in Japan,” *Renewable Energy Institute*, May 2022, 1.
- lxviii Teruyuki Ohno, Yuri Okubo, Akiko Hirose, “Bottlenecks and Risks of CCS Thermal Power Policy in Japan,” *Renewable Energy Institute*, May 2022, 2.
- lxix “Japan’s “GX: Green Transformation Policy” is a Missed Opportunity to Respond to the Current Climate and Energy Crises,” *Renewable Energy Institute*, December 27, 2022, <https://www.renewable-ei.org/en/activities/reports/20221227.php>.
- lxx “Japan 2021: Energy Policy Review.” *International Energy Agency*, May 2021.
- lxxi “Japan,” *US Energy Information Administration*, July 7, 2023, <https://www.eia.gov/international/analysis/country/JPN>.
- lxxii Katya Golubkova and Yuka Obayashi, “Japan boosts reliance on allies Australia, US for long-term LNG supplies,” *Reuters*, March 10, 2024, <https://www.reuters.com/business/energy/japan-boosts-reliance-allies-australia-us-long-term-lng-supplies-2024-03-10/>.

---

<sup>lxxiii</sup> Bryan Hong, “The Clean Spark: The Role of Natural Gas in Achieving Japan’s Energy Security,” in *The United States and Japan in Global Context: 2023*, *The Edwin O. Reischauer Center for East Asian Studies*, 230.

<sup>lxxiv</sup> Tomas Kåberger, “How Putin’s Attack on Ukraine Increases Electricity Prices in Japan,” *Renewable Energy Institute*, March 18, 2022, <https://www.renewable-ei.org/en/activities/column/REupdate/20220318.php>.

<sup>lxxv</sup> “Japan 2021: Energy Policy Review.” International Energy Agency, May 2021, 199.

<sup>lxxvi</sup> “Japan.” *International Energy Agency*, <https://www.iea.org/countries/japan/energy-mix> (Accessed May 8, 2024).

<sup>lxxvii</sup> Takeo Kumagai and Alisdair Bowles, “Commodities 2024: Japan to begin key energy policy review in 2024 with focus on 2035 targets,” *S&P Global*, December 28, 2023, <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/energy-transition/122823-japan-to-begin-key-energy-policy-review-in-2024-with-focus-on-2035-targets>.

# The Next Steps for the Bank of Japan's Monetary Policy

By “Up” Khunanon Wihakhaphirom

## Introduction

Central banks in various countries share common responsibilities which extend beyond the production and management of physical currency. A key role of central banks is to foster stable economic growth and maintain the stability of the national currency. The Bank of Japan (BOJ) faces significant challenges in achieving its objectives of stable economic growth and currency stability. Japan's economy is grappling with a unique set of issues, including an aging population, persistent deflationary pressures, and the aftermath of the COVID-19 pandemic. These factors, combined with global economic uncertainties, have made it increasingly difficult for the BOJ to navigate its monetary policy decisions. This paper aims to analyze Japan's current economic situation, examine the BOJ's past and present policies, and forecast potential scenarios for the BOJ's future monetary policy through extensive research and interviews with experts in the field, including staff members at the Bank of Japan. The paper will begin by providing an overview of central banks and monetary policy, followed by an in-depth examination of the BOJ and the factors influencing its decision-making process, including the BOJ's past policies and their results. It will then delve into the current economic environment in Japan and the current market situation as of Q1 2024. Finally, the paper will explore potential future challenges and considerations for the BOJ's monetary policy and conclude with a summary of the main points and the importance of the BOJ's role in navigating the challenges faced by the Japanese economy.

### *Understanding Central Banks*

Central banks are the primary monetary authorities in most countries, responsible for overseeing the monetary system and ensuring financial stability.<sup>i</sup> Their main functions include conducting monetary policy, supervising the banking sector, and managing the payment and settlement systems.<sup>ii</sup> To achieve their objectives, central banks employ various tools, such as setting interest rates, controlling the money supply through open market operations, and setting reserve requirements for commercial banks.<sup>iii</sup> By adjusting these tools, central banks aim to maintain price stability, often targeting a specific inflation rate, stabilizing the currency value, and promoting sustainable economic growth.<sup>iv</sup> In times of financial stress, central banks act as lenders of last resort, providing liquidity to financial institutions to prevent systemic crises.<sup>v</sup> They also manage foreign exchange reserves and collaborate with domestic and international authorities to address economic challenges and maintain global financial stability.<sup>vi</sup> The effectiveness of central banks' policies depends on their independence, credibility, and ability to adapt to evolving economic conditions while maintaining clear communication and public trust.<sup>vii</sup>

### *Understanding Monetary Policy*

Monetary policy refers to the actions taken by a central bank to influence the money supply and interest rates in an economy, with the primary goal of achieving price stability and promoting sustainable economic growth.<sup>viii</sup> It differs from fiscal policy, which is controlled by the government and involves taxation and government spending to influence economic activity.<sup>ix</sup> Monetary policy can be expansionary or contractionary, depending on the central bank's objectives and the prevailing economic conditions. Expansionary monetary policy involves

increasing the money supply and lowering interest rates to stimulate economic activity, encourage borrowing and investment, and combat unemployment.<sup>x</sup> However, it may lead to higher inflation if not managed carefully. Conversely, contractionary monetary policy aims to slow down economic growth and control inflation by reducing the money supply and raising interest rates.<sup>xi</sup> While this can help maintain price stability, it may also result in slower economic growth and higher unemployment in the short term. The choice between expansionary and contractionary monetary policy depends on the central bank's assessment of the economy's needs, its inflation target, and the potential trade-offs between short-term and long-term economic objectives.<sup>xii</sup>

## **Understanding the Bank of Japan (BOJ) and the Market**

The Bank of Japan (BOJ), like other central banks, has an important role in Japan's financial system, primarily by conducting the country's monetary policy.<sup>xiii</sup> It has a specific mandate "to issue banknotes and to carry out currency and monetary control" and "to ensure smooth settlement of funds among banks and other financial institutions, thereby contributing to the maintenance of stability of the financial system."<sup>xiv</sup> Its main objective is to regulate the money supply and interest rates to maintain price stability and promote sustainable economic growth. The BOJ is able to achieve this through various tools such as adjusting policy-rate balances, conducting market operations, and setting reserve requirements, all designed to control the amount of money circulating in the economy.<sup>xv</sup>

In addition to its primary role in monetary policy, the BOJ is also responsible for maintaining Japan's financial stability. It closely monitors financial institutions and markets to identify and mitigate potential risks that could destabilize the financial system. As a lender of last resort, it provides support to financial institutions in distress. Furthermore, the BOJ acts as a banker to both the government and other banks, managing government accounts and bond issuances and ensuring the smooth operation of the interbank payment system.<sup>xvi</sup>

The BOJ is known for its unique monetary policy approach. In recent years, the BOJ has implemented unconventional measures such as quantitative and qualitative easing (QQE) and yield curve control (YCC) to combat deflation and stimulate economic growth.<sup>xvii</sup> These policies involve the BOJ purchasing large amounts of government bonds and other assets to inject liquidity into the economy and maintain low interest rates across the yield curve. The BOJ's negative interest rate policy (NIRP), introduced in 2016, is another distinctive feature of its monetary policy framework, aimed at encouraging lending and investment.<sup>xviii</sup>

However, unlike many developed countries, the BOJ's role in currency intervention is distinct from its monetary policy functions. Decisions related to currency intervention, which involves buying or selling foreign currency to influence the exchange rate, are made by Japan's Ministry of Finance.<sup>xix</sup> The BOJ acts as an executor in this context, carrying out these operations as instructed by the Ministry.

