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JAPAN PERSPECTIVES

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JAPAN PERSPECTIVES

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May 22, 2013

Obama's Rebalancing Policy and the Future of Japan-US Relations

Tokyo Foundation

Japan must decide for itself what course of action would best serve its interests in the face of China's increasing assertiveness and Washington's "rebalance to Asia" policy. Foreign and security policy experts who are members of the Tokyo Foundation's Contemporary American Studies project noted that this will mean proactively playing a bigger role to help its alliance partner maintain primacy in the Asia-Pacific region.

The comments were made during the 59th Tokyo Foundation Forum on April 23, 2013, held a week following John Kerry's East Asia visit, his first since replacing Hilary Clinton as US secretary of state. The forum focused on the implications of Kerry's appointment for Japan, one conclusion being that rather than fretting over his reported lack of expertise in East Asian affairs, Japanese leaders should indicate their readiness to work closely with the new secretary of state to forge an even stronger bilateral relationship and to advance mutual interests.

No Newcomer

Kerry is no newcomer when it comes to foreign policy, having been chairman of the Senate Foreign Relations Committee for many years, pointed out Fumiaki Kubo, Tokyo Foundation senior fellow and leader of the Tokyo Foundation's Contemporary American Studies project, who moderated the forum. "If you recall, Hilary Clinton had never been involved in foreign policy on a full-time basis before she became secretary of state," said Kubo, who is also professor at the University of Tokyo. "And when she was competing with Obama for the Democratic Party nomination in 2008, she emphasized the importance of engaging China while making no reference to Japan." Yet she emerged as the principal advocate of the Obama administration's rebalancing strategy to maintain American leadership in the Asia-Pacific region.

One important factor to keep in mind when thinking about Washington's East Asia policy is the severely constrained state of public finances, said Tsuneo Watanabe, the Tokyo Foundation's director of foreign and security policy

research and senior fellow. "This is clear when you look at the situation in Syria," he said. "Washington is doing everything it can to avoid becoming embroiled in the conflict, despite reports of flagrant human rights violations. Not only are Americans tired of war after a decade in Afghanistan and Iraq, there just aren't any funds available."

Prospects of going over the "fiscal cliff" were sidestepped at the beginning of the year, but this simply postponed the deadline, and no fundamental accord has yet been reached. "When the Senkaku issue flared up, the Obama administration naturally wanted to do everything possible to avoid becoming militarily involved," Watanabe said.

Prime Minister Shinzo Abe's visit to the White House in February 2013 provided an excellent opportunity for Obama to not only encourage Japanese participation in the Trans-Pacific Partnership negotiations but also to caution the prime minister over unnecessarily provoking Beijing, added Watanabe. "And Abe promised to do just that, saying he'll deal with the issue in a level-headed manner."

Washington is sending the same message to Beijing, dispatching Chairman of the US Joint Chiefs of Staff Martin Dempsey to China and actively communicating with the Chinese military to prevent a military conflict. "This is something that Japanese leaders would be wise to keep in mind," despite assurances from State and Defense Department officials that the Senkakus fall under Article 5 of the Japan-U.S. Security Treaty obliging the United States to intervene in the event of a military conflict.

Following his meeting with Foreign Minister Kishida, Kerry commented that the United States opposes "any unilateral or coercive action" aimed at changing the status quo over the Senkaku Islands. "This is a very strong statement toward China that echoes the remarks made by Hilary Clinton in her meeting with Kishida," Watanabe noted. "But it can also be interpreted as meaning that Washington also opposes any drastic moves by Tokyo. We should recognize how nervous Washington is about the possibility of being dragged into a war."

While Japan shares Washington's engagement paradigm, Japan needs to advance its own interests—without disrupting the regional balance, Watanabe said. "From a geopolitical point of view, Japan's participation in the TPP negotiations was a good idea. This ensures America's continued engagement in the Asia-Pacific and induces China to move into desirable directions. It doesn't matter if Kerry knows very little about East Asia," he went on. "The question we should be asking isn't 'Is Kerry good for Japan?' but 'How can we get Kerry

on our side?’ We should work together in directions that are desirable for both countries. If the cuckoo won’t sing, then we should think of a way to make it sing.”¹

“Foreign Policy Is Economic Policy”

The four principles of an Asia-Pacific policy that Kerry outlined in his April 15 speech at the Tokyo Institute of Technology – “strong growth,” “fair growth,” “smart growth,” and “just growth” – seemed out of synch with what the Japanese public hoped to hear, commented Akio Takahata, leader of the Contemporary American Studies project’s working group on foreign and security issues and professor at Hakuoh University. “I was left with the impression that he simply relied on the briefing notes handed to him by staff members at the US embassy,” he said.

China has become one of America’s biggest creditors through purchases of Treasury bonds; the \$800 billion China owned in 2009 rose to nearly \$1.2 trillion by the end of 2010. “Given such economic interdependence, it would be unthinkable for the two countries to go to war,” Takahata said. “One worrisome statement Kerry made, though, during his



Forum participants (left to right) Tsuneo Watanabe, Akio Takahata, Yoichi Kato, and Fumiaki Kubo.

Senate confirmation hearings in March was, ‘More than ever, foreign policy is economic policy.’ He also said that the United States should give thought to the impression that it’s trying to circle China. If these notions are going to define

¹ Reference to the famous anecdote about the leadership styles of three sixteenth century warlords – Oda Nobunaga, Toyotomi Hideyoshi, and Tokugawa Ieyasu. Confronted with a cuckoo that wouldn’t sing, Nobunaga said that he would kill it, Hideyoshi that he would make it sing, and Ieyasu that he would wait until it sang. Ieyasu founded the Tokugawa shogunate that ruled Japan for four centuries until the Meiji Restoration.

Kerry's diplomacy, then I think Japan would be right in being a bit concerned."

That said, the issue of Pyongyang's threatening behavior cannot be resolved without China's involvement. "There's a need to gain China's cooperation," Takahata admitted, "but if the rebalancing is rebalanced too much, you wind up in the same place, and that would be meaningless."

Kerry made "remarkable progress," though, during the month between his confirmation hearings and his East Asia visit, commented Yoichi Kato, senior staff writer of the daily *Asahi Shimbun*. "When you go through the transcripts of his confirmation hearing, you realize he said very little about Asia," Kato said. "In fact, he used the word 'Far East' instead 'Asia-Pacific,' suggesting he prescribed to a Euro-centric view of the world."

While Kerry referred to "rebalancing" only once during his Tokyo speech, he talked at length about values, Kato noted, which seemed to be a message aimed at China. "His reference to 'just growth' suggests that Kerry will pursue 'value-based diplomacy.' At the same time, he also hinted at a certain level of flexibility, referring to the 'opportunities' in the bilateral relationship with Beijing."

Evolving Engagement Policy

The panelists also commented on the articles they contributed to a just-published book on *America's Rebalancing to Asia*, edited by members of the Contemporary American Studies project.² Tsuneo Watanabe, who authored the book's first chapter, described the historical evolution of America's policy toward China, beginning with the 1972 visit to China by President Richard Nixon that triggered a paradigm shift from an ideologically driven policy of containment to a realist doctrine of engagement.

"While each new administration since Nixon appears to have adopted a different policy toward China, all have remained within the engagement paradigm," Watanabe pointed out. "And it was this engagement policy that enabled China to register remarkable growth and emerge as a major power."

There are distinct groups within the engagement camp, though, and successive administrations have embraced one group over another. "The first

² Fumiaki Kubo, Akio Takahata, and the Tokyo Foundation Contemporary American Studies Project, eds., *Ajia kaiki suru Amerika: Gaiko anzen hosho seisaku no kensho* (America's Rebalancing to Asia: Evaluating the Foreign and National Security Policy of the Obama Administration) (Tokyo: NTT Publishing, 2013).

seeks harmonization through stronger economic interdependence. The second promotes a balance of power. And the third, using national security logic, calls for hedges against potential risks.”

At the outset of the Obama administration, there were expectations that China would become a more cooperative player, working with the United States for global governance under a “Group of Two” framework, said Watanabe. “These expectations were betrayed following a series of provocative and assertive actions by China in 2010, resulting in Hilary Clinton’s speech at the ASEAN Regional Forum, where she noted that the peaceful resolution of competing sovereignty claims in the South China Sea was a US ‘national interest.’”

Another factor that has affected America’s China policy is the budget deficit, particularly the prospect of going over the fiscal cliff. “Defense spending will have to be severely curtailed over the next decade, and there’s a need to make strategic choices about the use of limited fiscal resources. The Defense Strategic Guidance, issued by the Obama administration in January 2012, clearly stated that the United States would continue to maintain a military presence in the Asia-Pacific despite budgetary constraints, so this will have major implications for the role Japan plays as Washington’s key alliance partner in the region.”

Does the tougher stance toward China signal a major policy shift? “Obama began his first term hoping to forge a more cooperative relationship, but he has since been incorporating more balancing and hedging elements,” Watanabe noted.

“China may contend that the balancing and hedging steps like those to strengthen ties with India or advance the TPP represent Cold War, containment tactics, but inasmuch as these options do not, as a matter of principle, exclude China, they are neither meant to contain China nor based on Cold War thinking. They do assert a level of pressure on China, though, and hopefully China can be induced into making positive choices.”

Shared Regional Leadership?

With the exception of China, the consensus among Asia-Pacific countries is that they welcome a stronger US regional presence, said Kato, drawing on the comments made at an October 2012 workshop for security experts from 14 Asia-Pacific countries hosted by the Asia-Pacific Center for Security Studies. Kato was among the 25 participants at the workshop and based his chapter in

America's Rebalancing on the discussions conducted there.

Kato pointed out, though, that some countries were somewhat uncomfortable with the fact that the rebalance appears to be not so much a reaction to the changes in regional security conditions as a product of domestic political needs in the United States, namely, the question of where to focus the country's resources following a decade of war in Afghanistan and Iraq.

"There was no perceived strategic need for US forces to be redeployed from the Middle East to the Asia-Pacific," Kato noted, "and participants also expressed considerable skepticism over whether the rebalance was feasible, given that the situation in the Middle East was far from stable and that fiscal restraints would prevent a significant increase in the number of ships deployed in the Asia-Pacific."

In a recent interview with former Australian Prime Minister Kevin Rudd, Kato was told that the biggest shortcoming of the rebalancing policy was the lack of confidence-building efforts with the Chinese leadership. "Rudd told me that without such measures, the policy was unlikely to contribute to regional stability." Rudd and others like Hugh White of Australian National University believe that China and the United States should share regional leadership, instead of competing for primacy. "This power-sharing idea is extremely unpopular in Washington, though," Kato said, "both among Democrats and Republicans. Neither party has any intention of giving up leadership in the Asia-Pacific, in spite of the scarce fiscal resources. As long as this thinking prevails in Washington, it will continue to look to Japan for support. So the real question we in Japan should be asking is what we can do to meet such expectations and what response would be in our best national interests."

The Japan-US alliance is quite unusual in that it does not require Japan to fight on America's side in case the latter is attacked, added Fumiaki Kubo. "So what does America gain from the alliance? It gets to use bases on Japanese soil

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designed to protect not only Japan but also US interest in East Asia. It also uses the bases to deploy forces that are used in military operations around the world, which is very much in line with US interests." From the American perspective, therefore, Kubo said, Japan will continue to be an important ally, regardless of who becomes secretary of state of president.

May 27, 2013

Japan and Southeast Asia

Three Pillars of a New Strategic Relationship

Ken Jimbo

Japan has vital interest in maintaining stability in the South and East China Seas. This can be promoted, argues Tokyo Foundation Senior Fellow and Keio University Associate Professor Ken Jimbo, by actively engaging in joint exercises and training in Southeast Asia and making more strategic uses of Japan's ODA to promote security cooperation with ASEAN members.

Preserving the stability of two vital seas for Japan's sea lanes of communications—the South China Sea and East China Sea—has become a renewed policy agenda for Japan's engagement in Southeast Asia. Japan has significant commercial and security interests in the South China Sea, as well as in how the rules and mechanisms for maritime security are consolidated. However, the current stand-off in the South China Sea seems to bring about the following three aspects which make the premise of status-quo management between China and the Association of Southeast Asian Nations (ASEAN) less likely.

First, the maritime capability gap between China and ASEAN is rapidly growing. China's rapid procurement of patrol ships, surveillance vessels and aircraft, submarines, and new-generation fighters is bound to consolidate its maritime and air superiority vis-à-vis its Southeast Asian neighbors. Second, the ongoing efforts to generate an ASEAN-led, rule-based maritime order in the South China Sea have not achieved visible success. The negotiations over establishing a legally-binding Code of Conduct (COC) on the South China Sea have been a daunting process since China has not shown an accommodative stance toward multilateral discussions. Third, although ASEAN admits the

Ken Jimbo Senior Fellow, Tokyo Foundation; Associate Professor, Keio University.

Author's note: This is a revised version of my previous paper entitled, "Japan Should Build ASEAN's Security Capacity," carried in *AJISS Commentary*, No.150 (May 30, 2012) http://www.jiia.or.jp/en_commentary/201205/30-1.html

importance of the US “pivot to Asia” to 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 the deep, ASEAN-China economic interdependence.

Enhancing ASEAN’s Resilience

In dealing with these difficult conditions, ASEAN obviously needs to generate a favorable balance of power that requires equally rapid 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 to the contested territorial waters. Such resilience would also sustain the status-quo that creates better conditions for ASEAN’s diplomatic negotiations vis-à-vis Beijing.

Thus, helping to build ASEAN’s maritime security capacity has become a key policy focus of the Japanese government. First, Japan is more actively engaging in joint military exercises and training in Southeast Asia. In the past several years, Japan has increased its profile, participating in joint exercises, humanitarian assistance, disaster relief, and non-combatant evacuation operations. The Japan Self-Defense Forces (JSDF) have been participating in the US-Thai Cobra Gold joint/combined exercises since 2005 and joined the US-Philippine Balitakan series for the first time in March-April 2012. In July 2011, Japan conducted its first joint maritime military exercise with the United States and Australia in the South China Sea off the coast of Brunei. Japan has been an active participant in the Pacific Partnership, a dedicated humanitarian and civic assistance mission in Southeast Asia.

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 2012, the Ministry of Defense will embark 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.

Second, Japan has become more vocally supportive of ASEAN’s security capacity by boosting its official development assistance (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 also

pledged \$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 Gamba 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.

Such capacity could also support an effective US military presence in this region. As former Secretaries of Defense Robert Gates and Leon Panetta mentioned, the importance of “building the capacity of others” —enhancing the capacity of US allies and friends in Asia—is a major component of the rebalancing strategy. If ASEAN coastal states are able to perform effective intelligence, surveillance, and reconnaissance (ISR) operations and develop their low-intensity operation capabilities, escalation management at the initial level of tension would be dramatically improved. This infrastructure could also provide potential alternative access points for US forces in Southeast Asia. In pursuing a “geographically distributed, operationally resilient, and politically sustainable” presence, capacity building in Southeast Asia would bring about cohesive guidelines, as stated in the latest 2+2 Joint Statement, for the Japan-US alliance.

