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Japan-U.S. Relations: Issues for Congress

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Summary

Japan is a significant partner of the United States in a number of foreign policy areas, particularly in security concerns, which range from hedging against Chinese military modernization to countering threats from North Korea. The U.S.-Japan military alliance, formed in 1952, grants the U.S. military the right to base U.S. troops—currently around 54,000 strong—and other military assets on Japanese territory, undergirding the "forward deployment" of U.S. troops in East Asia. In return, the United States pledges to protect Japan's security.

Although candidate Donald Trump made statements critical of Japan during his campaign, relations have remained strong, at least on the surface, throughout several visits and his meetings with Japanese Prime Minister Shinzo Abe. The two leaders appear to share a similar view of the Indo-Pacific region and echo each other's commitment to keeping the region "free and open." Bilateral tensions began surfacing in 2017, however, and have become more acute even as other aspects of the relationship continue to function well. On North Korea policy, Tokyo has conveyed some anxiety about the Trump Administration's change from confrontation to engagement, concerned that Japan's priorities will be marginalized as the United States pursues negotiations with North Korea. Japan is worried about the U.S. commitment to its security given Trump's skepticism about U.S. alliances overseas, and concerned that the Administration will demand steep increases from Japan in next year's burden-sharing negotiations. Contentious trade issues have also resurfaced. In addition, Japan has expressed disappointment about the Trump Administration's decision to withdraw from the Trans-Pacific Partnership (TPP) agreement and the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement on addressing climate change.

Japan is the United States' fourth-largest overall trading partner, Japanese firms are the second-largest source of foreign direct investment in the United States, and Japanese investors are the largest foreign holders of U.S. treasuries. Tensions in the trade relationship have increased under the Trump Administration with renewed focus on the bilateral U.S. trade deficit, particularly in motor vehicles, which account for roughly one-third of Japan's annual exports to the United States. A limited trade agreement, announced on September 25, 2019, includes tariff cuts and digital trade commitments by both sides and may help to ease tensions. Notably, Japan intends to lower its tariffs on several U.S. agriculture exports, helping U.S. exporters compete with Japan's other preferential trade agreement partners, including the European Union and the remaining members of the Trans-Pacific Partnership from which the United States withdrew in 2017. The Administration has informally stated that the trade agreement also removes the threat of new U.S. auto tariffs, a key objective of Japan since President Trump's May 2019 determination that U.S. imports of motor vehicles threaten U.S. national security, providing the President with authority to increase auto tariffs. The limited "first stage" agreement does not require formal approval by Congress but must be ratified by the Diet before it can enter into force. The two sides intend to pursue a more comprehensive deal next year.

After years of turmoil, Japanese politics has been relatively stable since the December 2012 parliamentary election victory of Prime Minister Shinzo Abe and his Liberal Democratic Party (LDP). Since then, multiple election victories have further consolidated Abe and the LDP's political positions. With the major opposition parties in disarray, the LDP's dominance does not appear to be threatened. Abe is on track to become Japan's longest serving post-war leader if he remains in office throughout this term, which is scheduled to run through 2021. However, Abe may struggle to pursue the more controversial initiatives of his agenda, such as increasing the Japanese military's capabilities and flexibility, because of his reliance on a coalition with a smaller party.

With his political standing secured, Abe continues his diplomatic outreach, possibly hedging against an over-reliance on the U.S alliance. Since 2016, Abe has sought to stabilize relations with China, despite an ongoing territorial dispute and Japanese concerns about China's increasing assertiveness in its maritime periphery. Relations with South Korea have worsened to the worst in half a century because of trade disputes and sensitive historical issues. Elsewhere, Abe has pursued stronger relations with Australia, India, Russia, and several Southeast Asian nations.

In the past decade, U.S.-Japan defense cooperation has improved and evolved in response to security challenges, such as the North Korean missile threat and the confrontation between Japan and China over disputed islands. Abe accelerated the trend by passing controversial security legislation in 2015. Much of the implementation of the laws, as well as of U.S.-Japan defense guidelines updated the same year, lies ahead, and full realization of the goals to transform alliance coordination could require additional political capital and effort. Additional concerns remain about the implementation of an agreement to relocate the controversial Futenma base on Okinawa and upcoming burden-sharing negotiations.

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Recent Developments

Abe Wins Another Parliamentary Victory, Likely to Be Premier Until 2021

In July 2019 parliamentary elections, Abe's Liberal Democratic Party (LDP) and its coalition partner, the much smaller Komeito party, retained their control over the Upper House of Japan's bicameral legislature, called the Diet. The LDP-Komeito coalition won more than half the contested seats, more than four times the number of seats captured by Japan's largest opposition party, the Constitutional Party of Japan (CDP). Voter turnout was around 49%, the lowest mark for an Upper House election since 1995.

The election victory was Abe's sixth consecutive electoral win since he led the LDP back into power in 2012. Barring any unforeseen developments, Abe is on track to remain premier until 2021, when his third consecutive term as LDP President expires. According to LDP rules, he is prohibited from serving another consecutive term, though the party has already relaxed its rules once, in 2017, to allow Abe to continue in his post. If Abe remains in power beyond November 2019, as seems likely, he would become the longest-serving prime minister in the history of modern Japan.[1]

Following the July 2019 elections, Abe reiterated his goal of amending Japan's constitution, specifically changing the pacifist clause Article 9. However, the LDP did not gain enough seats to reach the two-thirds majority that would be the first of several barriers to change the constitution, which was drafted by U.S. officials during the 1945-1952 U.S. occupation of Japan. (For background on Japanese politics, see the "Japanese Politics" section.)

President Trump Declares Auto Imports National Security Threat

On May 17, 2019, President Trump announced that he concurred with the Department of Commerce's finding that U.S. imports of passenger vehicles and parts, specifically from Japan and the European Union, threaten to impair U.S. national security. The determination, which came nearly a year after the Administration initiated an investigation under Section 232 of the Trade Act of 1962, provides the President broad authority to take measures, including imposing import duties, to address the threat.[2] New tariffs on Japanese auto imports are unlikely in the near term, however, as the President directed the United States Trade Representative (USTR) to seek a negotiated solution, and appeared to be using the threat of tariffs as leverage in the broader U.S.-Japan trade negotiations. The first stage of those negotiations concluded in late September with an informal assurance from the United States not to impose new tariffs (see below). Japan is already being subjected to increased U.S. tariffs, on steel and aluminum, that the Trump

[1] This calculation includes the time Abe served as prime minister from July 2006 – September 2007. "Abe Shinzō on Track to Become Japan's Longest-Serving Prime Minister," *Nippon.com*, October 3, 2018. Japanese constitutional government began in the late 19th century, with the 1890 enactment of the so-called Meiji Constitution, which was replaced in 1947 by Japan's present-day Constitution.

[2] For more information, see CRS In Focus IF10971, *Section 232 Auto Investigation*, coordinated by Rachel F. Fefer.

Administration imposed in March 2018 under Section 232. Unlike other major U.S. trading partners, Japan did not retaliate for these increased duties.

Japan, a U.S. treaty ally, strongly objects to the notion that its exports threaten U.S. national security. Several Members of Congress, particularly those with Japanese auto production facilities in their districts, have raised concerns over the Administration's determination, and the Senate Finance Committee Chair supports legislation to give Congress a greater role in the Section 232 process.[3] U.S. auto producers, which depend on global automotive supply chains, also opposed the Administration's determination, but U.S. labor unions generally voiced support.[4] U.S. tariff actions affecting U.S.-Japan auto trade would likely have major economic implications, as U.S. auto and parts imports accounted for roughly one-third of all U.S. imports from Japan in 2018 ($56 billion), while Japanese auto firms directly employed 170,000 U.S. workers in 2016 (latest data).[5]

Trade Tensions Appear to Be Mitigated as New Bilateral Agreement Announced

The threat of potential Section 232 auto tariffs pressured Japan to engage in broader negotiations with the United States over a bilateral trade agreement, despite its preference for the United States to return to the regional Trans-Pacific Partnership (TPP, see "U.S.-Japan Bilateral Trade Agreement Negotiations" below). After six months of negotiations, on September 25, 2019, President Trump and Prime Minister Abe announced the "first stage" of a trade agreement had been finalized on "early achievements" covering agricultural market access and some industrial goods tariffs, as well as rules on digital trade.[6] While the agreement does not include a reduction in current U.S. auto tariffs or formally address Section 232, USTR indicated that "at this point" the Administration does not intend to proceed with imposing new auto tariffs on Japan.[7]

The Trump Administration has indicated that the initial agreements will not require formal congressional approval, notifying Congress on September 16, 2019, of its intent to enter into an agreement on tariff barriers under certain delegated presidential authorities, and a separate Executive Agreement regarding digital trade.[8] This approach has prompted some debate among Members and other U.S. stakeholders over the appropriate congressional role and over what issues may be subject to future talks with Japan, which the Administration stated it intends to pursue. An expeditious reduction of Japan's agricultural tariffs under the initial agreement, however, remains widely supported given growing concerns that Japan's other recently-enacted trade agreements, including in the Asia-Pacific, disadvantage U.S. exports. After U.S. withdrawal

[3] Senator Grassley, "Grassley Statement on Auto Tariff Delay," press release, May 17, 2019, https://www.grassley.senate.gov/news/news-releases/grassley-statement-auto-tariff-delay.

[4] "One Important Group Supports Trump's Auto Tariffs," *Washington Post*, July 25, 2019.

[5] U.S. Bureau of Economic Analysis (BEA), "U.S. International Trade in Goods and Services—Japan," 2018, and "Activities of U.S. Affiliates of Foreign Multinational Enterprises," 2016.

[6] White House, "Joint Statement of the United States and Japan," September 25, 2019, https://www.whitehouse.gov/briefings-statements/joint-statement-united-states-japan-2/; USTR, "Fact Sheet: U.S.-Japan Trade Agreement," September 2019, https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2019/september/fact-sheet-us-japan-trade-agreement.

[7] Office of the Press Secretary, "On-the-Record Press Gaggle by Ambassador Lighthizer on the U.S.-Japan Trade Agreement," September 25, 2019.

[8] White House, "Presidential Message to Congress Regarding the Notification of Initiation of United States—Japan Trade Agreement," September 16, 2019, https://www.whitehouse.gov/briefings-statements/presidential-message-congress-regarding-notification-initiation-united-states-japan-trade-agreement/.

from TPP in 2017, Japan took the lead in negotiating revisions to the agreement among the remaining 11 members, suspending certain commitments largely sought by the United States. The new deal, called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or TPP-11, went into effect in December 2018 among the first six signatories to ratify, including Japan.[9]

Japan's Relations with South Korea Plummet, Drawing U.S. Concern

Observers have called the current state of Japan-South Korea relations the worst in half a century.[10] Koreans hold strong grievances about Japan's colonial rule over the peninsula (1910-1945), especially on the issue of Korean so-called comfort women who were forced to provide sex to Japanese soldiers in the World War II era. (See "Japan's Ties with South Korea" section for more background.) The current downward spiral in relations began in 2017, when South Korea's government took steps toward essentially halting implementation of a 2015 agreement concerning the comfort women. It deteriorated further in fall 2018, when the South Korean Supreme Court ruled that Japanese companies (specifically Nippon Steel and Sumitomo Metal Corp and Mitsubishi Heavy Industries) should compensate Koreans who were forced to work in their factories during Japan's occupation of the peninsula from 1910 to 1945. Tokyo objected, citing the 1965 normalization treaty in which the South Korean and Japanese governments settled this issue.

In summer 2019, Tokyo escalated by placing additional procedural hurdles on exports to South Korea of key materials used to manufacture tech products and then removing South Korea from its "white list" of favored trading partners. South Korea responded by removing Japan from its own "white list." Seoul also announced that it would not renew a bilateral military intelligence-sharing agreement, signed in 2016 after years of U.S. encouragement and pressure. Withdrawal from the pact, known as the General Security of Military Information Agreement or GSOMIA, prohibits the direct sharing of military intelligence between Japan and South Korea, complicating U.S.-Japan-South Korean cooperation on issues such as North Korea. Some Asia experts, arguing that the downturn in Tokyo-Seoul relations are jeopardizing U.S. interests in Northeast Asia, have criticized the Trump Administration for not doing more to try to prevent relations from deteriorating.[11]

The warming of relations between North and South Korea since early 2018 presents additional challenges to the relationship between the two U.S. allies. The North Korean threat has traditionally driven closer U.S.-Japan-South Korea trilateral coordination, and North Korea's consistent provocations in the past have provided both the motivation and the political room for South Korea and Japan to expand security cooperation. Japan is wary of Seoul's outreach to North Korea and Pyongyang's "smile diplomacy," however, particularly if it is not accompanied by significant tangible reductions in North Korean nuclear and missile capabilities.

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[9] The full legal text of the CPTPP is available at https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/cptpp/comprehensive-and-progressive-agreement-for-trans-pacific-partnership-text/.

[10] "Japan-South Korea Ties 'Worst in Five Decades' as U.S. Leaves Alliance Untended," *Washington Post*, February 9, 2019.

[11] Bonnie S. Glaser and Oriana Skylar Mastro, "How an Alliance System Withers," *Foreign Affairs*, September 9, 2019, and Evan S. Medeiros, "There's a Crisis Unfolding in Asia. The U.S. Is the Only Actor That Can Fix It," *Washington Post*, July 15, 2019.

Japan's Climate Policy Under a Spotlight

In his September 2019 Cabinet reshuffle, Abe tapped rising star Shinjiro Koizumi, the son of former prime minister Junichiro Koizumi, to be Minister of the Environment and Minister of State for Nuclear Emergency Preparedness. At 38 years old, Koizumi is one of Japan's youngest-ever cabinet ministers and is considered by many to be a candidate for Prime Minister in the future. Shortly following his appointment, Koizumi went to the United Nations Climate Summit, making waves in the press with his declaration to make the issue of climate change "cool" and "sexy."[12] Despite Koizumi's high-profile role, Japan's environmental record in the past few years has come under some fire from others in the international climate community, particularly its coal policy. At the September 2019 U.N. Climate Summit, Japan was not invited to speak because of the U.N. Secretary General's demand that the countries in attendance discontinue the construction of new coal power stations.[13] (The United States also was excluded due to President Trump's decision to withdraw from the Paris climate agreement.) Since the March 2011 Fukushima nuclear reactor disaster, Japan has pursued a more coal-intensive energy portfolio to make up for shortcomings in nuclear-energy power generation. (See "Energy and Environmental Issues" section for background.)

