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JAPAN IS BACK: UNBUNDLING ABE'S GRAND STRATEGY

EXECUTIVE SUMMARY

Shinzo Abe's remarkable return as Prime Minister of Japan has captured international attention. The release on 17 December 2013 of Japan's first National Security Strategy will add to the media focus on his government's confrontation with China and his efforts to remove post-war constraints on the Japanese military. Yet Abe's national security agenda is not, in fact, a departure from the general trajectory established by his immediate predecessors. Nor is it likely to fade soon, although without more fundamental economic restructuring at home and measured policies towards neighbouring Korea, his strategy will hit diminishing returns.

Abe himself is well positioned to stay in power for three years or more, and even if he stumbles, most of the political leaders waiting in the wings have a comparable vision for Japan's future. Abe has announced that Japan will never be a 'tier two' nation. His broad strategic vision encompasses steps to strengthen the economy and reform national security institutions to make Japan a more dynamic actor in international affairs while strengthening the US-Japan alliance and alignment with other maritime democracies like Australia to balance a rising China.

Japan needs help not only in resisting Chinese coercion, but also in refining its own foreign policy narrative and seeking opportunities for reassurance with Beijing. Friends who stand with Japan on the first objective will have more credibility in influencing the way it pursues the second.

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JAPAN IS BACK

Introduction

Shinzo Abe has made a remarkable physical and political recovery from his devastating meltdown and resignation as prime minister in 2007. Collapsing in the polls, reeling from the loss of the upper house in elections that summer, and felled by Crohn's disease, Abe surprised his own cabinet by suddenly stepping down on 12 September of that year. After the vast majority of political commentators wrote his political obituary, he stunned them all five years later by taking back the reins of the Liberal Democratic Party (LDP) and leading them to successive landslide victories in both houses of the Diet.

Japan, too, is showing signs of bouncing back. The 18 May 2013 *Economist* cover illustration of a smiling Abe flying over metropolitan Tokyo in a Superman outfit captured the gravity-defying impression of dynamism and audacity he has so far left on the world. As Abe declared in his speech at the Center for Strategic and International Studies (CSIS) in Washington on 22 February 2013, with Superman-like panache, 'I am back ... and so is Japan!'

Abe's string of electoral victories positions him to run Japan for three or more years into the future – an eternity in Japanese politics. Given the domestic and international challenges Japan faces, his tenure in office will be among the most consequential of post-war prime ministers, whether he succeeds or fails. But what is Abe's real vision for Japan? Is he a dangerous nationalist? Another flash-in-the-pan leader whose vision will collapse under the

weight of Japanese debt, demographics, and deflation? Or is he a leader who has set Japan on a trajectory towards national strength and renewed international influence?

The release on 17 December 2013 of Japan's first formal National Security Strategy suggests that Abe is focused on giving his country an ambitious and integrated approach to strategic policy. The most important point, however, may be that Abe's national security agenda is *not*, in fact, a departure from the general trajectory established by his predecessors in the post-Cold War era. It represents far more continuity than change. And while Abe and his supporters have occasionally complicated their foreign policy strategy with counterproductive interpretations of Japan's troubled past with her neighbours, his government is pursuing specific foreign and security policies that are welcomed not only by the United States, but by most governments in the region.

Abe summarised his ambitions for Japan at his Statesmen's Forum speech to the Center for Strategic and International Studies when he declared in English that Japan 'is not now and will never be a tier two nation.'¹ That likely means that in hierarchical Asia, Japan will not accept Chinese dominance, nor recede from leadership in maintenance of the international order established by the leading democracies after World War Two. The Japanese government is not doing everything it must do to address demographic challenges and structural impediments to economic growth, or to improve relations with neighbouring countries. However, under Abe the broad contours are clearly emerging of a strategy to

JAPAN IS BACK

sustain Japanese power and prestige at a time when the rise of China is changing power relations in Asia.

Historically, states facing a decline in their power relative to other countries have had three options: ‘bandwagoning’ with the rising power; ‘internal balancing’ (increasing their own military strength); or ‘external balancing’ (alignment with other similarly threatened states). After the Cold War many international relations scholars predicted that Japan might bandwagon with China, but this has not occurred. Instead, Japan has turned to a combination of internal and external balancing strategies. Under Abe, both have accelerated. In order to understand the trajectory of Abe’s Japan, it is important to examine each of these, and also to consider the variables that might push Japan in a different direction.

Internal balancing: restoring economic growth and building a national security state

Japan’s options for internal balancing – shoring up indigenous power to manage a rising China – are limited. The base of national power is the economy, a fact the Abe government understands well. Abe campaigned on a promise to revitalise the economy by firing ‘three arrows’. The first arrow was implemented by Abe’s new head of the Bank of Japan, Haruhiko Kuroda, who instituted quantitative and qualitative monetary easing policies and promised an inflation target of 2 per cent to break Japan’s deflationary trap. ‘Kurodanomics’, as some called it, also led to depreciation of the yen, which helped exports but nevertheless won support from the G7

because the goal was fighting deflation. The second arrow has been stimulus spending to jumpstart the economy, with a second burst to counter deflation when Abe implemented a consumption tax increase pledged by his predecessors to help close Japan’s yawning budget deficits. The first two arrows hit close to a bullseye, restoring confidence and growing the Japanese economy by 3.8 per cent in the first quarter, 4.1 per cent in the second, and 1.7 per cent in the third. Share prices increased nearly 70 per cent in the last year, and the most recent Tankan survey showed a positive shift in business sentiments.²

Thus far, however, the policies announced under the third arrow – a longer-term economic growth strategy – have not impressed the markets. Without structural reforms, Japan’s economy will be weighed down by the nation’s dismal demographic future and a public debt-to-GDP ratio of more than 200 per cent (although importantly over 90 per cent of debt is still held by Japanese individuals and institutions). Given Japan’s rapidly aging society, the working population will decline by 1 per cent per year over the next two decades. As CSIS demographer Richard Jackson points out, this means that ‘even at full employment, real GDP could stagnate or decline, since the number of workers may be falling as fast or faster than productivity is rising.’³ Japan will have to take significantly more dramatic steps to increase productivity and to find workers, which will require greater inclusion of women and/or immigrants in the workforce. A study by Goldman Sachs has suggested that women’s empowerment could add 15 per cent to GDP growth per year, and Abe has embraced this

JAPAN IS BACK

path as a source of political and economic energy.⁴ Immigration reform has not received comparable attention from the LDP.