Contributing to Maritime Security

Finally, the government of Japan is seeking to 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 are 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 MSDF, Japan's support will more effectively contribute to their maritime security.

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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 Ministry of Defense and the SDF, the official development assistance (ODA) strategies of the Ministry of Foreign Affairs and the Japan International Cooperation Agency (JICA), and the financial functions of the Japan Bank for International Cooperation (JBIC). 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.

May 23, 2013

Parsing China's Defense White Paper

Bonji Ohara

The white paper on national defense released by Beijing this past April triggered a formal protest by the Japanese government and a surge of alarmed speculation about China's intentions toward Japan. Arguing that specific statements in the report must be viewed in perspective to be properly interpreted, Research Fellow Bonji Ohara offers his take on China's latest white paper and its significance for regional security.

On April 16, 2013, the Japanese government lodged a protest with Beijing over a statement in China's white paper on defense, released earlier that day. The problematic passage, as translated by the Chinese government, reads, "On the issues concerning China's territorial sovereignty and maritime rights and interests, some neighboring countries are taking actions that complicate or exacerbate the situation, and Japan is making trouble over the issue of the Diaoyu [i.e., Senkaku] Islands."¹ The statement appears in Section I, "New Situation, New Challenges, and New Mission," in the midst of a long passage enumerating the challenges facing China's security apparatus.

Noting that this is the first time a Chinese defense white paper has referred to Japan by name, many observers in Japan concluded—based on this sentence—that Beijing is doubling down on its hard-line, anti-Japanese stance. To really understand China's intentions, however, we need to consider the statement in the context of the white paper as a whole, while considering the document in relation to previous reports. In the following I attempt to provide such perspective via a brief overview of the just-released defense white paper.

New Thematic Organization

China's white papers on defense, issued every two years, have been marked by regularity, but the most recent edition represents a departure in some respects.

Bonji Ohara *Research Fellow and Project Manager, Tokyo Foundation.*

¹ See http://news.xinhuanet.com/english/china/2013-04/16/c_132312681.htm; for Chinese, see http://www.mod.gov.cn/affair/2013-04/16/content_4442839.htm

Titled “The Diversified Employment of China’s Armed Forces,” it is the first Chinese defense white paper organized around a specific theme, as Xinhua pointed out in its news coverage.²

A comparison of the table of contents of the new document with that of previous white papers clarifies the change in organization. Until this year, the main body of the paper invariably began with a section titled “Security Situation,” followed by a second section titled “National Defense Policy.” The third section dealt with the status of the People’s Liberation Army and directions for growth or change, and its title varied according to the trends and concerns of the moment. For example, in 2004, Part III was titled “Revolution in Military Affairs with Chinese Characteristics,” reflecting the interest in RMA within the Chinese military. Next came sections on the organization of the armed service system, national defense mobilization, defense science and technology, defense expenditures, and security cooperation.

In the white paper released in April 2013, Section I, “New Situation, New Challenges, and New Missions,” covers the content previously divided between the first two sections (Security Situation, National Defense Policy), while Section II, “Building and Development of China’s Armed Forces,” discusses the branches of the PLA and their makeup. This is followed by Section III, “Defending National Sovereignty, Security, and Territorial Integrity”; Section IV, “Supporting National Economic and Social Development”; and Section V, “Safeguarding World Peace and Regional Stability.” Sections III through V, in short, concern themselves with various aspects of the PLA’s mission and function.

Perception of the Security Situation

Section I (New Situation, New Challenges, and New Missions) articulates Beijing’s perception of the current security situation, as well as the basic policies and principles governing the use of its armed forces. Warning of new potential for instability, paragraph 1 concludes with this statement: “The Asia-Pacific region has become an increasingly significant stage for world economic development and strategic interaction between major powers. The US is adjusting its Asia-Pacific security strategy, and the regional landscape is undergoing profound changes.” In short, China perceives troubling changes in its security environment as a result of the strategic rebalance to Asia announced by the Barack Obama administration.

² http://news.xinhuanet.com/world/2013-04/17/c_124591944_2.htm (Chinese)

The second paragraph in Section I elaborates on the challenges and threats of this changing security situation. After observing that a “certain country” (*you de guo jia*) has “strengthened its Asia-Pacific military alliances, expanded its military presence in the region, and frequently makes the situation there tenser,” it notes further that “some countries” (*yi bu guo jia*) in the immediate region are making the situation worse. The “certain country” is clearly the United States, and the “some countries” obviously includes Japan, which is explicitly criticized in the second part of the sentence for “making trouble over the issue of the Diaoyu Islands.” Taken as a whole, the passage strongly implies that the United States has created a tense situation, in the midst of which Japan is beginning to cause trouble. In short, China regards the United States, not Japan, as its main security problem. The specific reference to Japan sends a message that when it comes to the Senkaku Islands, Beijing refuses to gloss over its dispute with the Japanese government.

The section on new security challenges also makes mention of “threats posed by ‘three forces,’ namely, terrorism, separatism and extremism.” The fact that the report refrains from specifying Tibet, the Uygurs of Xinjiang, or other domestic movements in connection with separatism—even while criticizing the “‘Taiwan independence’ separatist forces,” as in the past—no doubt reflects a deliberate decision to avoid controversy. Meanwhile, “serious natural disasters, security accidents, and public health incidents” have been added to the list of security challenges.

In the remaining paragraphs of Section I, the white paper articulates a doctrine for dealing with these challenges, predicated on a basic policy of “diversified employment of China’s armed forces” and guided by five principles.

Principles Governing Military Action

The first of these principles is “Safeguarding national sovereignty, security, and territorial integrity and supporting the country’s peaceful development.” In the explanatory text, the report makes it clear that defending the nation and its territory from security threats is “the goal of China’s efforts in strengthening its national defense and the sacred mission of its armed forces, as stipulated in the Constitution of the People’s Republic of China and other relevant laws.” Maintaining the traditional emphasis on a “military strategy of active defense,” this year’s white paper differs in that it makes special mention of maritime rights, outer space, and cyberspace as areas of national defense, echoing the Pentagon’s designation of outer space and cyberspace as the fourth and fifth

domains of warfare, respectively. Cyber warfare appears to be an issue of particular concern to the Chinese.

Here, we also encounter the assertion, “We will not attack unless we are attacked; but we will surely counterattack if attacked” (*Ren bu fan wo, wo bu fan ren, ren ruo fan wo, wo bi fan ren*). In Japan, some have taken this as a stern warning regarding the Senkaku Islands, but the use of this expression is nothing new for the Chinese; indeed, its earliest official use appears to be a 1939 statement by Mao Zedong aimed at the Kuomintang.³ (The Chinese online encyclopedia Baidu Baike traces the expression all the way back to Cao Cao [155–220] of the Eastern Han dynasty.) When Mao used it, he was issuing a warning against a preemptive strike, but in the years since then, it has become a fairly common slogan conveying the notion that anyone who attacks China will pay the ultimate price. In the latest white paper, it appears in quotation marks, followed immediately by the explanatory comment, “China will resolutely take all necessary measures to safeguard its national sovereignty and territorial integrity.” In short, the phrase expresses China’s determination to defend its sovereignty and its territory—which, as Beijing sees it, includes the Senkakus.

The second principle is “Aiming to win local wars under the conditions of informationization and expanding and intensifying military preparedness.” This is a new emphasis, reflecting a genuine alarm in official circles that war could break out in the not-too-distant future and indicating that the phase of “construction of the nation’s armed forces” is giving way to a focus on combat readiness and unified action in response to real-life conflicts.

The third principle, dealing with “the concept of comprehensive security and effectively conducting military operations other than war (MOOTW),” follows essentially the same formula put forth in previous white papers.

Principle number four is “Deepening security cooperation and fulfilling international obligations,” ideas Beijing has begun to emphasize in recent years.

Finally, the fifth principle is “Acting in accordance with laws, policies and disciplines.” While echoing the policy of “action in accordance with the law” adopted by Hu Jintao’s regime, the latest white paper focuses more sharply on compliance with international law, asserting that China’s armed forces “consistently operate within the legal framework formed by bilateral or multilateral treaties and agreements” on the basis of “the UN Charter and other universally recognized norms of international relations.” This new emphasis most likely

³ See <http://cpc.people.com.cn/GB/64162/64170/4467378.html> (Chinese)

stems from an awareness of widespread concern over recent actions by the Chinese Navy in the East and South China Seas.

New Transparency?

One of the ways in which the new defense white paper differs from its predecessors is the specificity of the information it provides on China's military forces (Section II, Building and Development of China's Armed Forces). In its report on the white paper, Xinhua claims that it provides a new level of transparency by identifying each of the PLA's 18 "combined corps" and revealing the number of personnel in the PLA Army, Navy, and Air Force, along with a description of the missiles in the arsenal of the PLA Second Artillery Force. The charts provided by Xinhua, while scarcely a model of accuracy, do provide an overall picture of the deployment of the PLA's units for the first time. (Xinhua's reporting on the defense white paper can be taken as the Chinese government's official commentary on the document.)

Up to this point, China had indicated only that its divisions and brigades were divided among seven area commands, without identifying the units or clarifying their makeup in any way. Section II of the new white paper does give personnel numbers for the Army, Navy, and Air Force "combined corps" for the first time, but the numbers do not include the personnel strength of the Second Artillery Force or the Chinese Armed Police Force. The CAPF is the corps responsible for cracking down on internal subversive elements, and it is believed to have swollen in size and power since the Tiananmen Square incident of 1989. It may well be that the government prefers not to advertise the scale of a force dedicated to quelling domestic unrest by force.

Moreover, Xinhua's claim that the white paper identifies the missiles in the Second Artillery Force arsenal is greatly overstated. Section II states merely that "the PLASAF . . . has a series of 'Dong Feng' ballistic missiles and 'Chang Jian' cruise missiles." Any move to extend the principle of transparency to the precise names and numbers of China's missiles would doubtless have met with stiff opposition from hard-line elements in the military and the party.

Maritime Rights and Interests

Where the remainder of the document is concerned, the main focus of concern in Japan has been those passages dealing with "maritime rights and interests" and "overseas interests." Under the heading "Safeguarding Maritime Rights

and Interests,” the white paper highlights efforts to boost cooperation between the Navy and various law-enforcement organs, citing the “Donghai Collaboration 2012” joint exercises held in the East China Sea in October 2012. Under “Protecting Overseas Interests,” it stresses the PLA’s role in safeguarding Chinese economic activity around the world, including its anti-piracy operations in the Gulf of Aden and the waters off Somalia and its mass evacuation of Chinese nationals from Libya.

Interestingly, the sub-section on “Safeguarding Maritime Rights and Interests,” which has received so much attention in Japan in relation to the Senkaku dispute, is found not under Section III, “Defending National Sovereignty, Security and Territorial Integrity,” but under Section IV, “Supporting National Economic and Social Development.” This serves as a reminder that China regards the matter of maritime rights and interests in the East China Sea as more than a territorial issue. This was apparent also in the Report on the Work of Government that outgoing Premier Wen Jiabao submitted to the National People’s Congress in March, which mentions the need to safeguard China’s maritime rights and interests in an economic and environmental context, unrelated to security.⁴

A Need for Restraint

With a few exceptions, China’s new defense white paper falls short of Xinhua’s claims regarding transparency and specificity, but it does reveal an effort to move in that direction. The most important thing here is that China discloses its security perceptions clearly.

The white paper is also marked by a new consciousness of the role of the PLA within the international community. While conveying a strong commitment to defend the nation’s sovereignty and territory, it stresses compliance with international law, norms, and treaties, which would seem to preclude a nuclear first strike or any other act of unilateral aggression.⁵

That said, governments frequently disagree on the line between defensive and preemptive action, and international law is often willfully interpreted by each government. China’s latest defense white paper betrays a deep concern over the consequences of America’s rebalance to Asia, and given the report’s

⁴ See http://www.china.org.cn/chinese/2013-03/20/content_28306722_3.htm

⁵ Some analysts in Japan have highlighted the omission of language concerning “no first use” of nuclear weapons, warning that it signals a change in policy.

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specific mention of Japan in relation to the Senkaku Islands, the prospects for an end to the current standoff in the East China Sea seem dim.

In such a tense security environment, should either Japan or China decide to take military action in the East China Sea for their own reasons, the role of international society, especially the European Union, would be significant. Any action taken by a government will be criticized by international society if it is seen to be improper. The EU is not a direct party to disputes in the region and has a major voice in the interpretation of international laws.

Any military conflict between Japan and China will cause extensive damage not only to the two countries but also to the global economy and security environment. Therefore, it is crucial for all sides to exercise the utmost restraint and react calmly to each situation, so as to avert misunderstandings and clashes that might escalate into war.

March 18, 2013

Thinking the Tokyo-Washington-Beijing Triangle from an Economic Perspective

Takashi Sekiyama

Given the rising importance of the United States and Japan's relative decline in China's trade relations, Beijing is likely to pursue a policy of cooperation with Washington while taking a hard-line stance toward Tokyo. Close US-Chinese ties are good news for Japan, but Japan and China must also resolve their differences so that the United States will not be placed in the position of having to take one side or the other. The three countries need to proceed cautiously in their trilateral relationship to nurture a stable and cooperative ties that bring benefits to all three partners.

Traditional national security arguments tend to frame China's rise in zero-sum terms, that is, as invariably meaning the decline of other states. But in the context of economics, China's growth has the potential of bringing positive-sum benefits to all trading partners, including Japan and the United States. And this, more or less, is what has actually transpired.

China's ties with Japan seriously deteriorated over the Senkaku issue under the administration of Prime Minister Yoshihiko Noda, adversely affecting the activities of Japanese companies in the Chinese market. Improving bilateral ties, thus, will be a key priority of the Shinzo Abe cabinet. On the other side of the Pacific, Barack Obama, reelected to a second term as US president, stated during a debate with Republic challenger Mitt Romney, "China is both an adversary, but also a potential partner in the international community if it is following the rules."¹

The notion that economic interdependence encourages international collaboration is nothing new.² As trade ties deepen, any conflict-induced interrup-

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¹ Third presidential debate, October 22, 2012, in Boca Raton, Florida.

² The liberal school of international relations argues that increased interdependence between countries reduces the chances of them engaging in conflict. For example, see Bruce Russett and John Oneal, *Triangulating Peace: Democracy, Interdependence, and In-*

tion in commercial activity will have higher costs, so states have an added incentive to avoid military confrontation. So in the Japan-US-China context as well, it is hoped that increased mutual dependence will help reduce tensions over political and territorial issues.

The key in this trilateral relationship will be the course taken by China. Despite greater interdependence with its neighbors, China is now engaged in harsher territorial disputes with Vietnam and the Philippines in the South China Sea, and ties with Japan have soured over conflicting claims to the Senkaku Islands.

Can heightened interdependence really ease tensions among Japan, the United States, and China and contribute to a stable development of the trilateral relationship? Will Beijing tone down its aggressive political stance or territorial claims in the interest of maintaining economic interdependence?