Japan's Foreign Policy and U.S.-Japan Relations

U.S.-Japan Relations in the Trump Presidency

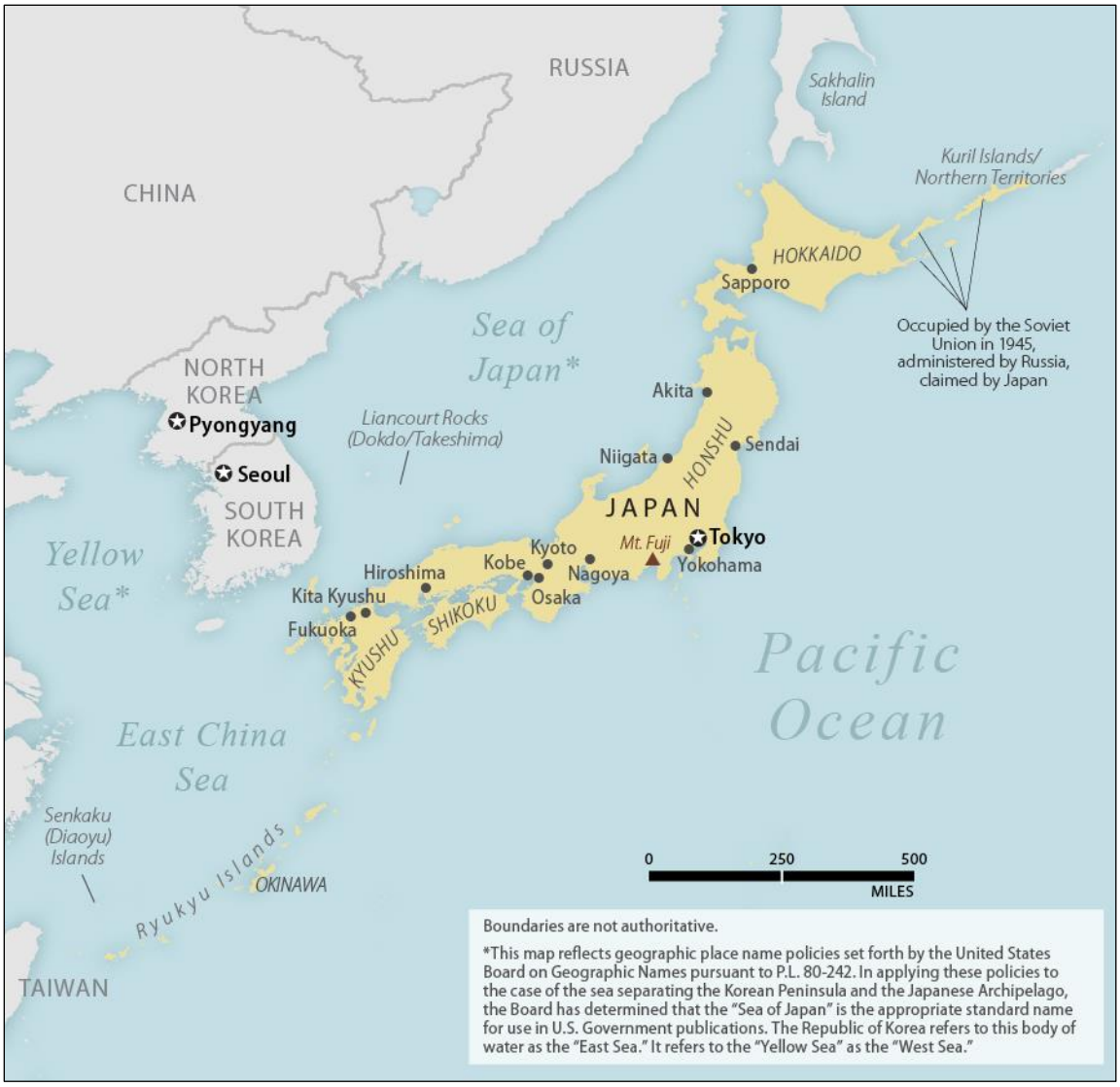
Although candidate Donald Trump made statements critical of Japan during his campaign, relations have remained strong on the surface throughout several visits and leaders' meetings. After Trump's victory, Abe was the first foreign leader to visit the President-Elect, and the second leader to visit the White House after the U.S. inauguration. Abe and Trump displayed a strong personal rapport and issued a joint statement that echoed many of the previous tenets of the bilateral alliance. However, Trump's long-standing wariness of Japan's trade practices and skepticism of the value of U.S. alliances abroad may have unnerved Tokyo. With Abe's political position ensured, he has looked to hedge against Japan's strong dependency on the United States by championing multilateral trade deals, stabilizing relations with China, and reaching out to other partners such as Russia, India, Australia, and the European Union.

Japan remains committed to its alliance with the United States, and bilateral security cooperation at the working level continues to be robust. Over the past several decades, the United States has broadly encouraged Japan to contribute more in the security realm, and this U.S. pressure on Japan may boost Abe's efforts aimed at increasing the flexibility and capabilities of Japan's military. The Japanese public, in contrast, remains somewhat wary of moving away from a strictly self-defense armed force, as well as of altering Japan's constitution to allow for more offensive capabilities.

[12] "Koizumi's 'Sexy' Words on Climate Change Ring Hollow for Some in Japan," *Reuters*, September 24, 2019.

[13] "Leading Countries Blocked from Speaking at UN Climate Summit," *Financial Times*, September 24, 2019.

Figure 1. Map of Japan



Source: Map Resources. Adapted by CRS.

Japan Country Data

Population: 126,451,398 (July 2017 est.)
Percentage of Population over 64: 27.87% (male 15,397,309/female 19,847,759) (2017 est.)
Life Expectancy: 85 years
Area: 377,835 sq km (slightly smaller than California)
Per Capita GDP $42,800 (2017 est.) purchasing power parity
Primary Export Partners: US 19.4%, China 19%, South Korea 7.6%, Hong Kong 5.1%, Thailand 4.2% (2017)
Primary Import Partners: China 24.5%, US 11%, Australia 5.8%, South Korea 4.2%, Saudi Arabia 4.1% (2017)

Source: CIA, *The World Factbook*, October 2018.

As a baseline, the Trump Administration has reaffirmed several key statements seen as crucial to Japan. Tokyo was likely reassured by the joint statement from the leaders' first summit, in

February 2017. The United States provided a three-fold affirmation on the Senkaku Islands (the small islands are also claimed by China and Taiwan, and known as Diaoyu and Diaoyutai, respectively): recognizing Japanese administration of the islands, stating that Article 5 of the mutual defense treaty applies to the islands, and stating that it opposed "any unilateral action that seeks to undermine" Japan's administration of the islands. The Secretaries of State and Defense further affirmed the United States' "steadfast commitment" to Japan, and President Trump called the alliance "the cornerstone of peace and stability in the Pacific region."

Some analysts have expressed concern about the differences in approach to global issues between the Trump Administration and Tokyo. Internationally, the two countries traditionally have cooperated on scores of multilateral issues, from nuclear nonproliferation to climate change to pandemics. Japan is a firm supporter of the United Nations as a forum for dealing with international disputes and concerns. In the past Japan and the United States have worked closely in fora such as the East Asia Summit and the Association of Southeast Asian Nations (ASEAN) Regional Forum. The shared sense of working together to forge a rules- and norms-based international order has long been a key component of the bilateral relationship.

The Trump Administration, however, has voiced skepticism of multilateral organizations. Several Japanese cabinet members expressed disappointment in the Trump Administration's decision to withdraw from the Paris climate accord.[14] Additionally, under the President's "America First" approach, a shift away from the United States' role as the guarantor of regional stability raises broader questions for Japan and other countries in the region about the durability of the alliance.[15] If Japan perceives the United States is moving away from its traditional security role, many experts believe Japan may decide to form other partnerships with like-minded countries and adjust its foreign policy to allow more flexibility to independently pursue its own national interests.

[14] "Japan Disappointed by Trump's Decision to Quit Paris Agreement," *The Japan Times*, June 2, 2017.

[15] Laura Rosenberger, "Can the U.S.-Japan Alliance Survive Trump?" *Foreign Policy*, February 9, 2017.

Donald Trump Statements on Japan as a Presidential Candidate

"But right now we're protecting, we're basically protecting Japan, and we are, every time North Korea raises its head, you know, we get calls from Japan and we get calls from everybody else, and 'Do something.' And there'll be a point at which we're just not going to be able to do it anymore. Now, does that mean nuclear? It could mean nuclear.... And, would I rather have North Korea have them with Japan sitting there having them also? You may very well be better off if that's the case."

"... if we are attacked, [the Japanese] don't have to do anything. If they're attacked, we have to go out with full force.... That's a pretty one-sided agreement, right there.... And that is a, that's a real problem."

—*Statements made to the New York Times in interview on March 26, 2016*

"So, North Korea has nukes. Japan has a problem with that. I mean, they have a big problem with that. Maybe they would in fact be better off if they defend themselves from North Korea.... Including with nukes, yes, including with nukes."

—*Statement made in interview with Chris Wallace, Fox News, April 2016*

[CNN's Wolf Blitzer: "You're ready to let Japan and South Korea become nuclear powers?"]

Trump: "I am prepared to, if they're not going to take care of us properly, we cannot afford to be the military and police for the world."

—*Statement made in interview with Wolf Blitzer on CNN, May 2, 2016*

"Our allies must contribute toward the financial, political and human costs of our tremendous security burden. But many of them are simply not doing so.... We have spent trillions of dollars over time—on planes, missiles, ships, equipment—building up our military to provide a strong defense for Europe and Asia. The countries we are defending must pay for the cost of this defense—and, if not, the U.S. must be prepared to let these countries defend themselves."

—*Prepared speech remarks on April 27, 2016*

Abe's Leadership

If Abe remains in office through November 2019, as expected, he will become the longest-serving prime minister in post-war Japan. After his first stint as premier in 2006-2007, Abe led the conservative LDP back into power in late 2012 following a six-year period in which six different prime ministers served. Since then, he appears to have stabilized Japanese politics and emphasized strong defense ties with the United States. Under Abe's leadership, the government increased the defense budget after a decade of decline, passed a set of controversial bills that are reforming Japanese security policies, and won approval from a previous Okinawan governor for the construction of a new U.S. Marine Corps base on Okinawa. Abe also led Japan into the TPP FTA negotiations and has attempted to revitalize Japan's economy, including seeking a number of economic reforms favored by many in the United States.

Abe and Historical Issues

Historical issues have long colored Japan's relationships with its neighbors, particularly China and South Korea, which argue that the Japanese government has neither sufficiently "atoned" for nor adequately compensated them for Japan's occupation and belligerence in the first half of the 20th century. Abe's selections for his cabinet posts over the years include a number of politicians known for advocating nationalist, and in some cases ultra-nationalist, views that many argue appear to glorify Imperial Japan's actions. Some of Abe's past statements suggest that he embraces a revisionist view of Japanese history that rejects the narrative of Imperial Japanese aggression and victimization of other Asians. He has been associated with groups arguing that

Japan has been unjustly criticized for its behavior as a colonial and wartime power. Among the positions advocated by these groups, such as *Nippon Kaigi Kyokai*, are that Japan should be applauded for liberating much of East Asia from Western colonial powers, that the 1946-1948 Tokyo War Crimes tribunals were illegitimate, and that the killings by Imperial Japanese troops during the 1937 "Nanjing massacre" were exaggerated or fabricated.[16]

In 2013, Abe paid a highly publicized visit to Yasukuni Shrine, a shrine that was established to house the "spirits" of Japanese soldiers who died during war, but also includes 14 individuals who were convicted as Class A war criminals after World War II.[17] The U.S. Embassy in Tokyo directly criticized the move, releasing a statement that said, "The United States is disappointed that Japan's leadership has taken an action that will exacerbate tensions with Japan's neighbors."[18] Since then, despite the U.S. statement, sizeable numbers of LDP lawmakers have periodically visited the Shrine on ceremonial days, including the sensitive date of August 15, the anniversary of Japan's surrender in World War II. Abe has refrained from visiting since 2013, although LDP lawmakers and cabinet ministers have periodically paid respects at the shrine.[19]

Since 2013, Abe himself has largely avoided language and actions that could upset regional relations. After some waffling on key government statements made by past Japanese leaders—chief among them the 1995 "Murayama Statement" that apologized for Japan's wartime action and the 1993 "Kono Statement" that apologized to the "comfort women" (see the "Japan and the Korean Peninsula" section below)—Abe reaffirmed the official government expressions of remorse after pressure from many forces, including U.S. government officials and Members of Congress. Abe appears to have responded to criticism that his handling of these controversial issues could be damaging to Japan's and—to some extent—the United States' national interests.

China and Japan Look to Stabilize Relations

Despite an ongoing territorial dispute in the East China Sea that contributed to several years of heightened tension from 2012 to 2018, Japan and China appear to be seeking stability in their bilateral relationship. In October 2018, Abe visited Beijing, the first dedicated leaders' summit in seven years. Xi visited Japan in June 2019 to attend the G-20 summit in Osaka. In May 2018, Tokyo and Beijing established a hotline for senior defense officials to avoid an unintended escalation in the event of a crisis over maritime disputes in the East China Sea. (See "Territorial Dispute with China in the East China Sea" for more background.) Abe's government has reversed its initial opposition to China's Belt and Road Initiative, which calls for building infrastructure projects in various regions around the world, saying that under the proper conditions it will cooperate with Beijing in providing infrastructure development.[20] Some analysts posit that the mutual interest in improving relations may be driven by both countries' trade friction with the United States and more general sense of uncertainty about the durability of U.S. presence in the

[16] See, for instance, Asia Policy Point, *The Abe Administration Cabinet 2012-2014*, August 2, 2014.

[17] The controversial Yasukuni Shrine has been a flashpoint for regional friction over history. The origins of the shrine reveal its politically charged status. Created in 1879 as Japan's leaders codified the state-directed Shinto religion, Yasukuni was unique in its intimate relationship with the military and the emperor. The Class A war criminals were enshrined in 1978; since then, the emperor has not visited the shrine, and scholars suggest that it is precisely because of the criminals' inclusion. Adjacent to the shrine is the Yushukan, a war history museum, which to many portrays a revisionist account of Japanese history that at times glorifies its militarist past.

[18] "Statement on Prime Minister Abe's December 26 Visit to Yasukuni Shrine," U.S. Embassy in Tokyo, Japan, December 26, 2013, http://japan.usembassy.gov/e/p/tp-20131226-01.html.

[19] "Abe Skips Visit to Yasukuni Shrine on War Anniv," *Nippon.com*, August 15, 2018.

[20] Shutaro Sano, "Japan Buckles Up to Join China's Belt and Road," *EastAsiaForum.org*, March 20, 2018.

region. Although deep-seated historical distrust and regional rivalry are likely to endure in the long-run, relations appear to be on the upswing.

Territorial Dispute with China in the East China Sea

Japan and China have engaged in a diplomatic and at times physical struggle over a group of uninhabited land features in the East China Sea known as the Senkaku Islands in Japan, Diaoyu in China, and Diaoyutai in Taiwan. The territory, administered by Japan but also claimed by China and Taiwan, has been a subject of contention for years, despite modest attempts by Tokyo and Beijing to jointly develop the potentially rich energy deposits nearby, most recently in 2008-2010. China and Japan also dispute maritime rights in the East China Sea more broadly, with Japan arguing for a "median line" equidistant from each country's claimed territorial border dividing the two countries' exclusive economic zones in the East China Sea; China rejects Japan's claimed median line, arguing it has maritime rights beyond this line.[21]

The Senkakus dispute has been in a state of varying tension since 2010, when the Japan Coast Guard arrested and detained the captain of a Chinese fishing vessel after it collided with two Japan Coast Guard ships near the Senkakus. The incident resulted in a diplomatic standoff, with Beijing suspending high-level exchanges and restricting exports of rare earth elements to Japan.[22] In August 2012, the Japanese government purchased three of the five land features from a private landowner in order to preempt their sale to Tokyo's nationalist governor at the time, Shintaro Ishihara.[23] Claiming that this act amounted to "nationalization" and thus violated the tenuous status quo, Beijing issued sharp objections. Chinese citizens held massive anti-Japan protests, and the resulting tensions led to a drop in Sino-Japanese trade. In April 2013, the Chinese Ministry of Foreign Affairs said for the first time that China considered the islands a "core interest," indicating to many analysts that Beijing was unlikely to make concessions on this sensitive sovereignty issue.

Starting in fall 2012, China began regularly deploying maritime law enforcement ships near the islands and stepped up what it called "routine" patrols to assert jurisdiction in "China's territorial waters."[24] In 2013, near-daily encounters occasionally escalated: both countries scrambled fighter jets, and, according to the Japanese government, a Chinese navy ship locked its fire-control radar on a Japanese destroyer and helicopter on two separate occasions. The number of Chinese vessels

[21] According to the United Nations Convention on the Law of the Sea, coastal states are entitled to an "exclusive economic zone" extending no further than 200 nautical miles in which it enjoys sovereign rights to explore and exploit living and nonliving resources, among other things. U.N. Convention on the Law of the Sea, Part V: Exclusive Economic Zone. Japan Ministry of Foreign Affairs, "Japan's Legal Position on the Development of Natural in the East China Sea," August 6, 2015, at https://www.mofa.go.jp/a_o/c_m1/page3e_000358.html.

[22] Rare earth elements, a category of minerals that are essential components in many high-tech goods, are crucial inputs to many products manufactured in Japan. The export ban was particularly potent because China mines and exports more than 90% of the world's rare earth elements. Martin Fackler and Ian Johnson, "Arrest in Disputed Seas Riles China and Japan," *New York Times*, September 19, 2010, at https://www.nytimes.com/2010/09/20/world/asia/20chinajapan.html; Keith Bradsher, "Amid Tension, China Blocks Vital Exports to Japan," *New York Times*, September 22, 2010, at https://www.nytimes.com/2010/09/23/business/global/23rare.html.

[23] In April 2012, Tokyo governor Shintaro Ishihara announced in Washington, DC, that he intended to purchase three of the five islets from their private Japanese owner. Ishihara, who is known for expressing nationalist views, called for demonstrating Japan's control over the islets by building installations on the island and raised nearly $20 million in private donations for the purchase. In September, the central government purchased the three islets for ¥2.05 billion (about $26 million at an exchange rate of ¥78:$1) to block Ishihara's move and reduce tension with China.