### *Factors influencing the BOJ's Monetary Policy Decision-making*

The Bank of Japan considers several factors when deciding its next monetary policy. While the process involves numerous models and a wealth of information, for the sake of clarity, several key considerations stand out. These include the state of the economy, inflation rates, wage growth, and



global economic trends. Additionally, the BOJ evaluates financial market conditions, interest rates, exchange rates, the impact of its previous policy decisions, etc. Below are examples of some evidence that central banks use to consider their policy:

**Debt Level:** The BOJ closely monitors Japan's high public debt levels when making monetary policy decisions. With a debt-to-GDP ratio of over 250%, the BOJ must consider the potential impact of its policies on the sustainability of public finances.<sup>xx</sup> Additionally, the central bank considers the level of household debt, as changes in interest rates can significantly affect borrowers. Higher interest rates could increase the government's borrowing costs and put further strain on its debt-servicing capacity, while also increasing the interest burden on households, potentially impacting consumer spending and economic growth. These factors significantly influence the BOJ's policy choices.<sup>xxi</sup>

Inflation can reflect the growth or contraction of the economy. A moderate level of inflation can help sustain economic growth. As the BOJ's primary mandate is to maintain price stability, inflation is a crucial factor in its monetary policy decisions. The BOJ aims to achieve a 2% inflation target, which has proven challenging in recent years due to persistent deflationary pressures. The central bank closely monitors various inflation indicators, such as the consumer price index (CPI) and the GDP deflator, to assess the need for further monetary stimulus or policy adjustments.<sup>xxii</sup> When inflation is below the target, the BOJ may implement accommodative policies to stimulate demand and raise prices. Conversely, if inflation exceeds the target, the BOJ may consider tightening monetary policy to prevent the economy from overheating and maintain price stability.

**Global Interest Rates:** The BOJ also considers interest rate developments in other major economies when formulating its monetary policy. In an interconnected global financial system, changes in interest rates abroad can affect capital flows, exchange rates, and financial conditions in Japan. The BOJ may adjust its policy stance to prevent excessive currency fluctuations or to maintain a favorable interest rate differential with other countries. However, it is becoming increasingly challenging to offset this differential, especially in the aftermath of the COVID-19 pandemic. The United States, for example, has raised interest rates above 5%, a level that the BOJ may find difficult to match, considering Japan's current economic conditions.

**Wage Growth:** When considering the influence of employment on monetary policy decisions, the Bank of Japan's approach is different from that of the United States, due to Japan's unique employment culture. Japan's lifetime employment system, where employees often remain with the same company throughout their careers, contributes to a stable and less volatile unemployment rate. Instead, the BOJ pays close attention to wage growth and labor market conditions when assessing the appropriate monetary policy stance. Normally, higher wage growth results in increased spending power, which drives the prices of goods and services higher (inflation). In such cases, the central bank typically implements monetary policy contraction to reduce the degree of economic growth, aiming for stable growth. However, in Japan's case, inflation has been driven primarily by supply-side factors, such as rising energy and raw material costs, rather than strong domestic demand. If wage growth does not keep pace with inflation, it will reduce household purchasing power and limit consumption because the price of goods and services will grow faster than salaries. This means that if the BOJ hikes rates under conditions of inflation and insufficient wage growth, both the inflationary effects and burden of higher interest payments on

loans could dramatically affect people's purchasing power. Therefore, the BOJ must carefully consider adjusting its policy by considering real wage growth (adjusting for inflation) to sustain the economy's growth.

**Tankan Report:** The Tankan (短観) (Short-Term Economic Survey of Enterprises in Japan) is a quarterly survey conducted by the BOJ to assess business sentiment and economic conditions.<sup>xxiii</sup> The Tankan survey takes a somewhat analog approach, but this also means that the data is organic and can represent the current economic situation and companies' expectations in Japan. The survey covers a wide range of industries and provides valuable insights into the current state of the economy, investment plans, and inflationary expectations. The BOJ closely analyzes the Tankan results when making monetary policy decisions, as they provide a comprehensive view of the business sector's outlook and challenges. The survey results help the BOJ gauge the level of business confidence, which can influence decisions related to capital investment, hiring, and pricing strategies. If the Tankan survey indicates declining business sentiment, the BOJ may consider implementing accommodative monetary policies to support economic growth. Conversely, if the survey shows rising confidence and inflationary pressures, the BOJ may lean towards a more hawkish stance to maintain price stability.

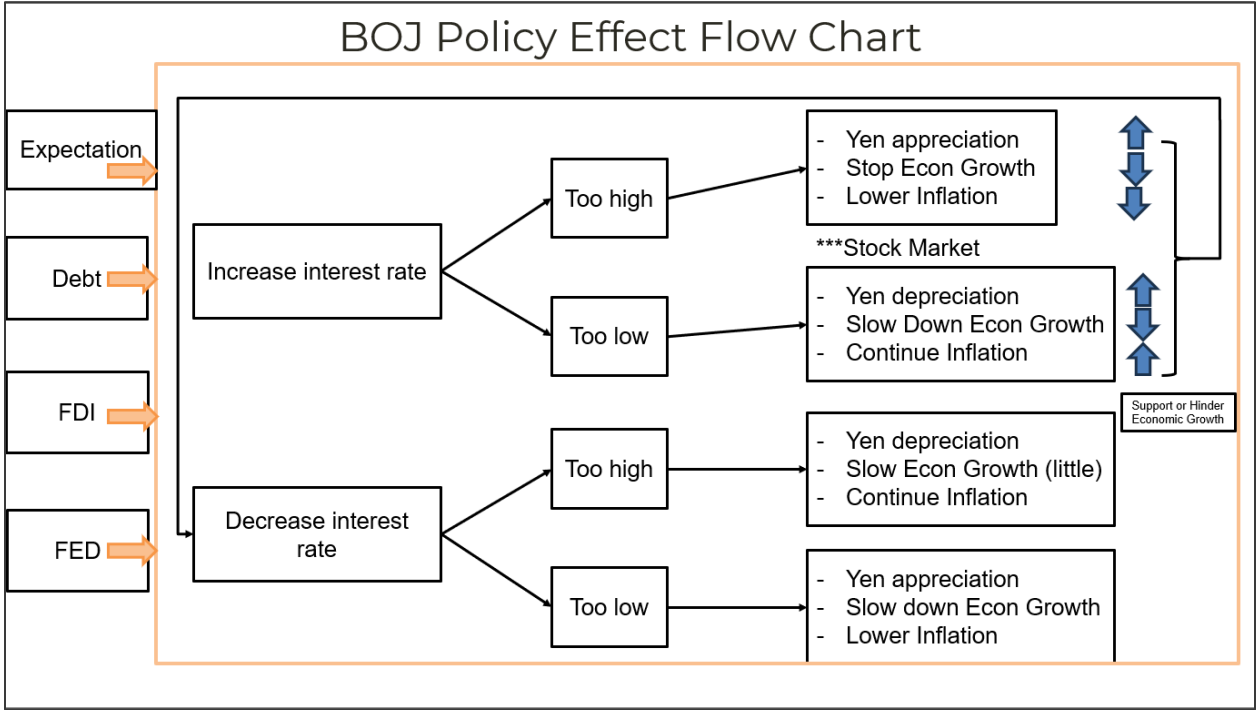
Moreover, there are also some intangible factors, such as:

**Expectations from the Public:** The BOJ also considers public expectations and sentiment when formulating its monetary policy. As indicated in my question to economist Emin Yurumazu at an event at Otemachi Mitsui Hall on March 20, 2024, despite the higher inflation rate in 2024, the Japanese public is not yet demanding aggressive interest rate hikes from the BOJ, unlike in the U.S., as they perceive the impact of inflation to be relatively manageable compared to the potential negative effects of higher borrowing costs. Moreover, there was no political pressure at the time, which gave the BOJ a sweet spot to hold or make minor adjustments to its monetary policy despite the weakening of the yen. There might come a point when inflation becomes too high and public and political pressure starts to influence the BOJ. At that time, regardless of the economic situation, the BOJ will begin to act according to the severity of the inflation. However, as of Q1 2024, there was no prospect of aggressive rate hikes since Japanese citizens have been more worried about the potential increase in their loan or mortgage payments than about inflation, which is making them pay more for various goods and services. This is partly because companies are also absorbing some of the inflation costs and have not yet significantly raised prices. Therefore, public expectations are more concerned about the potential increase in loan interest payments than the general increase in prices due to inflation. The BOJ must balance the need to control inflation with the public's expectations and the potential risks to economic growth and financial stability.<sup>xxiv</sup>

**Corporate Governance:** Interestingly, the BOJ also considers the state of corporate governance in Japan when making monetary policy decisions. The BOJ's staff mentioned that, instead of solely interpreting the higher stock market performance as a result of foreign direct investment (FDI), the BOJ also factors in the impact of better corporate governance in attracting investor money into the Japanese market. The trend of improving corporate governance in Japan supports the BOJ's consideration of rate hikes, as it indicates a more resilient business environment. Good corporate governance practices, such as increased transparency, accountability, and effective risk management, can enhance the efficiency and competitiveness of Japanese companies. These

factors contribute to a more stable and responsive business environment, which amplifies the impact of monetary policy decisions on the real economy. Conversely, weak corporate governance can lead to market distortions, misallocation of resources, and reduced investor confidence, thereby hindering the transmission of monetary policy.<sup>xxv</sup> As such, the BOJ closely monitors developments in corporate governance and takes them into account when assessing the potential effectiveness and risks associated with its monetary policy actions.

