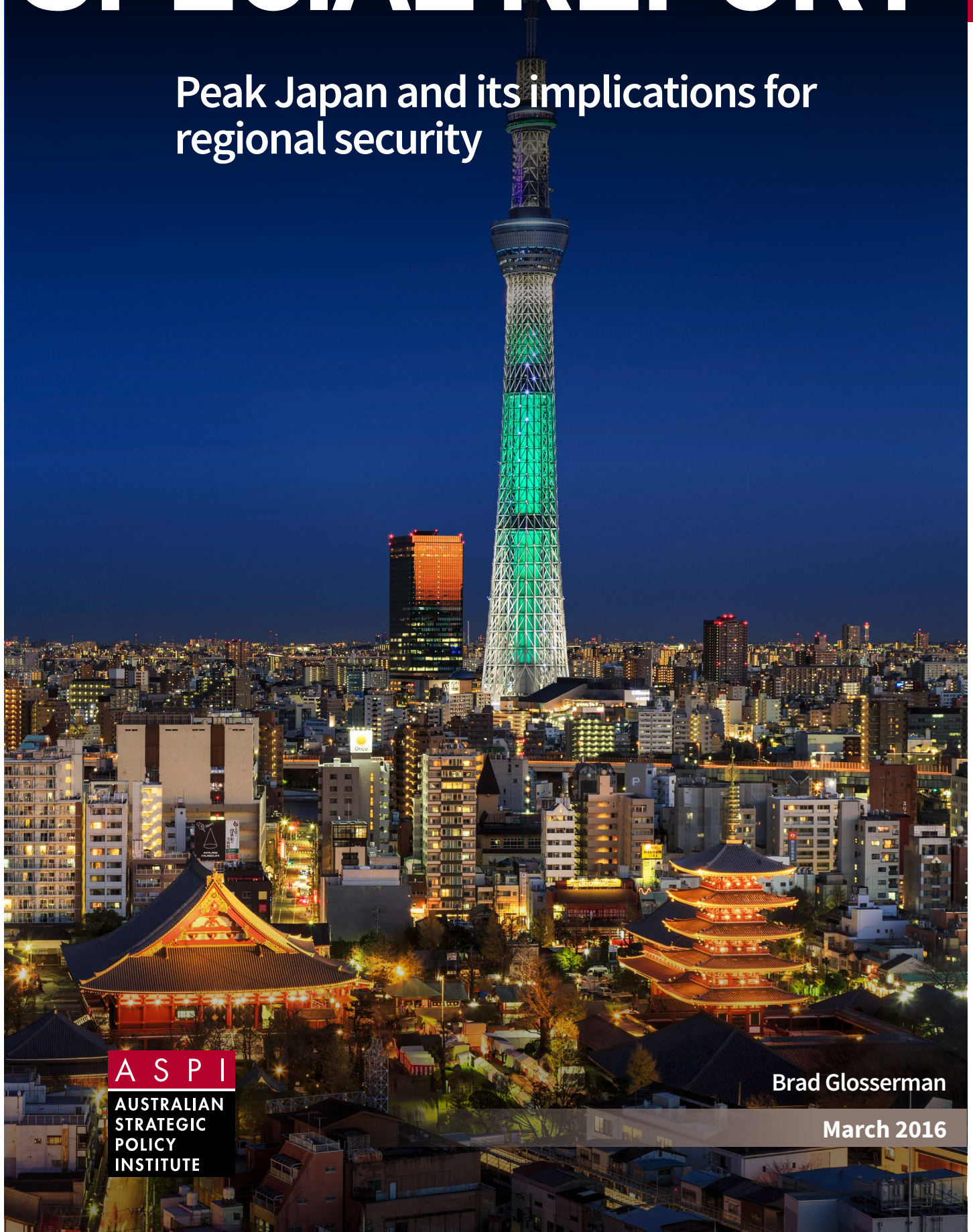


# SPECIAL REPORT

Peak Japan and its implications for regional security

ASPI



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INSTITUTE

Brad Glosserman

March 2016

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First published March 2016

Published in Australia by the Australian Strategic Policy Institute

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Sailors of the Japanese Maritime Self-Defense Force (JMSDF) raise the Japanese naval flag before the start of the fleet review at Sagami Bay, off Yokosuka, south of Tokyo 15 October 2015. (c) Thomas Peter / Reuters / Picture Media.

# EXECUTIVE SUMMARY

Prime Minister Shinzo Abe is determined to restore the shine to Japan and ensure that it remains a ‘first-tier’ country. Central to that objective are aggressive diplomacy and a forward-leaning security policy and posture. The first three years of his second administration have been marked by a series of initiatives to that end: the creation of a National Security Council, the production of a National Security Strategy, a state secrecy law, changes to arms exports and overseas development assistance policies, new National Defense Program Guidelines, a new Mid-Term Defense Plan, and new US–Japan Defense Guidelines.

While all these programs are valuable and welcome, Japanese security policy is rightfully characterised more as continuity than as change. The Abe government has dramatically accelerated Japan’s adaptation to the evolution in security challenges, but those efforts are still an adaptation and an evolutionary process. Worryingly, even those successes are likely to prove temporary—and his overarching goal of Japanese renewal will remain out of reach—if his Abenomics economic program doesn’t succeed. Two problems in particular threaten Abe’s objectives. First, there are structural problems in the Japanese economy, its demographic trajectory in particular. The second is the increasingly inward focus of the Japanese public. Two ‘lost decades’ have downsized Japanese horizons: there’s not only a diminishing inclination to compete with China but a reluctance to embrace the ambition that characterised two generations of postwar Japanese. It’s doubtful whether most Japanese share their government’s ambitions and whether they are prepared to make the adjustments and sacrifices necessary to achieve and maintain that status. The Abe administration could well be ‘Peak Japan’.

While the ultimate responsibility for the success of Abe’s agenda rests on the shoulders of his government and the public, Japan’s partners must try to counter the tendency among Japanese to step back or disengage. Tokyo must be drawn out, given a stake in regional outcomes and pushed to play as prominent a security role as possible. This necessitates the striking of a balance between the push for contributions and accepting (or at least acknowledging) the inclination to focus inwards. One important way to accomplish this objective is to conceptualise security broadly and to identify ways for Japan to contribute that don’t focus on purely military means. Japan has championed comprehensive security for over three decades; this should provide a framework for efforts that are congenial to Japanese resources, capabilities and thinking. Calibrating this tension is difficult but essential. Japan must be pushed to do more even while its partners remain conscious of the domestic circumstances that create resistance to such initiatives.

Australia can play a key role in this effort. Canberra has emerged as Tokyo’s preferred security partner (after the US). The two governments have overcome a bitter and difficult history to forge a ‘special strategic partnership’ that reflects shared values and interests and includes an expanding institutional infrastructure with regular meetings of the two top leaderships, an array of security instruments and coordination with their alliance partner, the US. Australia should continue to press Japan to work with it across a spectrum of security and foreign policy issues. There should be diplomatic coordination bilaterally and in regional and international forums; of special importance is outreach to third parties throughout East Asia to press for respect for the rule of law, human dignity and the peaceful resolution of disputes. They should be planning, along with the US, for various regional contingencies. The two militaries should be expanding their cooperation, including joint exercises.

