

U.S.-JAPAN JOINT POLICY REPORT 2018

STRONGER THAN EVER BUT MORE CHALLENGED THAN EVER: THE U.S.-JAPAN ALLIANCE IN THE TRUMP-ABE ERA

Report of The Japan-U.S. Joint Research Project on

**“The U.S.-Japan Alliance
In the Era of Japan as a Proactive Contributor to Peace:
Toward an Effective ‘Smart Power Alliance’
to Support a Peaceful and Rules-Based International Order”**

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Co-organized by the Japan Forum on International Relations &
The Institute for National Strategic Studies, National Defense University
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Foreword

The world today is in an era of historic transformation. In the face of the increasing assertiveness of a rising China and Russia's behaviors disrespectful of international rules, there has been a growing concern in the international society whether the "liberal, open, and rules-based international order," which has been upheld by the advanced democratic countries such as the United States, Japan and European countries, can be maintained. The greatest foreign policy challenge for the United States and Japan is how the two countries can promote their respective national interests and international peace simultaneously, by preserving this international order while accommodating the ongoing changes in the world. The U.S.-Japan alliance represents the core instrument for the two countries to tackle this challenge.

Under such circumstances, in recent years, Japan under the Shinzo Abe administration has sought to strengthen the U.S.-Japan alliance relations, advocating the policy of "Proactive Contribution to Peace" based on the principle of international cooperation. Meanwhile, since the inauguration of the Donald Trump administration in January 2017, the possibility has emerged that the United States may develop unconventional foreign and alliance policies. Now in the second year of his presidency, what President Trump will do in these fields remains unpredictable. Under such circumstances, it is more important than ever to clarify what roles are expected of the U.S.-Japan alliance and what the two allies need to implement to make the alliance fulfill such roles.

With such awareness in mind, the Japan Forum on International Relations (JFIR) has organized the U.S.-Japan joint research project titled "The U.S.-Japan Alliance in the Era of Japan as a Proactive Contributor to Peace: Toward Building an Effective 'Smart Power Alliance' to Support a Peaceful and Rules-based International Order" with the Institute for National Strategic Studies (INSS) at the National Defense University of the United States as the co-organizer in April, 2015.* The project conducted a series of research activities for the next two years. This policy report is the final product of the project. Only those participants to the project whose names appear on page 1 are responsible for the contents.

April 2018



ITO Kenichi
President, JFIR

*The project was co-chaired by KAMIYA Matake, Professor at National Defense Academy of Japan / Director and Superior Research Fellow at JFIR, as the Project Leader and the Japan Team Leader; and James PRZYSTUP, Senior Research Fellow at INSS, as the U.S. team leader. In addition to the two co-chairs, six Japanese members and four American members signed this report: (members of the Japan team) HOSOYA Yuichi, Professor, Keio University; KATO Yoichi, Senior Research Fellow, Asia Pacific Initiative; NAKANISHI Hiroshi, Professor, Kyoto University; NAKAYAMA Toshihiro, Professor, Keio University; TAKAHARA Akio, Professor, the University of Tokyo; and WATANABE Tsuneo, Senior Research Fellow, the Sasakawa Peace Foundation; (members of the U.S. team) Rust DEMING, Adjunct Professor, Paul H. Nitze School of Advanced International Studies, Johns Hopkins University (former Principal Deputy Assistant Secretary of State), Robert MANNING, Senior Fellow, the Atlantic Council, James SCHOFF, Senior Fellow, Carnegie Endowment for International Peace, and Nicholas SZECHENYI, Deputy Director of the Japan Chair and Senior Fellow, Center for Strategic and International Studies (CSIS). Other than these signatories, IIZUKA Keiko, Editor-in-Chief and Senior Political Writer, Yomiuri Shimbun, INA Hisayoshi, then Special Editorial Writer, Nihon Keizai Shimbun, and SAKAKIBARA Satoshi, Editorial Vice Chair, Sankei Shimbun, participated in the discussions as Japanese members and contributed to the project. Michael GREEN, Senior Vice President for Asia and Japan Chair of CSIS, in his capacity as "research advisor" to the project, provided valuable comments and opinions. MATSUDA Takuya and KOSHINO Yuka also provided helpful assistance to this project. The project members would like to express their deepest appreciation for their cooperation.

While this project was co-organized by JFIR and INSS, the Atlantic Council cooperated with them as a co-sponsor.

Finally, this publication is dedicated to the memory of INA Hisayoshi (1953-2016), who passed away during this project on April 22, 2016. All the members of this project will never forget Mr. INA's sincere contribution to the project.

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Preface

Before and after the election of Donald J. Trump as President of the United States on November 8, 2016, a group of Japanese and American scholars, analysts and former government officials, led by Mataka Kamiya of the National Defense Academy of Japan and James Przystup of the National Defense University, Institute for National Security Studies, came together in Washington D.C. and Tokyo to assess the state of the U.S.-Japan relationship and the U.S.-Japan Alliance; to consider the economic, political and security challenges facing the Alliance at both the global and regional levels; and to chart a course ahead for the Alliance partners. This report represents their shared judgments and policy recommendations at the start of the second year of the U.S. Trump Administration. **



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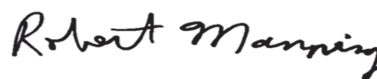
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** The views expressed in this report represent the personal views of the authors alone, and do not represent the views of the Japan Forum on International Relations, the Institute for National Strategic Studies/National Defense University, the U.S. Department of Defense, the Japanese government, the U.S. government, the Atlantic Council, or respective institutions to which the authors belong.

1 | The Alliance Today

The Trump administration inherited a paradox with respect to the U.S.-Japan Alliance: never has the alliance been stronger; yet, today, as never before in the post-Cold War era, has it been more challenged to respond to an unprecedented period of global instability, turmoil, and uncertainty.