Figure 1: BOJ Policy Effect Flow Chart



(Source: Bank of Japan)

*What Factors Does the Market Concern?*

Before delving into the current market situation in Japan, it is essential to understand the factors that impact the market and how they translate into economic data. One of the primary concerns is the expectations surrounding the Bank of Japan's (BOJ) monetary policy and announcements. The market requires strong announcements and decisive actions from the BOJ to maintain confidence in Japan's monetary policy.

Another crucial factor is economic data, which indicates whether the current conditions support growth or not. Positive economic indicators, such as increased consumer spending, rising industrial production, and low unemployment rates, can boost market confidence. On the other hand, negative data points, like declining GDP, high inflation, or weak consumer sentiment, can raise concerns and lead to market volatility. The market closely monitors these indicators to gauge the health of the economy and make informed decisions.

Currency value also plays a vital role in market concerns. Excessive fluctuations in the value of the Japanese Yen (JPY) can hinder capital inflows into the country. When the yen experiences

significant depreciation or appreciation, foreign investors may hesitate to invest in Japanese assets due to the uncertainty and potential risks associated with currency fluctuations. Maintaining a stable and predictable currency value is crucial for attracting foreign investment and fostering economic growth.

Lastly, the interest rate spread between the BOJ and the Federal Reserve (FED), as a result of monetary policy, is a defining factor in the market. When the spread is too wide, the yen can depreciate significantly. A large interest rate differential between the two central banks can lead to capital outflows from Japan as investors seek higher yields in other countries. This can put downward pressure on the yen's value, making Japanese exports more competitive but also increasing the cost of imports and, ultimately, supply-side inflation on food and energy. Balancing the interest rate spread is a delicate task for the BOJ, as it aims to support the domestic economy while managing the currency's stability.

#### *The BOJ's Past Policies and Results*

The Bank of Japan (BOJ) has implemented a series of unconventional monetary policies since the early 2000s to combat deflation and stimulate economic growth. There are some significant indicators that can be used to evaluate the BOJ's success: 1. Inflation, 2. Stock Market, and 3. Japanese Yen.

For a long time, the Japanese Yen was considered a safe haven currency, meaning it was viewed as a safe asset, or Safe Haven Currency, and less volatile or moved in a beneficial way for investors during times of global economic disruption. As a result, the Bank of Japan's primary focus was on achieving their inflation target of above 2%.

In 2001, the BOJ introduced Quantitative Easing (QE), which increased the money supply but had limited success in achieving its objectives.<sup>xxvi</sup> This was followed by Comprehensive Monetary Easing (CME) from 2010 to 2013, which expanded asset purchases and aimed for "virtually zero interest rates," resulting in modest growth, though inflation remained below target.<sup>xxvii</sup> In 2010, The BOJ started making exchange-trade funded (ETF) purchases and expanded these significantly under the Quantitative and Qualitative Easing (QQE) program, aimed at reducing risk premia and promoting portfolio rebalancing.<sup>xxviii</sup> By buying ETFs, the BOJ sought to boost investor confidence and encourage a shift from safe assets to riskier ones, thereby stimulating economic activity.<sup>xxix</sup> Later in 2013, the BOJ launched Quantitative and Qualitative Easing (QQE), significantly expanding asset purchases and leading to a moderate improvement in growth, although inflation still fell short of the target. From 2016 to 2024, the BOJ combined QQE with Yield Curve Control (YCC) and implemented a Negative Interest Rate Policy (NIRP), successfully keeping rates low but with limited impact on inflation and growth, raising concerns about side effects and bank profitability.<sup>xxx</sup>

Lately, the significant depreciation of the yen against the U.S. dollar, which started in March 2022 with a 14% decline within two months and further worsened to 31% within 8 months, has put pressure on the BOJ to reconsider its monetary policy. The BOJ faced the challenge of addressing the yen's depreciation while maintaining domestic economic stability. Meanwhile, from September to October 2022, the Japanese government spent a staggering 9.2 trillion yen (around \$60 billion)<sup>xxxi</sup> in an attempt to bolster the currency, but the yen continued to weaken

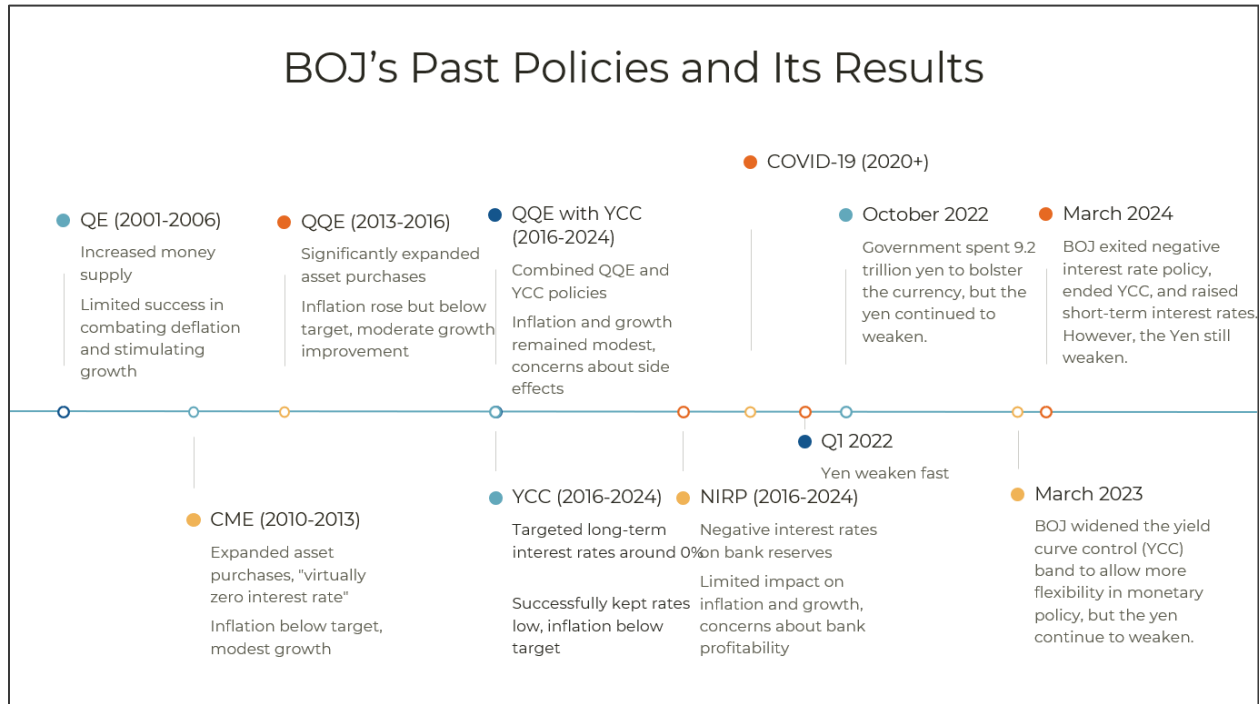
despite these huge interventions.<sup>xxxii</sup> This failure to stabilize the yen raises questions about the effectiveness of the government's approach and the underlying factors driving the yen's depreciation.