# INTRODUCTION

From a distance, it looks as though Japan is in the midst of a radical transformation. Prime Minister Shinzo Abe certainly seeks to change his nation. A conservative nationalist, he bristles at the notion that Japan's best days are over and that it might be relegated to second-tier status. Abe has pushed a program of radical economic reform that bears his name—Abenomics—to provide the foundation for a wide-ranging domestic and foreign policy agenda. Convinced that political stability is every bit as important as economic rejuvenation, he has been a political opportunist, exploiting every chance to entrench his party's majority, consolidating its control of government and his status as prime minister and one of the leading figures in Japan's postwar history.

Abe has an idealised notion of his country that departs considerably from the image of contemporary Japan. Given a blank slate and a free hand, Abe would likely pursue more radical change than he has thus far. But he has neither and his two terms in office have revealed, reputation notwithstanding, a pragmatic politician. The result is a policy that has explored the confines of existing security policy, probed its limits, pushed them when possible, but ultimately demonstrates far more continuity than change in security, defence and foreign policy.

This paper examines Japanese security policy under Abe, identifies the constants and constraints that frame that policy, and attempts to project where Japan will go in the near-term future. Its conclusion may unnerve many: structural constraints in the Japanese economy, self-imposed limits deriving from Japanese national identity and an increasingly beleaguered polity will narrow Japanese options. The chief task of friends and allies of Japan will be to engage Tokyo and ensure that there's a place for Japan in regional security policy.



# THE ABE AGENDA

Ever since the Liberal Democratic Party (LDP) and Shinzo Abe returned to power in December 2012, they have sought to quell all doubts about Japan's status as a 'first-tier nation'.<sup>1</sup> Two lost decades have sapped Japanese energy and resources. A revolving door of prime ministers and cabinets—16 prime ministers and 40 cabinets since 1991—gave the impression of a leadership that was rudderless and distracted by internal politics. The eclipse in 2010 of Japan by China as the world's second-largest economy appeared to pull the plug on Japanese regional ambitions. Increasingly, strategists dared to assert that Japan should shorten its horizons and aim for 'middle power' status.<sup>2</sup>

The newly revitalised LDP government rejected any such moderation. In a defiant speech shortly after returning to power, Abe proclaimed that 'I am back and so shall Japan be.'<sup>3</sup> While insisting that its top priority was economic rejuvenation—the foundation of any larger national agenda—the Abe government still pushed important national security items. The first such move was the establishment of a *National Security Council*, a long-cherished objective of hawks (legislation to set it up was offered during Abe's first term in 2007, but adoption was thwarted by the turnover in the Prime Minister's office). While the council itself is new, it's part of a longstanding trend to consolidate power in the hands of the Prime Minister and make him a more powerful leader and better able to direct the various elements of the bureaucracy. The council has a four-person core—the Prime Minister, the chief cabinet secretary and the foreign and defence ministers—that will meet regularly and can convene a larger group as circumstances demand. Most importantly, it has a secretariat consisting of officials seconded from various ministries, a national security adviser who heads the secretariat and two deputies from the foreign and defence ministries.

Another important milestone pushed by the Abe administration was the *State Secrecy Law*,<sup>4</sup> which was designed to punish the leaking of classified information. The US has for years complained about the absence of substantive penalties for leaking in Japan and suggested that intelligence-sharing and perhaps even deeper defence integration would depend on such legislation. The legislation was denounced by civil rights activists in Japan, who argued that it was too broad and would shield the government from effective oversight and public scrutiny. Despite overwhelming public opposition—80% in one poll—the Bill was passed into law in December 2013 and came into force a year later.

One of the first products of the National Security Council was a *National Security Strategy*.<sup>5</sup> Japan has had several documents that approximate a national security strategy: *The Defense of Japan*, an annual white paper published by the Ministry of Defense that spelled out national security threats, challenges, policies and doctrines; the *Diplomatic bluebook*, which outlined the Foreign Ministry's assessment of global trends, along with Japanese responsibilities and programs; and reports from think tanks affiliated with government institutions that offered strategic perspectives. An authoritative executive branch document that laid out national interests, goals and the means to secure them was lacking. That gap has been filled.

Like similar documents in other countries, the National Security Strategy offers little in the form of hard policy prescriptions. It provides guiding principles for the interpretation of Japanese national security policy. It includes one important innovation, however: the adoption of 'proactive pacifism' as the core principle of Japanese defence policy. Proactive pacifism is based on the idea that an increasingly complex security environment dominated by transnational security threats across a variety of security domains demands a more energetic security policy.

New domains—space and cyberspace, in particular—erase longstanding distinctions that allowed Japan to separate front lines and rear areas. Ultimately, this new security environment eroded the validity of the concept of one-nation defense. Proactive pacifism, which obliges Japan to cooperate with a widening array of partners, is the Abe administration's response. While the use of proactive pacifism to guide official policy is an Abe administration innovation, the phrase has been employed for over a decade.<sup>6</sup> Coupled with a greater readiness to expand Japanese defence cooperation, it takes on new significance, however.

In 2013, the Abe government adopted updated *National Defense Program Guidelines*, which continued the reorientation of Japan's defence posture from a Cold War focus on a Soviet tank invasion of Hokkaido to defence of the southwestern maritime approaches.

Other important security policy documents and changes followed. In 2013, the Abe government adopted updated *National Defense Program Guidelines*, which continued the reorientation of Japan's defence posture from a Cold War focus on a Soviet tank invasion of Hokkaido to defence of the southwestern maritime approaches. While seemingly common sense, this new thinking has important implications for defence procurement and the relative status of the Japanese Self-Defense Forces (SDF). Bluntly put, the new thinking elevates the Maritime SDF and Air SDF, while relegating the Ground SDF. Recognition of the growing significance of Japan's Nansei island chain, which includes Okinawa and the disputed Senkaku/Diaoyu Islands, puts a premium on joint operations of the SDF—a 'dynamic joint defence force'—and underscores the need for a marine component and its related amphibious capabilities. As a consequence, the National Defense Program Guidelines also emphasise the importance of seamless US–Japan cooperation to address the growing number of 'grey zone' challenges that fall short of invoking the US deterrent.<sup>7</sup> They also highlight the growing importance of missile defence, outer space and cyberspace to Japanese national security and the need to strengthen capabilities in all three areas.

Accompanying the National Defense Program Guidelines was the publication of the *Mid-Term Defense Plan*, which defines Japanese military capabilities and priorities until 2018. The plan is the application of the guidelines to procurement. In keeping with the shift embodied in the new guidelines, it calls for a boost in the number of Japanese ships and vessels: the number of diesel–electric submarines will increase from 16 to 22; the destroyer fleet will grow from 47 to 54 (two of the new ships being Aegis-equipped), which will necessitate the creation of an additional escort flotilla; and the Maritime SDF is reportedly studying the purchase of three littoral combat ships, which are especially suited for operations in the waters in the southwestern approaches. There will also be funds for four new maritime patrol aircraft, bringing the total number in service to six. The Air SDF will purchase four additional AWACS aircraft, which will enable the creation of a new squadron, and three Global Hawk unmanned aircraft; it will also build new ground radars. Fighter squadrons will increase from 12 to 13 as the country acquires an additional 20 fighters (bringing the total to 280). Japan is committed to buy 28 F35A Joint Strike Fighters during the five years of this Mid-Term Defense Plan and another 14 later. The F35B, which has vertical take-off and landing capabilities, would be suited to Japan's helicopter destroyers and may be purchased in the future. Finally, the Ground SDF will be transformed into a more mobile force with three rapid deployment divisions, three rapid deployment brigades, an airborne brigade, a helicopter brigade and an amphibious brigade. This evolution will be facilitated by the purchase of amphibious vehicles, manoeuvre combat vehicles and Osprey tilt-rotor aircraft.<sup>8</sup>