Below, I will first offer a projection of the directions Beijing's foreign policy is likely to take from the viewpoint of economic interdependence; Beijing, in a nutshell, is likely to pursue a policy of cooperation with Washington while taking a hard-line stance toward Tokyo. Next, I will consider what this foreign policy stance implies for the trilateral relationship. Close US-Chinese ties are, of course, good news for Japan, but unless Japan and China can resolve their differences, the United States will be placed in the difficult position of having to take one side or the other. I conclude with the thought that the three countries need to proceed cautiously to nurture a stable and cooperative relationship that brings benefits to all three partners.

Economic Interdependence and Chinese Policy

Japan and China were indispensable trading partners even before the 1972 normalization of diplomatic ties. Japan was China's largest trade partner at the time, accounting for 12% of China's exports and 22% of imports.³

Economic interdependence has deepened significantly over the four decades since then, with the volume of bilateral trade between 1991 and 2011 expanding sixfold;⁴ by contrast, Japan-US trade over the same 20 years declined by 20%.⁵ Direct investment from Japan to China was just 230 million yen in

ternational Organizations (New York: Norton, 2001).

³ National Bureau of Statistics of China, *China Statistical Yearbook*, 1981.

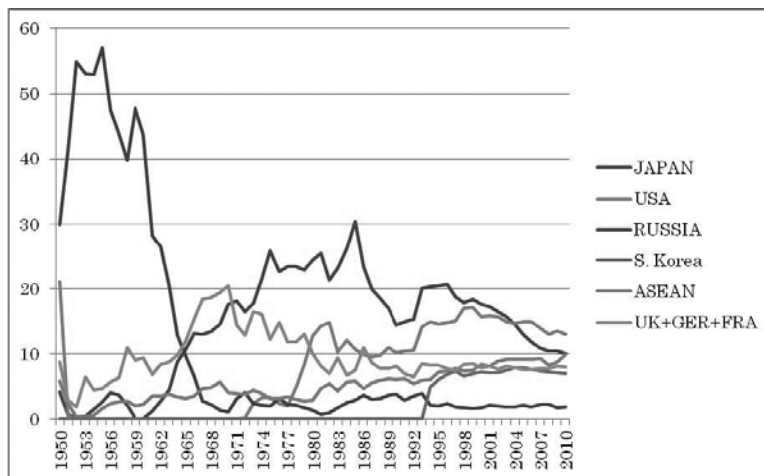
⁴ Calculation in Japanese yen. Ministry of Finance, *Trade Statistics of Japan*.

⁵ *Ibid.*

1991 but jumped 60-fold to 12.6 billion yen by 2011.⁶ Along with the expansion of trade, the number of visitors also grew; while 170,000 Japanese traveled to China in 1980, the figure in 2010 was 3.4 million. And the number of Chinese visiting Japan swelled from a mere 20,000 in 1980 to 1.4 million in 2010.⁷

Deepening economic interdependence does not appear, however, to have tempered Beijing's assertions on territorial issues. Does this mean that economic ties have had no impact on China's hard-line policy toward Japan? The answer lies in viewing the Japan-China economic relationship in a broader context that goes beyond bilateral interdependence.

Figure 1. China's Foreign Trade by Country, 1950–2011 (%)



Source: National Bureau of Statistics of China, *China Statistical Yearbook*, 1981–2012. Compiled by the author.

Notes: German figures for 1990 and earlier are for trade with West Germany. Russian figures for 1991 and earlier are for trade with the Soviet Union.

Indeed, a look at the shares of trade accounted for by Japan's and China's respective trading partners suggests that bilateral ties have not necessarily grown closer despite the expansion in trade volume. In fact, Japan's relative importance for the Chinese economy, in one sense, can be said to have declined since 1972.

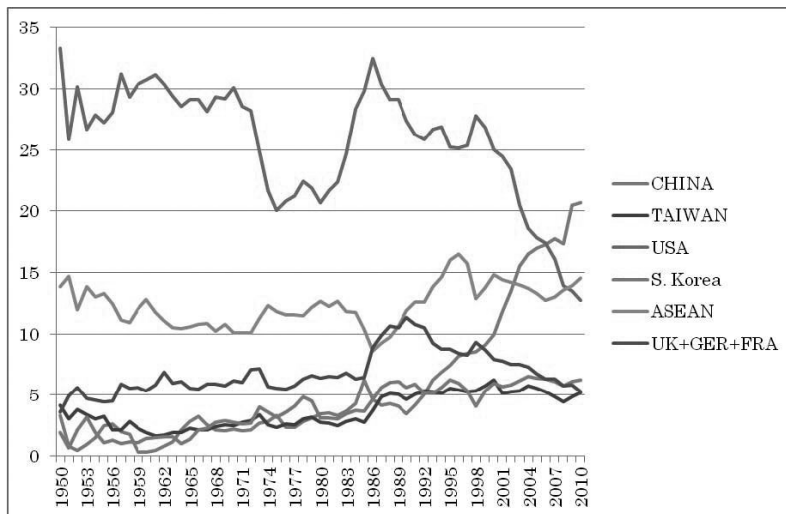
⁶ Japan External Trade Organization (JETRO), *Japan's Outward and Inward Foreign Direct Investment*.

⁷ Japan National Tourism Organization (JNTO), *Visitor Arrivals and Japanese Overseas Travelers*.

Figure 1 shows the shares of China's trade by country/region over a 60-year period from 1950 to 2011.

As the graph shows, Japan has been claiming smaller shares of China's total trade since the late 1980s, though it remained the biggest trading partner until 2004, when it was overtaken by the United States. In terms of exports, Japan was surpassed by the Association of Southeast Asian Nations in 2009 and now represents only the fifth largest market for Chinese goods. And as for imports, Japan is now China's third-biggest partner, falling behind the European Union in 2011 and ASEAN in 2012.

Figure 2. Japan's Foreign Trade by Country, 1950–2011 (%)



Sources: (Before 1979) Statistics Bureau, Ministry of Internal Affairs and Communications, *Historical Statistics of Japan*; (1979 and later) Ministry of Finance, *Trade Statistics of Japan*.

Note: German figures for 1990 and earlier are for trade with West Germany.

For Japan, by contrast, China's economic importance has been rising dramatically in recent years, as is clear from Figure 2. The share claimed by China in Japan's total trade grew steadily from the mid-1990s, eventually topping the United States in 2007. The country is now Japan's biggest trading partner, accounting for 20% of total trade value.

The leadership in Beijing was generally conciliatory toward Japan until around the mid-2000s, but it began adopting a very hard-line stance from around 2010. This, by the way, coincides with the relative decline in Japan's share of Chinese trade.

One reason that economic ties remained relatively unscathed by periods of political tension in the postwar era—such as the years of “cold politics and a hot economy” in the early 2000s, when Jun’ichiro Koizumi was prime minister—was because there was real demand in the private sector for the goods that each side was able to supply. The two governments, moreover, did not want to see the political dimension of the relationship dampen the robust trade ties.

But now that Japan’s importance to China’s economic growth is dwindling, Beijing may be less inclined to take special steps to prevent a cooling of the economic relationship. Indeed, even Premier Wen Jiabao, considered the leading voice for the conciliatory approach toward Japan, has taken a hard stance on the Senkaku issue, declaring in 2012 after nationalization that the islands are an inalienable part of China’s territory and that Beijing would make absolutely no concessions on issues concerning their sovereignty and territorial integrity.⁸

Now that Japan needs China more than vice versa, Beijing may be tempted to take advantage of the asymmetrical trade relationship to pressure Japan into making political concessions.⁹ Following the trawler collision incident near the Senkaku Islands in 2010, media reports noted that China restricted exports of rare earths to Japan.¹⁰ And there were also reports that Chinese customs inspections for imports from Japan were delayed in the wake of Senkaku’s nationalization.¹¹

A decline in the share of total trade does not automatically mean, of course, that Japan is a less important economic partner. Imports from Japan, while now trailing behind the EU and ASEAN, are still number one if these two economic groupings are regarded as separate states.

⁸ Xinhuanet.com Japanese news site, September 11, 2011: http://jp.xinhuanet.com/2012-09/11/c_131841961.htm (accessed on December 6, 2012)

⁹ Robert Gilpin notes that imbalances in the level of trade dependence are often used as tools of external political manipulation. Robert Gilpin, *The Political Economy of International Relations* (Princeton University Press, 1987).

¹⁰ One example is “China Lifts Rare Earth Export Ban to Japan: Trader,” Reuters, September 29, 2010.

¹¹ Examples include “Chugoku, Nihon seihin kensa kyoka: Senkaku hofuku sochi ka” (China Strengthens Inspections of Japanese Products: A Retaliation Measure for Senkaku?), *Yomiuri Shimbun*, September 21, 2012, evening edition; “Nihon seihin no zeikan kensa kyoka: Chugoku, Tenshin, keizan seisai no ugokika” (Japanese Products Subject to Stiffer Customs Inspections in Tianjin, China: Outcome of Economic Sanctions?), *Asahi Shimbun*, September 21, morning edition; and “Chugoku, Nikkei kigyo no tsukan genkakuka” (China Strengthens Customs Clearances Standards for Japan-Affiliated Companies), *Sankei Shimbun*, September 21, 2012, morning edition.

Japan's exports to China consist largely of electrical machinery, including semiconductors and integrated circuits (23.7% of total exports to China in 2012), general machinery, such as machine tools and car engines (23.2%), chemical products, including plastic (13.9%), and industrial products like steel and non-ferrous metals (12.3%).¹²

Using these parts, materials, and machinery from Japan, China exports finished products to the United States, Europe, and other consumer markets. According to data for 2011, 21.8% of China's imports of iron and steel products, 19.6% of machinery, 19.0% of transport equipment, and 10.4% of electrical machinery were from Japan (see table).

These figures show that while Japan accounts for only 9.3% of China's total imports, it claims higher shares for many of the goods China needs to produce finished products. Any ban on imports from Japan, therefore, would likely be a double-edged sword that could hurt domestic businesses as well.

Table. Share of China's Imports, 2011

(\$ billion)

	Japan's Exports to China (A)	Total Imports (B)	A/B (%)
Total	161,467	1,743,484	9.3
Iron and steel products	8,398	38,604	21.8
General machinery	39,077	199,295	19.6
Transport equipment	15,811	83,030	19.0
Electrical machinery	36,622	350,951	10.4
Chemical products	21,195	211,221	10.0

Sources: (Japan's exports) JETRO; (China's imports) *China Statistical Yearbook*, 2012.

Note: Classifications based on two-digit Harmonized System codes.

The problem is that there appears to be a tendency for China to draw such a sword in spite of the consequences. This suggests that Beijing either misunderstands or underestimates Japan's importance as an economic partner.¹³

¹² JETRO, Japan-China Trade in 2012.

¹³ Even economic experts at the Chinese Academy of Social Sciences, China's leading government-affiliated research institute, contend that the Chinese economy "no longer needs trade with Japan." Statement made at a Japan-US-China symposium in Beijing, March 2, 2013.

By contrast, China's attitude toward the United States—now its biggest trading partner—is likely to remain amicable. Over the past 10 years under President Hu Jintao, Beijing has pursued a conciliatory policy toward Washington. The friendly mood has been further enhanced since Barack Obama entered the White House; attaching priority to Asia, he launched the US-China Strategic and Economic Dialogue in April 2009.

New President Xi Jinping is unlikely to waver from the course advanced by his predecessor, lest he open himself up to criticism. Noting that Hu “outlined China's views on the international situation and its foreign policy in an all-round manner,” at the Eighteenth National Congress of the Communist Party of China, Foreign Ministry Spokesperson Hong Lei said that China will “comprehensively develop its friendly cooperation with countries around the world” under its new leaders.¹⁴

Implications for the Trilateral Relationship

A stable US-China relationship is certainly not bad news for Japan, as it eliminates the need to choose sides between its sole alliance partner and its largest trading partner. A further expansion of US-China trade would also bring benefits for the Japanese economy.

As described above, the trilateral relationship is marked, to a degree, by an international division of labor, where Japan exports core parts to China, which assembles them into finished products for export to the US and other consumer markets.¹⁵ Apple's iPhone, for instance, is assembled at a Chinese factory of a Taiwanese electronics manufacturer, but 40% to 50% of the parts that go into the smartphone are made by Japanese companies. The display is manufactured by Japan Display, the battery by Sony, and the flash memory by Toshiba.¹⁶

In other words, while the United States is now China's biggest trading partner, exports to the US market are being sustained to a significant degree by imports from Japan. Since such a division of labor benefits Japan only when Chinese ex-

¹⁴ Press conference by Foreign Ministry Spokesperson Hong Lei, November 15, 2012. <http://www.mfa.gov.cn/chn/gxh/tyb/fyrbt/jzhsl/t989479.htm>. Accessed on November 30, 2012.

¹⁵ For the structure of international trade in East Asia, see the Ministry of Economy, Trade, and Industry, “Structure of International Division of Labor in East Asia and Its Change,” *White Paper on International Economy and Trade 2012*, pp.295-316.

¹⁶ “Nihonsei buhin no dokudanjo” (The Unrivaled Position of Japanese Parts), *Nihon Keizai Shimbun*, October 19, 2012.

ports are thriving, expanded US-China trade ties should be welcomed by Japan.

Given the current tensions in Tokyo-Beijing ties, though, there are fears that as the US-China relationship grows more intimate, Japan could find itself being “dumped” by its longtime alliance partner. If the bickering between Tokyo and Beijing escalates into open conflict, whose side will Washington take? This is the choice that the Senkaku issue could force on the United States.

As of now, the choice is clear. US Congress approved the National Defense Authorization Act for fiscal 2013 that reaffirmed the Senkaku Islands as being subject to Article 5 of the Japan-US Security Treaty, obliging the United States to defend Japan in case of hostilities. The bill also states that the United States “opposes efforts at coercion, the threat of use of force, or use of force by any claimant in seeking to resolve sovereignty and territorial issues in the East China Sea.” Just before stepping down as secretary of state, Hilary Clinton sent a clear message to Beijing, saying, “We oppose any unilateral actions that would seek to undermine Japanese administration” of the Senkaku Islands. As long as Washington maintains this stance, stronger US-Chinese trade ties will also benefit Japan.

At the same time, Washington will always be placed in the difficult position of having to choose sides each time differences flare up between Tokyo and Beijing. Until very recently, Taiwan was considered the “main obstacle” to closer US-Chinese ties. This view was voiced by Deng Xiaoping, who noted that if mishandled, the Taiwan issue could become an “explosive” one for the bilateral relationship. One might venture to say that Japan is now slowly replacing Taiwan as the “main obstacle” to closer to US-Chinese relations.

Stabilizing the Trilateral Relationship

To conclude, from the perspective of economic importance, China is, for the moment, likely to pursue a policy of cooperation with the United States while taking a hard-line stance toward Japan. Closer US-China ties are good news for Japan, inasmuch as one is an alliance partner and the other is the top trading partner. But unless tensions between Japan and China subside, the United States will be confronted with having to choose sides, and Japan could even become an “obstacle” to warmer US-China relations.

How, then, can the trilateral relationship be stabilized so that all three parties reap benefits? For a start, they must all proceed cautiously so as not to exacerbate a very delicate situation.

It is absolutely crucial that the United States not desert its alliance partner

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on the Senkaku and other issues over which Beijing and Tokyo are at odds. Through its alliance with Japan, the United States should maintain a strong military presence in Northeast Asia. It should also ensure a power balance in the region, including through arms sales to Taiwan.