In December 2022, the Bank of Japan (BOJ) decided to widen the band of its yield curve control (YCC) policy. The central bank allowed the 10-year Japanese government bond yield to fluctuate by  $\pm 0.5\%$  around the 0% target, up from the previous range of  $\pm 0.25\%$ .<sup>xxxiii</sup> This move was seen as a response to rising global bond yields and the increasing costs of maintaining the YCC policy. By widening the band, the BOJ aimed to provide more flexibility in its monetary policy to adjust to slightly higher inflation caused by higher energy prices, while still keeping borrowing costs relatively low. The BOJ hoped that this action would appreciate the yen or at least stop its depreciation. While the move was intended to provide more flexibility and accommodate rising global bond yields, the market's reaction suggests that investors may have expected a more significant policy shift. As a result, the yen continued to depreciate throughout 2023 (See figure 3).

Later, in March 2024, the Bank of Japan (BOJ) decided to make key changes to its monetary policy. This decision came after a sustained period of inflation over 2%—a level that the BOJ views as a sign of economic growth, providing them room to increase interest rates. This move was further influenced by the outcomes of Shunto (春闘), Japan's largest annual wage negotiation, where major corporations engaged in discussions with labor unions, which led to wage increases of more than 5%. As a result, the BOJ announced its exit from the negative interest rate policy and ended its yield curve control strategy. The short-term interest rate was raised from -0.01% to 0.1%, and the BOJ discontinued its policy of unlimited long-term bond purchasing, which aimed to stabilize economic growth and the yen. In a statement, the BOJ claimed that the unconventional policies of the past 11 years had served their purpose and that it planned to align its monetary policy with the standard practices of other central banks.<sup>xxxiv</sup> However, it can be seen that these changes were not so much a result of successfully fueling the economy but rather a reaction to inflation driven by rising supply costs and an overly lax monetary policy, which had significantly weakened the yen. This suggests that it was time for the BOJ to move away from these extreme measures.

It was clear that the policy adjustments in 2022, 2023, and 2024 were not considered as successful as expected, as seen from the continuous depreciation of the yen. One of the most significant factors that made the BOJ's policy less successful was the widening interest rate differential between Japan and other major economies, particularly the United States, which has continued to be a key driver of the yen's depreciation. As the U.S. Federal Reserve raises interest rates to combat inflation while the BOJ maintains its ultra-loose monetary policy, investors are incentivized to sell yen and buy higher-yielding currencies like the U.S. dollar. This capital outflow puts downward pressure on the yen's value. A weaker yen has both positive and negative implications for the Japanese economy. On one hand, it makes Japanese exports more competitive in global markets, benefiting export-oriented industries. On the other hand, it increases the cost of imports, particularly energy and raw materials, which can squeeze corporate profits and household budgets.<sup>xxxv</sup> The BOJ must carefully balance these trade-offs as it formulates its monetary policy in response to the evolving economic landscape.

Figure 2: BOJ's Past Policies and Its Results



(Source: Bank of Japan)

Figure 3: JPY/USD from January 2022 – May 2024



(Source: Bloomberg)

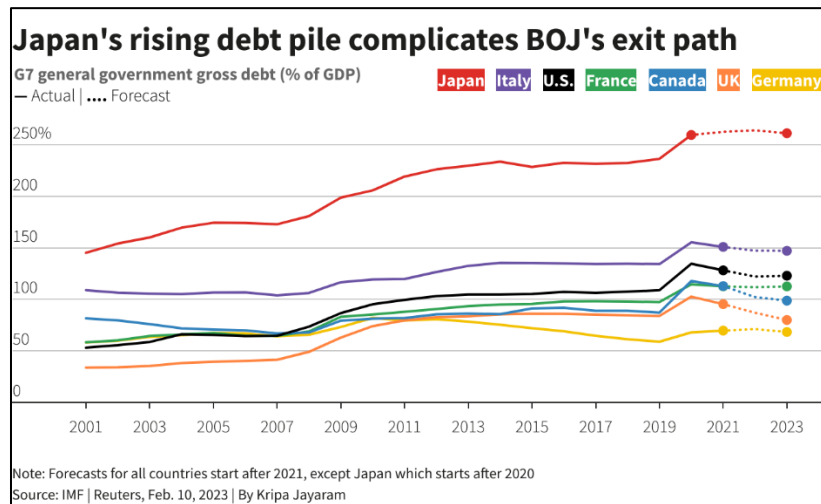
## The Current Domestic and International Economic Environment and Japan

### Macroeconomic Factors

To gain a comprehensive understanding of the current macroeconomic factors affecting the Japanese economy, it's crucial to consider both domestic and international elements impacting the decisions the Bank of Japan (BOJ) must make regarding monetary policy adjustments.

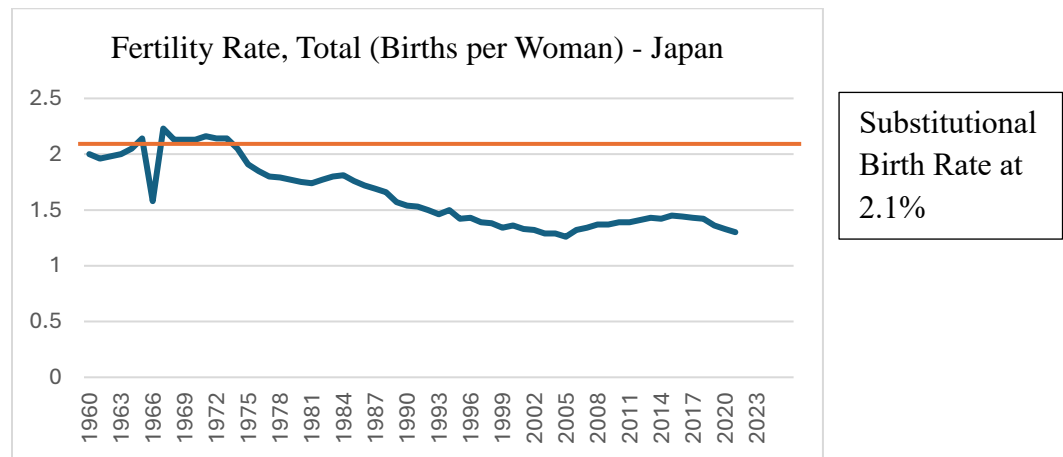
Domestic macroeconomics: Internal aspects like *demographics* and *productivity*, and notably, Japan's significant *national debt*, are pivotal. This debt, one of the highest in the world relative to GDP, poses substantial challenges to economic stability and monetary policymaking. Japan's aging population adds to these complexities, creating unique challenges in terms of labor force participation and consumer market dynamics, potentially altering the economy significantly.

Figure 4: Fertility Rate, Total (Births per Woman) - Japan



(Source: Reuters)

Figure 5: Fertility Rate, Total (Births per Woman) - Japan



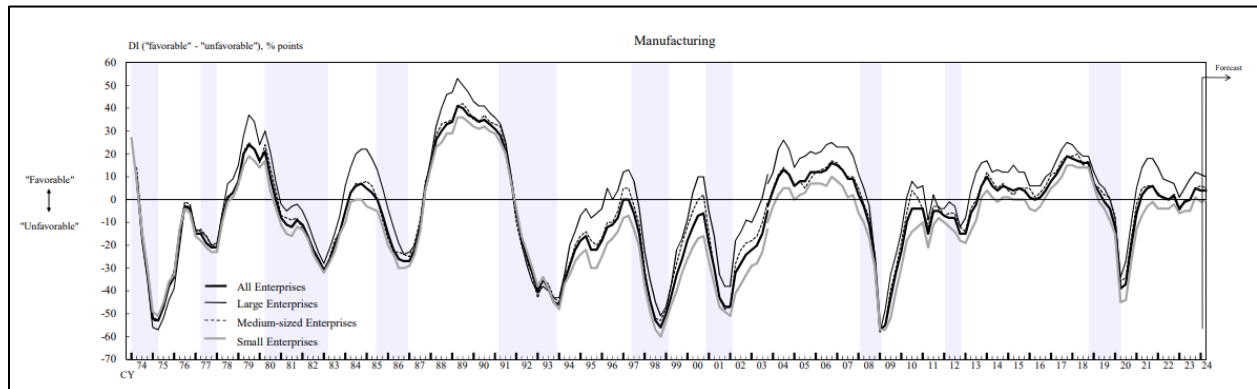
(Source: The World Bank)

Furthermore, a significant domestic event occurred in March 2024 during the Shunto negotiations. This event gained particular importance due to persistent high inflation, exceeding 2% since June 2022, which exerted pressure on companies to increase employee wages. As a response to these economic pressures, the Japanese Trade Union Confederation (JTUC-RENGO) agreed to a wage increase of 3.7% on base pay and a headline wage increase, including scheduled wage increases, of 5.28%, marking the most substantial rise in wages in over three decades.<sup>xxxvi, xxxvii</sup>

External factors such as global *geopolitical conflicts*, international trade dynamics, and the impact of war directly and indirectly affect Japan. The country's reliance on *imports* for essential resources like oil and gas makes it susceptible to global market fluctuations. Every 10% gain in oil prices will result in a ¥3 to ¥4 depreciation against the dollar on an annual basis.<sup>xxxviii</sup> This makes the situation more challenging for the BOJ to raise the rate.