[24] "Chinese Ships Continue Patrol Around Diaoyu Island," *China Daily*, October 28, 2012.

entering the territorial seas[25] surrounding the islands in the years 2013-2019 ranged from zero to 28 per month (and averaged 9.5 per month), with a slight increase from 2018 to the first eight months of 2019.[26] Most of these patrols are conducted by the China Coast Guard, which has been instrumental in advancing China's interests in disputed waters in the East and South China Seas.[27] In 2016, for example, several China Coast Guard vessels escorted between 200 and 300 Chinese fishing vessels to waters near the Senkakus in an apparent demonstration of Chinese sovereignty.[28]

China-Japan tensions have played out in the airspace above and around the Senkakus as well. Chinese aircraft activity in the area contributed to an eightfold increase in the number of scramble takeoffs by Japan Air Self Defense Force aircraft between Fiscal Year 2010 (96 scrambles) and 2016 (851 scrambles). The number of scrambles decreased to 500 in FY2017, increased again to 638 in FY2018, and appear on track to increase further in FY2019 with 179 scrambles in the first quarter of the year.[29] In November 2013, China abruptly established an air defense identification zone (ADIZ) in the East China Sea covering the Senkakus as well as airspace that overlaps with the existing ADIZs of Japan, South Korea, and Taiwan. China's announcement of the ADIZ produced indignation and anxiety in the region and in Washington for several reasons: the ADIZ represented a new step to pressure—to coerce, some experts argue—Japan's conciliation in the territorial dispute over the islets; the requirements for flight notification in China's proclaimed ADIZ go beyond international norms and impinge on the freedom of navigation; and the overlap of ADIZs could lead to accidents or unintended clashes, thus raising the risk of conflict in the East China Sea.

Tensions have subsided somewhat after peaking in 2016, with Beijing and Tokyo seemingly committed to preventing a crisis or armed clash over the Senkakus. In addition, Chinese authorities in August 2018 reportedly banned Chinese fishermen from operating near the Senkakus.[30] Efforts by both countries to defend their claims have played out primarily in the "gray zone," or the ambiguous space between peace and conflict, with nonmilitary actors like coast guards, fishermen, and China's maritime militia on the front lines. China's approach to the dispute (as well as its disputes in the South China Sea) appears to be aimed at exploiting the gray zone to gradually consolidate its control and influence over contested space without escalating to

[25] According to the United Nations Convention on the Law of the Sea, coastal states are entitled to a "territorial sea," a 12-nautical-mile area extending from the low-water line along a coast. The sovereignty of a coastal state extends to this territorial sea. U.N. Convention on the Law of the Sea, Part II: Territorial Sea and Contiguous Zone.

[26] Japan Ministry of Foreign Affairs, "Trends in Chinese Government and Other Vessels in the Waters Surrounding the Senkaku Islands, and Japan's Response—Records of Intrusions of Chinese Government and Other Vessels into Japan's Territorial Sea," September 11, 2019, at https://www.mofa.go.jp/region/page23e_000021.html.

[27] U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018*, May 16, 2018, pp. 71-72; Ryan D. Martinson, "Echelon Defense: The Role of Sea Power in Chinese Maritime Dispute Strategy," U.S. Naval War College China Maritime Studies Institute, 2018, pp. 16-17.

[28] Lyle J. Morris, "The New 'Normal' in the East China Sea," RAND Corporation, February 27, 2017, at https://www.rand.org/blog/2017/02/the-new-normal-in-the-east-china-sea.html.

[29] Japan Ministry of Defense, "China's Activities in East China Sea, Pacific Ocean, and Sea of Japan," September 2019. Japan's fiscal year begins on April 1 and ends on March 31 the following year.

[30] Kyodo, "In Sign of Better Times, China Tells Fishers to Steer Clear of Disputed, Japan-held Senkaku Islets," August 16, 2018, at https://www.japantimes.co.jp/news/2018/08/16/national/politics-diplomacy/sign-better-ties-china-tells-fishermen-steer-clear-disputed-japan-held-senkaku-islets/#.W7NgNpNryUn.

armed conflict.[31] In response, Japan has prioritized enhancing its ability to counter gray zone activities, in addition to strengthening its traditional military capabilities.[32]

Japan's administration of the Senkakus is the basis of the U.S. treaty commitment to defend that territory. U.S. administrations going back at least to the Nixon Administration have stated that the United States takes no position on the territorial disputes. However, it also has been U.S. policy since 1972 that the 1960 U.S.-Japan Security Treaty covers the Senkakus, because Article 5 of the treaty stipulates that the United States is bound to protect "the territories under the Administration of Japan," and Japan administers the Senkakus.[33] In its own attempt to address this perceived gap, Congress inserted in the FY2013 National Defense Authorization Act (H.R. 4310, P.L. 112-239) a resolution stating, among other items, that "the unilateral action of a third party will not affect the United States' acknowledgment of the administration of Japan over the Senkaku Islands."[34]

The conflict in the East China Sea in many ways embodies Japan's security challenges. The maritime confrontation with Beijing is a concrete manifestation of the threat Japan has faced for years from China's rising regional power. It also brings into relief Japan's dependence on the U.S. security guarantee and its anxiety that Washington will not defend Japanese territory if Japan goes to war with China, particularly over a group of uninhabited land features.

In contrast to Japan's and China's inability to reach an agreement on sharing undersea resources in the disputed area, in April 2013 Japan and Taiwan agreed to jointly share and administer the fishing resources in their overlapping claimed EEZs Senkakus (Diaoyu/Diaoyutai). The agreement, which had been discussed for 17 years, addressed neither the two sides' conflicting sovereignty claims, nor the question of fishing rights in the islands' territorial waters. On July 29, 2013, the Senate passed S.Res. 167, which described the pact as a "model for other such agreements."

Japan and the Korean Peninsula

Japan's Ties with South Korea

In the 21st century, Japan's relationship with South Korea has fluctuated between troubled and tentatively cooperative, depending on external circumstances and the leaders in power.[35] After a brief entente in 2016, Japan-South Korea relations cooled and then sharply deteriorated in 2017-2019. A series of security incidents, a court decision on forced Korean labor that appeared to

[31] Patrick Cronin et al., "No Safe Harbor: Countering Aggression in the East China Sea," Center for a New American Security, March 2018; Adam P. Liff, "China's Maritime Gray Zone Operations in the East China Sea and Japan's Response," *China's Maritime Gray Zone Operations* (Annapolis, MD: Naval Institute Press, forthcoming, 2019).

[32] Japan Ministry of National Defense, "National Defense Program Guidelines for FY2014 and Beyond," December 17, 2013, pp. 1-2, 7, 9, 13-14, 23.

[33] Speaking in Japan in April 2014, President Obama stated that "Article 5 covers all territories under Japan's administration, including the Senkaku Islands," in what is believed to be the first time a U.S. President publically stated the U.S. position. The White House, "Joint Press Conference with President Obama and Prime Minister Abe of Japan," Akasaka Palace, Tokyo, Japan, April 24, 2014.

[34] For more information, see CRS Report R42761, *The Senkakus (Diaoyu/Diaoyutai) Dispute: U.S. Treaty Obligations*, by Mark E. Manyin, and CRS Report R42930, *Maritime Territorial Disputes in East Asia: Issues for Congress*, by Ben Dolven, Mark E. Manyin, and Shirley A. Kan.

[35] Sungtae Jacky Park, "Is South Korea Pro-China and Anti-Japan? It's Complicated." *National Interest*, August 2, 2018.

renege on the 1965 normalization treaty, and a volley of trade actions plunged the relationship into hostile territory. Analysts are concerned that the positions taken by leaders in both capitals leave little room for a managed exit. Seoul's decision to withdraw from the Japan-South Korea military intelligence agreement, or GSOMIA, could have lasting impacts: not only does the withdrawal stymie many trilateral exercises and communication, but re-entering the agreement could become a risky political move for future South Korean presidents.[36]

Washington has generally encouraged closer ties between Tokyo and Seoul as two of its most important alliance partners; the two countries have shared security concerns, developed economies, and a commitment to open markets, international rules and norms, and regional stability. A poor relationship between Seoul and Tokyo jeopardizes U.S. interests by complicating trilateral cooperation on North Korea policy and on responding to China's rise. Tense relations also complicate Japan's desire to expand its military and diplomatic influence as well as the potential creation of an integrated U.S.-Japan-South Korea ballistic missile defense system.

The North Korean threat has traditionally driven closer trilateral coordination, even when Tokyo and Seoul have faced political tension. Under North Korean leader Kim Jong-un, North Korea's consistent provocations from 2011 to 2017 provided both the motivation and the political room for South Korea and Japan to forge more cooperative stances, despite lingering mutual distrust. For example, in 2016, the three countries held their first joint military training exercise with Aegis ships that focused on tracking North Korean missile launches by sharing intelligence.

The persistent Japan-Korea discord centers on historical issues. Officials in Japan have referred to rising "Korea fatigue" among their public and expressed frustration that for years South Korean leaders have not recognized and in some cases have rejected the efforts Japan has made to acknowledge and apologize for Imperial Japan's actions during the 35 years following its annexation of the Korean Peninsula in 1910. In addition to the comfort women issue (see below), the perennial issues of how Japan's behavior before and during World War II is depicted in Japanese school textbooks and a territorial dispute between Japan and South Korea continue to periodically rile relations. A group of small islands in the Sea of Japan, known as Dokdo in Korean and Takeshima in Japanese (the U.S. government refers to them as the Liancourt Rocks), are administered by South Korea but claimed by Japan. Japanese statements about the claim in defense documents or by local prefectures routinely spark official criticism and public outcry in South Korea. Similarly, Seoul expresses disapproval of some of the history textbooks approved by Japan's Ministry of Education that South Koreans claim diminish or whitewash Japan's colonial-era atrocities.

Comfort Women Issue

A perennial stumbling block to better Japan-South Korean relations involves the "comfort women," a literal translation of the Japanese euphemism referring to women who were forced to provide sexual services for Japanese soldiers during the imperial military's conquest and colonization of several Asian countries in the 1930s and 1940s. The long-standing controversy became more heated under Abe's leadership. In the past, Abe supported the claims made by many

[36] As of late August 2019, South Korea had GSOMIAs or equivalent agreements to protect classified information with 34 countries/organizations besides Japan, including Belgium, Bulgaria, Canada, Colombia, Denmark, France, Germany, Greece, Hungary, India, Israel, Indonesia, Italy, Jordan, Malaysia, NATO, the Netherlands, New Zealand, Norway, Pakistan, the Philippines, Poland, Romania, Russia, Saudi Arabia, Spain, Sweden, Uzbekistan, Ukraine, the United Arab Emirates, the United Kingdom, the United States, Russia, and Vietnam.

conservatives in Japan that the women were not directly coerced into service by the Japanese military.

In 2015, Abe and then-President Park Geun-hye of South Korea concluded an agreement that included a new apology from Abe and the provision of 1 billion yen (about $8.3 million) from the Japanese government to a new Korean foundation that supports surviving victims.[37] The two governments' foreign ministers agreed that this long-standing bilateral rift would be "finally and irreversibly resolved" pending the Japanese government's implementation of the agreement.[38] Although the main elements of the agreement appeared to be implemented in 2016, the deal remains deeply unpopular with the South Korea public. The issue continues to be an irritant in bilateral relations: Japan objects to a comfort woman statue that stands in front of the Japanese Embassy in Seoul, and in 2018 Seoul disbanded the foundation established by the agreement.

The comfort women issue has gained visibility in the United States, due in part to Korean-American activist groups. These groups have pressed successfully for the erection of monuments in California and New Jersey commemorating the victims, passage of a resolution on the issue by the New York State Senate, the naming of a city street in the New York City borough of Queens in honor of the victims, and approval to erect a memorial to the comfort women in San Francisco. In 2007, U.S. House of Representatives passed H.Res. 121 (110th Congress), calling on the Japanese government to "formally acknowledge, apologize, and accept historical responsibility in ... an unequivocal manner" for forcing young women into military prostitution.

Japan's North Korea Policy

Until 2018, Washington and Tokyo were largely united in their approach to North Korea, driven by Pyongyang's string of missile launches and nuclear tests. In February 2017, North Korea launched the first of many missiles of that year during Abe's summit with Trump, setting the stage for the two leaders to bond over the North Korean threat. Japan has employed a hardline policy toward North Korea, including a virtual embargo on all bilateral trade and vocal leadership at the United Nations to punish Pyongyang for its human rights abuses and military provocations. When the Six-Party Talks were active, Japan was considered a key actor in a possible resolution of problems on the Korean peninsula, but the multilateral format has been dormant since 2009 and appears to be all but abandoned.

Japan is directly threatened by North Korea given the demonstrated capability of Pyongyang's medium-range missiles; in 2017, North Korea twice tested missiles that flew over Japanese territory. North Korea has long-standing animosity toward Japan for its colonialism of the Korean peninsula in the early 20th century. In addition, U.S. bases in Japan could be targeted by the North Koreans in any military contingency. Aside from these direct security concerns, Japan has prioritized the long-standing issue of Japanese citizens kidnapped in the 1970s and 1980s by North Korean agents. In 2002, then-North Korean leader Kim Jong-il admitted to the abductions and returned five survivors, claiming the others had perished from natural causes. Japan officially identifies 17 individuals as abductees.[39] Abe, then serving as Chief Cabinet Secretary to then-Prime Minister Junichiro Koizumi, has since been a passionate champion for the abductees' families and pledged as a leader to bring home all surviving Japanese. President Trump

[37] In contrast to past apologies from Japanese Prime Ministers that were made in their personal capacities, then Foreign Minister Fumio Kishida stated that Abe's apology was issued in his capacity "as Prime Minister of Japan."

[38] South Korean and Japanese Foreign Ministries' translations of the December 28, 2015, joint announcement.

[39] Japan Ministry of Foreign Affairs, https://www.mofa.go.jp/region/asia-paci/n_korea/abduction/index.html.

mentioned the abductee issue during his 2017 U.N. General Assembly address, and said that he also raised the issue with Kim Jong-un during the Singapore Summit in 2018.

Cracks Emerge on North Korean Policy

At the outset of the Trump presidency, a shared approach to confronting the North Korean threat appeared to cement the U.S.-Japan relationship. Beginning at their first summit in Mar-a-Lago in February 2017, Abe and Trump presented a united front on dealing with Pyongyang's nuclear weapon test and multiple missile launches. The two leaders met multiple times and spoke often by phone, and Abe wholeheartedly endorsed the Trump Administration's "maximum pressure" strategy.

Since the beginning of 2018, Trump has pursued a rapprochement with Pyongyang and held multiple meetings with North Korean leader Kim Jong-un. Many Japanese are unconvinced that North Korea will give up its nuclear weapons or missiles and fear that Tokyo's interests vis-à-vis Pyongyang will be marginalized if U.S.-North Korea relations continue to warm. Chief among those issues are the abduction of Japanese citizens by North Korean agents in the 1970s and 1980s, an issue on which Abe built his political career. Abe has said he would be willing to meet with Kim to resolve the abduction issue but analysts doubt that Kim has reason to conciliate Abe given his newfound stature in international diplomacy.

Trump's shift on North Korea—including his decision to suspend U.S.-South Korean military exercises to obtain greater concessions from Pyongyang—and his statements critical of the value of alliances generally and Japan specifically have increased questions among Japanese policymakers about the depth and durability of the U.S. commitment to Japan's security.

Renewed Relations with India, Australia, and ASEAN

The Abe Administration's foreign policy has displayed elements of both power politics and an emphasis on democratic values, international laws, and norms. Shortly after returning to office in 2012, Abe released an article outlining his foreign and security policy strategy titled "Asia's Democratic Security Diamond," which described how the democracies of Japan, Australia, India, and the United States could cooperate to deter Chinese aggression on its maritime periphery.[40] In Abe's first year in office, Japan held numerous high-level meetings with Asian countries to bolster relations and, in many cases, to enhance security ties. Abe had summit meetings in India, Russia, Great Britain, all 10 countries in the Association of Southeast Asian Nations (ASEAN), and several countries in the Middle East and Africa. Japan has particularly focused on issues of freedom of navigation in the South China Sea, in part because of the implications for Japan's trade flows and for the East China Sea dispute. Since 2012, even before Abe came into office, Japan had been working to strengthen the maritime capabilities of Southeast Asian countries such as Vietnam and the Philippines, and Abe has accelerated these efforts, which the Obama Administration supported as part of its "Asia Rebalance" strategy.[41] This energetic diplomacy indicates a desire to balance China's growing influence with a loose coalition of Asia-Pacific powers, but this strategy of realpolitik is couched in the rhetoric of international laws and democratic values.

[40] Shinzo Abe, "Asia's Democratic Security Diamond," *Project Syndicate*, December 27, 2012.

[41] Testifying before the Senate Armed Services Committee on September 17, 2015, Assistant Secretary of Defense for Asian and Pacific Security Affairs David Shear said, "We strongly support Japanese efforts to coordinate with us in building partner capacity, particularly with countries like Vietnam, the Philippines, and probably in the future, Malaysia."

