



JAPAN'S FOREIGN POLICY
CHALLENGES IN EAST ASIA

Views from the Next Generation

EDITED BY YUKI TATSUMI

STIMSON

March 2014

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PREFACE

Let me present our latest publication from Stimson's Japan program. This volume, *Japan's Foreign Policy Challenges in East Asia: Views from the Next Generation*, is a collection of short, current analyses by leading policy experts from Japan. The four authors are scholars and advisors to the Japanese government, embodying the think tank tradition of building useful and effective bridges between independent experts and government decision makers.

The topics they cover in this volume—Japan's relations with China, South Korea, North Korea and Southeast Asia—are all issues of intense policy interest and concern in Washington as well as in Tokyo. I am confident that this volume will make an important contribution to the public conversation about Asian stability and can help prevent misunderstanding between the alliance partners in this time of turbulence.

I am grateful to Yuki Tatsumi, who leads Stimson's work on Japan and is herself a facilitator of US-Japan relations on several levels, for her leadership of this project, and for her own insights and analysis on these topics. I am also appreciative of the support and guidance from our friends at the Embassy of Japan.

Ellen Laipson
President and CEO
The Stimson Center

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As always, I am very grateful for my Stimson colleagues. Ellen Laipson, Stimson's president, continues to be a supportive boss. I would also like to thank Distinguished Fellow and East Asia Program Director Alan Romberg for his participation in the workshops, in which he provided very helpful feedback to the contributors. My gratitude also goes to Stimson's Communications team, especially Lita Ledesma for a wonderful cover design. As always, Hana Rudolph, Stimson's East Asia program research assistant, and Charles Behr, Japan program intern, must be recognized for their role in taking on the labor-intensive details to prepare this report for publication.

Finally, my gratitude and appreciation goes to my family—Hideaki and Akiyoshi.

Yuki Tatsumi
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ABBREVIATIONS

A2AD	Anti-Access, Area-Denial
ACSA	Acquisition and Cross-Servicing Agreement
ADIZ	Air Defense Identification Zone
ADMM	ASEAN Defence Ministers Meeting
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
BMD	Ballistic Missile Defense
CCG	China Coast Guard
CoC	Code of Conduct
CIGS	Canon Institute of Global Studies
CJK	China, Japan and ROK
CSIS	Center for Strategic and International Studies
DPRK	Democratic People's Republic of Korea or North Korea
EAS	East Asia Summit
EDD	US-Japan Extended Deterrence Dialogue
EEZ	Exclusive Economic Zone
FIR	Flight Information Region
GDP	Gross Domestic Product
GSAPS	Graduate School of Asia-Pacific Studies
GSOMIA	General Security of Military Information Agreement
HA/DR	Humanitarian Assistance and Disaster Relief
ICAO	International Civil Aviation Organization
ICBM	Intercontinental Ballistic Missile
ISR	Intelligence, Surveillance, and Reconnaissance
JBIC	Japan Bank for International Cooperation
JCG	Japan Coast Guard
JDA	Japan Defense Agency

JFIR	Japan Forum on International Relations
JIIA	Japan Institute of International Affairs
JMSDF	Japan Maritime Self-Defense Force
JNSC	Japan National Security Council
JSDF	Japan Self-Defense Force
KEDO	Korean Energy Development Organization
METI	Ministry of Economy, Trade and Industry
MEXT	Ministry of Education, Culture, Sports, Science and Technology
MOFA	Ministry of Foreign Affairs
MOD	Ministry of Defense
MOF	Ministry of Finance
NDPG	National Defense Program Guidelines
NEAPSM	Northeast Asia Peace and Security Mechanism
NHK	Nihon Hoso Kyokai or Japan Broadcasting Corporation
NSC	National Security Council
NSS	National Security Strategy
ODA	Official Development Assistance
OPCON	Operational Control
PLA	People's Liberation Army
PLAN	PLA Navy
ROK	Republic of Korea or South Korea
SCC	Security Consultative Committee
TAC	Treaty of Amity and Cooperation
TCOG	Trilateral Coordination and Oversight Group
TPP	Trans-Pacific Partnership
UN	United Nations
UNC	UN Command
UNCLOS	UN Convention on the Law of the Sea
UNSC	UN Security Council
US	United States
WMD	Weapons of Mass Destruction
WTO	World Trade Organization

INTRODUCTION

Yuki Tatsumi

Japan has found itself in an East Asia security environment with heightened tensions for the last several years. The external behavior of North Korea (Democratic People's Republic of Korea/DPRK)—whose nuclear and missile programs have been Japan's primary security threat since the 1990s—has grown increasingly unpredictable since leader Kim Jong Un succeeded Kim Jong Il, following his death in November 2011. The provocative activities include intercontinental ballistic missile (ICBM) tests in April and December 2012 and a third nuclear test in February 2013. Internally, there have been some developments inside North Korea, such as the persecution and subsequent execution of Kim Jong Un's uncle, Jang Sung Taek, in December 2013, which has led outside observers to question the real stability of Kim Jong Un's regime.

While uncertainty in North Korea continues, the tension between China and Japan over the sovereignty of the Senkaku Islands in the East China Sea has been intensifying in the last several years, particularly after the September 2010 incident in which a Chinese fishing trawler collided with a Japan Coast Guard (JCG) vessel in the water around the Senkakus. The JCG's annual reports have addressed the increased activity by Chinese (and Taiwanese) fishing boats and Chinese maritime surveillance and law enforcement vessels in great detail.¹ The most recent Defense White Paper by Japan's Ministry of Defense (MOD) has also provided detailed descriptions of Chinese official vessels' behavior in the waters around the Senkakus, calling them "regrettable" and urging China to honor internationally-established rules.² China's surprising declaration of an air defense identification zone (ADIZ) that includes the airspace over the Senkakus and overlaps with Japan's ADIZ is considered another step by China to assert its sovereignty over the Senkaku Islands. This heightens the risk that an unintended incident collision could quickly escalate into a serious standoff between Japan and China, involving the People's Liberation Army (PLA) and the Japan Self-Defense Force (JSDF).

In the midst of these developments in East Asia, the Japanese government issued its first-ever National Security Strategy (NSS) on December 17, 2013. The NSS declared that Japan would proactively contribute to international peace. It also identified the following as Japan's key national security policy goals:

1. Deter and defeat threats against Japan;
2. Improve the security environment in the Asia-Pacific region to reduce the risks for Japan's security; and
3. Improve the global security environment by creating and upholding an international order that is based on universal values and rules.³

The NSS further argued that one of the key strategic approaches for Japan to advance these goals is to strengthen cooperation with “Japan’s Partner for Peace,” emphasizing the importance of cooperating with South Korea (Republic of Korea/ROK), the Association of Southeast Asian Nations (ASEAN) countries, Australia and India. It also stressed that Japan needs to have a stable relationship with China for the peace and stability of the Asia-Pacific region.⁴

Indeed, since returning to power in December 2012, Japan’s Prime Minister Shinzo Abe has invested a great deal of his time in visiting the countries named by the NSS as Japan’s partners. Abe visited Southeast Asia five times during 2013, visiting all 10 ASEAN member states.⁵ In January 2014, Abe visited India for a summit meeting with Indian Prime Minister Manmohan Singh. The two leaders signed a joint statement titled “Japan-India Joint Statement: Intensifying the Strategic and Global Partnership,” in which the two nations agreed to deepen cooperation in a wide variety of areas including defense, economy, and science and technology.⁶ Interested in strengthening Japan’s security relations with Australia since his first term as Prime Minister in 2006, Abe is anticipated to make an official visit to Australia, which would be the first such trip for a Japanese Prime Minister in 12 years. Abe has also traveled to Europe, Latin America and Africa, actively engaging in dialogues with leaders around the world.

In fact, East Asia is the region where the Abe administration has seen the least success in its foreign policy. Since his inauguration, Abe has not been able to meet with Chinese president Xi Jinping or ROK president Park Geun-hye. Chinese and South Korean assertions that Abe has been trying to resurrect Japan’s militarism continue. While Abe continues to argue that he is always open to meeting with them, both Xi and Park have refused to meet with him, and their harsh criticism against Abe has only escalated, especially since Abe made a surprise visit to the Yasukuni Shrine on December 26, 2013.

Given its history, Japan’s relations with China and South Korea are among the most complicated bilateral relationships. At the same time, as the NSS articulates, Japan needs to work with the South Korea and China for peace and stability in the Asia-Pacific region. Cooperation with these two countries is particularly important, given Japan’s security concerns regarding North Korea. But what are the specific policy objectives Japan should pursue? How have such objectives been formed? What are the challenges that Japan must overcome?

This volume offers a collection of policy briefs on Japan’s key policy challenges in East Asia—Japan-China relations, Japan-ROK relations and North Korea. In

addition, because of the potential impact that Japan's relations with its immediate neighbors have on the wider region, Japan–Southeast Asia relations are also included in the brief. These briefs are written by four scholars who are among the leading experts in the issues identified. They have all participated in various advisory commissions established by the Japanese government to provide expert opinions, and are thereby very cognizant of how the Japanese government shapes and implements its policies regarding various foreign policy issues. Each of them was asked to write a policy brief that addresses the following five questions: (1) What are Japan's policy goals?; (2) In what context have these objectives been formed?; (3) What are Japan's challenges in accomplishing its goals?; (4) Can cooperation with the United States help Japan advance these goals?; and (5) What set of policy recommendations can be offered for consideration?

In the policy brief on Japan–China relations, Chikako Kawakatsu Ueki, a professor at Waseda University who served on the Advisory Group on Security and Defense (a private advisory commission reporting to Japan's prime minister) in 2009, argues that a stable relationship with China has always been one of Japan's most important policy objectives. She argues that, with Japan's diminishing economic and political leverage vis-à-vis China, Japan needs to work closely with the US to pursue a strategy that effectively combines the elements of engagement and deterrence—raising China's cost for resorting to risky behavior while still acknowledging the existence of shared interests between the two countries.

Junya Nishino, an associate professor at Keio University who has worked as an analyst both at the Japanese Embassy in South Korea and the Ministry of Foreign Affairs in Tokyo, provides a policy brief on Japan–ROK relations in which he emphasizes the importance of rebuilding trust between the two countries, particularly between their leaders. He articulates his concerns about the ongoing “vicious cycle” of negative perception between the two countries as potentially damaging to the Japan–ROK relationship with long-term consequences. He emphasizes that the two governments should begin their efforts to rebuild the bilateral relationship in earnest, using the 2008 “Joint Vision” declared by Japanese Prime Minister Yasuo Fukuda and ROK President Lee Myung-bak as a point of reference.

Yasuyo Sakata, a professor at Kanda University of International Studies who has participated in the study group established by the MOD/Japan Defense Agency (JDA), focuses on North Korea in her brief. She provides a detailed explanation of the 2002 Pyongyang Declaration issued between the Japanese then-Prime Minister Junichiro Koizumi and North Korean leader Kim Jong Il as the foundation on which the Japanese government has built its approach toward North Korea since. Similar to Ueki, who discusses Japan's declining leverage in its relations with China, Sakata also refers to Japan having limited options in its policy choices vis-à-vis North Korea. Still, she argues, now that North Korea has undergone a regime transition, Japan should renew its effort to get its policy toward North Korea back on track.

Ken Jimbo, an associate professor at Keio University who has regularly participated in Track II dialogues, offers his policy brief on Japan–Southeast Asia relations. He applauds Prime Minister Abe’s commitment to renewing and upgrading Japan’s relationship with ASEAN, pointing to Abe having become the first Japanese prime minister to visit all 10 ASEAN countries. Citing Japan’s strategic use of its official development assistance (ODA), which prioritizes assistance to Southeast Asia in expanding defense exchange, providing humanitarian assistance/disaster relief and engaging in capacity-building activities, he also argues that Japan may be more successful in “whole-of-the government” engagement with Southeast Asia than towards other parts of the region. However, he cautions that Southeast Asia, while appreciating Japan’s enhanced efforts to engage in the region, does not want to overtly antagonize China, a sentiment to which Japan must be sensitive.

It is my hope that these policy briefs will serve as a useful point of reference when looking at Japan’s foreign policy challenges in East Asia. I also hope that, by reading these briefs, readers can come away with a greater understanding of the rationales behind Japan’s policy choices in these issues and relationships.