China needs to refrain from dispatching planes and ships into the Senkaku area and from threatening Japanese ships with weapons-targeting radar. These provocations can lead to accidents that could force the United States to enter a fight on one side or another.

Japan, too, must not take actions that could destabilize the region or become an "obstacle" to closer US-China ties. On issues like the Senkakus, over which Tokyo and Beijing do not see eye-to-eye, Japan should take pains to avoid a heightening of tensions. After all, a stable trilateral relationship will bring benefits not only to Japan but to all three partners.

March 25, 2013

Expanding Strategic Horizons

Japan's Foreign Policy towards India

Victoria Tuke

Despite having much in common, interaction between Japan and India has been low until recently, with both Tokyo and Delhi perceiving a coalescence of policy priorities and commercial interests. Visiting Fellow Vicky Tuke examines the evolution of Japan's policy towards India and explores how Japan, through a deeper understanding of India's potential, can capitalize on its rise.

At first glance, Japan and India seem natural partners. Located on the periphery of Asia, both are examples of economic growth developing in line with democratic values. Furthermore, Japan and India share no territorial disputes.

Yet the historical substance of interaction has been low until recently, when concerted efforts by both Tokyo and Delhi have suggested a coalescence of policy priorities. By looking at the development of Japan's approach towards India, several important conclusions can be made regarding Japanese diplomacy:

(1) Geopolitical structure provides the contours through which policy is made. The rise of China, US endorsement of India as a strategic partner, and India's growing economic significance has laid the foundations of Tokyo's interest.

(2) Structure alone cannot explain the exact timing or nature of policy. Rather than frame relations only as an attempt to "contain" or "balance" the looming rise of China or alternatively as merely an example of Tokyo following Washington's lead, intervening variables in the form of elite perceptions and domestic norms deserve attention.

(3) Commercial interests continue to stand at the forefront of external relations, where partners recognize the benefits of working with Japan.

In this article, three examples are provided to demonstrate the evolution of

Japanese policy, which has shown deeper levels of understanding of India's potential and how best to capitalize on India's rise.

Economic Cooperation

Economic incentives have for many decades provided the impetus for Japanese diplomacy. Regarding India, however, business engagement has been slow to thrive, and hence other streams of policy have similarly fallen behind those of other nations. The reasons for this are multiple, including preference for other, more geographically convenient markets in Southeast Asia and China, a complicated tax system, strict labor laws, poor infrastructure, and power supply. Even after India's economic liberalization reforms of the early 1990s, Japan found India an inhospitable market, and it virtually discarded India as a commercial opportunity with the souring of relations following the 1998 nuclear tests.

By the mid-2000s Japan reinvigorated its interest in India after the publication of the 2001 BRIC report on India's emerging power status, coupled with Sino-Japanese tensions, which encouraged Japanese businesses to diversify their markets. For many companies, India continues to represent an "insurance policy" in case the Chinese market becomes saturated or unstable.

Other firms, however, have been more proactive, viewing India's growing middle class, vast consumer market, and youthful population as a primary target. India's relatively inexpensive labor costs provide an additional benefit in comparison to other markets, as does the potential for India to become an export hub in the long term. As a senior executive from Hitachi recently described, "Japan in the past, Thailand now, India the future."

Both the Ministry of Economy, Trade, and Industry and Japanese companies are gradually becoming more accepting of the Indian business environment. As METI willingly admits, previous policy was to make repeated requests to the Indian government to improve labor legislation or customs duties to little avail, whereas the new approach is to work closer in line with Indian officials.

The realization has also grown that India is being approached by several strong competitors who, while they might not offer Japanese levels of technological advance, are able to provide cheaper goods and make quick decisions. South Korean firms, in particular, have become a model for Japanese companies that had overlooked the necessity of adjusting for the Indian market. As Japanese firms retreated from India in the late 1990s, many South Korean firms, such as Hyundai, LG, and Samsung, established market share.

The latest strategy of Japanese business is, rather than incessantly critique India's industrialization defects, to instead work to improve conditions. The substantial investments made in the Delhi Metro and Delhi-Mumbai Industrial Corridor project are examples of this approach. A Comprehensive Economic Partnership Agreement (CEPA), which came into effect in August 2011, is also gradually improving the business environment for Japanese companies in India.

Nuclear Cooperation

Another example of Japan's turn of course regarding India relates to nuclear policy. Japan's wartime experience as the only victim of nuclear aggression has set the anti-nuclear norm firmly in the policymaking lexicon. Japan's response to India and Pakistan's nuclear tests in 1998 was among the most severe, with the government enforcing not only stern verbal condemnation but also freezing new grants and yen loans. Public opinion was particularly incited against India, pressuring the Ryutaro Hashimoto government to take a strong stance.

Ironically, however, the nuclear issue—energy rather than weapons—appears to be the next major stage in the development of Indo-Japanese relations. Despite the intense emotions of 1998 and India's continued refusal to sign the NPT, in June 2010, then Foreign Minister Katsuya Okada announced negotiations for a potential nuclear trade deal.

The reasons for this change were again multiple. Firstly, the decade prior to the Fukushima disaster had witnessed a "renaissance" of interest in nuclear power generation due to soaring energy demand by China and India and a parallel concern about global warming. The sharp increase in the price of crude oil in 2003–04 also stimulated interest in alternative sources, as did continued instability in the Middle East.

South Korea had also shown itself bullish in the nuclear market, posing another systemic stress on Japanese policy. The victory over Japan (and France) in 2009 to win a \$20 billion contract with the United Arab Emirates to build and operate the UAE's first nuclear power plants for example, came as an uncomfortable surprise to Japan.

Before Fukushima threw nuclear policy into flux, Japan had also begun internationalizing its nuclear industry. Policymakers and the industry as a whole began to view nuclear technology as not only a domestic energy resource but also an important export, one which could offer strategic as well as economic advantages.

The US-India nuclear deal, which fundamentally altered the nuclear export regime, also provided a major condition under which Japan could engage with India. Not only did the deal signal Washington's commitment to India but also the near inevitability of Japanese involvement in India's nuclear energy industry due to the structure of nuclear conglomerates. A wave of deals from 2006, including tie-ups between Toshiba and Westinghouse, Mitsubishi Heavy Industries and Areva, and Hitachi and GE, consolidated Japan's crucial position within the industry, holding a considerable amount of leverage in the form of expertise, technology, and process-management ability. As one official noted to the author at the time of the US-India deal, Japan knew "eventually it will be in our interests."

Okada admitted that the decision to open negotiations was one of the hardest of his career, yet the announcement demonstrates the importance of India's strategic value over individual concerns. The key deliverable from such a deal will not just be substantial revenue but the deepening of trust, which such a landmark agreement would confirm. As officials state, forging such a deal would bring about an "unbreakable alliance."

Japan's faith in nuclear energy was shaken on March 11, 2011, and two years later, there is still little progress on Japan's long-term energy future. India also has concerns over safety and the legal implications of liability in cases of crisis, but as former State Department official Ashley J. Tellis has argued, "India does not have the luxury of renouncing nuclear power."

The issue that once stood as the principal barrier to closer cooperation now represents a significant driving force behind the relationship. A deal, even if still in negotiation, is symbolic of the fundamental change in how Japan looks at India. China and even the US have played only a supplementary role in explaining Japanese policy in this area, with domestic concerns a major influence. Looking ahead, Japan will likely create some clever wording to eventually push through a deal, after demonstrating at least domestically, a tough negotiating position.

Maritime Security

Much of the military distance between Japan and India during the twentieth century can be explained by the Cold War. Following Japan's postwar adoption of pacifism, Japan's security strategy became framed within US priorities in Asia, centering on the perceived threat from the Soviet Union.

As the world adjusted away from bipolarity, Japan gradually reassessed

the strategic value of other theaters, but it was only after several high-profile pirate hijackings of Japanese vessels, such as the *MV Alondra Rainbow* in 1999, that Tokyo began to look to India for cooperation. Prior to the 9/11 attacks on the United States, the Maritime Self-Defense Forces asked the Ministry of Foreign Affairs to initiate discussions on sea-lane protection and invited the Indian Coast Guard to participate in search and rescue operations. As nations dependent on global commerce and energy security through the seas, such cooperation was recognized as being of mutual benefit.

It cannot be denied, however, that China's military capabilities have also influenced the formation of closer maritime and military dialogue between Japan and India. As China's military expenditures, including the launch in 2012 of its first aircraft carrier, expands apace while the US and European powers are reducing their spending, Japan has begun looking further afield for security partners that share similar interests. Furthermore, as territorial disputes linger, historical tension continues, and China's navy increasingly asserts its presence, the logic of working closer with India on security matters has become more apparent.

India's widening defense profile and geographical location are further drivers. Recent years have witnessed increased activity by India's naval forces, not only in anti-piracy missions but also humanitarian relief efforts, such as following the Asian tsunami of 2004. By 2009 India had succeeded in building the *INS Arihant*, the nation's first nuclear-powered submarine – which only five other countries possess – and it is expected to spend \$80 billion over the next decade to upgrade its military.

For Japan, in stark contrast to the reaction toward China's modernization, these developments are viewed as an opportunity. Japan's Coast Guard and MSDF have made several agreements with India and regularly engage in dialogues. In 2007 Japan joined the US-India Malabar exercises with Singapore and Australia and held for the first time, in June 2012, bilateral exercises. Further dialogues have been launched on maritime and cyber security; the first meeting of the Japan-India Maritime Affairs Dialogue was held on January 28, 2013.

Limitations

There are, however, limitations to defense cooperation; one concerns disagreements over the value of the Proliferation Security Initiative (PSI), and a second pertains to arms sales between Japan and India. On the former issue,

while both share a “common commitment in pursuing disarmament and non-proliferation as partners seeking a peaceful nuclear weapon free world,” their means differ. India rejects the initiative as “an extension of existing US-headed military alliances,” while Japan has been a strong supporter since its inception.

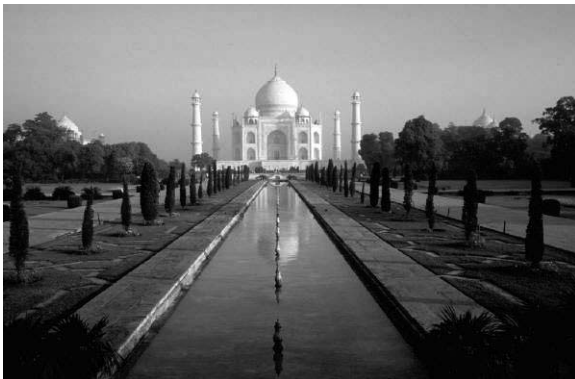
And despite demand in India for high-quality search-and-rescue sea-planes as well as infrastructure for military ports (India is currently the world’s largest importer of arms), even after the relaxation of Japan’s arms export controls in December 2011, it is uncertain whether or not this will extend to trade with India.

Role of Domestic Variables

India has only gradually entered the strategic imagination of Japan’s elites, shifting from the periphery to a position as an “indispensable partner.” Perceptions of Asia have traditionally excluded South Asia, and even today, according senior strategists, India occupies the “second circle” of interests.

At the bureaucratic level, the defense community has been one of the most eager supporters of working with India yet continues to hold less influence over foreign policy than other ministries. MOFA and METI, the two primary external affairs ministries in Japan, are increasingly recognizing the strategic and commercial opportunity provided by India and recently worked together in a relatively rare case of collaboration to deepen relations.

Few politicians have invested political capital in the relationship. To some extent this has been beneficial, avoiding politicization and giving the effort cross-party support. While the LDP under the previous tenure of Shinzo Abe initiated negotiations on a CEPA in 2007, it was under the DPJ that the legislation was passed, in addition to the nuclear trade talks discussed above and greater military cooperation.



Shinzo Abe, elected prime minister for the second time in December 2012, is perhaps the strongest political supporter of ties with India, suggesting a sustained emphasis on the bilateral relationship going forward. Highly influenced by his grandfather, Prime Minister Nobusuke Kishi, who held fond memories

of India following a visit there soon after Japan's wartime defeat, Abe considers India a valuable partner. In 2006, Abe described Indo-Japanese relations as the "most important bilateral relationship in the world" and maintained ties with India's elite while in the opposition. Prior to the December 2012 election victory, in an article for *Project Syndicate*, Abe identified India as a "resident power in East Asia" whom Japan should give "greater emphasis."

Domestic public opinion is overall favorable, but levels of cultural understanding remain low and deserve greater attention by both Tokyo and Delhi to facilitate the high-level engagement outlined above.

Conclusion

While contact between Japan and India has been sporadic for decades, today there is common understanding in the bureaucracy, business community, and the political establishment that working closer with India is in Japan's national interests.

Gradually, Japan is taking a more flexible position on civil nuclear technology trade, economic policy, and possibly also arms exports to provide greater strategic space for Japan-India engagement. A common misperception holds that the rise of China and the US alliance drives all Japanese initiatives, but while these factors represent a strong undercurrent, the above discussion demonstrates that there are winds above water also steering the course.

May 13, 2013

What Next in Syria?

Paul J. Saunders

Recent statements by American, British, and Israeli officials asserting that the Syrian regime has used chemical weapons have led many to ask whether the United States will or should intervene in Syria. These questions are especially intense because US President Barack Obama personally declared that using chemical weapons would cross a “red line” and be a “game changer.” At the same time, the United States and Russia have launched a new international diplomatic effort to end the fighting. The two developments are closely related.

Should the United States Intervene?

The Obama administration is unlikely to pursue military action in Syria for several reasons. The first is that Americans don’t want to. According to a March 2013 CBS News poll, 69% of respondents do not believe that the United States has a responsibility to do something about the fighting in Syria, while just 20% believe Washington has such a responsibility. Of course, these views cannot be isolated from their wider context; according to another CBS News poll, 54% of Americans surveyed now think it was a mistake for America to invade Iraq. Americans are tired of war.

Perhaps more important, however, is that President Obama doesn’t want to intervene either—he wants to focus on his domestic agenda and to avoid costly and distracting international entanglements. This underlies the administration’s efforts to blur its “red line” by emphasizing that Syria’s regime used chemical weapons “on a small scale” and that “we cannot confirm how the exposure occurred and under what conditions,” as one unnamed White House official put it in a background briefing. That official also alluded to the Bush administration’s justification for the unpopular Iraq war, stating that “from our

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own recent experience, intelligence assessments are alone not sufficient” and that the administration has to “establish the facts” before going further.

Some leading Republican politicians—particularly Senators John McCain and Lindsay Graham—have called for much greater involvement. Senator Graham’s has argued that only by sending in US ground forces can America secure Syria’s chemical weapons stocks, but few support his position. By contrast, Senator McCain suggested that the United States should establish “safe zones” with drones and missiles. As a practical matter, however, this would probably lead to deeper intervention, as creating safe zones would require extensive strikes to knock out Syria’s air defenses and its air force as well as attacks on Syrian ground forces that approach the zones—something they would be very likely to do once rebel groups predictably seek shelter there between raids outside the safe area.

