June 2014

JAPAN PERSPECTIVES

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Contents

National Security

Maritime Security and the Right of Self-Defense in Peacetime: Proposals for a National Security Strategy and the New National Defense Program Guidelines (Summary) 3
The Tokyo Foundation

Ocean Governance in East Asia 19
Masahiro Akiyama

The Rational Postwar Development of Japan's Security Policy 24
Tsuneo Watanabe

Trans-Pacific Partnership

Japanese Agricultural Policy: Last Chance for Change 27
Yuko Banno

Keeping the TPP On Course 34
Takaaki Asano

Social Security

Lessons from Britain's General Practitioner System 43
Takashi Mihara

Politics & Government

The Komeito's Curious Journey 52
Katsuyuki Yakushiji

Partnership with Acumen

Dispatches from Ghana: (4) Impact and Lessons Learned 58
Junko Tashiro

Views on China

China's Foreign Policy under Xi Jinping 67
Rumi Aoyama
Worsening Water Shortages 73
Kunio Takami

International Affairs

Growing the Japan-Europe Partnership 79
Akiko Fukushima
President Obama's April Trip: With a Focus on US-Japan-ROK Relations 83
Chris Nelson
Moscow and Beijing Likely to Become Closer 96
Paul J. Saunders

May 12, 2014

Maritime Security and the Right of Self-Defense in Peacetime

Proposals for a National Security Strategy and the New National Defense Program Guidelines (Summary)

The Tokyo Foundation

FOREWORD[1]

What are the most pressing national security challenges confronting Japan today? Over much of 2013, members of the Tokyo Foundation's National Security Project examined this topic and summarized the findings into a set of recommendations, at a time when the government was working to articulate its first-ever national security strategy and to update its National Defense Program Guidelines.

One of the biggest challenges the country faces, no doubt, is in the area of maritime security, inasmuch as Japan is an oceanic state. China's rapid expansion of its naval power exerts a significant influence on Japan's security, and so we made an estimate of China's naval capacity around 2020. We also analyzed the directions in which North Korea is likely to head in regard to its nuclear capabilities and warhead stockpile, which are serious concerns for Japan.

To meet these challenges, members of the project team formulated 16 proposals in areas that we feel require the greatest and most urgent attention, including the right of self-defense in peacetime; policies affecting maritime security; institutional measures; and issues regarding defense technology, which are closely linked to Japan's Three Principles on Arms Exports.

[1] Japan's first national security strategy and the updated National Defense Program Guidelines were approved by the cabinet in December 2013. In April 2014, the government announced the "Three Principles on Transfer of Defense Equipment and Technology" to relax Japan's self-imposed restrictions on arms exports, and it also stated it will update the ODA Charter by the end of the year. While many of the proposals here were incorporated into the strategy and the guidelines, the Tokyo Foundation will continue to advocate the establishment of the right of self-defense in peacetime, which was not fully reflected in the documents.

As government policymakers now draw up the national security policies and strategies that will guide our country over the medium- to long-term, we hope that they will take note of and actively incorporate the proposals presented here.

November 2013

Masahiro Akiyama
President, Tokyo Foundation

* * *

OVERVIEW

Following its December 2012 landslide victory in the House of Representatives election, the Liberal Democratic Party began considering a revision to the December 2010 National Defense Program Guidelines, drafted when the Democratic Party of Japan was in power. Inasmuch as the first DPJ Prime Minister, Yukio Hatoyama, was forced to resign in June 2010 over his mishandling of the Futenma base relocation issue, the DPJ's national security policy, particularly with regard to the US-Japan alliance, is often viewed as having been inappropriate. But the overall direction of the 2010 Guidelines was not inconsistent with the defense policies that were in place under the LDP. In fact, the 2010 Guidelines contained many ambitious and proactive elements, such as the concept of a Dynamic Defense Force, adopted in response to a new security environment—the diversification of threats and the rising importance of the defense of the Nansei Island chain, including the Ryukyu Islands, southwest of Kyushu, where China's posture had become more provocative. Since only three years had elapsed from the last revision, moreover, some felt that another update was not yet necessary.

But Japan's security environment has undergone considerable changes since 2010. On September 11, 2012, the Japanese government purchased the three Senkaku Islands of Uotsurishima, Kitakojima, and Minamikojima, which had until then been privately owned. In response, China, which unilaterally claims the islands as its own territory, began dispatching law enforcement ships and planes on an ongoing basis, leading to tense face-offs with the Japanese Coast Guard and the Maritime and Air Self-Defense Forces patrolling the area. On January 30, 2013, a Chinese naval frigate directed its fire control radar at Maritime Self-Defense Force destroyer *Yudachi* in the East China Sea, a highly provocative incident that had the potential of accidentally igniting a conflict.

Another change in the security environment relates to cyberspace. From about

2011, cyber attacks targeting the Japanese government and private companies, especially those in the defense industry, have intensified. The US military established a Cyber Command in May 2012, and the annual report of the US Department of Defense to Congress on "Military and Security Developments Involving the People's Republic of China," released three months later, stated that computers worldwide, including those in the United States, were being hacked from within China. The report also noted that such activities are in step with efforts by the Chinese military to develop cyber warfare capabilities, although there is no clear evidence of direct military or government involvement. China has repeatedly denied the claims. Japan, too, inaugurated the Initiative for Cyber Security Information Sharing Partnership of Japan (J-CSI) in October 2011 to facilitate the sharing of information on cyber attacks between the government and the private sector. But additional steps are necessary to cope with the rapid sophistication of cyber threats.

In March 2013 North Korea successfully conducted a nuclear test for the third time. This, coupled with the development of its long-range missile technology, as evidenced by its December 2012 launch of a satellite into orbit, shows that threats to Japanese security are increasing, as Pyongyang is steadily acquiring the offensive capability that would put mainland United States within range of a nuclear attack.

In Japan, a much expected revision of the Three Principles on Arms Exports was omitted from the 2010 Guidelines—issued during the second DPJ administration of Naoto Kan—for political reasons. The subsequent Yoshihiko Noda administration eased the Principles, though, clearing the way for Japan to participate in international weapons development programs and broadening the scope of Japan's foreign assistance to include security capacity building of other nations. Any revision to the 2010 Guidelines, then, needs to build on such newly introduced concepts as a Dynamic Defense Force and make proactive adjustments in conformance with the changes in the security environment and mid- to long-range trends.

Currently, the LDP administration of Shinzo Abe is moving forward with the establishment of a National Security Council and the formulation of a national security strategy. Japan's long-term strategic issues had hitherto been addressed in the National Defense Program Guidelines in the absence of other appropriate strategy documents, but henceforth, conceptual, strategic issues should ideally be addressed in the NSS, with the Guidelines focusing on concrete, defense-capacity measures needed to ensure preparedness. This policy proposal thus offers recommendations for issues that should be addressed by not only the Guidelines but also the NSS.

Unlike the previous Tokyo Foundation proposal on national security, published

in October 2008, when we adopted a broader perspective in analyzing issues and offering recommendations ("New Security Strategy of Japan: Multilayered and Cooperative Security Strategy") with the hope they would be incorporated into the 2010 Guidelines, this time we have focused on the most urgent issues confronting Japan in a changing strategic environment.

As for the strategic environment, we have reviewed the situation in waters affecting Japan as a maritime nation and estimated China's naval capabilities, in addition to predicting North Korea's nuclear capabilities. Based on these analyses, we have made various proposals in the following three categories.

The first is Japan's right of self-defense in peacetime—an issue requiring immediate attention if we are to prevent the standoff with China around the Senkaku Islands from escalating into open conflict. This is an issue that has not been fully debated, however, as it is often overshadowed by arguments regarding the right of collective self-defense. In this context, the proposals also address the question of developing the capacity to attack strategic, logistic bases and such new issues as cyberspace and joint operations involving the amphibious capabilities of the Ground Self-Defense Force.

The second major category addressed here is maritime security. Defending the sea lines of communication stretching from the East and South China Sea to the Indian Ocean is a matter of primal importance for Japan, and so is ensuring the security of the emerging Arctic shipping route. The proposals below call for a more systematic approach to Japan's engagement in maritime security.

The third concerns measures to promote international security, including the role of the Self-Defense Forces. A new policy horizon for Japan is assistance for Asian countries in the domain of capacity building. Proposals are offered for this and such other issues as maintaining the level of Japan's defense technology and production base, as well as the overseas transfer of defense-related equipment and the protection of Japanese nationals living or visiting abroad—a growing concern in the light of the January 2013 terrorist attack on an Algerian natural gas processing facility, in which 10 Japanese hostages were killed.

Finally, it must be emphasized that these proposals are not intended to incite discord or to heighten tensions with China. There is no meaning in advocating a Cold War containment strategy in the light of China's deepening economic interdependence with Japan, the United States, and other countries around the world. Rather, these proposals are intended to form the basis of an engagement policy to encourage China to make a bigger contribution to regional stability. This is a position echoing the Tokyo Foundation's June 2011 policy proposal on "Japan's Security Strategy toward China: Integration, Balancing, and Deterrence in the Era of

Power Shift" calling for China to be more fully integrated into the regional security architecture.

The tension between Japan and China in the seas around the Senkaku Islands is a source of great anxiety for security specialists around the world. Successfully resolving the current crisis through efforts by Japan, China, and other concerned countries and newly establishing a stable order in the Indo-Pacific region would not only engender great benefits for Japan but could also open up new horizons for Japan's security strategy.

SUMMARY OF PROPOSALS

1. The Right of Self-Defense in Peacetime and Other Pressing Issues surrounding the Right of Self-Defense

Proposal 1: *Amend the Self-Defense Forces Law and establish a basic national security law to clear the way for the use of the right of self-defense prior to the issuance of a defense mobilization order—that is, for "gray zone" situations during peacetime—as well as to enable the exercise of the right of collective self-defense. Regarding gray zone situations, identify issues the government needs to clear, establish a decision-making structure, and conduct periodic government-level command post exercises for specific situations.*

Given the current situation around the Senkaku Islands, the scenarios under which the SDF are most likely to be called into action will be "gray zone" cases: violations of Japanese sovereignty that are not clear military invasions requiring the issuance of a defense mobilization order but are beyond the policing capacity of the Japan Coast Guard. There has not been a review of how best to cope with such infringements, though, in discussions of Japan's defense to date. As matters stand, Japan has done little to legally define gray zone situations, to identify issues the government must clear, or to establish a decision-making structure. The government is currently considering the approval of the exercise of the right of collective self-defense, but this is a matter involving the repulsion of an invading force through military means as an act of self-defense following the issuance of a defense mobilization order. This, too, is no doubt an important issue, but inasmuch as gray zone infringements are taking place even now, enabling Japan to exercise its right of self-defense in peacetime—as proposed here—should surely be addressed first, before engaging in a full-scale debate on the right of collective self-defense.

Proposal 2: *To enable a proper response to gray zone incidents, relax the government's interpretation of the Constitution, according to which three conditions must be met for Japan to use armed force in the exercise of its right of self-defense. In particular, a more flexible interpretation of the first condition—"an imminent and illegitimate act of aggression"—is needed.*

The three conditions that must be met for Japan to use armed force in the exercise of its right of self-defense, under the government's current constitutional interpretation, are: (1) when there is an imminent and illegitimate act of aggression against Japan; (2) when there is no appropriate means to deal with such aggression other than by resorting to the right of self-defense; and (3) when the use of armed force is confined to the minimum necessary level. These conditions were established during the Cold War—when a distinction could clearly be made between peacetime and a state of emergency—and based on the assumption of a full-scale Soviet invasion. In the near future, Japan is much more likely to confront a gray zone crisis that cannot clearly be classified as an "imminent and illegitimate act of aggression"—a product of a strict interpretation of the UN Charter's Article 51 by the government of Japan in the mid-1950s. A clear discrepancy thus exists between the government institutions in place now, built on outdated assumptions, and current realities. Under the circumstances, it may be difficult to deal effectively with violations of national sovereignty or invasions owing to delays in invoking the right of self-defense following the issuance of a defense mobilization order.

Proposal 3: *Japan (SDF) should establish the capacity to attack strategic, logistic bases through the strengthening and utilization of the combined Japan-US security framework. The following three goals should be pursued: (1) a posture/structure within the combined Japan-US framework enabling Japan to autonomously utilize this capacity of the US forces; (2) a posture/structure enabling bigger mission roles and deeper involvement by the SDF for attacks on strategic, logistic bases, premised on combined Japan-US action; and (3) a clear policy statement by the government that Japan possesses the inherent right, as an independent country, to maintain the capacity to attack strategic, logistic bases.*

Ever since the establishment of the SDF, Japan has never taken specific action to establish the defense capacity or operational structure to attack strategic, logistic bases of enemy forces on foreign soil, despite a constitutional interpretation that permits such attacks under certain conditions. For the SDF to be equipped with such capabilities is intrinsically desirable from the perspective of meeting Japan's

defense needs and ensuring the SDF's autonomy. But this deficiency has been covered to date by the Japan-US security alliance, in which Japan has confined itself to serving as a "shield," with US forces acting as the "spear." Given the severe budgetary and organizational restrictions of equipping the SDF with this capacity, even when used only in cases meeting certain conditions, such a step will not likely be a realistic option in the immediate future. But this proposal is one that can be implemented over a period of about 10 years, which is the timeframe covered by the new Guidelines. It is essential that Japan take steps toward these goals through the strengthening and utilization of the combined Japan-US security framework.