Notes

1. Japan Coast Guard. *Kaijo Hoan Repoto* (Maritime Safety Report) 2012 and 2013.
2. Japan. Ministry of Defense (MOD). *Heisei 25-nendo ban Bouei Hakusho* (FY 2013 Defense White Paper).
3. Japan. Kantei. *National Security Strategy*. December 17, 2013, 1-5. Accessed February 1, 2014. http://www.kantei.go.jp/foreign/96_abe/documents/2013/_icsFiles/afieldfile/2013/12/18/NSS.pdf.
4. *Ibid.*, 23-25.
5. Abe visited Thailand, Vietnam, and Indonesia in January 2013, Myanmar in May 2013, Malaysia, Singapore and the Philippines in July 2013, Brunei in October, and Cambodia and Laos in November 2013.
6. Japan. Ministry of Foreign Affairs (MOFA). “Japan-India Summit Meeting.” January 25, 2014. Accessed February 6, 2014. http://www.mofa.go.jp/sa/sw/in/page3e_000138.html.

JAPAN-CHINA RELATIONS: Toward a Comprehensive Strategy

Chikako Kawakatsu Ueki

Policy Objectives

Establish a cooperative working relationship with China.

It is vital to have China's cooperation in solving problems such as the North Korea (Democratic People's Republic of Korea/DPRK) nuclear weapons program, global climate change and pandemic. Whether China works with Japan or not will have a great impact on Japan's efforts in shaping the region and the world order. The proposed strategy envisions an East Asia that is open and free, and governed by rule of law, in which countries and people realize their potential to the fullest. Japan welcomes a China that plays a constructive role.

Maintain and spur economic cooperation.

China has been Japan's number one trading partner since 2009, replacing the US. The two economies are interdependent. China will play an even greater role as its consumer market develops. Economic cooperation with China will continue to be among Japan's important national interests.

Deter and dissuade aggressive behavior.

A direct attack on Japan and its citizens must be deterred. Japan's interests, however, expand beyond the geographical territory of Japan. For Japan to maintain its security and affluence, its important markets have to be stable and access to those markets be safe. In other words, conflicts in the region have to be prevented and freedom of the sea and air has to be secured.

The context

Since the 1970s, the objectives of Japan's strategy toward China have been to make China economically affluent, politically stable and friendly to Japan. To this end, Japan provided aid and promoted trade. Japan pushed for China's accession to the World Trade Organization (WTO) based on the same rationale. Japan was always opposed to isolating China, even when the US and European powers were against China right after the Tiananmen Square incident in 1989. Japan succeeded in helping to realize an affluent and more politically-stable China, but seems to have failed on the third objective of making a China that is friendly to Japan.

Today, China is a very important partner for Japan in many ways. Currently, however, Japan-China relations have worsened to a level some call the worst since the normalization in 1972. Recent events have deteriorated public perception of both countries. Some in Japan and the US fear tensions over the Senkaku Islands may lead to an inadvertent military conflict. Such a conflict must be prevented and peace maintained. As China's power grows, it becomes important that its power be used in ways that increase the stability and affluence of the region and the world. Japan's job would be to make it easier for China to choose a cooperative path and harder to choose a destructive path. That, in a nutshell, is the goal of Japan's strategy toward China.

This paper proposes a strategy that combines both elements of engagement and deterrence. It is based on the logic that in order to sway China's behavior to one favorable to Japan, the cost of uncooperative behavior must be kept high. Increasing the benefits will raise the opportunity costs and deterrence will raise the direct cost of aggression. It is also based on the assessment that Japan-China relations still share many aspects that are mutually beneficial. China should be rewarded when it chooses cooperation. The strategy needs to encourage China to choose for itself a path amicable to Japan. It is important to design a comprehensive strategy and execute policies based on it. Failure to do so may result in an escalation of conflicts or loss of stability not just for Japan but also for the whole region and the world.

Challenges and obstacles against realizing the strategic objectives

1. Declining leverage

The biggest challenge facing Japan—and the US-Japan combined—is the declining influence it has in shaping China's behavior.

Declining leverage makes both deterring conflicts and maintaining a friendly China difficult. The cause is primarily structural. China is growing much faster than Japan and the US. Until the end of the 1990s, China was a major recipient of Japan's official development assistance (ODA). Japan was also an important technology supplier. Politically, Japan helped China on several occasions. For example, Japan helped China return to the international community after the 1989 Tiananmen Square incident and supported China for its accession to the WTO. China's economy surpassed that of Japan in 2010. It is now about twice the size of Japan's gross domestic product (GDP).¹

Strategically, too, China is less dependent on Japan and the US. The Soviet threat has disappeared and China has less reason to restrain its behavior, including its claims to the Senkaku Islands. The strategic rationale that existed during the Cold War that necessitated that China cooperate with Japan no longer exists. During the 1990s and 2000s, China was still dependent on the US and Japan to suppress Taiwan's move toward de jure independence. Since Ma Ying-jeou assumed the presidency, China has had less need for Japan and the US to influence Taiwan.

Today, China is no longer dependent on Japan, as it once was, for its economic development, political standing or national security. This results in waning influence of Japan over China.

2. Increase of China's power projection capabilities

China's military and paramilitary forces are growing rapidly. China's newly-acquired capabilities may complicate Japan's goal of deterring aggressive behavior and preventing conflicts in two ways.

One is the increased cost of deterrence. Until recently, the People's Liberation Army (PLA) lacked conventional offensive capabilities against Japan. That is no longer the case. China's air and naval capabilities are growing. China's force modernization seems to be primarily targeted at a Taiwan contingency. China seeks to increase the cost of US military intervention by improving the so-called anti-access, area-denial (A2AD) capabilities. While the primary target may be Taiwan, China's improved capabilities will have an impact on the security of Japan and the Asia-Pacific region.

China still lacks capabilities to inflict a large-scale assault against Japan. China, however, currently owns some 750 fourth generation fighter jets, some 350 of which can reach the southern part of Japan. China's capabilities are increasing toward holding air superiority over certain areas in Japan. China is also developing fifth generation fighter jets. In addition, China's increased capabilities may invite China's miscalculation about Japan's capabilities and resolve. This may lead to China's adventurism and result in deterrence failure.

The other complication is the increased danger of accidents. Ships of the China Coast Guard (CCG) and PLA Navy (PLAN) frequently enter Japan's contiguous waters and territorial waters. Japanese and Chinese ships operate in close proximity. Japan and China have agreed to establish a maritime liaison mechanism to avoid conflict escalation, but the mechanism has not been implemented because the political leaders are refusing to meet. Should there be an accident, there is danger of miscommunication and escalation.

3. Strategic distrust between Japan and China

Chinese and Japanese leaders have not held a summit meeting since September 2012. President Xi Jinping and Prime Minister Shinzo Abe have yet to hold a bilateral meeting since they assumed office, except for a few brief encounters at multilateral meetings. The direct cause of this anomaly is China's refusal to meet unless Japan acknowledges China's claims to the Senkaku Islands. The underlying cause, however, is the increasing strategic distrust between the two countries. Although both still maintain that they have a "mutually beneficial relationship," each side is becoming skeptical about the other's intention and the effectiveness of the engagement policy. Recent arguments in China, which advocate that the country concentrate on its relations with regions other than Japan and the US, suggest a growing skepticism in engagement with Japan.

Mutual strategic distrust is exacerbated by nationalistic sentiments in both countries. More than 90 percent of the people in Japan and China have negative impressions of the other.² An immediate cause is the conflict over the Senkaku Islands. In Japan, China's claims and behavior are seen as signs of aggressive expansionism. In China, the public discourse about the islands is often conflated with Japan's past aggression. Compared to only a few years ago, the importance of island issues has increased in China's domestic politics. Faced with a more emotional public, the leadership seems to have less flexibility in handling the problem. As noted earlier, there are fewer benefits and incentives to restrain domestic behavior. Under such circumstances, domestic agenda dominates. Pro-Japan groups seem to have waning influence within China's foreign policy community.

Mutual strategic distrust hinders attempts to maintain cooperative relations, avoid accidents and manage crises. It is also causing political problems to easily spill over to economic areas. The anti-Japan protests and attitudes after the nationalization of the Senkaku Islands hurt Japanese business interests in China.³

4. *Disregard for international rules*

Recent Chinese behavior suggests China's disregard for international rules and norms. For example, China's maritime conducts are also often inconsistent with United Nations Convention on the Law of the Sea (UNCLOS). China's interpretation of its rights in the Exclusive Economic Zone (EEZ) differs from that of Japan and the United States. China treats the EEZ as if it were its territorial waters. To demonstrate, in March 2009, a PLAN frigate and a Y-12 aircraft obstructed the surveillance ship USNS *Impeccable* in China's EEZ. Again in December 2013, China obstructed the cruiser USS *Cowpens*. In April 2010, a PLAN helicopter approached a Japanese Maritime Self-Defense Force (JMSDF) destroyer *Isoyuki* as close as 50 meters, and in January 2013, a PLAN frigate directed a fire-control radar at JMSDF destroyer *Yudachi*. China's 2004 Fisheries Law and Hainan provincial rules, effective January 2014, require foreign fishing vessels to obtain China's approval to enter the disputed waters in the South China Sea.

China's announcement of its air defense identification zone (ADIZ) in November 2013 is another example of such disregard. China unilaterally set the ADIZ and forced even commercial airliners not destined for China to comply, and announced that if aircrafts do not cooperate or follow instructions, Chinese armed forces will take defensive emergency measures. While there are no restrictions for countries to set an ADIZ, and therefore China's action is not a clear violation of international law, it raised concerns for the safety of air travel. The International Civil Aviation Organization (ICAO), an agency under the UN, is considering taking up the issue of the safety of international civil aviation with regards to Flight Information Regions (FIRs) and ADIZs.⁴ In addition, China's ADIZ overlaps with the existing ADIZs of Japan, South Korea and Taiwan. China's unilateral decision destabilized an already volatile situation in the region.

China's export restriction on rare earth in 2010 is another example of disregard for international rules. This is a case in which China used an economic tool as retaliation to a political problem—Japan's arrest of a Chinese skipper near the Senkaku Islands. In September 2010, Japan, together with the US and the European Union, took the dispute to the WTO. The WTO is reported to have judged China's actions as a violation of WTO rules.

It is unclear whether the seeming disregard is caused by an overt challenge to the current international order or by a sheer negligence or ignorance of international practice. Either way, it causes problems and impedes safety. The rare earth case suggests that when the dispute-settling rules are institutionalized there is a means to correct unilateral actions.

Cooperation with the US

Japan's three policy objectives discussed earlier would all be better attained by cooperation with the US. And all four challenges would also be better managed through US-Japan cooperation.

1. Making a cooperative China

The US and Japan share the objective of making a cooperative China. From Japan's perspective, it is important to create a situation in which it is in China's interest to cooperate with Japan. This could be achieved by increasing the positive incentives for cooperation and the negative impacts of non-cooperation. As China's dependency on Japan declines relative to previous years, Japan needs US cooperation to complement the loss. The two countries can coordinate their respective engagement with China in order to achieve this goal. Up to the present, the coordination between Japan and the US has focused more on the security aspects. A more comprehensive coordination will increase the means that Japan and the US have at their disposal.

In the longer term, US-Japan cooperation may turn out to be insufficient to influence China. The two countries need to seek cooperation with other countries in broader East Asia. South Korea is the most important partner in this. Cooperation with Association of Southeast Asian Nations (ASEAN) countries is also important. The coordination between the US and Japan is still primarily bilateral. Japan and the US can work together to lead the effort to create a regional institution. Over time, a regional institution should have a dispute settlement mechanism and penalizing mechanisms against violators. The institution has to be open to all parties and a regional institution without Chinese participation is meaningless.

Japan has yet to overcome its historical problems with China. Although the efforts have to come from Japan and China, the US can help provide a forum for Japan and China to come together. Japan lost an opportunity to reconcile with its history when the Cold War strategic imperatives led the US and Japan to prioritize the establishment of a stable conservative government in Japan.

2. Economic cooperation

Japan and the US can cooperate to establish a regional economic arrangement to enhance economic cooperation. As we saw in the rare earth case, rule-making and rule enforcement functions will be important in such an arrangement. To induce better practice, establishing architecture like the Trans-Pacific Partnership (TPP) will be important. Bilateral, regional and global mechanisms can be combined to spur cooperation.