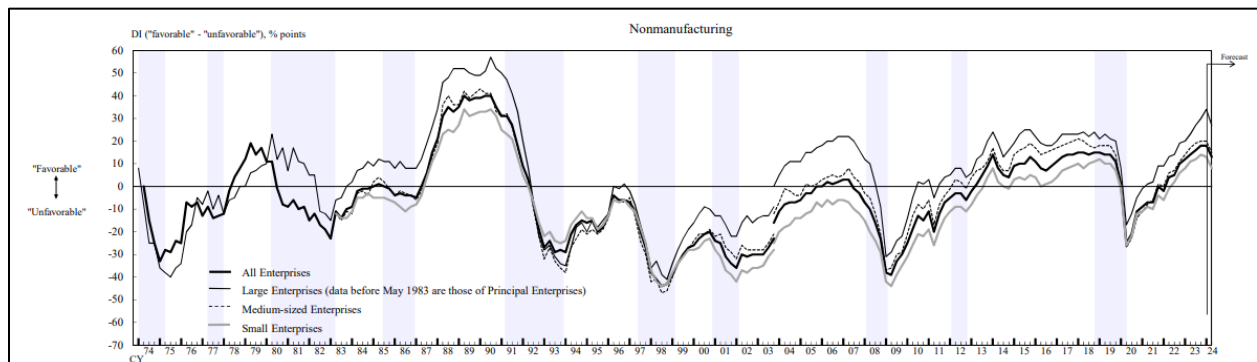
However, the gains of Japan's *export industries* due to *currency depreciation* and the dynamics of *foreign direct investment*, including the reshoring of investment from China to Japan, create positive factors that contribute to Japan's economic growth, which supports the case for rate hikes. While geopolitical conflicts like the U.S.-China trade dispute have disrupted global supply chains and created uncertainties, they have also created opportunities for Japan. As companies look to diversify their production bases and reduce their reliance on China, Japan has emerged as an attractive destination for reshoring industries.<sup>xxxix</sup> The country's advanced manufacturing capabilities, skilled workforce, and political stability have encouraged many multinational corporations to shift their operations to Japan. This trend has the potential to boost domestic investment, create jobs, and support Japan's economic recovery in the face of global headwinds. As shown in Figures 6 and 7, companies remain optimistic about the current economic situation. All these factors intertwine to benefit or disadvantage the Japanese economy, influencing the BOJ in its policy adjustments.

Figure 6: TANKAN Report March 2024 – Manufacturing Favorability



(Source: Bank of Japan, TANKAN Summary March 2024)

Figure 7: TANKAN Report March 2024 – Nonmanufacturing Favorability





(Source: Bank of Japan, TANKAN Summary March 2024)

### *Fiscal Policies*

Japan's fiscal environment is characterized by high government debt and challenging tax revenue prospects. The government's spending, particularly on investments and strategic industries, is a crucial factor in stimulating economic growth. However, the high debt levels limit the government's ability to increase spending without raising taxes or issuing more debt. The household sector also faces financial constraints, making it difficult for the government to raise interest rates, as both the government and households are sensitive to such changes.<sup>x1</sup>

Japan's shrinking and aging population also poses significant challenges to its fiscal environment. As the working-age population declines, the country faces a potential reduction in its labor force, which could lead to lower economic output and reduced tax revenues. Furthermore, an aging population typically requires increased government spending on healthcare and social welfare programs, putting additional strain on public finances.<sup>x2</sup> Without a corresponding increase in productivity to offset these demographic challenges, Japan's GDP growth and fiscal revenues are at risk of stagnation or decline, making it increasingly difficult for the government to manage its high debt levels and maintain a sustainable fiscal position.

Without government budget injections during times of slow economic growth (both domestically and internationally) and lower foreign direct investment (FDI), it is challenging for the Japanese economy to move forward. Consequently, companies may be reluctant to agree to wage increases. Ultimately, this creates a negative effect on the BOJ's ability to raise interest rates, as the lack of fiscal support and wage growth can hinder the central bank's room for monetary policy maneuvers.

### *Global Environment*

On the downside: Another critical aspect affecting the Japanese economy is *supply-side inflation*. Several geopolitical conflicts and a weakening Japanese yen contribute to higher production costs. This was evident in the elevated inflation rate of over 2% since April 2022, the highest in several years.<sup>x3</sup> This type of inflation arises from increasing costs in production (See figure 8), such as higher oil prices, leading many Japanese companies to absorb these costs rather than raising their selling prices. Although this strategy aims to protect market share and consumer loyalty, it results in reduced profit margins. This situation demonstrates a key struggle in the Japanese economy, where businesses face eroded profitability due to their commitment to maintaining price stability.

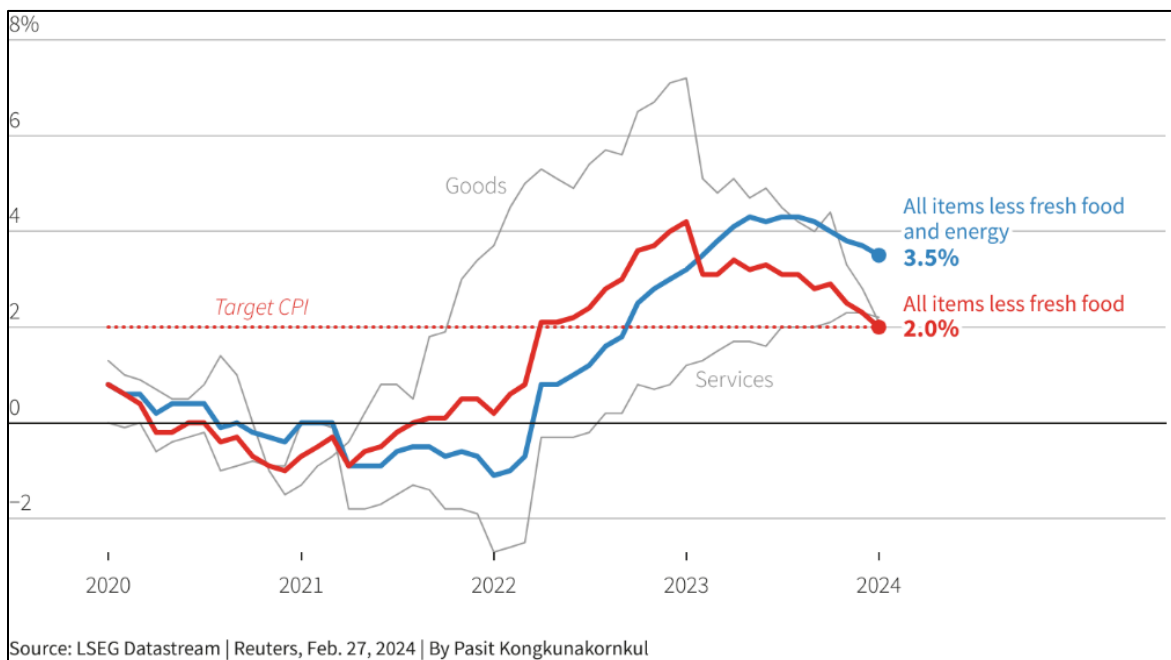
Furthermore, the Japanese yen's depreciation has been significantly influenced by the disparity in returns between currencies like the USD and the JPY, which is due to the interest rate differential between the .U.S Federal Reserve and the BOJ. The USD offers a risk-free rate of return of around 5% more compared to Japan's monetary policy (See figure 9). Despite abandoning negative interest rates and the Bank of Japan's yield curve control policies, the market still perceives that the BOJ's actions were insufficient. As a result, there has been a notable capital outflow from Japan to higher-return environments. This capital shift has weakened the yen, highlighting the complex balance the BOJ must maintain in managing domestic economic objectives while also navigating the impacts of global financial flows and investor sentiments.