Proposal 4: *Station members of the GSDF in the Nansei Islands as a clear statement of Japan's intentions to defend its territory. Establish a position of deterrence through joint operations with the MSDF and ASDF in partnership with the US military. Establish well-balanced amphibious capabilities (akin to those of the US Marine Corps) that will repel invasions and quickly retake islands in the event that deterrence fails. This will entail detailed consultations with US forces regarding respective roles, responsibilities, and capabilities to ensure effectiveness and efficiency.*

The Nansei Islands

The Nansei Islands are pivotally located between the western Pacific and the East China Sea, impeding the passage of China's North Sea Fleet and East Sea Fleet into the Pacific. The chain of islands also forms the crux of the US forward deployment strategy in the Pacific and is an important forward position for its Air-Sea Battle concept. With the exception of Okinawa Island, though, there is virtually no military presence on these strategically important islands, creating a highly unstable situation that could invite military adventurism by neighboring countries. The situation should be improved by stationing GSDF troops on a permanent basis, on not only Okinawa Island but also major islands in the Miyako and Yaeyama chains, as well as the island of Amami Oshima. Japan should make a clear statement of its intentions to defend its territory, taking steps to deter territorial infringements and thereby promoting stability. The stationed troops should coordinate closely with US forces in order to complement America's forward deployment strategy and Air-Sea Battle concept, achieving a synergistic effect through joint operations with the MSDF and ASDF, as well with as the US military. In the event that deterrence fails, Japan must have the ability to quickly retake the islands with integrated amphibious capabilities.

Proposal 5: *Lay down utilization objectives and strategies for cyberspace. Establish a cyber unit in the SDF to address not only defense-related operations but all cyberspace issues. Assign primary responsibility for the government's use of cyberspace to the SDF, giving it authority to oversee the IT departments of each ministry and agency. Also, promote cooperation with the private sector to access the latest technologies and knowhow.*

The United States has named cyberspace the fifth security domain after land, sea, air, and space, for cyber attacks can not only obstruct intelligence gathering activities but also inflict actual physical damage. Many of the world's leading cyber countries have well-defined utilization objectives, concepts, and strategies, according to which they manage their organizations and troops to defend against cyber attacks. Japan, too, has launched a number of initiatives, but government awareness of cyberspace use is still low. Cyber networks for information sharing remain largely underdeveloped, and there is little understanding of the implications of cyberspace for foreign and security policy. A unit to conduct cyber operations should be established within the SDF—which is capable of securing the necessary human resources and budgetary allocations—to oversee the IT activities of such government agencies as the Ministry of Defense, Ministry of Foreign Affairs, Ministry of Internal Affairs and Communications, Ministry of Finance, and National

Police Agency. Cooperation with private companies that have more advanced knowledge than the government is also indispensable in order to maintain leading-edge cyber capabilities. This should go beyond just joint research or the sharing of information; budgetary approaches relying on a cost-accumulation formula also need to be reassessed. The latest technologies in the private sector must be tapped by applying the constantly evolving knowhow and capabilities of private companies to government systems for intelligence gathering and processing.

2. Systematic Approach toward Maritime Security

Proposal 6: *Set aside a section in the new Guidelines emphasizing the importance of a more systematic approach toward maritime security and make clear this is a pressing issue for Japan's defense policy today. Closely monitor and analyze the maritime security situation that has been undergoing rapid change in recent years, especially in the seas with relevance for Japan, such as the western Pacific, the Indian Ocean, other seas around Asia, and the Arctic Ocean, and indicate the basic directions for the country's comprehensive response.*

The ocean is open to all users. The reasons shipping remains the most efficient mode of transporting goods are because there are no border checkpoints, giving ships free passage to any port in the world, and because there is no theoretical limit to the volume of goods that can be transported by freighters. Moreover, considerable progress has been made in recent years in the exploration of offshore energy sources. The safety of the seas is thus of vital interest to Japan, an island country surrounded by the sea. Of great importance are not just Japan's shores and nearby waters, though, for problems in any of the world's oceans can have a major impact. Because Japan is dependent on maritime transport for its economic activity, the country needs to pay special attention to security issues in the maritime domain. The new Guidelines should thus devote greater attention to the issue of maritime security, outlining both a comprehensive framework and concrete measures for key issues.

Proposal 7: *Strengthen coordination among the Ground, Maritime, and Air SDF from the perspective of maritime security. Because maritime security involves the defense not only of territorial waters but also the airspace above those waters and remote islands, strengthen joint operations among the three services. A joint command for SDF operations should be achieved through the establishment of a unified C4ISR system, implementation of joint exercises, and the joint formulation of a common maritime security strategy.*

The defense of remote islands is a vital component of maritime security that requires the closer integration of the Ground, Maritime, and Air SDF. Integrated operations are predicated on the sharing of information and a unified command structure, but each SDF branch now employs a different C4ISR (command, control, communication, computer, intelligence, surveillance and reconnaissance) system. This prevents the seamless coordination of targets and hampers the implementation of tasks central to joint operations, such as the assignment or transferring of targets among the different branches. An integrated C4ISR system is indispensable. Another key issue is unifying the command structure. The three branches should conduct joint training and exercises on a regular basis to promote a better understanding of each other's special characteristics and ensure the effective movement of troops. Joint operations necessitate the coordination of targets. Toward this end, the three branches should work together to formulate a maritime security strategy, clarify objectives, and draw up concrete tactical operation plans.

Proposal 8: *Ensure that the MSDF and ASDF have the capacity to maintain sea and air superiority in the territorial seas far from mainland Japan in the face of a changing maritime security environment. Qualitatively and quantitatively upgrade the ships, fighter jets, patrol aircraft, and AWACS aircraft of both forces, and begin discussions on the introduction of an aircraft carrier that can provide the air cover (air boundary defense) necessary for the defense of territorial waters.*

Maintaining good relations with neighboring countries and diplomatic efforts are essential components of maritime security. But this does not preclude the need to maintain sea superiority by Japanese and allied forces, without which Japan may become vulnerably exposed in a contingency. Achieving superiority on the seas requires dominance of airspace as well, for a maritime fleet will be hard pressed to win a sea battle without air cover. Upgrading Japan's ships, fighter jets, anti-submarine patrol aircraft, and aircraft carrying airborne warning and control systems (AWACS) is thus a priority issue. Given the importance of defending remote islands, the self-defense capabilities of the GSDF must also be upgraded in such areas as surveillance, ability to secure bases of operation, and the conferring of amphibious capabilities. Establishing air cover around the Nansei Islands would require either new bases on land or an aircraft carrier. The former would be difficult, though, from a political and operational (ability to withstand attack) standpoint, so the remaining option would be to employ an aircraft carrier. Japan would not need (or be able to finance) a carrier strike group like those employed by the United States. Japan should thus consider reinforcing the capability of warships now pos-

sessed by the MSDF, such as *Izumo*-class 22DDH destroyers, and the purchase of F-35Bs with vertical take-off/landing capabilities.

Proposal 9: *Strengthen the Japan Coast Guard and promote effective cooperation with the SDF in defending territorial waters and remote islands and in ensuring order at sea. Involve all relevant ministries and agencies in the drafting, sharing, and operation of a crisis management program. Advance coordination and cooperation between the SDF and JCG, as well as with such other relevant agencies as the Ministry of Internal Affairs and Communications; Ministry of Foreign Affairs; Ministry of Land, Infrastructure, Transport, and Tourism; National Police Agency; Fisheries Agency; and Agency for Natural Resources and Energy to assure a seamless response in the transition between peacetime and a national contingency.*

The defense of territorial waters and remote islands should intrinsically be based on the right of self-defense. But due to inconsistencies in Japan's legal system, there is no choice at present but for "gray zone" incidents to be addressed by the Japan Coast Guard as part of its maritime law enforcement duties. Of urgent importance, therefore, is not only to eliminate such inconsistencies, as described in Proposal 1, but also to quickly and boldly upgrade and expand the structure and posture of the JCG. There is also a pressing need to create a structure for seamless coordination between the JCG and SDF in case the security situation deteriorates. In concrete terms, a crisis management program should be drawn up and shared by all ministries and agencies that would be involved in the transition between peacetime and a national contingency.

Proposal 10: *With the situation around the Nansei Islands becoming increasingly complicated and transnational in scope, promote cooperation with other countries and maritime industries. The international community should be broadly informed of attempts by Chinese law enforcement vessels to alter the status quo through repeated intrusions into Japanese territorial waters so that a shared perception can be formed regarding the dangers of harassment activities by Chinese paramilitary forces accidentally triggering a conflict.*

International cooperation is critical in dealing with the increasingly complicated and transnational nature of defending Japan's territorial waters. Diplomatic efforts must be made to broadly inform the international community of attempts by China to alter the status quo through the use of force so that a shared perception can be formed regarding the need to prevent an escalation of such activities. Cooperation

must also be advanced with maritime industries; there is a need for closer coordination on the utilization of stratospheric platforms to improve the monitoring of ocean areas and enhance telecommunication capacity—issues directly related to the freedom of navigation, the development of marine resources, and other major international concerns.

Proposal 11: *Raise the rank of the SDF's "legal affairs general" to that of "rear admiral/major general," as in the United States, in view of the importance of legal issues in ensuring maritime security. Restrain moves by countries that ignore rules and the legal order, while at the same time working to integrate them into the established legal order. Have the MSDF learn from the practice of evidence accumulation, now conducted by law enforcement agencies.*

Many maritime conventions and statutes have been established in addition to the UN Convention on the Law of the Sea, which stipulates fundamental rules for the use of the oceans. There are also many rules, including customary law, covering military activities on the sea, both during peacetime and in contingencies. In view of the increasing importance of the legal order in maritime security in recent years, legal affairs general (equivalent to captain/colonel) in the SDF (especially the MSDF) should be raised to the rank of "rear admiral/major general," as in the United States. Actions by countries that ignore maritime rules and the legal order need to be restrained. At the same time, efforts should be made to integrate them into the established legal order, such as by demonstrating the importance Japan places on observing the maritime order. Inasmuch as the United States is the world's largest maritime nation, Japan should also strongly appeal to its alliance partner to swiftly ratify the UN Convention on the Law of the Sea.

Proposal 12: *Promptly establish a maritime security strategy for the Arctic Ocean, as the melting of polar ice is likely to usher in significant changes in the near future—perhaps in just a few years. Draft a strategy that takes into consideration the commercial use of Arctic sea lanes, the exploration and development of marine energy resources, and the emergence of a new maritime security environment. Participate actively in the Arctic Council and dispatch oceanographic observation vessels to Arctic waters by revising the Self-Defense Forces Law.*

Recently released scientific analyses suggest that the melting of the Arctic ice cap will henceforth progress at a rapid pace. This will have widespread repercussions for maritime transport, natural resources development, fishing, and environmental

conservation in the Arctic Ocean. In response, coastal countries are now developing new security and defense policies. Significant changes in global naval movement patterns can also be expected. Given the likelihood of major changes in the Arctic Ocean in the near future, Japan should promptly establish a security strategy for the Arctic.

3. International Security Policies of the Ministry of Defense and the Self-Defense Forces

Proposal 13: *Significantly expand the budget and content of capacity building programs for the defense and law enforcement agencies of foreign countries, playing a dynamic role in improving the regional and global security environment. Organically coordinate the capacity building assistance offered by the Ministry of Defense, official development assistance provided by the Ministry of Foreign Affairs, and financing from the Japan Bank for International Cooperation.*

The National Defense Program Guidelines currently call for stepped up efforts to support capacity building in other countries to improve the security environment in the Asia-Pacific region and around the globe. The Capacity Building Assistance Office was established in the International Policy Division of the Defense Ministry's Bureau of Defense Policy in fiscal 2011, and it is engaged in supporting capacity building and human resources development—primarily in Southeast Asian countries—in nontraditional security areas. Such support is currently offered in a limited number of fields and on a small scale, however, with an annual budget of no more than 300 million yen. Both the content and budget for such activities should be expanded significantly, bolstering Japan's engagement in the region through closer coordination among various ministries and agencies. The greater part of capacity building assistance is targeted toward Southeast Asia, so emphasis should firstly be placed on strengthening joint military exercises and training with those countries. Secondly, Japan should provide financial and technical assistance to strengthen their defense capabilities and related infrastructure. National defense is not simply a matter of amassing frontal combat equipment; other important factors include such infrastructure as airports, ports, roads, electric power, telecommunications, energy, and software, as well as the organization and human resources to operate such facilities. The provision of such infrastructure and resources will be of decisive importance in raising the defense capabilities of Southeast Asian countries.