3. Deterrence

The US-Japan alliance provides a strong means of deterrence. US forward presence signals US commitment to the defense of Japan and the region, and serves to deter aggression. In the alliance, the US has thus far provided strike capabilities, such as long-range missiles. This has enhanced the alliance's capability without exacerbating the security dilemma. While China's distrust toward Japan outweighs that toward the US, it is reasonable for the US to provide the offensive capabilities.

Outright attack on Japan by China is, at this point, quite unthinkable. An attack against the offshore islands, on the other hand, cannot be ruled out completely. The islands are far away from the Japan Self-Defense Force (JSDF) or US military bases and are too small to host an effective air defense system. A conflict may start from an accident inadvertently. Avoiding and deterring escalation will be important in a contingency. The conflict must be contained locally at a very early stage to avoid escalation. A clear US commitment to the defense of the islands will enhance deterrence. It should also be clear that an escalation beyond the islands would be extremely costly and unsuccessful. To that end, the defense of Okinawa and ensuring full function of the bases on Okinawa will be crucial. At the same time, a crisis management mechanism between Japan and China needs to be sought earnestly.

Policy recommendations

1. Design and execute a comprehensive strategy toward China.

Strategy toward China should be comprehensive. All available means should be used to realize stable and cooperative relations with China. As Japan and the US face a finite amount of resources, efficient use of resources is imperative. This requires coordination between different government agencies as well as different departments within each agency. Coordination should involve both public and private sectors.

The strategy requires cooperation with the US and other regional powers. Japan's China strategy should be placed within the greater grand strategy of how to shape the region in a way that is conducive to the interests of both Japan and the region. When coordinating with the US, in addition to the direct counterparts between the Ministry of Foreign Affairs (MOFA) and the State Department, different sections—for example, those in charge of China and ASEAN—should coordinate their policies. The newly established National Security Secretariat—the equivalent of the US National Security Council (NSC)—can play a role in coordinating policies.

Recently, issues surrounding the Senkaku Islands have dominated much of the political dialogue between China and Japan. It should be put into a correct perspective. This is not easy given the lack of communication between the two countries. China is refusing to meet with the Japanese leaders and its foreign policy lacks flexibility. By employing different channels, Japan should lower the relative importance of the island issues.

2. Increase economic cooperation with China.

Japan should increase cooperation with China bilaterally and multilaterally. Establishing regional rules and institutions to protect and promote open trade and regulations will benefit economic cooperation. Establishing TPP is one of the means to increase cooperation with China in the long-term. At the same time, Japan should make efforts to resume China-Japan-ROK cooperation and ASEAN Plus Three cooperation. Enhancing cooperation with ASEAN may facilitate this.

3. Mitigate the negative impacts of historical issues.

Current problems with China are exacerbated by nationalism on both sides, especially in China. Japan should try not to provoke China on historical problems. Japan should make the most effort to keeping history issues separated from territorial issues.

Historical problems have become a strategic liability for Japan. Japan's efforts after World War II have been constructive, and Japan has contributed to the international community through peaceful means: Japan should take pride in what it has achieved after the war. Reservation to condemn its own history could undermine Japan's postwar achievements and its strategic position. 68 percent of the Japanese people think Japan's war against China was an invasion.⁵ Clear attitudes on the history issues will contribute to improving its relations with China. It will also improve relations with South Korea, an important partner in shaping a stable and prosperous region. It will also mitigate security dilemmas as Japan seeks a more active role in international security.

4. Maintain an effective deterrence, working with the US.

Japan should maintain an effective deterrence against an attack on Japan. Japan currently maintains a formidable defense capability and together with the US can defend against any aggressor. This should continue. Some transformations are necessary. The JSDF are still deployed more in the north and evenly distributed over the rest of Japan. The forces should be shifted more toward the south.

Deterring and dissuading a low-scale military contingency may be more complicated. For deterrence to succeed, a clear signaling of capability and resolve, as well as a shared understanding of the situation, has to exist. This may not be clear to China. Should there be a conflict, for Japan to contain it locally and early, surveillance and quick reaction are important. Japan should coordinate law enforcement and defense forces to that end.

In the longer term, Japan's relative advantage will decline and an even closer coordination with the US will be necessary. Japan also needs to further improve the jointness of its services.

5. Establish a bilateral crisis management mechanism.

Conflict over the Senkaku Islands must be avoided. Japan and China should establish a bilateral crisis management mechanism. This should include communication between the top leaders down to the forces on the front line of border defense.

Basic rules of communication have been agreed upon between the PLA and JSDF on a maritime liaison mechanism. It should be put into practice as soon as possible. Because China tends to sever contacts in times of crises, multiple channels of communications must be sought.

The Japan Coast Guard (JCG) and CCG, as well as the JSDF and the PLA, must continue to engage each other. They have been participating in exercises and conferences, which should continue to increase transparency and confidence building. Japan should actively pursue defense exchange programs, and the Ministry of Defense (MOD) should coordinate different exchange programs, such as bilateral exchanges, multilateral conferences and exercises. UN peacekeeping missions should also be utilized to increase exchanges and confidence building between the PLA and JSDF.

6. Lead the effort to establish a regional maritime safety regime that includes China.

Regional maritime safety regime should be established. This regime should include countries such as Japan, China, South Korea, US, Australia and ASEAN. Rules should be established and enforced. Japan and the US should take a leadership role.

Attempts to change the status quo by force should not be allowed. There is a view that overt action and fait accompli strengthen territorial claims. Such thinking leads to a tit-for-tat spiral and makes conciliation difficult. In order to avoid conflict escalation, the international community must recognize that restrained reaction does not weaken territorial claims.

7. Increase efforts to establish a regional security regime.

Japan, together with the US, should increase its efforts at establishing a regional security regime. In the past, a multilateral regional security framework was seen as an alternative policy option for Japan that could undermine the alliance. This is no longer the case. The two countries can play an active leadership role in developing a regional institution. Combining the networks of the US bilateral alliances and ASEAN will be key to creating an effective regional forum. The ASEAN Regional Forum (ARF) that already exists is too broad to be an effective regional framework. An issue-oriented functional approach, such as maritime safety, may be useful.

8. Encourage pro-Japan groups in China.

Japan should ask what measures would enhance the power of pro-Japan groups within China, and implement policies accordingly. Alternatively, Japan should avoid taking actions that would encourage those who favor hardline measures against Japan.

Japan should encourage pro-Japan groups and voices within China. This may be achieved by rewarding positive actions taken by China and reciprocating cooperative attitudes. In the past, Japan failed to support arguments in favor of pro-Japan policies and weakened pro-Japan groups within the Chinese policy community as a result.⁶ Japan may strengthen its hand by increasing efforts to improve bilateral relations when they are in important positions. Improvement on the historical issues as mentioned above will also serve this end. In addition, Japan should train a new generation of China specialists who can maintain communication even under politically challenging situations.

9. Intensify efforts to cultivate mutual interests.

Japan and China share many common interests. Japan should emphasize the importance of these interests. Cooperation in common problems will benefit Japan and at the same time help improve the relations. For example, Japan has experience solving pollution and with environmental protection. This experience can be shared with China.

10. Increase student exchanges.

Japan should invest in future generations and encourage student exchange programs. The Ministry of Education, Culture, Sports, Science and Technology (MEXT) should increase scholarships for Japanese and Chinese students to study in both countries. Some programs should be designed to create future leaders. An alumni organization should be set up to help maintain the network. It is important for the young generation in both countries to share a sense of a common future.

Japan used to send the largest number of students to China until 1999. Since then, the number has continued to decline. In 2009, South Korea was number one at 64,232, the US was number two at 18,650, and Japan was number three at 15,409.⁷ The US increase was due to the 100,000 Strong China, an educational exchange initiative that started in 2011 under the Obama administration.

11. Systematically gather information and analyze China.

The pursuit of Japan's policy objectives requires a delicate balance of reassurance and dissuasion. It is important for Japan to know what causes Chinese cooperation and aggression. Many questions about China remain unanswered. The Japanese government should put together a list of questions to be explored and gather and analyze information systematically. Different branches of Japanese government can share information about China. Japan can also share notes with the US about China from bilateral, trilateral and multilateral meetings.

Examples of questions to be explored include: What is causing China's less cooperative behavior? Is the Chinese government pursuing its optimal policy or is it a prisoner of public demand? Does China's domestic instability lead to aggressive foreign policy? How much influence does the PLA exert in foreign policymaking? Does the central government control behavior of the CCG and the PLA at the local level?

Notes

1. According to the National Bureau of Statistics of China, China's gross domestic product (GDP) for 2013 was 56.9 trillion yuan (967 trillion yen), about double that of Japan, which was 480 trillion yen. In 2012, China's GDP was about 140% of Japan's. GDP in 2012 for China was \$8.358 trillion (current US dollars) and for Japan was \$5.960 trillion. The World Bank, *Country Data*.
2. In 2013, 91% of the Japanese and 92.8% of the Chinese had unfavorable impression of the other. The Chinese figure is up 28.3 % points from 2012. *The Genron NPO*. "The 9th Japan-China Public Opinion Poll." August 13, 2013, 4.
3. After 11 months, 60.5% of the companies resumed business to a level before the nationalization of the Senkaku Islands in September 2013, whereas some 30% have yet to recover. *Nikkei*. August 23, 2013, 1. "No sign of improvement" (7.0%); "Improving but not to the 2009 level" (24.4%); "Improved to the 2009 level" (41.9%); "Surpassed 2009 level" (18.6%); "Other" (8.1%).
4. Most countries' ADIZs more or less coincide with the Flight Information Region (FIR) designated by the ICAO. The flight plans are shared among FIRs en route to ensure the safety of air passage. However, because China's ADIZ extends far outside of the Chinese FIR, this is not the case for many of the planes flying through the Chinese ADIZ. Since the initial announcement of the ADIZ in November, Chinese government officials have modified their position and maintain that the new ADIZ does not influence normal flights by international commercial aircrafts.
5. In the same survey, 58% of the people thought the discussion regarding the war responsibility of the Japanese political and military leaders is insufficient. *Yomiuri Shimbun*. October 27, 2005, 12.
6. An example is Japan's response to China's "New Thinking" in 2002-2003.
7. China. Ministry of Education. *Zhongguo Jiaoyu Nianjian [Chinese Education Yearbook] 2008 and 2009*.

JAPAN-ROK RELATIONS: Overcoming the Challenges

Junya Nishino

Policy Objectives

Further develop and deepen the partnership between Japan and South Korea (Republic of Korea/ROK).

It is essential that such efforts continue to be based on the past agreements and efforts by both sides since diplomatic relations were normalized in 1965.

Design and implement a long-term "Joint Vision," as was agreed upon in 2008.¹

This is important not only for Japan-ROK relations but also for the sake of peace and prosperity in Northeast Asia.

Work closely with South Korea to encourage China to be a responsible partner in the region.

Enhance security cooperation between the two countries.

As US allies, Japan-ROK security cooperation allows for a more efficient and effective defense structure in Northeast Asia, which will be useful in coping with various threats in the region.

Prepare for a new relationship with a unified Korea.

While unification is a long-term prospect, Japan still needs to begin thinking about the scenario and begin strategizing Japan's relationship with a unified Korea.

Context

Since diplomatic normalization in 1965, Japan-ROK relations have greatly improved through close cooperation in many strategic and cultural areas. Moving beyond the unfortunate historical past, the two countries declared a new partnership in the 1998 Joint Declaration.² Japan's then-Prime Minister, Keizo Obuchi, expressed his deep remorse and heartfelt apology for his nation's wartime past, while ROK's then-President Kim Dae-jung accepted Obuchi's apology and showed high appreciation for the role that Japan contributed as a peaceful and stable member of the postwar international community.

Furthermore, the 2002 co-hosting of the Japan-ROK World Cup created a new momentum not only for government-level cooperation, but also for people-to-people and other cultural exchanges between the two countries. Notably, the Korean Wave in Japan (Hallyu) greatly contributed to creating a positive image of South Korea in Japan and brought further exchanges between the two countries.