On the upside: Incoming FDI from China as a result of geopolitical tension between the US and China creates an opportunity for Japan.<sup>xliii</sup> Moreover, yen depreciation not only has negative effects but also helps large, heavy export industries in Japan, such as automotive companies, gain more market share. Higher returns fueled the stock market (NIKKEI) to reach an all-time high above 40,000 in March 2024, eclipsing the previous highest point attained in 1989 before Japan’s “Lost Decade” began.<sup>xliiv</sup> Additionally, the attractiveness of cheaper goods and services in Japan helps appeal to a large number of tourists visiting the country, which is beneficial for the economy.

*U.S. Investors' Perspective on the Japanese Economy and its Employment Structure*

From conversations with several U.S. investors in investment banking and hedge funds, concerns are growing about the Japanese economy's ability to overcome its challenges, particularly considering its unique employment structure. The lifetime employment system, which prioritizes job security and seniority-based wage increases, is seen as a hindrance to productivity growth and labor market flexibility. This system makes it difficult for companies to adjust their workforce in response to changing economic conditions, potentially limiting their competitiveness and innovation capacity.<sup>xliv</sup> Additionally, the annual salary negotiations (Shunto) between unions and employers are viewed as a rigid process that may not adequately reflect market dynamics and productivity improvements. U.S. investors believe that these structural factors, combined with Japan's aging population and deflationary pressures, pose significant challenges to the country's economic revival and the effectiveness of the BOJ's monetary policy.<sup>xlvi</sup> Therefore, Japan must also make a strong effort to address these issues to regain trust from foreign investors.

Figure 8: Japanese CPI (April 2019 – March 2019)



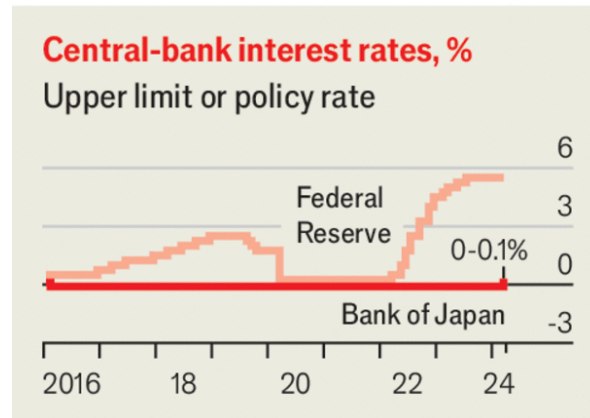
(Source: Reuters)

Figure 9: Cost of Imports Over Time (2020 as 100)



(Source: Financial Times)

Figure 10 U.S. Federal Reserve vs. Bank of Japan Interest Rate



(Source: The Economist)

### Current Market situation (Q1 2024)

Considering the economic environment, both domestic and international, as well as the market expectations mentioned previously, the current situation in Japan's economy is characterized by several notable developments. These have given rise to a combination of positive and challenging circumstances.

In 2024, the Nikkei, Japan's benchmark stock index, has reached all-time highs. This impressive performance can be attributed to various factors, including improved corporate governance practices. According to a Bank of Japan (BOJ) staff member I spoke with, Japanese companies have made significant strides in enhancing transparency, accountability, and overall governance structures. Additionally, the Nikkei's rally has been supported by foreign direct investment (FDI)

inflows, particularly from China, as investors seek to diversify their portfolios and tap into Japan's stable economic environment. Furthermore, the depreciation of the Japanese yen has played a role in boosting the competitiveness of Japanese exports and the profits reported in the Japanese yen.

Despite the stock market's strong performance, Japan has been grappling with higher inflation rates, exceeding the BOJ's 2% target for a considerable period. This inflationary pressure has been driven, as mentioned above, by a combination of factors, including rising global commodity prices and supply chain disruptions.<sup>xlvi</sup> The impact of inflation has been felt by both businesses and consumers, with the latter facing increased living costs.

In response to the inflationary environment and rising corporate profits, the Japanese Trade Union Confederation (JTUC-RENGO) has successfully negotiated salary increases of more than 5% during their annual wage negotiation.<sup>xlvii</sup> These wage hikes aim to help workers cope with the higher cost of living and ensure that they share in the benefits of their companies' improved financial performance. However, the rise in wages also adds to the inflationary pressures in the economy.

Despite the BOJ's efforts to maintain accommodative monetary policies, the Japanese yen has continued to depreciate against other major currencies, particularly the U.S. dollar. The market perception is that the BOJ has not raised interest rates sufficiently to narrow the gap with other central banks, such as the Federal Reserve. This has led to ongoing capital outflows from Japan, as investors seek higher returns in markets like the United States, contributing to the yen's depreciation.<sup>xliv</sup>

The persistent depreciation of the yen has had a significant impact on Japan's economy, particularly in terms of the rising cost of imported goods, such as food and energy. This situation has created a long-term challenge for the country, as rising import costs erode local purchasing power, thereby reducing domestic consumption and potentially obstructing economic growth.

Consequently, the BOJ finds itself in a delicate balancing act wherein it must navigate conflicting interests. On one hand, raising interest rates could help control inflation and stem the yen's depreciation. On the other hand, maintaining lower rates is crucial for supporting the overall economy, especially considering Japan's high government debt levels. Key factors to consider include Japan's debt burden, macroeconomic conditions, market expectations, yen valuation, foreign direct investment (FDI) flows, and stock market performance. The path forward for Japan's economy will depend on how effectively the BOJ manages these competing priorities and adapts its policies to the evolving domestic and global economic landscape.

## **What's Next?**

Looking ahead, the BOJ faces a complex economic landscape as it seeks to stimulate economic growth, maintain price stability, and navigate the challenges posed by high public debt, an aging population, and global economic uncertainties. To guide the Japanese economy through these challenges and achieve the goals of stable growth, higher investment, increased stock market

value, and ultimately, currency stability, the BOJ is expected to make cautious and well-informed policy decisions that adapt to Japan's unique and fluctuating economic environment.

In the near future, the BOJ may consider making cautious adjustments to its inflation target, considering factors such as the current moderate inflation rate, recent wage increases, public perception of inflation's impact, and potential interest rate cuts by the Federal Reserve. However, the extent and timing of these adjustments remain uncertain, as the BOJ will likely proceed with a measured approach to avoid any abrupt policy shifts that could damage the economy. The challenge ahead for the BOJ is the timing of the next Shunto, the annual wage negotiation process in Japan. Shunto takes place only once a year, and without significant wage increases, it becomes more difficult for the BOJ to justify raising interest rates. Wage growth is a crucial factor in determining the BOJ's monetary policy stance, as it directly impacts inflation and consumer spending. Therefore, before the next Shunto, the BOJ will need to carefully assess the strength and resilience of Japan's economic data. Robust indicators, such as higher GDP growth, improved business sentiment, and increased consumer confidence, would provide a stronger foundation for the BOJ to consider hiking rates again. However, if economic data remains weak or mixed, the central bank may opt to maintain its current accommodative monetary policy to support the economy. The BOJ's decision will depend on a comprehensive analysis of various economic factors, with wage growth being a key determinant in the timing of any potential rate hikes. Considering the current macroeconomic trend, fluctuations in the global economy, and Japan's challenging domestic environment, the BOJ is likely to refrain from adjusting its monetary policy and, instead, to wait for the U.S. Federal Reserve to cut rates at some point between midyear and the end of 2024. After that, the yen will appreciate against the USD, and capital inflows will help restore Japan's economic momentum.