Moreover, once American troops are a direct party to the conflict, the Assad regime may not limit its retaliation to the US forces directly involved. On the contrary, Syria’s desperate leaders would likely seek additional targets and asymmetrical responses like terrorism. If a Syrian-linked terror group killed Americans in the Middle East or elsewhere, the United States could be drawn to Syria’s war in a way that few now want or expect. Advocates of “measured” responses should acknowledge this.

Poor Track Record

Ultimately, however, one of the greatest obstacles to US intervention in Syria has been uncertainty about the results. The Obama administration has resisted calls to arm Syrian rebels by arguing that we don’t know enough about their many factions, or their plans should they win, to risk placing a substantial amount of weapons into the wrong hands.

Taking into account the poor track record of US officials and commentators predicting and managing events in the Middle East, this caution is probably justified. To name just a few cases, the democracies that US intervention in Iraq and Libya was supposed to establish are weak, unstable and violent; likewise, the freedom Americans thought the Obama administration was supporting in Egypt is increasingly in danger.

Unfortunately, despite his apparent desire to stay out of a potential quagmire in Syria, President Obama and his advisors have repeatedly misjudged developments there. As a result, the administration wasted two years thinking that Assad was “on the wrong side of history” and that he was about to lose

power. Rather than creating and seizing an opportunity for a negotiated solution to end the violence, stabilize the country, and strengthen America's international reputation (and Mr. Obama's too), the administration passively waited for "history" – which turned out to be less inevitable than senior officials must have believed.

The first serious mistake was President Obama's statement in August 2011 that "Assad has to go." Seemingly assuming that a rebel victory could be imminent and that his statement could tip the balance, Mr. Obama declared that Assad had to leave while knowing that he was prepared to do very little to make it happen. This strongly encouraged the rebels to insist on total victory rather than a negotiated settlement – why should they accept less than the United States? – even as it allowed Assad to portray every day he remains in office is a victory over America. It also highlighted the Obama administration's failure to follow through.

More recently, President Obama made a similar mistake in his declaration that using chemical weapons would cross a "red line." Again, he appeared to believe that his words would be enough to shape the Syrian regime's behavior without apparently considering the consequences if they were not.

In this case, it is difficult to dispute the argument by America's former Ambassador to the United Nations John Bolton that the administration's conduct has dramatically undercut its assurances that the United States will do whatever is necessary to prevent Iran from obtaining a nuclear weapon.

Seeking a Negotiated Settlement

Still, credibility with Iran is no reason for the United States to intervene militarily in Syria, whether with ground forces or air strikes – there are better and cheaper ways to demonstrate our seriousness to Tehran. One would be a highly visible effort to establish a regional security architecture in the Middle East to prevent and deter inter-state conflict.

Ironically, new political pressure on the administration to intervene in Syria following the use of chemical weapons there may have finally persuaded top US officials to focus less on Assad – whose claim to leadership has been severely damaged whether or not he loses power anytime soon – and more on ending the violence.

After meeting with Russia's President Vladimir Putin and Foreign Minister Sergey Lavrov and announcing plans for a major international conference, Secretary of State John Kerry downplayed previous US-Russian differences over

requiring Assad to step down as a precondition for talks. This suggests that however politically difficult it may be for the administration to move beyond President Obama's declaration about Assad, that option is now more attractive than deeper involvement in Syria's messy and unpredictable civil war.

Even with this new interest in negotiations, a settlement will be quite challenging if a significant number of the rebels believe they can win a military victory. At the same time, if the talks fail and the United States decides to provide more support for the rebels, Washington will have limited tools to ensure that the moderate opposition prevails in the end rather than Syria's radicals.

In fact, if Assad does eventually fall, it is entirely possible that the conflict will evolve into a war among the rebel factions. While the current fighting poses a choice between Assad and something else that few can define, that war could produce a range of different alternatives—including a violent and dangerous extremist Islamist regime. Hopefully leaders in Washington, Moscow, and other major capitals will manage to set aside some of their other differences to do whatever they can to find a negotiated solution that avoids this outcome.

May 24, 2013

Abe's Choice: Nationalism or Pragmatism

Tsuneo Watanabe

Speculation continues on whether Prime Minister Abe will allow nationalist ideology to take precedence over practical considerations in his foreign policy. Senior Fellow Tsuneo Watanabe warns the prime minister against symbolic gestures that could squander precious political capital and jeopardize important foreign policy goals.

Since the start of the Shinzo Abe administration, any criticism regarding his foreign policy has centered on his perceived nationalist ideology and revisionist views. The success or failure of the prime minister's policy will largely be determined by the extent to which the voice of pragmatism prevails over the voice of nationalism.



Prime Minister Abe with President Obama at the White House in February 2013.

Abe's visit to Washington in February helped ease immediate American concerns over the risk of hostilities breaking out between Japan and China. In the joint press conference following Abe's meeting with President Barack Obama, the prime minister had a calm demeanor and emphasized restraint in the face of provocation. He also received good marks for a policy speech that downplayed his controversial ideas about history and that focused on

his economic policies—which were already showing signs of success—his intention to take part in negotiations for the Trans-Pacific Partnership, and his commitment to follow through with the existing bilateral agreement on the relocation of US Marine Air Base Futenma.

Tsuneo Watanabe

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Lingering Skepticism

Still, some analysts in the United States and China remained worried. They suspected that the prime minister was playing it safe until his party secured a majority in the July House of Councillors election, after which he would show his true colors.

Abe appeared to give charges of revisionism a new lease on life much earlier, though, when he remarked on April 23 in the Diet that there was no universal agreement on what constitutes “aggression.” This refueled concerns that his government intended to retract or modify the “Murayama statement,” over which Abe had earlier expressed reservations. In the 1995 statement, then Prime Minister Tomiichi Murayama apologized for Japanese aggression and colonial rule in East Asia. The Diet comment set off a firestorm of international criticism, from Western friends and allies as well as from Japan’s East Asian neighbors.

On May 8, Abe made it known that government backed the Murayama statement and, echoing the wording of that statement, acknowledged the pain and suffering Japan had caused to Asian peoples living under Japanese colonial rule. He also took on charges of revisionism in an interview published on the *Foreign Affairs* website (May 16), although his wording — “I have never said that Japan has not committed aggression” — was not exactly unequivocal.

With tensions rising over North Korea’s erratic behavior, Washington has been stepping up pressure on Abe to smooth things over with Seoul, which remains skeptical of Abe’s nationalist views. Speaking before Congress on May 8, South Korean President Park Geun-hye noted pointedly that “where there is failure to acknowledge honestly what happened yesterday, there can be no tomorrow.” That same day Abe affirmed his cabinet’s support for the Murayama statement, and in a separate press conference Chief Cabinet Secretary Yoshihide Suga sought to allay South Korean fears by flatly denying that the government had ever considered modifying the 1993 “Kono statement,” which apologized for the Imperial Army’s use of “comfort women” taken from their homes on the Korean Peninsula.

Damage Control

Since then, opposition politicians have received an important object lesson in the political consequences of nationalist rhetoric. In mid-May, Osaka Mayor

Toru Hashimoto, co-leader of the Japan Restoration Party, drew fire from inside and outside the country for his remarks that seemed to justify the military's use of comfort women.

Women leaders and voters around Japan expressed outrage over Hashimoto's comments. In a poll by the *Asahi Shimbun*, 75% of respondents said Hashimoto's remarks were "problematic." By contrast, public approval of the Abe cabinet has held fairly steady at around 65%, as of the *Asahi's* mid-May survey—a testament to the power of damage control.

Surely the Abe government realizes that its current high approval stems from "Abenomics," which has sent the stock market and voters' hopes soaring—not from its nationalist ideology. But it remains to be seen whether pragmatism will win out over ideological purity. That will only become clear after the July upper house election.

The litmus test will be whether or not Abe visits Yasukuni Shrine after the election. Will the prime minister risk alienating China and South Korea by paying his respects at the controversial shrine, where Japan's war dead are honored? In his *Foreign Affairs* interview, Abe left the door open to a visit without committing himself either way. But a visit would be a serious mistake. The single most important foreign-policy challenge awaiting the Abe cabinet following the July election is repairing relations with China. This is a goal fervently sought by the Japanese business community, which supported the LDP's return to power; by the New Komeito, the LDP's pro-Chinese coalition partner; and also by Washington. A Yasukuni visit would result in the pointless squandering of his political capital.

The good news is that the forces of diplomatic pragmatism seem to have the upper hand after steering the administration through treacherous international waters with a thoughtful, flexible response to world opinion. The leaders of Abe's foreign-policy team are realists, whose larger goal is to deepen security cooperation with the United States, such as by lifting Japan's constitutional prohibition on collective self-defense. In the long run, this would reduce the risk of more assertive action on the Senkakus by China and lay the basis for constructive engagement oriented to both countries' economic interests. It would dovetail not only with Washington's strategic policy toward China but also with the goal of "mutually beneficial strategic relations" that Prime Minister Abe and Premier Wen Jiabao agreed on in 2006.

If Abe chooses instead to spend precious political capital on a symbolic statement, the repercussions could be huge. History might well compare his decision to the fatal wrong turn of Prime Minister Yukio Hatoyama, whose

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government lost its way on the Futenma air base issue, struggling to redeem an unrealistic campaign promise. Surely this is one comparison Abe would wish to avoid.

May 16, 2013

Moment of Truth for Japanese Diplomacy

Katsuyuki Yakushiji

Tokyo's decision to join the TPP talks has triggered a flurry of activity in international trade negotiations—evidence that Japan still occupies a vital position in the regional and world economy. Political analyst Katsuyuki Yakushiji argues that the government's ability to leverage that position in diplomatic negotiations will have a major impact not only on the shape of the TPP itself but also on Japan's political relations with other countries in the region.

The government of Prime Minister Shinzo Abe has secured a seat at the Trans-Pacific Partnership negotiating table and could join in the talks as early as this July. In mid-April Tokyo and Washington reached an agreement on Japan's participation, and approval from the other participants was quick to follow. After a mandatory 90-day consultation period between the White House and Congress, Japan will face a major test of its negotiating skills as it vies with 11 other nations to gain maximum advantage from an ambitious free-trade initiative.

The TPP's Sweeping Significance

Any time Japan is involved in talks aimed at trade liberalization—whether in a bilateral or multilateral framework—domestic debate tends to focus like a laser on the issue of farm protection, particularly tariffs on Japanese rice. Farm groups like the Central Union of Agricultural Cooperatives have done everything in their power to prevent Japan from joining in the TPP talks, and a number of analysts and commentators have echoed their concerns that the negotiations will lead to the elimination of farm tariffs, an influx of cheap imports, and the collapse of Japanese agriculture.

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But the TPP is about much more than farm trade. It is a comprehensive agreement covering not only trade in goods but the entire spectrum of policies and rules affecting economic relations, including those governing investment, intellectual property rights, government procurement, competition, and immigration. In short, the TPP negotiations

have the potential to create a whole new economic order for the Asia-Pacific region. Choosing not to participate would not only mean relinquishing our opportunity to play a part in the creation of this regional order; it would be tantamount to embracing isolation and decline.

This is why the leaders of major political parties, as well as the domestic mainstream media, are virtually unanimous in supporting the decision by Prime Minister Abe and his cabinet to join the TPP process. Only the farm lobby and one or two other interest groups continue their shrill opposition, most likely in hopes of extorting maximum compensation in the form of subsidies and other government assistance.

But there is another important reason for Japan to take part, and that is the TPP's potential contribution to the creation of a stable security environment in the Asia-Pacific region. Underlying the need for such a grouping is the regional US-China rivalry. Having two such powers active in the area is fine as long as they are not in conflict and their political, economic, and military behavior is governed by rules that everyone is comfortable with. But these are two countries with vastly differing political systems, ideologies, and values, and their current tendency is to apply the rules that suit them as they maneuver to maintain and expand their regional influence. For Japan, as an alliance partner of the United States, the TPP has a profound strategic importance as a broad-based regional economic framework capable of counterbalancing China's power and persuading it to play by the same rules.

This is not a new strategy devised by the Abe administration; the same considerations naturally entered into Tokyo's policy vis-à-vis the TPP when the Democratic Party of Japan was in power. The cabinet of Yoshihiko Noda was particularly aware of the TPP's potential role in regional security and

launched an all-out push to get Japan involved, with Washington's support. Unfortunately, domestic politics prevented Noda from getting the job done.

A Position of Strength

A key point that tends to be lost in debates over the TPP and similar trade initiatives is the extent of Japan's economic clout. The focus on farm tariffs and what might happen if they are eliminated betrays a curiously passive and fatalistic attitude toward international trade agreements. Japan is the world's third-largest economic power, and what it says and does in such negotiations carries great weight with other participants. Japan should approach the TPP process as a leader actively involved in shaping the agreement, not as a passive observer.

Japan's importance to the process was apparent back in November 2011, when Prime Minister Noda first announced that his government would enter into bilateral consultations aimed at securing a seat at the TPP table. Within days Canada and Mexico announced that they, too, were applying for admission, and both ended up joining the talks ahead of Japan.

More recently, Abe's February announcement of his government's determination to take part in the TPP spurred a variety of non-TPP countries and organizations to accelerate negotiations for separate agreements with Japan, including an FTA involving China and South Korea, the Regional Comprehensive Economic Partnership (comprising the Association of Southeast Asian Nations and six other countries), and an economic partnership between Japan and the European Union. Especially encouraging in this context were signs that Beijing was prepared to isolate economics from politics when managing relations with Japan and work for stronger trade ties despite ongoing tensions over such controversial issues as the Senkaku Islands and Yasukuni Shrine.

The truth is that ever since Japan indicated a serious interest in the TPP, everyone has been vying for its favors. It's been years since Japan has been this sought-after. From a negotiating standpoint, one could hardly hope for a more advantageous position.

Getting Serious About Diplomacy

By contrast, the political and security environment surrounding Japan remains harsh and uncertain. North Korea continues to defy international society with nuclear tests and missile launches under Kim Jong-un, and it remains to be

seen whether the young leader can consolidate his power base and put his regime on a stable footing. China continues to invade Japanese airspace and territorial waters in conjunction with its claims to the Senkaku Islands and shows no sign of moderating its hardline stance. Relations with South Korea soured over the disputed Takeshima islets in 2011 and have not improved since.

Moreover, the Abe administration dashed any hope for a short-term thaw in relations when Deputy Prime Minister Taro Aso and other members of the cabinet visited Yasukuni Shrine this past April (a gesture Japan's neighbors see as indicating a lack of repentance over past aggression). Abe's Diet statements defending his ministers' conduct resulted in the cancellation of several key regional meetings, including the trilateral summit between Japan, China, and South Korea scheduled for the end of May. Meanwhile, the all-important Japan-US relationship continues to suffer from the domestic stalemate over relocation of US Marine Corps Air Base Futenma, which has eroded trust between Washington and Tokyo.

In these circumstances, it is vitally important that Japan marshal all its diplomatic resources to secure a more stable political environment. Fortunately, its decision to participate in the TPP allows it to enter into diplomatic negotiations from a position of relative strength.