Japan and South Korea share many strategic interests as major US allies in Asia. There was close policy coordination between the US, Japan and South Korea through the Trilateral Coordination and Oversight Group (TCOG) between 1998–2003 to address the North Korean nuclear issue. With regards to bilateral security cooperation, Japan and South Korea signed a memorandum on defense exchange in 2009 and agreed to improve intelligence sharing and logistical support in 2011. Also, after the transition from *de facto* dictatorship to a true parliamentary democracy took place in the ROK, the two countries now also share fundamental values as industrialized democracies in the region.

Both countries also share a desire to engage in global issues, which was articulated in the Joint Press Release issued when South Korea's then-President Lee Myung-bak visited Japan to meet with then-Prime Minister Yasuo Fukuda in April 2008. In addition, scholars of the two countries conducted a study, "The Joint Research on a New Era in Japan-ROK Relations," based on the agreement at the Japan-ROK summit in January 2009. Under this joint research framework, the scholars explored a desirable vision for the future of Japan-ROK relations and tried to identify possible areas for concrete bilateral cooperation. This Joint Research Project Committee submitted policy recommendations twice (2010 and 2013) to both governments.³

However, lingering historical issues have always had a negative impact on Japan-ROK relations. Although both diplomatic authorities have tried to minimize frictions caused by historical memories and maximize cooperation between the two countries, the political leaders' behaviors on both sides have sometimes jeopardized the bilateral relationship and hindered pragmatic cooperation. In particular, then-President Lee's visit to Takeshima in 2012 seriously damaged Japan-ROK relations, as his visit resurrected the connection between the nations' historical and territorial issues.

There has also been a reevaluation of the relationship with Japan in South Korea. While Japan suffered two decades of political and economic stagnation, South Korea experienced a growing presence in the international community, especially under the "Global Korea" strategy promoted by Lee when he was president, which resulted in a growing "Japan passing" sentiment in South Korea.

By contrast, the rise of China has generated a South Korean perception of China as one of G2 or a great power, not only economically but also politically. In addition, from the South Korean perspective, China is not only its largest trade partner, but also an important stakeholder in the future of the Korean Peninsula,

as an ally and a patron of North Korea and, more importantly, as a signatory of the Korean War armistice in 1953.

Divergence over diplomatic approaches and policies between Japan and South Korea toward North Korea during the 2000s also made it difficult for both governments to work together closely on the North Korean nuclear issue in the Six Party Talks process. There was friction between South Korea's policies on North Korea, which emphasized dialogue to change the North's attitude, and Japan's policies, which advocated applying greater pressure on the North. This disagreement allowed Pyongyang to take advantage of the gap to extract more concessions in the Six Party Talks. The ROK government has recently been trying to launch a US-China-ROK trilateral strategic dialogue to deal with the North Korean issue, rather than developing US-Japan-ROK trilateral cooperation.

Challenges

1. ROK domestic court rulings have jeopardized Japan-ROK relations.

The ROK Constitutional Court ordered the ROK government to take action to solve the comfort women issue in August 2011.⁴ This court ruling has heavily constrained the ROK government policy toward Japan. It has been very difficult for the ROK government to move forward in the relationship with Japan without additional sincere measures by the Japanese government regarding the comfort women issue.

Moreover, last summer, the Seoul High Court and the Busan High Court ordered Japanese companies to pay compensation to victims of forced labor during the war. These rulings will be upheld by the ROK Supreme Court this year. The diplomatic authorities in both Tokyo and Seoul are seriously concerned that these decisions may undermine the postwar settlement established in the 1965 Basic Treaty and other agreements made by Tokyo and Seoul.

It is true that concerning the comfort women issue, the Japanese and ROK governments have taken different positions as to whether the right to individual claims has lapsed under the terms of the bilateral claims agreement in 1965. (The Japanese government has maintained the position that the issue of wartime claims for compensation has been fully and finally resolved under the 1965 treaty and agreements). However, regarding the issue of compensation for forced labor, the ROK government has held the same position as the Japanese government, which is that the issue of wartime claims for compensation has been fully and finally resolved under the 1965 treaty and agreements. Because of this, both the Japanese and ROK governments are struggling to deal with their domestic court rulings.

2. Increasing distrust at the summit level has hindered restoration of the relationship.

There was hope last year that the new leaders in Tokyo and Seoul could reset the bilateral relationship deteriorated by President Lee's visit to Takeshima. However, given the domestic court rulings described above and the negative public

sentiment toward Japan on historical issues, the new ROK leader, President Park Geun-hye, must endure extraordinary political scrutiny when seeking to restore the relationship with Japan.

For Park, handling the relationship with Japan is fraught with historical anxieties, not only because she is the daughter of former President Park Chung-hee, but also because most South Korean media outlets criticize Japanese Prime Minister Shinzo Abe's cabinet as "ultra conservative." Under such circumstance in South Korea, it is difficult for Park to show flexibility in the relationship with Japan over historical issues.

Declining political networks and back channels between Japan and South Korea, which could make a breakthrough in the impasse in the past, have made it difficult to restore the bilateral relationship.

Currently, Japanese leaders have a very negative view of Park; their perception is that she always raises historical issues and criticizes Japan's attitude toward South Korea when she visits foreign countries, yet takes no action to mend ties with Japan, refusing dialogue with Abe.

Abe's visit to Yasukuni shrine last year had a negative impact on Park's perception of the Japanese leader; there is now increased distrust between the two. Now Park is calling on Japanese leaders to clearly uphold the 1993 Kono Statement on the comfort women issue and the 1995 Murayama Statement on historical perceptions.

3. The vicious circle of negative public sentiment between Japan and ROK has damaged bilateral ties.

South Korea's dissatisfaction with the Japanese attitude toward historical issues stems from Japan's failure to express an apology in the 1965 normalization treaty. Diplomatic normalization between Tokyo and Seoul at that time was part of the US Cold War strategy in East Asia, and in the hurry to deal with the perceived communist threat, the importance of reconciliation between Japan and South Korea was overlooked.

However, Japan made efforts to reach a historical reconciliation with the neighboring countries after the end of the Cold War by delivering the Kono and Murayama statements. In addition, Japan issued the 1998 Joint Declaration with ROK and delivered the Kan Statement in August 2010, expressing the prime minister's apology for the tremendous damage and suffering that Japanese colonial rule inflicted upon Korea. Nonetheless, there has still been a strong doubt in South Korea that Japan has yet to show a sincere attitude toward the past.

Now there is growing frustration in Japan, caused by the impression that South Korea has been ignoring Japan's effort toward settling the historical issues mentioned above, and also that South Korea is prioritizing its relationship with China over mending ties with Japan.

4. Fewer opportunities for dialogue and policy coordination between Tokyo and Seoul cause mutual misunderstanding on national security policy.

The current tension between Japan and South Korea over historical issues has made it difficult to cooperate more in the security field. Japan was supposed to sign a bilateral agreement on military intelligence sharing, known as General Security of Military Information Agreement (GSOMIA), in June 2012. However, just an hour before the signing ceremony, South Korea abruptly pulled out, due to flaring domestic criticism over the agreement. Since then, the ROK government has remained reluctant to finalize GSOMIA because of the historical issues.

Japan is motivated to mend ties and improve security cooperation with Seoul in large part due to growing security instability in Northeast Asia. For Japan, addressing the threat posed by North Korea has been the highest security priority since the end of the Cold War. North Korea's long-range missile and nuclear development programs, along with the uncertainties of the Kim Jong Un regime, strongly motivate Japan to share military intelligence with South Korea. Moreover, in recent years, concerns regarding China's expanding military activities in the region have also been pushing Japan to pursue security cooperation with South Korea.

However, South Korea does not share Japan's unease and frustration toward China. Historically, South Korea's long-held fear has been that the power struggle between Japan and China will escalate into a regional matter requiring Seoul's involvement. In addition, as mentioned above, China is an important stakeholder in the future of the Korean Peninsula. In other words, China's endorsement is indispensable for the Peninsula's unification.

On the North Korean problem, we have seen declining institutional settings for policy coordination since TCOG ended in 2003 and the Six Party Talks stalled in 2008. Japan has had fewer opportunities to consult with South Korea in addressing the North Korean issues than before. On the other hand, South Korea has recognized cooperation with China as one of the most important policy tools for denuclearizing North Korea. Given these facts, Park is proactively trying to improve the relationship with China and is eager to launch a US-China-ROK strategic dialogue as a new framework for dealing with the North. Japan sees this move critically, as South Korea's tilting toward China.

Cooperation with the United States

The US has played a critical role for Japan and South Korea to work together closely in the security arena, as an ally of both nations. In recent years, the US has been acting as a mediator between Tokyo and Seoul in security cooperation. For example, after the Cheonan and Yeonpyeong-do incidents in 2010, Japanese Self-Defense Force (JSDF) officers observed US-South Korea joint military exercises. Likewise, South Korean military officers observed US-Japan joint military exercises in December of that same year. In both cases, the US invited the JSDF and ROK military officers.

The US' creation of the TCOG helped to institutionalize US-Japan-ROK trilateral cooperation in 1999–2003, and made smooth policy coordination possible between Japan and ROK on the North Korean nuclear issue. However, as mentioned above, there was friction caused by the differences between South Korea's and Japan's North Korea policies, the former emphasizing dialogue and the latter, along with the US, advocating the effectiveness of applying pressure. The US can contribute again to better policy coordination between itself, Japan and South Korea concerning North Korea by revitalizing trilateral cooperation through avenues such as TCOG.

The US' rebalance to Asia will provide an opportunity for Japan to improve interoperability with South Korea in terms of security policy and military operations. Japan wants a stronger alliance with the US and has begun revising the US-Japan defense guidelines together with the Obama administration, which will be finalized by the end of 2014. Japan is trying to make the most of the US rebalance to Asia to realize its own security policy agenda as well. South Korea also needs a strong commitment by the US to the region for a stable and safe process of the operational control (OPCON) transfer. The US can provide common ground for military interoperability.

Regarding the current tensions between Japan and South Korea over historical issues, the US can help provide a forum for dialogue to mitigate the distrust and restore the relationship between Japan and South Korea. The US will be unwilling to play a more active role than a facilitator for dialogue between Japan and South Korea. But the US can encourage Japan and South Korea to separate historical issues from dialogue and cooperation over security issues, with an understanding that Japan and South Korea both shoulder the primary responsibility to settle or manage the historical issues.

Policy Recommendations

1. Adopt a new Joint Vision to upgrade Japan-ROK relations.

Japan should make a joint effort with South Korea to share a single vision of a common regional future. The two nations, as well-established democracies, can jointly play central roles in the region's peace and stability. In the 1998 Joint Declaration, both sides agreed that it was extremely important to advance the two nations' partnership, not only in a bilateral dimension but also for the peace and prosperity of the Asia-Pacific region and the international community as a whole. So, Japan and South Korea should try to design and implement a long-term Joint Vision and Action Plan.

Japan should work together closely with South Korea to adopt this Joint Vision in 2015, which marks the 50th anniversary of the normalization of diplomatic relations between the two countries. To upgrade the bilateral relationship, such a Joint Vision and Action Plan can include the policy recommendation designed by the Joint Research Committee on a New Era in Japan-ROK relations. That

recommendation proposed possible areas for bilateral cooperation to “contribute together to the international community.”⁵

2. Work together closely with ROK to settle or manage the historical issues.

South Korea’s domestic court rulings have challenged the 1965 system, established by the Basic Treaty and agreements between Japan and South Korea that year. It is true that the ROK government must assume the primary responsibility and role to deal with these rulings. However, Japan should closely pay attention to this problem and, if necessary, work together with South Korea to uphold and upgrade the 1965 system.

Especially with regards to the comfort women issue, Japan should take joint initiative with South Korea to settle it, while at the same time explaining more to South Korea and the international community that Japan has seriously and sincerely made efforts, such as the establishment of the Asian Women’s Fund in 1995.⁶

Japan should clearly express that it upholds the past statements of historical understanding, such as the 1993 Kono Statement and the 1995 Murayama Statement. At the same time, Japan should make continuous efforts to call on South Korea to respect and keep the spirit of the 1998 Joint Declaration in mind. The leadership of both nations must be aware of the inflammatory nature of historical issues and must avoid unnecessarily politicizing them in nationalistic ways, addressing historical issues in a very cautious manner.

3. Rebuild the political networks and encourage strategic dialogue.

Japan should make a strong effort to enhance exchanges between politicians of both sides and to rebuild their networks between Tokyo and Seoul. Revitalizing these networks will have a positive impact in trying to restore the trust between the two nations at the political level. Through these networks, Japanese leaders should understand the domestic political situation that their counterparts face.

