Congressional Research Service
Informing the legislative debate since 1914

Japan-U.S. Relations: Issues for Congress

Updated April 6, 2021

Congressional Research Service
https://crsreports.congress.gov
RL33436

CRS REPORT
Prepared for Members and
Committees of Congress

Summary

Japan is a significant partner of the United States in a number of foreign policy areas, including addressing regional 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 help defend Japan. The two countries collaborate through multiple bilateral and multilateral institutions on issues such as science and technology, global health, energy, and agriculture.

With new leadership in both capitals since September 2020, the two countries have moved quickly to reaffirm their relationship and to embark on new initiatives, from utilizing the "Quad" framework with Australia and India to expanding climate and energy cooperation. Whereas alliance relations under former President Trump and former Prime Minister Shinzo Abe relied heavily on personal rapport between leaders, President Biden and Prime Minister Yoshihide Suga may revert to a more traditional partnership that relies more on institutionalized ties. Suga has pledged continuity in foreign policy, and Biden has emphasized rejuvenating bilateral alliances to deal with issues like North Korean denuclearization as well as China's maritime assertiveness, human rights violations, and attempts to set new economic rules and norms through its growing outward investment. In 2021, both U.S. and Japanese leaders are likely to prioritize parallel domestic challenges of curbing the Coronavirus Disease 2019 (COVID-19) pandemic and promoting economic recovery, which could reduce their focus on foreign policy issues.

Over 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. Despite these advances, Japan has indicated some desire to develop a more autonomous defense posture that is less reliant on U.S. protection. Additional concerns remain about the implementation of an agreement to relocate the controversial Futenma base on Okinawa and burden-sharing negotiations that have been postponed to 2022. Although a five-year agreement on how much Japan pays to defray the cost of hosting U.S. troops will expire in April 2021, the two sides have agreed to postpone negotiations until next year.

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 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 went into effect in January 2020 that includes tariff cuts and digital trade commitments by both sides. The Biden Administration has not signaled whether it will prioritize further trade talks with Japan, which the Trump Administration promised but did not pursue, despite urging from many in Congress. The Biden Administration has emphasized working with allies like Japan to meet the economic challenges posed by China.

With the major opposition parties in disarray, the Liberal Democratic Party's (LDP's) dominance of Japanese politics does not appear to be threatened. However, Prime Minister Suga could potentially face a leadership challenge from within the party. Among his biggest challenges is hosting the 2021 Summer Olympic Games amidst a global pandemic. The Games were postponed in 2020 as COVID-19 began spreading.

Contents

Recent Developments 1
Continuity and Change Under New U.S. and Japanese Leadership 1
Regional Policy: Convergences and Differences 2
Japanese Politics: The Transition From Abe to Suga 3
Stage One Trade Agreement in Force, Next Stage Uncertain 4
Japan's Relations with South Korea: A Chilly Impasse 5
Climate Cooperation Poised to Increase 6
Japan's Foreign Policy 8
Japan-China Sovereignty Dispute over the Senkaku Islands in the East China Sea 8
The Quad Signals Broader Approach 11
Japan and the Korean Peninsula 12
Japan's Ties with South Korea 12
Comfort Women Issue 13
Japan's North Korea Policy 14
U.S. World-War II-Era Prisoners of War (POWs) 15
Energy and Environmental Issues 15
Nuclear Energy Policy 18
Alliance Issues 20
Mutual Defense Guidelines 23
Collective Self-Defense 23
Realignment of the U.S. Military Presence on Okinawa 24
Burden-Sharing Issues 25
Host Nation Support 25
Additional Japanese Contributions 26
Extended Deterrence 27
Ballistic Missile Defense and Strike Capabilities 27
Economic Issues 28
Overview of the Bilateral Economic Relationship 29
Japan's Domestic Economy: Seeking Growth amid Challenges 31
Emphasis on "Womenomics" 34
U.S. Tariffs Under the Trump Administration 35
U.S.-Japan Bilateral Trade Agreement Negotiations 37
Japanese Politics 39
The LDP Coalition's Control over the Diet 39
Japan's Largest Opposition Party, the Constitutional Democratic Party (CDP) of Japan 41
Upcoming Elections in 2021 41
Japan's Demographic Challenge 42

Figures

Figure 1. Map of Japan 7
Figure 2. Map of U.S. Military Facilities in Japan 22
Figure 3. GDP Growth: Japan and U.S. 31

Figure 4. Consumer Price Index: Japan 33
Figure 5. Labor Force Participation Rate: Japan 33
Figure 6. Party Affiliation in Japan's Lower House of Parliament 41

Tables

Table 1. U.S. Trade with Japan, Goods and Services 30

Contacts

Author Information 43

This report contains two main parts: a section describing recent events and a longer background section on key elements of the U.S.-Japan relationship.

Recent Developments

Continuity and Change Under New U.S. and Japanese Leadership

Between September 2020 and January 2021, the United States and Japan ushered in new leaders, both of whom promised to be responsible stewards of the long-standing bilateral relationship. Although Prime Minister Yoshihide Suga has pledged to continue his predecessor Shinzo Abe's foreign policy goals, which included deepening alliance cooperation, Abe's departure could upset the stability that defined Abe's tenure as the longest-serving premier of post-war Japan. President Joe Biden has vowed to restore U.S. alliances and return to more predictable and institutionalized diplomacy than former President Donald Trump's nontraditional foreign policy approach, and has installed well-known Asia hands to key personnel positions. However, both leaders are hampered by the challenge of curbing the Coronavirus Disease 2019 (COVID-19) pandemic and recovering from its economic impact, a consuming priority that could reduce the focus on foreign policy issues.

Many of the key pillars of the U.S.-Japan alliance remain the same regardless of the leadership changes. The Biden Administration appears keen to continue many aspects of the Indo-Pacific strategy that Abe and Trump adopted, including utilization of the Quadrilateral Security Dialogue—known as the "Quad"—with India and Australia. Biden, like Trump before him, affirmed that Article Five of the mutual defense treaty applies to the Senkaku Islands, a disputed territory that China also claims.[1] In an indication that both sides want a smooth transition, they agreed to postpone cost-sharing negotiations until 2022, when observers predict the two sides will adopt a multi-year agreement of more modest increases in Japan's funding than the Trump Administration requested.[2]

In early March 2021, Biden convened a virtual summit with Prime Minister Suga, Indian Prime Minister Narendra Modi, and Australian Prime Minister Scott Morrison, the first-ever leader-level meeting among members of the Quad that has elevated the group's profile and expanded its scope of operations. (See "The Quad Signals Broader Approach" below.) Secretary of State Antony Blinken and Secretary of Defense Lloyd Austin's first overseas trip was to Japan in March 2021, where they held a joint consultative Defense and Foreign Ministerial ("2 + 2") meeting with their Japanese counterparts. It has been widely reported that President Biden's first in-person meeting as President with a foreign head of state will occur with Suga in April 2021.[3]

These developments are signs that the Biden and Suga Administrations appear intent on building on the relationship's already strong foundation, which enjoys broad support from Congress and Japan's parliament (the Diet), as well as strong public support for the relationship among both populations, according to opinion polls. 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

[1] White House readout of Biden-Suga phone call, January 27, 2021. Accessed at https://www.whitehouse.gov/briefing-room/statements-releases/2021/01/27/readout-of-president-joseph-r-biden-jr-call-with-prime-minister-yoshihide-suga-of-japan/.

[2] "US and Japan to Start Contentious Talks Over Host-Nation Support," *Nikkei Asia*, October 6, 2020.

[3] "Japan, U.S. Arranging Suga-Biden Washington Summit on April 9: Source," *Kyodo News*, March 30, 2021.

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, and one that promises to be a ballast under new leadership.

Despite these efforts at continuity, the landscape has shifted over the past several years in ways that might pressure Washington and Tokyo to adapt their relationship. The challenges and threats from China and North Korea have grown sharper: North Korea has accelerated its nuclear weapon and missile programs, and China's economic strength and military capabilities have grown significantly. Perennially difficult relations between Japan and South Korea have drastically declinedsince 2018 as the disputes grew thornier, impeding trilateral cooperation with the United States. Japanese leaders were dismayed when the United States withdrew from the Trans-Pacific Partnership (TPP) trade pact in 2017, and Japanese officials see little indication that a Biden Administration will re-engage in a broad multilateral deal to counter Beijing's economic influence in the near term.[4]

Perhaps more fundamentally, Japan may be edging toward building a more autonomous defense, while still insisting that the alliance with the United States is essential to its national security. Trump's skepticism of the value of the alliance with Japan may have exacerbated Japan's long-standing fears of U.S. abandonment. Many in Japan may worry that U.S. commitment to the alliance could be impermanent, dependent on who is elected to the U.S. presidency. In addition, Japanese concerns about the relative decline of U.S. power and presence in the region have risen. Japan's 2020 suspension of the purchase of two U.S. ballistic missile defense batteries and its consideration of acquiring an independent strike capability (see "Alliance Issues" section below) could be indications of its desire to be less dependent on U.S. protection, a shift that would alter the structure of the alliance. In the United States, voices have re-emerged calling on Japan to contribute more resources to its own defense.[5] Japan caps its defense spending at around 1% of its annual gross domestic product (GDP), a level it has maintained despite growing alarm among Japanese policymakers about China's increased military capabilities and assertiveness.

Regional Policy: Convergences and Differences

Japan and the United States share a fundamental and profound concern about China's role in the Indo-Pacific. Both governments distrust Beijing's intentions and see China's rising power and influence as detrimental to their national security. This shared strategic vision tethers the alliance and propels closer cooperation. Japan's proximity to China heightens its concern, particularly because of China's expansive maritime claims and consistent activity on Japan's southwestern borders. Driven by its apprehension, Japan has developed stronger and more integrated defense relations with Australia and India—also U.S. partners—that facilitates military engagement through the Quad and other cooperative activities such as the annual Malabar naval exercises. These multilateral efforts, which the Obama and Trump Administrations encouraged, reinforce U.S.-Japan alliance cohesion and cement the focus on pushing back on China's increasing power.

Differences remain, however, in how the United States and Japan shape their respective China policies. Japanese officials are worried that the United States will not be forceful enough in

[4] "It's a 'Hard Sell' if Biden Administration Wants to Rejoin Massive Trans-Pacific Trade Deal, Says Analyst," *CNBC*, January 11, 2021.

[5] Michael D. Swaine, Jessica J. Lee and Rachel Esplin Odell, *Toward an Inclusive and Balanced Regional Order: A New U.S. Strategy in East Asia*, The Quincy Institute, January 11, 2021, pp. 46-47.

confronting China—although its views may be assuaged by Biden's stance toward China in his initial days in office—yet also seeks to stabilize its own relationship with Beijing as an important trading partner.[6] Before the disruption of the pandemic, Japan had planned to welcome Chinese President Xi Jinping for an official state visit, an indication of Japan's outreach to China. Growing concern about China's intentions to invade Taiwan also raise questions about how and if Japan would engage in a military conflict between China and the United States. Although Japan over the past decade has enhanced its military capabilities and the legal powers to deploy them, significant legal and political barriers would confront a Japanese leader who seeks to work in tandem with U.S. military forces.

In engaging Southeast Asia as well, differences in approach could create gaps—and possibly tension—between the United States and Japan. The Biden Administration pledges to emphasize human rights and democracy promotion in its foreign policy. Japan has generally taken a different approach to working with Southeast Asia, refraining from criticism of ASEAN countries' internal policies. In multilateral institutions and fora, some in the United States may expect Japan to weigh in on issues such as evidence of extrajudicial killings in the Philippines, repression of freedom of expression in Vietnam, abuse of power by Thailand's government, the suppression of journalists in Cambodia, or the military coup in Burma. Japanese officials have expressed concerns that more forceful criticism could jeopardize Japan's position as a welcome presence to most Southeast Asian countries. The response to the military coup in Burma and subsequent violent crackdown on protesters in particular could present an early challenge to the cohesiveness of U.S. and Japanese policies in the region.