The alliance, under both Democratic and Republican administrations in the United States and under both Liberal Democratic Party and Democratic Party of Japan governments in Japan, has reached new levels of diplomatic and security cooperation over the past two decades, dating from the 1996 Joint Declaration, “Alliance for the 21st Century,” and the 1997 revised Defense Guidelines. The alliance today enjoys broad popular support in both countries and has never been stronger nor more equal in partnership.

Nevertheless, statements made during the long and contentious U.S. presidential campaign raised concerns in Japan about the policies of future American administrations toward Japan and the alliance. In a public opinion poll conducted by the Yomiuri Shimbun from January 27-29, 2017, 70% of Japanese respondents expressed “unease” or “anxiety” (*fuan*) over the future course of the alliance, an increase of 12 points over a similar post-election survey, conducted from November 12-13. At the same time, 60% of respondents expressed support for the alliance, an increase of 1% over a November, 2016 poll.

Thus, the Trump-Abe Summit of February 12, 2017 arrived at a particularly timely moment. In the Joint Statement President Donald Trump and Prime Minister Shinzo Abe reaffirmed the “unshakeable” nature of the U.S.-Japan Alliance as “the cornerstone of peace, prosperity, and freedom in the Asia-Pacific region.” The Summit Joint Statement reiterated the U.S. commitment to defend Japan “through the full range of U.S. military capabilities, both nuclear and conventional” and made clear the U.S. intention to “strengthen its presence in the region.” Addressing concerns about “gray zone” contingencies (security challenges that fall below the threshold of direct military conflict), the Joint Statement clearly stated that

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“Article V of the U.S.-Japan Treaty of Mutual Cooperation and Security covers the Senkaku Islands.” For its part, Japan accepts that it will “assume larger roles and responsibilities in the alliance.” As Alliance partners, both the United States and Japan “will continue to implement and expand defense cooperation as laid out in the 2015 U.S.-Japan Defense Guidelines” and “will further enhance cooperation with allies and partners in the region.” And the President and Prime Minister “underscored the importance of maintaining international order based upon the rule of law.”

Public opinion polling in Japan, taken after the Summit, speaks to the continuing strong and across the board support for the alliance. In a February 18-19, 2017 Sankei Shimbun and Fuji News Network poll 64.1% of respondents expressed their approval of the Summit. Concerns about the future of the alliance also appear to have been reversed dramatically. Whereas in a pre-Summit poll 61.5% of respondents felt that the alliance would “deteriorate” under the Trump administration, in post-Summit polling concerns plummeted to 24.7%. In another poll conducted by Asahi Shimbun during the same period, 48% of respondents were positive in their evaluation of the meeting as contributing to the “peace and stability of East Asia.”

Subsequent cabinet-level meetings and the four meetings between the two leaders, at the G7 Summit in Taormina, Sicily on May 26, at the G20 Summit in Hamburg, Germany on July 8, at the United Nations General Assembly in New York on September 21 and during President Trumps visit to Japan in early November, have only served to reinforce the post-February Summit positive trends and positioned the alliance to deal with the economic and security challenges posed by the rapidly evolving regional and global order. At the meeting in Tokyo on November 6, President Trump and Prime Minister Abe “renewed their commitment to address unprecedented security challenges from North Korea” and agreed “to promote a free and open Indo-Pacific Region” in a “secure environment” with “high-standard rules.”

2 | Challenges Ahead: The Evolving International Order

Since the end of the Second World War, the United States has defined its national interests in an expansive manner, embedded in a normative international order based on free trade, multilateral economic and political institutions, and alliances in Europe and Asia, backed by American power. The result has been an unprecedented period of major power peace and widespread prosperity to the benefit of the United States, its allies and countries across the globe. The web of the economic, legal and security arrangements, created and maintained by the U.S. leadership, has served as the framework for the open, rules-based international order throughout the post-war era. The U.S.-Japan Alliance has served as one of the most important pillars of this framework.

Today, however, the U.S.-Japan Alliance is facing the most problematic and uncertain global operating environment since the end of the Cold War. Never since World War II has the open, rules-based international order been so unsettled, faced so many challenges and so many competing visions of world order. International commitment to the post-war rules-based order is being tested in Europe, by Russia, in the Crimea and Ukraine, in Asia, by China, in the East and South China Seas. There is a growing concern in the international society with regard to the U.S. willingness to sustain its global leadership role and support for multilateral institutions.

The increasingly salient momentum of counter-globalization represents another imminent challenge for the future of the free, open and rules-based international order. The counter-globalization, anti-trade, anti-elites, anti-immigrant, populist backlash, most typically exhibited in the Brexit vote, and the rise of right and left populist, nationalists across Europe as well as the U.S., if unattended, could seriously undermine the liberal foundation of the existing international order. Today, the United States and Japan need to lead like-minded partners in sustaining and adapting to the new realities of the contemporary international order, based on the rule of law, not for altruistic reasons, but to protect and advance their prosperity and security.

3 | Challenges Ahead: International Order in the Asia-Pacific Region

Japan and the United States confront an increasingly complex security environment in the Asia-Pacific region, where an array of challenges necessitates bilateral coordination and networking with like-minded states to maintain regional stability and prosperity.

On the Korean Peninsula, North Korea's rapidly evolving nuclear and missile programs pose a direct threat to the United States, Japan and the Republic of Korea. Since the accession of Kim Jong-un, tensions on the Peninsula have increased, as a result of the accelerated pace of Pyongyang's efforts to acquire Inter-Continental Ballistic Missiles (ICBMs) and an emerging sophisticated dyad including Submarine Launched Ballistic Missiles (SLBMs). Various public sources speculate that Pyongyang is "a handful of months" to 3 years from obtaining a fully operational ICBM capability enabling it to target the U.S. mainland. But its 200 deployed Nodong missiles possibly armed with a miniaturized nuclear warhead can hit the ROK and Japan, including U.S. bases in those countries.