Abe's international outreach has yielded positive results, according to many observers. Bilateral ties with Australia are robust. Abe's highly publicized July 2014 visit to Canberra yielded new economic and security arrangements, including an agreement to transfer defense equipment and technology. Japan-India ties have blossomed under Abe and Prime Minister Narendra Modi, including expanded military exercises and negotiations on defense export agreements..

Japan-Russia Relations

Part of Abe's international diplomacy push has been to reach out to Russia and he has met with Russian President Vladimir Putin over 25 times. Japan and the Soviet Union never signed a peace treaty following World War II due to a territorial dispute over four islands north of Hokkaido in the Kuril Chain and to the Eisenhower Administration's opposition to a settlement that was nearly agreed upon in the 1950s. The islands are known in Japan as the Northern Territories and were seized by the Soviets in the waning days of the war. Both Japan and Russia face security challenges from China and may be seeking a partnership to counter Beijing's economic and military power. Particularly in the past several years, however, China and Russia have developed closer relations and cooperate in multiple areas. Tokyo's ambitious plans to revitalize relations with Moscow, including resolution of the disputed islands, do not appear to have made progress. Russia's aggression in Ukraine in 2014 disrupted the improving relationship. Tokyo signed on to the subsequent G7 statement condemning Russia's action and implemented sanctions and asset freezes. Japan attempted to salvage the potential breakthrough by imposing only relatively mild sanctions despite pressure from the United States and other Western powers. With many countries in the West isolating Moscow, Russia and China appear to have grown closer.[42]

U.S. World-War II-Era Prisoners of War (POWs)

For decades, U.S. soldiers who were held captive by Imperial Japan during World War II have sought official apologies from the Japanese government for their treatment. A number of Members of Congress have supported these campaigns. The brutal conditions of Japanese POW camps have been widely documented.[43] In May 2009, the Japanese Ambassador to the United States attended the last convention of the American Defenders of Bataan and Corregidor to deliver a cabinet-approved apology for their suffering and abuse. In 2010, with the support and encouragement of the Obama Administration, the Japanese government financed a Japanese/American POW Friendship Program for former American POWs and their immediate family members to visit Japan, receive an apology from the sitting Foreign Minister and other Japanese Cabinet members, and travel to the sites of their POW camps. Annual trips were held from 2010 to 2017.[44] In the past, Congress has introduced several resolutions that thank the

[42] For more on Russia's relations with Northeast Asia, see CRS Report R44613, *Northeast Asia and Russia's "Turn to the East": Implications for U.S. Interests*, by Emma Chanlett-Avery.

[43] By various estimates, approximately 40% held in the Japanese camps died in captivity, compared to 1%-3% of the U.S. prisoners in Nazi Germany's POW camps. Thousands more died in transit to the camps, most notoriously in the 1942 "Bataan Death March," in which the Imperial Japanese military force-marched almost 80,000 starving, sick, and injured Filipino and U.S. troops over 60 miles to prison camps in the Philippines. For more, see out-of-print CRS Report RL30606, *U.S. Prisoners of War and Civilian American Citizens Captured and Interned by Japan in World War II: The Issue of Compensation by Japan*, by Gary Reynolds (available to congressional clients from the coauthors of this report).

[44] For more on the program, see http://www.us-japandialogueonpows.org/. Since the mid-1990s, Japan has run similar programs for the POWs of other Allied countries.

government of Japan for its apology and for arranging the visitation program.[45] The resolutions also encouraged the Japanese to do more for the U.S. POWs, including by continuing and expanding the visitation programs as well as its World War II education efforts. They also called for Japanese companies to apologize for their or their predecessor firms' use of un- or inadequately compensated forced laborers during the war. In July 2015, Mitsubishi Materials Corporation (a member of the Mitsubishi Group) became the first major Japanese company to apologize to U.S. POWs on behalf of its predecessor firm, which ran several POW camps that included over 1,000 Americans.[46]

Energy and Environmental Issues

During the Trump Administration, U.S.-Japan energy and environmental cooperation has shifted away from climate change towards regional energy security in service of the two countries' shared interest in a "free and open Indo-Pacific." To this end, the two governments have committed to cooperating on regional infrastructure projects, including by "promoting open and competitive energy markets, fostering business-to-business connections, and achieving regional energy sector integration."[47] In particular, the Trump and Abe governments have focused energy cooperation efforts in the liquefied natural gas (LNG) sector, where the two countries have complementary interests.

Two major mechanisms for operationalizing these overarching goals are the Japan-United States Strategic Energy Partnership (JUSEP), established in 2017, and the Trump Administration's Asia-EDGE (Enhancing Development and Growth through Energy) initiative—one of the economic and commercial pillars of the Administration's Indo-Pacific strategy announced in July 2018.[48] Projects under these frameworks have included LNG value chain training programs for Indo-Pacific countries, facilitating "sustainable financing" of regional LNG projects, and facilitating cooperation on energy projects between U.S. and Japanese private companies in Indonesia, Bangladesh, and elsewhere.[49] Outside the region, the two countries have since 2016 signed two memoranda of cooperation to increase access to "sustainable energy" in Sub-Saharan Africa.[50]

Both governments foresee LNG contributing to their respective energy security needs, and the sector has recently emerged as priority area of cooperation. Japan, which is dependent on imports for the vast majority of its energy needs, is the world's largest LNG buyer and the third-largest destination for U.S. LNG exports,[51] while the United States is the world's third-largest LNG

[45] S.Res. 333 (Feinstein) was introduced and passed by unanimous consent on November 17, 2011. H.Res. 324 (Honda) and H.Res. 333 (Honda) were introduced on June 22, 2011, and June 24, 2011, respectively, and referred to the House Foreign Affairs Subcommittee on Asia and the Pacific.

[46] "Mitsubishi Materials Apologizes for Using US Prisoners of War as Slave Labor," *The Guardian*. July 19, 2015.

[47] The White House, "U.S.-Japan Joint Statement on Advancing a Free and Open Indo-Pacific Through Energy, Infrastructure and Digital Connectivity Cooperation," November 13, 2018.

[48] U.S. Department of State, "Advancing a Free and Open Indo-Pacific," July 30, 2018, at https://www.state.gov/r/pa/prs/ps/2018/07/284829.htm; U.S. Trade and Development Agency, "USTDA Engages with Japan on Quality Infrastructure Development," October 4, 2018.

[49] The White House, "U.S.-Japan Joint Statement on Advancing a Free and Open Indo-Pacific Through Energy, Infrastructure and Digital Connectivity Cooperation," November 13, 2018; U.S. Department of State, "Joint Statement on Japan-United States Strategic Energy Partnership," March 19, 2019.

[50] U.S. Agency for International Development, "The United States and Japan Renew Commitment to Energy Cooperation in Sub-Saharan Africa," March 29, 2019.

[51] Export.gov, "Japan—Liquefied Natural Gas (LNG)," September 6, 2019.

exporter, set to become the top exporter by 2024.[52] The growing industry features in the Trump Administration's efforts to secure what it refers to as "energy dominance."[53] In addition to cooperating on LNG projects in third countries, Japanese companies are invested in U.S. LNG projects, and Japan is increasing its imports of U.S. LNG. Since 2016, Japan has pursued a strategy to establish itself as a regional LNG trading and pricing hub.[54]

Climate change—an important facet of U.S.-Japan cooperation during the Obama Administration—has not featured on the bilateral cooperation agenda during the Trump Administration. President Trump's 2017 decision to withdraw the United States from the U.N. Framework Convention on Climate Change (UNFCCC) Paris Agreement, an international climate accord designed to reduce global emissions, removed one channel through which the United States and Japan cooperated closely. Japanese officials expressed dismay when the United States withdrew from the Agreement.[55] Although the Japanese government—including Abe—emphasizes the importance of acting on climate change both domestically and in coordination with the international community, some experts assess Japan's greenhouse gas emissions reduction plan is insufficiently ambitious, particularly in light of Japan's expansion of coal power plants.[56]

Under the Obama Administration, Japan and the United States cooperated on a wide range of environmental initiatives both bilaterally through multiple agencies and through multilateral organizations, such as the UNFCCC, the International Energy Agency (IEA), the Asia-Pacific Economic Cooperation (APEC), the Clean Energy Ministerial (CEM), the International Energy Forum (IEF), and the East Asian Summit (EAS). Japan was generally regarded by U.S. officials as closely aligned with the Obama Administration in international climate negotiations in its position that any international climate agreement must be legally binding in a symmetrical way, with all major economies agreeing to the same elements. However, because of the shutdown of Japan's nuclear reactors (see below), international observers raised concerns about losing Japan as a global partner in promoting nuclear safety and nonproliferation measures and in reducing greenhouse gas emissions.[57]

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[52] International Energy Agency, *Gas 2019: Analysis and Forecasts to 2024*, June 7, 2019, https://www.iea.org/gas2019/.

[53] The White House, "President Donald J. Trump Is Unleashing American Energy Dominance," May 14, 2019.

[54] Japan Ministry of Economy, Trade and Industry, "METI Publicized the Strategy for LNG Market Development at the G7 Energy Ministerial Meeting in Kitakyushu," May 2, 2016; Yohei Katakawa, "U.S.-Japan Cooperation Under the "Free and Open Indo-Pacific" and Japan's Energy Security," Council on Foreign Relations CogitAsia Blog, April 9, 2019; Jiji, "LNG Production Begins in U.S. Project Financed by Mitsui, Mitsubishi and Others," May 15, 2019.

[55] Jonathan Watts and Kate Connolly, "World Leaders React After Trump Rejects Climate Deal," *The Guardian*, June 1, 2017, at https://www.theguardian.com/environment/2017/jun/01/trump-withdraw-paris-climate-deal-world-leaders-react.

[56] Government of Japan, *The Long-Term Strategy Under the Paris Agreement*, June 11, 2019; Simon Denyer, "Japan Seeks Climate Leadership at G20 Summit but Can't Kick Its Coal Habit," *Washington Post*, June 27, 2019, at https://www.washingtonpost.com/world/asia_pacific/japan-seeks-climate-leadership-at-g-20-summit-but-cant-kick-its-coal-habit/2019/06/26/a1a89790-9661-11e9-a027-c571fd3d394d_story.html; Shinzo Abe, "Join Japan and Act Now to Save Our Planet," *Financial Times*, September 23, 2018, at https://www.ft.com/content/c97b1458-ba5e-11e8-8dfd-2f1cbc7ee27c; Japan Ministry of Foreign Affairs, "Climate Change," at https://www.mofa.go.jp/policy/environment/warm/cop/index.html; Climate Action Tracker, "Japan," at https://climateactiontracker.org/countries/japan/.

[57] Hideshi Futori, "Japan's Role in Asia's Nuclear Security," Woodrow Wilson Center, February 10, 2014.

March 2011 "Triple Disaster"

On March 11, 2011, a magnitude 9.0 earthquake jolted a wide swath of Honshu, Japan's largest island. The quake, with an epicenter located about 230 miles northeast of Tokyo, generated a tsunami that pounded Honshu's northeastern coast, causing widespread destruction in Miyagi, Iwate, Ibaraki, and Fukushima prefectures. Some 20,000 lives were lost, and entire towns were washed away; over 500,000 homes and other buildings and around 3,600 roads were damaged or destroyed. Up to half-a-million Japanese were displaced. Damage to several reactors at the Fukushima Dai-ichi nuclear power plant complex led the government to declare a state of emergency and evacuate nearly 80,000 residents within a 20-kilometer radius due to dangerous radiation levels.

In many respects, Japan's response to the multifaceted disaster was remarkable. Over 100,000 troops from the Self Defense Forces (SDF), Japan's military, were deployed quickly to the region. After rescuing nearly 20,000 individuals in the first week, the troops turned to a humanitarian relief mission in the displaced communities. Construction of temporary housing began a week after the quake. Foreign commentators marveled at Japanese citizens' calm resilience, the lack of looting, and the orderly response to the strongest earthquake in the nation's modern history. Japan's preparedness—strict building codes, a tsunami warning system that alerted many to seek higher ground, and years of public drills—likely saved tens of thousands of lives.

Appreciation for the U.S.-Japan alliance surged after the two militaries worked effectively together to respond to the earthquake and tsunami. Years of joint training and many interoperable assets facilitated the integrated alliance effort. "Operation Tomodachi," using the Japanese word for "friend," was the first time that SDF helicopters used U.S. aircraft carriers to respond to a crisis. The USS *Ronald Reagan* aircraft carrier provided a platform for air operations as well as a refueling base for SDF and Japan Coast Guard helicopters. Other U.S. vessels transported SDF troops and equipment to the disaster-stricken areas. For the first time, U.S. military units operated under Japanese command in actual operations.

Despite this response to the initial event, the uncertainty surrounding the nuclear reactor meltdowns and the failure to present longer-term reconstruction plans led many to question the government's handling of the disasters. As reports mounted about heightened levels of radiation in the air, tap water, and produce, criticism emerged regarding the lack of clear guidance from political leadership. Concerns about the government's excessive dependence on information from Tokyo Electric Power Company (TEPCO), the firm that owns and operates the power plant, amplified public skepticism and elevated criticism about conflicts of interest between regulators and utilities. TEPCO continues to attract the ire of Japanese citizens, and has faced several lawsuits for its role in the disaster. A September 2019 court ruling acquitted three former TEPCO executives of criminal negligence.[58]

Nuclear Energy Policy

Japan is undergoing a national debate over the future of nuclear power, with major implications for businesses operating in Japan, U.S.-Japan nuclear energy cooperation, and nuclear safety and nonproliferation measures worldwide. Prior to 2011, nuclear power was providing roughly 30% of Japan's power generation capacity, and the 2006 "New National Energy Strategy" had set out a goal of significantly increasing Japan's nuclear power generating capacity. However, the policy of expanding nuclear power was abruptly reversed in the aftermath of the March 11, 2011, natural disasters and meltdowns at the Fukushima Daiichi nuclear power plant. Public trust in the safety of nuclear power collapsed, and a vocal antinuclear political movement emerged. This movement tapped into an undercurrent of antinuclear sentiment in modern Japanese society based on its legacy as the victim of atomic bombing in 1945. As the nation's 54 nuclear reactors were shut down one by one for their annual safety inspections in the months after March 2011, the Japanese government did not restart them for several years (except a temporary reactivation for two reactors at one site in central Japan). No reactors were operating from September 2013 until August 2015. As of September 2019, nine reactors are in operation.[59]

[58] Ben Dooley et al., "Fukushima Nuclear Disaster Trial Ends with Acquittals of 3 Executives," *New York Times*, September 19, 2019.

[59] Japan Atomic Industrial Forum, "NPPs in Japan," at https://www.jaif.or.jp/en/npps-in-japan/.

The drawdown of nuclear power generation resulted in many short- and long-term consequences for Japan: rising electricity costs for residences and businesses; heightened risk of blackouts in the summer, especially in the Kansai region near Osaka and Kyoto; widespread energy conservation efforts by businesses, government agencies, and ordinary citizens; significant losses for and near-bankruptcy of major utility companies; and increased fossil fuel imports. Japan's Ministry of Economy, Trade, and Industry estimated the direct cost of decommissioning the Fukushima Daiichi plant and compensation of victims to be $187 billion, and the cost of fossil fuel imports to replace power from subsequently shutdown reactors to be $31.3 billion in FY2013 alone.[60] The Institute of Energy Economics, Japan, calculated that the nuclear shutdowns led to the loss of 420,000 jobs in 2012.[61]

The Abe Administration released a Strategic Energy Plan in July 2018 that, like the preceding 2014 plan, identifies nuclear power as an "important base-load power source." Though the 2018 plan indicated Japan would reduce dependency on nuclear power "as much as possible," it did not revise the government's 2015 goal for nuclear energy to account for 20-22% of Japan's power supply by 2030.[62] The 2018 strategic plan signaled the government's intent to restart Japan's operable nuclear reactors should the country's Nuclear Regulation Authority deem it safe, but as many as half, or even more, may never operate again. Japan and the United States signaled continued collaboration on nuclear energy in a November 2018 memorandum of cooperation focused on nuclear safety (including reactor decommissioning), nuclear R&D, and "expanding the global use of nuclear energy."[63]

Japan faces a complex challenge: how to balance concerns about energy security, promotion of renewable energy sources, the viability of electric utility companies, the health of the overall economy, and public concerns about safety. The LDP has promoted a relatively pronuclear policy, though Abe's appointment of rising political star and staunch critic of nuclear power Shinjiro Koizumi as environment minister in September 2019 may indicate a shift in the Administration's position. Koizumi, who indicated he wanted to "scrap" Japan's nuclear reactors, reflects persistent antinuclear sentiment among many Japanese citizens.[64] A March 2019 poll found that approximately 27% of Japanese believe restarting nuclear reactors is "necessary."[65]

Alliance Issues

The U.S.-Japan alliance has long been an anchor of the U.S. security role in Asia. Forged in the U.S. occupation of Japan after its defeat in World War II, the alliance's foundational documents give the U.S. military the right to base U.S. troops and other military assets on Japanese territory,

[60] Nikkei Asian Review, "Japanese Consumers Will be Paying for Fukushima for Decades," December 10, 2016, at https://asia.nikkei.com/Business/Japanese-consumers-will-be-paying-for-Fukushima-for-decades; Japan Ministry of Economy, Trade, and Industry, "Strategic Energy Plan," April 2014, p. 10.