Proposal 14: *Substantially enhance coordination between international peacekeeping activities and official development assistance. Create a permanent center for security cooperation within the newly established National Security Council responsible for analyzing trends in UN peacekeeping operations and the peace-building and antipiracy activities of multinational forces, as well as for promoting cross-agency cooperation and coordination on ODA and other issues on an ongoing basis.*

The government must have the capacity to make decisions across various ministries and agencies, given the need to proceed with great care in addressing the Senkaku issue and to effectively respond to terrorist attacks, natural disasters, and other unanticipated situations. The council will undertake long-term analyses of the domestic and international situation; create common, cross-agency national objectives; and formulate guidelines (strategies) for the development and use of policy resources to achieve those objectives. A center for security cooperation should be established within the section responsible for drafting the long-term security strategy to analyze trends in UN peacekeeping operations and the peace-building and antipiracy activities of multinational forces, as well as to promote cross-agency cooperation and coordination on ODA and other issues on an ongoing basis.

Proposal 15: *Further streamline the Three Principles on Arms Exports in the new Guidelines, enabling Japan to strengthen its defense technology and production base and to advance reasonable arms exports, joint international development, and international cooperation. In particular, relax the remaining conditions for the transfer of arms to third countries. Decisions regarding arms exports should be made by the prime minister based on strategic advice from the NSC and implemented by the minister of economy, trade and industry, who has jurisdiction over the Foreign Exchange and Foreign Trade Act.*

The Statement by the Chief Cabinet Secretary on Guidelines for Overseas Transfer of Defense Equipment, Etc., issued by the Yoshihiko Noda administration in 2011, announced a comprehensive easing of government policy regarding contributions to peace, international cooperation, and joint development and production of defense equipment, marking a shift from the piecemeal, ad hoc measures that had been taken until then. This was a step in the right direction, and government-led efforts should henceforth be made to strategically strengthen Japan's defense technology and production base; at the same time, a setup to enable an "all Japan" response, transcending differences among ministries and agencies, must be created to advance reasonable arms exports, joint international development, and interna-

tional cooperation. Also necessary is the relaxation of the requirement—which has remained intact even after the 2011 revisions—for rigid controls to prevent the transfer of exports, supplies, and jointly developed defense equipment to third countries. The new Guidelines should take these points into consideration in outlining a clear and simple policy on the transfer of defense equipment, joint development and production, and such forms of international cooperation as capacity building assistance.

Proposal 16: *Looking toward the future, build a system of defense cooperation with industry and academia to promote the development of defense-related technology, including those with dual-use capabilities, partly to make effective use of Japan's limited funds for research and development. As a first step, organically link the development of defense-related technologies with the Cabinet Office's Comprehensive Strategy on Science, Technology, and Innovation. In this regard, there is an urgent need to develop experts who not only are intimately familiar with defense technology and its lifecycle but also have a broad understanding of all aspects of science and technology.*

LIST OF ABBREVIATIONS

ASDF	Air Self-Defense Force
AWACS	Airborne Warning and Control Systems
C4ISR	Command, Control, Communication, Computer, Intelligence, Surveillance and Reconnaissance
DPJ	Democratic Party of Japan
GSDF	Ground Self-Defense Force
JCG	Japan Coast Guard
J-CSI	Cyber Security Information Sharing Partnership of Japan
LDP	Liberal Democratic Party
MSDF	Maritime Self-Defense Force
NDPG	New National Defense Program Guidelines
NSC	National Security Council
NSS	National Security Strategy
ODA	Official Development Assistance
SDF	Self-Defense Forces

Another issue in maintaining Japan's defense production base is expanding domestic R&D funding for new technologies and equipment. Such funding for development, design, and production have been allocated to the Technical Research and Development Institute of the Ministry of Defense, and complicated application procedures are required to transfer these tasks to the private sector. Because of the scarcity of partnerships with Japanese universities—which have advanced know-how of underlying technologies—moreover, the capacity of private companies to develop new equipment is not robust. If this situation goes unaddressed, and Japanese industry's competitiveness erodes, maintaining a stable defense production base will prove elusive even if the hurdles on arms exports and joint development

with other countries are lowered. Ideally, an "all Japan" framework for a comprehensive science and technology policy should be established through close coordination between the Defense Ministry's planning and development project team and the Strategic Innovation Creation Program (provisional name), scheduled to be launched in the Cabinet Office's Council for Science and Technology Policy. Such a framework will entail huge political costs, though, given bureaucratic sectionalism—particularly the reluctance of the Ministry of Education, Science, and Technology to give up control of the R&D budget—and academia's lingering aversion to military technology, but this is a task that cannot be put off.

April 15, 2014

Ocean Governance in East Asia

Masahiro Akiyama

Tensions in the East China Sea are growing owing to territorial disputes, advances in maritime resource exploitation, and an ongoing power shift. This, maintains Tokyo Foundation President Masahiro Akiyama, makes ocean governance an increasingly important issue for countries in the region.

This paper, presented at a conference on "East China Sea Tensions: Perspectives and Implications" hosted by the Maureen and Mike Mansfield Foundation in Washington, DC, in February 2014, is reprinted here with the permission of the Mansfield Foundation. The program brought together leading experts from government, defense, academia, and NGOs from Japan, China, and the United States for private and public discussions in Washington and Tokyo.

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Developments Affecting Asian Maritime Security

Ocean governance is, without doubt, a crucial issue requiring close examination in light of the implications of growing maritime tensions in East Asia. In this context, there have been several developments in recent years that have seriously affected Asian maritime security. They include territorial disputes in the area, the entry into force of the UN Convention on the Law of the Sea (UNCLOS), advances in maritime resource exploitation, and an ongoing power shift in the region.

First of all, the drawn-out disputes over the rights to territories and territorial waters are becoming more serious, not only in the East China Sea but also in the South China Sea. Each coastal state should make clear its reasons for its claims based on international law, but many of them have not done enough, particularly with regard to the South China Sea. Military force has been used to settle some territorial disputes in the South China Sea. This is a matter of grave concern. And

Masahiro Akiyama President, Tokyo Foundation.

now paramilitary force operations have become active, not only over territorial issues but also to control the EEZ. China has recently begun using its paramilitary forces effectively to assert its territorial claims in both the East China Sea and the South China Sea.

Secondly, UNCLOS was adopted in 1982 and, as of June 2011, 162 nations have acceded to it. The convention newly defined such terms as "territorial sea," "exclusive economic zone" (EEZ), and "continental shelf." It also established rules on the utilization, exploitation, and conservation of maritime resources. While these definitions and rules are important, positive steps, they have also given rise to new disputes and conflicts.

A Japan Coast Guard patrol vessel passes by Uotsuri, the largest island in the Senkaku Island chain.

Countries all over the world are eager to secure maritime and energy resources, so the delimitation of EEZs and the continental shelf has become a crucial matter for them, making it difficult to reach an agreement through discussion. At the same time territorial disputes have intensified, as the EEZ is determined using the territorial base line.

Thirdly, advances in maritime resource exploitation have aggravated maritime tensions in Asia. The success of maritime resource exploitation activities is of great national interest, and it is also strongly related to the UNCLOS concepts of territorial waters, the EEZ, the continental shelf, the high seas, and the deep sea.

Offshore oil and gas field exploitation has a long history around the world, but attention has recently focused on seas around East Asia, which are eyed as potentially having huge reserves. In addition, rare metals, rare earth elements, cobalt-rich crusts, methane hydrates, seafloor hydrothermal deposits, and noble metals are expected to be explored and developed in the near future.

Fisheries, of course, cannot be excluded from maritime resource discussions. Humans are heavily reliant on animal proteins from fish, and the seas as a source of food will become much more crucial to each country. Historically speaking, even military conflicts have taken place over fishery resources.

Fourthly, there's an ongoing power shift in East Asia. We have seen the rise of China, India, and other Asian countries. But the focus of everyone's attention has been China. With the world's biggest population of around 1.3 billion, China, since 2010, has also claimed the second largest GDP.

China has aggressively been developing its maritime strategies. It attaches importance to the defense or control of the coastal, near-sea, and far-sea areas, and it has strengthened its naval powers and expanded its area of military operations. Claiming rights over vast territories and territorial waters in the South China Sea and the East China Sea, securing large EEZs and continental shelves, exploiting and developing energy and other maritime resource, and securing fishing grounds are all related to its national interests.

China seems intent on achieving effective control of the East and South China Seas, which is the area enclosed by the so-called First Island Chain. It also appears to be targeting an outer area encircled by the Second Island Chain by strengthening its military capabilities. China has tried to prevent foreign military ships and airplanes from conducting activities inside and over its EEZ. These areas are generally treated in the same way as the high seas, where the freedom of navigation is guaranteed, so the Chinese attitude has sparked a number of small but serious conflicts between China and the U.S.

China recently established an Air Defense Identification Zone (ADIZ) over the East China Sea. This has alarmed the international community, as it suggests that China seems intent on effectively controlling the air space in this area.

All of these developments are symbolic of the power shift in the region that will have a major impact on Asian maritime security.

Ocean Governance

The issues I have mentioned are all interconnected, as you are no doubt well aware. And they need to be addressed in an integrated manner within the framework of ocean governance.

Maritime resource exploitation is related to the delimitation of EEZs and the continental shelf, as defined by UNCLOS. I have learned that China understands UNCLOS very well. The delimitation problem can be resolved through the procedures outlined by UNCLOS, although China has its own interpretations of the convention and strong opinions based on its national interests. Differences between two coastal states are best settled through negotiations. Failing that, another option is to bring the issue to international courts, as some small and medium-sized countries have done. Joint development of maritime resources is an effective step toward achieving a final resolution

But any delimitation ruling can have serious repercussions on territorial disputes. So while territorial disputes involving many countries may be impossible to resolve through negotiations, the concerned states must nonetheless explain the

grounds for their territorial claims based on international law. The explanations made by some coastal states in the South China Sea, such as those regarding the nine-dotted line, do not seem to adhere to international law. This is an area where the international community can enhance its engagement. After all, this could seriously affect the freedom of navigation in the East and South China Sea, which is a matter of common interest to the global community.

The ongoing power shift is a more difficult issue. I believe China began focusing on controlling the East and South China Seas out of its own security concerns. But now this objective has become part of a maritime strategy to expand its presence and accelerate the power shift. China is now showing greater interest in waters encircled by the Second Island Chain and also the outer sea, possibly hoping to divide control of the Pacific Ocean with the United States. This would be one manifestation of the new type of major power relations that China is seeking with the U.S.

The problem is that China is advancing this by strengthening its military and paramilitary capabilities. China has become more aggressive in using its military and paramilitary forces to achieve its objectives as a major maritime power.

This can have a negative effect on delimitation decisions and territorial disputes, as China has increasingly been using its military and paramilitary might to assert its will. An arms race is emerging in Asia, which could undermine the peace and stability of this region.

This is a challenge that can and should be met with U.S. involvement. China is beginning to pose even a military threat to the United States. It may be difficult to stop China from becoming a major military power. But it is very important that China be made to recognize that it cannot get its own way by throwing its military weight around. This is where the international community, with the U.S. at the core, has a crucial role to play.

China's use of military or paramilitary power to prevent non-coastal states from undertaking military activities in its EEZ should be discussed in a different way. This is an issue that is closely related to China's national security and interpretations of the relevant UNCLOS articles. It may be possible to introduce new guidelines for military activities in other countries' EEZs in order to reduce the risk of a military clash.

Conclusion

We must re-embrace the UNCLOS framework and steadfastly uphold international law, confronting maritime issues, territorial disputes, and delimitation problems in

East Asia from this point of view. As such I would strongly hope that the U.S. will ratify UNCLOS as soon as possible.

The use of military and paramilitary forces should be discouraged through their more effective management by the United States and the international community. China can and will then realize this goal to be in their common interest.

April 17, 2014

The Rational Postwar Development of Japan's Security Policy

Tsuneo Watanabe

Japan's defense-related legal system is so restrictive as to hinder timely responses to contingencies, which could actually abet the escalation of tensions with neighbors. The reforms being advanced by the Abe administrations, says Senior Fellow Tsuneo Watanabe, are rational moves intended to address such shortcomings.

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Prime Minister Shinzo Abe's security policy intentions are often misunderstood or exaggerated, either intentionally or unintentionally. In its December 18, 2013, editorial, for example, the *China Daily* warned against Abe's "proactive pacifism," asserting that "the catchy but vague expression" is "Abe's camouflage to woo international understanding of Japan's move to become a military power."

Abe's intentions, however, are not to turn Japan into a military power, either in qualitative or quantitative terms. Rather, his security policy is designed to incrementally enhance the functionality of Japanese defense capacity.

The *China Daily*'s editorial pointed out that Abe's doctrine seeks to turn Japan's Self-Defense Forces (SDF) into "ordinary armed forces." In reality, though, the SDF are far from "ordinary armed forces," which are able to take necessary

Tsuneo Watanabe Senior Fellow and Director of Foreign and Security Policy Research, Tokyo Foundation.

actions to defend the country and to contribute to regional security promotion. Japan's defense-related legal system is so restrictive, in fact, that the inability to respond to contingencies—even when a defense response is required—could actually abet the escalation of tensions with neighbors.