The jury is still out on whether Abe's conservative Liberal Democratic Party is ready to undertake the next round of reforms necessary to improve Japan's growth trajectory. Japan's participation in the Trans-Pacific Partnership (TPP) would certainly spur reforms, particularly in the agricultural sector, as would a Japan-Australia Economic Partnership Agreement. Abe and his chief economic minister, Akira Amari, have been clear that they will take further measures as part of the third arrow, including introducing greater labour mobility and undertaking further tax reform. Many Japanese economists hope that the 2020 Olympics will accelerate economic growth, though it is disturbing to hear LDP politicians call the Olympics the new 'third arrow', since that would imply further stimulus spending rather than real restructuring.

One can envision several trajectories for Japan's economy after the first year of 'Abenomics'. The best case scenario, which is plausible, would involve a fuller embrace of economic restructuring beyond what has already been promised, propelled by Japan's entry into the TPP. The Japan Center for Economic Research (JCER) estimates that Japan's gross national income (GNI) would double by 2050 with more open markets, women's empowerment, and a firm decision to reopen a portion of nuclear power plants shuttered after the March 2011 Fukushima nuclear plant disaster.⁵ Abe will likely remain

open to expanding the third arrow because his own political support and his ambitious vision of Japanese remaining a 'tier one' power depend on economic growth.

That said, Abe is unlikely to retain the 60-70 per cent favourability ratings he enjoyed in his first year and will face stiffening resistance from interest groups opposed to reform, particularly if the United States wavers on Trade Promotion Authority (TPA) legislation necessary for Washington to complete TPP negotiations. The first two arrows gave quick economic and therefore political results. The third arrow will yield more substantial economic results, but the political pay-off will take more time. Abe has the best prospect of any recent prime minister to be in power long enough to enjoy the benefits of longer-term economic restructuring, if he uses his time wisely. In discussions with about a dozen Japanese CEOs, this author finds them about evenly divided on whether he will.

Abe has relatively more control over the traditional military instruments of the state than he does over the output of the economy. Japan has highly capable Self-Defense Forces (SDF) with 18 submarines, 361 fighter aircraft and more than 50 naval surface combatants, including two commissioned and two planned helicopter carriers that are essentially light aircraft carriers if they were augmented with F-35B short takeoff and vertical landing fighters. Yet other powers in the region are also growing their armed forces. North Korea potentially has 6-12 nuclear weapons and over 200 Nodong ballistic missiles that range Japan. The Chinese People's Liberation Army (PLA) is rapidly

JAPAN IS BACK

increasing the number of its naval surface combatants (now 910) and fighter aircraft (now 2580). It also has a growing number of medium-range ballistic missiles deployed with Japan as a primary target.

Japan's ability to keep up with the military advances being made by others and to undertake internal balancing is constrained by budgetary factors. Abe has increased the defence budget by 0.8 per cent for the 2013 fiscal year and added additional vessels to the Japanese Coast Guard, but significant growth in the size of the SDF is unlikely. Growth is likely to be 1.7 per cent annually over the course of Japan next five year defence plan.

Theoretically, the cheapest and most dramatic way for Japan to increase its indigenous military capabilities would be to develop nuclear weapons. Conservative estimates are that Japan could probably produce nuclear weapons and precision ballistic missiles to deliver them in a matter of years.⁶ However, the *strategic* cost of such a move would be incalculable, since it would undercut American willingness to provide a nuclear umbrella over Japan and would precipitate proliferation across Asia, ultimately making Japan much less safe. Japan's latent capacity to produce nuclear weapons gives Japan negotiating leverage vis-à-vis other powers in the region and forces the United States to ensure its own extended deterrent remains credible, but actually producing such weapons is not a realistic strategic option absent the most exceptional collapse of American power and credibility.

With significant budget increases and new offensive or nuclear weapons capability counterproductive, the area of internal balancing that is most appealing to conservative realists like Abe has been institutional and legal reform in the area of national security. Japan's deterrent capabilities are significantly less efficient and credible because of the numerous legal and bureaucratic constraints that have accumulated in the post-war period. Removing those constraints, reducing bureaucratic stove-piping, and strengthening internal unity of command – in short creating a more normal democratic national security state comparable to an Australia or a South Korea – lies at the centre of Abe's strategic agenda.

Unity of command is critical to successful strategy. Abe joins a line of conservative realist prime ministers who have sought to strengthen the decision-making power of the prime minister's office. Bureaucratic stove-piping is deeply rooted in Japan's political culture, and brilliantly portrayed in Akira Kurosawa's 1952 movie *Ikuru (To Live)* about a decent man who is destroyed as he shuffles from bureaucracy to bureaucracy trying to build a neighbourhood park.⁷ National authority in Japan is rarely centralised in an individual office. As far back as the seventh century, Prince Shotoku was forced to promulgate a constitution (Japan's first) that ensured the power of the barons (not unlike Britain's *Magna Carta* five centuries later). Even during the second world war, the rivalries between the Imperial Army and the Navy were debilitating, as were rivalries

JAPAN IS BACK

between factions within the Navy before the war. After the war, the United States depended in part on Japan's lack of 'jointness' among its military services to exercise greater control in the alliance. Thus for instance the US Navy developed ties with Japan's Maritime Self-Defense Forces (MSDF) and the CIA with the national police that were often closer than these institutions' ties with each other.

By the 1980s, however, in the context of Soviet expansion in the East Asia, US officials concluded that Japan's lack of jointness was a serious liability for the alliance – and many Japanese leaders agreed. At that time Prime Minister Yasuhiro Nakasone began a process of administrative reform to strengthen the prime minister's office. Subsequent reforms took place in the mid-1990s under Ryutaro Hashimoto and in the 2000s by Junichiro Koizumi. The overall effect was to enhance crisis management capabilities, expand the number of personnel, and shift the initiative for introducing legislation from the cabinet to the cabinet office directly under the prime minister. In this first wave of reforms, the National Police Agency expanded its influence at the expense of the Ministry of Finance, which had directed Japan's overall trajectory in the first four decades of the post-war period when economic recovery was the overriding national concern.