Japanese Politics: The Transition From Abe to Suga

In August 2020, Japanese Prime Minister Shinzo Abe announced that he would resign due to the resurgence of a chronic health condition. Abe, the longest-serving premier in modern Japanese history, had been in power since 2012, bringing unusual stability to Japanese politics and foreign policy. In September 2020, Abe's ruling Liberal Democratic Party (LDP) overwhelmingly voted for his close advisor, Yoshihide Suga, to serve out Abe's term as party president, which ends in September 2021. Japan's parliament, dominated by the LDP, elected Suga to serve as prime minister.

Suga (born in 1948) has pledged to advance Abe's initiatives, including revitalizing Japan's economy and supporting the U.S.-Japan alliance. Aside from combating COVID-19, he has said his priorities are promoting administrative and structural reforms, such as creating a digitization agency.[7] Suga also faces the massive challenge of hosting the Summer Olympic Games, postponed from 2020 as the pandemic spread. Widespread criticism of Suga's handling of the pandemic caused his approval ratings to fall below his disapproval ratings in most polls in late 2020 and early 2021. Although his approval numbers inched into positive territory in March 2021, the difficult start to his administration has raised questions about the longevity of his premiership.[8] Elections for the Diet's Lower House, which selects the prime minister, must be held by October 2021. If Suga's relatively low poll numbers continue, the LDP may replace him

[6] Mireya Solis, "China, Japan, and the Art of Economic Statecraft," *Brookings Institution*, February 2020 and Eli Lake, "The U.S. Talks Tough Before a Meeting With China," *Bloomberg Opinion*, March 17, 2021.

[7] Satoshi Sugiyama, "Suga Vows to Restore 'Safety' and 'Hope' amid Declining Approval Rate," *Japan Times*, January 18, 2021.

[8] See, for example, "Kyodo News Opinion Poll and Results from Tokyo Shimbun," *Tokyo Shimbun*, March 22, 2021, U.S. Embassy Japan Media Highlights (JMH) Translation; "Opinion Poll and Results from Asahi Shimbun," *Asahi Shimbun*, March 22, 2021, JMH Translation.

when his term as party president ends in September, if not before. (For more, see "Japanese Politics" below.)

Stage One Trade Agreement in Force, Next Stage Uncertain

The Trump and Abe Administrations negotiated two limited trade agreements, which took effect in early 2020, liberalizing some agricultural and industrial goods trade and establishing rules on digital trade (see "U.S.-Japan Bilateral Trade Agreement Negotiations" below). By expanding market access for U.S. agricultural exports to Japan and eliminating the threat of proposed new U.S. tariffs on Japan's auto exports, the deals addressed key concerns in both countries and received broad stakeholder support. The agreements were enacted without approval from Congress, however, prompting some debate among Members over the appropriate congressional role. Given the relatively narrow scope of the agreements, their commercial and strategic impact likely depends on whether a more comprehensive bilateral agreement can be achieved. The Trump Administration promised but did not pursue such a second-stage trade deal, despite urging from many in Congress and various stakeholders. The Biden Administration has not signaled whether it will prioritize further talks with Japan, as a review of the Trump Administration's trade policies is ongoing.[9]

President Biden's intention to focus on domestic economic priorities before negotiating new trade deals suggests it may be some time before the two countries address significant issues left out of the initial agreements (e.g., auto trade).[10] The Administration also has emphasized the importance of working with allies like Japan to meet the challenges posed by China.[11] A key question is whether the Administration might consider joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or TPP-11. After U.S. withdrawal from the proposed TPP in 2017, Japan took the lead in negotiating revisions to the new CPTPP agreement among the remaining 11 members, suspending certain commitments largely sought by the United States. In November 2020, Japan also signed the Regional Comprehensive Economic Partnership (RCEP), which will lower trade barriers among its 15 Asian members, including China, once it takes effect.[12] Some experts view these developments as reducing U.S. economic and strategic influence in the Asia-Pacific and reinforcing a need to re-envision U.S. engagement in the region.[13]

[9] In response to questions submitted for her nomination hearing, U.S. Trade Representative (USTR) Katherine Tai stated: "Japan is one of America's most important trading partners and allies. If confirmed, I commit to undertaking a detailed assessment of the current state of the U.S.-Japan trade relationship in light of the recent U.S.-Japan Trade Agreement to determine the best path forward. Our strategic and economic relationship must remain strong in the face of growing regional challenges." U.S. Congress, Senate Finance Committee, Hearing to Consider the Nomination of Katherine C. Tai, of the District of Columbia, to be United States Trade Representative, with the rank of Ambassador Extraordinary and Plenipotentiary: Questions for the Record, 117th Cong., 1st sess., February 25, 2021.

[10] See Office of the U.S. Trade Representative, *The 2021 Trade Policy Agenda and 2020 Annual Report*, March 2021.

[11] "2021 Trade Policy Agenda and 2020 Annual Report of the President of the United States on the Trade Agreements Program," p. 4. Accessed at https://ustr.gov/sites/default/files/files/reports/2021/2021%20Trade%20Agenda/Online%20PDF%202021%20Trade%20Policy%20Agenda%20and%202020%20Annual%20Report.pdf.

[12] CRS Insight IN11200, *The Regional Comprehensive Economic Partnership: Status and Recent Developments*, by Cathleen D. Cimino-Isaacs and Michael D. Sutherland.

[13] See, for example, Keigh Johnson, "While Trump Builds Tariff Walls, Asia Bets on Free Trade," *Foreign Policy*, November 1, 2019, and Peter A. Petri and Michael G. Plummer, "RCEP: A new trade agreement that will shape global economics and politics," Brookings *Order From Chaos* blog, November 16, 2020.

Japan's Relations with South Korea: A Chilly Impasse

Observers have called the current state of Japan-South Korea relations the worst in half a century.[14] Relations became bitter with Abe in power, driven by South Korean's suspicion of Abe's past statements on the two countries' contentious history and his affiliations with nationalist organizations, as well by Japanese frustration that South Korean governments were abandoning previously negotiated agreements intended to address bilateral conflicts. Although Suga is not as strongly associated with the strand of nationalism that alludes to a revisionist view of Japanese imperial history, a reset appears unlikely in the short term given the poor state of current relations.

The state of relations is framed by the legacy of history, with current events causing the spike in tension. Many 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.[15] (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 with Japan concerning the comfort women. Relations 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, saying that the 1965 Japan-South Korean normalization treaty settled this issue.[16] In summer 2019, each government imposed trade restrictions on the other.

Bitter relations between Japan and South Korea dim prospects for effective trilateral cooperation with the United States, particularly in responding to North Korean threats. This became clear in 2019 when South Korea—in the midst of the trade disputes with Japan—threatened to withdraw from a bilateral military intelligence sharing agreement with Japan, spurring U.S. officials to intervene and convincing Seoul to remain in the pact.[17] Some Asia experts, arguing that the downturn in Tokyo-Seoul relations jeopardizes U.S. interests in the Indo-Pacific, criticized the Trump Administration for not doing more to try to prevent relations from deteriorating.[18] Secretary of State Antony Blinken played an active role in encouraging trilateral cooperation and pushing Tokyo and Seoul to resolve differences as Obama's Deputy Secretary of State, suggesting that the Biden Administration may be more involved in fostering engagement among its treaty allies.[19] During Blinken and Austin's March 2021 trip to Japan and South Korea, the importance of trilateral cooperation and constructive Japan-South Korea relations were emphasized in the published joint statements.[20]

---

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

[15] "South Korea and Japan: Resolving the Comfort Women Issue," *The Diplomat*, September 10, 2020.

[16] "Korea and Japan Clash Over History and Law," *Lawfare*, August 16, 2019.

[17] "Scrapped Intelligence Pact Draws United States Into Deepening South Korea-Japan Dispute," *Reuters*, August 29, 2019.

[18] 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.

[19] "As Biden Seeks to Restore Alliances, a Souring Japan-South Korea Relationship Presents a Challenge," *Washington Post*, March 2, 2021.

[20] "Joint Statement of the U.S.-Japan Security Consultative Committee (2+2)," Japan Ministry of Foreign Affairs,

Climate Cooperation Poised to Increase

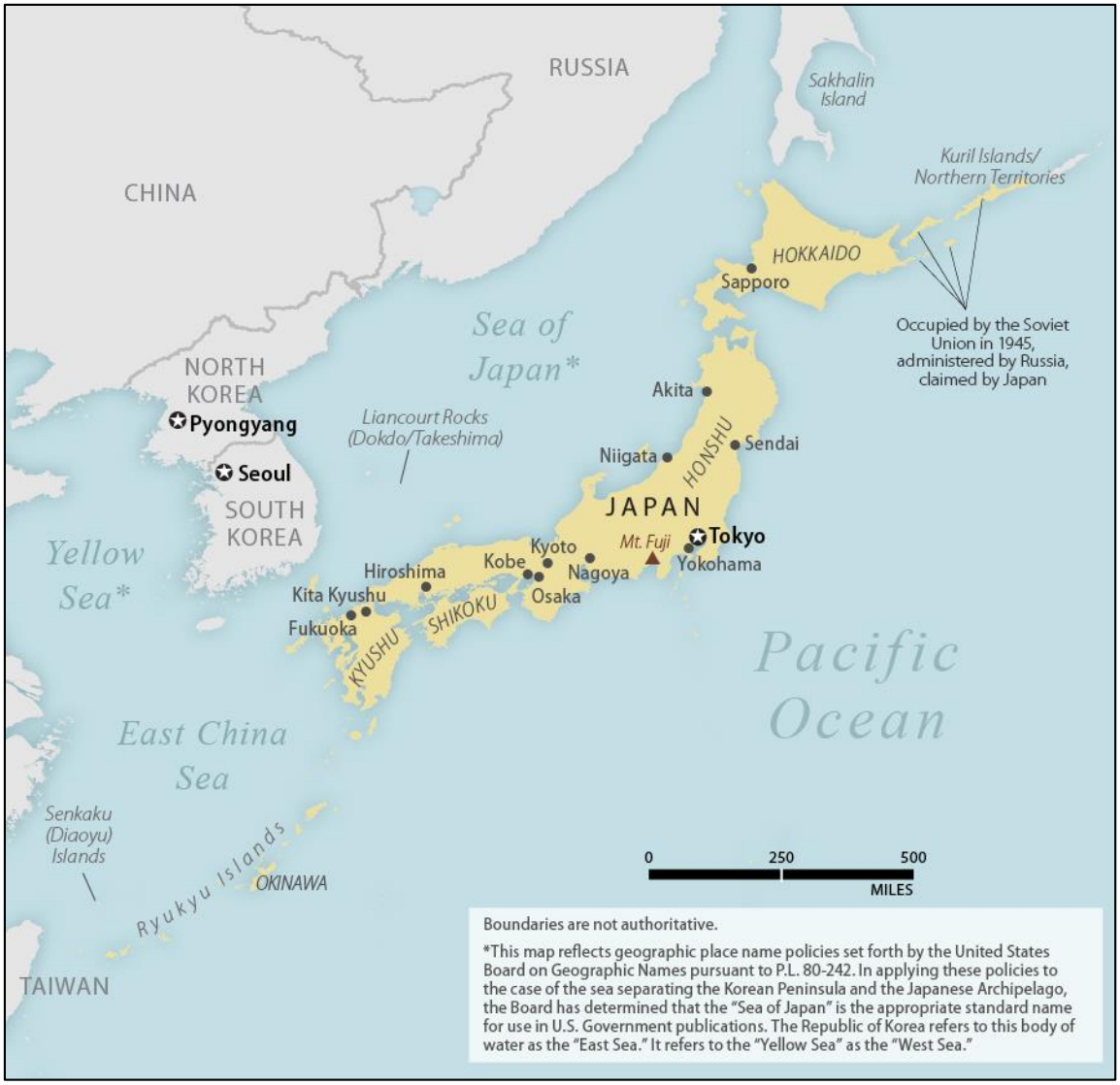
In contrast to President Trump, President Biden has pledged to make addressing climate change a major priority in foreign policy. Suga has announced a net-zero emission goal by 2050,[21] an ambitious target given the percentage of coal in Japan's current energy mix. The United States may pressure Japan to increase its carbon reduction targets for its Paris agreement commitments in order to support U.S. goals in international climate talks. Environment Minister Shinjiro Koizumi, rising political star and son of former Prime Minister Junichiro Koizumi, was recently given the title of Minister of Climate Change in order to coordinate implementation Japan's climate goals among several ministries. Koizumi also advocates doubling the percentage of renewables in Japan's energy to 40% by 2030.[22] Since the March 2011 Fukushima nuclear reactor disaster prompted Tokyo to reduce its use of nuclear power, Japan has pursued a more coal-intensive energy portfolio to make up for shortcomings in nuclear-energy power generation. An area of tension between Japan and the United States could be Japan's continued construction of coal-generated power plants, both domestically and overseas, through its international assistance program. (See "Energy and Environmental Issues" section below for more detail.)