Japan is by no means known for its skill in international negotiations, but the Abe administration seems determined to change that, at least insofar as the TPP is concerned. The government has put together a crack negotiating team directly answerable to the Prime Minister's Office, composed of experts from a number of ministries and led by veteran diplomat Koji Tsuruoka of the Ministry of Foreign Affairs, who seems the perfect choice for the job. An expert in international law and economic diplomacy, Tsuruoka has a reputation abroad as a tough negotiator, a rarity among Japanese diplomats. This choice, together with the highly unusual decision to recruit the team's 70-odd members from multiple agencies, is a sign that the Abe cabinet means business this time.

The TPP talks are moving forward even now with the goal of reaching a comprehensive agreement by the end of 2013. As the process enters its final stages, we can expect the conflicts to sharpen. Negotiations will pick up in intensity as ministers and national leaders enter the fray, bargaining for the most advantageous terms possible for their respective countries. Japan has a strong hand, but it must play its cards boldly and skillfully to gain maximum benefit from the TPP process. In the months ahead, Japanese diplomacy will truly be facing its moment of truth.

February 19, 2013

Assessing the LDP's Tax Reforms

Shigeki Morinobu

One of the first acts of the Liberal Democratic Party upon winning the December 2012 general election was to convene its Tax Commission to begin deliberating 2013 tax-code revisions behind closed doors. Tax expert and Research Fellow Shigeki Morinobu assesses the outcome of that process and offers his own guidelines for better tax policy in the future.

In late January, the month-old cabinet of Prime Minister Shinzo Abe announced a set of proposals for revising Japan's tax code in fiscal 2013, drafted by the ruling party's Tax System Research Commission. At first glance the plan may strike one as little more than a dessert buffet of tax breaks to support the prime minister's aggressive pump-priming strategy—Abenomics, as the media have dubbed it. Viewed more closely, the plan reveals some strong points, as well as troubling flaws.

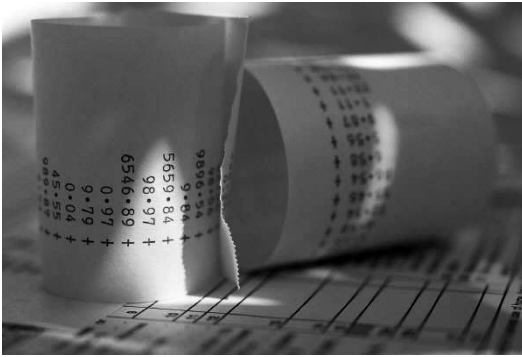
Tax Mix

In addition to a variety of tax breaks, which I review below, the plan incorporates reforms designed to improve the mix of income, asset, and consumption taxes, in keeping with the agreement on the integrated tax and social security reforms reached between the LDP, the New Komeito, and the Democratic Party of Japan.

In the agreement, the three parties approved a major hike in the consumption tax, which will increase the tax burden across the board. The recently announced reforms, therefore, require the wealthiest to contribute a larger share, raising the top income tax rate and putting an end to big tax breaks for investment income.

The income gap in Japan has widened dramatically over the past few decades, and poverty has emerged as a growing social problem. This is a trend

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with macroeconomic as well as social implications, given recent studies by the International Monetary Fund and others suggesting that countries with greater income equality are more likely to enjoy sustained economic growth. From this perspective, the Abe tax reform plan is a step in the right direction.

The government's 2013 tax-reform plan thus can be seen as being more than a pump-priming tool for Abenomics; it is also a balanced program that gives due attention to income redistribution. This aspect of the plan can be considered a legacy of former DPJ Prime Minister Yoshihiko Noda, who engineered the three-party tax agreement.

Fairer Taxes on Investment Income

An important element of the government's reform plan from the standpoint of income redistribution is the proposal to end the preferential 10 percent tax rate on personal income from qualifying capital gains and dividends. The 10 percent rate was adopted in 2003 as a temporary measure and subsequently extended three times. Under the proposed reform plan, the rate will revert to 20 percent in fiscal 2014.

According to a 2008 report by the Ministry of Finance, the tax burden increases as income goes up for households earning up to 100 million yen, but for those in higher income brackets, the burden falls as income rises. A major factor in this anomaly is the system of taxing income from capital gains and dividends separately from other income at a flat rate of 10 percent.

To correct this inequity, some in the former DPJ government insisted that investment earnings should be added to household income and taxed at progressive personal income tax rates (under a "comprehensive income tax"). But such a change would have run counter to international trends in an era of global money flows, when more and more countries are embracing a flat capital-gains tax to prevent capital flight. The Abe cabinet's plan offers a sensible compromise, maintaining separate taxation while widening the scope of integrating financial income, thus encouraging the use of the some 1,500 trillion yen in Japanese household financial assets.

The proposed reform also seeks to enhance convenience for individual

investment through steps to unify taxation on financial transactions. Under the new plan, the separate 20 percent tax will apply to income from a greater range of financial instruments, and taxpayers will have more leeway to deduct losses from profits—as by offsetting gains from stock market investments with losses on the bond market. This enhances the ability of investors to hedge against risk. In the future, the government needs to take this process a step further by incorporating interest from time deposits and other types of financial income.

Another way the plan encourages individual investors is through a new system, modeled on Britain's individual savings accounts (ISA), that exempts small investments from taxation for up to 10 years. In the future, the system should be upgraded to provide for permanent tax-exempt individual retirement accounts (IRA) with deductible contributions, similar to those available in the United States.

Random Tax Breaks

Abe has vowed to flight deflation with all the tools at his disposal, and this is certainly a laudable goal. But the Christmas list of tax breaks incorporated in the recent reform plan—including expanded tax benefits for home buyers, tax relief for auto purchases, an exemption for cash transfers to cover grandchildren's schooling costs, and corporate tax breaks tied to payroll growth—raise issues from the standpoint of fairness and enforceability, while their economic impact is uncertain at best. At the very least, the government should make a commitment to conduct follow-up studies to assess whether tax measures like corporate incentives for payroll expansion achieve their stated goals.

An especially problematical item is the introduction of a tax credit combined with a cash refund for home loans. While new home buyers are currently allowed to deduct a percentage of their outstanding housing loans from their income taxes, the new system would permit those with low incomes to receive cash refunds from the government if their home-loan credits exceed their tax liabilities.

On the face of it, this resembles the earned income tax credit that the DPJ proposed as a means of counteracting the regressive impact of a higher consumption tax. (See "From Cash Handouts to Refundable Tax Credits.") But the DPJ plan called for the assignment of taxpayer identification numbers to ensure fair enforcement and prevent abuse of the system, which the LDP proposal ignores. (See "Taxpayer ID Number System Would Benefit All Japanese

Citizens.”) The ruling coalition, in its apparent haste to return the proceeds from the consumption tax increase to taxpayers, is offering home buyers a bewildering array of breaks, including income tax deductions, local inhabitant tax deductions, and tax credits with cash refunds. How can such a system be properly implemented without taxpayer identification numbers?

The proposed gift-tax exemption raises enforcement issues as well. The reform plan would allow the tax-exempt transfer of up to 15 million yen to fund the education of one’s grandchildren. The idea seems like a reasonable one, but to prevent cheating, trust banks will need to keep tabs not only on the amounts transferred but also on how the transferred funds are used. In the absence of taxpayer identification numbers, and given the often-murky definition of education, this raises concerns about fairness and enforceability.

Rethinking Corporate Taxes

Looking beyond fiscal 2013, the government must confront the need to reduce Japan’s effective corporate tax rate. Even after the expiration of special earthquake-reconstruction surtaxes brings the effective tax rate down to 35 percent from the current 40 percent in fiscal 2015, Japan’s corporate taxes will still be among the highest in the industrialized world. Taxes are an important factor informing business location decisions, and Japan’s high rates are among the forces pushing its companies and jobs overseas. This has accelerated industrial “hollowing” and pushed up unemployment, which are taking a toll on communities all over Japan, not just its urban centers. To stem this tide, the government must take action to lower corporate income tax rates.

What accounts for Japan’s high effective tax rate for businesses? Our 25.5 percent national corporate tax, or *hojinzei*, is more or less on a par with comparable taxes elsewhere; it is the same as China’s corporate income tax and lower than either France’s or Britain’s. The problem lies with two local taxes levied on business, the corporate inhabitant tax and the enterprise tax. Accordingly, this is where reform should focus.

That said, in today’s harsh fiscal environment, any cut in local taxes must be offset in some way. We need to consider local taxes on a much broader scale, addressing the local inhabitants tax, property and other basic taxes, a more efficient division of tasks between central and local government, and reform of the local allocation tax and grant system to transfer greater fiscal authority from the central government to local entities.

Eliminating Outdated Tax Breaks

With respect to personal income taxes, there are two important issues still waiting to be addressed: the tax deduction for dependent spouses and the preferential tax treatment of pension income.

Prime Minister Abe has acknowledged that Japanese women are an underutilized labor resource that must be tapped if Japan is to regain and sustain its economic vitality in the years ahead. That being the case, it is clear we must either reduce or eliminate the deduction for spouses earning little or no income. By using the added tax revenue to provide childcare support through child allowances or expanded daycare, the government would be killing two birds with one stone.

In most of the industrial world, the percentage of women participating in the work force has increased over the past 20 years, even while fertility rates have risen. Japan should launch a concerted campaign at all levels of society to create the conditions for work-force participation by married women. This is a growth strategy worth pursuing.

The tax system also has a role to play in the development of a more efficient social security system. A key step in this direction would be to require high-income retirees to pay taxes on a larger portion of their pension income. Under the current system (which applies to corporate as well as public pensions), there is no ceiling for the special deduction on pension income. This creates intergenerational inequity, as working households are forced to pay higher taxes than retired households with the same income. Curtailing the exemption would not only enhance the fairness of tax system but also help put the social security system on the road to sustainability.

Reform of the pension system has lost momentum since the LDP returned to power, but this is something the government needs to address promptly if it wants to improve the efficiency of the system and contain social security spending. Both of these changes should be high on the fiscal 2014 tax-reform agenda.

Problems in the Decision-Making Process

Clearly the LDP had to juggle a wide array of considerations in drafting its fiscal 2013 tax reform plan. The result, as we have seen, is decidedly mixed, and the deficiencies, I believe, result from a lack of three essential ingredients.

The first is transparency. The tax code is a matter of vital interest to the en-

tire nation, since it has a direct impact on people's household finances and economic livelihoods. Yet the only sources of information regarding the LDP tax deliberations were newspaper and television reports. When the DPJ was in power, deliberations of the government panel in charge of tax reform were streamed over the Internet, and related materials were made available on the same day. Starting next year, the LDP needs to improve the transparency of its tax deliberation process by posting the meeting minutes and press conferences on the party's website.

The second vital ingredient missing from the LDP revision was logical coherence. Changes in the tax code directly impact the national burden and its distribution, and considerations of fairness, equity, and balance are of the essence. Someone should be able to explain how the new gift-tax exemption meshes with the increase in the inheritance tax, why a tax credit with a cash refund was included among home-buyer tax breaks, and why corporate tax relief tied to payroll expenses is effective policy. In the future, tax deliberations within the ruling party should begin only after the independent government Tax Commission has studied the issues and offered recommendations based on medium-term forecasts.

The final missing ingredient is accountability. The tax bill the cabinet will submit to the Diet will be the very plan drafted by the LDP Tax Commission. In the days ahead, the Minister of Finance and the Minister of Internal Affairs and Communications will both likely be called on to defend the bill even though neither has played a direct role in drafting it. Surely this process raises issues from the standpoint of accountability.

Under our parliamentary system, the ruling party inevitably plays a key role in policymaking. But the Abe cabinet has essentially ceded the policymaking role to the party when it comes to tax matters. At the very least, there should be some formal mechanism for coordinating opinions between the party's Tax Commission and the political officials at the Finance and Internal Affairs ministries, which have jurisdiction over the tax system. This would assure the nation that tax policy is a collaborative undertaking of political and government experts.

Let us hope that future tax-policy deliberations will acknowledge the importance of transparency, economic rationality, and political accountability.

February 12, 2013

2013, Year of Japan's Revival? Abenomics and the Politics of Growth

Kay Shimizu

With an upper house election coming up this summer, economic revitalization is Prime Minister Abe's top political priority. Kay Shimizu, a Tokyo Foundation research fellow and assistant professor of political science at Columbia University, notes that while initial reactions to Abenomics have been promising, the prime minister will need to carefully balance his policy options to avoid pushing Japan over a "monetary cliff."

The new Shinzo Abe cabinet emerged from the holidays with a seemingly renewed sense of urgency in rebuilding Japan's long crippled economy. Prime Minister Abe's plans have been dubbed "Abenomics" (pronounced Ah-beh-nomics) by the popular press. What precisely does this term mean, and what are its implications for Japan in 2013 and beyond?

The content of Abenomics thus far centers on a few key economic policies believed to be critical in giving the Japanese economy a much needed boost. Its main goals are to end Japan's long-term deflation, to devalue the yen, and to achieve a nominal growth rate of roughly 3 percent. The main policies include, among others, a 2 percent inflation target, a rapid increase in public spending, and a renewed focus on increasing Japan's economic competitiveness. While foreign policy concerns continue to lurk in the background, Abe's early and repeated statements emphasizing key economic targets signifies that he has placed economic revitalization front and center in his second prime minister-ship.

Abe's short-term goal is electoral victory in the Upper House elections this summer. In fact, as early as a week before the Lower House elections in December, the Liberal Democratic Party (LDP) already began to shift its focus toward the Upper House elections, signaling how critical it is for them to have

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control over both houses. Indeed, Japan's Upper House has been considered by electoral scholars to be too strong and has been accused of hampering past efforts to pass much needed reforms. For example, the president of the Upper House has the authority to decide what bills to bring before the chamber for a vote, thereby greatly affecting the process of legislative deliberations in the Diet. To gain complete political control over the legislative process, the LDP needs to win a majority of seats.

To ensure electoral victory in the Upper House, Abe and the LDP need to demonstrate their clear commitment to economic revitalization. Furthermore, some immediate signs of economic recovery will be critical for maintaining the momentum gained from the strong electoral showing in December. In the first weeks of the New Year, Abe and his new cabinet have made such indications in several ways. First, Abe has resurrected the Council on Economic and Fiscal Policy. The 11-member council, which includes economic ministers, business leaders, and academics, is in charge of compiling broad medium- to long-term economic and fiscal policy. This council was used deftly by former prime minister Junichiro Koizumi to orchestrate "decisive politics," and Abe hopes to use it in a similar manner, placing control of Japan's economic rudder in the prime minister's office. The council will also play a key role in communications between the government and the Bank of Japan (BOJ) because the BOJ governor is one of its sitting members.

Second, Abe created a new governance body for microeconomic policy, the Economic Revitalization Headquarters, which includes all cabinet ministers with decision-making power consolidated under Abe. Its main concern will be to outline the government's emergency stimulus package. The central government will compile a 13.1 trillion yen supplementary budget for fiscal year 2012 ending in March to finance the package, with 10.3 trillion yen of this to be specifically used for fresh stimulus spending. The stimulus plan includes accelerated reconstruction of the Tohoku region, strengthened disaster prevention measures, and fiscal policies to combat the nation's prolonged deflation and overvalued yen.