On February 4, 2014, the prime minister hosted a meeting of an expert panel on reconstructing the legal basis for national security. According to media reports, the panel proposed legislation to enable the use of the SDF to deal with so-called "gray zone" situations categorized between peacetime and genuine contingencies. Under current Japanese law, the country cannot exercise its right of self-defense unless it is under organized, armed attack.

The recommendation to the prime minister came from a panel of coolheaded defense experts, not emotional nationalists. The Tokyo Foundation, too, made the above point in its policy proposal on "Maritime Security and the Right of Self-Defense in Peacetime," released in November 2013 under a project for which I myself served as leader. The recommendation of Abe's panel is closely aligned with our proposal, which called on the government to make reforms to the Diet, law enforcement authorities, and the SDF that are long overdue in order to more effectively defend Japan's territory and avoid an escalation of tensions with its neighbors, especially China, which is now persistently sending paramilitary vessels into Japan's territorial waters.

Currently, the deployment of the SDF is heavily restricted by legal and political concerns, even in addressing self-defense needs. This is based on Japan's remorse for the suffering caused to its neighbors, including China, by its wartime aggressions. This self-restraint was functional during the Cold War, since Japan's exercise of self-defense was chiefly directed against the Soviet Union and integrated into U.S. military strategy. There was no need to address intrusions into its territorial waters by paramilitary vessels.

A military invasion of Japan would be a clear case of a contingency, when the Japanese government can legally order the SDF into action. Considering the current situation surrounding the Senkaku Islands, though, Japan is more likely to face minor yet critical challenges from nonmilitary or paramilitary vessels, which would not be considered armed attacks. This could place the Japanese government in a dilemma. The SDF cannot use their full military capabilities without a defense order from the government clearing the way for self-defense maneuvers. If the government does issue such an order for an incident around the Senkakus, though, this could send the wrong signal.

Ordinary democracies, such as the United States and its European allies, do not have such a dilemma, since pre-defined Rules of Engagement outline the actions to

be taken by their military forces. Japan is constricted by its deep remorse for past military aggressions and understands the sensitivity of its neighbors. But we must also keep in mind that lapses in Japan's national security laws could actually lead to a heightening of tensions in the East China Sea.

Even if the legal reforms are legitimate, why, critics may say, does the prime minister need to visit Yasukuni Shrine, stirring up new controversy and worrying neighbors? I happen to agree that the visit was ill-timed, but we live in an imperfect world in which emotional nationalism can sometimes become a source of political capital. This is true not only in Japan, though, but also in China, South Korea, and even the United States, which saw an upsurge of patriotic sentiment following the September 11 terrorist attacks.

Despite the image encouraged by China and South Korea, the Abe administration is marked more by realism than nationalism. University of Tokyo Professor Emeritus Shin'ichi Kitaoka, who is deputy chairman of Abe's panel on reconstructing the legal basis for national security, was the leader of a Tokyo Foundation project on Redefining Japan's Global Strategy, which also recently announced its policy proposal. The core message of the proposal was the importance of restraining emotionalism and taking pragmatic steps to find common ground with its neighbors.

I do not endorse the prime minister's visit to Yasukuni Shrine, and neither do the realists in his cabinet. The administration's current security policy initiatives, therefore, are not the result of an emotionally charged nationalism but represent a rational and incremental development of democratic governance in Japan's postwar security and defense policy.

May 12, 2014

Japanese Agricultural Policy

Last Chance for Change

Yuko Banno

Domestic political concerns–particularly the importance of the farm vote–have hitherto tied the hands of Japanese negotiators in international trade talks, forcing them to make substantial concessions to maintain nominal safeguards, as during the Uruguay Round. Recent changes of government and growing awareness of the need for reform, notes Yuko Banno, though, have prompted a serious rethinking of Japan's farm policy.

* * *

Despite reports of progress in the Trans-Pacific Partnership negotiations in April 2014—between Japan and the United States during President Barack Obama's state visit to Tokyo—and the February 2014 ministerial-level meeting in Singapore, the political situation in each of the parties to the talks means there are likely to be many more twists and turns before an agreement is reached.

For many years Japan has been considered a poor negotiator. Additional support for this view is contained in a policy report examining Japan's response to the Uruguay Round talks, recently published by the Tokyo Foundation. During those negotiations under the General Agreement on Tariffs and Trade, Japan spent so much energy trying to block the tariffication of rice that it ended up paying a higher "price" in the form of an increase on minimum access quotas for rice. This was a hollow victory for Japan: one that entailed more loss than gain.

It goes without saying that in any international negotiations, it is important to secure real gains based on a careful consideration of the national interest. Discussions of trade and commerce policy in Japan are often framed in terms of "tradeoffs" that seek to minimize the negative impact on Japanese agriculture. What is needed, instead, are negotiators who can make calm and rational decisions that serve the

Yuko Banno Research Fellow and Project Manager, Tokyo Foundation.

national interest while at the same time guaranteeing a strong foundation for the nation's food supply.

It is instructive to compare Japan's attitude during the Uruguay Round negotiations with the European approach. The European Union implemented a set of regionwide reforms and succeeded in taking the initiative during the round by completing the necessary reforms before a binding agreement was reached. It was at this time that the EU introduced a bold new policy of direct subsidies to farmers. This had a huge impact on subsequent agricultural policy.

By contrast, Japan stubbornly clung to its position of blocking tariffication. Further, when a post-agreement compensation package for farmers was being drawn up, attention was narrowly focused on its total size, with little attempt being made to clarify exactly how the Uruguay Round agreement would affect Japanese agriculture. The package, moreover, was a mere rehashing of existing programs. On the domestic front as well, Japan missed an opportunity to achieve real, substantive progress.

Stirrings of Change

The Uruguay Round negotiations and the subsequent domestic policy measures were recently reviewed by the Tokyo Foundation's project on Agricultural Policy in a Globalizing World in order to shed light on what to prioritize—and what to avoid—in the TPP talks today. The findings have been shared broadly with members of the media and individuals involved in agricultural policy, including a number of key policymakers in government and the ruling coalition. What are the most important lessons of the Uruguay Round? And what are the issues that need to be borne in mind as the government formulates its farm policies going forward?

These discussions have revealed that Japan is at a turning point, ready to move beyond the stopgap and symptomatic response that has marked the government's approach to agricultural policy to date. Some people may contend that this is a case of "too little, too late" and that there is a real danger that the lingering stopgap mentality in the agricultural lobby could become a potential barrier to further change.

In this paper, I will examine the ways in which Japan's agricultural policy is moving away from the stopgap approach of the past and discuss the steps necessary to solidify such changes. I will also suggest a number of domestic reforms that are needed in parallel with the TPP negotiations.

One clear sign of change in Japan's approach to international negotiations is the government's perception of "sacred" agricultural products that were hitherto

regarded as off-limits to concessions. Media reports have given the impression that the government is firmly committed to protecting the five priority items outlined in the Liberal Democratic Party's manifesto. However, comments by officials involved in shaping farm policy suggest that the government attitude may be slightly more flexible.

For example, Koya Nishikawa, chairman of the LDP's committee on the TPP, has said, "We're prepared to consider whether tariffs on (some of) the five items can be abolished."[1] He has commented, "My personal position (on the tariff lines) is that we should keep them. But the TPP talks are premised on all items being on the negotiating table, and I'm sure the Ministry of Agriculture, Forestry, and Fisheries is aware of that."[2]

Akira Amari, the minister of economy, trade, and industry in charge of the negotiations, has noted, "There's no point in negotiating if you're going to categorically refuse to budge on any point."[3] Other members of the LDP and government have frequently referred to the need for "careful examination of the contents" of any agreement and a position that is responsive to the "course of negotiations." Some of the remarks may have been taken out of context, but viewed together they offer a somewhat different picture from media portrayals, both domestic and abroad, of an intransigent Japanese negotiating posture.

There have also been reports that Japan had submitted a draft proposal to lower its tariff rates on some the five "sacred" priorities during the February Singapore meeting.

The government position, therefore, appears quite different from the mindless inflexibility seen during the Uruguay Round, when Japan sought to block rice tariffication at all costs. This may partly be due to the strong political support enjoyed by Shinzo Abe today, compared to the instability of the coalition led by Morihiro Hosokawa during the Uruguay Round. One adept move in recent months has been to assign the task of dealing with agricultural cooperatives and local farming communities to Koya Nishikawa and other politicians with strong ties to the farm lobby. This represents a radical change from the days when such politicians would vociferously oppose any trade concessions.

Also heartening were officials' comments made to Tokyo Foundation research fellows that any budget allocations for domestic measures taken in the wake of an

[1] Comments made to the press during a visit to Indonesia on October 6, 2013.
[2] From a speech made at the Japan Agricultural Journalists' Association, December 20, 2013.
[3] Press conference, February 18, 2014.

agreement would focus on items directly linked to agricultural production, rather than on the kind of vaguely defined programs adopted following the Uruguay Round. And rather than narrowly dwell on the total value of such allocations, efforts would be made to adopt measures that actually boost the incomes of farming households.

Who Benefits?

Looking at recent developments in agricultural policy as a whole, the LDP–New Komeito coalition launched agricultural reforms last year, and implementation will begin in earnest later this year. In concrete terms, the new policies will include the gradual abolition of the so-called *gentan* policy of rice paddy reduction, whereby the government has paid subsidies to farmers to reduce their acreage under rice cultivation. Another step involves establishing "farmland intermediary management institutions" to encourage the consolidation of farmland. Both of these measures are aimed at making growing rice more cost-effective and represent proactive initiatives ahead of a TPP accord—unlike the foot-dragging on domestic reforms seen during the Uruguay Round.

A farmer plants rice using a rice-planting-machine in the city of Katori, Chiba Prefecture.

One cannot overlook the fact, though, that the change in posture may also be a reflection of the dangerous decline in Japan's agriculture and the urgent need for reform. The average age of Japanese farmers is over 65, and the total area of abandoned farmland has reached 396,000 hectares—equivalent to the whole of Shiga Prefecture. Some statistics show that more than half of rice-farming villages[4] now have no farmers to till the paddies. There is no denying that Japanese agriculture is facing a serious crisis.

What are the key issues that must be addressed, given the situation Japan finds itself in today? Farmers say they have been at the mercy of a fickle agricultural policy and are anxious about future directions. There have been radical shifts in the chief targets of the policy, especially in the light of the change in government in recent years, presenting substantial risks for farm operators.

[4] Villages in which 70% or more of cultivated land is devoted to growing rice.

For many years, a succession of LDP-led governments relied on public works spending to advance agricultural policy and address rural development. This approach enabled them to build up political support in rural communities, and LDP politicians from such constituencies often became the spokespersons for the farm lobby, particularly the agricultural cooperatives. The chief instruments of public policy at the time were public works projects and other supply-side measures, and they were used in advancing agriculture policy as well.

Following the Democratic Party of Japan's electoral victory in 2009, the new government made substantial cuts in public works spending while introducing an "individual farming household income support" system to provide farmers with direct subsidies, according to the area of cultivated land. This was part of the DPJ's election pledge, which also included measures to enable farmers—even those with small plots—to continue tilling the land by encouraging their expansion into the food processing and marketing sectors. The party placed "all farmers, including smallholders" at the center of its agricultural policy. Once debate began on Japan's participation in the TPP negotiations, though, the DPJ government made a 180-degree turn and began emphasizing the need for enhanced competitiveness, the role of *ninaite* (bearers), and "policy concentration."

The word *ninaite* has a very specific meaning in the context of agricultural policy. It does not refer to all farmers but only those currently operating "effective and stable farm management," as described in the 1999 Basic Law on Food, Agriculture, and Rural Areas, and others who might be expected to achieve such standards in the future. "Efficient and stable farm management" means farming on a level capable of bringing in a lifetime income comparable to that obtainable in other industries by working a similar number of hours.

Since 2007, the LDP has introduced a numbers of measures to support a stable income for managers engaged in the cultivation of rice and other agricultural products. The aim of these measures was to allow such managers to obtain income roughly comparable to what they might expect to earn in other industries and thereby give agriculture a stable and sustainable future. The measures outlined a number of conditions regarding the size of the farming business in an attempt to bolster land-extensive farming. The change of government in 2009, though, prompted a dramatic change in the kind of farmers targeted for development and support.

After returning to power in December 2012, the LDP maintained the "individual farm household income support" system for a year before announcing plans to cut subsidies in half in 2014 and to phase them out by 2018. Inasmuch as subsidies were provided only to those households that adhered to the government's *gentan*

policy, their abolition would eliminate a major incentive to reduce the acreage under rice cultivation. The administration is also setting up intermediary institutions in each prefecture to encourage the consolidation of farmland into the hands of the *ninaite*.

The bulk of assistance provided under Japan's farm policy is expected to continue going to the *ninaite*. But exactly how the policy will evolve in the years ahead is still far from certain. Many claim they see little clear sense of direction, which is perhaps unavoidable given the inconsistent policies of the past. The decisions regarding who will be the main recipients of farm assistance are also likely to prove quite painful, not only for the farmers themselves but also for the agricultural cooperatives and the politicians who rely on the support of the farming community.