March 16, 2021 (accessed at https://www.mofa.go.jp/mofaj/files/100161035.pdf) and "Joint Statement of the 2021 Republic of Korea – United States Foreign and Defense Ministerial Meeting ("2+2")" U.S. State Department, March 18, 2021 (accessed at https://www.state.gov/joint-statement-of-the-2021-republic-of-korea-united-states-foreign-and-defense-ministerial-meeting-22/.

[21] "Suga vows to meet Japan's zero-emissions goal by 2050," *Nikkei Asia*, October 26, 2020.

[22] "Japan Minister Pushes for Doubling Renewables Target," *Carbon Pulse*, December 17, 2020.

Figure 1. Map of Japan



Source: Map Resources. Adapted by CRS.

Japan Country Data

Population: 124,687,293 (July 2021 est.)
Percentage of Population over 65: 29.18% (male 16,034,973/female 20,592,496) (2020 est.)
Life Expectancy: 85 years
Area: 377,835 sq km (slightly smaller than California)
Per Capita Real GDP: $41,429 (2019 est.)
Primary Export Partners: U.S. 19.4%, China 19%, South Korea 7.6%, Hong Kong 5.1%, Thailand 4.2% (2017)
Primary Import Partners: China 24.5%, U.S. 11%, Australia 5.8%, South Korea 4.2%, Saudi Arabia 4.1% (2017)

Source: CIA, *The World Factbook*, March 2021.

Japan's Foreign Policy

Abe's legacy includes increasing Japan's international clout through active outreach and diplomacy. Suga has pledged to continue this effort, though his initial months have been hampered by the travel limitations of the pandemic. Japan's foreign policy is broadly shaped by its security alliance with the United States and by its concern about China's military and economic power. Suga, like Abe before him, appears poised to continue to diversify Japan's international network of relations to pursue Japan's interests.

Suga's first trip abroad as Prime Minister was to Hanoi, Vietnam, underscoring his commitment to Southeast Asia. Japan has focused on assisting Southeast Asian countries to develop their maritime capabilities through training and sale of equipment. Suga has also reiterated Japan's interest in resolving a territorial dispute with Russia.[23] Particularly as travel restrictions are eased, Suga may look to build relationships with the European Union and NATO, further broadening Japan's international affairs.[24]

Japan-China Sovereignty Dispute over the Senkaku Islands in the East China Sea

Japan, China, and Taiwan claim a group of uninhabited land features[25] in the East China Sea known as the Senkaku Islands in Japan, Diaoyu in China, and Diaoyutai in Taiwan. The eight small, uninhabited land features are administered by Japan but also claimed by China and Taiwan. The Senkakus dispute has simmered for decades and first became a major source of discord in China-Japan relations in 2010. Tensions have spiked multiple times since then, and although in recent years Beijing and Tokyo have renewed efforts to deescalate tensions and avoid clashes, the dispute has remained the focal point of an increasingly uneasy bilateral relationship.

In 2010, 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.[26] 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.[27] Claiming that this act amounted to "nationalization" and

[23] 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.

[24] See, for example, Jeffrey Hornung, "Allies Growing Closer: Japan–Europe Security Ties in the Age of Strategic Competition," *RAND Corporation*, 2020.

[25] Although the disputed territory commonly is referred to as "islands," it is unclear if any of the features would meet the definition of "island" under international law.

[26] 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.

[27] In April 2012, 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

thus violated the tenuous status quo, Beijing issued sharp objections.[28] 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 publicly referred to the Senkaku Islands as "pertain[ing] to China's core interests," indicating to many analysts that Beijing was unlikely to make concessions on this sensitive sovereignty issue.[29]

Starting in the fall of 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."[30] In 2013, near-daily encounters between Chinese and Japanese law enforcement vessels 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.[31] The number of Chinese vessels entering the territorial seas[32] surrounding the islands in the years 2013-2020 ranged from zero to 28 per month (and averaged 9.2 per month). While the average number of Chinese vessels entering the territorial sea decreased from 2019 (average of 10.5 per month) to 2020 (average of 7.3 per month), the average number of vessels entering the contiguous zone—a zone extending an additional 12 nautical miles out from the outer edge of the territorial sea—increased markedly during that time.[33] Chinese ships also loitered in these areas with greater frequency in 2020, resulting in a more pervasive presence;[34] according to the Japanese government, in 2020, Chinese government vessels entered the contiguous zone on 333 days, a record.[35] Most of these patrols appear to be 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.[36] In 2016, for example, several China Coast Guard vessels escorted between 200 and 300 Chinese fishing vessels to

---

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.

[28] China's Ministry of Foreign Affairs, "Statement of the Ministry of Foreign Affairs of the People's Republic of China," September 10, 2012, at https://www.fmprc.gov.cn/mfa_eng/topics_665678/diaodao_665718/t968188.shtml; Kiyoshi Takenaka and Sui-Lee Wee, "Japan infuriates China by agreeing to buy disputed isles," Reuters, September 10, 2012, at https://www.reuters.com/article/us-china-japan/japan-infuriates-china-by-agreeing-to-buy-disputed-isles-idUSBRE8890AU20120910.

[29] NHK World video clip, "China says Senkaku Islands in the East China Sea as its 'core interest,'" posted by ViralNewsonLive, April 26, 2013, http://www.youtube.com/watch?v=PxzYG1pXahE. The transcript of the April press conference revised the spokesperson's remarks to make the reference to core interests less direct. Michael D. Swaine, "Chinese Views Regarding the Senkaku/Diaoyu Islands Dispute," *China Leadership Monitor*, no. 41 (Spring 2013), pp. 3-4.

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

[31] Martin Fackler, "Japan Says China Aimed Military Radar at Ship," *New York Times*, February 5, 2013, at https://www.nytimes.com/2013/02/06/world/asia/japan-china-islands-dispute.html.

[32] 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.

[33] 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," updated February 12, 2021, at https://www.mofa.go.jp/region/page23e_000021.html.

[34] Mike Mochizuki and Jiaxiu Han, "Is China Escalating Tensions with Japan in the East China Sea?" *The Diplomat*, September 16, 2020, at https://thediplomat.com/2020/09/is-china-escalating-tensions-with-japan-in-the-east-china-sea/.

[35] Japan Times, "Japan braces for moves in East China Sea after China Coast Guard law," February 1, 2021, at https://www.japantimes.co.jp/news/2021/02/01/national/japan-china-coast-guard-law-senkakus/.

[36] 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.

waters near the Senkakus in an apparent demonstration of Chinese sovereignty, prompting renewed friction.[37]

These patrols exemplify how the dispute over the Senkakus has 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 armed conflict.[38] Some observers, including officials in the U.S. and Japanese governments, are concerned that China's new Coast Guard Law, effective from February 1, 2021, could raise the risk of hostilities by empowering and emboldening the China Coast Guard to employ more coercive tactics near the Senkakus. The new law provides for the China Coast Guard to use force against foreign actors infringing on China's perceived rights in undefined "jurisdictional waters."[39] Japan has prioritized enhancing its ability to counter gray zone activities, in addition to strengthening its traditional military capabilities.[40]

China-Japan tensions have played out in the airspace above and around the Senkakus as well. The government of Japan reported that scrambles by Japan Air Self Defense Force aircraft against "Chinese aircraft" increased eightfold between fiscal year 2010 (96 scrambles) and 2016 (851 scrambles). The number of scrambles have declined from the FY2016 peak in subsequent years, ranging from 500 to 675 through FY2019.[41] 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. The U.S. and other regional governments criticized China's announcement of the ADIZ, arguing that it escalated tensions in the region, undermined diplomacy, and could raise the potential for accidents stemming from frequent interceptions by fighter aircraft in overlapping ADIZs.[42]

---

[37] 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. Although the Chinese navy tends to operate along the East China Sea median line, where they could respond if Japan dispatches its Maritime Self-Defense Force (MSDF) vessels to the area, Chinese naval vessels, including submarines, have occasionally operated within 24 nautical miles of the Senkakus since 2016. Japan Ministry of Defense, "China's Activities in East China Sea, Pacific Ocean, and Sea of Japan," updated March 2021; Tetsuo Kotani, "China's Military and Paramilitary Activities in the East China Sea: Trends and Assessments for the U.S.-Japan Alliance," in Jonathan W. Greenert et al., "Navigating Contested Waters: U.S.-Japan Alliance Coordination in the East China Sea," NBR *Asia Policy*, vol. 15, no. 3, July 2020.

[38] 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).

[39] NPC Observer, "Coast Guard Law," at https://npcobserver.com/legislation/coast-guard-law/; Maritime Awareness Project, "Voices: The Chinese Maritime Police Law," February 11, 2021, at https://maritimeawarenessproject.org/2021/02/11/voices-the-chinese-maritime-police-law/; Ryan D. Martinson, "Gauging the real risks of China's new coastguard law," February 23, 2021, at https://www.aspistrategist.org.au/gauging-the-real-risks-of-chinas-new-coastguard-law/; U.S. Department of State, "Department Press Briefing – February 19, 2021," February 19, 2021, at https://www.state.gov/briefings/department-press-briefing-february-19-2021/; Japan Ministry of Foreign Affairs, "Japan and the United States Hold Bilateral Security Discussions," March 4, 2021, at https://www.mofa.go.jp/press/release/press3e_000180.html.

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

[41] Japan Ministry of Defense, "China's Activities in East China Sea, Pacific Ocean, and Sea of Japan," updated March 2021. Japan's fiscal year begins on April 1 and ends on March 31 the following year.

[42] U.S. Department of Defense, "Statement by Secretary of Defense Chuck Hagel on the East China Sea Air Defense Identification Zone," November 23, 2013; U.S. State Department, "Statement on the East China Sea Air Defense

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.[43] In its own attempt to address this perceived gap between U.S. official neutrality on the sovereignty question and its support for Japan against China's attempts to change the status quo, Congress inserted in the FY2013 (P.L. 112-239) and FY2018 National Defense Authorization Acts (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."[44]

U.S. officials have stated that the United States will support Japan's ability to continue to administer the islands in the face of China's actions. For example, U.S. Forces Japan Commander Kevin Schneider said in 2020 that in response to China's "unprecedented" activities in the East China Sea, "The United States is 100 percent absolutely steadfast in its commitment to help the government of Japan with the situation."[45]

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 that it has maritime rights beyond this line.[46]

The Quad Signals Broader Approach

In 2017, the Trump Administration renewed an effort to develop the Quadrilateral Security Dialogue, also known as "the Quad," a four-country coalition with a common platform of protecting freedom of navigation and promoting democratic values in the region. The Biden Administration has adopted the initiative vigorously, convening a virtual leader-level meeting with Japan, Australia, and India in March 2021. At this summit the leaders announced a promise to jointly expand availability of COVID-19 vaccines and deliver up to a billion doses to Southeast

---

Identification Zone," November 23, 2013; Yoichi Kato, "INTERVIEW/ Evan Medeiros: China's Attempt to Isolate Japan Worsens Bilateral Relations," *Asahi Shimbun*, April 6, 2014; Cabinet Office of Japan, *New National Defense Program Guidelines for FY2014 and Beyond (Provisional Translation)*, December 17, 2013; "Korea Calls for Re-drawing of Air Zone, China Rejects," Arirang News, transcript of television news report, November 30, 2013, http://www.arirang.co.kr/News/News_View.asp?nseq=153704.

[43] 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.

[44] 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.

[45] Tim Kelly, "U.S. says will help Japan monitor 'unprecedented' Chinese incursion around disputed East China Sea islands," Reuters, July 29, 2020, at https://www.reuters.com/article/us-usa-defence-japan/u-s-says-will-help-japan-monitor-unprecedented-chinese-incursion-around-disputed-east-china-sea-islands-idUSKCN24U13Q.