The Abe administration has also pushed for the relaxation or modification of policies guiding *arms exports* and *official development assistance*. In both areas, Tokyo had been severely restricted. The 'Three Principles on Arms Exports' were articulated in 1967 and, while they were intended to merely limit Japan's contributions to the international arms market, they became a comprehensive ban on arms exports in 1976. In April 2014, the Abe cabinet revised the principles to allow exports in cases that will contribute to global peace and serve Japan's

security interests.<sup>9</sup> Official development assistance policy has been similarly renovated. Historically, Japanese funds couldn't be used for any program that might have military application. In June 2014, an advisory panel recommended the loosening of those restraints to permit Tokyo to use development funds for 'strategic purposes'. In February 2015, the cabinet agreed and adopted the Development Cooperation Charter, which will allow the use of overseas aid for 'nonmilitary purposes such as public welfare or disaster-relief efforts ... and when members of recipient countries armed forces would be involved'.<sup>10</sup> Tokyo insists that this doesn't constitute a change in Japanese policy and that it won't 'foment conflict', but there's no mistaking the loosening of constraints and the desire to use funds in new ways specifically designed to advance Japanese national security or strategic interests.

Yet another important change has been the Abe administration's determination to *reverse the decline in defence spending and to invest in security resources*. Japan's defence budget fell from a 2002 peak of ¥4.96 trillion to ¥4.71 trillion in 2012, but it has recovered with the return of the LDP. The government increased defence spending in the first four budgets it submitted; the FY 2016–17 cabinet-approved budget reached a record ¥5.05 trillion (US\$41.4 billion), just below the ¥5.09 trillion requested by the Ministry of Defense.<sup>11</sup> Increasing expenditures are designed to facilitate the shift to dynamic defence outlined in the National Defense Program Guidelines and signal a new resolve after decades of double-digit defence spending increases by China and perennial complaints from the US about free or cheap riding.

# TAKING ON THE CONSTITUTION

Central to the task of reclaiming ‘first-tier nation’ status is asserting a larger profile in regional and global affairs. For conservatives, the appropriate focus is on a narrower field of endeavour, namely regional security affairs. For them, this demands a reassessment and revision of the Constitution. The conventional narrative is that this document was imposed on Japan by the postwar occupation authorities.<sup>12</sup> Conservatives insist that Article 9, which famously renounces the use of war as an instrument of state policy and the acquisition of the means to use force, renders Japan powerless and weak, unable to fulfil its responsibilities as a beneficiary of the regional security order and unable to be a good ally and partner of the US.<sup>13</sup>

Abe has made constitutional revision a focus of his political career, calling it ‘my historical mission’.<sup>14</sup> During the 2012 campaign he pressed that agenda, but acknowledged the divisiveness of the issue and accepted that he had to do more work to build public support to realise that goal. Conceding that constitutional reform was a bridge too far, in 2013 he began the push for constitutional reinterpretation, a far less onerous objective. This effort culminated in the July 2014 cabinet decision to reinterpret Japan’s ‘right of collective self-defence’. Historically, Japan was thought to possess that right—as all nations do—but was banned from exercising it because of the constraints imposed by Article 9. The cabinet decision lifted those restraints while setting three conditions for the use of Japan’s military:

- Japan can come to the aid of an ally with which it has a ‘very close relationship’ if there’s a threat to constitutional rights to the life, liberty, and happiness of Japanese citizens. (Since Japan has only one ally, the US, this considerably limits the application of this change in interpretation.)
- There’s no other diplomatic or negotiated means to protect both that nation and its citizens but through the use of military force.
- The use of military force is kept to a ‘bare minimum’.

Given the preparations that preceded the cabinet decision, its ultimate contours were largely predictable. That didn’t dampen the emotions that were unleashed in Japan and elsewhere and speculation about what the decision meant. But the decision by itself was meaningless without legislation that put the new interpretation into effect. The result was security legislation passed in September 2015. The new Acts allow the Japan SDF to engage in combat overseas when Japan or a close ally is attacked and the result threatens Japan’s survival and poses a clear danger to people, when there is no other appropriate means available to repel the attack and ensure Japan’s survival and protect its people, and the use of force is restricted to the minimum amount necessary. (The language closely tracks that of the cabinet reinterpretation.) Under the new legislation, Japan can now assist the US if it is attacked, as well as join United Nations peacekeeping missions. This reflects the recognition, initially spelled out in the National Security Strategy, that one-nation defence is an outdated concept and that Japan must do more to contribute to regional security.

Between the reinterpretation of collective self-defence and the passage of the new security legislation, the Abe government, working with the Obama administration, agreed on new *US–Japan Defense Guidelines*, the blueprint for the bilateral security alliance. The last set of guidelines had been set out in 1997 (there have been just three in the 56 years of the alliance) and there was widespread recognition that new regional security threats and challenges, along with defence modernisation efforts and a new outlook in Tokyo (and some changes in US thinking as well),

necessitated a new document. The 1997 guidelines limited US–Japan security cooperation to rear-area support in noncombat ‘situations in areas surrounding Japan’, which was generally thought to mean contingencies in the Taiwan Strait and the Korean peninsula. Apart from the obvious geographical limits, security planners chafed at the artificiality of the contingencies and the restraints that were imposed as crises escalated. Equally alarming was the failure to anticipate the entire range of possible security situations, in particular the emergence of ‘grey zone’ challenges that don’t rise to the level of outright conflict between states.<sup>15</sup> Adversaries demonstrate increasing sophistication as they attempt to recast the status quo to their advantage, probing weaknesses and looking for holes in the ability of states to defend their national interests. Examples include China’s island building in the South China Sea, its use of nonmilitary fishing vessels to challenge sovereignty claims over disputed territory in the East China Sea and elsewhere, and North Korean missile and nuclear tests.

The guidelines are intended to create a ‘full partnership’ between the US and Japan, one that allows the two countries to anticipate and respond to situations involving counterterrorism, peacekeeping, capacity building, humanitarian assistance and disaster relief, and to act in the ‘new strategic domains’ of space and cyberspace.

The new guidelines are intended to address these lacunae, developing a ‘seamless, robust, flexible, and effective’ bilateral response to a range of security issues that could affect Japan. They are global in scope and comprehensive in regard to the range of contingencies they address and the cooperation they demand. The guidelines are intended to create a ‘full partnership’ between the US and Japan,<sup>16</sup> one that allows the two countries to anticipate and respond to situations involving counterterrorism, peacekeeping, capacity building, humanitarian assistance and disaster relief, and to act in the ‘new strategic domains’ of space and cyberspace. They are also intended to facilitate cooperation with third parties to realise a critical objective of the US ‘rebalance to Asia’—connecting the ‘spokes’ of the US alliance hub as well as other regional partners. Finally, the new guidelines establish an ‘Alliance Coordination Mechanism’ to develop whole-of-government approaches to security situations to ensure that the entire range of national resources is employed effectively and efficiently.<sup>17</sup>

# EXPLAINING JAPANESE BEHAVIOUR

## Patriotism, prudence or paranoia?

Several factors motivate the Abe administration's drive to establish a new security policy paradigm. First, there are status concerns—the recognition that a first-tier nation must shed the constraints of one-nation defence to be taken seriously in international councils. A related belief is that Japan must contribute more to match the benefits it has garnered from the international order, a logic that also includes the responsibilities that Japan must meet as an ally of the US. Subsidiary—but for some primary—concerns are that a 'real' country must be able to act more competently in the security sphere, that military activities are intrinsic to national identity and that the constraints previously imposed by Article 9 undermine the Japanese national character.