But given the nation's increasingly precarious fiscal situation, pork barrel largesse is no longer an option. There is a need for thorough debate on such key questions as who should receive the subsidies that are financed by taxpayers and, ultimately, who should bear the burden of ensuring a stable supply of food and protecting the environment. The public must also be better informed of the reasons for the decisions reached. Without fuller accountability, policies capable of reinvigorating Japanese agriculture will remain elusive.

Now or Never

A review of the Basic Plan for Food, Agriculture, and Rural Areas has begun and is expected to be completed by March next year. The plan sets the priorities for government strategy over the next 10 years or so, and here, too, there is likely to be considerable debate on who the principal "bearers" should be. Partly due to external factors like the negotiations for the TPP and other "mega" free trade agreements, Japanese agriculture either needs to remake itself with bold reforms or face being driven over a cliff.

There are definite signs of change in agricultural policy, but this may not be enough. It is the job of politicians to balance competing interests and take responsibility for their decisions. But the crisis facing agriculture will not go away simply by blaming the politicians. The LDP is not the same party it was when it dominated Japanese politics, having experienced an election loss in 2009 and owing to ongoing generational change. Even members of the party's agricultural *zoku* (tribe) are showing interest in remaining accountable to all taxpayers—not just in lobbying for the farming sector.

Inasmuch as it is public opinion and the voice of constituents that move politicians to action, though, they will feel compelled to safeguard the five "sacred"

areas if that is what is demanded of them, as was the case in the Uruguay Round. Similarly, if attention becomes narrowly focused on the total value of the compensation package for farmers, the discussion on domestic countermeasures will again deteriorate into a squabble for budgetary resources. In this sense, the media and the agricultural cooperatives have a vital role in shaping the politicians' course of action.

Japan needs to take advantage of the TPP process to clearly identify the bearers of agricultural policy and to seek the desired transformation of the sector. Whether Japan can secure real gains this time around depends on the choices made by all those involved. This may be Japan's last chance to change its agricultural policy.

April 24, 2014

Keeping the TPP On Course

Takaaki Asano

Negotiations for the Trans-Pacific Partnership have lost momentum and are in danger of stalling completely. Although Japan's tough stance on rice tariffs has been under scrutiny, the biggest obstacle to this Washington-led initiative may be the political climate within the United States, as the Tokyo Foundation's Takaaki Asano explains in this Nikkei Business Online *interview.*

* * *

Prospects for the TPP [Trans-Pacific Partnership] are beginning to look uncertain.

TAKAAKI ASANO Before the February 25 TPP ministerial meeting, Akira Amari, state minister for economic and fiscal policy, warned that without a breakthrough of some sort, the negotiations could come to a standstill. The February meeting didn't yield a breakthrough, so people are wondering if the TPP process can get back on course.

The main obstacle seems to be tariff disagreements between Tokyo and Washington.

ASANO You've heard it said that the TPP is at heart a Japan-US free trade agreement. And I agree. That's why the media has played up tariff talks between Tokyo and the Washington. Now they're saying that the negotiations have gone badly.

But the real focus of the TPP isn't tariffs. The problem is that, before an agreement can be concluded and ratified, each of the negotiating parties has to secure political support for it back home. And from this standpoint, agricultural tariffs have emerged as one of the bones of contention in Japan-US negotiations. In Japan, this is inevitably the center of attention, so everyone has been asking whether Japan

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will successfully defend its five "sacred" farm products [rice, barley and wheat, sugar crops, dairy products, and beef and pork] from foreign imports. But defending these five priority farm products should not be the goal of our participation in the TPP.

The Real Roadblock

What's the new target date for an agreement?

ASANO From here on in, the US political calendar is going to be a major factor. The TPP is largely Washington's initiative, but midterm elections are coming up in November, and an election year is not the best time to seek congressional approval for major free trade initiatives.

Initially, the participating countries had agreed to try to reach an agreement by the end of 2013. In the media, the standard explanation for this was that the White House, under President Barack Obama, felt that a successful conclusion to the negotiations would help the Democratic Party in the midterm elections. But it's debatable whether concluding an FTA would score political points for the Democrats, given that key elements of the party's traditional base, such as organized labor, are highly skeptical of such pacts.

Are you saying the TPP could backfire on the Obama administration?

ASANO It raises challenges for environmental protection and for labor, and these are areas the Democratic Party has championed over the years. If the administration backpedals on those issues, it could alienate the Democratic base and get the party into political trouble. That's why I think it's simplistic to interpret Obama's push for the TPP as part of an election strategy.

This political dynamic is playing out in the president's bid for Fast Track negotiating authority [trade promotion authority]. Fast Track authority expired in 2007, and it was only in January this year that a bill to renew it finally came before Congress.[1] Whether or not the bill passes could have a huge impact on the negotiations.

[1] The Bipartisan Congressional Trade Priorities Act of 2014, introduced by Democratic Senator Max Baucus and GOP Representative Dave Camp. Commonly referred to as the Camp-Baucus bill.

How would the Fast Track bill strengthen the president's hand?

ASANO Assuming the parties to the TPP reach and sign an agreement, the pact still has to be approved by Congress. Unless the president has Fast Track authority, Congress has the right to deliberate individual provisions and even force the president to renegotiate them, so the process could drag on and on. Under Fast Track, Congress is only permitted to approve or reject the entire pact as negotiated under the president's authority.

So, even if all the TPP countries were to reach an agreement, it could still fail to pass Congress.

ASANO Yes, and in that case, you would have an agreement signed by all 12 countries but impossible to implement because of political opposition in the United States. This would undermine international confidence in Washington's ability to negotiate agreements in general. To avert such a scenario, the White House needs to acquire Fast Track authority before any agreement comes before Congress.

Domestic opposition could trip up TPP's fate, even if agreement is reached among negotiators.

You say the bill was introduced in January. How long will it take to pass and come into effect?

ASANO Actually, I don't think it's going to pass.

No?

ASANO As things stand now, at any rate, the chances of its passing before the November midterm elections are very slim.

Why is that?

ASANO Because it faces opposition not only from Republicans but also from a lot of Democrats.

Because they want to be able to modify the agreement themselves?

ASANO First of all, they have the interests of their constituencies to consider. But there are other grounds for opposition as well. Some take a kind of fundamentalist position with regard to the powers of Congress, saying that Congress has the authority to regulate commerce, and it shouldn't just hand that over to the executive branch. Others are willing to hand over authority, provided the bill offers Congress sufficient assurances in return.

What sort of assurances do they want?

ASANO The Camp-Baucus bill establishes negotiating objectives and requirements for congressional consultations with the aim of defining the basic direction of future trade agreements and ensuring that Congress has sufficient input. Some members of Congress want stronger language with regard to the negotiating objectives. Politicians with ties to the auto industry are particularly insistent about the need for tough provisions on currency manipulation in the TPP because they claim that Japan and South Korea have manipulated exchange rates to boost exports to the United States. The Camp-Baucus bill contains a directive regarding currency manipulation, but some members of Congress have voiced their opposition on the grounds that the language is too weak.

So, if the Fast Track bill doesn't pass, how does that affect the prospects for reaching a TPP agreement within the year?

ASANO Unless the president can secure Fast Track authority, any TPP-related legislation that comes up for deliberation in Congress is going to run into trouble. It's going to be much harder to get those bills through Congress, and other countries are going to start to question how serious America is about the whole undertaking.

Meanwhile, it's 2014, and the midterm elections are looming.

ASANO Well, they're about six months off now, so there's still some time. But by September, the election season will be in full swing, and the climate is not going to be conducive to cool-headed debate on free trade agreements. In any case, it seems clear that Obama's dwindling political capital at home is having an impact on Washington's dealings abroad, including the TPP negotiations.

On the Cusp of a New Trade Era

So, it sounds unlikely that we'll be seeing a TPP agreement emerge anytime soon.

ASANO There's still a chance. I think it might still be possible to take advantage of Obama's visit to Japan in April and the meeting of APEC [Asia Pacific Trade Cooperation] trade ministers in May to bring the negotiations to a successful conclusion.

There's been some talk about South Korea joining the talks, and it's been suggested that that could cause further delays. What's your take on that?

ASANO Well, I do think that an agreement would take longer if South Korea decided to enter the negotiations. But whether it can enter the talks at this point is a different question. All the current participants have to consent before a new party can join in international negotiations of this sort. Japan was a latecomer to the talks, and it had to secure the approval of all the other eleven countries before it could finally take a seat at the table in July last year. South Korea can't just raise its hand and say, "Me too." It will have to pass inspection by the current participants.

On the other hand, South Korea already has a bilateral free trade agreement with the United States, so if it did join the TPP negotiations, at least it wouldn't need to spend a lot of time in tough tariff negotiations with the United States.

But Washington is dissatisfied with the way the US-Korea Free Trade Agreement has been implemented in South Korea since it came into effect two years ago. So, there's a risk that the United States will drag its feet about letting Seoul join the TPP negotiations.

In the midst of all these delays, mightn't China decide to throw its hat into the ring as well?

ASANO It's true that China is eyeing the TPP with greater interest. But Chinese membership isn't realistic at this point. In the near term, there's no way China could sign on to the kind of high-level agreement envisioned by the current participants.

What are the obstacles?

ASANO Well, I don't think China could go along with the TPP's goals for investment liberalization, open and fair competition, or limitations on state-owned enterprises, not to mention the elimination or reduction of tariffs.

But wouldn't you agree that the TPP comprises a lot of policy reforms that China is going to need to implement anyway in the not-so-distant future?

ASANO That depends on the direction in which Beijing decides to steer the economy. If it decides to boost economic growth through liberalization, then in the final analysis, it will probably need to implement the measures currently incorporated in the TPP in one form or another. Most experts believe that China reaped big dividends from its acceptance into the World Trade Organization in 2001.

But the TPP is on a different plane?

ASANO Yes, and I think the Chinese realize it. That's why they've been backing the RCEP [Regional Comprehensive Economic Partnership].

The TPP and the RCEP are both so-called mega-FTAs, agreements that are expected to boost economic dynamism through the integration of two or more existing trade areas. Other mega-FTAs under discussion include a US-EU agreement and a Japan-EU pact. On the basis of this trend, I think it's fair to say that global trade is about to enter a whole new era.

What's behind this shift?

ASANO The simplest explanation is that with WTO negotiations at an impasse, countries have opted for bilateral and regional FTAs as the next-best thing. The Doha Round began in 2001, and there's still no agreement or breakthrough in sight. Most commentators say that bilateral or regional FTAs are on the rise because it's become so difficult to reach one global agreement encompassing all the WTO member states.

So, instead of negotiating one big agreement, they're trying to conclude a lot of smaller ones and weave them together.

Domestic Politics and International Trade

ASANO During international trade negotiations, each government has to either

accommodate or override demands from various economic sectors, and when that happens, national politics inevitably comes into play. Along with an open and honest national conversation about the economic benefits and costs of any given free trade agreement, we need more coverage of the political dynamics behind international trade negotiations.

You mean the wheeling and dealing behind the scenes?

ASANO I'm not talking about exposing backroom dealings so much as focusing more on the political and economic realities that shape each government's negotiating position.

For example, how does domestic politics affect negotiations regarding specific sectors that various countries have traditionally regarded as off-limits where free trade is concerned? You hear a lot about Japanese protection of agricultural products, particularly rice. But Canada is equally adamant about maintaining its poultry supply management system, and America's refusal to open its sugar market is a major source of frustration to Australia.

Where sugar is concerned, there's no strong consensus among Americans for protecting domestic sugar producers, so you would think it would be possible to overturn the status quo through strong political leadership. But the Obama administration doesn't have much political leverage at this point. If the Americans seem inflexible on sugar at the bargaining table, it might reflect the White House's lack of political capital at home.

By contrast, it seems to me that the Abe administration is in relatively good position to persuade or override the farm lobby and its allies.

But regardless of Tokyo's actual negotiating position, the stereotype of the Japanese as diehard protectionists is so firmly entrenched that we could end up getting blamed anyway if the TPP talks fail.

You think Japan might be made the scapegoat if the negotiations break down?

ASANO Between these preconceptions and the impulse to lay the blame elsewhere, I do worry that people will blame any breakdown on Japan's intransigence. The best defense against that is an active public diplomacy campaign, both before and after the fact.

Momentum and the Search for Common Ground

ASANO The TPP is more than a commitment among a group of countries to reduce or lower tariffs. It also has great potential as a new framework for economic dialogue, and our first goal should be to launch that framework and make the most of it. Granted, APEC already exists is a regional economic forum, but I think East Asia and the Asia-Pacific could benefit from having other frameworks for wide-ranging exchange of opinion on the economic order. In this sense, the TPP negotiations represent a historic opportunity, one that we should capitalize on.

All the more reason to avoid a deadlock.

ASANO When countries are at loggerheads and negotiations enter a holding pattern, there's always a danger that the talks will lose momentum and fizzle out completely. This is what Japanese commentators mean when they speculate on the *Doha-ka* ["Doha-ization"] of the TPP talks.

Well, then, let me rephrase the question I asked before. Do you think it's possible for an agreement to be reached during the first half of 2014?

ASANO Leaving aside bilateral tariff negotiations, the positions of the participating countries seem to be converging on most of the major issues. So, I do think it's possible. But it's not going to happen either through unilateral concessions from Japan or through unilateral concessions by America and the other participants.