North Korea's Kim Jong-un has repeatedly made clear that its nuclear weapons are not bargaining chips to secure economic benefits and that it remains committed to its *byungjin* policy – the simultaneous development of its economy and nuclear weapons program, in effect butter and guns. A recent shift by Kim Jong-un, even if tactical, suggesting that he is willing to put his nuclear weapons back on the negotiating table during his Summit with Chinese President Xi Jinping on March 26, offer a glimmer of hope. Moreover, the recent development toward North-South rapprochement and announcements that South Korean President Moon Jae-in will meet Kim Jong-un on April 27 and that President Trump may also have a summit meeting with Kim by the end of May, also hint at a possible easing of tensions. Nonetheless, North Korea's nuclear weapons and ballistic missiles remain the most imminent security threat for the United States and Japan in the Asia-Pacific. In fact, the year 2017 saw significant improvement in North Korea's ballistic missile and nuclear capabilities despite the imposition of additional

sanctions by the United Nations Security Council. North Korea's dogged pursuit of advanced nuclear weapons and ballistic missile capabilities places a premium on deterrence and integrated capabilities of the U.S.-Japan Alliance, in particular missile defenses.

A key question is whether a North Korea with an operational ICBM capability that can reach the U.S. is a game-changer, potentially exposing the United States to nuclear blackmail in the event of a contingency on the Korean Peninsula, thus undermining the credibility of the American nuclear umbrella, or whether the threat of deterrence by overwhelming punishment in the event of an attack by North Korea on South Korea, Japan or the United States still remains credible. To safeguard and enhance allies' confidence in the U.S. commitment to extended deterrence will require, close, regular and high-level consultations among the United States, Japan and the Republic of Korea and the force structure, exercises, and political commitments to back this up.

Meanwhile, China has continued to modernize its military with near double-digit increases in spending since 1989, while pursuing assertive irredentist maritime claims in the East and South China Seas, selective adherence to international law and predatory national industrial policies. Economic reforms are likely to remain incomplete, as President Xi Jinping focuses on strengthening and retaining his power base as reflected in the results of the 19th Communist Party Congress of October 2017 and the First Session of the 13th National People's Congress held in March 2018. In both the East and South China Seas, "gray zone" situations involving China's territorial claims and maritime economic interests will continue to test Japan, the United States and alliance partners.

At the same time Asia's defense spending, which first surpassed that of Europe's in 2013, is projected to reach \$533 billion annually by 2020. Much of that reflects China's own military spending, as well as increasing acquisitions by regional players in response to maritime disputes and a hedging strategy vis-à-vis China.

4 | Japan, the Alliance and the Regional Order

As it has been over the past seven decades, the U.S.-Japan alliance is critical to maintaining international order in the Asia-Pacific region based on the rule of law.

Japan can speak confidently about its contributions to the U.S.-Japan alliance and commitment to shaping the regional order.

Since his return to power at the end of 2012, Prime Minister Shinzo Abe, as a part of his policy of Japan's "proactive contribution to peace, under the principle of international cooperation," has embarked on an ambitious strategy to strengthen the foundations of Japan's national power beginning with economic reform as a path to sustainable growth. Security policy features included record levels of defense spending and a package of recent reforms of Japan's defense policy, national security structure, and military capabilities. The Abe government's security policies also include enhanced defense cooperation with the United States and other partners, namely Australia, India, the Republic of Korea, Association of Southeast Asian Nations (ASEAN), the United Kingdom and France.

In December 2015, Japan and the United States reached agreement on a five-year Host Nation Support (HNS) package, worth approximately 189.9 billion Yen (about \$1.8 billion at the exchange rate at the time of writing this report) per year. The agreement covers costs related to the stationing of U.S. forces in Japan and outlines Japan's share of costs related to the Japanese workforce on U.S. bases, utilities, training relocation expenses and facilities improvement. Under the agreement, Japan, in 2015, actually provided an estimated annual support of 191 billion Yen, approximately 86.4 percent of total U.S. costs, excluding the personnel costs of the American forces themselves.

Japan is also making a significant contribution to maritime capacity building in Southeast Asia. Prime Minister Abe has invested heavily in regional diplomacy with particular emphasis on Southeast Asia and regional institutions, where long-standing rules and norms for economic and security affairs, particularly maritime security, are increasingly contested. Abe's commitment to infrastructure fi-

nancing is no less an important contribution to sustainability and growth in South-east Asia and beyond. In May 2015, Abe announced that Japan, in collaboration with the Asian Development Bank (ADB), would provide Asia with \$110 billion innovative infrastructure financing over five years. At the G7 summit meeting held in Ise-Shima, Japan, in May 2016, he stated that Japan would implement \$200 billion high-quality infrastructure investments over the next five years, not only in Asia but around the world. Japan and the U.S. should coordinate efforts to expand the resources and lending capacities of the ADB and World Bank/International Finance Corporation (IFC), particularly for infrastructure loans.

The U.S.-Japan alliance, as the cornerstone of Japanese foreign policy, naturally attains prominence in this strategic construct, and the Abe government has worked closely with the United States to strengthen the security and economic pillars of the alliance.

The two governments revised the guidelines for bilateral defense cooperation in 2015 to broaden the scope for functional cooperation to include areas such as intelligence, surveillance, and reconnaissance, air and missile defense, maritime security, space and cyber, and humanitarian assistance and disaster relief. The guidelines also strengthen bilateral security cooperation by building on Japan's defense policy reforms, namely the decision to reinterpret the constitution to allow the limited exercise of the right of collective self-defense, to further integrate the operations of Japan's Self-Defense Forces and the U.S. military, in particular with respect to missile defense, in response to "gray zone" contingencies as well as to promote coordination with third countries.