Abe is embarking on the next major reform of national security decision-making with the establishment of a National Security Council and National Security Bureau (NSB) comparable to the US National Security Council (NSC) staff. This innovation will

enhance the power of the foreign ministry, the defence ministry, and the SDF at the relative expense of the national police, though the latter will retain control of crisis management, intelligence briefings, and counter intelligence. Over time, the new NSB staff will attract independent scholars and experts and may, like the US NSC, start to erode the influence of the foreign ministry. But for now, the National Security Advisor and the leading staff members will be former or current diplomats.

In the United States, the influence of the NSC staff depends heavily on the president, and so it will likely be in relation to Japan's NSB. Under Abe, the new NSB staff will enjoy significant stature because of the Prime Minister's own *focus* on national strategy. The NSB function in Japan – which is something of a hybrid of the American and Australian systems – will have its growing pains, but will likely provide Abe with tools to conceptualise and articulate foreign policy and guide the powerful bureaucracies more effectively in the implementation of policy. The new NSB staff produced its first national security strategy document in December 2013 with that aim. The document emphasised the theme of Japan as a 'proactive contributor to peace based on international cooperation' – an innocuous sounding phrase beneath which many of the internal and external balancing strategies described in this Analysis are detailed.⁸ Accompanying legal changes to strengthen protection of national secrets passed in December will also help integrate national intelligence estimates for the prime minister and open greater spigots of intelligence sharing from the United States, which has always worried (perhaps

JAPAN IS BACK

hypocritically in light of recent events) about Japanese leaks.

Abe will also remove other constraints on Japanese defence policy. The most important will be revision of the Cabinet Legal Bureau's longstanding determination that Japan should not exercise its right of collective self-defence under the United Nations Charter. Article 9 of the Japanese constitution outlaws war as a means to settle international disputes, but does not strictly proscribe the right of collective self-defence, so the prohibition has always been more political than legal. Based on recommendations of an outside group of national security and legal scholars, Abe's new chief of the Cabinet Legal Bureau will likely issue a new guidance in mid-2014 broadening what the SDF is permitted to do when allies come under attack. Abe will have to win over the more pacifist members of his smaller coalition partner New Komeito, but that party wants to remain in government and will find ways to accommodate the LDP. The opposition Democratic Party of Japan (DPJ) is divided down the middle on the bill, and the remaining parties are either strongly in favour of Abe's proposal, or politically irrelevant. Within the LDP, most of the politicians-in-waiting to succeed Abe should he stumble are also supporters of exercising the right of collective defence (including LDP Party Secretary-General Shigeru Ishiba, Deputy Prime Minister Taro Aso, and probably even the more centrist Sadakazu Tanigaki). Abe would like eventually to revise Article 9 itself, but has settled for the more practical goal of revising collective self-defence – a process set in motion by the last DPJ leader, Yoshihiko Noda.

With the right of collective defence expanded, Japan will be able to: participate with fewer constraints in UN peacekeeping operations (and come to the assistance of other UN forces under attack); plan for contingencies more effectively with the United States (particularly for operations in which US forces will be looking to Japan for anti-submarine warfare or missile defence support); and explore new areas of defence cooperation with like-minded states like Australia. Grey areas will remain, to be sure, but the SDF will be seen by allies, partners, and potential adversaries as a more effective fighting force within the confines of Japan's renunciation of war as a means to settle international disputes. For the SDF to become a fully functioning military comparable to Australia's would require revision of Article 9, a longstanding LDP pledge but not one that even Abe is likely to pursue in the near term.

In parallel with the move on collective self-defence, Abe will continue relaxing the ban on arms exports and international defence industrial collaboration. The ban is not based on an interpretation of the constitution, but instead originated with a declaration by Prime Minister Eisaku Sato in the Diet in 1967 that Japan would not export weapons to certain categories of countries. In 1976 the left-leaning cabinet of Takeo Miki decreed that henceforth *all* weapons exports and defence technology transfers would be prohibited. Japan's anti-military culture was so strong that no subsequent prime minister was willing to invite a national debate by reversing Miki's decision. With only a narrow exception made for limited technology transfers to the United States in 1983 by Nakasone, the Miki ban stood in place

JAPAN IS BACK

until 2011 when DPJ prime minister Yoshihiko Noda announced a broader relaxation of the policy.⁹ Abe has seized on that change to encourage more active Japanese participation in high-end projects such as the Joint Strike Fighter and lower-end technologies such as the ten surplus patrol boats his government delivered to the Philippine navy in July 2013 to help that nation protect its maritime domain from Chinese incursions and coercion. Defence industrial and technological collaboration is part of the lifeblood of strong alliances and is a tool that Japan will increasingly use, although grey areas will remain – for example, whether new submarines can be jointly developed with non-allies like Australia.

These reforms in Japanese national security institutions, laws and policies will not necessarily lead to significant *quantitative* change in Japan's national power, but will have significant *qualitative* impact in the future. The overarching theme across national security institutions is 'connectivity and resilience' including 'a dynamic joint defence force' as the December 2013 Mid-term Defence Plan emphasises.¹⁰ Moreover, the fact that many of these reforms began before Abe came to power suggests bipartisan support for the strategy going forward.

For example, the SDF established its first *joint* overseas base since 1945 in Djibouti for anti-piracy operations in June 2011, and the rules of engagement for the Maritime Self-Defense Forces allowed the use of force to protect other members of Joint Task Force 151, the multilateral naval force set up in response to acts of piracy off the Horn of Africa. Because

pirates are stateless, the Cabinet Legal Bureau determined that collective self-defence prohibitions did not apply, and Japanese vessels could open fire not only in self-defence, but also to help others under assault from pirates. Japan's 'dynamic defence' strategy for the protection of islands in the East China Sea was announced on 17 December 2010 by the previous DPJ government, which also oversaw the introduction of combined arms amphibious capabilities that would integrate all three services in military operations. Polls consistently now show that the military is the most respected institution in Japan – a remarkable turnaround for a pacifist society that once shamed the post-war military into concealing their real occupations from neighbours. The Japan Self-Defense Forces (JSDF) are growing in importance not only at home, but as a diplomatic instrument of Japan's external balancing within Asia.