Lastly, Abe also launched a new panel under the economic revitalization headquarters called the industrial competitiveness council to draw up concrete growth strategies. Koizumi's economic and fiscal policy minister, Heizo Takenaka, is one of nine private-sector members. The panel also includes select cabinet ministers and leaders from Japan's most vibrant corporations including Rakuten CEO Hiroshi Mikitani and Lawson CEO Takeshi Niinami, creating further hope for dynamic change. The government plans to formulate its new

growth strategy by June, focusing on industrial resuscitation, overseas expansion by Japanese companies, and the creation of new markets.

Combined, these three organizations will help plan Japan's economic recovery, but there is already some concern as to how Abe will coordinate these many councils. The Fiscal Council and the Economic Revitalization Headquarters are the administration's two main economic wheels; however, the Fiscal Council remains in the Cabinet Office, while the Economic Revitalization Headquarters has been placed in the Cabinet Secretariat.

As for signs of recovery, the LDP's clear victory in the December Lower House elections gave Japan's business world high hopes, and already we see some indicators of positive change. The long overvalued Japanese yen has lost nearly 10 percent of its value in just a few short weeks, hovering around 88 Japanese yen to the dollar. The yen is still too expensive for many of Japan's exporters to sit back and relax, but the direction of change has invited warm enthusiasm. The benchmark Nikkei 225 stock average reached a 22-month high at the end of the first trading session of the year, closing at 10,688.11, and it has climbed nearly 23 percent since mid-November when former prime minister Yoshihiko Noda dissolved the Lower House. Finally, even Japan's badly damaged energy sector sees brighter times ahead with shares of energy companies gaining as the LDP leans toward restarting nuclear plants.

Japan watchers and Japanese voters, however, should not get too carried away by these early signs of economic revival. The content of Abenomics has several worrisome elements. First and foremost is the large increase in debt being proposed to propel Japan out of its long-term deflationary spiral. Abe has submitted plans for a new economic stimulus package worth over 20 trillion yen, half of which will be covered by the central government. Abe also announced plans for the government to spend over 19 trillion yen for the reconstruction of areas devastated by the March 2011 earthquake over five years through fiscal 2015. While several prominent economists have argued for the need to inject a significant amount of public funds into the Japanese economy in order to yank it out of its deflationary state once and for all, the cost to Japan's future taxpayers will be unprecedented. As such, spending plans for these precious funds requires the utmost care, and voters must hold politicians and bureaucrats accountable for appropriately evaluating how this money is spent.

Second, a key component of the revitalization plan is the use of the BOJ to target a 2 percent inflation rate, but the division of responsibilities between the government and the BOJ remains unclear. Shortly after the LDP's electoral vic-

tory, Abe called BOJ governor Masaaki Shirakawa to sign an accord that would hold the BOJ accountable for monetary and fiscal policy by setting an inflation target. However, no deadline has been set (yet) for meeting this target, calling some to question Abe's own belief in Japan's ability to reach this target and portraying the BOJ as eager to shirk responsibility. Under Japan's zero interest-rate policy, the BOJ on its own has little room to raise the inflation rate. Currently, the only feasible way for Japan to effectively raise the inflation rate is through broad fiscal spending, and this is the responsibility of the government. As such, there should be a clear division of responsibility between the government and the BOJ, with the BOJ maintaining its zero interest-rate policy until set economic goals (such as reaching a target nominal GDP) are reached.

Lastly, the BOJ's past record has many outside observers skeptical of Abe's plans and his ability to use monetary policy effectively. During the last decade, the BOJ has tried a variety of monetary measures including quantitative easing in an attempt to break Japan's deflationary trends, but it has been criticized for being overly cautious and piecemeal in its efforts. By repeatedly stopping short of a massive expansion of its balance sheet, the BOJ has yet to fully buy into the Friedman school of monetary theory. Still, hope is in the air. Since the beginning of the year, Abe and his cabinet have signaled a stronger determination to persuade the BOJ to take a more aggressive and comprehensive approach, combining quantitative easing with fiscal stimulus to expand the BOJ's balance sheet. Abe also has an additional weapon in his ability to nominate the new governor of the BOJ in April. While the implementation of Abenomics will require a careful balancing act, this time Abe must go full throttle; too much caution can tip Japan over a monetary cliff.

According to the Chinese zodiac calendar, 2013 is the year of the snake, a creature that sheds its skin each year to emerge with a glossy new coat. Politicians and business leaders interviewed in the Japanese media have repeatedly used this image to illustrate their hopes for revitalizing Japan. Only an economically stronger Japan can be an effective ally for the United States, a valuable neighbor for China and the rest of Asia, and a source of pride for the Japanese people. As Nietzsche said, "the snake that cannot shed its skin perishes."

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April 24, 2013

Tackling Japan's Energy Crisis

Hikaru Hiranuma

The nuclear disaster triggered by the March 2011 earthquake and tsunami spurred the Democratic Party of Japan government to undertake a wholesale review of Japanese energy policy. But the future of energy reform has grown murky since the Liberal Democratic Party returned to power last December. Research Fellow Hikaru Hiranuma outlines the challenges facing Japan and calls on the government to present a bold and coherent plan for tackling them.

Two years after the earthquake and tsunami of March 11, 2011, precipitated a disastrous accident at the Fukushima Daiichi Nuclear Power Station, the image of smoke rising from the roof of the facility's reactor buildings following a series of hydrogen explosions remains seared in the nation's collective memory. The challenges to a viable post-Fukushima energy policy are formidable. But political inertia and inaction are not an option.

Japan Energy Policy in the Post-Fukushima Era

In the aftermath of the accident, then Prime Minister Naoto Kan announced that Japan would have to "rebuild its energy policy from scratch." Kan scrapped the government's plans to boost the share of nuclear power in Japan's electricity supply to 50% by 2030, and his successor, Yoshihiko Noda, pledged to reduce nuclear dependence to zero by the 2030s—a position incorporated in the 2012 election manifesto of the Democratic Party of Japan.

However, the December general election was a referendum on the DPJ's ability to govern, not its nuclear energy policy, and the result was a crushing defeat for the DPJ.

The policy agreement reached between the victorious LDP and its coalition partner the New Komeito eschews specifics when it comes to energy, but it does call for a "multifaceted" energy policy that would gradually reduce de-

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pendence on nuclear power while boosting the share occupied by renewable energy. Under item 4, “Nuclear and Energy Policy,” the document explains the coalition policy as follows.

We will follow the judgment of the Nuclear Regulation Authority, which places top priority on public safety in accordance with international standards, in determining whether operations can be resumed at individual nuclear power plants. At the same time, we will reduce reliance on nuclear energy as much as possible through such policies as accelerated conversion to renewable energy and energy-efficient fossil-fuel power generation.

While the public debate over the future role of nuclear power continues, it is fair to say that, since the nuclear accident of March 2011, Japan’s energy policy has moved in the direction of increased diversity and dwindling reliance on nuclear power.

Renewable Energy—Thinking Outside the Grid

The new climate of public opinion has intensified the general focus on renewable energy as an important component of Japan’s future energy mix.

Japan has long been characterized as a nation poor in energy resources, but reports issued by the Ministry of the Environment and other agencies since the Fukushima accident have highlighted Japan’s rich potential in the area of renewable energy and stressed that the cost differential between such energy sources on the one hand and conventional thermoelectric power plants and nuclear reactors on the other is rapidly shrinking.

The biggest hurdles to more widespread use of renewable energy are the difficulty of providing a steady supply of solar- and wind-produced electricity, which fluctuate depending on weather conditions, and the challenge of transmitting power from areas suited to power generation to major centers of consumption. Surmounting these hurdles will require a flexible approach that challenges the traditional assumptions of Japan’s electric power sector.

For example, the fragmented quality of Japan’s power grid is often cited as an obstacle to the



kind of interregional flow of electric power needed for widespread deployment of wind power, solar power, and other forms of renewable energy. But the capacity of Japan's connecting lines is far greater than most people realize.

In the European Union, where power flows freely across national borders, cross-border interconnection capacity is 51% of installed generation capacity in Denmark, 36% in Germany, 27% in Portugal, 9.4% in Spain, and around 5% in Ireland.

Japan's cross-regional interconnection capacity also varies by region, but it amounts to a full 128% of installed generation capacity in the Chugoku district, 70% in Kansai, 67% in Hokuriku, and 28% in Tohoku. Tokyo area's interconnections amount to only 9% of installed generation, and Hokkaido's only 6%. However, these figures indicate that western Japan, at least, is quite adequately equipped for interregional movement of electric power.

The main problem is that regulations restrict the use of Japan's connecting lines. By opening up these lines, we should be able to solve many of the transmission issues accompanying the use of renewable energy.

When it comes to mitigating power fluctuations from renewable energy sources, Spain offers an example worthy of emulation. It has broken up the electric power industry into generation and transmission sectors and concentrated the authority and technical capacity to monitor and control fluctuations on the transmission side. In this way Spain has succeeded in ensuring reliable energy supplies despite its high reliance on renewable energy without resorting to costly energy-storage facilities. (See "Getting Serious About New Energy: Lessons from Spain" <http://www.tokyofoundation.org/en/t/kuz7w>)

To hasten the widespread deployment of renewable energy, Japanese policymakers will need to challenge deep-rooted assumptions and adopt a more flexible approach to electric power generation and supply.

Natural Gas—A Test of Resource Diplomacy

As of March 2013, all but 2 of Japan's 50 nuclear reactors remain shut down. Under these circumstances, Japan has no choice in the short term but to compensate by increasing the output of electricity from fossil-fuel-burning plants. Because of its cost and environmental advantages over other fossil fuels, liquefied natural gas is the best choice to offset the loss of nuclear power.

That said, the price Japan pays for its natural gas imports is very high by international standards, and many here are concerned that expanding those imports will lead to sharp increases in energy costs. As of this writing, Japan

pays about \$17 per million BTU for natural gas on the spot market, while the price in North America is only about \$2, thanks in large part to the advent of shale gas.

According Ministry of Finance trade statistics, Japan imported 87.3 million tons of LNG in 2012, about 25% more than in 2010, before the Fukushima disaster. If we continue to import natural gas at such high prices, electricity rates will surge, hurting businesses and consumers alike. For this reason, securing reliable and cheap supplies of natural gas should a top priority for Japanese energy policymakers.

To this end, Japan needs to diversify its natural gas supply sources. This means importing not only from our traditional suppliers in Southeast Asia (Indonesia and Malaysia) and the Middle East (Qatar) but also from North America, where the shale gas revolution is driving down the price of natural gas, and the Russian island of Sakhalin, whose vast reserves are within relatively easy reach.

The shale gas revolution and the resulting oversupply have altered the pricing of natural gas globally, giving rise to what some have termed a buyers' market. As one of the world's top importers of natural gas, Japan should have considerable leverage when it comes to negotiating advantageous procurement contracts.

At the same time, with Japan's nuclear reactors shut down, gas-exporting countries could attempt to take advantage of the nation's energy pinch. The situation is putting Japan's resource diplomacy to the test.

Last May the Tokyo Foundation offered several concrete recommendations for resource diplomacy as part of our policy document "Rebuilding Japan's Energy Policy." (<http://www.tokyofoundation.org/en/t/djhm2>) As one of our proposals for securing reliable and cheap supplies of natural gas, the document called on the government to revisit the idea of a Sakhalin-Japan gas pipeline.

In October last year, we recommended that Japan leverage its technological know-how for tapping methane hydrate deposits as a bargaining chip in resource negotiations. (<http://www.tkfd.or.jp/research/project/news.php?id=1039>, Japanese only)

Just as deployment of renewable energy demands a flexible and resourceful approach, so it is with the even more urgent task of securing reliable, cheap supplies of natural gas. We will need to "think outside the box" and explore all possible options to meet the energy challenges facing Japan.

Nuclear Energy—Resolving Safety and Disposal Issues

Given Japan's limited energy options today, our policymakers must think long and hard before eliminating any of the available options.

As we have seen, resource diplomacy is likely to play a critical role in supplying Japan's energy needs, and to enter into negotiations from a position of strength, we need a variety of backup plans. From this standpoint, it would be strategically misguided to eliminate the option that has played such a central role in Japan's energy policy until recently, namely, nuclear power.

In the future, I am hopeful that nuclear power will play a part not only as a bargaining chip but also as a practical source of electric power. But it cannot assume its former role as the mainstay of Japan's energy mix until we have resolved the safety problems and other issues that the Fukushima accident has highlighted.

At the top of the agenda is the need to evaluate the safety of all existing nuclear power facilities, including their proximity to active faults.

On March 18, 2013, a panel of the Cabinet Office's Central Disaster Prevention Council submitted its predictions regarding economic damage from a megaquake occurring in the Nankai Trough off Japan's Pacific coast south of Honshu and Shikoku. The panel estimated that a magnitude 9.1 quake and the ensuing tsunami would cause damage amounting to about ¥220 trillion. Yet the estimate did not include the impact of a quake-induced nuclear disaster. The government needs to order a rigorous study on the probable impact of a Nankai Trough earthquake on the region's nuclear reactors.

The government must also come up with an answer to the problems surrounding nuclear waste reprocessing and disposal—the so-called back end of the nuclear fuel cycle. Nuclear energy is not simply the process of generating electric power from nuclear fission. It is a complete cycle encompassing disposal of the radioactive waste produced in the process of generation. Unfortunately, the question of where and how to dispose of that waste has yet to be answered. This is a huge problem for the sustainability of nuclear power in Japan.

The nuclear accident of March 2011 has raised public awareness of these and other problems that critics of nuclear energy have been talking about for years. Given the present climate of opinion, it seems fair to say that the government will face fierce resistance if it seeks to resurrect its nuclear energy program out of short-term economic considerations alone, without first addressing these basic issues.

The Need for Political Leadership

Last December's general election swept the DPJ from power and ushered in a new LDP-Komeito coalition government. Unfortunately, the new administration has yet to clearly present a concrete energy policy, and there are signs that it intends to wait until after the summer House of Councillors election to put forth a detailed plan.

For Japan, the only viable energy policy is one that clearly articulates the difficult challenges facing the nation in the areas of renewable energy, natural gas imports, and nuclear power and tackles these challenges head-on. To return to a pre-Fukushima status quo out of political inertia would be unforgivable. Yet even as I write this, Japanese newspapers are reporting that intense lobbying from the electric power industry and its allies in the LDP threatens to eviscerate the government's plan to break the regional utilities' generation-and-supply monopolies.

The government and the ruling party should take a moment to reflect on the reasons they are drafting a new energy policy to begin with and to clarify the top priorities for such a policy. With those priorities in mind, the government needs to articulate a comprehensive, detailed energy policy and present it to the people without delay or obfuscation.

April 22, 2013

No “Shortcuts” with Environmental Action

Kenji Someno

There is now increasing concern in Japan over PM2.5 air pollutants from China. In an interview with the Asahi Shimbun, Research Fellow Kenji Someno says that Japan should share not just technology to help China address environmental problems but also the step-by-step efforts the country made over several decades to tackle pollution. Bilateral cooperation on environmental issues is an opportunity Japan should not miss to become better neighbors with China.