Which means that an agreement has to be reached before the end of summer, when America's midterm election season begins.

ASANO I think it's important to set a target date, partly in consideration of US politics and partly in order to maintain some momentum, which is always essential to the success of negotiations. On the other hand, since any agreement has to be ratified at the domestic level, it's also important to maintain close dialogue between the administration and the legislature during the negotiations. If the negotiating parties get carried away by momentum and neglect that angle, any agreement they come up with is likely to be meaningless.

It sounds awfully tricky finding common ground among all those interests.

ASANO The Tokyo Foundation project on Agricultural Policy in a Globalizing World analyzed the agricultural trade negotiations of the Uruguay Round of the

GATT [General Agreement on Tariffs and Trade, the WTO's predecessor] and the measures implemented in conjunction with that agreement, reached in 1993. One of the conclusions was that Tokyo slipped in the negotiations because it was overly influenced by domestic opposition to the tariffication of rice. In a last-minute deal with Washington, it agreed to accept "minimum access" rice imports as an alternative. But paradoxically, the impact on the domestic market was greater than it would have been had it accepted tariffication. I hope that Japan puts that lesson to good use this time around.

From what I can gather, our top agriculture officials today have learned this lesson, so it could be that Japanese farm policy is approaching a turning point. If the Japanese government could successfully convey this new domestic dynamic to the international community without compromising its bargaining position, it would be a big step toward enhancing Japan's image and reducing the risk of a public-relations defeat.

The article was translated by the Tokyo Foundation with permission from Nikkei Business Online.

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Lessons from Britain's General Practitioner System

Takashi Mihara

Japan's free-access, fee-for-service health insurance system is proving unsustainable, as growing numbers of aging patients flock to full-service hospitals for expensive tests and treatment. Takashi Mihara looks to Britain's National Health Service for keys to containing costs while maintaining quality of care and consumer choice.

* * *

In October 2012, the Tokyo Foundation's project on Crafting the Medical, Nursing-Care, and Social Security Systems of the Future issued a policy proposal on Promoting Community-Based Primary Care calling for sweeping reforms of Japan's medical and nursing-care systems. Since then, the Foundation has continued to sponsor forums and seminars and solicit the opinions of experts and stakeholders with a view to deepening understanding and spreading awareness of healthcare issues.

On November 18, 2013, the project team hosted a seminar on the primary care system in Britain with special guest Noriaki Sawa, who practices family medicine in Britain. The seminar also featured a report on my own tour of British general practices and nursing facilities the previous month, questions and answers, and discussion.

Of course, a week of study and observation followed by a two-hour seminar do not constitute an exhaustive study, but they did yield some preliminary observations pertinent to healthcare reform in Japan. Those observations are the subject of this article.

Free Access versus Gatekeeping

Takashi Mihara *Research Fellow and Project Manager, Tokyo Foundation.*

Britain's taxpayer-funded National Health Service provides all legal residents with healthcare free at the point of service. (In Japan, healthcare is administered under a system of universal health insurance, funded by premiums rather than taxes.) Under the NHS, community-based family physicians known as general practitioners, or GPs, are responsible for primary care.

Even during my limited tour of British healthcare facilities I became acutely aware of the central role of these GPs, who, in addition to their other duties, pay regular visits to nursing homes for on-site examinations and assist in the implementation of Britain's national dementia strategy. All British citizens are required to register with a local GP surgery, or practice, and the process of consultation, diagnosis, and treatment begins, as a rule, with an appointment at that surgery.

The surgery where Dr. Sawa has his practice.

In Japan, by contrast, where care is usually offered by specialists, consumers have open access to the entire spectrum of licensed healthcare providers and facilities—from neighborhood offices and clinics to university hospitals. Because Japanese health insurance pays for walk-in consultations, tests, and examinations at any facility the patient chooses, at any time during regular hours, healthcare consumers rely increasingly on big hospitals even for routine examinations and minor problems, making unfettered use of costly specialist services.

Recently, however, the Japanese government has begun laying the groundwork for reform. The August 2013 report of the National Council on Social Security System Reform stressed the need for the kind of holistic approach to medical care embodied in general practice. Work has begun on a new professional training and certification program for "general physicians" (*sogo shinryo i*), scheduled to go into effect in 2017.[1]

In this connection, the Tokyo Foundation's October 2012 policy proposal stressed the need for community-based professionals who can fill the role of patient advocate and recommended that Japan learn what it can from Britain's solidly

[1] The Japanese *sogo shinryo i* does not correspond exactly to the British general practitioner, as the former encompasses hospitalists specializing in general internal medicine as well as community-based primary care providers.

established system of community-based primary care centered on general practitioners.

With this purpose in mind, let us begin by examining the function of GPs in the British healthcare system.

Promoting Doctor-Patient Dialogue

What struck me most during my tour of British healthcare facilities were the GPs' examination rooms. The average GP appointment is 10 minutes long, and during this time the emphasis is on two-way communication with the patient. This focus on dialogue is reflected in examination rooms that resemble counseling offices in their relaxed, comfortable atmosphere and lack of bulky medical equipment, such as CT scanners, which often clutters clinics in Japan.

Not being cluttered with medical equipment, Dr. Sawa's examination room resembles a counseling office.

How, then, do these examinations proceed? At the November seminar, Dr. Sawa illustrated the British GP's approach using the example of a patient who comes in complaining of a severe headache and insists on a CT scan, even though it seems clear to the doctor that the cause is a common cold.

In Japan, most doctors would either dismiss the request peremptorily or yield to the patient's demands. British GPs, however, are trained to engage the patient in dialogue. Upon asking why the patient feels a CT scan is necessary, the GP may discover that the patient's father died prematurely from a cerebral hemorrhage. Then the doctor can reassure and persuade the patient using evidence-based arguments, explaining that the most likely cause is a cold, that the probability of finding a cerebral hemorrhage with a CT scan is close to nil, and that such scans expose the body to levels of radiation more than 100 times that of a chest X-ray. The final decision is left to the patient.

Speaking at a Tokyo Foundation forum held the previous May, Sawa explained that the role of the British GP often transcends the conventional boundaries of medical care. "Often, when an examination fails to reveal any medical condition, the symptoms can be traced to daily stress and lifestyle issues. During consultation, the patient may refer to family problems—complaining, for example, that her hus-

band doesn't help out with the housework or childcare. In such cases, the GP can refer the patient to a family counselor, encourage the person to take time off from work, or help the person secure assistance through social services."

By building long-term relationships with patients and fostering an atmosphere of honest dialogue, GPs encourage their patients to open up about any number of concerns that may be affecting their quality of life or that of their family, from a husband's fierce temper to a child's junk-food addiction. This puts them in a position to suggest solutions that most Japanese physicians would consider beyond their purview, including strategies for minimizing the workplace stress that may be causing a patient's headaches or addressing the family issues underlying a patient's emotional problems.

At the November seminar, Sawa discussed his own initial difficulty adjusting to the British approach, coming from a country where hospital-based care has become the norm. "When I began my postgraduate training, I had a tendency to adopt a hospitalist's approach when examining patients," he said. "For example, if a patient was suffering from a little vertigo, even if there were no other major symptoms, I was inclined to make a tentative diagnosis and order a battery of tests. But my supervising doctor let me know that that sort of approach wasn't considered appropriate for primary care—that British generalists had their own special way of handling things."

As we in Japan begin deliberating standards for the training and licensing of general physicians, we need to think about ways of nurturing primary-care physicians as holistic practitioners focused on dialogue-based problem solving, instead of devoting all our energy to delimiting their professional turf or defining the necessary diagnostic skills.

Respecting Patient Choice

Another important aspect of the British primary care system today is its policy of treating healthcare as a doctor-patient partnership, offering patients a set of options and empowering them to make evidence-based choices, instead of placing all power in the hands of the doctor. The aim is both to raise patients' awareness and to get them to share responsibility for their own care. Community-based primary care should be predicated on patient choice, not unilateral decisions by the primary care physician.

To be sure, few healthcare consumers can fully grasp the complexities of today's advanced medical science. To borrow the terminology of economics, a certain degree of "information asymmetry" will always persist. But Britain's healthcare

system has a variety of mechanisms designed to support informed consumer choice—one way in which the system selectively incorporates market principles to create a healthcare "quasi-market." Let us examine these mechanisms.

Where previously each household was assigned to a GP surgery according to location, British healthcare consumers today have a right to choose from any qualified general practice in their district. The GP Patient Survey website permits them to search practices by name and location to see how existing and previous patients have rated their experience via the GP Patient Survey, conducted annually. Survey questions include the following.

Sawa, left, and Mary Brown, right, a practice nurse. GP nurses in Britain have considerable latitude to act on their own authority.

Did you have confidence and trust in the GP you saw or spoke to?

Is your GP surgery currently open at times that are convenient for you?

Last time you saw or spoke to a GP from your GP surgery, how good was that GP at the following? a. Involving you in decisions about your care; b. . . .

Would you recommend your GP surgery to someone who has just moved to your local area?

In addition, users can access a variety of data about providers on the NHS Choices website (http://www.nhs.uk/Pages/HomePage.aspx) by doing a search on the name or location of the practice. A search on the name of Dr. Sawa's surgery yielded such basic data as the address and telephone number, hours, and disabled access, along with the names of the five GPs who practice there. The website also provided such helpful information as the number of female physicians, languages spoken other than English, and patient survey results and scores.

According to Sawa, the principle of patient choice also extends to secondary care. Patients who are referred for hospital treatment by their GP can choose an area hospital with the help of a five-star rating system. Speaking at the November seminar, Sawa explained, "There are three hospitals near my surgery, and any patient I refer is given a password that permits him or her to make an appointment online. The website provides information about each of the three hospitals, including the waiting times, so that patients can choose the one that's best for them."

Of course, Japan's free-access system offers greater freedom of choice, but it lacks a built-in mechanism for rating and comparing facilities with respect to patient and family satisfaction. Instead, consumers rely on word-of-mouth or magazine rankings (as well as general geographical considerations) when selecting a facility, and as a consequence they inevitably gravitate to the large regional or national hospitals.[2]

The August 2013 report by the government's National Council on Social Security System Reform expresses concern that the current healthcare system will "cease to function if patients continue to gravitate toward large, elaborately equipped hospitals." It recommends measures to encourage hospital specialization and to promote "flexible gatekeeping" by primary care physicians with whom patients have established an ongoing relationship. It also suggests increasing the fee for an initial consultation at a large hospital unless the patient has a written referral from such a primary care physician.

It seems to me, however, that the preference for large hospitals is unlikely to change until the public gains greater confidence in local primary care doctors and facilities. For this to happen, Japan needs to implement systemic reforms to facilitate informed patient choice, including fuller disclosure of information and a more user-friendly and detailed quality rating system.

Incentivizing Cost-Effective Quality Care

Another systemic reform that could expand the role of GPs in Japan is a capitation payment system similar to that used in Britain. Roughly 70% of the NHS's funding of general practices is in the form of capitation payments tied to the number of community residents registered at each surgery. This method guarantees a basic income for GPs and—unlike Japan's fee-for-service reimbursement system—eliminates financial incentives to over-treat and over-test in order to recover personnel and equipment costs.

The risk with capitation is that it could encourage providers to skimp on needed services, since a practice receives the same amount per patient regardless of the level of care it provides. To prevent this from happening and ensure high-qual-

[2] The Japan Council for Quality Health Care does carry out evaluation and accreditation of hospitals, but the council's focus is on improvement of hospital management, not patient choice. With regard to nursing-care facilities, the Ministry of Health, Labor, and Welfare administers a Nursing Service Public Information System that provides basic information for services qualifying for reimbursement under Japan Long-term Care Insurance System, along with the results of third-party evaluations.

ity care, NHS payments also have a performance-based component (roughly 30% of the total) calculated according to various quality-care indicators set forth in the Quality and Outcome Framework (QOF).

The QOF system hinges on the widespread use of a standardized electronic medical record system. In Britain, GPs keep digital charts that include each patient's complete medical history, records of previous examinations, and dates of future appointments. If the patient undergoes hospital testing or treatment, the results are relayed to the GP electronically when the patient checks out, ensuring seamless follow-up care.

These same electronic records are used to assess the health status of a practice's patients and assess treatment quality and preventive care using the QOF indicators. Practices that record improvements in those indicators are rewarded with higher payments.

At the November seminar, Dr. Sawa explained how electronic records are used to manage and monitor preventive care. Patients with high blood pressure, for example, are tagged with a standard code. With the help this code, one can quickly determine the number of patients in a given practice that have high blood pressure and track their readings without compromising patient privacy. A rise in the percentage of those patients in whom the last recorded blood pressure was 150/90 or lower will result in an increase in the QOF payment the practice receives from the NHS.

"The latest evidence shows that influenza immunization offers very few benefits for healthy, young people like me," Sawa elaborated, "but considerable benefits for people 65 or older and for people with asthma and other chronic conditions." Electronic records allow the surgery to identify its high-risk patients and notify them by mail when it is time to come in for a flu shot. The percentage of high-risk patients who receive shots affects the practice's QOF payment. In addition, prospective patients can go online to check the performance of a given GP surgery on various QOF indicators and use that information when choosing a primary care provider.