In addition to these inchoate concerns, there are very real and ever more threatening security challenges. The *Defense White Paper 2015* paints a dark picture: 'The security environment surrounding Japan has become increasingly severe, with various challenges and destabilizing factors becoming more tangible and acute.'<sup>18</sup> The list is long, with old challenges and new ones: terrorism, proliferation of weapons of mass destruction, cyberattacks, pandemic diseases, piracy, climate change and other environmental problems are just a few of the most prominent concerns. The most immediate of them include the rise of China and an increasingly belligerent and unpredictable North Korea.

**North Korea.** Pyongyang has been a source of concern for Japan since the early 1990s, when Tokyo, along with the rest of the world, got a first glimpse of its nuclear ambitions. The prospect of a hot conflict between the US and North Korea focused Japanese attention, and there was considerable relief when the two governments announced the 1994 Agreed Framework to bring North Korea back into the nuclear fold. That relief was only temporary, however. Alarm bells rang again in 1998 when Pyongyang launched a Taepodong missile that overflew Japan, reminding the Japanese (and the world) of the newly acquired ability of a belligerent and bellicose nation to reach out and touch a long-time enemy. All the while, North Korean spy boats played cat and mouse with Japanese maritime forces as they smuggled drugs and people into Japan. In 2002, a second nuclear crisis was triggered when the US accused Pyongyang of cheating on its obligations under the 1994 deal and pursuing a clandestine nuclear weapon program. That crisis has endured for over a decade, during which North Korea has held four nuclear weapon tests and launched several long-range missiles, all in defiance of the international community and explicit UN Security Council resolutions.

And to make things personal, in 2002 North Korean leader Kim Jong-il admitted to then Japanese Prime Minister Junichiro Koizumi that North Korean agents had abducted several Japanese citizens—a charge long levelled against Pyongyang but denied by it and its sympathisers in Japan. Questions continue to swirl around the abductees (How many were taken? Are they still alive?) and block any rapprochement between Tokyo and Pyongyang.

North Korean cyber capabilities have prompted growing concern, especially in the light of the Sony hack and continuing probes of South Korean government, business and infrastructure networks. The Ministry of Defense's White Paper, the authoritative statement of Japanese defence assessments, noted in 2012 that 'North Korea's

military behavior has increased tension over the Korean Peninsula, and constitutes a serious destabilizing factor for the entire East Asian region, including Japan.’ Similarly, ‘North Korea’s missile issue is, coupled with its nuclear issue, destabilizing factors for the entire international community and the Asia–Pacific region, and such developments are of great concern.’<sup>19</sup> Japanese worries about the North’s nuclear program are exacerbated by the belief that Japan is the only country against which Pyongyang would use a nuclear weapon.<sup>20</sup>

**China.** China appears to have eclipsed North Korea as Japan’s primary concern. For years, Japanese defence policymakers conceded *sotto voce* that they couldn’t speak openly about a ‘China threat’, but they encouraged outsiders to substitute ‘China’ for every mention of ‘North Korea’. That subtlety is no longer needed. For more than two decades, Beijing has provided the People’s Liberation Army (PLA) with ample funds for modernisation. The result is a force with rapidly expanding capabilities and a growing reach. The army is being modernised and professionalised. The navy now plies waters further from China’s shores and, while it can’t yet be called a ‘bluewater’ force, it’s well on its way. In the past decade, China has demonstrated a growing array of advanced technologies: it tested a satellite interceptor, had sea trials for its first aircraft carrier, and revealed a stealth fighter. Again, Japan’s Defense White Paper provides the authoritative assessment:

China has been broadly and rapidly modernizing its military forces, backed by the high and constant increase in its defense budget. China has not clarified the current status and future vision of its military modernization, and the transparency of its decision-making process in military and security affairs is not enough ... Furthermore, China has been expanding and intensifying its activities in waters close to Japan. These moves, together with the lack of transparency in its military and security affairs, are a matter of concern for the region and the international community.<sup>21</sup>

There’s no sign that the pace of China’s military modernisation is slowing. The 2015 Japanese Defense White Paper notes that:

China’s announced national defence budget thus continues to increase at a rapid pace, recording double-digit annual growth nearly consistently from FY1989 to the present. The nominal size of China’s announced national defence budget has grown approximately 41-fold in 27 years since FY1988 and nearly 3.6-fold in 10 years since FY2005.<sup>22</sup>

While the *Sankei Shimbun* is one of Japan’s most conservative newspapers, it isn’t alone in concluding that the ever-increasing defence budgets ‘reflect China’s dangerous intentions and moves to seize the Senkaku Islands in Okinawa by force’.<sup>23</sup> Especially worrisome for Japan are the steadily growing capabilities of the PLA Navy. A nation that depends on sea lines for its survival—for both imports of basic raw materials, including food and energy, and for exports—is going to be acutely sensitive to any threats to those lifelines. Yutaka Kawashima, a former vice foreign minister of Japan, concluded that ‘an obsession about the scarcity of key natural resources in Japan seems to have deeply embedded in the national psyche.’<sup>24</sup> This focus renders even more worrisome China’s claims to the South China Sea, its creation of artificial islands and the militarisation of that territory. Speaking after reports that Chinese missiles had been deployed on Woody Island, part of the Paracel Island group, Minister of Defense Gen Nakatani said:

Construction of a stronghold in the South China Sea, the use for military purposes, and unilateral actions that increase tensions by changing the status quo are a common concern of international society, and our country takes the position that it is important for international society to coordinate to protect an open, free, peaceful sea.<sup>25</sup>

The impact of Chinese actions is magnified by two concerns. The first is the historical rivalry between Tokyo and Beijing for regional leadership. Japan was the leading country of Asia for most of the 20th century and has long assumed that was its rightful place. The rise of China and its overtaking of Japan have unnerved many Japanese; Japan–China relations during the past 120 years and the humiliations inflicted on China by Japan in the first half of the last century create anxieties about the readiness of the Chinese to let the past remain history. To be blunt,

there's a fear that scores will be settled. The anti-Japanese sentiment that surfaced in China in recent years when tensions rose between the two countries is proof that such fears aren't paranoia.

The second concern is related but nevertheless distinct: the prospect of a shift in the regional balance of power. The 2015 Defense White Paper discussion of US security policy noted the 'severe financial situation', 'deep cuts in spending' and the impact of the 2013 congressional sequester.<sup>26</sup> It concluded, laconically, that 'Much attention will be paid to how the mandatory sequestration cuts in defense spending will impact the US defense strategies and security policies outlined in the [Quadrennial Defense Review] and other documents.'<sup>27</sup> These straitened circumstances are a stark contrast to the largesse enjoyed by the PLA; not surprisingly, the Defense Ministry's assessment of the Asia-Pacific regional security environment focuses on shifts in the balance of power and the rising influence of China and Russia on the international community.