The other day I bought a magazine in Beijing called *Zhichang* (Workplace), which came with a “PM2.5 mask.” I think this goes to show how concerned Beijing residents are about air pollution.

During my visit there in March, there were days when 200 to 300 micrograms of PM2.5 particulate matter per cubic meter were recorded. That is several times Japan’s daily average safety limit of 35 micrograms. The entire city of Beijing was covered by haze.

Particulate matter in the atmosphere is believed to cause severe respiratory problems. PM2.5 is especially worrisome because these particulates are small enough to enter the capillaries and thereby tax the heart.

Air pollution is also severe in Shanghai, Chongqing and other major Chinese cities, not just Beijing. The levels of sulfur dioxide (SO₂) emitted by coal-fired power plants and steelworks, as well as of nitrogen oxides (NO_x) from automobiles, rival the serious pollution levels Japan experienced during the early 1970s. China is suffering from a “department store” array of pollutants that have tainted



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not only the air, but also the water, soil and more as a consequence of rapid economic growth.

Over a period of 30 to 35 years, Japan set up legal frameworks and strengthened environmental standards to reduce levels of sulfur dioxide (SO₂) and NO_x. In spite of these efforts, PM2.5 standards were not established under Japan's basic environmental law until 2009. China is still at the initial stages of tackling sulfur dioxide (SO₂) and NO_x, but it was pushed into action when the U.S. Embassy in Beijing began publicizing PM2.5 readings, sparking widespread concern among residents.

China must spend more than it does now on environmental countermeasures. Japan is said to have spent at least 8 percent of gross domestic product on environmental measures in the early 1970s. Many Chinese officials realize that the country must spend an equivalent amount, but it currently only uses just over 2 percent.

Japan still offers China official development assistance (ODA) today in the form of technical cooperation. I think this framework should be used to bring as many Chinese experts to Japan as possible so they can see that there are no shortcuts when it comes to environmental action.

In discussions of what Japan can do to help China address environmental problems, many people jump to the conclusion that Japan should offer the latest environmental technology, but this in itself will not lead to a fundamental improvement. Japan's factories, automobiles and the like have improved their environmental friendliness one step at a time. Ultimately, the Chinese people themselves must awaken to the fact that their country cannot focus exclusively on economic growth, and steps must be taken by all segments of society.

There is now increasing concern in Japan, mainly in the western part of the country, over air pollution, but nothing compared to China. Japan should view the PM2.5 issue as a way of strengthening Sino-Japanese relations. Unlike historical or territorial issues, environmental problems can be examined objectively using scientific data, making them much easier to discuss. Bilateral cooperation on environmental issues is an opportunity Japan should not miss to become "better neighbors" with China. (This article was compiled from an interview by Shingo Takano.)

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February 13, 2013

Solar Lanterns Brighten Future for Afghans

Masami Ito

Former Acumen fellow Chikako Fujita, who wrote a 10-part series on her year-long fellowship at a social enterprise in India, is now working in Afghanistan marketing solar lanterns to improve the health, educational prospects, and living standards of the country's poorest sectors. She is interviewed here by the Japan Times.

Where would we be without light when night falls? It is hard to imagine all of the constraints during the long hours of darkness before the sun rises again – no work, no study and no recreation.

But this is the reality for people in many nations. Chikako Fujita wants to change that by selling solar lanterns in one of these countries, Afghanistan, to create a healthier and more prosperous future for its citizens.



Fujita has been stationed in Kabul since November 2011, marketing solar lanterns through a strategy that targets the so-called bottom of the pyramid – the poorest socioeconomic group – in the war-torn country not only to help those in need but also to build a sustainable business network. In a country like Afghanistan, which relies heavily on foreign aid and donations, that is easier said than done.

“We believe we can create a major social impact in Afghanistan through these solar lanterns, given the nation’s current living standards,” Fujita said during a recent interview with *The Japan Times* in Tokyo. “There is so much that Afghans need or want, such as water pumps or television sets, but I hope these lanterns can become a small beginning.”

The lanterns are made by d.light, a U.S. for-profit social enterprise that has been producing and distributing solar lights and other power products to de-

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veloping countries. The lamps have integrated solar panels that can be recharged with sunlight and last between five to 10 years, depending on how heavily they are used, according to d.light.

Electricity remains scarce in Afghanistan, where only an estimated 16 to 18 percent of the population has access to power 24 hours a day. Even in Kabul, just 70 percent of residents have a regular power supply and even for them blackouts are frequent.

“People are spread widely throughout the country and projects to expand the electricity supply network have been taking a very long time,” Fujita said. “But on the other hand, it is a country that is sunny around 300 days of the year and is blessed with solar power.”

As an employee of Arc Finance, a global nonprofit organization working to expand access to daily needs, including energy and water, so that poor people around the world can boost their financial standing, Fujita is on an open-ended mission in Afghanistan. Instead of giving away the solar lanterns, her job is to sell them for the equivalent of \$8 to \$13—hardly cheap for the majority of Afghans.

Fujita, however, pointed out that most Afghans still rely on kerosene for lamps, stoves and cooking, which costs them around \$5 to \$6 per month. If people gradually put a little money aside, the lanterns are not completely out of reach, she explained.

“We think that aid and donations will and should continue, but (the flow of these funds) is unstable—you never know when it will come or how much . . . and I think that people tend to use items with care when you choose to buy something with your own money,” she said.

Solar power has long been one of Fujita’s areas of interest with a view to protecting the environment. But it was during her trips to India as executive director of the Gaia Initiative, a Tokyo-based nongovernmental organization she helped found in 2007, that she realized solar lanterns were a necessity for the needy for very different reasons.

Fujita saw people living in rural areas of India damage their eyes and respiratory system by using kerosene, and children and youths sitting in the dark doing nothing after the sun set, unable to study without light. One of the Gaia Initiative’s projects was to donate the solar lanterns to improve the health and educational prospects of the poor.

“Solar lamps had a more urgent meaning for these people. It wasn’t about cutting carbon dioxide emissions—these lanterns improved their health and helped their children get accepted at universities,” Fujita said.

PARTNERSHIP WITH THE ACUMEN FUND

More than a year has passed since Fujita moved to Kabul and she has become accustomed to the armed troops that are stationed around the city and the security checks every time she enters a building. She said signs of Japan's assistance can be seen throughout Kabul in bridges and buildings built with funding from Tokyo, while old Toyota vehicles are ubiquitous.

One major breakthrough during Fujita's first year was finding a cellphone company that was willing to partner with her to sell the solar lanterns. While the electricity supply is still low, the spread of mobile phones in Kabul rivals that seen in most other major metropolises, according to Fujita, and demand for the solar lanterns has increased because they can be used as cellphone chargers—a device that many Afghans, especially in rural areas, do not have.

But this is just one step toward Fujita's long-term goal.

"It may take a long time, but I want to see these lanterns lined up in stores and for them to spread in rural areas—not through donations, but because locals are buying them on their own. There is so much that a single lantern can do—it opens the door to many opportunities," Fujita said. "The environment for providing education is still underdeveloped in Afghanistan and we are hoping that the people can use these lanterns to study."

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May 20, 2013

Qualitative Research as a Collaborative Enterprise

How I Learned from Other People's Experience and Developed as an Interviewer

Paulina Berrios

Paulina Berrios, a doctoral candidate at the State University of New York, Albany, and a Sylff fellowship recipient at the University of Chile, shares the experiences of her field research (conducted with a Sylff Research Abroad award), during which she interviewed a number of part-time professors at Chilean universities to understand what they do inside and outside the classroom.

The research process is itself a learning process. You discover new facts, identify new relationships among variables, and realize the many implications that the focus of your study can have on reality. On the other hand, you also come to master research skills that will be long lasting. As a research project usually involves many people and often multiple institutions, you also have an opportunity to network, which is an important skill to develop over time. My experience researching abroad fits this learning process too.

Currently pursuing my PhD in educational administration and policy studies with a concentration in higher education at the State University of New York at Albany, I went to Chile—my native country—to collect data for my dissertation. This research project deals with the academic work of part-time professors at universities in Santiago, Chile, and how institutions treat, value, and regulate their academic work.

The purpose of my research abroad was to conduct in-depth interviews with both part-time professors and university administrators. Having to con-

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duct at least 60 interviews taught me many lessons. Among the most important were that qualitative research is a collaborative enterprise and that the skill of interviewing develops during the research process.

Focus of My Research

The research for my dissertation pays special attention to what part-timers do inside and outside the classroom in Chile, a country where part-time professors have a predominant presence at both public and private institutions of higher education.



Paulina at the library of the State University of New York, Albany.

In addition, my study asks the question: What is the academic work of part-time professors? Because this is conditioned by many variables, an exploration of the academic work of part-time professors needs to be seen through multiple perspectives. By bringing together sociological, historical, and organizational perspectives into the analysis of part-time professors, research can be conducted that will help elucidate how institutions, organizational arrangements, national contexts of higher education, and individual dimensions like gender and age condition the academic work of part-time professors.

Research Hypothesis

Researchers have found that US part-time professors engage mostly in teaching activities (NCES 2002; Kezar 2012) and that they teach an average of 1.6 undergraduate classes and 0.2 graduate courses (NCES, 2002). So, I started by assuming that even though the data is for the United States, the Chilean case will not be dramatically different. In other words, I hypothesized that teaching, and more specifically, undergraduate teaching, would represent the main chunk of the academic work of the part-time professors at sampled Chilean universities. However, given the literature on differentiation in higher education, I expected that patterns would vary by both system factors, such as academic discipline and professional field, and individual factors like gender and age.

Selection of Cases

Regarding the selection of institutions for the fieldwork, geographical location and range of academic programs were the two main criteria. As a result, nine academic programs at five universities were selected. Specifically, these five universities were of three different types: research universities (Universidad de Chile, Universidad de Santiago, and Pontificia Universidad Católica), a selective, large private university (Universidad Nacional Andrés Bello), and a non-selective, large private university (Universidad San Sebastián). The nine academic and professional programs selected were mathematics, chemistry, sociology, history, education, engineering, nursing, odontology, and architecture.

Preliminary Findings

As for the major findings, to a certain degree, the academic work of part-time professors in Chilean universities matched the literature on this topic worldwide: Generally, part-time professors focused on teaching, but the teaching was executed differently, depending on the academic or professional program. Their work was also treated very differently by the various academic departments and schools. One manifestation of this differential treatment was the salaries offered to part-time professors; another was the institutional mechanisms introduced as incentives to retain part-time professors.



Andrés Bello National University

My research at Chilean universities revealed that some academic departments and professional schools were highly dependent on their part-time professors. Although their employment was not secured, part-time professors at these universities were offered very good salaries and incentives for their teaching services. As this study was not intended to be representative of the Chilean higher education system as a whole, these findings pertain only to the types of institution that were selected for this study, namely, public research universities and both elite and serious private universities.

The Researcher and the Fieldwork

In a qualitative study such as mine, collaboration proved to be critical. This is not to say that other types of research (e.g., quantitative) do not engage in collaboration, but in my case I could not have achieved all I did in the field without having both institutional support and good advice from relevant actors.

Good Advice Makes a Difference

Reality is not always what you expect. When engaged in the field, I found that what I learned about my research topic – that part-time professors are invisible to many – had a practical manifestation: When trying to contact part-time professors for interviews, I realized that they were hard to reach, since their contact information was not easily available. Information for full-time professors



Paulina attended a higher education seminar at the Center for Research on Educational Policy and Practice

could be found by just navigating a university's or department's website, but this was not always the case for part-time professors. While I had some initial success in making connections with part-time professors, I realized that I would not reach my goal if I continued trying to contact them on my own.


So I asked a Chilean professor, who is a member of my dissertation committee, for advice. He suggested that in order to deal with the logistics issue, I should change my strategy and consider a top-down approach. I thus decided to establish contacts first with department chairs and deans at the selected universities and academic programs to not only learn how institutions manage, evaluate, and monitor the academic work of part-time professors but also obtain a list of potential interviewees. This turned out to be very good advice, as I was able to interview department chairs and deans for my study and, at the same time, gain their trust. This also enabled me to receive additional information, such as institutional documents that facilitated access to additional participants. The good advice made a big difference, turning potentially discouraging and unsuccessful fieldwork into a

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very positive experience. In the end, I was able to conduct not 60 but 70 interviews!

Support Is Critical

Carrying out qualitative research is costly in terms of time and economic resources. As the process of collecting data is time consuming, and in my case, I had to travel to another country in which meant I had to invest significant resources and get support from others. Thanks to the Tokyo foundation's SRA program that provides support for academic research related to doctoral dissertation in a foreign country, I was able to plan a 13-weeks stay to conduct my fieldwork in Chile.

However, after engaging in my fieldwork, it became obvious that the original allotted time of 13 weeks was too ambitious, which led me to extend my time in the field to 35 weeks. Because of this unexpected turn, I had to talk with the many people who were supporting my research and get from them not only their consent but also their support to keep moving forward in my research despite the hardships encountered along the way. Fortunately, at the end of the process, I was able to achieve successfully my field work's goals thanks to the institutional support given by the SRA program, my sponsor and fieldwork supervisor -Dr. Rosa Deves- at Universidad de Chile, my committee member professor -Dr. Andres Bernasconi- at Pontificia Universidad Catolica, my institutional liaison at Universidad San Sebastian -

Vicerector Gonzalo Puentes-, and my academic advisor -Dr. Daniel Levy- from the State University of New York at Albany.

San Sebastian University

The Interviewing Experience

Learning from others can be a priceless and unforgettable experience. As I

traveled far to explore what Chilean part-time professors do inside and outside the university classroom, I gained a deeper understanding of what these professors do and what motivates them to work part-time in higher education. And while interviewing university administrators, it became clear why they were employing these part-time professors and how much they relied on them. In some cases, part-time professors were regarded with such high esteem that I wondered if this was the case in other countries as well.

My research also helped me to master the skill of interviewing. Can you imagine trying to interview someone who does not know anything about you but just the topic of your research? Even more, how would it feel when your interviewee sits down in front of his or her computer and does not pay any attention to you? It can be very hard to get started indeed! During my first interviews, it was difficult to deal with people I did not know, not to mention how nervous I was! But as I kept interviewing, I learned how to grab the attention of the interviewee from the outset and, more importantly, how to gain their trust about the seriousness of my research.

People are often very busy, and they want to know immediately how they were chosen for the interview; sometimes it is hard to break the ice. So, in some ways an interview is a performance from the very first moment you greet your interviewee to the minute you end the conversation. Moreover, the performance needs to be executed in a transparent manner so that you gain the trust of your interviewee and makes him or her willing to collaborate with your research and respond with valuable information to your questions. People are curious about you, so sometimes you have to talk about yourself as well. It is a two-way exchange, and as an interviewer you have to be open to the needs of the participants too.

Finally, the fieldwork evolved from being almost impossible to achieve and highly exhausting to execute (interviewing 70 people meant I had to contact many more people!) to a completely satisfying endeavor with a strong sense of accomplishment. Without doubt, it was an experience that I would recommend to anyone planning to conduct qualitative research. If you are one of them, good luck with your future endeavors! As for me, I now have to start writing and analyzing all the rich data I have managed to collect in the field.

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