Encouraging strategic dialogue at various levels will contribute to fostering a relationship of mutual trust between Japan and South Korea. The two nations should attempt to share as many strategic goals as possible through these dialogues, while recognizing and respecting the different perspectives in the region’s geopolitical landscape.

Especially regarding the China policy, Japan must make efforts to work together closely with South Korea to encourage China to be a responsible partner in the region. Japan should respect and support South Korea’s initiative for confidence-building among Japan, South Korea and China. These actions would ease South Korea concerns about tensions between Japan and China. A China, Japan and ROK (CJK) cooperation and trilateral secretariat would be a desirable framework in which all three nations could cultivate the habit of cooperation among themselves.

4. *Enhance US-Japan-ROK trilateralism and security cooperation between Japan and South Korea.*

Trilateral cooperation among the US, Japan and South Korea is one of the best tools to facilitate Japan's and South Korea's bilateral cooperation in various fields. Japan and the US, especially, can encourage South Korea to further discuss the North Korean nuclear issue.

Japan should continue efforts to finalize GSOMIA and prepare the agreement on logistical support (ACSA) with South Korea. In a way, Japan can and should consult with South Korea more on practical security cooperation. Japan-ROK security cooperation should be all the more important for both countries given the attention that both nations are paying to US financial difficulties and the impact those difficulties could have on the regional security structure and inter-alliance cooperation with the United States as it continues to implement its rebalance strategy in Asia.

Notes

1. When then-ROK president Lee Myung-bak visited Japan in April 2008, he and then Japanese prime minister Yasuo Fukuda agreed that the two countries should cultivate a "new era" for Japan-ROK relations based on the future-oriented vision. Japan. Ministry of Foreign Affairs (MOFA). "Nikkan Kyodo Presu Happyou (Japan-ROK Joint Press Release)". April 21, 2008. Accessed February 5, 2014. http://www.mofa.go.jp/mofaj/area/korea/visit/0804_2_pr.html.
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5. Maehara, Seiji. "Press Conference by Minister for Foreign Affairs Seiji Maehara." Delivered October 22, 2010. Japan. MOFA. Accessed February 6, 2014. http://www.mofa.go.jp/announce/fm_press/2010/10/1022_01.html.
6. Murayama, Tomiichi. Statement by Prime Minister Tomiichi Murayama on the occasion of the establishment of the "Asian Women's Fund." July 1995. Japan. MOFA. Accessed February 6, 2014. <http://www.mofa.go.jp/policy/women/fund/state9507.html>.

NORTH KOREA: Japan's Policy Options

Yasuyo Sakata

Policy Objectives

Maintain a favorable strategic balance on the Korean Peninsula and in Northeast Asia.

Japan endeavors to maintain such a balance with an outlook toward Korean unification. Cooperative relations with China, Russia and both Koreas will be ideal for Japan. Its close alliance or virtual alliance with the United States and South Korea (Republic of Korea/ROK) will be of the utmost importance.

Maintain peace and stability on the Korean Peninsula.

Deter and prevent war and North Korean military provocations based on the US-Japan and US-ROK alliance, as well as United Nations agreements. Japan-ROK defense cooperation enhances the system.

Address the “unfortunate past” of colonization and promote normalization.

The 2002 Japan–Democratic People’s Republic of Korea (North Korea/DPRK) Pyongyang Declaration serves as the foundation of settling related issues.

Pursue a “comprehensive resolution” of “outstanding” issues of concern.

The focus is on three major concerns: abductions, nuclear capabilities and missiles. Relative to these policy objectives are the following goals and measures:

A. Denuclearize North Korea: Japan aims to cap and eventually eliminate the North Korean nuclear program, and re-establish a nuclear non-proliferation regime on the Korean peninsula. The UN Security Council (UNSC) sanctions regime and the Six Party Talks are key frameworks for dialogue and pressure.

B. Deter and defend against the North Korean military threat to Japan: The primary concern is North Korea’s weapons of mass destruction (WMD) program, namely the nuclear and missile threat. Japan’s own defense efforts, as well as those in collaboration with the US-Japan alliance and US-Japan-ROK defense cooperation, are key. Japan-ROK defense cooperation enhances the effectiveness of these measures.

C. Protect the lives and safety of Japanese nationals in North Korea and address human rights issues there: Japanese nationals refer to the abductees and other “missing persons,” as well as Japanese spouses who reside in North Korea. In parallel, addressing human rights issues in North Korea and the protection of North Korean refugees is part of Japan’s policy agenda. Japan’s own efforts, along with regional and international efforts, are integral to promoting these goals.

Context

Japan's policy toward North Korea is framed within its overall policy toward the Korean Peninsula, and more broadly in Northeast Asia. In addition to broad strategic goals vis-à-vis the Korean Peninsula and Northeast Asia, Japan also has a number of security policy objectives specifically with regard to North Korea.¹

The basic premise of Japan's policy toward Korea is to maintain a favorable strategic balance on the Korean peninsula and in broader Northeast Asia. This goal has become increasingly important with the rise of China and a changing power balance on the Korean peninsula. Korean unification can be a fundamental game changer; therefore, Japan's policy toward the Korean Peninsula must always take the prospect of unification into consideration.

On the Korean Peninsula itself, a basic goal in Japan's policy is maintaining the peace and stability with its geographic neighbor. In the post-World War II context, peace and stability on the peninsula means to prevent another Korean war, build a peace regime and promote the two Koreas' peaceful unification. The main threat to this peace and stability has been the provocative behavior of the North Korean regime. The dynastic succession of the Kim regime—from Kim Il Sung to Kim Jong Il and Kim Jong Un—has not changed the nature of the problem. Japan is committed to security on the Korean Peninsula not only through the US-Japan alliance and the US-Japan-ROK “virtual alliance,”² but also through the UN collective security system, to provide vital rear area support in case of a Korea contingency.³ On the other hand, considering that a non-threatening environment, engagement and promotion of economic reform in North Korea would serve peace and stability on the Korean peninsula, Japan has pursued bilateral dialogue and supported multilateral channels such as the Six Party Talks and the UN.

Japan also needs to address the “unfortunate past” of the colonization of Korea (1910-1945) and promote historical reconciliation with both Koreas. In this regard, Japan normalized relations with South Korea in 1965, but has yet to normalize relations with North Korea. Normalization talks with North Korea began in the post-Cold War period. A delegation led by Shin Kanemaru (Liberal Democratic Party) and Makoto Tanabe (Socialist Party), who were Japan's senior political leaders at the time, visited Pyongyang in 1990 to meet with Kim Il Sung and agreed to start talks. Official talks between Japan's Ministry of Foreign Affairs (MOFA) and DPRK representatives began in 1991, but soon stalemated with the first North Korea nuclear crisis in 1993-94.

The Lee Un Hye issue—the suspicion that “Lee Un Hye,” said to train one of the perpetrators of the 1987 Korean Airlines bombing incident, was in fact Yaeko Taguchi, a Japanese national considered to be abducted by North Korean agents—also further soured the talks.⁴

Normalization talks were reinvigorated in September 2002 with Japan's then-Prime Minister Junichiro Koizumi's historic visit to Pyongyang and meeting

with Kim Jong Il. The two leaders signed the Japan-DPRK Pyongyang Declaration that set the terms for normalization.⁵ Japan addressed the history issues in the Declaration: “The Japanese side regards, in a spirit of humility, the facts of history that caused tremendous damage and suffering to the people of Korea through its colonial rule in the past, and expressed deep remorse and heartfelt apology,” and agreed to provide North Korea with “economic cooperation” after normalization, including grant aids, long-term loans with low interest rates, humanitarian assistance and other loans and credits by financial institutions such as the Japan Bank for International Cooperation (JBIC). Both sides also agreed to waive all pre-August 1945 property and claims. This was modeled after the “economic cooperation” formula of the 1965 Japan-ROK normalization treaty. In return, North Korea agreed to address “outstanding issues of concern,” such as nuclear and missile issues, and “the lives and security of Japanese nationals” (i.e. Japanese nationals kidnapped by North Korean agents). The normalization talks soon deadlocked again due to the second North Korean nuclear crisis that surfaced in October 2002, when the George W. Bush administration confronted North Korea with evidence of a clandestine uranium enrichment program.

Domestically, the “abductees shock” slowed the momentum for diplomatic talks between Japan and North Korea. The Japanese public was shocked when Kim Jong Il acknowledged the abductees issue for the first time and revealed that some were already deceased, including Megumi Yokota, who was a schoolgirl when abducted in 1977.⁶ Koizumi brought back five Japanese abductees in 2002 and made a second visit to Pyongyang in May 2004 to bring back the abductees’ children and relatives.⁷ Japan-DPRK normalization talks were renewed in 2007-2008 as a working group in the Six Party Talks process, in parallel to the US-DPRK normalization talks. North Korea and Japan agreed to “start bilateral talks aimed at taking steps to normalize their relations in accordance with the Pyongyang Declaration, on the basis of settlement of the unfortunate past and still outstanding issues of concern.”⁸ But as the nuclear talks broke down, so did talks on normalization and abductees.

The Pyongyang Declaration was designed to address both the issues of the past and the present strategic and security interests and concerns. With its adoption, Japan’s policy focus vis-à-vis North Korea has shifted from normalization to the resolution of security concerns today. The hurdle for normalization is higher, as Tokyo is now unwilling to proceed with normalization and the “economic cooperation” funds to resolve the “issues of the past” unless it sees “comprehensive resolution” of its security concerns.⁹ However, as long as the Pyongyang Declaration remains the basis of Japan’s policy toward North Korea, the economic assistance card remains the main (though not sole) source of Japan’s leverage.

The current administration, by adopting the “dialogue and pressure” approach, continues to base its policy toward North Korea on the Japan-DPRK Pyongyang Declaration. In response to North Korea’s missile launch in April 2013, Chief Cabinet Secretary Yoshihide Suga noted, “The Government of Japan will con-

tinue to steadily implement unilateral sanctions and the sanctions based on the UNSC resolutions in order to encourage North Korea to engage positively in concrete actions toward the resolution of various issues of outstanding concern, including abduction, nuclear and missile issues.”¹⁰ Prime Minister Shinzo Abe, in his policy speech to the Diet on January 24, 2014, repeated the call for “North Korea to take concrete actions toward the comprehensive resolution of various issues including abduction, nuclear and missiles.” Regarding the abductions issue, Abe emphasized, “My mission will not be complete until the day comes that the families of all abductees are able to embrace their families with their own hands. Under the policy of ‘dialogue and pressure’ with North Korea, I will do my utmost to achieve the three points of ensuring the safety and the immediate return to Japan of all abductees, obtaining a full accounting concerning the abductions, and realizing the handover of the perpetrators of the abductions.”¹¹

Among the various issues between Japan and North Korea, these three—“*rachi* (abduction), *kaku* (nuclear) and *misairu* (missile)” —are the most often featured in statements and speeches by Japanese leaders.

Rachi (abductions) is primarily an issue of protecting Japanese nationals. Abe, when he served as Deputy Chief Cabinet Secretary for then-Prime Minister Koizumi, traveled to Pyongyang with Koizumi in 2002. Abe has had a personal interest in the abductees issue since he became a politician in the 1990s and, like other conservatives, has advocated a tough approach toward North Korea that includes sanctions.¹² Unilateral economic sanctions were enacted following North Korea’s missile test in July 2006. The sanctions are implemented based on nuclear and missile issues, along with the abductees issue. Unilateral sanctions—to add or alleviate sanctions—are another source of leverage in negotiations with North Korea. They are reviewed now on an annual basis and, as a result of economic sanctions, practically no trade currently exists between Japan and North Korea. In June 2006, the North Korea Human Rights Law was passed in the Diet with bipartisan support.¹³ The Law primarily focuses on the rights of Japanese abductees but also addresses other cases such as Japanese spouses of North Koreans, and assistance for North Korean refugees, some of whom now reside in Japan.¹⁴ As a result of the Japanese government’s conscious effort to seek international support, the abduction issue is now integrated with the broader issue of North Korea’s human rights violations. The visit to Japan and South Korea by the UN Special Rapporteur on the situation of human rights in North Korea in November 2013 is one example that demonstrates the internationalization of the abduction issue. Diplomatic support from the US, South Korea, China, Mongolia and other countries has also been beneficial to Japan.