Worries about US defence spending are compounded by fears that Washington will be distracted by crises elsewhere in the world.

Worries about US defence spending are compounded by fears that Washington will be distracted by crises elsewhere in the world. Chaos in the Middle East—the civil war in Syria, the emergence of ISIS, the deterioration of Iraq and Libya—along with Russia's muscle flexing on its European periphery have prompted concern that Obama's 'rebalance' to Asia may yet prove to be a 'pivot' and that US attention will shift once again to more traditional theatres. Japanese efforts contribute to its own defence, parry US complaints (typically voiced during election campaigns) that Japan isn't pulling its weight as an ally, and thicken the weave of ties to make any disengagement more difficult.



# EMBRACING TRILATERALISM

In addition to the consolidation and reinvigoration of the US–Japan relationship, the Abe administration has pursued trilateral security initiatives as a means to tie the US down (as well as hedge against any withdrawal).<sup>28</sup> This isn't a new approach: trilateral security efforts have been in place since the 1990s, when Washington, Tokyo and Seoul established the Trilateral Cooperation and Oversight Group (TCOG) to coordinate policy towards North Korea. While the US has attempted to revive that effort in recent years, that ambition has been thwarted in large measure by the tensions between Tokyo and Seoul.<sup>29</sup>

Today, the gold standard for such cooperation is the Trilateral Strategic Dialogue (TSD) that includes the US, Japan and Australia. Established in 2002 as a senior defence forum, it assumed its current form as a ministerial-level discussion in 2006. A year later, the three heads of state held their first trilateral summit at the 2007 Sydney APEC leaders meeting. The TSD is especially valuable because its agenda has been framed in ways that overcome Japanese domestic political constraints on enhanced security activity. The dialogue focuses on 'international security missions' such as humanitarian assistance and disaster relief, counterterrorism, maritime security, nonproliferation, and promoting democracy in regional states, rather than 'collective defence activities' such as mutual defence or missile defence. These 'activities were only possible because they are not deemed to be the exercise of the right of collective self-defence against a particular state, but were directed at a threat that jeopardizes international society as a whole. For this reason, successive governments of Japan have been able to join the TSD—as an instrument to provide a public good—without provoking much debate in the Japanese parliament.'<sup>30</sup> The loosening of restrictions on collective self-defence should allow wider and more vigorous engagement with Australia, both bilaterally and trilaterally.<sup>31</sup>

Trilateral security cooperation is the sharp edge of a more aggressive and assertive diplomatic posture generally. In his first year in office, Abe visited all 10 of the ASEAN member states—a reminder of the centrality of Southeast Asia to Japanese national security interests. This was part of a more peripatetic diplomacy: in the first two years of his second term, he visited 49 countries, more than any other Japanese prime minister. This activism is a core component of his effort to raise Japan's international profile, to remind the world of the role that his country can play, to challenge the assumption that China is the rightful leader of Asia and to support an international order that has served Japan well. Key partners in this effort are the US, of course, but also Australia, India and even Europe; Japan and NATO signed a joint political declaration in 2013 that signals their shared commitment to strengthen security cooperation.<sup>32</sup> Let's look in more depth at four of those relationships.

**South Korea.** As noted, South Korea has traditionally been the focus of Japan's outreach to regional security partners (other than the US). Tokyo and Seoul were considered by many to be ideal partners: they shared values, geostrategic interests and outlook, geography and were both US allies. The convergence of interests peaked in the late 1990s with the formation of TCOG; the common descriptor of the relationship was 'the virtual alliance.'<sup>33</sup> Since then, the strains of history and identity politics have rendered that cooperation a distant memory. Bilateral relations between the two countries spiraled downward as the two governments argued over history and its present-day manifestations: territorial disputes, textbooks, commemorations at the United Nations and the 'comfort women' are just some of the items on a long, depressing list. Relations deteriorated to the point that Prime Minister Abe did

not hold a bilateral summit with ROK President Park Geun-hye until November 2015, nearly three years after each leader had taken office.<sup>34</sup> On two occasions, the two governments were set to sign a General Security of Military Information Agreement (GSOMIA), a fairly routine agreement that stipulates the form that military information sharing will take, but both times signing was cancelled—once just hours before it was to take place—because of domestic political pressure in South Korea. Many South Koreans were troubled by the March 2015 decision of the Japanese Foreign Ministry to edit the description of Japan–ROK relations: formerly, described as ‘an important neighboring country which shares the basic common values of freedom, democracy, a market economy with Japan,’ the new words merely note that it is ‘the most important neighboring country for Japan.’ Relations appear to have bottomed, however. Following the November 2015 summit, the two governments agreed to a ‘final resolution’ of the ‘comfort women’ issue.<sup>35</sup> If this agreement is honoured—and thus far the signs are good—the two governments could begin to rebuild bilateral relations and begin significant cooperation to address regional security threats.

There was bilateral cooperation even during this downturn. Much of this work, however, was downplayed by participants to avoid attracting attention and risk its suspension. Furthermore, the US has pressed its two allies to work with it to address North Korean threats. So, for example, the three governments agreed in April 2015 to a ‘Trilateral Information Sharing Arrangement Concerning the Nuclear and Missile Threats Posed by North Korea’, which would allow them to exchange information with the US, which would then pass it on to the other party.<sup>36</sup> (US involvement can be problematic, however: there is a view in both Tokyo and Seoul that Washington will force the other party to get in line in the event of a contingency. This thinking reduces the perceived need in each capital to fix the bilateral relationship.<sup>37</sup>) The US continues to push both countries at both official and unofficial levels to improve bilateral relations and to step up trilateral cooperation. For the time being, however, domestic politics and a divergence of views regarding China will limit the pace and scope of Japanese engagement with the ROK on security concerns.<sup>38</sup>

**ASEAN.** Japan has long considered Southeast Asia to be a region of vital national interest. When the Japanese economy modernised, it was a critical source of resources. As the economy matured and rising costs squeezed the competitiveness of domestic industries, Japanese companies expanded operations to Southeast Asia to exploit cheaper labour and outsource production. In 1980, Japan absorbed 10% of ASEAN’s exports and produced 18% of its imports; a decade later, the numbers were 12% and 13%, respectively, and even by 2004, after an extended slump, Japan still took 13% of ASEAN exports and dispatched 15% of its imports to the region.<sup>39</sup> Japanese investments in Southeast Asia were also substantial, totalling US\$83.4 billion between 1951 and 2004, nearly 90% of which occurred after 1981.<sup>40</sup> Southeast Asia lies at a geostrategic crossroads where the Pacific and Indian oceans meet; energy and raw material supplies must traverse the region to get to Japan. About 95% of Japan’s energy supplies and 40% of its maritime trade pass through the South China Sea.<sup>41</sup> The importance of the region to Japan has grown in recent years, however. The rapid advance of Southeast Asian societies has created new markets for Japanese products—a particularly important source of demand as Japan’s own population ages and dwindles. Tokyo sees Southeast Asian governments as like-minded partners in efforts to shore up the rule of law and the existing international order. That effort is a reminder, too, of the need to win support in the competition for regional leadership. Japan’s 96% favourability ratings in regional opinion polls are proof of the success of its efforts.<sup>42</sup>