[61] Masakazu Toyoda, "Energy Policy in Japan: Challenges After Fukushima," Institute of Energy Economics, Japan, presentation prepared for delivery on January 24, 2013.

[62] Japan Ministry of Economy, Trade, and Industry, *Fifth Strategic Energy Plan*, July 2018, p. 32.

[63] U.S. Department of Energy, "Fact Sheet on the U.S.-Japan Civil Nuclear Memorandum of Cooperation," November 21, 2018, at https://www.energy.gov/articles/fact-sheet-us-japan-civil-nuclear-memorandum-cooperation.

[64] Reuters, "New Environment Minister Says Japan Should Stop Using Nuclear Power," September 11, 2019, at https://www.reuters.com/article/us-japan-nuclear-koizumi/new-environment-minister-says-japan-should-stop-using-nuclear-power-idUSKCN1VX01E.

[65] Japan Atomic Industrial Forum, Inc., "JAERO's Recent Public Opinion Survey on Nuclear Energy: Support Rises Somewhat for Restarting NPPs," March 22, 2019.

undergirding the "forward deployment" of U.S. troops in East Asia. In return, the United States pledges to protect Japan's security. Japan is not obligated to defend the United States, in part due to restrictions on the use of military power that are contained in Japan's constitution, which the United States drafted during the occupation. The U.S.-Japan alliance was originally constructed as a fundamentally asymmetric arrangement—in the 1950s and 1960s, the United States assumed most of the responsibility for Japan's defense. Over the decades, however, this partnership has shifted toward more equality as Japan's military capabilities and policies have evolved.

About 54,000 U.S. troops are stationed in Japan and have the exclusive use of approximately 85 facilities (see **Figure 2**). In exchange, the United States guarantees Japan's security, including through extended deterrence, known colloquially as the U.S. "nuclear umbrella." The U.S.-Japan alliance, which many believe was missing a strategic rationale after the end of the Cold War, has found a new guiding rationale in countering North Korea and shaping the environment for China's rise.[66] Facing these shared challenges, the two countries' regional strategies have converged to a significant degree. The Abe and Trump Administrations both pursue a "free and open Indo-Pacific" vision, and the two countries' recent security strategies—Japan's 2018 National Defense Program Guidelines and the United States' 2017 National Security Strategy, 2018 National Defense Strategy, and 2019 Indo-Pacific Strategy Report—are remarkably similar in their regional outlook and priorities. Analysts and government officials in both countries emphasize the degree to which the United States and Japan are "on the same page" when it comes to strategic priorities.[67]

Since the early 2000s, the United States and Japan have taken strides to improve the operational capability of the alliance as a combined force, despite political and legal constraints. Japan's own defense policy has continued to evolve—the Abe Administration's record-high 2019 defense budget exceeded Japan's decades-long unofficial cap on defense spending of 1% of GDP—and its major strategic documents reflect a new attention to operational readiness and flexibility. The original, asymmetric arrangement of the alliance has moved toward a more balanced security partnership in the 21st century, and Japan's 2014 decision to engage in collective self-defense may accelerate that trend. (See the "Collective Self-Defense" section below.) Unlike 25 years ago, the Japan Self-Defense Force (SDF) is now active in overseas missions, including efforts in the 2000s to support U.S.-led coalition operations in Afghanistan and the reconstruction of Iraq. Japanese military contributions to global operations like counter-piracy patrols relieve some of the burden on the U.S. military to manage security challenges. Due to the increased colocation of U.S. and Japanese command facilities in recent years, coordination and communication have become more integrated. The joint response to the 2011 tsunami and earthquake in Japan demonstrated the interoperability of the two militaries. The United States and Japan have been steadily enhancing bilateral cooperation in many other aspects of the alliance, such as ballistic missile defense, cybersecurity, and military use of space.

Burden-sharing and cost-sharing are increasingly a source of tension in the alliance. During the 2016 presidential campaign, candidate Trump repeatedly asserted that Tokyo did not pay enough to ease the U.S. cost of providing security for Japan. In response, Japanese and U.S. officials have defended the system of host-nation support that has been negotiated and renegotiated over the

[66] For more information and analysis, see CRS Report RL33740, *The U.S.-Japan Alliance*, by Emma Chanlett-Avery and Ian E. Rinehart.

[67] U.S.-Japan Security Consultative Committee, "Joint Statement of the Security Consultative Committee," April 19, 2019, at https://www.mofa.go.jp/files/000470738.pdf; Sasakawa Peace Foundation USA, "Sixth Annual Sasakawa USA Security Forum Focused on New Security Challenges for the U.S.-Japan Alliance," April 30, 2019, at https://spfusa.org/sasakawa-blog/sixth-annual-sasakawa-usa-security-forum-focused-on-new-security-challenges-for-the-u-s-japan-alliance/;

years. Defenders of the alliance point to the strategic benefits as well as the cost saving of basing some of the most advanced capabilities of the U.S. military in Japan, including a forward-deployed aircraft carrier. The question of how much Japan spends, particularly when including the Japanese government's payments to compensate base-hosting communities and to shoulder the costs of U.S. troop relocation in the region, remains a thorny issue with few easily quantifiable answers.

Figure 2. Map of U.S. Military Facilities in Japan

Source: Map Resources. Adapted by CRS.

Notes: MCAS is the abbreviation for Marine Corps Air Station. NAF is Naval Air Facility.

Mutual Defense Guidelines

In April 2015, the United States and Japan announced the completion of the revision of their bilateral defense guidelines, a process that began in late 2013. First codified in 1978 and later updated in 1997, the guidelines outline how the U.S. and Japanese militaries will interact in peacetime and in war as the basic framework for defense cooperation based on a division of labor. The revised guidelines account for developments in military technology, improvements in interoperability of the U.S. and Japanese militaries, and the complex nature of security threats in the 21st century. For example, the revision addresses bilateral cooperation on cybersecurity, the use of space for defense purposes, and ballistic missile defense, none of which were mentioned in the 1997 guidelines. The 2015 guidelines lay out a framework for bilateral, whole-of-government cooperation in defending Japan's outlying islands. They also significantly expand the scope of U.S.-Japan security cooperation to include defense of sea lanes and, potentially, Japanese contributions to U.S. military operations outside East Asia.

The bilateral defense guidelines also seek to improve alliance coordination. The guidelines establish a new standing Alliance Coordination Mechanism (ACM), which involves participants from all the relevant agencies in the U.S. and Japanese governments, as the main body for coordinating a bilateral response to any contingency. This new mechanism removes obstacles that had inhibited alliance coordination in the past, though some observers question whether it is capable of coordinating alliance actions in a military conflict.[68] Implementing and institutionalizing other goals set in the guidelines—such as conducting cross-domain operations and building space and cyberspace defense capabilities—likely will be difficult and slow. These challenges notwithstanding, substantial progress in other areas, such as ballistic missile defense, has been made in recent years.

The Abe Administration pushed through controversial legislation in fall 2015 to provide a legal basis for these far-reaching defense reforms, despite vocal opposition from opposition parties and segments of the Japanese public. Japan's implementation of the new guidelines and related defense reforms has been slow and incremental, perhaps because of the controversy that surrounded passage of the new security legislation.

Collective Self-Defense

Perhaps the most symbolically significant—and controversial—security reform of the Abe Administration has been Japan's potential participation in collective self-defense. Under the U.N. Charter, collective self-defense is the right to defend another country that has been attacked by an aggressor.[69] Dating back to his first term in 2006-2007, Abe has shown a determination to adjust a highly asymmetric aspect of the alliance: the inability of Japan to defend U.S. forces or territory under attack. Article 9 of the Japanese constitution renounces the use of force as a means of settling international disputes. However, Japan has interpreted Article 9 to mean that it can maintain a military for national defense purposes and, since 1991, has allowed the SDF to participate in noncombat roles overseas in a number of U.N. peacekeeping missions and in the U.S.-led coalition in Iraq.

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[68] Center for Strategic and International Studies, *Asia-Pacific Rebalance 2025: Capabilities, Presence, and Partnerships*, January 2016, p. 58.

[69] Article 51 of the U.N. Charter provides that member nations may exercise the rights of both individual and collective self-defense if an armed attack occurs. Article 9 of the Japanese constitution, drafted by U.S. officials during the post-war occupation, outlaws war as a "sovereign right" of Japan and prohibits "the right of belligerency," stipulating that "land, sea, and air forces, as well as other war potential, will never be maintained."

In July 2014, the Abe Cabinet announced a new interpretation, under which collective self-defense would be constitutional as long as it met certain conditions. These conditions, developed in consultation with the LDP's dovish coalition partner Komeito and in response to cautious public sentiment, are rather restrictive and could limit significantly Japan's latitude to craft a military response to crises outside its borders. The security legislation package that the Diet passed in September 2015 provides a legal framework for new SDF missions, but institutional obstacles in Japan may inhibit full implementation in the near term. However, the removal of the blanket prohibition on collective self-defense will enable Japan to engage in more cooperative security activities, like noncombat logistical operations and defense of distant sea lanes, and to be more effective in other areas, like U.N. peacekeeping operations. For the U.S.-Japan alliance, this shift could mark a step toward a more equal and more capable defense partnership. Chinese and South Korean media, as well as some Japanese civic groups and media outlets, have been critical, implying that collective self-defense represents an aggressive, belligerent security policy for Japan.

Realignment of the U.S. Military Presence on Okinawa

Due to the legacy of the U.S. occupation and the island's key strategic location, Okinawa hosts a disproportionate share of the U.S. military presence in Japan. About 25% of all facilities used by U.S. Forces Japan (USFJ) and over half of USFJ military personnel are located in the prefecture, which comprises less than 1% of Japan's total land area. Many native Okinawans chafe at the large U.S. military presence, reflecting in part the island's tumultuous history and complex relationships with "mainland" Japan and with the United States. Although Okinawans' views are far from monolithic, many Okinawans—including those who largely support the U.S.-Japan alliance—have concerns about the burden of hosting foreign troops, particularly about issues like crime, safety, environmental degradation, and noise. As a result, the sustainability of the U.S. military presence in Okinawa remains a critical challenge for the alliance.[70]

In 1996, the alliance established a Special Action Committee on Okinawa, which mandated the return to Okinawa of thousands of acres of land used by the U.S. military since World War II. Subsequent bilateral negotiations aimed at addressing local resistance culminated in the 2006 U.S.-Japan Roadmap for Realignment, in which United States agreed to remove roughly 8,000 marines from Okinawa to Guam by 2014. Congressional concerns over the scope and cost of the Guam realignment, as well as concerns about Guam's preparedness, led to later revisions that adjusted the number of personnel and dependents to be relocated.

The central—and most controversial—task of the realignment on Okinawa is to move Marine Corps Air Station (MCAS) Futenma from crowded Ginowan City to Camp Schwab in Nago City's less congested Henoko area. The encroachment of residential areas around the Futenma base over decades has raised the risks of a fatal aircraft accident. Most Okinawans oppose the construction of a new U.S. base for a mix of political, environmental, and quality-of-life reasons, and demand the Futenma Replacement Facility be moved outside Okinawa. In February 2019, Okinawa held a non-binding referendum on the relocation of the U.S. base. About 72% of those who voted opposed the construction of the new base.[71]

[70] For more information and analysis, see CRS Report R42645, *The U.S. Military Presence in Okinawa and the Futenma Base Controversy*, by Emma Chanlett-Avery and Ian E. Rinehart.

[71] Linda Sieg, "Japan to Push Ahead with U.S. Base Relocation Despite Okinawa Referendum Result," Reuters, February 24, 2019, at https://www.reuters.com/article/us-japan-okinawa/japan-to-push-ahead-with-u-s-base-relocation-despite-okinawa-referendum-result-idUSKCN1QE06Q.

The relocation of MCAS Futenma is frequently challenged by local politicians and activists, and is also beset by construction delays. Okinawan citizens in late 2014 and 2018 voted in two consecutive governors who ran on platforms opposed to the relocation plan and who employed a variety of political and legal strategies to prevent or delay construction of the base. An additional challenge is the physical difficulty of constructing offshore runways for the base.[72]

Burden-Sharing Issues

Calculating how much Tokyo pays to defray the cost of hosting the U.S. military presence in Japan is difficult and depends heavily on how the contributions are counted. Further, the two governments present estimates based on different data depending on the political aims of the exercise. Because of the skepticism among some Japanese about paying the U.S. military, for example, the Japanese government may use different baselines in justifying its contributions to the alliance when arguing for its budget in the Diet. Other questions make it challenging to assess the value and costs of the U.S. military presence in Japan. Is the U.S. cost determined based strictly on activities that provide for the defense of Japan, in a narrow sense? Or is the system of American bases in Japan valuable because it enables the United States to more quickly, easily, and cheaply disperse U.S. power in the Western Pacific? U.S. defense officials often cite the strategic advantage of forward-deploying the most advanced American military capabilities in the Asia-Pacific at a far lower cost than stationing troops on U.S. soil.

Determining the percentage of overall U.S. costs that Japan pays is even more complicated. According to DOD's 2004 Statistical Compendium on Allied Contributions to the Common Defense (the last year for which the report was required), Japan provided 74.5% of the U.S. stationing cost.[73] In January 2017, Japan's Defense Minister provided data that set the Japanese portion of the total cost for U.S. forces stationed in Japan at over 86%.[74] Other estimates from various media reports are in the 40-50% range. Most analysts concur that there is no authoritative, widely shared view on an accurate figure that captures the percentage that Japan shoulders.

Host Nation Support

One component of the Japanese contribution is the Japanese government's payment of $1.7 billion-$2.1 billion per year (depending on the yen-to-dollar exchange rate) to offset the direct cost of stationing U.S. forces in Japan. These contributions are provided both in-kind and in cash.[75] In recent years, the United States has spent $1.9 billion-$2.5 billion per year on nonpersonnel costs on top of the Japanese contribution, according to the DOD Comptroller.[76]

Japanese host nation support is composed of two funding sources: Special Measures Agreements (SMAs) and the Facilities Improvement Program (FIP). Each SMA is a bilateral agreement,

[72] Asahi Shimbun, "New Landfill Work Starts off Henoko despite Okinawa's Outcry," March 25, 2019, at http://www.asahi.com/ajw/articles/AJ201903250052.html.

[73] "2004 Statistical Compendium on Allied Contributions to the Common Defense." See http://archive.defense.gov/pubs/allied_contrib2004/allied2004.pdf.

[74] "How Much Does Japan Pay to Host U.S. Forces? Depends on Who You Ask," *Japan Times*. January 31, 2017.

[75] Michael J. Lostumbo et al., "Host-Nation Support and U.S. Payments to Other Countries," in *Overseas Basing of U.S. Military Forces: An Assessment of Relative Costs and Strategic Benefits*, 131-66. RAND Corporation, 2013, at http://www.jstor.org/stable/10.7249/j.ctt2tt915.15.

[76] Office of the Under Secretary of Defense, Comptroller, *Operation and Maintenance Overview: Fiscal Year 2019 Budget Estimates*, Washington, DC, March 2018, pp. 200-203; Office of the Under Secretary of Defense, Comptroller, *Operation and Maintenance Overview: Fiscal Year 2017 Budget Estimates*, Washington, DC, February 2016, pp. 225-228; Office of the Under Secretary of Defense, Comptroller, *Operation and Maintenance Overview: Fiscal Year 2015 Budget Estimates*, Washington, DC, March 2014, pp. 192-195.

generally covering five years, which obligates Japan to pay a certain amount for utility and labor costs of U.S. bases and for relocating training exercises away from populated areas. Under the current SMA, covering 2016-2021, the United States and Japan agreed to keep Japan's host nation support at roughly the same level as it had been paying in the past. Japan is contributing ¥189 billion ($1.72 billion) per year under the SMA and at least ¥20.6 billion ($187 million) per year for the FIP. The two countries likely will begin negotiations over the next SMA in 2020; while always contentious, the upcoming round is expected to be particularly difficult as Japan anticipates that the Trump Administration will demand significantly more Japanese contributions.