While conscious of sustaining pressure on North Korea, including the continued use of unilateral economic sanctions, the current Abe government appears to focus more on dialogue while maintaining firm pressure. Although the Six Party Talks remain closed, Abe sent a special envoy, Iijima Isao, a former aide to Koizumi, to North Korea in May 2013, seeking to open bilateral channels and

explore possibilities that will promote resolution of the abductees and “designated missing persons.”

Japan’s other top-priority national security concerns are nuclear and missile issues. From the standpoint of defense and security, denuclearization of North Korea and response to North Korea’s nuclear and missile threats are extremely pressing matters. The National Security Strategy (NSS) Report adopted by the Abe Cabinet on December 17, 2013 emphasizes the heightened concern regarding recent developments in North Korea’s nuclear and missile program:

“North Korea has enhanced the capability of WMDs including nuclear weapons and that of ballistic missiles. ...North Korea has repeatedly taken provocative military actions in the Korean Peninsula including the use of provocative rhetoric some of which are directed at Japan... North Korea’s ballistic missiles development, including those with ranges covering the mainland of the US, along with its continued attempts to miniaturize nuclear weapons for warheads and equipping them to ballistic missiles, substantially aggravate the threat to the security of the region, including Japan. These concerns pose a serious challenge to the entire international community from the viewpoint of the non-proliferation of WMD and related materials.”¹⁵

In addition, the Ministry of Defense (MOD)’s National Defense Program Guidelines (NDPG), also announced on December 17, 2013, highlighted the threat of a potential “nuclear missile,” which may target Japan:

“North Korea’s ballistic missile development has presumably entered a new stage, as technological improvements have been made to extend the range and increase the accuracy of its missiles through a series of missile launches. Also, North Korea has conducted nuclear tests in defiance of calls for restraint from the international community, *so the possibility cannot be ruled out that it has successfully miniaturized nuclear weapons for warheads and equipped them on ballistic missiles* [emphasis added]. North Korea’s nuclear and missile development, coupled with its provocative rhetoric and behavior, *such as suggesting a missile attack on Japan* [emphasis added], pose a serious and imminent threat to Japan’s security.”¹⁶

The NSS and the NDPG reflect Japan’s security assessments after the Kim Jong Un regime’s nuclear and “satellite” (missile) tests in 2012 and 2013; the third nuclear test in February 2013; and the Unha-3 rocket (Taepodong 2 missile) test in December 2012. North Korea’s provocative rhetoric in March 2013—which, for the first time identified specific locations in Japan (i.e., US bases in Okinawa, Yokosuka and Misawa), as well as Guam and the US mainland, as falling within missile range—further heightened concerns in Japan.¹⁷

In response to North Korea’s growing nuclear and missile threat, Japan has strengthened deterrence and defense measures in cooperation with the US. Since the Taepodong missile test in 1998, the two countries began the joint develop-

ment of the ballistic missile defense (BMD) system whose deployment is under way today. In fact, the Abe cabinet's study on Japan's ability to exercise the right of collective self-defense is integral to Japan's response to the North Korean missile threat. Some within Japan even insist that Japan should study the possibility of acquiring enemy base strike capabilities in consultation with the US; as the missile threat heightens, the political pressure to intensify this effort will likely rise. The US-Japan Extended Deterrence Dialogue (EDD) is also part of this process. The upcoming review of the US-Japan Defense Cooperation Guidelines this year (2014) will also likely address enhancements in response to North Korea's nuclear and missile threat.

In addition to strengthening defense measures, non-proliferation measures, including efforts to cap and stop North Korea's nuclear program, are an integral part of Japan's policy toward North Korea. Close policy coordination not only with the US but also with South Korea has been critical in this regard. Since the first North Korea nuclear crisis in the 1990s, the US-Japan-ROK coalition remains the foundation to respond to these challenges. The dialogue mechanism first started with the 1994 US-DPRK Agreed Framework and the subsequent establishment of the Korean Energy Development Organization (KEDO) and the Trilateral Coordination and Oversight Group (TCOG). After the Agreed Framework collapsed, the coalition gained support from China and Russia in the 2003 Six Party Talks. Based on the September 2005 Joint Statement and the phased implementation agreements (2007-2008), the five working groups were established, and the Japan-DPRK normalization talks were synchronized with the process.¹⁸ "Pressure" mechanisms also evolved after the first North Korea nuclear test in 2006. Japan with the US has conducted active diplomacy to strengthen the UN sanctions regime, the most recent of which is based on UNSC Resolution 2094, adopted in March 2013. Japan has also been active in establishing and improving the UNSC North Korea Sanctions Committee and the Expert Panel.

While the Six Party Talks have remained in hiatus since 2008, North Korea has upgraded its nuclear program, revealing their uranium enrichment program in 2010. It also restarted its Yongbyon nuclear facilities, including the old 5MW graphite reactor (plutonium) and the new uranium enrichment facility and an experimental light water reactor (under construction).¹⁹ The Kim Jong Un regime is likely to play its new Yongbyon card for talks this year. Japan supports the September 2005 Joint Statement of the Six Party Talks and the February 2013 US-DPRK agreement that addressed the uranium enrichment program as the basis for the next round of talks.

Challenges

Japan and the US share the same strategic and security goals. But Japan also has its own bilateral issues, namely normalization, with North Korea. The basic principles and conditions for normalization with large-scale economic assistance are laid out in the 2002 Pyongyang Declaration. For Japan, normalization is not

only a means to address the “unfortunate past” between Japan and North Korea, but also the vehicle with which to promote peace and stability on the Korean peninsula and in the broader region of Northeast Asia. Japan wants to achieve this while addressing its major security concerns—nuclear, missile, abductions and other human rights issues—with North Korea. However, the developments in recent years strongly suggest that successful pursuit of these goals is becoming increasingly difficult. The challenges in 2014 and beyond are:

1. An unpredictable regime in North Korea

The Kim Jong Un regime enters its third year and is in the midst of domestic political reshuffling after the purge of Jang Song Thaek. The leadership has made its nuclear ambitions clear. It continues to take provocative actions, mixed with conciliatory overtures, which is often perplexing to surrounding countries. This prevents the resumption of the Six Party Talks dialogue and thus sustained engagement. If the Kim Jong Un leadership shifts more weight to economic construction this year, it may also shift to a more conciliatory approach on the nuclear talks.

2. Progress in North Korea's nuclear and missile program

North Korea's nuclear program entered a new stage with the 2010 revelation of its uranium enrichment program. Reports confirm that the 5 MW reactor is in operation and that a new experimental light-water reactor is under construction at Yongbyon. North Korea is getting ready to produce more fissile material, and another nuclear test and missile test will further its nuclear missile program. The Kim Jong Un regime may be poised to resort to a new round of nuclear brinkmanship; whether a deal can be reached will depend on the responses by other Six Party Talks members, namely the US, South Korea and Japan.

3. Fissures in the regional coalition

While North Korea makes progress in its WMD program, fissures within the Six Party Talks (five-party vis-à-vis North Korea) and the US-Japan-ROK coalition remain problematic. Relations between Japan, China and South Korea have soured in recent years over history and territorial issues, and unfortunately that has hindered the three nations' cooperation on their shared diplomatic and security concerns with North Korea. While working-level consultations remain intact, summit-level distrust between the countries constrains the deeper cooperation necessary for a forceful diplomacy.

4. Japan's own dilemma

Economic assistance is practically the sole leverage Japan has vis-à-vis North Korea in its normalization talks. But this card can be used only after a “comprehensive resolution” of Japan's three top-priority concerns: abductions, nuclear capabilities and missiles. Japan's dilemma lies in the reality that it would likely be extremely difficult to achieve satisfactory resolution of all three issues, let alone simultaneously. Japan's experience in the first round of the Six Party Talks between 2005 and 2008 demonstrated that Japan would be placed in a difficult position if progress is made only in the nuclear talks with none

on the abductees issue. On the other hand, if North Korea woos Japan on the abductees (and other “missing persons”) issue, but the nuclear talks continue to stall, Japan would also find itself in a difficult position in the Six Party Talks.

Policy Recommendations

1. Japan should continue to strengthen cooperation with the United States.

The Japan National Security Secretariat should jump-start a policy coordination mechanism with the US National Security Council (NSC). It should promote consultations on diplomatic and defense strategy and intelligence sharing on North Korea.

2. Japan should work to mend ties with South Korea and China to rebuild the US-Japan-ROK trilateral and the Six Party Talks coalition vis-à-vis North Korea.

Efforts to alleviate tensions on history and territorial issues will be necessary from all sides. Facilitation and support by the US will be key. Dialogue with South Korea and US-ROK-Japan cooperation also need to be facilitated.

3. Japan should strengthen both its own deterrent capability against North Korea and its alliance cooperation with the United States.

This is particularly the case in missile defense and extended deterrence measures. The US-Japan defense cooperation guidelines review this year will be critical. Facilitating defense dialogue with South Korea on relevant issues, and promoting US-Japan-ROK and Japan-ROK defense cooperation will also be necessary.

4. Japan should work with the United States to strengthen the international non-proliferation regime.

In particular, Japan needs to work with the US to strengthen UN sanctions and export-control regimes to curb North Korea's WMD program, based on UNSC Resolution 2094. Japan should also seek further cooperation from China.

5. Japan should be prepared for the Six Party Talks and Japan-DPRK bilateral talks.

It should deepen consultation with Washington and Six Party Talks partners. Japan should also work out a more flexible negotiating strategy to avoid the dilemma of having to prioritize among critical issues, such as abductions and nuclear capabilities. Gaining the understanding from the US and the relevant Six Party Talks partners is extremely important.

Notes

1. See also Sakata, Yasuyo. "Korea and the Japan-U.S. Alliance: A Japanese Perspective." Takashi Inoguchi, G. John Ikenberry and Yoichiro Sato, eds. *The U.S.-Japan Security Alliance*. (Palgrave Macmillan, 2011), 91-117.
2. See Cossa, Ralph, eds., *U.S.-Korea-Japan Relations: Building toward a "Virtual Alliance."* (Washington, D.C.: Center for Strategic and International Studies, 1999).
3. Japan signed the United Nations Status of Forces agreement in 1954. United Nations Command (UNC) Rear is presently located in Yokota Air Base (Command of the U.S. Forces Japan). US bases and facilities in Japan, such as Yokota, Yokosuka, Zama, Atsugi, Sasebo, Kadena, Futenma and White Beach (Okinawa) are also designated as UNC bases for Korea contingency.
4. Lee Un Hye was mentioned by Kim Hyong Hui, the North Korean agent involved in the 1987 Korean Airlines bombing incident, as her Japanese language tutor. North Korea continues to deny involvement.
5. Japan. Ministry of Foreign Affairs (MOFA). "Japan-DPRK Pyongyang Declaration." September 17, 2002. Accessed February 4, 2014. http://www.mofa.go.jp/region/asia-paci/n_korea/pm0209/pyongyang.html.
6. The Japanese government officially acknowledged the "abductees" issue in 1997 with the Yokota Megumi case. Prior to that, "abductees" were treated as "missing persons." The Clinton administration supported Japan with these cases, conveying messages to North Korea. North Korea denied any involvement until Kim Jong Il acknowledged the issue for the first time in 2002.
7. The Japanese government demanded investigations of thirteen individuals at the Koizumi visit in 2002. North Korean response was four were alive, but others were deceased or never entered North Korea. Among the five that returned to Japan was Soga Hitomi, who was not included in the government list. Ms. Soga's husband was Charles Jenkins, a US soldier that defected to North Korea. Jenkins was also among the relatives that entered Japan in 2004.
8. Japan. MOFA. "Initial Actions for the Implementation of the Joint Statement." February 13, 2007. Accessed February 4, 2014. http://www.mofa.go.jp/region/asia-paci/n_korea/6party/action0702.html.
9. There were speculations by experts that estimated 10 billion dollars or more for the economic cooperation funds.
10. Japan. Kantei. "Measures taken by Japan against North Korea (Announcement by the Chief Cabinet Secretary)." April 5, 2013. Accessed February 4, 2014. http://www.kantei.go.jp/foreign/96_abe/decisions/2013/0405tyoukanhappyou_e.html.
11. Japan. Kantei. "Prime Minister Abe's Policy Speech, 186th Diet session." January 24, 2014. Accessed February 4, 2014. http://www.kantei.go.jp/jp/96_abe/statement2/20140124siseihousin.html.
12. As Deputy Chief Cabinet Secretary, Abe supported the start of the new *Rachi Giren* (Parliamentarian Union to Save Japanese Abductees in North Korea) in April 2002 (The first *Rachi Giren* was established in 1997). During his last tenure as prime minister (September 2006-September 2007), the Cabinet Headquarters for Abductions Issue was established, with the prime minister as its chairman. See also the Japan. Headquarters for the Abduction Issue. <http://www.rachi.go.jp/en/ratimondai/index.html>.
13. "Law concerning measures to Address the Abduction Issue and Other North Korean Human Rights Violations." (in Japanese) June 23, 2006. Accessed February 4, 2014. <http://law.e-gov.go.jp/htmldata/H18/H18HO096.html>.