To build upon those good feelings, Japan has used the expanding latitude afforded by the changes outlined above to offer aid and support to build capacity among regional governments to protect their own national interests. Areas of Japanese assistance to ASEAN include ‘non-combat’ surveillance assets such as radar systems, maritime surveillance aircraft, and other intelligence, surveillance and reconnaissance hardware. Vietnam and Japan agreed to a strategic partnership in 2014 to expand maritime security relations; a year later, Tokyo and Jakarta inked a defence cooperation deal by which Japan would help build capacity for the Indonesian forces and launched a bilateral maritime security forum. In May 2015, Abe and Malaysian counterpart Najib Razak agreed ‘to raise our bilateral ties to [those of a] strategic partnership’, a deal that would lead to cooperation in defence equipment and maritime safety. Relations with the Philippines have been especially important to Japan.<sup>43</sup> The two countries signed a strategic partnership in 2011, and efforts to strengthen ties have picked up pace since Philippines President Benigno Aquino took office. The two defence ministries signed a memorandum of understanding in early 2015

(which reportedly included a Philippine military wish list), and Japan won a contract to provide the Philippines with 10 coastguard vessels in April 2015.<sup>44</sup>

**India.** Prime Minister Abe sees India as a cornerstone of Japanese diplomacy. During his first term as prime minister (2006–07), he reached out to New Delhi as a key partner of the ‘values-based diplomacy’ that girded his foreign policy. A vibrant democracy, India was expected to back Tokyo’s positions on questions of human rights and the rule of law; equally important is the scepticism shared with New Delhi about Chinese intentions. For a moment, there was even talk of a Japan–India–Australia–US quadrilateral that would support an ‘Asian arc of democracy’, but that ambition collapsed amid fears that China would see it as part of a containment strategy. Today, there’s a budding trilateral involving Japan, India and the US.

India remains high among Tokyo’s diplomatic priorities—a product of a perceived alignment of interests and ambitions between the governments in Tokyo and New Delhi. Abe and counterpart Mohendra Modi see each other as kindred spirits, possessed of great energy and a readiness to seize the moment. Both men are nationalists who seek more international space for their countries and feel that neither government has received the credit or status it deserves. Both are impatient activists who believe that they can shape history and geopolitics in their favour, and each recognises that economic rejuvenation is central to that goal. This mindset, along with their shared wariness of China—balanced by the need to cooperate with the geopolitical and geoeconomic reality of China—is central to the budding “bromance” between Abe and Modi; while leaders of both countries will share national objectives, the convergence of interests between these two men will give the bilateral relationship an extra boost.<sup>45</sup>

For Abe, in particular, India is a special partner. India joined Japan in efforts to assert Asia’s independence and reject Western imperialism during the last century. Abe has a high regard for both Subhas Chandra Bose, an Indian nationalist who sided with imperial Japan during World War II, and Radhabinod Pal, the sole dissenting justice during the Tokyo War Crimes Tribunal. Abe has met descendants of both men during trips to India.

India is also a business opportunity as it opens its doors to foreign investment in efforts to realise its economic potential. The two countries signed a comprehensive economic partnership agreement in 2011, and Japan has become one of the leading investors in India, even though two-way trade is only about US\$16 billion annually. India will also benefit from the easing of restrictions on Japanese arms exports. New Delhi is moving ahead with the acquisition of 12 US-2i aircraft in 2015 for US\$1.65 billion.<sup>46</sup>

Australia is even more important than India in Japanese security and foreign policy thinking.

**Australia.** Australia is even more important than India in Japanese security and foreign policy thinking. The two countries have a ‘special strategic partnership’, the product not only of their shared values and interests—‘democracy, human rights, the rule of law, open markets, and fair trade’<sup>47</sup>—but of an expanding institutional infrastructure that includes regular meetings of the two top leaderships (the prime ministers held seven summits and foreign ministers met five times in 2014 alone, and they have institutionalised a ‘2+2’ meeting of defence and foreign ministry officials), along with their alliances with the US, an Economic Partnership Agreement that went into effect in 2015 and an array of security instruments.<sup>48</sup> Australia was the first country after the US with which Japan agreed on a Joint Declaration on Security Cooperation, and that document has taken on increasing substance through an Acquisition and Cross Servicing Agreement, an Information Security Agreement, and an agreement on the Transfer of Defense Technology and Equipment, along with exchanges among the two militaries, joint training and exercises, and cooperation on peacekeeping and humanitarian assistance and disaster relief operations.<sup>49</sup>

At the time of writing, the most important piece of bilateral security cooperation is the prospect of Japan winning the contract to build Australia’s next generation of submarines. Canberra needs to replace its six Collins-class

submarines and, according to many media reports, Japan is ahead in the three-way competition with France and Germany. (It's by no means a done deal, however.) A decision to award Tokyo the contract would be a capstone for Japan–Australia cooperation, signal Japan's resolve to be a player in the international arms market, and boost trilateral cooperation (insofar as the guts of the boat would feature US electronics and indicate a way for the US and its allies to develop the cooperation among the spokes of the alliance wheel that's integral to the US rebalance). Japan's determination to win the bid is evident in its readiness to forgo significant economic gains to prevail. As one analysis concludes, a Japanese win would:

... be an important signal to domestic and overseas defense industries that Japan can compete in third markets ... Other countries in the Asia–Pacific—including Indonesia, Malaysia, Vietnam, and Singapore—are looking to modernize their submarine fleets. These are countries with which Japan is trying to build stronger strategic ties. A successful Australian venture increases the credibility of bids from Japanese industry for future defense contracts. Thus, the potential economic and defense industry—and ultimately strategic—benefits to Japan extend beyond sales revenue.<sup>50</sup>

This deal would further consolidate a relationship for Japan that experts in both countries now consider 'second only to that of the United States'.<sup>51</sup> (Japan's relationship with Australia has probably benefited from the downturn in its relations with Seoul. That isn't to say that ties with Canberra aren't important in their own right—they are vital and address a range of issues and areas that cooperation with Seoul would not—but bureaucracies can only support so much interaction, and lack of progress with South Korea has probably resulted in greater energy and determination to show results in security relations with Australia.)

# A REALITY CHECK

Given the changes outlined above, it's easy to make the case that Japan is changing. Prime Minister Abe and his supporters assert that they have halted the deterioration of Japan's international position, restored its ambition and put the pieces in place to reassert regional leadership. Those developments have been largely supported by Japan's friends, allies and partners. US security officials and experts applaud an administration that's finally decided to spend political capital on security issues, move to establish a more robust defence capability and step up to defend an ally in ways that are more consistent with traditional alliance burden sharing.