[46] 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.

Asia and the broader Indo-Pacific by the end of 2022.[47] This step, along with a plan to reduce dependence on China's near-monopoly on rare earth materials used in high-technology products and to work together to strengthen the Paris Agreement, could usher in a new chapter in cooperation. Questions remain about the durability of the arrangement if leadership shifts in member countries, whether other countries will be brought into the Quad's initiatives, and particularly about India's inconsistent enthusiasm for the grouping. For now, however, distrust of Beijing's role in the region has consolidated the Quad.

Japan has been at the forefront of pursuing the quadrilateral arrangement, with former Prime Minister Shinzo Abe (2012-2020) in particular championing the concept. Japan's eagerness to pursue the Quad appears driven above all by its concern over China's increasing power, influence, and assertiveness in the Indo-Pacific region. In theory, engaging India eastward could compel Beijing to divert some of its resources and attention to the Indian Ocean.

Japan has also worked steadily to build closer bilateral security ties with both Australia and India. For the past decade Japan has deepened defense relations with Australia, and in 2020 the two agreed to a Reciprocal Access Agreement (similar to a Status of Forces Agreement) to define rules and procedures when troops are stationed temporarily in the other's country for joint exercises or disaster-relief activities. As another U.S. treaty ally, Australia uses similar practices and equipment, which may make cooperation with Japan more accessible. Japan has inked an Acquisition and Cross-servicing Agreement (the formal mechanism that allows a country to acquire or provide logistic support, supplies, and services directly from/to another country) with India, along with agreements concerning the protection of classified military information and transfer of defense equipment and technology. Bilateral exercises with both countries have grown in number and sophistication.

Leaders in Tokyo may find the absence of South Korea an additional advantage of the quadrilateral grouping. Tokyo and Seoul often have been at odds and resistant to U.S. encouragement of closer trilateral cooperation among the United States, Japan, and South Korea. The Quad provides another venue for Japan's Self Defense Forces to increase security exercises with the U.S. military.

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.[48] After a brief entente in 2016, Japan-South Korea relations cooled and then sharply deteriorated beginning in 2017. A series of security incidents, a 2018 South Korean court decision on forced Korean labor used during the World War II era that appeared to renege on the 1965 normalization treaty, and a volley of restrictions on bilateral trade plunged the relationship into hostile territory. In 2019, Seoul announced a decision to withdraw from the Japan-South Korea military intelligence agreement, or GSOMIA, which would have put constraints on U.S.-Japan-South Korea security cooperation. U.S. officials intervened, and Seoul decided to remain in the agreement. In the

[47] "Quad Leaders' Joint Statement: "The Spirit of the Quad," The White House, March 12, 2021.

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

context of lingering distrust and outstanding issues, however, trilateral cooperation remains very limited.

Relations remain chilly in 2021, but less openly contentious. The Biden Administration is seeking to "reinvigorate and modernize" both alliances, and senior Administration officials have expressed hope that this effort will include more trilateral cooperation.[49] When Secretary Blinken and Secretary Austin visited Tokyo and Seoul in March 2021, they pressed the issue in both capitals.[50] 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.

The North Korean threat has traditionally driven closer trilateral coordination, even when Tokyo and Seoul have faced bilateral 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. Under President Moon Jae-in, however, South Korea has strived for warmer relations with North Korea. When President Trump also focused on personal diplomacy with Kim Jong-un and North Korea maintained a moratorium on long-range missile and nuclear weapon testing, opportunities for coordinated action and statements among Washington, Tokyo, and Seoul shrank, as Japanese officials maintained a harder line on pressing North Korea on its political and security concerns.

The persistent Japan-South Korea discord centers in part on historical issues. Officials in Japan have 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. Seoul has expressed 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. 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.

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. In 2015, then-Prime Minister 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

[49] "Interim National Security Strategic Guidance," The White House, March 2021.

[50] "In Countering China, U.S. Pitches South Korea a Sensitive Effort Involving Japan," *Washington Post*, March 17, 2021.

government to a new Korean foundation that supports surviving victims.[51] 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.[52] Although the main elements of the agreement appeared to have been implemented in 2016, the deal remained deeply unpopular with the South Korean public,[53] and Moon Jae-in disbanded the foundation established by the agreement in 2018.

The comfort women issue has had 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

Japan has employed a hardline policy toward North Korea, including a virtual embargo on all bilateral trade and vocal leadership at the United Nations on efforts to punish Pyongyang for its human rights abuses and military provocations. 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 addition to these direct security concerns, Japan has prioritized addressing 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, and says that relations can never be normalized without resolution of this issue.[54]

Coordination between Japan and the United States on North Korean policy has fluctuated depending on the approach taken by different U.S. leaders. In general, when the United States has engaged North Korea with diplomacy, Japanese leaders have expressed concern that the abductee issue does not receive sufficient attention. Under the Trump Administration, Tokyo stood by Trump's initial "maximum pressure" approach; when Trump turned to personal diplomacy with Kim Jong-un, Japanese officials worried that the United States would make a deal on long-range missiles, leaving Japan vulnerable. 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 warm.[55] When the Six-Party Talks (which included Japan, South Korea, North Korea, China, Russia, and the United States) were active, U.S. officials considered Japan a key actor in a possible resolution of problems on the Korean

[51] 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."

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

[53] "6 Months Later: The 'Comfort Women' Agreement," *The Diplomat*, May 11, 2016.

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

[55] Robert King, "Japan and North Korea: Summitry, Missile Fears, and Abductions," Center for Strategic and International Affairs, June 19, 2019.

peninsula, but the multilateral format has been dormant since 2009 and appears to be all but abandoned.

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.[56] 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.[57]

In the past, Congress has introduced several resolutions that thank the government of Japan for its apology and for arranging the visitation program.[58] The resolutions also encouraged the Japanese government 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 incarcerated over 1,000 Americans.[59]

Energy and Environmental Issues

Unlike security cooperation, which has reflected continuity across recent U.S. and Japanese governments, U.S.-Japan cooperation on energy, environmental, and climate issues has been more prone to shifts reflecting changing priorities by U.S. and Japanese political leaders. During the Obama Administration, Japan and the United States cooperated on a wide range of environmental and climate initiatives, both bilaterally through multiple agencies and through multilateral organizations. During the Trump Administration, U.S.-Japan energy and environmental cooperation shifted away from climate change towards regional energy security in service of the two countries' shared interest in a "free and open Indo-Pacific." Many observers expect that the

[56] By various estimates, approximately 40% of prisoners 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).

[57] 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.

[58] 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.

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

Biden Administration will pressure Japan to take more ambitious steps to combat climate change.[60] Climate change topics, including cooperating to expand the adoption of clean energy technologies across the Indo-Pacific, was a top issue discussed during Secretary of State Blinken's March 2021 trip to Tokyo.[61] During the Trump Administration, the two governments 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."[62] Projects under these frameworks have included LNG value chain training programs for Indo-Pacific countries, facilitating "sustainable financing" of regional Liquified Natural Gas (LNG) projects, and facilitating cooperation on energy projects between U.S. and Japanese private companies in Indonesia, Bangladesh, and elsewhere.[63] Outside the region, the two countries since 2016 have signed two memoranda of cooperation to increase access to "sustainable energy" in Sub-Saharan Africa.[64]

In particular, the Trump and Abe governments focused energy cooperation efforts in the LNG sector, where the two countries have complementary interests. Both governments foresee LNG contributing to their respective energy security needs, and the sector emerged as a priority area of cooperation in recent years.[65] 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,[66] while the United States is the world's third-largest LNG exporter, set to become the top exporter by 2024.[67] 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.[68]

---

[60] Sayo Sasaki, "FOCUS: Biden likely to push Japan to do more to combat climate change," Kyodo News, November 12, 2020, at https://english.kyodonews.net/news/2020/11/cbd1bb22b283-focus-biden-likely-to-push-japan-to-do-more-to-combat-climate-change.html.

[61] For example, see State Department Media Note, "The United States and Japan Expand Indo-Pacific Economic Cooperation," March 16, 2021.

[62] 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. Two major mechanisms for operationalizing these overarching goals were 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. 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.

[63] 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.

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

[65] "U.S., Japan to Cooperate on LNG Projects Throughout Asia," *Natural Gas Intelligence*, April 24, 2018.

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

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

[68] 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.

Japanese officials expressed dismay over 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. Tokyo welcomed the Biden Administration's return to it in early 2021, saying, "In cooperation with the United States, including in the field of advanced technology, Japan will continue to lead the international community in order to realize a decarbonized society that the Paris Agreement aims for."[69]

[69] Japan Ministry of Foreign Affairs, "US Announcement of its return to the Paris Agreement (Statement by Foreign Minister MOTEGI Toshimitsu)," January 21, 2021, at https://www.mofa.go.jp/press/danwa/press6e_000267.html; 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.

Japan's March 2011 "Triple Disaster"

In March 2021, Japan observed the ten-year anniversary of what it refers to as the "triple disaster." On March 11, 2011, a magnitude 9.0 earthquake jolted a wide swath of Honshu, Japan's largest island, shifting it eastward approximately 8 feet.[70] The quake, with an epicenter located about 230 miles northeast of Tokyo, generated a tsunami that exceeded 100 feet in height in some areas and 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 people 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.

Japan's response to the multifaceted disaster received widespread praise. 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.[71] 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 among the Japanese public surged after the two militaries worked effectively together to respond to the earthquake and tsunami.[72] 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.

Ten years after the disaster, Japan is still struggling to recover in many respects. Notwithstanding reconstruction efforts worth $280 billion, more than 40,000 residents remain displaced from their homes and workplaces located in still-contaminated areas.[73] Tokyo Electric Power Company (TEPCO), the firm that owns and operates the Fukushima power plant, has struggled to find a radioactive waste disposal solution and anticipates that it could take until 2051 to decommission the plant, at the estimated cost of around $750 billion.[74] 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.[75] More generally, opinion polling suggests that many Japanese citizens believe the government has not sufficiently addressed the vulnerabilities exposed by the disaster to justify the continued pursuit of nuclear energy and are opposed to the government's plans to expand the use of nuclear energy; polls suggest that close to half of the population believes the government has not gained public trust on the issue of nuclear energy.[76]

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

[70] "Ten Years After the Tsunami," Earth Observatory, March 12, 2021. Accessed at https://earthobservatory.nasa.gov/images/148036/ten-years-after-the-tsunami.

[71] "Japanese, Waiting in Line for Hours, Follow Social Order After Quake," *ABC News*, March 14, 2011.

[72] Michael Bosack, "3/11 Was Pivotal for the Japan-U.S. Alliance," *Japan Times* Commentary, March 10, 2021.

[73] Associated Press, "Still Recovering, Japan Marks 10 Years Since Tsunami Hit," March 11, 2021, at https://www.usnews.com/news/world/articles/2021-03-10/japan-marks-10th-disaster-anniversary-but-still-recovering.

[74] Ben Asione, "Japan still grappling with the legacy of Fukushima a decade on," Australian National University Australia-Japan Research Centre, https://ajrc.crawford.anu.edu.au/department-news/18594/japan-still-grappling-legacy-fukushima-decade.

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

[76] Tatsujiro Suzuki, "Legacy of the Fukushima nuclear disaster," East Asia Forum, March 7, 2021, at https://www.eastasiaforum.org/2021/03/07/legacy-of-the-fukushima-nuclear-disaster/; Kaoru Ohno, "Japanese Opinion

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 Dai-ichi nuclear power plant. Public trust in the safety of nuclear power appeared to collapse, and a vocal antinuclear political movement emerged.[77] 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 of two reactors at one site in central Japan). No reactors were operating from September 2013 until August 2015. As of January 2021, four reactors were in operation.[78]

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 Dai-ichi 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.[79] The Institute of Energy Economics, Japan, calculated that the nuclear shutdowns led to the loss of 420,000 jobs in 2012.[80]

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.[81] 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 indicated that 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."[82]

Japan faces a complex challenge: how to balance concerns about energy security, promoting renewable energy sources, assessing the viability of electric utility companies, bolstering the health of the overall economy, and addressing public concerns about safety. The LDP has

---

Poll Finds That Views on Nuclear Power Turn Slightly Positive," Japan Atomic Industrial Forum, Inc., March 25, 2020, at https://www.jaif.or.jp/en/japanese-opinion-poll-finds-that-views-on-nuclear-power-turn-slightly-positive/.