14. For example, a young North Korean refugee who came to Japan in 2005 published her own story. *Ri Hana, Nihon ni ikiru kitachousenjin: Ri Hana no daiippo* [*Ri Hana, A North Korean living in Japan: Ri Hana's first step*]. (in Japanese) (Tokyo: Ajia Puresu [Asia Press], 2013).

15. Japan. Kantei. *National Security Strategy*. December 17, 2013, 12. Accessed February 4, 2014. http://www.kantei.go.jp/foreign/96_abe/documents/2013/_icsFiles/afieldfile/2013/12/17/NSS.pdf.

16. Japan. Ministry of Defense (MOD). *The National Defense Program Guidelines for FY2014 and Beyond*. December 17, 2014, 3. Accessed February 4, 2014. http://www.mod.go.jp/j/approach/agenda/guideline/2014/pdf/20131217_e2.pdf.

17. *Asahi Shimbun*, March 31, 2013.

18. The five working groups established in the Six Party Talks were denuclearization of the Korean Peninsula, normalization of DPRK-US relations, normalization of DPRK-Japan relations, economy and energy cooperation, Northeast Asia Peace and Security Mechanism (NEAPSM).

19. Albright, David and Serena Kelleher-Vergantini. "Increased Activity at the Yongbyon Nuclear Site." *Institute for Science and International Security*. ISIS Imagery Brief: December 5, 2013. Accessed February 4, 2014. http://isis-online.org/uploads/isis-reports/documents/Yongbyon_FINAL.pdf; Hansen, Nick. "Major Development: Reactor Fuel Fabrication Facilities Identified at Yongbyon Nuclear Complex." *38 North*. December 23, 2013. Accessed February 4, 2014. <http://38north.org/2013/12/yongbyon122313>.

JAPAN-SOUTHEAST ASIA RELATIONS: Implication of US Rebalance to the Asia-Pacific Region

Ken Jimbo

Policy Objectives

Upgrade Japan-ASEAN (Association of Southeast Asian Nations) relations.

Japan-ASEAN relations, if properly developed, can and should serve as one of Japan's most important diplomatic pillars to promote liberal, open and rule-based regional integration in Asia.

Encourage the establishment of a multilateral and legally-binding Code of Conduct (CoC) on the South China Sea.

Such a CoC should promote commitment to the freedom of navigation and peaceful means of dispute settlement.

Capacity Building of ASEAN Littoral States.

Japan's new security engagements in Southeast Asia can contribute to the capacity building of littoral states such as Philippines and Vietnam through strategic use of official development assistance (ODA), joint military exercises and training, and emerging possibilities to promote Japan's arms sales.

Integrate US rebalancing initiatives and Japan's new security engagements in Southeast Asia.

Japan's capacity building efforts should synergize with the ongoing efforts to encourage stable US forward presence by increasing US operational access in this region.

Context

Preserving the stability of two vital seas for Japan's sea lanes of communications has always been within Japan's key national interests. In recent years, maintaining the stability of the South China Sea and East China Sea has become a key policy agenda for Japan's engagement in Southeast Asia.

In the South China Sea in particular, Japan not only has significant commercial and security interests, but also has a high stake in how the rules and mechanisms for maritime security are established and consolidated in this area. However, the current standoff in the South China Sea seems to bring about the following

three aspects that make the premise of a status quo management between China and ASEAN less likely.

First, the maritime capability gap between China and ASEAN is quickly growing. China's rapid procurement of patrol ships, surveillance vessels and aircraft, submarines and next-generation fighters, along with Beijing's consolidation of its maritime law enforcement agencies, will likely bring about China's maritime and air superiority over its Southeast Asian neighbors.

Second, despite their best efforts, the ongoing attempt to generate an ASEAN-led, rule-based maritime order in the South China Sea so far has not achieved tangible success. In October 2013, the Joint Statement of the ASEAN-China Summit confirmed the commencement of official consultation on the CoC in the South China Sea. Although this represents a positive development from China's long-standing position that maritime disputes should be dealt with bilaterally, the prospect of ASEAN-China negotiations is not promising. In early 2014, authorities in the southern Chinese province of Hainan introduced an amended maritime regulation that requires foreign fishing-related vessels to secure the permission of local authorities before entering China's claimed maritime jurisdiction. The region is also concerned with China's possible expansion of the air defense identification zone (ADIZ) to the South China Sea, which would presumably be similar to the ADIZ in the East China Sea. Such possible developments would constrain ASEAN's common position on the CoC.

Finally, although ASEAN appreciates the importance of the US "pivot to Asia" and affirms their strong preference to see the US stay engaged in this region, the majority of ASEAN members are also reluctant to define the US role as an external balancer against China, in the light of deep ASEAN-China economic interdependence. Simply put, most ASEAN members do not want to choose between China and the US.

ASEAN's strategic autonomy rests upon its own strength to moderate great power rivalry in Southeast Asia. For ASEAN, generating a favorable balance of power conducive to ASEAN's flexible diplomatic space is its utmost important strategic agenda; however, it needs serious capacity building of its own. From the Japanese perspective, ASEAN's own strength and resilience against China's growing maritime pressure is an important vanguard for denying China's creeping expansion into contested territorial waters. Such resilience would also sustain the status quo that creates better conditions for ASEAN's diplomatic negotiations vis-à-vis Beijing.

Such capacity could also support an effective US military presence in this region. The importance of the "building of partner capacity"¹—enhancing the capacity of US allies and partners in Asia—is a major component of the US rebalancing strategy. In particular, if ASEAN coastal states are able to perform effective intelligence, surveillance and reconnaissance (ISR) operations and develop and improve their low-intensity operation capabilities, escalation manage-

ment at the initial level of tension would be dramatically improved. This infrastructure could potentially also provide alternative access points for US forces in Southeast Asia. In pursuing a “geographically distributed, operationally resilient and politically sustainable”² presence, capacity building in Southeast Asia would bring about cohesive guidelines.

Challenges

The greatest challenge for Japan’s security policy toward ASEAN is to deal with ASEAN’s complexity in its major power relations. ASEAN’s 10 member states are often divided over how best to deal with regional security issues, due to their different national interests, geopolitics and preferences regarding diplomatic relations with China. Most member states, except perhaps the Philippines, prefer to avoid facing the strategic choice of whether to take sides with the US, Japan or China. Instead, ASEAN is interested in maintaining a strategically favorable balance of power among major states. By doing so, ASEAN continues to place importance on ASEAN-centered dialogue processes such as the ASEAN Regional Forum (ARF), the ASEAN Defence Ministers Meeting (ADMM) Plus and Expanded ASEAN Maritime Forum to engage major powers.

The division within ASEAN became noticeable as its member states tried to form an ASEAN-wide approach toward the South China Sea disputes. ASEAN states are in agreement on promoting the CoC in the South China Sea. They also agree that such disputes should be resolved peacefully. Beyond these basic positions, however, ASEAN members have not reached consensus on specific measures that must be taken, such as how to establish a crisis management mechanism. This was symbolically demonstrated in the China-Philippines naval standoff over the sovereignty of the Scarborough Shoal in 2012. ASEAN was reluctant to express its decisive support for the Philippines’ position. It was unable to offer organizational support to mitigate the disputes. In the series of ASEAN meetings in 2012, Cambodia, as the ASEAN Chair, explicitly blocked appeals for including the Philippines’ South China Sea claims into the Chairman’s statement. Cambodia’s reluctance apparently came from China’s diplomatic pressure on Phnom Penh.

As illustrated above, pressuring ASEAN to take sides with Japan against China (and the US against China) would likely jeopardize ASEAN cohesiveness, which is the central element of its strength. ASEAN will not perform collective balancing against China. Desirable principles for Japan’s ASEAN policy then should include the following: 1) encourage ASEAN’s own initiatives toward the ASEAN Security Community in 2015 to further the effectiveness of intraregional security cooperation, and 2) smartly assist in building the security capacity of ASEAN littoral states to minimize the security dilemma through financing, training and arms sales.

Cooperation with the United States

The Obama administration's rebalancing strategy toward Asia is aimed at "implementing a comprehensive, multidimensional strategy: strengthening alliances; deepening partnerships with emerging powers; building a stable, productive and constructive relationship with China; empowering regional institutions; and helping to build a regional economic architecture that can sustain shared prosperity."³ Southeast Asia is regarded as a crucial region for geographically distributed US force posture in Asia. This effort to develop a new American presence in Southeast Asia includes an alliance upgrade with the Philippines and Thailand, an access arrangement with Singapore, and new security cooperation with Indonesia, Malaysia, Brunei and Vietnam.

The US rebalancing strategy also places importance on ASEAN as a key regional institution. The US substantially improved its relationship with ASEAN by signing the Treaty of Amity and Cooperation (TAC), joining the East Asia Summit (EAS), appointing the US ambassador to ASEAN in Jakarta, confirming the US ambassador to Myanmar (Burma), and holding the US-ASEAN leader's summit. ASEAN welcomes an active US engagement in Southeast Asia, unless the region becomes entrapped by the US-China power rivalry.

In both the security-military and diplomatic dimensions, there are emerging opportunities for Japan and the US to enhance policy coordination toward Southeast Asia. The US and Japan are both upgrading security relations with key ASEAN member states. Each effort to enhance security cooperation with individual countries in Southeast Asia will have better net results if they are coordinated effectively. The US and Japan can also conceptualize the model for role-sharing in Southeast Asia. Whereas the US rebalancing would play a major role in providing a favorable balance of power in Southeast Asia, Japan's capacity-building efforts would support ASEAN's strategic autonomy by enhancing their own security capacity. Finally, the US and Japan can jointly enhance ASEAN's institutional power to support rule-based regional order in East Asia.

Policy Recommendations

1. Japan and the United States should actively engage together in joint military exercises and training in Southeast Asia.

In the past several years, Japan has raised its profile in Southeast Asia, participating in joint exercises, humanitarian assistance, disaster relief and noncombatant evacuation operations. The Japan Self-Defense Force (JSDF) has been participating in the US-Thai Cobra Gold joint/combined exercises since 2005 and joined the US-Philippine Balikatan series for the first time in March-April 2012. Off the coast of Brunei in July 2011, Japan, the United States and Australia conducted their first joint maritime military exercise that these countries have ever had in the South China Sea. Japan has been an active participant in the Pacific Partnership, a dedicated humanitarian and civic assistance mission in Southeast Asia.

2. Japan should further enhance its defense exchanges and cooperation with ASEAN countries.

With increased participation in multilateral joint military exercises and training, Japan is significantly increasing its networking, communications and security cooperation with regional states. Starting from fiscal year 2012, the Ministry of Defense (MOD) has embarked on an assistance program for security capacity-building in ASEAN countries in such fields as humanitarian assistance, disaster relief and counter-piracy operations. Although the current budget is rather small, it is expected to expand over the longer term.

3. Japan and the United States should jointly establish the regional hub for humanitarian assistance and disaster relief (HA/DR) in Southeast Asia.

In order to cultivate effective deployment of militaries to respond to large-scale disasters, increased access to key bases and platforms in the region should be enhanced. Increased access would enable rotational force projections of the US Navy and Marines, as well as access by the JSDF, and prepositioning and stockpiling functions. This regional access should include bases and facilities in the Philippines, Thailand and Singapore (possibly Vietnam as well), by utilizing and repairing existing platforms. The proposed idea of establishing the regional HA/DR hub in the U-Tapao air base in Thailand should be prioritized, although the sensitivities of Thai domestic politics must be acknowledged.