External balancing: maritime alignment

Abe has been the most energetic diplomat of all Japan's post-war prime ministers. In his first ten months in office he travelled to 23 countries and held more than 100 high-level meetings. The most striking thing about his diplomacy is that it has been focused on the near and far abroad rather than the immediate neighbours South Korea and China.

In part, the lack of summitry with China and South Korea results from impasses with those nations over historical and territorial disputes. But Abe's preference for diplomacy with the states around China's periphery also reflects his view that Japan's natural partners are the

JAPAN IS BACK

democratic maritime states. In fact, this has been a signature of Abe's diplomacy from the beginning. As candidate for prime minister in 2006 he called for a US-Japan-Australia-India Quadrilateral Security Dialogue ('Quad') summit based on the four nations' close cooperation in response to the December 2004 Asian tsunami.¹¹ Foreign ministry bureaucrats in all four countries reluctantly held one meeting of senior officials for the 'Quad' when Abe first came to power (the NSC and prime ministers' departments under Bush, Howard, Singh, and Abe were more enthusiastic), and it eventually came apart completely when then Australian foreign minister Stephen Smith publicly opposed the concept under the new Labor government in early 2008. However, Abe did sign a bilateral security declaration with Australia in 2007 and paved the way for one to be signed by his successor with India in 2008.¹² While in opposition, Abe spoke enthusiastically about the responsibilities of regional democracies to secure the maritime commons, stating at a conference in Washington in 2009 that:

'America and Japan are the guardians, protecting the order, peace, freedom and prosperity that have made the Pacific the greatest highway for humankind ... in order for the maritime traffic of goods and commodities to flow freely with no need to fear any interruption, let alone piracy or terror, Japan and the US must work together and with like-minded democracies to ensure that the oceans remain free for safe navigation.'¹³

After returning to the premiership, Abe introduced the idea of a strategic diamond of Pacific or Indo-Pacific democracies, an image evocative of the 'Quad' but focused more explicitly on maritime security.¹⁴ So far this is more a case of strategic theory on Abe's part rather than a practical policy blueprint: the United States, India, Australia and other potential partners seem more comfortable with bilateral or trilateral configurations, not least with awareness of Chinese sensitivities. But Abe's concept is clear. His outlook is derivative of the nineteenth century American naval strategist Alfred Thayer Mahan, who called for closer alignment amongst the United States, Japan, and the British Empire to secure the Pacific against threats from continental-based hegemony. Japanese strategic thinkers around Abe also sometimes cite Nicholas Spykman, the Dutch-American scholar who embellished on Mahan's theories in the pre-war years by arguing that the United States would eventually have to work with Japan and Britain to secure the entire periphery of continental Eurasia against future expansionism by China or Russia.¹⁵

Building on efforts to strengthen Japan-Australia and Japan-India relations during his first term in office, Abe is now shoring up relations with Southeast Asia and Russia, which Tokyo hopes might be more amenable to closer diplomatic alignment because of the pressure on Moscow to compete with cheaper US liquefied natural gas (LNG) exports and Chinese power. In Southeast Asia, Abe has visited all the 10 member states of ASEAN in less than a year, and has made his concern about Chinese moves to change the situation in

JAPAN IS BACK

the South China Sea by force very clear. He has leased 10 Japanese coast guard vessels to the Philippines and dispatched 1200 JSDF personnel to assist with relief and recovery from Taiphon Haiyan, grateful in return for the Philippine government's embrace of his security agenda. Abe also visited Russia for the G20 Leaders' Summit in September 2013. He agreed to restart negotiation for the Russia-Japan Peace Treaty with President Vladimir Putin and to address territorial disputes in search of a 'mutually-acceptable' solution. Putin's own diplomacy is animated still by deep resentment of the United States and it remains to be seen whether the logic of an energy alliance with Japan as an additional hedge against China's growing power will trump this deeply ingrained insecurity about the West in the mind of the former KGB officer.

The indispensable US-Japan alliance

For all of this external balancing with India, Australia, and ASEAN, however, Abe and his advisers have no illusions that this can replace the United States as the lynchpin of Japanese security. These other Indo-Pacific security arrangements are at best a soft-hedge at a time when the only real deterrent against North Korean attack or Chinese coercion is US military power. The Japanese public recognises this fact, with more than 70 per cent expressing support for the alliance in many opinion polls.¹⁶ No major Japanese political figure today challenges the alliance or calls for closer ties with China to counter the United States. The last to do so was the DPJ's first leader, Yukio Hatoyama, who in 2009 called for an 'East Asian Community' that excluded the

United States. But Hatoyama was living in a world shaped by resentful veterans of the old US-Japan trade wars and had visions of fulfilling his grandfather Prime Minister Ichiro Hatoyama's 1950s-era idea of breaking with the United States in the Cold War. The Japanese public and the DPJ itself repudiated Hatoyama, who now occasionally appears in the media to make contrarian statements of support for China's claims to the Senkaku/Diaoyu Islands.

The policy and legal obstacles that Abe is now busy removing as part of his internal balancing strategy were erected by previous Japanese governments eager to build a buffer against involvement in US military plans in the Pacific. Now the tables have turned. The Japanese government is concerned about preventing American detachment, decoupling, and abandonment, while many on the US side have grown anxious about entrapment in Japanese confrontations with China.