[77] Alexander Brown, *Anti-nuclear Protest in Post-Fukushima* Tokyo, Routledge Press, 2018.

[78] "Japan Nuclear Reactor Operations: Kansai Electric Restarts Ohi No. 4 Reactor," *Reuters News*, January 19, 2021.

[79] 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.

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

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

[82] 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.

promoted a relatively pronuclear policy, though the appointment of rising political star and staunch critic of nuclear power Shinjiro Koizumi as environment minister in September 2019 may indicate a shift. Koizumi, who indicated that he wanted to "scrap" Japan's nuclear reactors, reflects persistent antinuclear sentiment among many Japanese citizens.[83] A March 2019 poll found that approximately 27% of Japanese describe restarting nuclear reactors is "necessary."[84]

Alliance Issues

The U.S.-Japan alliance has long been an anchor of the U.S. security role in Asia. Forged during the seven-year 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, 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 China's dramatic rise in economic and military power, as well as responding to the threat from North Korea.[85] Facing these shared challenges, the two countries' regional strategies have converged to a significant degree. The Abe and Trump Administrations both pursued 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 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 aligned when it comes to strategic priorities.[86] This shared strategic vision appears to have carried over into the Biden and Suga Administrations, as indicated by the joint statement issued by the two governments following their March 2021 "2+2" foreign and defense ministers meeting.[87]

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

[83] 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.

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

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

[86] 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/.

[87] State Department, "U.S.-Japan Joint Press Statement," March 16, 2021.

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. (See figure below.) 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 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 complicated 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 established 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.[88] Implementing and institutionalizing other goals set out in the guidelines—such as conducting cross-domain operations and building space and cyberspace defense capabilities—likely will be difficult and slow.

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 was 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.[89] Former Prime Minister Abe pushed 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.

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

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

[89] 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."

consultation with the LDP's dovish coalition partner Komeito and in response to cautious public sentiment, are 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 enables Japan to engage more in 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 resent 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—express 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.[90]

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 the 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 nonbinding referendum on the relocation of the U.S. base. About 72% of those who voted opposed the construction of the new base.[91]

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 elected two consecutive governors who ran on platforms opposed to the relocation plan and who employed a

[90] 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.

[91] 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.

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.[92]

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.[93] 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%.[94] 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.[95] 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.[96]

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, generally covering five years, which obligates Japan to pay a certain amount for utility and labor

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

[93] "2004 Statistical Compendium on Allied Contributions to the Common Defense." See http://archive.defense.gov/pubs/allied_contrib2004/allied2004.pdf.

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

[95] 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.

[96] 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.

costs of U.S. bases and for relocating training exercises away from populated areas. Under the 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 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.

According to former National Security Advisor John Bolton, President Trump demanded that Japan increase its contribution to $8 billion per year. Shortly after Biden assumed the presidency, the two sides agreed to extend the existing agreement for an additional year. The new round of negotiations is scheduled for 2021.[97]

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.[98] 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 construction of 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).[99]

Japan also is a major purchaser of U.S. defense equipment. Japan is the third-largest recipient of overall U.S. Foreign Military Sales delivered in the past five decades, and in recent years has ranked between second- and fourth-largest until dropping to seventh-largest in FY2020.[100] The United States accounted for 94% of Japan's arms imports from 2010 to 2020, according to estimates from the Stockholm International Peace Research Institute.[101] Recent major acquisitions include Lockheed Martin F-35 Joint Strike Fighters, Boeing KC-46 Tankers, Lockheed Martin and General Dynamics Aegis weapons systems, Northrup Grumman E-2D Hawkeye airborne early warning aircraft, General Dynamics Advanced Amphibious Assault Vehicles, and Boeing/Bell MV-22 Ospreys.

---

[97] "US, Japan Decide to Extend Military-support Agreement for Another Year," *Stars and Stripes*, February 17, 2021.

[98] 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.

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

[100] These figures do not account for Direct Commercial Sales, information about which is not publicly available. U.S. Defense Security Cooperation Agency, *DSCA Historical Sales Book*, FY2020 Edition.

[101] Stockholm International Peace Research Institute, "Importer/Exporter TIV Tables," 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/.

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 perceptions of the credibility of U.S. extended deterrence were critical to its effectiveness.[102] 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,[103] and the Japanese government welcomed the Trump Administration's 2018 Nuclear Posture Review.[104]

Japanese leaders have repeatedly rejected the idea of 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 nonnuclear 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.[105] 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.[106]

Ballistic Missile Defense and Strike Capabilities

Japan also plays an active role in extended deterrence through its ballistic missile defense (BMD) capabilities, which it began to pursue in 2003, largely in response to the growing ballistic missile threat from North Korea. Whereas prior to the introduction of BMD Japan was entirely reliant on the U.S. nuclear deterrent, it now actively contributes to extended deterrence,[107] and many analysts see U.S.-Japan efforts on BMD as the most robust aspect of bilateral security cooperation. DOD's 2019 Missile Defense Review stated that "Japan is one of our strongest

[102] 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.

[103] Roberts (2013).

[104] 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.

[105] 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.

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

[107] 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.

missile defense partners."[108] Japan and the United States both deploy land- and sea-based missile defense systems in Japan.[109]

In an about-face that surprised many U.S. and Japanese observers, in June 2020, Japan announced that it would suspend a high-profile plan to purchase from the United States two Aegis Ashore ballistic missile defense batteries. The plan had been announced in 2017 as North Korea ramped up nuclear and ballistic missile testing, and alliance officials had touted the move as a central component of Japan's defense against North Korea.[110] Aegis Ashore would have provided a new layer of defense against incoming North Korean ballistic missiles for Japan and U.S. forces stationed there and would have afforded the U.S. military the flexibility to deploy its own Aegis ships now defending Japan to other parts of the region, including the South China Sea, Philippine Sea, and Indian Ocean.[111]

The 2020 Aegis Ashore reversal has intensified a decades-long debate over whether Japan should acquire strike capabilities. Although Japan is pursuing other missile systems for defensive purposes, it currently does not have the ability to conduct missile strikes on enemy territory. In August 2020, shortly before Abe announced his resignation, the LDP called on the Japanese government to consider acquiring this capability.[112] If adopted, it would represent a significant shift in Japan's defense policy.

Movement toward adopting a strike mission—sometimes referred to as "counterattack" by Japanese strategists, who insist the capability would only be used in a defensive manner—has been driven in part by North Korea's increasingly capable missile forces and China's regional assertiveness. It also reflects aspirations by some Japanese to achieve greater strategic autonomy, as well as concerns that the U.S. commitment to the alliance is waning. Japan's adoption of a counterattack mission could mark a departure from the long-standing division of labor in the alliance with the United States as the "spear" and Japan as the "shield."[113]

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 2019. Furthermore, their economies are closely intertwined by two-way trade in goods and services, and by investment in each other's economies.

---

[108] U.S. Department of Defense, *2019 Missile Defense Review*, January 17, 2019, p. 67; Thomas Karako, "Shield of the Pacific: Japan as a Giant Aegis Destroyer," Center for Strategic and International Studies, May 23, 2018.

[109] Japan Ministry of Defense, *Defense of Japan 2018*, White Paper, August 2018, p. 324.

[110] Mike Yeo, "Japan suspends Aegis Ashore deployment, pointing to cost and technical issues," Defense News, June June 15, 2020, at https://www.defensenews.com/global/asia-pacific/2020/06/15/japan-suspends-aegis-ashore-deployment-pointing-to-cost-and-technical-issues/.

[111] Jeffrey W. Hornung, "Is Japan's Interest in Strike Capabilities a Good Idea?" *War on the Rocks*, July 17, 2020, at https://warontherocks.com/2020/07/is-japans-interest-in-strike-capabilities-a-good-idea/.

[112] Chieko Tsuneoka, "Japan Edges Toward Military Pre-Emptive Strike Option," *Wall Street Journal*, July 31, 2020, at https://www.wsj.com/articles/japan-edges-toward-military-pre-emptive-strike-option-11596195100.

[113] 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/.

Overview of the Bilateral Economic Relationship

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, Mexico, and Canada) in 2019. Japan accounted for 5% of total U.S. exports in 2019 ($125 billion) and 6% of total U.S. imports ($181 billion).[114] The United States was Japan's largest goods export market and second-largest source of goods imports (after China) in 2019.[115] Japan is also a major investor in the United States, accounting for more than 14% of the stock of inward U.S. direct investment in 2019 ($619 billion).[116]

The relative significance of the bilateral economic relationship has arguably declined as other countries, including China, have become increasingly important global economic actors. Over the past decade (2008-2019 to account for pre-financial crisis trends), U.S. goods exports to the world grew by 26%, while exports to Japan grew by less than 12%. Similarly, U.S. goods imports from the world grew by 18% 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. 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.[117] U.S. import numbers, however, probably underestimate the importance of Japan and Japanese companies in U.S. consumption patterns since 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. The decline in the value of the Japanese yen since 2012, tied to aggressive monetary stimulus in Japan as part of Prime Minister Abe's economic strategy, known as "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 (see **Table 1**).

[114] 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/.

[115] Data from Japan Ministry of Finance, accessed through Trade Data Monitor on 0/3/01/2021.

[116] U.S. Bureau of Economic Analysis, Balance of Payments and Direct Investment Position Data, https://apps.bea.gov/iTable/index_MNC.cfm (accessed April 1, 2021).

[117] 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 9% to 19%. 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	38.6	22.2	16.3
2006	59.3	150.9	-91.6	37.5	23.4	14.0
2007	62.8	148.3	-85.5	36.7	24.0	12.7
2008	67.1	142.4	-75.3	37.6	24.9	12.7
2009	52.9	97.8	-44.9	36.1	21.7	14.4
2010	61.5	122.9	-61.5	43.5	25.1	18.5
2011	67.2	131.8	-64.6	45.2	25.5	19.7
2012	71.4	149.2	-77.8	48.3	29.0	19.3
2013	66.5	141.3	-74.8	46.5	31.1	15.4
2014	68.0	137.3	-69.3	46.2	32.9	13.3
2015	63.1	134.4	-71.3	43.5	30.4	13.1
2016	63.8	134.1	-70.3	44.0	33.1	10.9
2017	68.2	137.5	-69.3	45.9	35.0	10.9
2018	75.9	143.4	-67.5	46.7	35.4	11.3
2019	75.0	144.7	-69.7	50.1	35.8	14.2

Source: U.S. Bureau of Economic Analysis (BEA), International Transactions Tables. Balance of payment basis. Accessed 03/01/2021.

Under the Trump Administration, U.S. trade policy largely 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. The Biden Administration notes that opening markets and reducing trade barriers remains fundamental to its trade agenda, but also emphasizes repairing U.S. partnerships and alliances as a major priority.[118] Issues of ongoing U.S. attention in the bilateral trade relationship 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.[119] Despite some renewed trade tensions under the Trump Administration, 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. By contrast, increasing tension in the U.S.-China economic relationship, particularly threats of decoupling, presents significant risks to Japan given its extensive economic ties with both countries.[120]

[118] Office of the U.S. Trade Representative, *The 2021 Trade Policy Agenda and 2020 Annual Report*, March 2021.

[119] For more information on Japanese trade barriers, see USTR, *2020 National Trade Estimate on Foreign Trade Barriers*, March 2020, pp. 281-298.

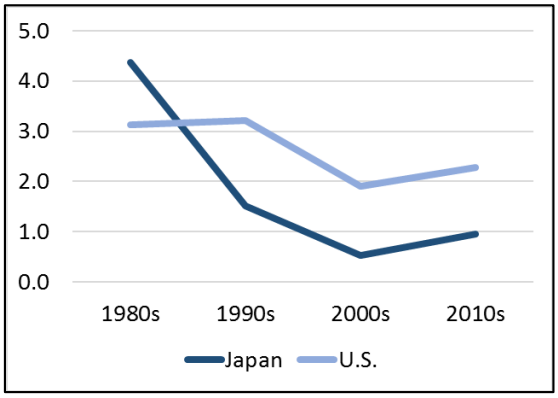
[120] The United States and China account for roughly one-third of Japan's goods trade. Japanese customs data via Trade Data Monitor, accessed March 8, 2021.