It's another thing to claim that Japan is remilitarising, as some insist. Typical of this view is a *Xinhua* comment that 'Abe is manipulating a dangerous coup to overturn the country's post-war pacifism and democratic ideals, as he hones [*sic*] in on releasing the shackles of the nation's legally tethered military and war will from its war-renouncing Constitution.'<sup>52</sup> The deputy chief of the PLA's General Staff pointed to a resurgence of Japanese militarism and efforts to accelerate Japan's 'military buildup' and 'to destroy the post-war international order'.<sup>53</sup> The Chinese Foreign Ministry was more restrained when it urged Japan 'to earnestly respect legitimate security concerns of its Asian neighbors, deal with relevant issues with discretion, not to harm the national sovereignty and security interests of China and not to undermine regional peace and stability'. Nevertheless, the statement implies that Japan could use its new power to upset regional stability, and the assertion that the legislation was merely 'rubber-stamped' by the Diet suggests a dangerous tendency that is not subject to internal checks.<sup>54</sup>

The truth is considerably more mundane. Japan is expanding its defence capabilities and has set up the legal and bureaucratic infrastructure that will allow it to exercise them, but there's less going on here than meets the eye. While the Abe government has 'dramatically accelerated Japan's adaptation to the evolution in security challenges',<sup>55</sup> it's still an adaptation and an evolutionary process. For example, many of the ideas that reached fruition under Abe were articulated in the previous Democratic Party of Japan (DPJ) government. The DPJ was first to lift restrictions on defence exports and introduced the concept of 'dynamic defence'.<sup>56</sup> DPJ Prime Minister Yoshihiko Noda even favoured Japan exercising the right of collective self-defence.<sup>57</sup>

Second, the notion that there were hard limits on Japanese behaviour as a result of legal instruments is untrue. Japanese prime ministers have reinterpreted the Constitution throughout the postwar era when they felt compelled to do so. Bureaucrats and politicians have been masterful practitioners of the 'fudge' when addressing hard national security and alliance issues. 'While the actual *text* of Article 9 remains unchanged, its *interpretation* has in practice been shaped by changing external conditions, weapon technologies, and shifting *political* winds at home.'<sup>58</sup>

Third, the much-vaunted defence budget increases are less impressive under closer scrutiny. Since Abe took office, the defence budget has grown less than 2% each year; that's not enough to undo the impact of 11 years of decline. In nominal yen terms, Japan's 2015 defence budget remains lower than that of 1997.<sup>59</sup> Moreover, a good chunk of the budget goes to support the US military presence in Japan. These are the 'SACO, Special Action Committee on Okinawa)-related expenses' expenditures that, while important, don't directly contribute to the enhancement of SDF capabilities. Eliminate those expenses and the Defense Ministry's proposed budget is approximately ¥4.93 trillion, close to what Japan spent on defence in 2002.<sup>60</sup> A weak yen (a core component of the Abe economic agenda discussed below) also hurts defence modernisation by making the purchase of foreign equipment more

expensive—a particularly pernicious development when weapons systems are ever more complex (and hence more costly) and interoperability demands foreign purchases.

Finally, there are the limits imposed by the new legislation. Recall the three conditions that must be met before the SDF can be deployed. During Diet debates on the legislation, the Abe government emphasised those constraints, underscoring the need for ‘a direct threat’ to Japan’s national security. The final Bill also requires Diet approval before any dispatch. Rhetoric and process have set a very high bar before Japan sends its military into harm’s way.

...the real restraints on Japan’s use of force are more social and political than legal.

In fact, the real restraints on Japan’s use of force are more social and political than legal.<sup>61</sup> This is evident in the steady scaling back of Prime Minister Abe’s ambitions from constitutional revision (during the campaign) to settling for reinterpretation accompanied by tight conditions. An important source of opposition to more far-reaching reform is Komeito, the LDP’s coalition partner, a pacifist Buddhist party that demanded the three conditions as the price of its support for the measure. While the LDP is building ever-larger majorities in the legislature and the opposition remains divided, Komeito retains significant power within the coalition as a result of its ability to produce votes during elections.<sup>62</sup> The party’s moderating influence helps some voters swallow their concern and back the government, but widespread public resistance is evident in opinion polls that consistently show that more than 50% of the public opposes the reinterpretation of the exercise of the right of collective self-defence.

The rhetoric used throughout the reinterpretation discussion and by Abe when he announced the initial cabinet decision to reinterpret that right highlights the power of social constraints. Abe framed the move as consistent with Japan’s status as a ‘peace state’ and emphasised that any and all changes will be part of its strategy of ‘proactive pacifism’. While a sharp-eyed observer will note that the ‘fudge factor’ argument four paragraphs above suggests that such language is flexible if not empty—and the three conditions do leave ample room for interpretation—this also highlights the need to respond to public opposition.

# PEAK JAPAN?

The most significant constraint on Japanese behaviour is a dwindling appetite among Japanese for a high-profile security role in Asia.<sup>63</sup> There's deep and abiding scepticism about the value of the military when it comes to anything other than the defence of Japan, although the heroic contributions of the SDF in the aftermath of the 11 March 2011 'triple catastrophe' awakened many to the role that the armed forces could play in securing the nation. More problematic, however, are the increasingly limited horizons that Japanese have for their country. To be blunt, they don't share Abe's ambition for Japan to be a 'first-tier country'. My study of Japan after 11 March reveals a populace that's increasingly content as a smaller power, one that eschews the obligations, risks and responsibilities of a great power. Japanese prefer to focus on domestic priorities, such as improving conditions at home, rather than projecting power or dealing with external issues. There's little interest in mediating or solving problems; in this view, the best contribution Japan can make is to export its good behaviour.

The cumulative impact of two lost decades has been a downsizing in Japanese horizons—not only a diminishing inclination to compete with China but a reluctance to embrace the ambition that characterised two generations of postwar Japanese.<sup>64</sup> Whether it's the result of an antimilitarist/pacifist mindset, the tug of traditional Japanese values or the seductiveness of the Japanese standard of living (or some combination of the three), 'it is doubtful whether the majority of Japanese share their government's ambitions and, more importantly, whether they are prepared to make the adjustments and sacrifices necessary to achieve and maintain that status.'<sup>65</sup> One critical assessment concludes that 'stasis, lethargy, and fatalism, along with a pleasant lifestyle, best describe the archipelago in 2016.'<sup>66</sup>

Abe is determined to shake his country out of this slump. His 'Abenomics' economic program was born of the recognition that the root of any great-power ambition is economic revival, not only to create the material means to support assertive and energetic foreign and security policies but to reawaken the Japanese to their potential and their responsibilities. While Abenomics got off to a roaring start, it's now sputtering, and recent assessments conclude that it's a 'paper tiger'.<sup>67</sup> GDP growth is volatile; it has fallen in eight of the past 16 quarters and by some measures is 0.4% below the pre-recession peak of almost eight years ago. Japan's recovery from the global financial crisis is no better than that of the Eurozone; consumer spending is continuing to fall and government spending has been largely flat for the past two years.<sup>68</sup> Real wages remain flat. The 2% inflation target announced by Bank of Japan Governor Haruhiko Kuroda remains stubbornly beyond reach despite nearly three years of unprecedented monetary stimulus and is unlikely to be met during his tenure. The 'third arrow' of structural reform remains a source of frustration as well, with implementation conspicuously missing. In its most recent assessment of Abenomics, the International Monetary Fund concluded that 'further high-impact structural reforms are urgently needed to lift growth.'<sup>69</sup>

While the jury is still out on Abenomics,<sup>70</sup> the most important determinant of Japan's economic future is one that the Abenomics program addresses indirectly: the country's demographic situation. Japan's getting older and its population's shrinking. There are 127 million Japanese today, a number that is forecast to shrink to 100 million by 2045 and will continue to decline. A quarter of the population is 65 or older, making Japan the 'greyest' country in the world, and that trend will intensify. An ageing, shrinking population has profound economic impacts:

it will squeeze pension systems, cut productivity, drain innovation and energy, and sharpen conflicts among constituencies over dwindling government revenues. Crudely put, there's likely to be more intergenerational fighting for government services—guns versus butter or, more accurately, the SDF versus health care. Every analysis of the paralysis and stagnation that have manifested in one, if not two, 'lost decades' blames Japan's demographic problems and concludes that they must be overcome if the country's travails are to be reversed.<sup>71</sup> The current Japanese Government seeks to arrest the decline at 100 million people—but offers nothing substantive to ensure even that outcome.