Recognition of the indispensability of US power to Japan has led to a significant tightening of the US-Japan alliance. Before the United States and Japan first revised bilateral guidelines in the late 1990s to prepare for regional contingencies 'that have a direct impact on the security of Japan',¹⁷ Chinese planners could conceive of splitting Washington and Tokyo in Taiwan scenarios. Now US and Japanese forces are integrated on missile, anti-submarine warfare, and other missions in such a way that the PLA must assume that any military escalation would trigger a *joint* US-Japan response. That virtual jointness (the US-Japan alliance does not have a formal joint and

JAPAN IS BACK

combined command like NATO or the US-Republic Of Korea alliance) is a powerful source of deterrence and dissuasion. It could also become a key source of reassurance for regional powers such as South Korea that are concerned about unilateral Japanese military action. In October 2013 the US and Japanese ministers of foreign affairs and defence committed in their annual '2+2' dialogue to again revise the bilateral defence guidelines, with the aim of being:

'full partners in a more balanced and effective alliance in which our two countries can jointly and ably rise to meet the regional and global challenges of the 21st century, by investing in cutting-edge capabilities, improving interoperability, modernizing force structure, and adapting alliance roles and missions to meet contemporary and future security realities.'¹⁸

Under the same joint statement, secretaries of state and defence John Kerry and Chuck Hagel welcomed Japan's intention to move on collective defence, which US planners know is essential for the new Defense Guidelines Review to be effective.

Nevertheless, one need only peruse Japanese newspapers or spend time in conversation with senior officials and politicians to recognise that there is growing Japanese anxiety about US military capabilities and intentions in Asia. On the capabilities side, budget sequestration in Washington casts a large shadow over future US operations in the region. Thus far, the Pentagon has excluded joint exercises with

Japan and other allies from the budget knife and the US services are clearly prioritising the Pacific for new upgrades in equipment.¹⁹ But the service chiefs have also testified on the record that continued budget cuts will undermine their ability to meet current missions and security obligations.²⁰

There is perhaps greater Japanese anxiety about US intentions. Looking at the second Obama administration, the Abe government has found no senior US cabinet or sub-cabinet official – or indeed senior military service chief or combatant commander – who has extensive experience in Asia. Nor are there any senior foreign policy intellectuals in the current US administration who are literate or even interested in the Mahanian maritime strategic concepts that animate Abe's foreign policy. The Obama administration's uneven performance on Syria also raised questions about US commitments to the defence of the Senkaku/Diaoyu Islands under Article V (the defence clause) of the 1960 Treaty of Mutual Cooperation and Security between Japan and the United States of America. The United States does not take a position on the issue of sovereignty, but has clearly stated that Article V of the Treaty would apply in the face of coercion or attack. US officials, however, have not always delivered that message consistently or plainly, sending unintended signals implying a lack of resolve to come to Japan's defence. The Japanese public is confused by the American position of saying that the security treaty applies to the Senkaku/Diaoyu Islands even though Washington does not back Japan's claim. Statements from the US Pacific Command asserting that the greatest threat to

JAPAN IS BACK

security in the Pacific is climate change and trumpeting a new 'strategic partnership' with China have only added to confusion about US strategic intent in President Obama's second term.²¹

Japanese doubts about the US commitment are often overblown. It is not realistic, for example, to expect the Obama administration to reaffirm the US commitment to defend Japan in a Senkaku/Diaoyu crisis every time a senior official speaks on Asia. For example, Vice President Joe Biden managed to send a credible deterrence signal during his 2 December visit to Tokyo by expressing US opposition to Chinese efforts to change the *status quo* in the Senkaku/Diaoyu Islands through coercion.²² He sent the right message in the wake of Beijing's recent announcement of an Air Defence Identification Zone (ADIZ) without returning to the liturgy on Article V. Nor does the Pacific Command's poor press management indicate any diminution in the US commitment to defend allies, or any lack of concern about Chinese designs on the first island chain. It is true that the Obama administration has appeared to emphasise the reassurance of China at a time when Abe and the Japanese public are concerned almost entirely with strengthening dissuasion and deterrence. If well managed, however, the new US-Japan Defense Guidelines Review and a Japanese decision to recognise the right of collective self-defence will close this gap, since it will ease joint planning between Washington and Tokyo for a variety of contingencies, including defence of islands like the Senkaku/Diaoyu Islands.

The extent of Japanese anxiety about the US commitment can be found in the debate in Tokyo about developing unilateral capabilities to counterstrike enemy bases. The Japanese government's interim report on defence modernisation in preparation for the 2013 National Defense Program Outline noted that this counterstrike capability should be taken into consideration.²³ Operationally, most senior Japanese military officers interviewed by the author have an interest in limited surface-to-surface missile capabilities necessary to deter China from trying to seize contested islands by force at a tactical level. Others want a capability to hit North Korean missile launch facilities. There is a broad recognition among senior military officers that a unilateral Japanese strike against the mainland of China would be meaningless without an enormous expansion of the defence budget or reliance on the United States to manage the next level of escalation after any Japanese strike. Politically, however, there is growing interest in Tokyo in the concept that Japan might use the development of counterstrike capability as a source of leverage vis-à-vis the United States.

Eventually, US-Japan consultations on the issue yielded language in the final December 2013 National Defence Program Outline in which Japan would study an indigenous capability to strike enemy launch facilities based on appropriate roles and missions with the United States. The entire debate ended well for the alliance, but demonstrated the growing Japanese anxiety about the US commitment and the theoretical and political attraction of an indigenous strategic hedge. It is not

JAPAN IS BACK

surprising, then, that while 74 per cent of Japanese say they support the US-Japan alliance, 36 per cent say they do not fully trust the United States.²⁴

The hedging and uncertainty aside, there should be no mistaking the overall consensus in Japan in favour of strengthening the US-Japan alliance. The process began with the 1996 US-Japan Joint Security Declaration and the subsequent first revision of the bilateral defence guidelines. Under Prime Minister Junichiro Koizumi (2001-2006) the alliance was further deepened as Japan deployed the MSDF to refuel coalition ships in the Indian Ocean under Operation Enduring Freedom in Afghanistan and then sent ground forces to southern Iraq under Operation Iraqi Freedom. As Abe himself explained to the public at the time, both missions were undertaken in part to cement the US commitment to Japan in East Asia. Hatoyama represented a brief departure from this trend, but his successors returned to the previous line, particularly the last DPJ prime minister, Yoshihiko Noda, who began the push for most of the key elements of Abe's security agenda today (particularly the Defense Guidelines Review, the relaxation of arms export principles, and deliberation on recognising the right of collective self-defence). The DPJ's national security and foreign affairs committees also issued a national security strategy in 2010 that Abe himself may have endorsed at the time, including an emphasis on strengthening the US-Japan alliance and expanding security cooperation with other maritime democracies.²⁵ While scholars have emphasised the debate among different strategic schools in Japan, the real debates now

are mostly about the timing and scope of change – not its direction.