On the economic front, joint leadership on the Trans-Pacific Partnership (TPP) trade negotiations was meant to ensure high standards for trade liberalization and regional economic integration that would shape the regional economic order. The Trump administration's decision to withdraw from TPP removed a pillar of U.S. policy toward the Asia-Pacific region and, with no effective replacement on the horizon, introduced an element of uncertainty in the bilateral economic relationship and more broadly, the future of the regional trade architecture. The U.S. approach to favor bilateral over multilateral trade arrangements appears out of step

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with the prevailing trends in Asia.

To address these concerns, Prime Minister Abe and President Trump emphasized in their Summit Joint Statement in February 2017 that “they remain fully committed to strengthening the economic relations between their two countries and across the region, based on rules for free and fair trade. This will include setting high trade and investment standards, reducing market barriers and enhancing opportunities for economic and job growth in the Asia-Pacific.”

In April 2017, the U.S. and Japanese teams headed by Deputy Prime Minister Taro Aso and Vice President Mike Pence met in Tokyo to initiate the U.S.-Japan Economic Dialogue. The Deputy Prime Minister and the Vice President agreed to structure the dialogue along three policy lines: Common Strategy on Trade and Investment Rules and Issues; Cooperation in Economic and Structural Policies; and Sectoral Cooperation. The Economic Dialogue was reconvened in October. President Trump’s strong preference for bilateral trade agreements over multilateral constructs and discussion of a bilateral U.S.-Japan FTA is receiving a tepid Japanese response. President Trump’s refusal to exempt Japan from new tariffs on steel and aluminum imports in March 2018 added a degree of friction to the bilateral relationship. Japan hopes the United States will return to some revised version of the TPP. Although President Trump’s recent remark in Davos that he would consider re-entering the TPP if the United States got a “substantially better deal” is encouraging, it is not certain at present if that will really happen. In the interim, Japan has stepped up its defense of free trade, with an impressive finalization of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP, also referred to as TPP 11). Regardless of the U.S. position, the ROK, Thailand, Philippines and even the U.K. have expressed interest in joining CPTTP. Abe’s another important achievement was the finalization of the negotiations on the EU-Japan economic partnership accord. In addition, Abe has been seeking to move forward with the Regional Comprehensive Economic Partnership (RCEP) negotiations..

In the near term, the personal relationship between Prime Minister Abe and President Trump will significantly shape the parameters for bilateral cooperation.

The Trump-Abe summits and visits to Japan by Secretary of Defense James Mattis and then Secretary of State Rex Tillerson speak to elements of continuity in the security alliance. Relative domestic political stability in Japan allows Prime Minister Abe to present himself as a trusted counterpart, able to develop and implement joint initiatives with the U.S. Trump administration.

At the same time, Japan and the United States are faced with complex regional challenges that underscore the strategic import of their bilateral alliance. This is particularly the case with respect to China's increasing assertiveness particularly in maritime Asia and North Korea's disturbing advances in its nuclear and missile programs. The Trump Administration clearly acknowledges this fact, as the National Security Strategy issued on December 18 maintains that "U.S. allies are critical to responding to mutual threats, such as North Korea, and preserving our mutual interests in the Indo-Pacific region. . . . We welcome and support the strong leadership role of our critical ally, Japan." Bilateral diplomacy between the United States and Japan could very well yield new avenues for economic and security cooperation, but the prospects for sustaining the normative aspects of the alliance agenda—a shared commitment to maintaining an open, rules-based order, governance of trade under the World Trade Organization, opposition to the use of force or coercion to advance national interests and peaceful resolution of disputes—should be reaffirmed. It is critically important to reaffirm the normative values that support the Alliance and shared approaches to economic and security challenges in Asia and beyond. Then Secretary of State Tillerson did so during his visit to Japan in March 2017, noting that "the U.S.-Japan alliance represents the cornerstone for stability in Northeast Asia and the Asia-Pacific because of our shared values; our shared commitment to the rule of law, our shared commitment to countries following international norms, and we look forward to strengthening the alliance further." Such a commitment should be maintained and repeatedly expressed by the leaders of the two allies.

5 | The Trump Administration and the Alliance: What is Expected of the United States

Against this background, and given the uncertainties about the future-orientation of its foreign policy, the United States needs to reaffirm and demonstrate that it will remain a “resident power” in the Asia-Pacific region. As alliance partners, the United States and Japan need to reaffirm their national interests in updating Alliance-based security cooperation and strengthening the rules-based international order, bearing in mind that decisive benefits accrue to those who define the “playing field” and the “rules of the game” whether in sumo wrestling, baseball or international economics and politics.

In the Summit Joint Statement in February 2017, President Trump acknowledged the U.S.-Japan Alliance as the central element sustaining U.S. security strategy and presence in the Asia-Pacific region and as the foundation of post-war prosperity, stability and security. The Joint Statement stands as a statement of strategic reassurance by President Trump to Japan.

To follow through on the commitments of the Joint Statement, the United States should *act* to:

- Reassure Japan and other Asian allies of American treaty commitments and the U.S. intention to continue to maintain a robust military presence in East Asia, including ending the budget sequester. This includes reaffirmation of the U.S. commitment to Japan of “unwavering” extended deterrence through the Extended Deterrence Dialogue and planning and exercising with Japan’s Self-Defense Forces under the 2015 Defense Guidelines, focusing in particular on “gray zone” contingencies—to make clear that Article 5 of the U.S.-Japan Security Treaty extends to the Senkaku islands.
- Expand missile defense cooperation with Japan with respect to North Korea and work to foster integrated trilateral missile defense coordination with the ROK.
- Strengthen U.S.-Japan alliance based engagements with strategic partners in the Asia-Pacific region, particularly the Republic of Korea, Australia, the

Philippines, Vietnam, Indonesia and India, to include the trilateral United States, India, Japan Malabar exercise.