Reducing Japan's future to a formula yields this:

Ambitious and opportunistic leadership

*plus* a temporary uptick in economic circumstances

*minus* growing uncertainty in the international environment

*minus* diminishing national resources as a result of a structural transformation

*minus* the ever more inward-looking orientation of Japanese

*equals* 'Peak Japan'.

A shrinking country can marshal fewer resources in the defence of its interests; a more self-absorbed and disengaged population will have little inclination to use those dwindling resources beyond its borders; and uncertainty beyond those borders will reinforce the inward focus. In these circumstances it's difficult, if not impossible, to see the Abe agenda long outliving his administration.



# DEALING WITH PEAK JAPAN

Peak Japan has powerful implications for the US, Australia and other friends and partners of Japan. It means, first and foremost, that those countries must have accurate and appropriate expectations about Japanese policies and actions. Even though few buy the hyperbole about a newly enabled SDF and a remilitarised Japan, it's still easy to accept the Abe rhetoric and ambition as the new normal for the country. The idea that a nation would accept relegation or 'second-tier' status is foreign to most policymakers and analysts in Western capitals. Nevertheless, caution is in order. Throughout the security legislation debate, Japanese security experts and officials warned in conferences and conversations against overinflated expectations of Tokyo. This isn't new. While the US–Japan alliance is critical to both countries' security and there are reams of documents to operationalise that relationship, there are also a number of unfulfilled commitments over a considerable period. Many of these problem spots are in Okinawa, and the political problems there are likely to bedevil relations between Tokyo and Naha and consequently roil Japan–US relations for some time.

A corollary of the first point, but worth breaking out on its own, is the need for Japan's partners to counter the tendency among Japanese to step back or disengage. Tokyo must be drawn out, given a stake in regional outcomes and pushed to play as prominent a security role as possible. This necessitates the striking of a balance between the push for contributions and accepting (or at least acknowledging) the inclination to focus inwards. One important way to accomplish this objective is to conceptualise security broadly and to identify ways for Japan to contribute that don't focus on purely military means. Japan has championed comprehensive security for over three decades; this should provide a framework for efforts that are congenial to Japanese resources, capabilities and thinking. Calibrating this tension is difficult but essential. Japan must be pushed to do more even while its partners remain conscious of the particular domestic circumstances that create resistance to such initiatives.

Canberra can play a significant role in this effort. Australia should continue to press Japan to work with it across a spectrum of security and foreign policy issues. There should be diplomatic coordination bilaterally and in regional and international forums; of special importance is outreach to third parties throughout East Asia to press for respect for the rule of law, human dignity and the peaceful resolution of disputes. Australia and Japan should be planning, along with the US, for various regional contingencies. The Japanese and Australian militaries should be expanding their cooperation, including joint exercises.

Of course, Japan should be leading in the defence of its territory, and its ability to secure that space will help forge links in the regional security chain. Japan should be out front in maintaining maritime domain awareness. It should be developing, promoting, expanding and sharing its intelligence, surveillance and reconnaissance capabilities with allies and other regional governments. Those capabilities will be instrumental in weaving a thick web of sensors to ensure that Japan and its partners have a real-time understanding of what's happening on and under the water and in the air surrounding Japan.

One issue that will be likely to come to the fore in the next few years is Japan's acquisition of offensive strike capabilities to attack enemy bases. Japan has been debating this question for nearly a decade in parallel to the evolving North Korean missile capability and the belief that Japan would be its likely target. Acquiring an offensive (sometimes called 'pre-emptive') strike capability would signal an important shift in Japanese military potential,

as it would constitute the country's first real power projection capability of the postwar era. As such, it has the potential to disrupt regional security, or at least further unnerve and anger those governments that are already suspicious of Tokyo's intentions. Reportedly, Japanese and US officials have been discussing this issue at the same time as negotiations over the new defence guidelines, but in a parallel track.<sup>72</sup> All sides understand the sensitivities surrounding this question—not only the reaction of neighbouring countries, but also the implicit lack of faith in the US deterrent. After all, Japan only needs a strike capability if it doesn't trust the US to use its forces as Tokyo sees fit. This could prove to be a contentious and divisive issue, but if the Peak Japan thesis is correct Japan is likely to push for this capability only in the short to medium term; after that it will lose interest, especially given its expense, the opportunity costs and the difficulties in realising such capabilities.

Most Asian governments, even those with which Tokyo has its issues, see Japan as a key player in the region's future.

Finally, the most important element of Japanese security policy in the medium term is likely to be the effort to build a constructive relationship with China and South Korea. If this is Peak Japan, then Japanese leverage and influence will decline and Tokyo would be smart to get those relationships squared away as soon as possible. Most Asian governments, even those with which Tokyo has its issues, see Japan as a key player in the region's future. However, the realisation of a stable and successful regional security architecture will require the forging of a new Asian consensus, and that will force Japan to fundamentally rework relations with Asia in general and Northeast Asia in particular. This process necessitates a historical reckoning—an endeavour that has thus far proved problematic.<sup>73</sup> This would allow Tokyo to win the hearts and minds of Asians and oblige other Asian states to accept it 'as a vital partner and leader in the economic, political and security domains.'<sup>74</sup>

This new relationship need not and should not come at the expense of its relationship with the US, but some tensions are likely to emerge. Building it will consume the efforts of Japanese foreign and security policymakers in the years to come—even if they don't know this yet.

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# ACRONYMS AND ABBREVIATIONS

ASEAN Association of Southeast Asian Nations

DPJ Democratic Party of Japan

GDP gross domestic product

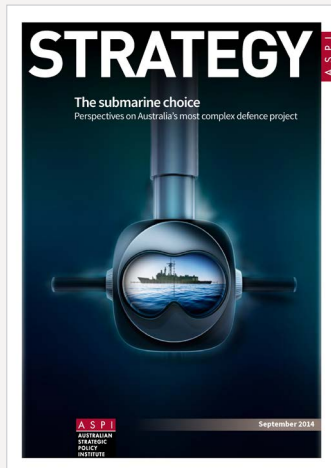
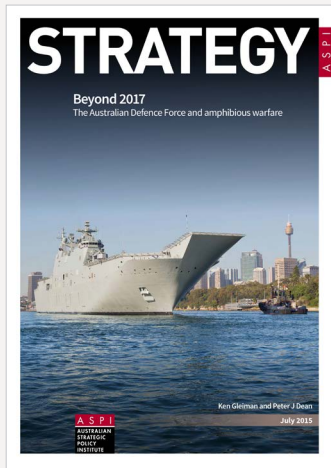
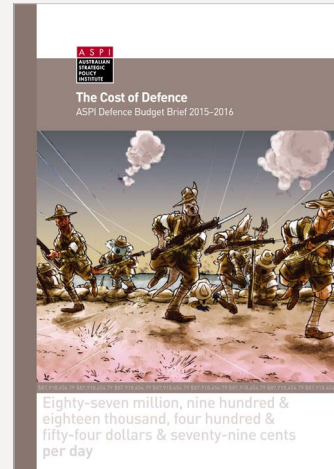
LDP Liberal Democratic Party

PLA People's Liberation Army

SDF Self-Defense Forces

TSD Trilateral Strategic Dialogue

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