Values, history, and the Korea problem

The curious hole in Abe's maritime balancing strategy is South Korea. Historically, Japan's geostrategic coordinates have been defined by the security of the peninsula, which Meiji moderniser Aritomo Yamagata famously called a 'dagger aimed at the heart of Japan'. Japan's wars with China and Russia a century ago were both prompted by a desire to control what Yamagata called the 'line of maximum advantage' on the peninsula. During the Cold War, governments in Tokyo paid close attention to the US commitment to the Republic of Korea (ROK) and pressed hard to retain US forces there. Yet South Korea has not been a key player in Abe's previous plan for an 'arc of freedom and prosperity' or his current concept of a 'diamond' in the Pacific. Part of this geostrategic neglect of South Korea reflects frustration in Tokyo with President Park Geun-hye, who insisted on inserting anti-Japanese language in diplomatic summits with China and Russia and even in her meeting with visiting US Secretary of Defense Chuck Hagel in October 2013.²⁶ Though Abe's campaign statements about revising his government's official 1993 apology for treatment of the euphemistically-named 'comfort women' certainly triggered anti-Japanese sentiment in South Korea, Abe subsequently turned silent on the issue. Meanwhile Seoul has increased demands for official apologies and compensation – not only for the comfort women, but also the forced labour of Koreans in Japanese war production.²⁷ These rising

JAPAN IS BACK

demands on Japan reflect a more activist Korean supreme court and networked civil society, and perhaps also President Park Geun-hye's own political sensitivities as the daughter of the South Korean president whom Abe accurately (and affectionately) described in his February 2013 CSIS speech as 'the most pro-Japanese Korean leader'. Whatever the motivation for Seoul, the Japanese government views these demands as an unacceptable revision of the bilateral terms of normalisation in 1965, while the South Korean government views Japanese reticence as further evidence of renewed nationalism and militarism.

For the United States, this tension between two allies is both perplexing and damaging, since trilateral security cooperation among the United States, Japan, and South Korea has been critical to encouraging Chinese pressure on North Korea. (The message from successive US governments has been that the alternative to Beijing reining in its client in Pyongyang would be closer US-Japan-ROK defence cooperation – not a welcome development from China's perspective). It is unclear whether deep strategic changes are occurring in South Korea or whether the current tensions are essentially cyclical; South Korean sentiment was much more negative towards China three years ago and towards the United States a decade ago, for example. Recent polling from South Korean think tank the Asan Institute of Policy Studies indicates that although the majority of South Koreans view Japan as a military threat, a plurality favours an Abe-Park summit and 60 per cent view the conclusion of a bilateral Japan-ROK General Security of Military Information Agreement as necessary.²⁸

However, Yongshik Bong of Asan points to structural factors that could complicate Japan-ROK relations for some time, noting that:

'during the Cold War, South Korea and Japan needed each other for security against common adversaries and economic prosperity ... Japan continues to be an important trade partner, but it is no longer as important as it was back in the 1997 financial crisis.'²⁹

That said, on questions of Japan's history, Korea and China no longer share similar views with the rest of Asia. Polling in Taiwan, South and Southeast Asia consistently indicate far higher favourability ratings towards Japan than polls taken in South Korea or China.³⁰ Of course, the Japanese attitude with respect to revised history textbooks, claims to Takeshima/Tokdo islets, and the comfort women issue, all aggravate wounds in the Korean national consciousness that have generally become less painful elsewhere in Asia. Senior officials in the Abe government speak of 'strategic patience' with Seoul as Japan strengthens ties with the United States and other Asian powers and demonstrates to Park that Seoul is on a fool's errand attempting to isolate Japan in Asia. It remains to be seen whether 'strategic patience' will work. In the meantime, the tensions between Seoul and Tokyo are indirectly hurting broader Japanese influence in Asia and even in Washington.

Japanese strategists should be concerned, for example, that Abe's championing of democratic values within Asia resonates least with South

JAPAN IS BACK

Korea – perhaps the most important example of democratisation within the region. Still, it would be a mistake to dismiss Abe's values-based diplomacy as window-dressing for renewed nationalism or a cynical effort to isolate China. For Japan, a regional architecture that deepens democratic norms and the rule of law is indispensable to managing China's growing influence and protecting Japanese economic interests in China and across the region. Junichiro Koizumi called upon the region to strengthen democracy, human rights, and the rule of law in his January 2002 speech in Singapore and at the 50th anniversary Bandung Conference in 2005. In polling of Asian elites conducted in 2008-9, Japanese respondents were by far the most adamant that these norms should guide the future formation of an East Asian Community.³¹ While some Japanese intellectuals still call for the embrace of 'Asian values' to protect against the pernicious influence of the West, those arguments are becoming rare, and largely peaked with Hatoyama in 2009.

Abe therefore advances a values-based diplomacy that is rooted in a broad consensus within Japan. His own nationalism (others might say patriotism or right-wing extremism) should be viewed in this context as well. As Kevin Doak points out, Abe has embraced 'civic nationalism', which celebrates Japan's values and institutions, rather than the kind of pre-war 'ethnic nationalism', which trumpeted Japanese racial or cultural superiority.³² However, Abe's cohort has often undermined this affirmative narrative about Japan's contemporary role with their intense desire to

correct perceived abuses and exaggerations of Japan's past role. This resentment of left-leaning groups at home and Chinese propaganda abroad formed a powerful bond among conservatives waiting in the wilderness during the DPJ years, but has proven a real liability in governing. Staffers to Abe quipped privately that in the first few months of the new administration the prime minister was a pragmatic strategist on the weekdays, but more ideological while golfing with political allies on the weekends. Ultimately, Abe does not need the right-wing to retain his power – that will depend much more on his management of the economy and foreign policy, including relations with South Korea and, of course, China.