The amount of FIP funding is not strictly defined, other than the agreed minimum, and thus the Japanese government adjusts the total at its discretion. Tokyo also decides which projects receive FIP funding, taking into account, but not necessarily deferring to, U.S. priorities.

Additional Japanese Contributions

In addition to host-nation support, which offsets costs that the U.S. government would otherwise have to pay, Japan spends approximately ¥182 billion ($1.65 billion) annually on measures to subsidize or compensate base-hosting communities.[77] These are not costs that would be necessarily passed on to the United States, but U.S. and Japanese alliance managers may argue that the U.S. bases would not be sustainable without these payments to areas affected by the U.S. military presence.

Based on its obligations defined in the U.S.-Japan Mutual Security Treaty, Japan also pays the cost of relocating U.S. bases within Japan and rent to any landowners of U.S. military facilities in Japan. Japan pays for the majority of the costs associated with three of the largest international military base construction projects since World War II: the Futenma Replacement Facility in Okinawa (Japan provides $12.1 billion), construction at the Marine Corps Air Station Iwakuni (Japan pays 94% of the $4.8 billion), and facilities on Guam to support the move of 4,800 marines from Okinawa (Japan pays $3.1 billion, about a third of the cost of construction).[78]

Japan also is a major purchaser of U.S. defense equipment. Between 2009 and 2018, Japan was among the top 10 recipients of deliveries of major conventional weapons from the United States, spending an average of $363.9 million per year, which accounts for between 83% and 97% of Japan's arms imports, according to estimates from the Stockholm International Peace Research Institute.[79] Recent major acquisitions include Lockheed Martin F-35 Joint Strike Fighters, Boeing KC-46 Tankers, Northrup Grumman E-2D Hawkeye airborne early warning aircraft, General Dynamics Advanced Amphibious Assault Vehicles, and Boeing/Bell MV-22 Ospreys.

Extended Deterrence

The growing concerns in Tokyo about North Korean nuclear weapons development and China's modernization of its nuclear arsenal in the 2000s garnered renewed attention to the U.S. policy of extended deterrence, commonly known as the "nuclear umbrella." The United States and Japan initiated the bilateral Extended Deterrence Dialogue in 2010, recognizing that Japanese

[77] Japanese Ministry of Foreign Affairs, "U.S. Forces in Japan-Related Costs borne by Japan (JFY2015)," http://www.mofa.go.jp/mofaj/files/000098651.pdf.

[78] Figures provided by U.S. officials at the Office of the Secretary of Defense, January 2017.

[79] Stockholm International Peace Research Institute, "Importer/Exporter TIV Tables," April 17, 2019, at http://armstrade.sipri.org/armstrade/page/values.php. SIPRI's methodology for calculating the value of arms transfers is available at https://www.sipri.org/databases/armstransfers/sources-and-methods/.

perceptions of the credibility of U.S. extended deterrence were critical to its effectiveness.[80] The dialogue is a forum for the United States to assure its ally and for both sides to exchange assessments of the strategic environment. The views of Japanese policymakers (among others) influenced the development of the 2010 U.S. Nuclear Posture Review,[81] and Japan welcomed the Trump Administration's 2018 Nuclear Posture Review.[82]

Japanese leaders have repeatedly rejected developing their own nuclear weapons arsenal. Although Japan is a ratified signatory to the Treaty on the Non-Proliferation of Nuclear Weapons, and Japanese public opinion is largely antinuclear, a lack of confidence in the U.S. security guarantee could lead Tokyo to reconsider its own status as a non-nuclear weapons state. Then-candidate Trump in 2016 stated that he was open to Japan (and South Korea) developing its own nuclear arsenal to counter the North Korean nuclear threat.[83] Analysts point to the potentially negative consequences for Japan if it were to develop its own nuclear weapons, including significant budgetary costs; reduced international standing in the campaign to denuclearize North Korea; the possible imposition of economic sanctions that would be triggered by leaving the global nonproliferation regime; potentially encouraging South Korea and/or Taiwan to develop nuclear weapons capability; triggering a counterreaction by China; and creating instability that could lessen Japan's economic and diplomatic influence in the region. For the United States, analysts note that encouraging Japan to develop nuclear weapons could mean diminished U.S. influence in Asia, the unraveling of the U.S. alliance system, and the possibility of creating a destabilizing nuclear arms race in Asia.[84]

Japan also plays an active role in extended deterrence through its ballistic missile defense (BMD) capabilities. Whereas prior to the introduction of BMD Japan was entirely reliant on the U.S. nuclear deterrent, it now actively contributes to extended deterrence.[85] In the future, Japan may also develop a conventional strike capability with the intent to augment extended deterrence. In 2017 and 2018, an LDP research commission comprised of retired high-level defense officials and experts proposed that Japan consider acquiring capabilities to hit enemy missile bases for use in retaliatory strikes.[86] For the time being, however, a strict division of labor between the allies remains, with the United States responsible for offensive strike, and Japan responsible for defensive operations.[87]

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[80] Brad Roberts, "Extended Deterrence and Strategic Stability in Northeast Asia," National Institute of Defense Studies (Japan), Visiting Scholar Paper Series, No. 1, August 9, 2013.

[81] Roberts (2013).

[82] Japan Ministry of Foreign Affairs, "The Release of the U.S. Nuclear Posture Review (NPR) (Statement by Foreign Minister Taro Kono)," February 3, 2018, at https://www.mofa.go.jp/press/release/press4e_001893.html.

[83] For example, Trump stated, "And, would I rather have North Korea have [nuclear weapons] with Japan sitting there having them also? You may very well be better off if that's the case. In other words, where Japan is defending itself against North Korea, which is a real problem." "Transcript: Donald Trump Expounds on His Foreign Policy Views," *New York Times*, March 26, 2016.

[84] See, for example, Robert Manning, "Trump's 'Sopranos' Worldview Would Undo Asian Alliances," *New Atlanticist* blog post, March 29, 2016.

[85] Japan Ministry of Defense, *National Defense Program Guidelines for FY 2019 and Beyond*, December 18, 2018, p. 8 (provisional translation); Sugio Takahashi, *Ballistic Missile Defense in Japan: Deterrence and Military Transformation*, Institut Français des Relations Internationales, December 2012, pp. 20-22.

[86] Sheila Smith, *Japan Rearmed* (Cambridge, MA: Harvard University Press, 2019), p. 125; Yuki Tatsumi, "Japan Eyes 'Counter-Attack' Capability Against North Korea Missile Threat," *The Diplomat*, March 31, 2017, at ; Michael Bosack, "The LDP Weighs in on Japan's Defense Posture," *Tokyo Review*, March 29, 2018, at https://www.tokyoreview.net/2018/03/the-ldp-weighs-in-on-japans-defense-posture/.

[87] "The Guidelines for U.S.-Japan Defense Cooperation," April 27, 2015; Japan Ministry of Defense, *Defense of Japan*

Economic Issues

U.S. trade and economic ties with Japan are viewed by many experts and policymakers as highly important to the U.S. national interest. By the most conventional method of measurement, the United States and Japan are the world's largest and third-largest economies (China is number two), accounting for 30% of the world's gross domestic product (GDP) in 2018. Furthermore, their economies are closely intertwined by two-way trade in goods and services, and by foreign investment.

Overview of the Bilateral Economic Relationship

Japan is a significant economic partner of the United States. Japan was the United States' fifth-largest export market for goods and services (behind Canada, Mexico, China, and the United Kingdom) and the fourth-largest source of U.S. imports (behind China, Canada, and Mexico) in 2018. Japan accounted for 5% of total U.S. exports in 2018 ($121 billion) and 6% of total U.S. imports ($179 billion).[88] The United States was Japan's second-largest goods export market and second-largest source of goods imports (after China) in 2018.[89] Japan is also a major investor in the United States accounting for more than 11% of the stock of inward U.S. direct investment in 2018 ($484 billion).

The relative significance of the bilateral economic relationship, however, has arguably declined as other countries, including China, have become increasingly important global economic actors. Over the past decade (2008-2018), U.S. goods exports to the world grew by 28%, while exports to Japan grew by less than 13%. Similarly, U.S. goods imports from the world grew by 20% while U.S. imports from Japan grew by 2%. Some of this shift stems from structural changes in the global economic landscape, including the growth of global supply chains. Interestingly, data from the OECD suggest that even on a value-added basis, which adjusts conventional trade data by attributing intermediate components of traded products to their country of origin, Japan accounts for a declining share of U.S. import activity.[90] U.S. import numbers, however, probably underestimate the importance of Japan and Japanese companies in U.S. consumption patterns since, in particular, Japanese firms have invested heavily in export-oriented production facilities in Asia and around the world as well as directly in the United States.

Major economic events also have influenced U.S.-Japan trade patterns over the past decade. The global economic downturn stemming from the 2008 financial crisis had a significant impact on U.S.-Japan trade: both U.S. exports and imports declined in 2009 from 2008. Although trade flows recovered quickly, they peaked in 2012 and have declined or grown only modestly in most years since that time, as measured in U.S. dollars. (See **Table 1**.) The decline in the value of the Japanese yen since 2012, tied to aggressive monetary stimulus in Japan as part of "Abenomics" (described below) has likely affected both the value and quantity of trade—measured in yen. U.S. trade with Japan has largely risen over the same time period.

2018, White Paper, August 2018, p. 264.

[88] For an overview of key figures in the economic relationship, see the Bureau of Economic Analysis' country fact sheet on Japan, at https://apps.bea.gov/international/factsheet/.

[89] Data from Japan Ministry of Finance, accessed through Global Trade Atlas on 9/18/2019.

[90] From 2005 to 2015 (the most recent trade in value added statistics available) U.S. imports from Japan on a value-added basis declined from $172 billion to $149 billion, or from 9% to 6% of U.S. global value-added imports. During the same period China's share of U.S. imports on a value-added basis rose from 33% to 54%. OECD Trade in Value Added Database (TiVA) at https://www.oecd.org/sti/ind/measuring-trade-in-value-added.htm.

Table 1. U.S. Trade with Japan, Goods and Services

(in billions of dollars)

Year	Goods Exports	Goods Imports	Goods Balance	Services Exports	Services Imports	Services Balance
2005	54.8	140.4	-85.6	39.5	20.6	19.0
2006	59.3	150.9	-91.6	39.2	23.9	15.3
2007	62.8	148.3	-85.5	37.9	24.4	13.6
2008	67.1	142.4	-75.3	39.8	24.6	15.1
2009	52.9	97.8	-44.9	38.0	21.4	16.7
2010	61.5	122.9	-61.5	43.3	24.6	18.7
2011	67.2	131.8	-64.6	43.8	24.7	19.1
2012	71.4	149.2	-77.8	46.7	27.3	19.4
2013	66.5	141.3	-74.8	45.7	30.2	15.5
2014	68.0	137.3	-69.3	46.8	31.2	15.7
2015	63.1	134.4	-71.3	45.3	29.3	16.0
2016	63.8	134.1	-70.3	45.0	31.2	13.8
2017	68.3	138.2	-69.9	46.0	33.3	12.7
2018	76.0	144.4	-68.5	45.2	34.7	10.5

Source: U.S. Bureau of Economic Analysis (BEA), International Transactions Tables. Balance of payment basis. Accessed 9/18/2019.

Under the Trump Administration, U.S. trade policy has increasingly focused on "unfair" trading practices, U.S. import competition, and bilateral trade deficits, leading to greater strain in U.S. economic relations with other countries, including with Japan. Issues of ongoing U.S. attention include concerns over market access for U.S. products such as autos and agricultural goods, and various nontariff barriers, which U.S. companies argue favor domestic Japanese products over U.S. goods and services.[91] Despite this recent shift, the major trend in U.S.-Japan bilateral economic relations over the past two decades has largely been easing tension, in contrast with the contentious and frequent trade frictions at the fore of the bilateral relationship in the 1980s and early 1990s. A number of factors may have contributed to this trend:

- Japan's slow economic growth—beginning with the burst of the asset bubble in the 1990s—has changed the general U.S. perception of Japan from an economic competitor to a "humbled" economic power;
- significant Japanese investment in the United States, including in automotive manufacturing facilities, has linked production of some Japanese=branded products with U.S. employment;
- the successful conclusion of the multilateral Uruguay Round agreements in 1994 led to further market openings in Japan, and established the World Trade Organization (WTO) and its enhanced dispute settlement mechanism, which has provided a forum used by both Japan and the United States to resolve trade

[91] For more information on Japanese trade barriers, see USTR, *2019 National Trade Estimate on Foreign Trade Barriers*, March 2019, pp. 279-294.

disputes, although the Trump Administration's unilateral trade actions (such as Section 232 tariffs) has put strain on the system;

- the rise of China as an economic power and trade partner has caused U.S. policymakers to shift attention from Japan to China as a primary source of concern; and
- the growth in the complexity and number of countries involved in global supply chains has likely diffused or shifted concerns over import competition as Japanese firms export to the United States from production facilities around the world and many Japanese products are imported into the United States as components in finished products from other countries, thereby reducing the bilateral trade deficit.

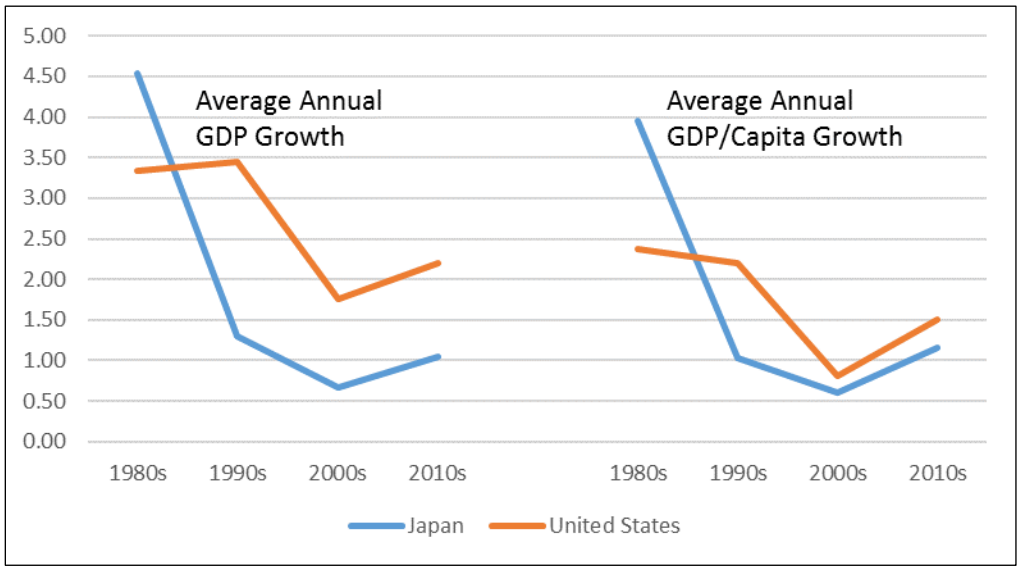
Japan's Growing Economy and Abenomics

Between the end of World War II and 1980s, Japan experienced high levels of economic growth. It was dubbed an "economic miracle" until the collapse of an economic bubble in Japan in the early 1990s brought an end to rapid economic growth. Many economists have argued that, despite the government's efforts, Japan has never fully recovered from the 1990s crisis. For decades Japan's economy suffered from chronic deflation (falling prices) and low growth. In the late 2000s, Japan's economy was also hit by two economic crises: the global financial crisis in 2008 and 2009, and the 2011 earthquake, tsunami, and nuclear reactor meltdowns in northeast Japan. As a result, since the 1980s, Japan's average GDP growth has been consistently lower than that of the United States (**Figure 3**).[92] In sharp contrast to the booming years of the 1980s, this decades-long history of sluggish economic growth coupled with, and in part a result of, the demographic challenge of a shrinking and aging population has led to a narrative in the media and elsewhere of Japan as a nation in decline, particularly vis-à-vis the rapid economic growth and growing global influence of neighboring China and South Korea.

[92] Due to Japan's shrinking population, on a per capita basis, its economic growth looks more robust when compared to countries with growing populations such as the United States.

Figure 3. Average Annual GDP and GDP/Capita Growth

(10-year average, United States and Japan)



Source: World Economic Outlook database, April 2019.

In the face of domestic anxiety caused by this shift, Prime Minister Abe came into office in 2012 with a goal to reinvigorate the Japanese economy. Specifically, the Abe Administration made it a priority to boost economic growth and to eliminate deflation. Abe has promoted a three-pronged, or "three arrow," economic program, nicknamed "Abenomics." The three arrows include monetary stimulus, fiscal stimulus, and structural reforms to improve the competitiveness of Japan's economy. Most economists agree that progress across the three arrows has been uneven.