- Demonstrate continuity in American engagement and leadership in the Asia-Pacific region by advancing United States, Japan, India and Australia quadrilateral cooperation and by supporting the region's multilateral architecture, including Asia-Pacific Economic Cooperation (APEC) and the East Asian Summit (EAS) as well as regional and global and financial institutions.
- Promote United States-Japan cooperation toward realizing a free and open Indo-Pacific as agreed to in the Trump-Abe Summit held November 6, 2017 in Tokyo.

Coordination of diplomatic and security initiatives with respect to North Korea and China.

NORTH KOREA

Despite the recent North Korean charm offensive, including North-South Olympics rapprochement, the announcement of the North-South summit on April 27, a prospective U.S.-North Korea summit by the end of May, Kim Jong-un's unannounced visit to Beijing to hold a summit with Xi Jinping to repair the frayed PRC-DPRK relations before his planned meetings with Moon Jae-in and Donald Trump, the fact remains that North Korea represents the most imminent threat to the security of the United States and Japan. Kim's verbal shift from declaring a nuclear state to now suggesting his nuclear weapons are back on the negotiating table is testimony to the effectiveness of the U.S.-Japan led maximum pressure campaign, tough sanctions, and Trump's military threats. But there is no clear evidence that denuclearization of North Korea is likely in the near future.

In both the United States and Japan, the growing threat posed by North Korea is challenging long-held policy assumptions. There is an increasing concern with the strategic implications of North Korea's rapidly evolving nuclear and missile capabilities, highlighted by the recent developments such as the Hwasong-12 missile tests that overflew Japan twice on August 29 and September 15, 2017, the September 3 nuclear test, and the November 29 shooting of the Hwasong-15 mis-

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sile, which is estimated to have a range of more than 13,000 km (8,100 miles), covering the East Coast of the United States. In the United States, the Trump administration has declared that the era of “strategic patience” is over. It has pushed to tighten UN sanctions as well as institute U.S. “secondary sanctions” aimed at constraining North Korea’s access to the international financial system, cutting off sources of hard currency, and strengthening U.S. military posture toward North Korea. In Japan, it has raised new questions about the need for preemptive and counterattack capability to neutralize North Korean missile bases as well as further strengthening of missile defense capabilities. Given the fiscal and potential domestic and geopolitical costs, Japan’s consideration of preemptive and counterattack capabilities should take place within the existing alliance framework.

To deal effectively with the threat posed by North Korea, close coordination with Japan and the ROK must be the cornerstone of any American policy toward North Korea. Obtaining the support of Russia and China is important, but not easy to obtain. U.S. leadership will be required.

Three “no’s” should be the foundation of alliance policy: “no use” – any use of nuclear weapons or missiles against the U.S. or its allies will be met with effective and overwhelming response and result in the unification of the Peninsula under Seoul; “no launch” – in the event of launch toward the U.S. or its allies, we reserve the right to shoot down the missile; “no export” – any export of fissile material or nuclear or missile technology will be interdicted and result in harsher sanctions. The starting point of any policy toward North Korea must be a reaffirmation of the U.S. commitment to extend deterrence to Japan and the ROK and to honor treaty commitments to defend allies in the event deterrence fails.

At the same time, the United States, Japan and the Republic of Korea must prepare for unexpected contingencies – a major North Korean provocation or a sudden collapse of the North Korean regime. In this context, it is critical to make every effort to engage China, bilaterally and multilaterally. The prospects for strategic miscalculation in a fast moving, dynamic environment, potentially involving weapons of mass destruction, are extremely high, and prior consultation and coordination are needed to minimize the risk of major power conflict in a

North Korean disintegration scenario. Under current circumstances, however, we should not expect China to take actions that could threaten the survival of the North Korean regime.

CHINA

The United States needs to develop a coherent and comprehensive approach to China that integrates economic and strategic interests and reflects the long and complex history of U.S.-PRC discussions on strategic as well as regional issues. The Trump administration should make clear its unwavering commitment to U.S. alliances in the Asia-Pacific region – the alliances, starting with Japan, are the foundation of the U.S. regional security strategy and will not be sacrificed to accommodate China on issues related to Taiwan, the Senkakus, or the South China Sea, or a perceived “grand bargain” encompassing economic tradeoffs. On the economic front, the United States should work with Japan and the EU to address China’s predatory industrial policies and demand the PRC’s full compliance with the WTO and other international standards.

An effective policy toward China should continue the strategic mix of cooperation and hedging while avoiding the dual traps of a G2 or containment/confrontation. This will require skill, patience, quiet dialogue, and a long-term strategy. The U.S. bipartisan consensus that guided China policy since the Nixon opening in 1972 is at risk of eroding. Today, a new policy is being defined. A key metric for whether the overall relationship will be more cooperative than hedging will be the degree to which China is willing to put more pressure on Pyongyang to move toward denuclearization, particularly in enforcing more extensive international sanctions and restricting its bilateral economic, military, and political ties with North Korea. Despite the recent summit between Xi Jinping and Kim Jong-un in Beijing, this proposition remains valid.