China: the problem at the centre

The primary driver for Japanese strategic thinking over the past fifteen years has been China. Meanwhile, the Sino-Japanese relationship has become a topic of intense concern for the rest of the region. With US\$333.7 billion dollars in bilateral trade and US\$13.5 billion in Japanese investment in China, Sino-Japanese economic interdependence serves as a brake on conflict between the two countries.³³ In terms of the larger structure of trade and investment, however, Tokyo and Beijing arguably need each other less rather than more. Japan's trade with China has fallen from 18.4 per cent of total exports in 2000 to 11.2 per cent in 2011, while Japanese exports to the ASEAN+6 economies have risen from 9.7 per cent to 10.9 per cent over the same period. This relative diversion away from China reflects Japanese frustration with Chinese labour costs, anti-

JAPAN IS BACK

Japanese demonstrations, poor rule of law, and growing political risk.

Meanwhile, on the political and security side, Sino-Japanese relations have reached a nadir. In bilateral polls taken in mid-2013, 90 per cent of Japanese citizens said they did not like China and 93 per cent of Chinese said they did not like Japan – an acceleration of already steadily deteriorating mutual views even before the ADIZ controversy at the end of the year.³⁴ Government polls taken by the Japanese Cabinet Office are not quite as dire, but also reflect the deepest Japanese distrust of China on record.³⁵ Japan's annual defence white papers have sounded progressively louder clarion calls about the Chinese military threat each year, and for good reason. Since 2009, Beijing has dramatically increased the deployment of maritime security ships to the area of the Senkaku/Diaoyu Islands. By 2012 Chinese 'white hull' ships were entering the area of the islands on a daily basis with 'grey hulled' PLA surface action groups usually lurking just over the horizon and frequently entering the Miyako straits or circumnavigating Japan.³⁶ Intrusions into the twelve mile zone of territorial waters surrounding the islands occur several times a month. And in late November 2013 China announced an Air Defence Identification Zone over the Senkaku/Diaoyu Islands and warned that the PLA might take action against unidentified aircraft entering the zone.³⁷

While the complications in Sino-Japanese relations are numerous, it is China's coercive pressure in the East China Sea that is most likely to spark a larger confrontation. In the

1970s when Tokyo and Beijing faced a common threat from the Soviet Union, the two governments agreed to set aside the dispute and each abide by the status quo. Tokyo argues that China changed the status quo first in 1992 by staking formal claim to the islands in response to the UN Convention on the Law of the Sea (UNCLOS). Tokyo argues that Beijing further shifted the status quo with intensified military and paramilitary deployments after 2008. Beijing claims that Japan shifted the status quo by nationalising (purchasing from private owners) three of the five islands – Uotsuri Island, Kitakojima Island, and Minamikojima Island – in September 2012. At the time the then-Noda government said was necessary to prevent nationalist Tokyo Governor Shintaro Ishihara from pre-emptively purchasing the islands and provoking China with lighthouses and other structures, but there was also a certain desperation in the Japanese decision based on perceptions of rapidly growing Chinese pressure at sea.

Both Japanese and Chinese maritime services have been careful to observe rules of engagement that avoid potential collisions, like that between a Chinese fishing vessel and a Japanese Coast Guard cutter in September 2010. However, the Chinese claim to have established an ADIZ raises the stakes considerably by putting the PLA Air Force, US Air Force, and Japan Air Self-Defense Force on the frontline instead of white-hulled Coast Guard and maritime surveillance services. Critical decisions may now occur in minutes and seconds rather than days and hours. The Obama administration responded sternly to the Chinese announcement and will likely continue

JAPAN IS BACK

engaging in freedom of navigation exercises to demonstrate that the ADIZ will have no impact on US operations.³⁸ Japan will also seek ways to demonstrate resolve.

Japan's strategy is to demonstrate that Chinese coercion will not lead to Japanese compromise. The United States, Australia, and all maritime nations have a stake in Japan not backing down under Chinese military pressure. Ultimately, a *modus vivendi* might be reached in which Japan finds a way to acknowledge officially that there is a *de jure* dispute (there is obviously a *de facto* dispute). For example, by inviting Beijing to take its claim to the International Court of Justice and abide by international arbitration in exchange for a significant reduction in China's operational tempo around the islands. Further confidence-building measures and strategic dialogue could then be built around the arrangement. However, this will require a decision in Beijing that coercion is not working and that stabilising Sino-Japanese relations is a national priority. There are workmanlike exchanges between senior statesmen such as former prime minister Yasuo Fukuda, scholars close to the government, and business leaders. China's Foreign Minister, Wang Yi, is a Japan hand and there are other pragmatists in Beijing who are looking for off-ramps from the escalating confrontation. But has the Central Military Commission in Beijing come to the conclusion that coercion against Japan is counterproductive? Probably not yet. Officials in Tokyo recognise that they must settle in for a longer term set of tensions in the East China Sea. Their hope is that allies and partners see the problem in the same way.

Conclusion

Scholars debate whether grand strategy is possible in a democracy, but Shinzo Abe has articulated and begun implementing a coherent set of ends and means to ensure that Japan remains a 'tier one' player in international affairs. There are numerous questions about his economic plans for the 'third arrow' and counterproductive dimensions to his political cohort's narrative about the past. Difficulties with South Korea undercut external balancing, while internal balancing through alignment of national security institutions will only matter on the margins if economic restructuring is not achieved. Yet despite these problems and inefficiencies, the overall strategy could be quite effective. In international affairs, willpower matters, and Abe is demonstrating a resolve that has been missing since the days of Junichiro Koizumi. At the same time, the fact that his national security policy initiatives build on previous work by LDP and DPJ governments suggests a degree of consensus around the nation's general trajectory when it comes to national security policy.

Of course, there are variables that could lead Japan in different directions. The United States, in particular, must ensure the credibility of extended (including nuclear) deterrence as well as security commitments made with respect to the East China Sea and the application of Article V to coercion or attack on the Senkaku/Diaoyu Islands. Inordinate fear of entrapment in a Sino-Japanese conflict would lead American policymakers down a dangerous path. Resisting Japanese requests for joint contingency planning or pressuring Tokyo to

JAPAN IS BACK

compromise in the face of Chinese coercion would do fundamental damage to the credibility of the alliance and lead to more pronounced hedging by Japan. The result would be less US control over escalation in a crisis in the East China Sea and weakened dissuasion and deterrence all along the offshore island chain.