Standardizing Quality of Care

The QOF indicators are based largely on recommendations from NICE (the National Institute for Health and Care Excellence), an independent public agency involved in the development of evidence-based clinical standards. NICE also provides professional healthcare providers with guidance on the most cost-effective treatment for various conditions, in some cases advising against the use of a par-

ticular drug or procedure. Meanwhile, the Care Quality Commission (CQC) monitors hospitals, nursing homes, and other healthcare facilities to ensure that they meet national standards.

Together, these frameworks are contributing to the standardization of healthcare quality throughout Britain, ensuring that people all over the country have access to the same high-quality care. As Sawa noted in his seminar remarks, GPs are acutely aware that their performance is being monitored and evaluated, whether by NICE, the CQC, or the GP Patient Survey. In addition, the GPs at his surgery are continually discussing and reviewing their outcomes with the aid of electronic records.

Here in Japan, where the topic of healthcare reform tends to focus almost exclusively on cost issues, policymakers should pay heed to the way Britain has balanced measures designed to control costs with systems aimed at enhancing patient satisfaction and medical outcomes through quality assurance and standardization of care.

Delegating Care to Qualified Nurses

Finally, the British system depends heavily on the contribution of general practice nurses, who form an integral part of the primary healthcare team at each GP surgery. The practice nurses at Sawa's surgery have their own examining rooms, complete with examination tables and an entire array of examining equipment. Indeed, the nurses' rooms conform more closely to the Japanese image of a doctor's office than the GPs' rooms.

The nurse's room looks more like a typical Japanese examination room.

According to Dr. Sawa, practice nurses are highly experienced healthcare professionals who are qualified to diagnose and treat small injuries and minor illnesses, undertake simple medical procedures like wart removal, advise patients on the management of chronic conditions, and dispense medication. Registered nurses must undergo six months of additional training to qualify as practice nurses at Sawa's surgery. When patients make appointments, they are routinely asked whether they want to see a GP or a practice nurse, and the majority end up request-

ing a nurse. The results of any examination by a GP nurse are recorded in the electronic medical record to ensure continuity of care.

In the Netherlands, another country that has built a sustainable healthcare system based on community-based primary care, visiting nurses play a pivotal role in healthcare delivery. Data from both countries support the notion that delegating authority to qualified nurses can lighten doctors' workload, improve the efficiency of healthcare delivery, and lead to higher patient satisfaction.

In Japan, however, even the most highly trained nurses have very little latitude to act on their own authority. Reforms currently in the works will allow registered nurses to provide dietary and other lifestyle guidance to diabetic patients on the basis of a physician's written instructions and permit those who have passed a special nationally accredited training course to carry out such emergency procedures as tracheal intubation and administration of intravenous fluids on their own authority. Unfortunately, however, the government has opted against more substantive reform via the institution of a nurse practitioner system.

Among the topics left largely unaddressed during my tour and the subsequent seminar was the planning and purchasing of NHS services to meet the health needs of the local population, a role that has passed from primary care trusts to clinical commissioning groups (previously known as GP consortiums). In addition, further study will be needed to clarify the role of NICE and CQC in standardization and quality assurance, the calculation of capitation and QOF payments, and other components of Britain's primary care system. As an independent not-for-profit think tank, the Tokyo Foundation will continue working to deepen understanding and raise awareness of the primary care system in Britain and elsewhere in an effort to contribute to the development of a sustainable community-based healthcare system in Japan.

April 8, 2014

The Komeito's Curious Journey

Katsuyuki Yakushiji

Established 50 years ago as the political arm of Japan's largest popular religious movement, the Komeito owes its longevity to a loyal, well-organized base and the ideological flexibility needed to maintain advantageous alliances. Katsuyuki Yakushiji traces the Komeito's journey from a left-leaning, pacifist minority party to a member of a conservative ruling coalition and discusses the dilemma it now faces as a result.

* * *

The face of Japanese party politics has changed dramatically over the past two decades. More than half of the nine political parties currently holding seats in the House of Representatives were formed within the past 10 years. Moreover, only three of those nine parties have a history spanning 50 years. They are, in order of age, the Japanese Communist Party, the Liberal Democratic Party, and the New Komeito, or NKP. All three benefit from organizational strength and a large nationwide membership. But only the NKP draws its membership and support from a specific religious sect.

Since 1999, moreover, this unique party has played a pivotal role in national politics as the LDP's faithful ally and junior coalition partner—notwithstanding significant policy differences between the two parties. Today, as security policy takes a sharp turn to the right under the leadership of Prime Minister Shinzo Abe, the NKP finds itself at a major crossroads.

Moving Toward the Center

The NKP's parent organization and loyal base is the Soka Gakkai, a Nichiren Bud-

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dhist lay movement that spread rapidly through Japan during the 1950s and 1960s. Soka Gakkai established a political section in 1960 and in 1964—just 50 years ago—and converted that unit into a nominally independent political party, the Komeito, or Clean Government Party. In 1967 the Komeito burst onto the national scene by grabbing 25 House of Representatives seats in its very first general election. (At the time, the lower house had multiseat constituencies, which allowed smaller parties to secure seats without winning the majority of votes in any district.)

Calling itself "the party of welfare and peace," the Komeito took its place alongside the Japan Socialist Party, the Democratic Socialist Party, and others in the left-leaning anti-LDP opposition. Like the JSP, it opposed the Japan-US Security Treaty and maintained that the Self-Defense Forces violated Japan's pacifist Constitution.

However, the Komeito was not a party of rigid ideologues. As it established a firm foothold in national politics, it gradually moved toward a more pragmatic, centrist stance, and by the early 1980s, it had formally recognized the constitutionality of the SDF and acknowledged the necessity of the Japan-US Security Treaty.

Driving this shift was a cooperative strategy that originated at the local level. The Komeito had quickly established a major presence in the nation's prefectural assemblies, and in many cases these local Komeito politicians were joining forces with their LDP counterparts in hopes of influencing policies with a direct impact on people's lives. This trend gradually filtered up and influenced party strategy at the national level. The LDP and the Komeito began to find more and more common ground, and their relationship gradually shifted from an adversarial one to a more cooperative one, both in the Diet and during election campaigns.

Cultivating Cross-Party Ties

Within the LDP, the powerful faction led by Kakuei Tanaka led the way in cultivating cooperative relations with the Komeito. In July 1972, shortly after Tanaka formed his first cabinet, Komeito Secretary General Yoshikatsu Takeiri traveled to China and conferred at length with Premier Zhou Enlai regarding the prospects for normalization of relations between Japan and China. Returning to Japan, Takeiri relayed the content of those talks to Prime Minister Tanaka in detail. Apparently Takeiri helped convince Tanaka that Beijing was sincere in its desire to establish diplomatic relations with Tokyo and thereby helped lay the groundwork for Tanaka's visit to China and the subsequent normalization of ties. From that time on, the Komeito enjoyed a special relationship with Tanaka and his faction—the LDP's

largest—and was thus able to play an insider's role in government affairs despite its nominal status as an opposition party.

All that changed in 1993. With public support for the ruling party at a low ebb in the wake of a series of financial scandals involving top LDP officials, Ichiro Ozawa, a Tanaka protégé renowned for his fundraising prowess and behind-the-scenes maneuvering, bolted the LDP with 50-odd followers following a vote of no confidence against the cabinet of Prime Minister Kiichi Miyazawa. Ozawa formed the Japan Renewal Party and succeeded in building a coalition from a fractious collection of minority parties, headed by Prime Minister Morihiro Hosokawa. A key member of this coalition was the Komeito.

The coalition collapsed in less than a year, after the JSP defected over security policy, allowing the LDP to return to power once again. Komeito politicians faced a choice: ally itself with the LDP or trust Tanaka protégé Ozawa to engineer another coup and shepherd them to a position of power. The issue created a schism in the Komeito, with the party's lower house politicians opting to merge into the New Frontier Party, a new group centered on Ozawa. This proved to be a mistake, as the NFP dissolved after just three years. In 1998 the divided Komeito reunited, adding the word "New" to its English name.

It was not long before opportunity knocked again. In the summer of 1998, the LDP suffered a major setback in the House of Councillors election and lost its upper house majority. Faced with the prospect of ongoing legislative gridlock, the LDP leadership set about forging a coalition with the New Komeito. In 1999, as a result of intensive backroom negotiations, there emerged a three-party coalition consisting of the LDP, the NKP, and Ozawa's Liberal Party. The Liberal Party quit the coalition in 2000, but the LDP-NKP bloc held onto its majority until the Democratic Party of Japan took over in 2009. The LDP and NKP remained partners while in the opposition and took the helm again as a coalition in 2012.

Anatomy of an Alliance

The partnership between the LDP and the NKP would never have endured these 15 years had it not conferred important benefits on both sides. The biggest attraction from the LDP's viewpoint was the NKP's proven ability to mobilize 7-8 million Soka Gakkai voters (based on the number of votes the NKP receives in the lower house's 11 proportional-representation block districts). This consistent level of support is a testimony to the strength of the Soka Gakkai organization. Electoral cooperation with the NKP nets the LDP an average of 20,000–30,000 extra votes in each of the single-seat constituencies (300 of the lower house's 480 seats under the

current electoral system) where it fields candidates. Without the NKP's backing, the LDP could lose close to 100 of its 294 lower house seats.

Electoral cooperation is at least as important to the NKP, which would have no hope of winning in today's winner-take-all single-seat districts were it obliged to go solo. By coordinating with the LDP, it is able to elect 8–10 candidates in these local districts, in addition to the 20–25 NKP candidates elected from multiseat block districts by proportional representation. As a member of the ruling camp, moreover, the NKP gets a limited share of cabinet positions and a seat at the policymaking table. This, in turn, strengthens the party's position among voters and keeps the organization strong.

Papering Over Policy Conflicts

The LDP has benefited immeasurably from the NKP's cooperation in the Diet as well. In many cases NKP votes have allowed the LDP to steer bills through both houses of the Diet even in the face of stiff resistance from the opposition and maintain control over the legislative process.

From an ideological standpoint, this cooperation cannot always have been easy for the NKP. As noted above, the Komeito originally identified itself as a pacifist, anti-authoritarian "party of the people." Like the other left-leaning opposition parties of the time, it swore to defend the war-renouncing Constitution, opposed the Japan-US Security Treaty, and regarded the Self-Defense Forces as unconstitutional. To some degree, this ideological orientation reflected the anti-establishment roots of the Komeito's parent organization, the Soka Gakkai, whose founders had been targets of a harsh government crackdown during World War II.

As a coalition partner, however, the NKP found itself supporting policies that many would consider incompatible with these founding principles. Under the cabinet of Keizo Obuchi (1998–2000), the NKP helped ensure passage of a law officially establishing the *hinomaru* as the national flag and "Kimigayo" as the national anthem (a step previously opposed by the Komeito and others on the grounds that both the flag and the song had strong militaristic associations), as well as legislation permitting limited wiretapping by government agencies for the purpose of criminal investigations.

In the wake of the attacks of September 11, 2001, the NKP worked with the cabinet of Jun'ichiro Koizumi to pass legislation allowing the deployment of SDF units to Iraq and the Indian Ocean to support the US war on terror. Finally, in 2013, it helped the government push through a tough and extremely unpopular state secrets law (Act on Protection of Specified Secrets). The Komeito of the 1960s

and 1970s—with its emphasis on democracy, peace, and human rights—would never have dreamed of supporting policies so clearly geared to augmenting the power of the state.

Why has the NKP been willing to subordinate its own policies to its partnership with the LDP? The answer is closely tied to the Komeito's unique electoral base. Thanks to the organizational support of the Soka Gakkai, the NKP is virtually guaranteed a certain number of votes in each general election, regardless of political circumstances. But its close association with the Soka Gakkai also limits its potential growth. In opinion polls, the NKP consistently ranks alongside the JCP as Japan's most "toxic" party—that is, a party for which one would not vote under any circumstances.

This means that the NKP lacks the capacity to attract new supporters regardless of its policies or its campaigning prowess. Even in an election with a higher-than-usual turnout, it is unlikely to attract swing voters in significant numbers. As a result, it has virtually no hope of ever winning a Diet majority and seizing control of government on its own. What it can do, however, is leverage its reliable vote-getting capacity to secure a supporting role for itself. This is the strategy the NKP has adopted, and to pursue it, the party has been obliged to maintain maximum flexibility in matters of policy and ideology.

The Limits of Ideological Flexibility?

Today, however, the NKP is facing an issue that could strain its ideological flexibility to the limit. The issue pertains to the government's official interpretation of Article 9 of the Constitution, which states that "the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes," and further that "land, sea, and air forces, as well as other war potential, will never be maintained."

For decades, the Japanese government has interpreted this to mean that, while Japan may maintain the minimum forces needed for its own self-defense, it may not constitutionally participate in *collective* self-defense, meaning that its forces may not engage in combat operations in support of an ally under attack. In this way successive cabinets have sought to reassure the world that Japan would never revert to the militarism of the past.