- The first arrow of Abenomics, monetary stimulus to reverse deflation, has been implemented the most aggressively. In spring 2013, Japan's central bank (Bank of Japan, or BOJ) announced a continued loose monetary policy with interest rates of 0%, quantitative easing measures, and a target inflation rate of 2%. The BOJ began a second round of quantitative easing in October 2014, after the economy slipped back into recession. The BOJ continued adopting new expansionary monetary policies in 2016, including negative interest rates for a portion of bank reserves and targeting 0% interest rates on 10-year government bonds. In July 2018, BOJ Governor Kuroda announced the BOJ would maintain Japan's loose monetary policy, acknowledging that the BOJ's 2% inflation target would not be reached before 2021.[93] Japan's inflation rate was 1% in 2018 and the International Monetary Fund (IMF) predicts inflation of 1.1% in 2019.[94] In 2019, the BOJ's inflation target faced new challenges, as monetary policy loosened globally in response to concerns over weakening economic growth. The yield on Japan's 10-year government bonds entered negative territory in February 2019, prompting calls by Japan's banking sector for a re-evaluation of the BOJ's ultra-loose monetary policy, which has put strain on the sector's profitability.[95]

[93] "Bank of Japan Sticks to Ultra-Easy Money Policy, Defying Expectations," *Wall Street Journal*, July 31, 2018.

[94] IMF, *World Economic Outlook Database*, October 2018.

[95] "Big Global Bond Rally Puts Bank of Japan in a Bind," *Financial Times*, August 19, 2019.

- The Japanese government has taken some steps to use fiscal policy to stimulate the economy (the second arrow), initially implementing fiscal stimulus packages worth about $145 billion, aimed at spending on infrastructure, particularly in the areas affected by the March 2011 disaster. The Abe government has also approved additional supplementary budget packages, including $32 billion in 2016.[96] The government's willingness to use expansionary fiscal policies has been constrained by concerns about its public debt levels, the highest in the world at nearly 240% of GDP. To address fiscal pressures, the government raised the sales tax from 5% to 8% in April 2014. However, many economists argued that the sales tax increase was responsible for pushing Japan into recession in 2014. The government twice has postponed a planned second sales tax increase, to 10%, which occurred on October 1, 2019, four years later than originally planned. Initial data did not show a major uptick in consumer spending in the lead up to the October tax hike, in contrast to the spike in consumption that occurred prior the 2014 tax increase, which may reflect the government's implementation of a number of mitigating measures aimed at smoothing consumption. As a result, concerns over a major slowdown in economic activity following the tax increase have eased.[97]
- Progress on the third arrow, structural reforms, has been more uneven. The government has advanced measures to liberalize energy and agriculture sectors, promote trade and investment (including through its implementation of the TPP-11 and EU-Japan agreements), reform corporate governance, and improve labor market functions. The IMF, however, continues to argue for additional reforms, especially in the face of Japan's demographic challenges. In its most recent assessment of Japan's economy, the IMF estimated that without structural changes, Japan's real GDP would decline by over 25% in 40 years, but various reform measures could potentially raise this baseline estimate by up to 15% over that period.[98] To mitigate the demographic challenges and enhance economic growth, the IMF recommends prioritizing (1) labor market reforms aimed at increasing participation among women, older workers, and foreigners, and reducing distortive effects of Japan's two-tier labor market system by providing more training for non-regular workers; (2) reforms to increase long-term productivity growth (such as deregulation aimed at facilitating expansion of higher productivity small- and medium-sized enterprises and exit of poor performing firms); and (3) continued reduction of tariff and non-tariff barriers.[99]

Abenomics had a difficult start, when Japan's economy slipped back into recession in 2014. This was Japan's fourth recession since 2008, and was largely attributed to the April 2014 sales tax increase. The lackluster performance of Japan's economy in 2015 and the first half of 2016 led some analysts to question whether Abenomics had run its course.[100] More recently, Japan's

[96] Takashi Nakamichi, "Japan Passes $32 Billion in Extra Economic Stimulus, but Some Seek More," *Wall Street Journal*, October 11, 2016.

[97] "Fears Recede of Japan Recession Sparked by Consumption Tax Rise," *Financial Times*, September 8, 2019.

[98] International Monetary Fund, *Japan: 2018 Article IV Consultation Staff Report*, November, 2018, https://www.imf.org/en/Publications/CR/Issues/2018/11/27/Japan-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-Executive-46394.

[99] Ibid.

[100] "A State of Paralysis in Japan," *Stratfor.com Analysis*, June 6, 2016.

economic performance has been more robust, with growth in 2017 of 1.9%, well above its average over the past decade. In 2018, Japan's economy grew at 0.8% and unemployment, at 2.4%, fell to its lowest point in more than 25 years. Analysts largely view Abenomics as successful in boosting Japan's economic growth in the short run and ending deflation; further steps are seen as needed to produce long-term growth in the face of daunting demographic challenges.[101] Both the IMF and OECD recommend pressing forward with an invigorated reform agenda, focusing on the labor market and firm productivity, ensuring a sustainable fiscal environment through both revenue increases and spending controls, and pursuing inflation targets with accommodative policy while closely watching the financial system for increased risk taking in the low-interest environment.

Emphasis on "Womenomics"

A key component of the third arrow in Abe's economic reform focuses on "womenomics," or boosting economic growth through reforms and policies to encourage the participation and advancement of women in the workforce.[102] Japan lags behind many other high-income countries in terms of gender equality, and continues to underutilize the potential of its female labor force. Women are highly over-represented among Japan's "non-regular" workers who receive fewer career advancement opportunities, with more than 53% of women employed as non-regular workers compared to 14.1% of men in 2014.[103] In the same year, a strategist with Goldman Sachs in Japan estimated that closing the gender employment gap could boost Japan's GDP by nearly 13%.[104] To advance its "womenomics" initiative, the government has proposed, and is in various stages of implementing, a number of policies, such as expanding the availability of day care, increasing parental leave benefits, and allowing foreign housekeepers in special economic zones, among other measures.

Progress has been made by some measures, but a dearth of women in top positions has left many disappointed in the results. Japan's overall female participation rate in the labor force has increased sharply, to a record high of 71% in 2018, surpassing the United States (68%).[105] The uptick is attributed to high demand for workers in Japan, as well as specific "womenomics" initiatives, including expanded day-care capacity and more generous parental leave. Some observers, however, question whether the Abe government is truly working to promote gender equality in the workplace or simply looking to fill gaps in the workforce created by the shrinking population.[106] Despite the increase in female labor participation, Japan's pay differential between men and women, or the gender wage gap, at 24.5%, remains the second highest in the OECD, behind only South Korea, which researchers attribute largely to lack of female leadership in the workplace.[107]

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[101] OECD, *OECD Economic Surveys: Japan*, April 2019.

[102] For further information, see CRS Report R43668, *"Womenomics" in Japan: In Brief*, by Emma Chanlett-Avery and Rebecca M. Nelson.

[103] Kazuo Yamaguchi, "Japan's Gender Gap," *Finance and Development*, March 2019.

[104] Kathy Matsui et al., "Womenomics 4.0: Time to Walk the Talk," Goldman Sachs, May 30, 2014, http://www.goldmansachs.com/our-thinking/investing-in-women/womenomics4-folder/womenomics4-time-to-talk-the-talk.pdf.

[105] OECD, "Labour Market Statistics: Labour Force Statistics by Sex and Age: Indicators," *OECD Employment and Labour Market Statistics,* https://doi.org/10.1787/data-00310-en, accessed 9/18/2019.

[106] "Japan's Culture of Discrimination Saps 'Womenomics,'" *Financial Times*, August 28, 2018.

[107] Kazuo Yamaguchi, "Japan's Gender Gap," *Finance and Development*, March 2019.

Efforts to increase the number of women in management positions have stalled, and in 2018, Japan ranked 110th out of 149 countries according to the World Economic Forum's national rankings of gender equality.[108] Japan fared worse in political empowerment rankings (125th), reflecting the relatively low number of female legislators and high-ranking government officials. Despite a recent reshuffling, Prime Minister Abe's cabinet includes only two female ministers (a 100% increase over the previous cabinet composition). The Abe government has scrapped its target of getting women in 30% of senior positions by 2020, now aiming for 15% in the private sector, and 7% in government.[109] The ratio of Japanese women in top positions in the private sector is little better than the public sector, with women occupying 3.4% of company board seats compared to 16.4% in the United States.[110]Analysts note that additional policy reforms could continue to encourage women to join and remain in the workforce, including reforms to Japan's tax and social security programs that discourage married women from working outside the home. Japan's work culture, which demands long hours, also makes it difficult for women and men to balance work and family.

U.S. Tariffs Under the Trump Administration

The Trump Administration has imposed tariffs on several significant U.S. imports from Japan.[111] In March 2018, President Trump announced tariffs of 25% and 10% on certain U.S. steel and aluminum imports, respectively.[112] The tariffs have drawn criticism from Japan (the fifth-largest supplier of U.S. steel imports in 2018, worth $1.7 billion), which argues it should be exempt from tariffs imposed for national security reasons given its close security relationship with the United States. The tariffs were imposed under Section 232 of the Trade Expansion Act of 1962, based on two investigations by the Commerce Department that found steel and aluminum imports threaten to impair U.S. national security. Unlike South Korea, Japan has not negotiated a quota arrangement with the United States in exchange for tariff exemptions, nor has Japan retaliated against the Administration's tariff actions, like other trading partners including the EU and China. Japan, however, appears to be the largest beneficiary of the Administration's product exclusion process, which allows U.S. importers to petition the government for tariff relief on individual steel and aluminum products from specific countries. According to analysis by the Mercatus Center, more petitions for exemptions on imports from Japan have been filed and approved than for any other country.[113]

Japanese exports of washing machines and solar panels are also subject to additional temporary U.S. tariffs. These safeguard tariffs were imposed under Section 201 of the Trade Act of 1974 to address serious or threatened serious injury from these imports to domestic industries.[114] Japan

[108] World Economic Forum, *The Global Gender Gap Report 2018*, December 17, 2018, at http://www3.weforum.org/docs/WEF_GGGR_2018.pdf.

[109] "Reality Check: Has Shinzo Abe's 'Womenomics' Worked in Japan?," *BBC News*, February 17, 2018.

[110] International Labor Organization, *A Quantum Leap for Gender Equality: For a Better Future of Work for All*, 2019, p. 30, https://www.ilo.org/wcmsp5/groups/public/—dgreports/—dcomm/—publ/documents/publication/wcms_674831.pdf.

[111] For more information on, see CRS Insight IN10943, *Escalating U.S. Tariffs: Timeline*, coordinated by Brock R. Williams.

[112] For more information, see CRS Report R45249, *Section 232 Investigations: Overview and Issues for Congress*, coordinated by Rachel F. Fefer and Vivian C. Jones.

[113] Mercatus Center, *Investigating Product Exclusion Requests for Section 232 Tariffs: An Update*, August 21, 2019, https://www.mercatus.org/investigating-section-232-an-update.

[114] For more information, see CRS In Focus IF10786, *Safeguards: Section 201 of the Trade Act of 1974*, by Vivian C.

has announced retaliation in the WTO in response to these safeguard measures, and in line with WTO commitments on safeguard actions, this retaliation is scheduled to become effective in 2021. Unlike several other countries, Japan has not initiated WTO dispute settlement procedures with regard to either the U.S. Section 201 or Section 232 tariff measures, but is participating as a third party in disputes initiated by other countries.

In May 2019, President Trump declared auto and auto parts imports, including from Japan, a national security threat following another Section 232 investigation by the Commerce Department.[115] This declaration provides the President broad authority to take measures, including potential import tariffs, to address the threat. The economic implications of U.S. actions affecting U.S.-Japan auto trade would be significant as autos and auto parts are consistently the largest U.S. import from Japan, $56 billion in 2018, accounting for roughly one-third of U.S. goods imports from Japan. New U.S. tariffs on Japanese autos and parts are unlikely in the near term, however, as the President directed USTR to seek a negotiated solution with Japan and appeared to be using the threat of potential tariffs as leverage in broader ongoing trade talks with Japan. The first stage of those talks concluded in late September, accompanied by an informal U.S. assurance to Japan to not impose Section 232 tariffs.

U.S. and Japanese stakeholders have raised a number of concerns over the President's proposed and implemented tariff actions. While some domestic U.S. producers of competing products support the President's tariff actions on steel, aluminum, solar panels, and washing machines, downstream U.S. industries and retailers argue the tariffs raise costs in the United States that are likely to be passed to consumers. Potential tariffs on autos, meanwhile, have been widely criticized, including by U.S. auto manufacturers.[116] Japan's auto firms, also strongly objected to the President's determination on auto imports, which asserted that the imports pose a national security threat because they affect "American-owned" producers' global competitiveness and research and development on which U.S. military superiority depends. Toyota and other Japanese-owned auto firms took particular issue with the President's emphasis on U.S. ownership in his determination, noting their significant U.S. investments in automotive manufacturing and research facilities.[117] According to data from the Bureau of Economic Analysis, Japanese firms have invested over $50 billion in the U.S. auto sector, directly employing 170,000 workers.

Several Members of Congress have also raised concerns over the President's unilateral tariff actions and have introduced legislation that would curb the President's tariff authority through various approaches.[118] The Senate Finance Chairman reportedly supports legislative efforts to give Congress a greater role in the Section 232 process and wants to put forward a compromise bill in the near term.[119]

Jones.

[115] White House, "Adjusting Imports of Automobiles and Automobile Parts into the United States," May 17, 2019, https://www.whitehouse.gov/presidential-actions/adjusting-imports-automobiles-automobile-parts-united-states/.

[116] American Automotive Policy Council, "AAPC Statement on Section 232," May 17, 2019, http://www.americanautocouncil.org/content/aapc-statement-section-232.

[117] Japan Automobile Manufacturers Association, "Chairman's Comment on the President's Executive Proclamation on the Sec. 232 Automotive Imports Investigation," May 21, 2019, https://www.jama.org/jama-chairman-comment-on-the-232-investigation-proclamation/.

[118] For example, see H.R. 723, S. 287, S. 365, and S. 289.

[119] "Grassley Eyes Late-September Meeting on 232 Bill," *World Trade Online*, August 7, 2019.

U.S.-Japan Bilateral Trade Agreement Negotiations[120]

In the wake of potential Section 232 auto tariffs, in September 2018 Japan agreed to enter into broader negotiations with the United States on a bilateral trade agreement, despite its preference for the United States to return to the regional TPP. After six months of negotiations, on September 25, 2019, President Trump and Prime Minister Abe announced the "first stage" of a trade agreement had been finalized on "early achievements" covering agricultural market access and some industrial goods tariffs, as well as rules on digital trade.[121]

U.S. officials indicated that opening Japan's highly protected agriculture sector (the fourth-largest U.S. agriculture market) and reaching parity with exporters from Japan's FTA partners were major drivers of the initial agreement.[122] According to USTR, Japan agreed to "substantial market access" through the elimination or reduction of tariffs covering $7.2 billion of U.S. food and agricultural exports, or creation of U.S.-specific quotas (which permit access for a specified quantity at a specified tariff rate).[123] From the onset of negotiations, Japan stated its plans to limit additional agriculture market access to offers in existing FTAs, including the TPP-11 (see below). The United States will also reduce tariffs on certain Japanese agricultural products and industrial goods, such as machine tools, steam turbines, and bicycles.

Trade in motor vehicles is not included in the U.S. commitments, in contrast to the original TPP. The agreement also does not include an explicit formal commitment from the United States on potential Section 232 auto tariffs—a major priority of the Japanese—though USTR indicated that the United States does not intend to proceed with new tariffs "at this point."[124] Instead, in their joint statement, both sides said they will "refrain from taking measures against the spirit of these agreements" and "make efforts for an early solution to other tariff-related issues."

On digital trade, an area in which the two countries have largely similar goals, the U.S. and Japan referred to the agreement as "high-standard," with provisions that include prohibiting customs duties on digital products and data localization requirements, and ensuring free crossborder data flows. USTR claims the agreement "meets the gold standard on digital trade rules" set by the proposed U.S.-Mexico-Canada Agreement (USMCA), signed in November 2018.

Such a limited scope agreement represents a significant shift in approach from recent U.S. FTAs, which typically involve one comprehensive negotiation. Some Members and other U.S. stakeholders have raised questions regarding the congressional role in approving trade agreements, whether the U.S.-Japan outcomes will meet congressional requirements under Trade Promotion Authority (TPA), and what areas may be subject to future talks. TPA potentially provides for the expedited consideration of trade agreement implementing legislation, if the

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[120] For more information, see CRS In Focus IF11120, *U.S.-Japan Trade Agreement Negotiations*, by Cathleen D. Cimino-Isaacs and Brock R. Williams.