Over the medium term, the BOJ's focus on promoting economic growth will largely depend on the continuity of wage increases. The annual "Shunto" wage negotiations will play an important role in determining the pace at which salaries rise to keep up with inflation.<sup>1</sup> The BOJ will closely monitor these developments and may need to adapt its policies accordingly. However, the infrequency of these wage negotiations could pose challenges to the BOJ's ability to respond swiftly to changing economic conditions.

Global conflicts and domestic economic challenges will be obstacles to the BOJ's decision-making process. If global conflicts continue or escalate, they will affect the prices of imported energy and food, which will impact inflation, increase living costs, and reduce companies' profitability. If Shunto negotiations are not successful, this situation will hinder the BOJ's ability to raise interest rates. However, if ongoing global conflicts ease, the price of imported energy will decrease, resulting in lower inflation, possibly lower than 2%. This scenario would also make it harder for the BOJ to raise rates.

Similarly, if there is less government spending or lower economic activity within the country, it will also be difficult for the BOJ to find sound reasons to raise rates. Ultimately, these factors could result in the continued depreciation of the Japanese yen. The "Debt Price Spiral," a scenario where the country must take on more debt to fuel the economy, amidst currency depreciation and supply-side inflation due to higher energy import costs, would ultimately reduce the country's

economic performance and create a loop of borrowing. If this scenario comes to fruition, this “spiral” will persist and become increasingly difficult to resolve.

In the long run, the BOJ is likely to remain committed to its goals of maintaining inflation above 2% and ensuring the stability and sustainable growth of the Japanese economy. The BOJ may increasingly prioritize currency stability as a key factor in its policy decisions, recognizing the importance of a stable yen for investors and export-import companies. Moreover, better fiscal discipline is crucial in creating more room for future expansionary monetary policy. However, it might be difficult in a time of escalating conflict in the region, as Japan is increasingly investing in its security, which means more budget, or higher debt, will be used for defense and less on economic stimulus. Achieving these long-term objectives will require patience, careful planning, and the ability to adapt to evolving circumstances.

Looking forward, another critical question is whether the Japanese yen will be able to reclaim its status as a safe-haven currency. The yen's future will be closely tied to the effectiveness of the BOJ's monetary policy decisions and Japan's overall economic performance. If the BOJ successfully navigates the challenges discussed in this paper, thereby implementing policies that support sustainable growth and price stability, its performance could help stabilize the yen and bolster investor confidence in the currency. This, in turn, could contribute to the yen regaining its safe-haven status as investors seek stability and reliability in times of global economic uncertainty.

However, if the BOJ struggles to manage competing priorities, or if Japan's economic challenges persist, the yen could face further depreciation pressures and may struggle to regain its safe-haven status. The yen's trajectory will have significant implications for the country's import costs, competitiveness, and financial stability.

The path ahead for the BOJ is likely to be a marathon, shaped by incremental changes and a cautious approach to policy shifts. The Japanese economy's sensitivity to abrupt changes will necessitate a delicate balancing act as the central bank seeks to capitalize on the country's economic potential while mitigating risks. The BOJ's success in securing a stable and prosperous future for Japan will depend on its ability to make well-informed decisions, communicate effectively with the public, and maintain the trust and confidence of market participants.

## **Conclusion**

In conclusion, the Bank of Japan (BOJ) faces a delicate balancing act as it seeks to stimulate economic growth, maintain price stability, and navigate the challenges posed by high public debt, an aging population, and global economic uncertainties. To achieve these objectives, the BOJ must implement flexible and well-informed monetary policies that adapt to Japan's unique and fluctuating economic environment.

The effectiveness of the BOJ's policies will depend on its ability to adapt to evolving factors while maintaining a stable yet growth-oriented economic environment. This will require skillfully managing short-term considerations, such as inflation expectations and wage growth, while

simultaneously addressing long-term structural challenges. Clear communication and the ability to maintain market confidence will be crucial to the success of the BOJ's efforts.

Ultimately, the BOJ must remain committed to its mandate of ensuring price stability and supporting sustainable growth while carefully considering the implications of its policies for the future of the Japanese yen. The central bank's ability to adapt to evolving circumstances, manage risks, and capitalize on Japan's economic potential will be essential to shaping the country's economic trajectory in the face of an ever-changing global economic environment.

## Endnotes

---

- <sup>i</sup> Mishkin, F. S. (2019). *The economics of money, banking, and financial markets* (12th ed.). Pearson.
- <sup>ii</sup> Blinder, A. S. (2010). How central should the central bank be? *Journal of Economic Literature*, 48(1), 123-133
- <sup>iii</sup> Bernanke, B. S., & Mishkin, F. S. (1997). Inflation targeting: A new framework for monetary policy? *Journal of Economic Perspectives*, 11(2), 97-116.
- <sup>iv</sup> Orphanides, A. (2003). Historical monetary policy analysis and the Taylor rule. *Journal of Monetary Economics*, 50(5), 983-1022.
- <sup>v</sup> Freixas, X., Giannini, C., Hoggarth, G., & Soussa, F. (2000). Lender of last resort: What have we learned since Bagehot? *Journal of Financial Services Research*, 18(1), 63-84
- <sup>vi</sup> Moessner, R., Jansen, D. J., & de Haan, J. (2016). Communication about future policy rates in theory and practice: A survey. *Journal of Economic Surveys*, 30(3), 605-630
- <sup>vii</sup> Cukierman, A. (2008). Central bank independence and monetary policymaking institutions—Past, present and future. *European Journal of Political Economy*, 24(4), 722-736
- <sup>viii</sup> Mishkin, F. S. (2019). *The economics of money, banking, and financial markets* (12th ed.). Pearson
- <sup>ix</sup> Horton, M., & El-Ganainy, A. (2020). Fiscal policy: Taking and giving away. *Finance & Development*, 57(1), 52-54
- <sup>x</sup> Bernanke, B. S., & Reinhart, V. R. (2004). Conducting monetary policy at very low short-term interest rates. *American Economic Review*, 94(2), 85-90
- <sup>xi</sup> Ireland, P. N. (2008). Monetary transmission mechanism. In S. N. Durlauf & L. E. Blume (Eds.), *The New Palgrave Dictionary of Economics* (2nd ed.). Palgrave Macmillan
- <sup>xii</sup> Svensson, L. E. O. (2010). Inflation targeting. In B. M. Friedman & M. Woodford (Eds.), *Handbook of Monetary Economics* (Vol. 3, pp. 1237-1302). Elsevier
- <sup>xiii</sup> Bank of Japan. n.d. Monetary Policy. Accessed April 7, 2024. <https://www.boj.or.jp/en/mopo/index.htm>.
- <sup>xiv</sup> —. n.d. Outline of the Bank. Accessed March 30, 2024. <https://www.boj.or.jp/en/about/outline/index.htm>.
- <sup>xv</sup> Bank of Japan. n.d. Monetary Policy. Accessed April 7, 2024. <https://www.boj.or.jp/en/mopo/index.htm>.
- <sup>xvi</sup> —. n.d. Bank of Japan Its Functions and Organization. Accessed May 05, 2024. [https://www.boj.or.jp/en/about/education/data/boj\\_pamphlet.pdf](https://www.boj.or.jp/en/about/education/data/boj_pamphlet.pdf).
- <sup>xvii</sup> Shirai, S. 2018. Mission incomplete: Reflating Japan's economy. Asian Development Bank Institute
- <sup>xviii</sup> Bank of Japan. n.d. (Reference) Monetary Policy under Quantitative and Qualitative Monetary Easing Introduced in 2013. Accessed May 05, 2024. [https://www.boj.or.jp/en/mopo/outline/ref\\_qqe.htm#:~:text=In%20September%202016%2C%20based%20on,interest%20rates%20through%20market%20operations](https://www.boj.or.jp/en/mopo/outline/ref_qqe.htm#:~:text=In%20September%202016%2C%20based%20on,interest%20rates%20through%20market%20operations).
- <sup>xix</sup> Ministry of Finance. n.d. Foreign Exchange Intervention Operations. Accessed April 7, 2024. [https://www.mof.go.jp/english/policy/international\\_policy/reference/feio/index.html](https://www.mof.go.jp/english/policy/international_policy/reference/feio/index.html).
- <sup>xx</sup> Yoshino, N., and H. Miyamoto. 2017. "Declined effectiveness of fiscal and monetary policies faced with aging population in Japan." *Japan and the World Economy* 42: 32-44. <https://doi.org/10.1016/j.japwor.2017.06.002>
- <sup>xxi</sup> Hoshi, T., and T. Ito. 2020. *The Japanese economy*. 2nd ed. MIT Press
- <sup>xxii</sup> Shirai, S. 2018. Mission incomplete: Reflating Japan's economy. Asian Development Bank Institute
- <sup>xxiii</sup> —. n.d. What is the Tankan? Accessed May 05, 2024. <https://www.boj.or.jp/en/about/education/oshiete/statistics/h12.htm>.
- <sup>xxiv</sup> Shirai, S. 2018. Mission incomplete: Reflating Japan's economy. Asian Development Bank Institute
- <sup>xxv</sup> Ibid.
- <sup>xxvi</sup> Ibid.
- <sup>xxvii</sup> Choi, Jae Young Lee and Jinho. 2019. A Tale of Two Sides of Easy Monetary Policy in Japan. April 10. Accessed May 05, 2024. <https://amro-asia.org/a-tale-of-two-sides-of-easy-monetary-policy-in-japan/>.
- <sup>xxviii</sup> Shirai, S. 2018. Mission incomplete: Reflating Japan's economy. Asian Development Bank Institute
- <sup>xxix</sup> Hoshi, T., and T. Ito. 2020. *The Japanese economy*. 2nd ed. MIT Press.
- <sup>xxx</sup> Ibid.