U.S. and Japanese interests with respect to China are congruent but not identical; the challenge will be to narrow policy gaps and align priorities. Beyond strategic coordination and military deterrence, the strongest area of shared interest is in trade and investment. The U.S. and Japan (and EU if possible) should coordi-

nate approaches to bilateral investment treaties with China and to a trade regime based on reciprocity. China's predatory industrial policies, particularly its "Made in China 2025" policy of subsidizing national champions and cutting market access to foreign firms in key high-tech sectors, are existential threats to the future of the U.S. and Japanese economies. To the degree China implements market-reforms to transition its economy to a service and information economy, the more normative an actor it is likely to become.

In addition, the U.S. and Japan should seek a coordinated and integrated, diplomatic, political and security response to the challenges posed by China, including in the East and South China seas. The United States should be fully aware that China represents an increasingly imminent security concern for Japan, particularly as it steps up activity around the Senkaku Islands and appears intent on challenging Japan's sovereignty/administrative control over the territory. Japan's 2017 Defense White Paper expresses "great concerns" over China's military actions and growing assertiveness particularly in the maritime domain.

To mitigate the perception gap which exists between Japan and the United States in regard to China, which in turn affects their respective bilateral relations with Beijing, the United States and Japan should conduct a strategic dialogue on long term policy toward China. A high-level, U.S.-Japan semi-annual Deputy Secretary/Vice Minister Strategic Dialogue on China should be instituted. If developments warrant, the two allies should subsequently consider a trilateral security dialogue with China.

Economic and Trade Policy: Clarify Trump administration's approach to the global and regional economic system

The Pence-Aso Economic Dialogue promises to be a first step in addressing bilateral and regional economic trade issues as referenced in the Trump-Abe Joint Statement in February 2017. In the context of the Pence-Aso Economic Dialogue, it is important for both the United States and Japan to draw on the "lessons learned" from the 1980s and 1990s when the trade frictions inflamed public opin-

ion in both countries, putting at risk critical political support for the alliance. This is particularly the case when the bilateral relations between Washington and Tokyo appear to have become somewhat frayed due to President Trump's imposition of new tariffs on steel and aluminum imports without granting an exemption for Japan. Negotiators will benefit from a careful review of the extensive record of bilateral trade negotiations during that period, when they move to address the bilateral economic issues of today.

To be effective, the dialogue should have balanced membership from various stakeholder offices within each government. Negotiators should consider both short-term and long-term potential implications of positions they recommend, with an aim of avoiding unintended negative consequences, potentially setting off trade wars and beggar thy neighbor policies. They should be based on the recognition that the future of the post-war liberal trade and financial system depends heavily on the leadership of the U.S. and Japan.

Support for a rules-based architecture in the Asia-Pacific region

It is in U.S. interest to help strengthen ASEAN institutions and ASEAN integration at a time ASEAN cohesion is fraying along maritime-continental lines. It is particularly important to make clear U.S. support for the conclusion of a legally binding Code of Conduct on the South China Sea, and for a freeze on new construction of man-made islands as well as facilities on those lands as steps in advancing a rules-based order in the Asia-Pacific region. A conclusion of a Code of Conduct between ASEAN and China, one that embraces the principles of the 2002 Declaration of Conduct, should be supported as a diplomatic priority for the United States and its alliance partners.

The Trump administration should regularly attend meetings under ASEAN's multilateral architecture, including the ASEAN Post Ministerial Conference (PMC), ASEAN Regional Forum (ARF), East Asian Summit (EAS) and ASEAN Defense Ministers' Meeting Plus (ADMM+). The attendance and active participation of the President, Secretary of State and Secretary of Defense is critical to sus-

taining U.S. leadership in the region.

The United States and Japan should work to strengthen the capacity of the World Bank/International Finance Corporation (IFC) and Asian Development Bank (ADB) to increase funding for infrastructure projects in the region. This can be achieved by adapting new lending approaches without additional budgetary support. A recent ADB report found that Asia will need \$26 trillion in infrastructure investment by 2030.

Today China is asserting that the system of global governance is undergoing a historical change. With respect to the Asian Infrastructure Investment Bank (AIIB), both the United States and Japan, initially concerned about the objectives and management of the AIIB, have refrained from participation to date. However, given the infrastructure demands of the Asia-Pacific region, should the management of the AIIB continue to conform to internationally accepted practices, China will benefit significantly from the lessons learned in the process. Observing the details thus far the AIIB is evidencing a prudent stance in terms of cooperating with the ADB and the World Bank. Accordingly, depending on the development of the AIIB, both the United States and Japan should consider the possibility of participation.

The U.S. and Japan should seek to develop a coordinated response and/or participation in China's "One Belt One Road" initiative. Reconnecting Eurasia can be a net public good, but transparency, accountability and loans and investments based on global norms, as the AIIB has thus far demonstrated, are critically important and must be assured. Washington and Tokyo should also pay careful attention to the possibility that Beijing is seeking to expand its geopolitical influence through investment in infrastructure under this initiative.

Maintain U.S. leadership with Japan in the fields of non-traditional security

U.S. leadership in the area of non-traditional security is valuable diplomatic and strategic asset, both on its merits and as a vehicle to build habits of cooperation with Asian states and among Asian states. As has been repeatedly demonstrated

across the Asia-Pacific region, the United States and Japan have the resources and experience to be able to respond rapidly in the event of natural disaster in the region. Committed U.S. leadership is also exhibited in counter-terrorism support for governments across the Asia-Pacific region. This includes information sharing, on the ground assistance, and efforts directed against money laundering.

At the same time, the U.S. administration should recognize the enduring strength of America's soft power appeal, its values, culture, and its educational system and understand that actions at home and abroad affect and influence international perceptions of the United States, its wisdom, values and reliability. In this context, support for educational and cultural exchanges and for civil society are low cost programs with long-term rewards.