The United States should embrace Japan's desire for greater jointness, planning, and readiness. Australia and other allies and partners should move in parallel based on their own national interests and specific arrangements with Tokyo. Japan needs help not only in resisting Chinese coercion, but also in refining its own foreign policy narrative and seeking opportunities for reassurance with Beijing. Friends who stand with Japan on the first objective will have more credibility in influencing the way it pursues the second.

Japanese economic performance is also a fundamental variable. If Japan were to succeed in doubling gross national income by 2050 through reform and restructuring, then there would be greater stability in Asia and influence for the liberal democracies in the international system. Many of the necessary elements of such a renaissance are present in Abe's vision, if still uncertain in terms of implementation. If Japan slides to 'tier two' status in the world by dint of poor economic performance or loss of national will, the world will be that much less stable. There are voices in Japan urging just such a low-risk/low effort future for the nation: one of quiet but comfortable decline. In Abe's Japan those voices are still the minority, at least among the political classes. If those voices

become dominant, it is possible that China may fill the void left in Asia as a 'responsible stakeholder' (in former World Bank President Bob Zoellick's words). But that outcome seems less likely if a power vacuum opens rapidly around China's periphery.

If one accepts that the peaceful integration of Asia under democratic norms requires a stable strategic equilibrium, then one should hope that Abe succeeds. Asia and the world need a strong and confident Japan. A strong Japan linked to both the maritime democracies and China's own economy would limit Beijing's options for coercion and increase the attractiveness of an open trans-Pacific order in Asia. That is what it could mean for Japan to remain a 'tier one' nation.

¹ Shinzo Abe, Statesmen's Forum, Center for Strategic and International Studies, Washington, DC, February 22, 2013. Transcript available at: http://csis.org/files/attachments/132202_PM_Abe_TS.pdf.

² Takashi Nakamichi, "Abenomics, shinkou shijyou no atsuryoku ukeru - daisan shihanki seichoritsu, kamihanki no hanbun mimanka" [Abenomics Faces Emerging Pressures - is the Growth Rate for the Third Quarter of the Year Likely Less than Half the Rate of the First Half of the Year?], *Wall Street Journal*, November 11, 2013, <http://jp.wsj.com/article/SB10001424052702304368604579190480060972194.html>; "Abenomics soubu ichinen, kabuka 68% jyoshomo seichosenryaku koka wa korekara" [The First Year of Abenomics Market - Stock Prices Rose 68%, though the Effect of the Growth Strategy is yet to be Felt], *Sankei Shimbun, MSN Online*, November 13, 2013,

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³ Richard Jackson, "Japan's Demographic End Game," *Japan Chair Platform*, November 21, 2013, http://csis.org/files/publication/131121_Jackson_JapansDemographicEndGame_JapanPlatform.pdf.

⁴ "Japan: Portfolio Strategy—Womonomics 3.0: The Time Is Now," Goldman Sachs, October 1, 2010, accessed December 2, 2013, http://www.goldmansachs.com/our-thinking/focus-on/investing-in-women/bios-pdfs/womonomics3_the_time_is_now_pdf.pdf.

⁵ Japan Center for Economic Research, *Three Barriers on the Road to Prosperity*, May 31, 2013, accessed December 2, 2013, http://www.jcer.or.jp/eng/research/pdf/concept20130531_1.pdf. According to the JCER models, if

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⁶ Llewelyn Hughes, "Why Japan Will Not Go Nuclear (Yet): International and Domestic Constraints on the Nuclearization of Japan," *International Security* 31, 4 (2007): 67-96.

⁷ Kurosawa borrowed the storyline from Tolstoy's *The Death of Ivan Ilyitch* (1886), which shows that

Japan's bureaucratic political culture is not entirely unique.

⁸ Prime Minister's Office of Japan, *Kokka Anzen Hosho Senryaku [National Security Strategy]*, December, 2013.

⁹ Government of Japan, "Statement by the Chief Cabinet Secretary On Guidelines for Overseas Transfer of Defence Equipment etc.," December 27, 2011, (Provisional translation), accessed November 26, 2013,

http://www.kantei.go.jp/foreign/others/201112/_icsFiles/afildfile/2012/01/31/20111227DANWA_e.pdf.

¹⁰ Defense Ministry of Japan, *National Defense Program Guidelines (NDPG) for FY 2014 and Beyond*.

¹¹ Shinzo Abe, *Utsukushii kuni e [Towards a Beautiful Country]* (Tokyo: Bungei Shunju, 2006).

¹² These documents allow for significant levels of security cooperation and dialogue short of treaty commitments. Ministry of Foreign Affairs of Japan, "Japan-Australia Joint Declaration on Security Cooperation," May 13, 2007, accessed November 26, 2013, <http://www.mofa.go.jp/region/asia-paci/australia/joint0703.html>; Ministry of Foreign Affairs of Japan, "Joint Declaration on Security Cooperation between Japan and India," October 22, 2008, accessed November 26, 2013,

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¹³ Shinzo Abe, "150 Years ago in a Nice Hotel near the White House..." (Keynote Speech: "An Alliance of Maritime Nations: The United States and Japan," Willard Intercontinental Hotel, Washington, DC, April 17, 2009), accessed November 29, 2013, <http://www.spfusa.org/program/avs/2009/4-17-09abe.pdf>.

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JAPAN IS BACK

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¹⁶ See for example, “Nichibei kankei ‘yoi’ 50% honsya/Gallup kyoudo yoron chousa” [50% Respond Japan-US Relations are ‘Good’, Yomiuri – Gallup Polling], *The Yomiuri Shimbun*, February 16, 2013,

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¹⁸ U.S. Department of State, “Joint Statement of the Security Consultative Committee: Toward a More Robust Alliance and Greater Shared Responsibilities,” October 3, 2013, accessed December 6, 2013,

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¹⁹ The Navy has announced 60 per cent of ships will be in the Pacific and the Air Force has promised over half of its fifth generation fighters will be in the Pacific theatre, for example.

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JAPAN IS BACK

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ANALYSIS

JAPAN IS BACK

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