Japan's Domestic Economy: Seeking Growth amid Challenges

Prime Minister Suga inherited a challenging domestic economic landscape that many economists argue requires bold policy responses among a difficult set of choices. Japan's economy grew rapidly from the end of World War II through the 1980s. However, beginning with the collapse of an asset bubble in the early 1990's, the Japanese government has struggled to end an ongoing cycle of deflation (decreasing prices) and weak economic growth. For the past three decades Japan's GDP growth has been considerably below most advanced economies, including the United States (see **Figure 3**).[121]

Figure 3. GDP Growth: Japan and U.S.

(10-year average of annual % change)



Source: World Economic Outlook database, October 2020.

Brief periods of recovery continually have been followed by devastating economic events including the Asian financial crisis in the late 1990s, the global financial crisis in the late 2000s, and the earthquake, tsunami, and nuclear reactor meltdown in eastern Japan in 2011. Most recently, the global recession caused by the COVID-19 pandemic has been acutely felt in Japan. International tourism, for example, had been a targeted growth sector in recent years before the pandemic effectively halted such activities in 2020, including the Tokyo Olympics.[122] The Bank of Japan estimates that Japan's economy contracted by 4.8% in 2020.[123]

In addition to the effects of the pandemic, Japan also faces a number of long-term structural economic challenges. Primary among these is a rapidly aging and shrinking population, which among other difficulties places increasing strain on an already heavily indebted government, as the working age population declines relative to retirees.[124] At 238% of GDP in 2019, the size of the federal government's gross debt relative to its economy was already the largest in the world, before it implemented massive fiscal stimulus, equal to roughly 60% of its GDP, in response to COVID-19.[125] Attempts to put Japan on a path of long-term fiscal sustainability without disrupting the economy in the short-term has proven a difficult balancing act. Consumption tax increases in 2014 and again in 2019 pushed down domestic consumption resulting in sizeable

[121] 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.

[122] Tourism earnings from foreigners, which is considered a services export, tripled from 2010 to 2018 to $45 billion, matching charges for the use of intellectual property as Japan's top services export. World Trade Organization, *Commercial Services Exports*, at https://data.wto.org/, accessed March 5, 2021.

[123] Bank of Japan, *Quarterly Estimates of GDP for October-December 2020 (First Preliminary Estimates)*, February 15, 2021, at https://www.esri.cao.go.jp/jp/sna/data/data_list/sokuhou/gaiyou/pdf/main_1e.pdf.

[124] At 47% in 2019, Japan's dependency ratio, the share of retirees to workers, is nearly twice that of the United States (25% in 2019). World Bank, World Development Indicators, at https://data.worldbank.org/indicator/SP.POP.DPND.OL, accessed March 5, 2021.

[125] By comparison, U.S. gross debt was 109% as a share of GDP in 2019. International Monetary Fund, *World Economic Outlook Database*, October 2020, at https://www.imf.org/en/Publications/WEO/weo-database/2020/October.

quarterly economic contractions. As a result of the 2019 tax increase, Japan's economy was already in the midst of contraction when the COVID-19 shutdowns took effect.

Faced with a declining working-age population and an aversion to inward immigration, Japan's future economic growth depends on increasing the output of each individual worker. Unfortunately, Japan's labor productivity growth has been slowing for the past several decades and has declined relative to other major economies.[126] Although the causes of this decline remain the subject of debate, many economists see Japan's rigid and bifurcated labor market as a significant impediment to improving productivity. The rigidity in the system stems from the traditional Japanese employment model, a result of both cultural and legal structures, in which workers accept a grueling work schedule in exchange for the benefit of long-term job security with pay strongly linked to seniority.[127] Some have argued that this job-for-life system potentially dampens productivity by lowering the incentive to learn new skills during the course of a career, and by impeding the dissemination of innovations and best practices that would normally occur when workers change from one employer to another.[128]

Over the past several decades, businesses have made the employment system more flexible by expanding the group of nonregular or temporary employees who garner less competitive salaries and face easier dismissal. Since the 1980s, the share of nonregular workers in the workforce has grown from 15% to nearly 40%, with women accounting for the bulk of the growth.[129] Instead of improving productivity, however, many analysts see this dual system as having exacerbated the problem, while adding to concerns over inequality.[130] The Japanese government has attempted to reform the system, including through legal measures to ensure that nonregular workers receive "equal pay for equal work," but enforcing such provisions in practice has proven a challenge as highlighted in recent court cases.[131] A related challenge, which may also help to explain Japan's sluggish wage growth despite an extremely tight labor market, is the disparity in productivity between its firms, which is among the highest in the OECD.[132] Employment growth among less productive sectors has also led to concerns over the economy's efficiency in allocating its workforce.[133]

Former Prime Minister Abe attempted to tackle a number of these domestic challenges through a three-pronged economics program known as "Abenomics." The three components or "arrows" of the program consisted of expansionary monetary policy, flexible fiscal stimulus, and various structural reforms. Under Abe's appointee, Governor Haruhiko Kuroda, the Bank of Japan has deployed unprecedented levels of monetary stimulus, including quantitative easing through massive purchases of government bonds and, since 2016, the use of negative interest rates to encourage lending. Government spending under Abe was also largely stimulative, but some argue

[126] Martin Neil Baily, Barry Bosworth, and Siddhi Doshi, *Productivity Comparisons: Lessons from Japan, the United States, and Germany*, The Brookings Institution, January 2020.

[127] Randall S. Jones and Haruki Seitani, OECD, *Labour Market Reform in Japan to Cope with a Shrinking and Ageing Population*, Economics Department Working Papers No. 1568, September 16, 2019.

[128] McKinsey Global Institute, *The Future of Japan; Reigniting Productivity and Growth*, March 2015.

[129] Andrew Gordon, "New and Enduring Dual Structures of Employment in Japan: The Rise of Non-Regular Labor, 1980s-2010s," *Social Science Japan Journal*, vol. 20, no. 1 (February 10, 2017), pp. 9-36.

[130] Ibid.

[131] Makiko Inoue and Ben Dooley, "A Job for Life, or Not? A Class Divide Deepens in Japan," *New York Times*, November 27, 2020.

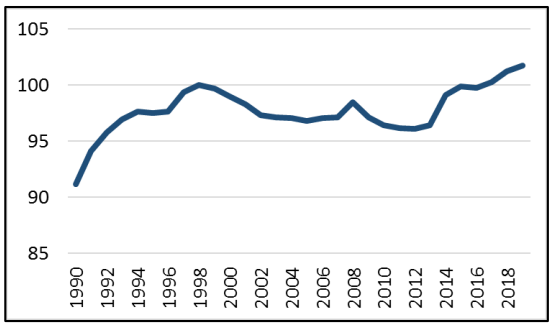
[132] OECD, *Insights on Productivity and Business Dynamics: Japan*, March 2020.

[133] Research Institute of Economy, Trade and Industry, *Japan's Low Labor Productivity: The Gap with the U.S. and Complex Causes*, May 13, 2019, https://www.rieti.go.jp/en/papers/contribution/morikawa/12.html.

that his decisions to move forward with consumption tax increases in 2014 and 2019 put unnecessary strain on a still weak economy.[134] The Abe government also made some progress on structural reforms including in the energy and agriculture sectors and in corporate governance, and sought to spur productivity by opening the Japanese marketplace to greater international competition, lowering tariff and nontariff barriers through a series of trade agreements.

Overall, the program appears to have had moderate success, primarily by halting deflation. Price levels exceeded their previous 1998 peak for the first time in 2017 (see **Figure 4**).[135] In addition, during Abe's tenure the labor force participation rate increased as additional workers, especially women, joined the labor force, despite a declining working age population (see **Figure 5**). At the same time, the unemployment rate fell to its lowest levels in more than 25 years (2.4% in 2019).[136] Some analysts also credit the program with injecting optimism into Japan's economy after its decades-long period of sluggish economic growth coupled with its demographic challenges had given rise to a narrative of Japan as a nation in decline.[137]

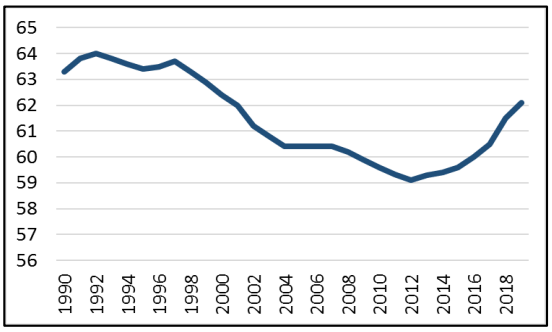
Figure 4. Consumer Price Index: Japan
(index, 1998 = 100)



Source: IMF, World Economic Outlook, October 2020.

Notes: Index of average annual consumer price level with index year set to 1998.

Figure 5. Labor Force Participation Rate: Japan



Source: World Bank, World Development Indicators.

Notes: Annual percentage of population above age 15 in the labor force.

Many analysts agree, however, that further structural reforms are vitally necessary to maintain Japan's standard of living into the future in the face of its demographic challenges. The IMF, for example, estimates that Japan could offset up to 60% of the expected slowdown in its GDP growth resulting from its aging and shrinking population, by continuing and deepening its structural reforms.[138] To mitigate the demographic challenges and enhance economic growth, the IMF has repeatedly recommended 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 nonregular workers; (2) reforms to increase long-term productivity growth (such as deregulation aimed at facilitating

[134] Mike Bird, "Japan's Third Sales-Tax Blunder Must be Its Final Mistake," *Wall Street Journal*, February 17, 2020.

[135] Price level data from International Monetary Fund, *World Economic Outlook Database*, October 2020.

[136] Labor participation rate data from World Bank, *World Development Indicators*, at https://data.worldbank.org/indicator/SL.TLF.CACT.NE.ZS?locations=JP.

[137] "Abe Shinzo Has Left an Impressive Legacy," *Economist*, September 3, 2020.

[138] International Monetary Fund, *Japan: 2019 Article IV Consultation Staff Report*, February 2020, p. 36.

expansion of higher productivity small- and medium-sized enterprises and exit of poor-performing firms); and (3) continued reduction of tariff and nontariff barriers.[139]

Looking forward, Prime Minister Suga, who was an instrumental figure in the Abe administration, has continued the general thrust of Abenomics. The response to the economic fallout from the COVID-19 pandemic dominated the start of his tenure, with fiscal and monetary policy remaining expansionary in the near term. Governor Kuroda's term at the Bank of Japan extends through April 2023, and the Bank remains committed to maintaining monetary easing until it achieves its 2% inflation target.[140] In terms of structural reforms, Suga intends to continue with Abe's focus on labor market reforms and enhancing productivity. Two additional priority areas include a green-growth strategy, which entails setting a path for carbon neutrality by 2050, and a digital transformation strategy, to include a new government agency with an aim to spur the government and private sectors in the adoption of digital technologies.[141] Prime Minister Suga also seeks to position Japan as a potential leader in developing solutions to the demographic and fiscal challenges with which it is familiar and which other societies around the world will increasingly face in coming decades.

Emphasis on "Womenomics"

A key component of the third arrow in former Prime Minister Abe's economic reform focused on "womenomics," or boosting economic growth through reforms and policies to encourage the participation and advancement of women in the workforce.[142] 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 have also disproportionately been affected by employment cuts in response to the pandemic, as they are highly over-represented among Japan's nonregular workers, who receive fewer career advancement opportunities and are more easily dismissed.[143] Japan's labor survey finds that 54% of women are employed as nonregular workers compared to 22% of men in 2020.[144] Goldman Sachs analysts in Japan estimated that closing the gender employment gap could boost Japan's GDP by 10%.[145] 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.

---

[139] Ibid.

[140] Amamiya Masayoshi, Deputy Governor of the Bank of Japan, "Monetary Policy During and after the COVID-19 Era," Speech at the Yomiuri Economic Forum in Tokyo, March 8, 2021, at https://www.boj.or.jp/en/announcements/press/koen_2021/data/ko210308a1.pdf.