- 
- <sup>xxx</sup> Bank of Japan. 2022. Market Operations in Fiscal 2022. Yearly Report, Tokyo: Financial Markets Department.
- <sup>xxxii</sup> Reuters. 2024. History of Japan's intervention in currency markets. March 28. Accessed April 01, 2024. <https://www.reuters.com/markets/currencies/history-japans-intervention-currency-markets-2024-03-28/>.
- <sup>xxxiii</sup> Wilmington Trust. 2023. Bank of Japan's Policy Adjustment Ripples Through Markets. September 11. Accessed May 02, 2024. <https://www.wilmingtontrust.com/library/article/bank-of-japans-policy-adjustment-ripples-through-markets#:~:text=The%20BoJ%20has%20loosened%20the,0.25%25%20to%20%C2%B1%200.5%25.>
- <sup>xxxiv</sup> OBE, MITSURU. 2024. BOJ ends negative rates, leaves questions over policy direction. March 19. Accessed April 01, 2024. <https://asia.nikkei.com/Economy/Bank-of-Japan/BOJ-ends-negative-rates-leaves-questions-over-policy-direction.>
- <sup>xxxv</sup> Yoshino, N., and H. Miyamoto. 2017. "Declined effectiveness of fiscal and monetary policies faced with aging population in Japan." *Japan and the World Economy* 42: 32-44. <https://doi.org/10.1016/j.japwor.2017.06.002>
- <sup>xxxvi</sup> Yuriko Tanaka, et al. 2024. Japan Economic Flash: First Shunto Wage Hike Data Release Indicates 3.7% Base Pay Rise; We Raise Our Wage Growth Estimates. March 15. Accessed May 05, 2024. <https://www.gspublishing.com/content/research/en/reports/2024/03/15/939837c4-90d4-490a-8678-5bf53ca6c65d.html>.
- <sup>xxxvii</sup> Kajimoto, Tetsushi. 2024. Japan union group announces biggest wage hikes in 33 years, presaging shift at central bank. March 15. Accessed April 1, 2024. <https://www.reuters.com/markets/asia/japan-unions-will-unveil-results-wage-talks-presaging-shift-central-bank-2024-03-15/>
- <sup>xxxviii</sup> MASAKI KONDO, et al. 2024. *Oil poses more risks for yen as Japan depends on energy imports*. April 19. Accessed May 2, 2024. <https://www.japantimes.co.jp/business/2024/04/19/markets/oil-poses-more-risks-yen/>.
- <sup>xxxix</sup> Suzuki, Hiroyuki. "Building Resilient Global Supply Chains: The Geopolitics of the Indo-Pacific Region." CSIS, February 19, 2021. <https://www.csis.org/analysis/building-resilient-global-supply-chains-geopolitics-indo-pacific-region>.
- <sup>xl</sup> —. n.d. Highlights of the Draft FY2024 Budget . Accessed May 05, 2024. <https://www.mof.go.jp/english/policy/budget/budget/fy2024/01.pdf>.
- <sup>xli</sup> Yoshino and Miyamoto, "Declined effectiveness of fiscal and monetary policies."
- <sup>xlii</sup> IMF. 2023. *Uncertainty Around Japan Inflation Underscores Need for Nimble Monetary Policy*. May 24. Accessed March 31, 2024. <https://www.imf.org/en/News/Articles/2023/05/24/cf-uncertainty-around-japan-inflation-underscores-need-for-nimble-monetary-policy>.
- <sup>xliiii</sup> Wong, Jacky. 2024. Investors Fleeing China Are Going Big in Japan. Jan 22. Accessed May 05, 2024. <https://www.wsj.com/finance/stocks/investors-fleeing-china-are-going-big-in-japan-7e2d1931>.
- <sup>xliiv</sup> Pesek, William. 2024. Yen's decline will inevitably affect confidence in Japan's economy. April 24. Accessed May 05, 2024. <https://asia.nikkei.com/Opinion/Yen-s-decline-will-inevitably-affect-confidence-in-Japan-s-economy>
- <sup>xli</sup> Yoshino and Miyamoto, "Declined effectiveness of fiscal and monetary policies."  
<https://doi.org/10.1016/j.japwor.2017.06.002>
- <sup>xli</sup> Shirai, S. 2018. Mission incomplete: Reflating Japan's economy. Asian Development Bank Institute
- <sup>xli</sup> Ibid.
- <sup>xli</sup> Yuriko Tanaka, et al. 2024. Japan Economic Flash: First Shunto Wage Hike Data Release Indicates 3.7% Base Pay Rise; We Raise Our Wage Growth Estimates. March 15. Accessed May 05, 2024. <https://www.gspublishing.com/content/research/en/reports/2024/03/15/939837c4-90d4-490a-8678-5bf53ca6c65d.html>.
- <sup>xli</sup> Brooks, Robin, Belinda Archibong, John W. McArthur Homi Kharas, and Landry Signé. "Japan's Falling Yen and Fiscal Space." Brookings, June 5, 2024. <https://www.brookings.edu/articles/japans-falling-yen-and-fiscal-space/>.
- <sup>1</sup> Shirai, S. 2018. Mission incomplete: Reflating Japan's economy. Asian Development Bank Institute.



## Photos from the 2024 Class Trip to Tokyo



All but one managed to keep their eyes open for this pleasant class photo at the U.S. Embassy in Tokyo.



On their second day in Tokyo, the cohort venture on a fine spring day towards Temple University's Tokyo campus.



Once arrived, they engage with a great panel of experts, foreshadowing days of interviews still to follow.





Attending a Japanese tea ceremony is an annual tradition for the United States and Japan in Global Context cohort.

A pre-trip training for the physical endurance requisite to maintain *seiza* or “proper sitting” for the duration of the ceremony is not yet a tradition, but future cohorts would be wise to consider establishing it.





Visiting the International House of Japan, in Dr. Calder's company, is another staple of the trip.



A meal at Gonpachi, meet-up with SAIS alumni, city park visits, and other happenings all contributed to a memorable week in Tokyo.



Edited by Professor Bill Brooks and Chad Higgenbottom

The United States and Japan in Global Context: 2024

© The Edwin O. Reischauer Center for East Asian Studies, 2024

The Edwin O. Reischauer Center for East Asian Studies

555 Pennsylvania Ave NW

Washington, DC 20001

Cover Image Courtesy of Bill Brooks



JOHNS HOPKINS  
SCHOOL *of* ADVANCED  
INTERNATIONAL STUDIES

The Edwin O. Reischauer Center for East Asian Studies  
Johns Hopkins School of Advanced International Studies (SAIS)

555 Pennsylvania Avenue NW

Washington, D.C. 20001

[reischauercenter.org](http://reischauercenter.org)

[facebook.com/reischauercenter](https://facebook.com/reischauercenter)