6

The Abe Government and the Alliance: What Is Expected of Japan

Japan should continue to pursue its economic revitalization strategy and forge a path towards sustainable growth as foundation for sustaining its national power. Despite complications associated with the U.S. decision to withdraw from TPP, Japan should maintain its leadership role in the process of regional economic integration in the Asia-Pacific region while pursuing bilateral economic dialogue with the United States and finding ways to advance cooperation on mutual interests.

The increasingly complex security environment surrounding Japan also necessitates sustained and increased investments in defense spending to enhance Japan's own capabilities and further strengthen security cooperation with the United States and other partners. Bilaterally this process begins with the implementation of the 2015 Guidelines for U.S.-Japan Defense Cooperation, which broaden the scope of functional cooperation between the two militaries. As the Japanese government begins to review defense policy and procurement priorities in anticipation of releasing new National Defense Program Guidelines and a Midterm Defense Plan at the end of 2018, the acquisition of new technologies, specifically defense industrial cooperation with the United States and other partners, should feature

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prominently as a means to enhance both defense capabilities and efficiency in production. Enhancing coordination and integration between the Self-Defense Forces, the U.S. military and other partners is an important capability that will prove critical to maintaining deterrence in the region.

Japan should also sustain its strategic and diplomatic weight with continued emphasis on regional diplomacy, specifically enhancing partnerships with Australia, the Republic of Korea, India, and ASEAN countries. The United States and Japan also have a shared interest in continuing to encourage China to fully invest in and support the established international order, while dissuading Beijing from pursuing coercive activities, both military and economic, that could destabilize the region. This requires a delicate balance between diplomatic engagement and deterrence, which Japan should continue to advance in coordination with the United States and other like-minded states.

Japan should also maintain support for multilateral institutions in Asia and continued leadership in global fora including the G7, G20, the United Nations, and international financial institutions to uphold the global rules-based order. As the Trump Administration develops its own diplomatic agenda, it will be extremely important for Japan and the United States to coordinate closely and shape institutional agendas regionally and globally in favor of established rules and norms.

Japan should also continue and enhance its efforts in supporting sustained growth of developing countries in the world, while concurrently tackling various development challenges, including global environmental issues, energy issues, infectious diseases and natural disaster risk management. For this purpose, Japan should maintain sustained investment in official development assistance (ODA). Japan should also promote coordination between its development cooperation and its contribution to international peace activities such as United Nations peacekeeping operations, as is outlined in the Development Cooperation Charter approved by the cabinet in February 2015. Japan's efforts in these fields will help strengthen the U.S.-Japan alliance by reducing the burden shouldered by the United States for global issues.

7 | Making the Alliance Work

Although the U.S.-Japan alliance has a variety of well-established means to consult on shared strategic priorities, coordinate government policies, and implement joint activities, the start of a new administration in either country is always an important time to reconfirm alliance goals and the plans to pursue them. For its first fourteen months in office, the Trump administration, in close cooperation with the Abe administration, has done this well. The next challenge is to build on the structure of established alliance coordination mechanisms to ensure that the two countries are capable of dealing with current and future challenges in both the security and economic arenas.

The pinnacle of alliance consultation is of course the leadership level between the president and prime minister, and a successful Trump-Abe summit in Washington and Mar-a-Lago, Florida in February 2017 was a positive start. The result of the November summit in Tokyo was also encouraging. But more substantive interactions will be required. Specifically, clear direction from the top on shared strategic priorities—in as much detail as possible—can help mobilize necessary defense and foreign policy resources to advance the allies' interests over a sustained period.

The bedrock of bilateral decision making is the so-called 2+2 process that combines the Secretaries of State and Defense along with the Ministers of Foreign Affairs and Defense. The 2+2 forum is the fundamental vehicle for policy coordination and to make sure that the allies are getting the most from their defense investments and pursuing similar or complementary strategies to deal with their most pressing national security challenges. The U.S. and Japan agreed upon new defense cooperation guidelines in 2015, but much work remains to see their full implementation, including joint planning, the coordination of their domestic planning and procurement outlines, and integrating U.S. and SDF training and operations.

Equally important is close coordination between the National Security Coun-

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cils (NSC) in both countries. The Trump administration has already released the new National Security Strategy (NSS) in December 2017. The section on Asia highlights the challenges posed by a rising China and the serious threats represented by the North Korean nuclear and missile programs. The Strategy discusses the importance of alliances, including the alliance with Japan, emphasizing the need for allies to do more to share the common burden but with few specifics. It is unclear whether the Trump Administration NSS was widely coordinated within the U.S. government and the degree to which it be the actual basis for policy, budget, and procurement decisions. It is also unclear whether there was any advance consultation with allies, including Japan.

Ideally, future national security strategies and related documents in both countries will be the subject of close alliance coordination under the 2+2 framework. In the year ahead, both countries will be reviewing national security policy and planning documents, including, on the U.S. side, a possible East Asia (or Indo-Pacific) Strategy Report and the Quadrennial Defense Review. At the same time, Japan will be undertaking the National Defense Program Guidelines and Midterm Defense Plan. We strongly recommend that there be regular and thorough consultations between Washington and Tokyo as these strategy and planning processes move forward.

Two other security-oriented consultation mechanisms are the Alliance Coordination Mechanism (ACM) and the Extended Deterrence Dialogue (EDD). The ACM is the on the ground, working level political-military body based in Japan—with direct links to the U.S. Pacific Command and Washington—that supports the day-to-day alliance management activities. It can respond quickly, as seen in recent years, to support earthquake relief in Kumamoto Japan or align missile defense assets vis-à-vis North Korea. It will be important to enhance the ACM to meet the needs of expanding alliance cooperation. The EDD has been a useful venue for discussing emerging nuclear threats to the region and considering various deterrence options and strategies since 2010. It is crucial for Washington and Tokyo to maintain a high-level and specialized dialogue on nuclear issues to strengthen deterrence against North Korea and other regional nuclear weapons states.