4. Japan should boost the capacity building of ASEAN littoral states by boosting its ODA.

During the Japan-ASEAN Summit Meeting in November 2011, then-Prime Minister Yoshihiko Noda pledged \$25 billion to promote flagship projects for enhancing ASEAN connectivity. At the Japan-Mekong Summit in April 2012, Japan pledged a further \$7.4 billion in aid over three years to help five Mekong states' infrastructure projects. Aspects of ASEAN's critical infrastructure, such as airports, ports, roads, power generation stations and electricity supply, communications and software development are important—and often highly compatible—components of their security sectors. Foreign Minister Koichiro Gemba conspicuously promoted the “strategic use of ODA” to seek connectivity between Japan's aid and regional security. If Japan's financial assistance is more strategically oriented to support these functions, it can serve as a major tool for ASEAN to build up its defense infrastructure.

5. Japan should promote direct arms exports to support the defense infrastructure of ASEAN countries.

In December 2011, Japan decided to ease the restrictions imposed under its Three Principles on Arms Exports. While maintaining the basic philosophy of restraining exports, overseas transfers of defense equipment is now allowed in principle in cases related to contributing to peace and advancing international cooperation. For example, Japan is providing the Philippines with patrol vessels for its coast guard and maritime communications systems through ODA in the coming years. Building upon the eased restrictions, Japan is gearing up to consider exporting patrol vessels, aircraft and multipurpose support ships to enhance

ASEAN's maritime security capabilities. If this hardware assistance is coupled with technical support and training by the Japan Coast Guard and the Japan Maritime Self-Defense Force, Japan's support will more effectively contribute to ASEAN maritime security.

Although these moves indicate a new policy direction of Japanese engagement toward ASEAN, Japan may need a clearer strategy to promote capacity building in ASEAN. Helping to build ASEAN's defense capacity while avoiding an unnecessary security dilemma with China requires Japan to perform a delicate balancing act. Japan also needs close coordination among domestic institutions, such as the MOD and the JSDF, the ODA strategies of the Ministry of Foreign Affairs and the Japan International Cooperation Agency, and the financial functions of the Japan Bank for International Cooperation. Each institution obviously has a different perspective on capacity building in ASEAN. In the meantime, joint military exercises/training, the strategic use of ODA, and arms exports will constitute important pillars of Japan's policy toward ASEAN.

Notes

1. US. Department of Defense (DOD). "Quadrennial Defense Review Report." February 10, 2010. Accessed February 4, 2014. http://www.defense.gov/qdr/images/QDR_as_of_12Feb10_1000.pdf.
2. US. DOD. "Joint Statement of the Security Consultative Committee." April 26, 2012. Accessed February 4, 2014. <http://www.defense.gov/releases/release.aspx?releaseid=15220>.
3. Donilon, Tom. "The United States and the Asia-Pacific in 2013." Delivered at The Asia Society, March 11, 2013. The White House. Office of the Press Secretary. Accessed February 4, 2014. <http://www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a>.

FINAL THOUGHTS

Yuki Tatsumi

Each of the four policy briefs in this report illustrates the challenges that Japan faces in its bilateral relationships with its immediate neighbors, South Korea (Republic of Korea/ROK) and China, as well as in broader East Asia, Southeast Asia and North Korea (Democratic People's Republic of Korea/DPRK). Although each of these areas has its own unique set of challenges and future prospects, there are a few factors commonly identified in all the briefs.

First is the critical importance of policy coordination with the United States. As neither Japan's relations with South Korea nor China hold much prospect for improvement in the near future, close policy coordination with the US is more important than ever. Such coordination is necessary not only for Tokyo's bilateral relations with Beijing and Seoul; it is also important for Japan to engage constructively with South Korea and China in addressing nuclear and other security concerns in North Korea through the Six Party Talks. In Southeast Asia as well, Japan can optimize its relations by closely coordinating and complementing its efforts with the US. In short, whether in its bilateral relations with South Korea and China, its engagement in Southeast Asia, or its pursuit of a resolution of nuclear, abduction and other security concerns with North Korea, Japan's close cooperation with the US is essential to advance its foreign policy goals in East Asia.

Second, all the policy briefs, directly or indirectly, refer to the reality that Japan's stalled economy has weakened the diplomatic leverage Japan once had in these policy areas. Japan's economic growth has been stagnant since 1994, and in 2010, China surpassed Japan in its gross domestic product (GDP), replacing Japan as the second-largest economy in the world.¹ Although Japan still ranks 10th in the world for its per-capita GDP as of 2012 and is out of the worst of its economic slowdown,² a combination of China's continuous economic growth—its nominal GDP continues to grow, even if at a slower pace—and the vibrancy of South Korea's economy, particularly under former President Lee Myung-bak's "Global Korea" initiative, has considerably undermined Japan's diplomatic influence in East Asia and beyond. While Japan has intensified its efforts to enhance economic engagement with Southeast Asia through "strategic use of official development assistance (ODA)" as Jimbo elaborates in his paper, its weakened economy has complicated the management of its relations with South Korea and China, particularly the latter, as Ueki discusses in her brief.

Finally, the policy recommendations presented in all four briefs allude to the necessity of a “whole-of-the-government” approach as Japan pursues its foreign policy goals in East Asia. While the recommendations vary from enhanced cooperation in specific areas (as Ueki and Jimbo put forward in their briefs) to urging a comprehensive approach in Japan’s future engagement (as Sakata argues for “flexible negotiating strategy” vis-à-vis North Korea and Nishino emphasizes the importance of implementing the “Joint Vision” agreed upon between Japan and South Korea), it is clear that Japan needs to pursue an inter-agency approach to advance its policy objectives.

Major developments in Japan suggest that the country is on track to take the necessary steps to advance the foreign policy goals identified in the four policy briefs that comprise this report. As the release of the National Security Strategy (NSS) and the establishment of the National Security Secretariat demonstrate, Japan has begun to reorganize its foreign and security policymaking process into one that allows active inter-agency coordination under the Secretariat’s director. The lack of an organization with the authority to adjudicate an inter-agency process of policy consideration has long been considered a major disadvantage in Japan’s policymaking process, as it handicaps the government’s responsiveness to evolving foreign-policy challenges. Although the current structure of the Secretariat still has room for improvement—namely, how to ensure the engagement of the Ministry of Finance (MOF) and Ministry of Economy, Trade and Industry (METI) in the policymaking process early on, with neither MOF nor METI officials represented in the Secretariat staff—it is nonetheless an important step for Japan.³

Likewise, Japan’s positive economic indicators since the inauguration of the Abe administration—the annual report on Japanese economy and finance published by Japan’s Cabinet Affairs Office shows the Japanese economy rebounded in 2013 and its real GDP recovered to the “pre-Lehman Shock” level⁴—suggest that Japan may be on the cusp of overcoming the two-decades-long economic stagnation. Still, the ballooning fiscal deficit, a structural problem driven by the combination of reduced tax revenue (due to prolonged economic slowdown, as well as tax incentives to encourage individual spending and corporate investment) and increased government spending (primarily in public works and social security) remains a fundamental vulnerability in the Japanese economy.⁵ Furthermore, the forecast for Japan’s economic outlook in 2014 remains uncertain with economic forecasts varying from real GDP growth of 1.4 percent (most aggressive) to 0.2 percent (most conservative). The economic recovery in 2013 was possible due to the implementation of two of the “three arrows” in Abenomics, monetary relaxation and a temporary public spending increase. For the recovery to be sustainable, however, the third and most important of the “arrows”—the structural reform of the Japanese economy—must be successfully implemented.⁶

On the policy level, US-Japan cooperation appears to be on solid footing. Most recently, Prime Minister Shinzo Abe, in his policy speech to the Diet, called

the US-Japan alliance the “cornerstone” of Japan’s “proactive contribution to peace.”⁷ The US also recognizes the strategic value of this alliance, particularly as it explores ways to sustain its attention on the Asia-Pacific region in the face of continuing strategic demands in the Middle East, while budget constraints and political division at home limit policy choices for the government. The comprehensive agenda identified at the Security Consultative Committee (SCC) meeting in Tokyo in October 2013 demonstrates that there is agreement between the two governments on the necessity of bilateral cooperation over a wide range of issues.⁸ If anything, the US needs a more proactive Japan, not less.

With increasing unpredictability in North Korea, the US considers the recovery of Japan-ROK relations imperative, so that it can re-establish close policy consultation and security cooperation with its two allies in Northeast Asia. The discussions that Minister of Foreign Affairs Fumio Kishida had with US National Security Advisor Susan Rice, Secretary of State John Kerry and Secretary of Defense Chuck Hagel during his visit to Washington, DC were a clear illustration of the US’ strong desire to that effect.⁹ Furthermore, in Japan’s relations with China, there is now a greater appreciation of the magnitude of Japan’s security concerns vis-à-vis China, driven by Beijing’s assertive behavior in the East China Sea, including the Senkaku Islands, as well as the South China Sea. In Assistant Secretary of State Daniel Russel’s recent congressional testimony, he described China’s announcement of an air defense identification zone (ADIZ) over airspace in the East China Sea as “a provocative act and a serious step in the wrong direction.” His further statement that the “Senkakus are under the administration of Japan and unilateral attempts to change the status quo raise tensions and do nothing under international law to strengthen territorial claims” reflects such sentiment.¹⁰

However, the US also considers it important that Japan does not unnecessarily provoke anti-Japan sentiment in South Korea and China as Japan continues to expand its role in the world, particularly in the area of security policy. In the US’ view, such actions only make it difficult for Japan to pursue its goal. It is in this context that Washington reacted strongly to Abe’s visit to Yasukuni Shrine on December 26, 2013. Unfortunately, this US reaction to the Yasukuni visit prompted an angry belief in Tokyo that the US, now together with South Korea and China, is meddling with how Japanese leaders should remember Japan’s war dead, an issue which many in Japan consider to be an internal affair. The response sparked a debate in Washington over whether Abe can be trusted to make rational decisions to prevent tensions in the region from deteriorating further. Such anxiety has increased by additional provocative statements made by the governors of Japan Broadcasting Corporation (Nihon Hoso Kyokai/NHK) that raise questions about their view of Japan’s prewar history.

These are indeed regrettable turns of events. Both in East Asia and beyond, US and Japanese national interests are aligned closer than ever before. In the bilateral US-Japan context, the two countries have an ambitious agenda ahead to tackle, most

notably the revision of the Guidelines for US–Japan Defense Cooperation. Furthermore, when fully maximized, the US and Japan can utilize the bilateral partnership not only as the cornerstone of peace and stability in the Asia-Pacific region, but also as one of the building blocks to create a post-9/11 international order that is supported by democracy, rule of law and other international norms. The four policy briefs identify a number of areas in which the US and Japan can cooperate to sustain a peaceful and prosperous region, while minimizing the risk of conflict. Sixty years of partnership has created a cadre of officials in both countries who are dedicated to building on past successes. It is up to the leadership of both countries to buttress their effort by keeping their eyes focused on their shared interests.

Notes

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JAPAN'S FOREIGN POLICY CHALLENGES IN EAST ASIA

Views from the Next Generation

Japan has found itself in an East Asia security environment with heightened tensions for the last several years. In fact, East Asia is the region where Japan has seen the least diplomatic success in its foreign policy. But what are the specific policy objectives Japan should pursue? How have such objectives been formed? What are the challenges that Japan must overcome? Japan's Foreign Policy Challenges in East Asia: Views from the Next Generation is a collection of policy briefs on Japan's key foreign policy challenges in East Asia. The topics they cover in this volume—Japan's relations with China, South Korea, North Korea and Southeast Asia—are all issues of intense policy interest and concern in Washington as well as in Tokyo.

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Launched in 1999, the Stimson Center's Japan program seeks to provide a dynamic platform for engaging in useful discussion and analysis on the security issues relevant to Japan and its alliance with the United States. We strive to provide empirically based, high-quality analyses in order to promote a clear understanding of Japanese politics and security issues in Washington, DC as well as to facilitate professional exchanges between security policy experts in Japan and the US. In order to achieve these goals, the program engages in three core activities: policy-relevant research, outreach events, and visiting fellows.