[141] Prime Minister Suga, "Policy Speech to the 204th Session of the Diet," January 18, 2021, at https://japan.kantei.go.jp/99_suga/statement/202101/_00013.html.

[142] For background on the initiative, see CRS Report R43668, *"Womenomics" in Japan: In Brief*, by Emma Chanlett-Avery and Rebecca M. Nelson.

[143] Mari Ishibashi and Rei Nakafuji, "Women Bear Brunt of Japan's Pandemic Job Losses," *Nikkei Asia*, September 7, 2020.

[144] Statistics Bureau of Japan, *Labor Force Survey*, "2020 Yearly Average Results," January 29, 2021, at https://www.stat.go.jp/english/data/roudou/results/annual/ft/index.html.

[145] Kathy Matsui et al., *Womenomics 5.0: Progress, Areas for Improvement, Potential 15% GDP Boost*, Goldman Sachs, April 18, 2019, https://www.goldmansachs.com/insights/pages/womenomics-5.0/multimedia/womenomics-5.0-report.pdf.

Progress has been made by some measures, but a dearth of women in top positions has left many disappointed in the results.[146] Japan's overall female participation rate in the labor force increased from 48% in 2012 to 53% in 2019 (using a narrower definition of "prime-age" participation it has surpassed the United States).[147] 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 Japanese 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.[148] Despite the increase in female labor participation, Japan's pay differential between men and women, or the gender wage gap, at 23.5%, remained the second highest in the OECD in 2019, behind only South Korea, which researchers attribute largely to lack of female leadership in the workplace.[149]

Efforts to increase the number of women in management positions have stalled, and Japan's position in the World Economic Forum's national rankings of gender equality has declined in recent years—to 121st out 153 countries, down 11 positions from 2018.[150] Japan fared worse in political empowerment rankings (144th), reflecting the relatively low number of female legislators and high-ranking government officials. Prime Minister Suga's initial cabinet includes only two female ministers (a 33% decrease over the Abe government's final cabinet). The Japanese government fell far short of its target of getting women in 30% of senior positions by 2020, with women instead occupying only 8% of such positions in the private sector in 2020.[151] According to the International Labor Organization (ILO), in 2019 women occupied 3.4% of company board seats in Japan compared to 16.4% in the United States.[152] 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.[153] 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 imposed unilateral tariff increases on several significant U.S. imports from Japan, which remain in place to date under the Biden Administration.[154] In March 2018, President Trump announced tariffs of 25% and 10% on certain U.S. steel and aluminum imports,

---

[146] Motoko Rich and Hisako Ueno, "Shinzo Abe Vowed Japan Would Help Women 'Shine.' They're Still Waiting," *New York Times*, September 13, 2020.

[147] World Bank, *World Development Indicators*, at https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS.

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

[149] OECD, *OECD Data*, at https://data.oecd.org/earnwage/gender-wage-gap.htm; *Kazuo* Yamaguchi, "Japan's Gender Gap," *Finance and Development*, March 2019.

[150] World Economic Forum, *The Global Gender Gap Report 2020*, December 17, 2019, at http://www3.weforum.org/docs/WEF_GGGR_2020.pdf.

[151] Tatsuhiro Yuki, "Japan Women Hold 8% of Manager Jobs," *Nikkei Asian*, August 19, 2020.

[152] 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.

[153] Kathy Matsui et al., *Womenomics 5.0: Progress, Areas for Improvement, Potential 15% GDP Boost*, Goldman Sachs, April 18, 2019.

[154] For more information, see CRS Report R45529, *Trump Administration Tariff Actions: Frequently Asked Questions*, coordinated by Brock R. Williams.

respectively.[155] The tariffs, imposed under Section 232 of the Trade Expansion Act of 1962 on the premise that such imports threaten U.S. national security, have drawn criticism from Japan (the fifth-largest supplier of affected U.S. steel imports in 2020, worth $1.0 billion), given its close security relationship with the United States. 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 Trump Administration's tariff actions, like other trading partners including the EU and China. Japan, however, appears to have been a significant beneficiary of the Trump Administration's product exclusion process, which allowed U.S. importers to petition the government for tariff relief on individual steel and aluminum products from specific countries.[156]

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.[157] Japan has provided notification to the WTO of its right to retaliate in response to these safeguard measures, and in line with WTO commitments on safeguard actions, this retaliation is allowed to begin 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 also declared auto and auto parts imports, including from Japan, a national security threat following another Section 232 investigation by the Commerce Department providing him with authority to impose unilateral tariffs on the vital Japanese industry.[158] President Trump directed USTR to seek a negotiated solution with Japan and appeared to use the threat of potential tariffs as leverage in broader trade talks with Japan. Those talks concluded in 2019, and President Trump never imposed additional auto tariffs.

The Biden Administration is currently reviewing the Trump Administration trade policy actions and has made no determination regarding potential changes to the Section 232 or Section 201 tariffs. The Administration's statements on the issue have been mixed to date. Officials have stated a preference for multilateral solutions to the economic problems the Trump Administration sought to address through its tariff actions, including overcapacity in the global steel market, while at the same time acknowledging that unilateral tariffs are a legitimate and at times necessary U.S. trade policy tool.[159] U.S. stakeholders have raised a number of concerns over the tariff actions. While some domestic U.S. producers of competing products support the 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, which are ultimately passed to consumers. Several Members of Congress have also raised concerns over the increased U.S.

---

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

[156] According to analysis by the Mercatus Center, as of August 2019, more petitions for exemptions on imports from Japan were filed and approved than for any other country. Mercatus Center, *Investigating Product Exclusion Requests for Section 232 Tariffs: An Update*, August 21, 2019, https://www.mercatus.org/investigating-section-232-an-update.

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

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

[159] U.S. Congress, Senate Finance Committee, Hearing to Consider the Nomination of Katherine C. Tai to be United States Trade Representative, with the rank of Ambassador Extraordinary and Plenipotentiary: Questions for the Record ("Nomination Hearing"), 117th Cong., 1st sess., Feb. 25, 2021.

tariffs and introduced legislation in the 116th Congress that would have curbed the President's tariff authority through various approaches.[160]

U.S.-Japan Bilateral Trade Agreement Negotiations[161]

In the wake of potential Section 232 auto tariffs, Japan agreed in September 2018 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. In October 2019, the United States and Japan signed two agreements: the U.S.-Japan Trade Agreement (USJTA), which provides for limited tariff reductions and quota expansions to improve market access, and the U.S.-Japan Digital Trade Agreement. The agreements, which took effect in January 2020, without formal action by Congress, constituted what the Trump and Abe Administrations described as "stage one" of a broader U.S.-Japan trade agreement, but further talks did not materialize.

The USJTA commitments cover about 5% of bilateral trade. The United States will reduce tariffs on mostly industrial goods and certain Japanese niche agricultural products. Japan will reduce or eliminate tariffs on about 600 agricultural tariff lines, such as beef, pork, and cheese, and expand preferential tariff-rate quotas (which permit access for a specified quantity at a specified tariff rate). U.S. officials indicated that opening Japan's highly protected agriculture sector (the fifth-largest U.S. agriculture market in 2019) and reaching parity with exporters from Japan's FTA partners were major drivers of the agreement.[162] Notably, the USJTA does not cover trade in motor vehicles, a long-standing area of bilateral tension. The Administration declined to take action on Section 232 tariffs on Japanese auto imports, which some analysts link to Japan's concessions in the USJTA, although the agreement itself is silent on the issue.[163]

On digital trade, an area in which the two countries have largely similar goals, U.S. and Japanese officials referred to the agreement as "high-standard," with provisions that include prohibiting customs duties on digital products and data localization requirements, and ensuring free cross-border data flows. The agreement largely reflects the digital trade rules set by the U.S.-Mexico-Canada Agreement (USMCA), which entered into force in July 2020.

Such a limited scope agreement represents a significant shift in approach from recent U.S. FTAs, which typically involve one comprehensive negotiation. The Trump Administration used certain delegated tariff authorities in Trade Promotion Authority (TPA) to proclaim the tariff provisions, while treating the digital trade agreement, which did not require changes to U.S. law, as an Executive Agreement.[164] Some Members and U.S. stakeholders raised questions regarding the congressional role in approving trade agreements, whether the U.S.-Japan outcomes met

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

[161] For more information, see CRS In Focus IF11120, *U.S.-Japan Trade Agreement Negotiations*, by Cathleen D. Cimino-Isaacs and Brock R. Williams, and CRS Report R46140, *"Stage One" U.S.-Japan Trade Agreements*, coordinated by Brock R. Williams.

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

[163] In a joint statement both sides broadly committed to "refrain from taking measures against the spirit of these agreements" and "make efforts for an early solution to other tariff-related issues." See "Joint Statement of the United States and Japan," September 26, 2018, https://www.mofa.go.jp/mofaj/files/000405449.pdf.

[164] TPA provides for the expedited consideration of trade agreement implementing legislation, if the agreement makes progress towards achieving negotiating objectives and the Administration adheres to certain notification and consultation requirements. For more information, see CRS Report RL33743, *Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy*, by Ian F. Fergusson.

congressional requirements under TPA, and urged second-stage talks to achieve a comprehensive trade agreement.[165]

An expeditious reduction of Japan's agricultural tariffs under the USJTA, however, was widely 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.[166] Following U.S. withdrawal from the TPP, Japan led efforts among the remaining 11 TPP countries to conclude the CPTPP, which took effect in December 2018 for the first six signatories to ratify, including Japan. In February 2019, Japan's FTA with the EU, which eventually is to remove nearly all tariffs, including elimination of the EU's 10% auto tariff, and elimination or reduction of most Japanese agricultural tariffs, also went into effect.[167] In November 2020, Japan also signed the Regional Comprehensive Economic Partnership (RCEP) trade agreement, which will lower trade barriers among its 15 Asian members, including China, once it takes effect.[168]

At the same time, some U.S. industries 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. More broadly, U.S. businesses strongly advocated for continued progress toward a more comprehensive deal with Japan, while other stakeholders questioned whether there was sufficient political momentum under the Abe and Trump Administrations to make progress.[169] Several analysts also questioned the extent to which the limited agreement adheres to WTO requirements that FTAs cover "substantially all trade," in particular given the exclusion of auto trade.[170] Whether or not the agreement violates the letter or spirit of this WTO requirement likely depends on the timeline and scope of potential future U.S.-Japan talks.

While the United States and Japan committed to initiate a second stage of talks covering "customs duties and other restrictions on trade, barriers to trade in services and investment, and other issues," shortly after entry into force of the initial trade agreement, talks never materialized.[171] The Biden Administration has not signaled whether it will prioritize further talks with Japan, as a review of the Trump Administration's trade policies is ongoing.[172] President

---

[165] House Ways and Means Subcommittee on Trade, U.S.-Japan Trade Agreements hearing, 116th Cong., 2nd sess., November 20, 2019.

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

[167] 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.

[168] CRS Insight IN11200, *The Regional Comprehensive Economic Partnership: Status and Recent Developments*, by Cathleen D. Cimino-Isaacs and Michael D. Sutherland.

[169] 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.

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

[171] Trump White House, "Joint Statement of the United States and Japan," September 25, 2019. U.S. negotiating objectives, released at the outset of the talks, 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.