[121] White House, "Joint Statement of the United States and Japan," September 25, 2019, https://www.whitehouse.gov/briefings-statements/joint-statement-united-states-japan-2/; USTR, "Fact Sheet: U.S.-Japan Trade Agreement," September 2019, https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2019/september/fact-sheet-us-japan-trade-agreement.

[122] "U.S. Trade Representative Calls for Prioritizing Initial Deal with Japan on Farm Tariff Cuts," *Japan Times*, June 19, 2019.

[123] USTR, "Fact Sheeet: Agriculture-Related Provisions of the U.S.-Japan Trade Agreement," September 2019, https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2019/september/fact-sheet-agriculture%E2%80%90related.

[124] Office of the Press Secretary, "On-the-Record Press Gaggle by Ambassador Lighthizer on the U.S.-Japan Trade Agreement," September 25, 2019.

agreement makes progress towards achieving negotiating objectives and the Administration adheres to certain notification and consultation requirements. [125] The Administration has followed TPA procedures during the Japan talks, but indicated that the initial agreement will not require congressional approval. On September 16, it notified to Congress its intent to enter into an agreement on "tariff barriers" under certain delegated presidential authorities (Section 103(a) of TPA) and a separate Executive Agreement on digital trade.[126] The deal will require ratification in the Japanese Diet, however, which many expect to occur this fall, paving the way for the agreement's potential entry into force in early 2020.

In its notification, the Administration stated that it "looks forward to continued collaboration with Congress on further negotiations with Japan to achieve a more comprehensive trade agreement." The United States and Japan aim to begin this second stage of talks covering "customs duties and other restrictions on trade, barriers to trade in services and investment, and other issues," within four months after entry into force of the initial trade agreement.[127] In reaction to the initial agreement, U.S. businesses advocated for continued progress toward a more comprehensive deal with Japan, while other stakeholders questioned whether there will be sufficient political momentum in both countries to make progress in future talks.[128] Several analysts also question the extent to which the limited agreement adheres to Article XXIV of the General Agreement on Tariffs and Trade (GATT) under the WTO that requires FTAs cover "substantially all trade," in particular given the exclusion of auto trade.[129] Congress has historically taken issue with other countries' partial scope agreements, advocating for better adherence to Article XXIV, including in legislation.[130] Whether or not the agreement violates the letter or spirit of this WTO requirement likely depends on the timeline and scope of next stage U.S.-Japan talks.

An expeditious reduction of Japan's agricultural tariffs under the initial agreement, however, remains supported in Congress, given growing concerns that Japan's other recently enacted trade agreements disadvantage U.S. exports. U.S. agriculture, including pork, beef, and wheat industries, lauded the new agreement as putting U.S. producers back on a level playing field with foreign competitors.[131] Following U.S. withdrawal from the TPP, Japan led efforts among the remaining 11 TPP countries to conclude the Comprehensive and Progressive TPP (CPTPP or TPP-11), which took effect in December for the first six signatories to ratify, including Japan. In February 2019, Japan's FTA with the EU also went into effect, which eventually is to remove nearly all tariffs between the parties, including elimination of the EU's 10% auto tariff, and

[125] For more information on TPA, see CRS Report RL33743, *Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy*, by Ian F. Fergusson.

[126] White House, "Presidential Message to Congress Regarding the Notification of Initiation of United States – Japan Trade Agreement," September 16, 2019, https://www.whitehouse.gov/briefings-statements/presidential-message-congress-regarding-notification-initiation-united-states-japan-trade-agreement/.

[127] White House, "Joint Statement of the United States and Japan," September 25, 2019. U.S. negotiating objectives, released at the outset of the talks in December 2018, suggested a broad range of issues beyond tariffs and digital trade would be covered. See https://ustr.gov/countries-regions/japan-korea-apec/japan/us-japan-trade-agreement-negotiations.

[128] Association Letter of Support for Comprehensive U.S.-Japan Trade Agreement, U.S. Chamber of Commerce, September 11, 2019, https://www.uschamber.com/letters-congress/association-letter-of-support-comprehensive-us-japan-trade-agreement; James Politi, "US and Japan sign partial trade agreement," *Financial Times*, September 25, 2019.

[129] "Analysts Question WTO Compliance of U.S.-Japan Deal," *Inside U.S. Trade*, September 17, 2019.

[130] For example, the Trade Preferences Extension Act of 2015, P.L. 114-27, directs the Administration that "if other countries seek to negotiate trade agreements that do not cover substantially all trade, continue to object in all appropriate forums."

[131] "U.S. Business Groups Laud Initial U.S.-Japan Deal, Press for More Talks," *Inside U.S. Trade*, September 26, 2019.

elimination or reduction of most Japanese agricultural tariffs.[132] At the same time, some U.S. industries, such as dairy and rice, expressed concerns about the extent of new market access or the lack of attention to other key issues, such as geographical indications (GIs) or sanitary and phyto-sanitary standards (SPS), which are among the areas typically covered in comprehensive U.S. FTAs.

Japanese Politics

The LDP Coalition's Control over the Diet

Prime Minister Abe's LDP enjoys a dominant position in the Japanese political world. With its coalition partner, the smaller party Komeito, it holds two-thirds of the seats in the Lower House of Japan's Diet. However, its majority in the Upper House falls below that proportion. (See **Figure 4** and **Error! Reference source not found.** for a display of major parties' strength in Japan's parliament.) A two-thirds majority is significant because it is the threshold for securing the parliamentary votes needed to amend Japan's Constitution, including the war-renouncing clauses that Abe has said he would like to change.

Following his July 2019 victory and again after he reshuffled his Cabinet two months later, Abe identified revising Japan's constitution as one of his primary goals. In particular, Abe has long sought to revise the constitution's pacifist-oriented Article 9.[133] Any attempt to change the constitution would have to surmount formidable political and procedural hurdles. In the July Upper House election, the ruling LDP-Komeito coalition saw its seat total fall from 151 to 144, giving it less than 60% of the seats in the 245-member chamber. A constitutional revision requires a two-thirds vote in each Diet chamber, followed by approval in a nationwide referendum. Abe likely would have to overcome opposition from Komeito, which is torn between its pacifist leanings and its desire to support the coalition. Decisions about priorities also will likely take time, because there are calls to amend a number of other provisions of the constitution, which was written by the United States during the U.S. occupation of Japan in 1946 and has never been changed. Furthermore, any constitutional changes passed by the Diet also must be approved by a majority in a nationwide referendum, and many opinion polls show the Japanese public to be skeptical about the need for a revision.

Following his September 2019 Cabinet shuffle, Abe stressed that it was a group chosen for "stability."[134] The new lineup is expected to maintain most of Abe's policy stances, and thus is not expected to push for major changes in issues important to the United States. Following his appointment of the new Cabinet, Abe tasked his ministers with tackling a number of challenges, including ensuring a smooth transition for the Japanese economy following an October 2019 increase in the national sales tax from 8% to 10%, and reforming Japanese social security system so that it is better able to cope with the rapid ageing of the Japanese population.

With Abe scheduled to step down when his term as LDP president ends in 2021, attention has begun to focus on possible successors. In his September 2019 Cabinet shuffle, Abe tapped rising

[132] European Commission, "EU-Japan Trade Agreement Enters into Force," January 31, 2019, http://trade.ec.europa.eu/doclib/press/index.cfm?id=1976. For more detail see CRS In Focus IF11099, *EU-Japan FTA: Implications for U.S. Trade Policy*, by Cathleen D. Cimino-Isaacs.

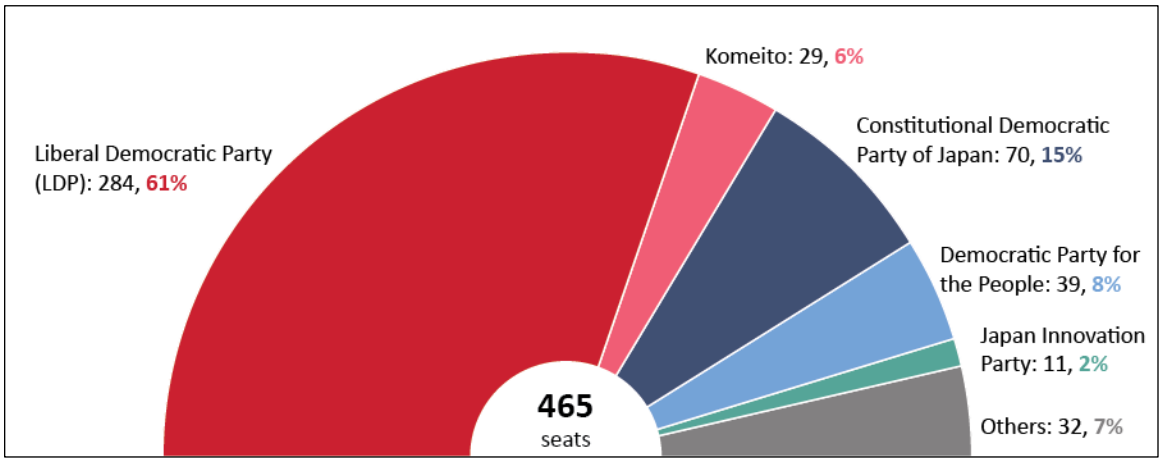
[133] U.S. officials drafted Japan's constitution when the United States occupied Japan from 1945 to 1952, and the constitution has never been revised.

[134] Sakura Murakami, "With Cabinet Reshuffle, Abe Confirms Intent to Seek Change to Constitution," *Japan Times*, September 11, 2019.

star Shinjiro Koizumi, the son of former prime minister Junichiro Koizumi, to his first Cabinet post, Minister of the Environment and Minister of State for Nuclear Emergency Preparedness. At age 38, Koizumi is one of Japan's youngest-ever cabinet ministers and is widely believed to have ambitions to become prime minister. Other members of Abe's Cabinet frequently mentioned as potential successors include Taro Kono, whom Abe moved from the foreign ministry to the defense ministry; Toshimitsu Motegi, who moved from economic affairs to the foreign ministry; Katsunobu Kato, who Abe tapped to be Minister of Health, Labor, and Welfare; and Chief Cabinet Secretary Yoshihide Suga, who has served as in that post—Japan's second-most powerful—since Abe returned to the premiership in December 2012.

Figure 4. Party Affiliation in Japan's Lower House of Parliament

(The LDP and its partner, Komeito, control the Lower House, which elects the prime minister.)

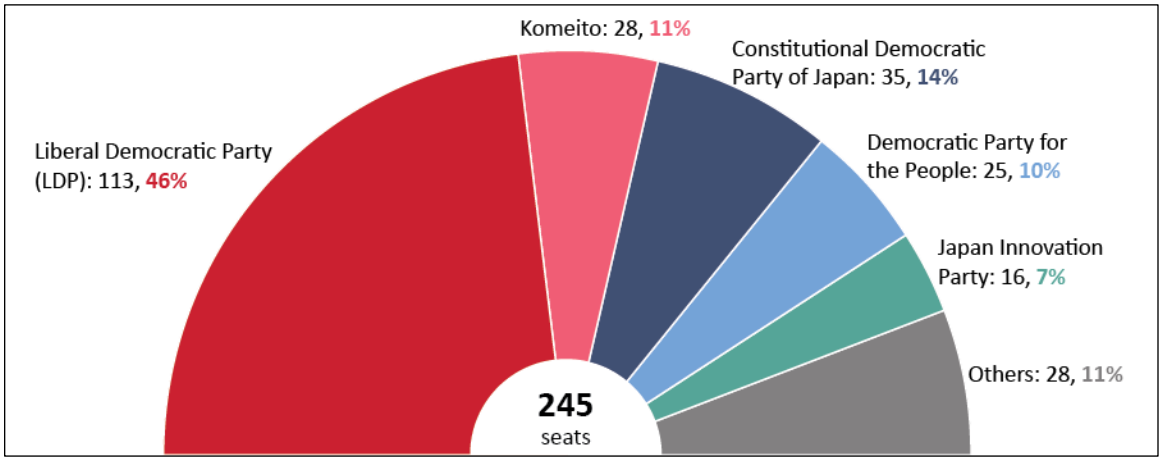


Source: Japan's Lower House of Parliament, September 12, 2019.

Notes: The Lower House's official name is the "House of Representatives." The Lower House must be dissolved, and elections held for all Members' seats, at least once every four years. The last such elections were held in October 2017.

Figure 5. Party Affiliation in Japan's Upper House of Parliament

(The LDP-Komeito coalition controls the Upper House.)



Source: Japan's Upper House of Parliament, September 17, 2019.

Notes: The Upper House's official name is the "House of Councillors." Upper House members serve for six-year terms, with elections for half the Members occurring every three years. The last Upper House elections were held in July 2019.

The Stabilization of Japanese Politics Around the LDP

From 2007 to 2012, Japanese politics was plagued by instability. The premiership changed hands six times in those six years, and no party controlled both the Lower and Upper Houses of the parliament for more than a few months. The Abe-led LDP coalition's dominant victories in six consecutive parliamentary elections, in December 2012, July 2013, December 2014, July 2016, October 2017, and July 2019 have ended this period of turmoil. The first event, the 2012 elections for Japan's Lower House, returned the LDP and its coalition partner, the Komeito party, into power after three years in the minority. Since 1955, the LDP has ruled Japan for all but about four years.

Abe has benefitted from disarray among Japanese opposition parties. Except for the Constitutional Democratic Party (CDP), none of these groupings regularly surpass 10% in public opinion polls (compared to 40%-50% for the LDP), and the CDP's public approval ratings have yet to break out of the low teens. Some Japanese and Western analysts argue that another factor contributing to Abe's strength is his government's and the LDP's success in managing the Japanese media. According to these sources, the government and the LDP have attempted to influence Japanese news outlets through measures such as hinting at revoking licenses of broadcasters, pressuring business groups not to purchase advertisements in certain media outlets, and shunning reporters from critical broadcasters and print publications.[135] In 2013, the Diet passed an Act on Protection of Specially Designated Secrets that has been criticized for criminalizing the publication of information that the government had disclosed to the public.[136] Since Abe came to power in 2012, the nongovernmental organization Reporters without Borders has moved Japan down twenty-one places, to 72nd place, in its rankings of global freedom of the press.[137] Abe government officials deny that they have attempted to unduly influence the press or restrict press freedoms.

Japan's Largest Opposition Party, the Constitutional Democratic Party (CDP) of Japan

In the July 2019 Upper House elections, the center-left Constitutional Democratic Party (CDP) solidified its status as the largest opposition party in the July elections by increasing its seat total from 24 to 32. Formed in 2017 and led by former Chief Cabinet Secretary and Minister of Economy, Trade, and Industry Yukio Edano, the CDP appears to be taking a long-term strategy of gradually building support so that it may eventually be in a position to compete for power.

[135] Aurelia George Mulgan, "Shinzo Abe's 'Glass Jaw' and Media Muzzling in Japan," *The Diplomat*, May 08, 2015; Martin Fackler, "Effort by Japan to Stifle News Media Is Working," *New York Times*, April 26, 2015; Robin Harding, "Shinzo Abe Accused of 'Emasculating Japanese Media,'" *Financial Times*, June 29, 2015; "German Journalist's Parting Shot to Abe over Press Freedom Causes Stir," *Asahi Shimbun*, April 28, 2015.

[136] For more on the law's provisions, see Sayuri Umeda, "Japan: Act on Protection of Specially Designated Secrets," Law Library of Congress, Global Legal Monitor, January 23, 2015.

[137] Reporters Without Borders, http://index.rsf.org/#!/index-details/JPN, accessed October 4, 2018.

Japan's Demographic Challenge

Japan's combination of a low birth rate, strict immigration practices, and a shrinking and rapidly aging population presents policymakers with a significant challenge. Polls suggest that Japanese women are avoiding marriage and child-bearing because of the difficulty of combining career and family in Japan; the fertility rate has fallen to 1.25, below the 2.1 rate necessary to sustain population size. Japan's population growth rate is -0.2%, according to the World Bank, and its current population of 125 million is projected to fall to about 95 million by midcentury. Concerns about a huge shortfall in the labor force have grown, particularly as the elderly demand more care. The ratio of working-age persons to retirees is projected to fall from 5:2 around 2010 to 3:2 in 2040, reducing the resources available to pay for the government social safety net.[138] Japan's immigration policies have traditionally been strictly limited, closing one potential source of new workers.

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[138] Lynann Butkiewicz, "Implications of Japan's Changing Demographics," National Bureau of Asian Research, Washington, DC, October 2012.