8

Conclusion

The United States and Japan confront a demanding paradox: never has the alliance been stronger; yet never before has it been challenged by the complexity of the world it faces today: tectonic global power shifts; the growing resistance to globalization, particularly in the U.S. and Western Europe; the rise of excessive nationalism in many societies; and the rise of dangerous regional and global actors with nuclear strike capabilities.

During its first fourteen months, the Trump administration has already reaffirmed the U.S. commitment to recalibrate the alliance to keep it relevant and productive in addressing growing regional threats and economic uncertainties. President Trump and Prime Minister Abe are both committed to economic revitalization at home, strengthening defense capabilities and reducing excessive government regulates that can hold back investment and technological innovation. Abe's diplomatic experience and a more active Japanese international role should naturally reinforce U.S. interests and be welcomed by the United States.

At the same time, active and creative U.S. leadership is essential to the maintenance and strengthening of the Alliance, which in turn is the foundation of building and protecting the liberal international order, maintaining security and prosperity in East Asia, and shaping outcomes that benefit the interests of the United States, Japan and their allies and partners in East Asia.

In the current juncture of global uncertainty and diversified threats to prosperity, the allies, recognizing the unique ways in which the alliance serves mutual interests and supports global stability should work to integrate across-the-board cooperation into their respective, comprehensive national strategies. This is a challenge not only for policy makers in both countries, but also for the wide-range of alliance stakeholders including legislators, state and local governments, the private sector, members of civil society and academia.

As alliance partners, the United States and Japan benefited greatly from this relationship. Much has been accomplished, but much will be demanded of the alli-

ance and its partners in the years ahead.

For both governments the time is opportune to reaffirm their commitment to the alliance; to develop the “hard power” elements at its foundation; to maintain credible deterrence postures, both nuclear and conventional; to prepare to meet “gray zone” contingencies; to develop through diplomatic and military consultations an alliance based, comprehensive approach to China and the nuclear and missile threat posed by North Korea. At the same time, the two governments should work to enhance the “soft power” appeal of the alliance, shared commitments to democracy, openness, and a rules-based order. As alliance partners, the two governments should act to demonstrate leadership both in the Asia-Pacific region in support of its evolving multilateral architecture and, beyond, in support of international economic and financial institutions and in response to international demands for leaderships and thereby enhance prospects for stability and peaceful change.

About The Japan Forum on International Relations (JFIR)

History and Purpose

The Japan Forum on International Relations, Inc. (JFIR) was established on March 12, 1987, in Tokyo on the private initiative of Dr. OKITA Saburo, Mr. HATTORI Ichiro, Mr. ITO Kenichi, and 60 other independent citizens from business, academic, political, and media circles of Japan, with the recognition that a policy-oriented research institution in the field of international affairs independent from the government was most urgently needed in Japan. And on April 1, 2011, JFIR was reincorporated as a “public interest foundation” with the authorization granted by the Prime Minister in recognition of its achievements.

JFIR is a private, non-profit, independent, and non-partisan organization dedicated to improved understanding of Japanese foreign policy and international relations. JFIR takes no institutional position on issues of foreign policy, though its members are encouraged not only to analyze but also to propose alternatives on matters of foreign policy. While JFIR helps its members to formulate policy recommendations on matters of public policy, the views expressed in such recommendations represent in no way those of JFIR as an institution, and the responsibility for the contents of the recommendations is solely that of those who sign them.

Organization

JFIR is a membership organization with three categories of membership, namely, (1) corporate, (2) associate corporate, and (3) individual. As for the organizational structure of JFIR, the “Board of Trustees,” whose members are ARIMA Tatsuo, HAKAMADA Shigeki, HATTORI Yasuo, HIRONAKA Wakako, HIRONO Ryokichi, INOUE Akiyoshi, ISHIGAKI Yasuji, ITO Tsuyoshi, KOIKE Yuriko, KUROYANAGI Nobuo, OHYA Eiko, SAKAMOTO Masahiro, SATO Ken, WATANABE Toshio, and YAMAGUCHI Norio (as of June 1, 2017), is the highest decision-making body in charge of electing the “Directors” and of supervising overall activities of JFIR. The “Board of Directors,” whose members are Chairman ITO Kenichi, Senior Executive Director WATANABE Mayu, and Directors HANDA Haruhisa, KAMIYA Mataka, MORIMOTO Satoshi, and TAKUBO Tadae (as of June 15, 2017), is an executive body in charge of the management of day-to-day operations of JFIR. Finally, the “Board of Auditors,” whose members are NAITOH Masahisa and WATANABE Kenichi (as of June 15, 2017), supervises the activities of JFIR both in general and in details.

Activities

JFIR’s activities are composed of seven pillars such as “Policy Recommendations,” “e-Forum,” “Research Programs,” “International Exchanges,” “International Frameworks,” “Information Gathering,” and “PR and Enlightenment.” Of these pillars of activities, one important pillar is the “e-Forum: Hyakka-Seiho” which means “Hundred Flowers in Full Bloom” (<http://www.jfir.or.jp/cgi/m-bbs/>). The “e-Forum,” which started on April 12, 2006, is open to the public, functioning as an interactive forum for discussions on foreign policy and international affairs. All articles posted on the e-Forum are sent through the bimonthly e-mail magazine “Meru-maga Nihon Kokusai Foramu” in Japanese to about 10,000 readers in Japan. Furthermore, articles worth attention for foreigners are translated into English and posted on the English website of JFIR (<http://www.jfir.or.jp/e/index.htm>) as “JFIR Commentary.” They are also introduced in the e-mail magazine “JFIR E-Letter” in English. “JFIR E-Letter” is delivered bimonthly to about 10,000 readers worldwide.

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