[172] In response to questions submitted during her nomination hearing, USTR Katherine Tai stated: "Japan is one of America's most important trading partners and allies. If confirmed, I commit to undertaking a detailed assessment of the current state of the U.S.-Japan trade relationship in light of the recent U.S.-Japan Trade Agreement to determine the

Biden's intent to focus on domestic economic policies before negotiating new trade deals suggests it may be some time before the two countries address significant issues left out of the initial agreements.[173] The Administration has also emphasized the importance of working with allies like Japan to meet the challenges posed by China. Under the Trump Administration, the United States, European Union, and Japan were engaged in intermittent talks starting in 2018 to push for expanded disciplines on subsidies and practices of nonmarket economies.[174] A key question is whether the Biden Administration might also consider joining the CPTPP.[175] Some experts view the advancement of mega-regional trade deals like CPTPP and RCEP without U.S. participation as reducing U.S. economic and strategic influence in the Asia-Pacific and reinforcing a need to reenvision U.S. engagement in the region.[176]

Japanese Politics

The LDP Coalition's Control over the Diet

Prime Minister Suga'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 and nearly 60% of the seats in the Upper House. (See **Figure 6**. for a display of major parties' strength in Japan's parliament.) The LDP has been in this position of parliamentary supremacy since former Prime Minister Abe led it back into power in December 2012. Since then, the LDP, in coalition with the much smaller Komeito party, has won victories in five consecutive parliamentary elections, in July 2013, December 2014, July 2016, October 2017, and July 2019. Since 1955, the LDP has ruled Japan for all but about four years. Its most recent, and longest, time out of power was in 2009-2012, when the left-of-center Democratic Party of Japan (DPJ) ruled the country. Japan's political stability since 2012 stands in contrast to the turmoil of the 2007-2012 period, when 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 LDP's reliance on Komeito to maintain its political dominance extends beyond the latter party's crucial Upper House seats, which give the coalition a majority in that chamber. Komeito is a political offshoot of the Soka Gakkai Buddhist movement that is able to mobilize its followers into a reliable voter bloc in many electoral districts. According to one estimate, by 2019 the organization was providing 5% - 20% of the votes for each LDP candidate.[177] Komeito's outsized political importance also manifests itself on selected security issues, due to Soka

best path forward. Our strategic and economic relationship must remain strong in the face of growing regional challenges." U.S. Congress, Senate Finance Committee, Hearing to Consider the Nomination of Katherine C. Tai to be United States Trade Representative, with the rank of Ambassador Extraordinary and Plenipotentiary: Questions for the Record ("Nomination Hearing"), 117th Cong., 1st sess., Feb. 25, 2021.

[173] See Office of the U.S. Trade Representative, *The 2021 Trade Policy Agenda and 2020 Annual Report*, March 2021.

[174] USTR, "Joint Statement of the Trilateral Meeting of the Trade Ministers of Japan, the United States and the European Union," January 14, 2020.

[175] In response to congressional questions on prospects for rejoining TPP, USTR Katherine Tai was noncommittal, stating, "I will review the CPTPP to evaluate its consistency with the Build Back Better agenda and whether it would advance the interests of all American workers." U.S. Congress, Senate Finance Committee, Nomination Hearing, 117th Cong., 1st sess., Feb. 25, 2021.

[176] See, for example, Keigh Johnson, "While Trump Builds Tariff Walls, Asia Bets on Free Trade," *Foreign Policy*, November 1, 2019, and Peter A. Petri and Michael G. Plummer, "RCEP: A new trade agreement that will shape global economics and politics," Brookings *Order From Chaos* blog, November 16, 2020.

[177] Editorial Board, "Abe's Dominance Belies Japan's Weak Politics," *East Asia Forum*, July 15, 2019.

Gakkai's pacifist leanings. Komeito arguably influenced former Prime Minister Abe to water down a number of the provisions of his 2014 reforms allowing Japan to participate in collective self-defense activities. Komeito's dovish tendencies also appeared to complicate Abe's unsuccessful efforts to revise Japan's constitution, particularly its pacifist-oriented Article 9. Ultimately Abe was unable to realize these reforms during his nearly eight years in office.[178]

Revising the constitution has been a long-standing goal of Japanese conservatives, who have come to dominate the LDP. Many of these politicians in the LDP's dominant wing, including former Prime Minister Abe, also are known for advocating nationalist, and in some cases ultra-nationalist, views that many argue embrace a revisionist view of Japanese history that rejects the narrative of Imperial Japanese aggression and victimization of other Asians in the first half of the 20th Century.[179] In contrast to Abe, Suga generally is not associated with the LDP's nationalist wing, perhaps because prior to becoming Abe's Chief Cabinet Secretary he focused on domestic and economic policy issues.[180] However, he and most of his cabinet reportedly are members of Nippon Kaigi Kyokai, a group that contends Japan should be applauded for liberating much of East Asia from Western colonial powers in the 20th Century, 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.[181] As is the case with most of the LDP's most prominent leaders, Suga has visited the controversial Yasukuni Shrine, though not since becoming a cabinet member in 2012. The Shrine 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.[182]

[178] Any attempt to change the constitution would have to surmount other formidable political and procedural hurdles. A constitutional revision requires a two-thirds vote in each Diet chamber, followed by approval in a nationwide referendum. 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, particularly of Article 9.

[179] See, for example, Jeff Kingston, "Abe's Revisionism and Japan's Divided War Memories," *Japan Times* commentary, August 22, 2015.

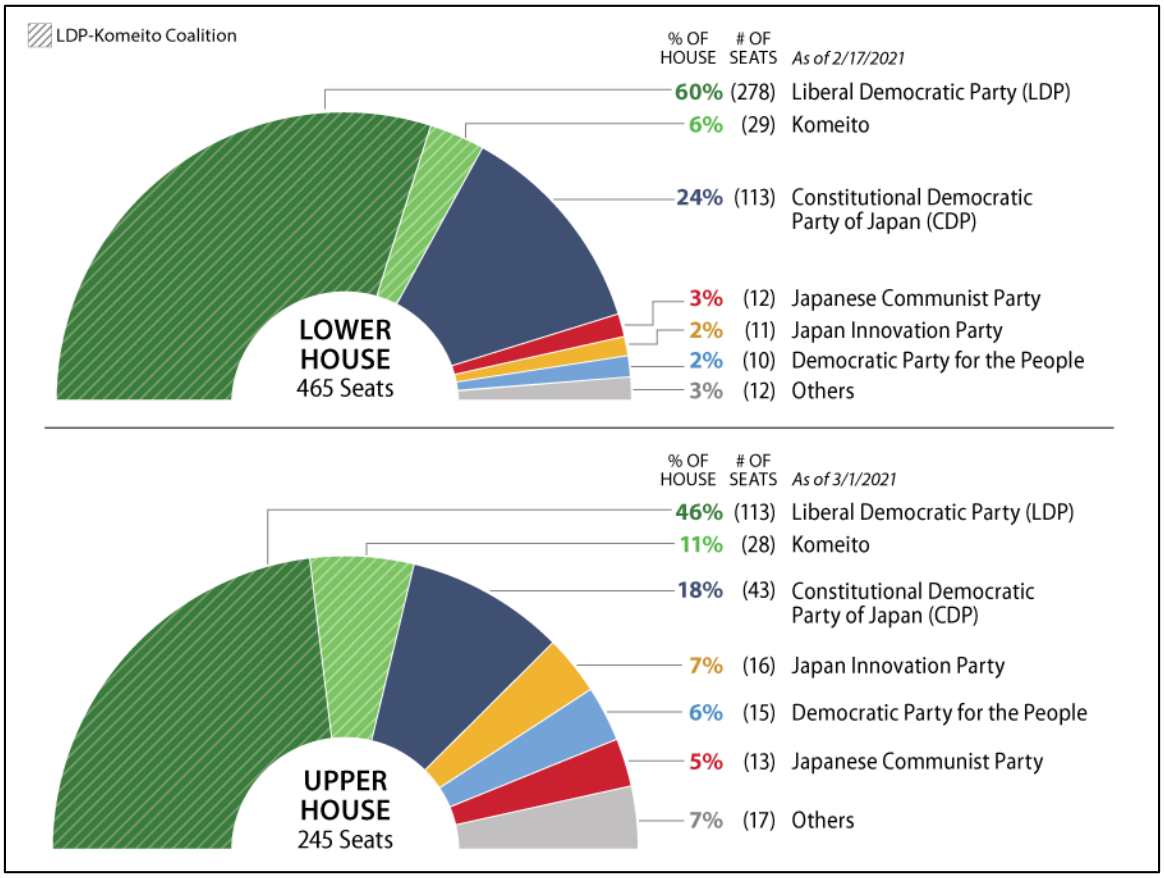
[180] Peter Landers, "Shinzo Abe Visits Tokyo War Shrine Linked to Militarist Past," *Wall Street Journal*, September 19, 2020. See also Tobias Harris' lengthy September 4 and September 12, 2020 Twitter threads reviewing Suga's 2012 memoir, *Seijika no Kakugo (A Politician's Resolve)* at @ObservingJapan, https://twitter.com/observingjapan/status/1301854276201971712?lang=en.

[181] Aurelia George Morgan, "Abe's Cabinet Reshuffle," *East Asia Forum*, September 4, 2019; "Suga Cabinet Members in Right-Wing Diet Groups," *Akahata*, September 21, 2020, translated by Japan Media Highlights.

[182] 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, three successive Japanese emperors have 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.

Figure 6. 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 and Upper Houses of the Diet, Accessed March 8, 2021.

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. The party was formed in 2017 and led by former Chief Cabinet Secretary and Minister of Economy, Trade, and Industry Yukio Edano. The CDP's public approval ratings, however, have rarely broken out of the single digits in recent months, compared to over 30% for the LDP. In general, disarray among Japan's opposition parties arguably has contributed to the LDP-Komeito coalition's electoral success since 2012.

Upcoming Elections in 2021

Japan is set to experience two major political events in 2021. The first, an intra-LDP poll, is scheduled tooccur in September 2021 when Suga's term as party president expires. The second, elections for the Diet's Lower House, must be held by October 2021. With many polls from November 2020 through the end of February 2021 showing more Japanese disapproving than approving of Suga's performance, attention has begun to focus on possible successors. Prominent names in some polls include **Taro Kono** (b.1963), currently Reform Minister in charge of Suga's

digitization initiative and a former Foreign Minister and Defense Minister; former Defense Minister **Shigeru Ishiba** (b. 1957), whose previous bids for the LDP presidency in 2012, 2018, and 2020 fell short; and **Shinjiro Koizumi** (b.1981), the son of former prime minister Junichiro Koizumi and current Minister of the Environment and Minister of State for Nuclear Emergency Preparedness. A test of Suga's political viability may come on April 25, when by-elections are scheduled to fill a handful of vacancies in Japan's parliament.

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 is 1.36, below the 2.1 rate necessary to sustain population size.[183] Japan's population growth rate is -0.2%, according to the World Bank, and its current population of 126 million is projected to fall to about 102 million by midcentury.[184] Concerns about a huge shortfall in the labor force have grown, particularly as the elderly require 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.[185] Japan's immigration policies have traditionally been strictly limited, limiting one potential source of new workers. In 2019, the Japanese government introduced a new visa policy aiming to attract 500,000 foreigners to Japan's workforce by 2025, but is not on track to meet this goal.[186] Some scholars have raised concerns that the United States may face challenges as its Indo-Pacific allies—especially Japan and South Korea, but also Thailand, Australia, and New Zealand—struggle to keep their economies healthy as the labor force declines.[187]

[183] Japan Ministry of Internal Affairs Statistics Bureau, *Statistical Handbook of Japan 2020*, September 2020, p. 16.

[184] World Bank, "Population growth (annual %) – Japan," 2019 Revision, at https://data.worldbank.org/indicator/SP.POP.GROW?end=2019&locations=JP&start=2011; World Bank, "Population total – Japan," 2019 Revision, at https://data.worldbank.org/indicator/SP.POP.TOTL?locations=JP; Japan Ministry of Internal Affairs Statistics Bureau, *Statistical Handbook of Japan 2020*, September 2020, p. 10.

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

[186] Rebecca Smith and Anita Vukovic, "How Can Japan Meet its Goal of 500,000 Foreign Workers by 2025? By Contracting Out Labor Mobility Programs," Center for Global Development, September 12, 2019, at https://www.cgdev.org/blog/contracting-out-labor-mobility-programs; Jiji, "Japan's new visa system on track to fall far short of target," January 21, 2020, at https://www.japantimes.co.jp/news/2020/01/21/national/japans-new-visas-falling-short/.

[187] Andrew L. Oros, "Biden's Asian outreach reflects the power of demographics," *The Hill*, March 31, 2021, at https://thehill.com/opinion/international/543894-bidens-outreach-to-growing-asian-countries-reflects-the-power-of.

Author Information

Emma Chanlett-Avery, Coordinator
Specialist in Asian Affairs

Caitlin Campbell
Analyst in Asian Affairs

Mark E. Manyin
Specialist in Asian Affairs

Cathleen D. Cimino-Isaacs
Analyst in International Trade and Finance

Brock R. Williams
Specialist in International Trade and Finance

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.