Now, however, Prime Minister Abe is intent on changing that interpretation. Abe wants to lift the prohibition on the right of collective self-defense on the grounds that advances in military technology have made it impossible for any country to protect its own security individually. Public sentiment has begun to fa-

vor such a change, thanks in large part to North Korea's ongoing nuclear tests and missiles launches, as well as China's military buildup and confrontational stance vis-à-vis the Senkaku Islands. Abe has stated his intent to adopt a cabinet resolution altering the government's interpretation of Article 9 and push through legislation enabling collective self-defense operations within the year.

This poses a dilemma for the NKP. Notwithstanding its ideological flexibility over the years, the party has consistently opposed any revision of Article 9 or any change in its interpretation. Its position on the right of collective self-defense is unequivocal. When I interviewed NKP President Natsuo Yamaguchi last year, he clearly conveyed his disapproval of Abe's plan, warning that "the new laws could lack legitimacy if their only legal basis is a unilateral declaration by the government that it's changing its interpretation of the Constitution." Abe's initiative has been the subject of much criticism within the NKP, not to mention the Soka Gakkai. But a rupture with the LDP over the issue could jeopardize the government's entire agenda, including its all-important economic revitalization strategy.

Election poster featuring NKP President Natsuo Yamaguchi.

The NKP has skillfully been navigating treacherous political waters to secure its place as a member of the ruling camp. Now the Article 9 issue is forcing the party and its base to take stock. Will the NKP stand up to Prime Minister Abe, or will it put its relationship with the LDP ahead of its principles, as it has so often in the past? A half-century into its curious journey, the Komeito is approaching a crucial fork in the road.

January 6, 2014

Dispatches from Ghana

(4) Impact and Lessons Learned

Junko Tashiro

In November 2012, Junko Tashiro traveled to Ghana under an Acumen Global Fellowship to launch Copa Connect, a social venture aimed at integrating smallholding rice farmers into the value chain. In her fourth and final installment, Tashiro reports on the heartening outcomes of the pilot program she organized and oversaw.

* * *

It was late March, almost five months since my arrival the previous November. Since the start of the year, I had been working about 15 hours a day without respite, weekends and holidays included. Even so, the challenges before me remained so daunting that I barely had time to come up for breath. We progressed in fits and starts, three steps forward, two steps back. On some days we seemed farther from our goals than ever.

In West Africa, progress is never easy. There were days when I could have ground my teeth in frustration. Sometimes I swam desperately against the current. Other times I just let myself float downstream, accepting the fact that many forces here were simply beyond my control.

The Darkest Hour

Take power outages. Ghana is plagued by chronic energy shortages, and every part of the country experiences blackouts lasting several hours a day. Above and beyond that, Sogakope had its own 12-hour planned outages every other day. The timing varied, but for me the worst blackouts were those that lasted from 6 pm until 6 am. This completely disrupted my routine of visiting farms or meeting with program

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partners during the daytime and then settling down in the evening to work on my laptop. In Sogakope, the sun goes down soon after 6 pm, and with the power off, the whole village turned pitch black and still, without a breeze stirring.

Neither the office nor my residence had an electric generator, but I kept working as long as my laptop battery allowed. Flying ants made a nuisance of themselves, landing on the glowing laptop screen and on my perspiring face. A creepy rustling filled the darkness around me as the family of geckoes that lived in the rafters made themselves at home scampering about my room. (This I knew from having come close to trampling one on several occasions.) Outside, the frogs struck up a loud chorus, periodically joined by the howls of wild dogs.

But all this lasted for only an hour or so, until my laptop battery died. After that, there was nothing to do but curl up on my damp, moldy-smelling bed and try to sleep. I shut my eyes, determined to make the most of this opportunity to rest and build up my strength. But I was not in a position to just forget my cares and drop off at eight in the evening. And here I was with so much to do that a full 24-hour day seemed insufficient.

Those Ghanaian nights were stifling. If I lay perfectly still in the heat, I would eventually drift off into semi-consciousness—but only to be awakened by my repetitive dreams. Sometimes I was frantically trying to complete a financial model on Excel; at other times I might dream about the dinner I had to skip that night. (Ghana suffers from chronic shortages of gas and water as well as electric power, and the housekeeper in our compound would frequently use the gas shortage as an excuse not to make dinner. Meanwhile, I was often too engrossed in work to go out and buy food for myself.)

However, there was one recurring dream in particular that invariably jarred me awake. In this dream, I'm walking along the side of a beautiful greenish-gold rice paddy, when a farmer comes toward me, followed by another and another. They converge on me, clamoring for answers. "When is my paddy going to be full of beautiful golden-green ears of rice like this one?" "How can I get some of the high-yield rice seed my neighbor uses? I heard you can get it for me." "Madam, please buy my rice! I want my children to have plenty to eat and go to school." "Time after time outsiders come here promising a better life, and then they leave and it's all gone. Our lives haven't changed one bit since our parents' time. Is Copa Connect any different? You've just come to make us dream for a bit and then abandon us like all the rest." "Please, tell us! We want answers!"

With that, I would awake with a start, my body bathed in sweat, the sheets sticking unpleasantly to my skin.

Dawning Impact

One morning, I rose with the sun and showered with cold water. I had an early appointment to visit our pilot farm, which had just finished harvesting its first crop of jasmine. It was to be a banner day for Copa Connect, marking the pilot program's very first purchase of paddy rice from a smallholder producer.

I climbed into the front passenger seat of the 10-ton truck and, after a bumpy 40-minute ride, arrived at Eric's farm in Afife. This was the field I had visited most often in the past, partly because it was relatively close to Sogakope.

Eric's face beamed with pride as he greeted us. Behind him were sacks of premium-grade paddy, neatly packed and standing in orderly rows as if quietly awaiting our arrival.

The total harvest from Eric's 1.6-hectare plot weighed in at 9.3 tons, for a crop yield of 5.8 tons per hectare. The full yield potential for the cultivar of jasmine rice supplied by Copa Connect is approximately 6 tons per hectare; Eric had essentially achieved that in his first growing season. Before enlisting in the Copa Connect pilot, Eric had been growing an inferior variety—the only kind generally available to small farmers in the area—and generally speaking, the yield potential for such rice is substantially higher than for jasmine. Even so, Eric's farm had been producing only about 3 tons per hectare. To double his yield immediately after switching to jasmine was a stunning achievement.

The grain quality, moreover, was top grade. Fastidious winnowing had removed virtually all foreign matter, including pebbles and dust, and contamination by rice from the previous season amounted to less than 3%. In addition, the moisture content was well within the range considered optimal for milling. This is important because if the paddy is too dry, it results in more breakage during milling. On the other hand, if the paddy contains too much moisture, it has to undergo further drying at the processing plant prior to milling, which adds to costs. Moreover, at large automated facilities, drying is difficult to fine-tune, and the tendency is to over-dry—which, again, leads to more grain breakage and reduces crop value.

One key to Eric's success was the fact that he had been able to avoid lodging, the collapse of ripening rice plants under their own weight. This is a perennial problem for rice farmers, affecting both the quantity and quality of harvest. When the rice panicles fall to the ground, they are apt to become soaked and sprout. Harvesting becomes difficult, and the tissue of the grain is often damaged, resulting

in a higher percentage of substandard or broken kernels. Rice is particularly prone to lodging when farmers apply the wrong amount of fertilizer or delay the harvest too long. Some smallholder farmers rush the harvest in order to avoid lodging and maximize their yield, but this results in an unacceptably high percentage of immature grains. By following best practices for preventing and coping with such common crop-quality issues, Eric was able to meet the same standard of grain quality as GADCO's large-scale nucleus farm.

"I've never seen anything like it," marveled Eric, his voice quavering. "I've been growing rice for almost twenty years, but this is the first time I've ever seen my whole field turn the same beautiful shade of green, and it's the first time I've harvested this many sacks of paddy."

After all the sacks had been loaded onto the truck, I invited Eric to jump in and accompany us to GADCO's processing facility. I wanted him to see with his own eyes what was in store for the rice he had grown with such loving care over the previous four months.

On the way, we were stopped repeatedly by police officers demanding payment—bribes, in other words—in exchange for "right of passage." Moreover, no sooner had we arrived at the GADCO plant than a power outage shut down the entire system. Still, for all its challenges and frustrations, it was a richly rewarding day. As it drew to a close, we all sat in the shade of the GADCO silo and quenched our thirst with some sachet water,[1] as we conversed with Eric at leisure.

"I owe it all to your help that I've done so well with my crop over the past few months," said Eric. "I'd be lying if I said I never had any worries about enlisting in the pilot. It took some courage to change the way I've been farming for so many years—especially with everyone warning me, 'You'll be sorry!' every chance they got."

Eric turned to face the Copa Connect team's lead agronomist, who had worked so diligently to support Eric in every aspect of production.

"When you first told me about this program, you said, 'We'll give you everything you need in exactly the amount you need, exactly when you need it, so you

[1] Filtered water packaged in plastic pouches, or sachets. Although bottled mineral water is safer and better tasting, sachet water is by far more popular in Ghana and is sold virtually everywhere. In terms of unit price, sachet water is actually relatively costly, notwithstanding the low price per pouch.

don't have to worry about any of that. But in return, you need to follow our advice and work your hardest. If you do that, we can guarantee good results.' At first I wasn't sure whether to believe you, because other people have come here making all kinds of promises, and none of them have delivered. But you were different. The very next day after I agreed to participate, you brought me the premium jasmine rice seed you'd promised. That's when I decided I could trust your word. Later you drove up several times every week to visit and inspect my field. On the days when I was supposed to apply pesticide or fertilizer, you would call and wake me up before dawn, saying you were on your way, and I should be at work by the time you got there. And an hour later, there you would be. You were pretty strict with me at times, but it was all about doing the best job possible in order to grow the finest rice. And thanks to you, I was able to do that."

Eric's gaze turned solemn. "I hope with all my heart that everyone else has the same opportunity I've had. Whatever your line of work, it takes sweat and tears to do a good job. But if you do your work well, your efforts will be rewarded. That's the truth, and I want everyone to know it."

Courage, Conviction, Effort

A few days later, we headed out to Afife again to pay Eric the purchase price for the paddy we had bought, together with a premium reflecting the market value of the polished rice. We explained the pay formula to him in plain language. Next to a slightly tense-looking Eric sat his older brother, absorbing every word.

At last, I produced a sheaf of bills and set it in front of Eric, saying, "According to the agreement we reached, this is the payment we owe you for your crop."

Eric's face broke into smiles. "For me . . . ? This is so amazing! I've never seen so much cash in one place in my life." Eric continued to grasp the roll of money in both hands, as if feeling its heft over and over.

By dramatically improving his output, both quantitatively and qualitatively, Eric had basically doubled his revenue from the previous harvest. Better yet, his net proceeds after additional expenses (machinery rental and the cost of hiring seasonal workers) were a full four times what he had typically earned.

Eric told us that each harvest usually left him with a little over $400 in ready cash—meaning that his annual net income from rice farming was less than $1,000.

This is by no means unusual for smallholders. In fact, many farmers subsist on smaller plots than Eric's, and their productivity is inevitably lower.

"Until now, I always found myself with so little money left over after expenses that I could barely pay off my debts. We were always living hand to mouth, and we never had enough money for the kids' education. Now we can finally build a life for ourselves!"

Eric's gratitude was flattering, but I believe that his success was the reward for his own courage and tireless effort. He was the one who had plunged in, unafraid of change, when everyone else had hung back. Moreover, he had stood by his decision to the end, ignoring the many naysayers around him.

The very low rate of contamination by inferior rice was a testament to Eric's perseverance. When a rice farmer switches to a new variety, seeds from the old rice will usually keep germinating for another two or three seasons. To produce 100% premium rice fit for Ghana's end-consumer market, Eric needed to weed out all the unwanted seedlings. We explained GADCO's quality standards to him at length and warned him that GADCO could not purchase mixed-variety rice from him; any of the old rice plants that sprouted up while he was growing jasmine had to be culled. For a Ghanaian smallholder farmer, accustomed to being rewarded for quantity, not quality, this required a courageous change in mindset. Other farmers in the neighborhood who dropped by out of curiosity would say, "What a waste!" But Eric had the strength of his convictions. He believed he was doing the right thing in order to build a better future for himself and his family. And he was able to make that dream come true.

The Journey Begins

Eric shares his experience with other farmers at a Copa Connect workshop in March 2013.

Two weeks later, around the end of March, we were driving around the Volta region trying to get farmers to sign up for Phase 1 of Copa Connect's commercial launch. Our goal for the first half of 2013 was to enlist 600 smallholders. We were beginning to hold workshops in each district for prospective participants in order to introduce the program, answer questions, and hold small-group discussions regard-

ing the challenges facing local smallholders. At one key meeting, we looked up to see Eric entering the room. He had come, keen to share his experience in his own words.

Eyes glowing with energy and self-confidence, Eric stood in front of a few dozen farmers and single-handedly turned the meeting into our liveliest and most productive session yet. The farmers hung on his every word. When he nodded, his audience nodded, too. When he laughed, chuckles rippled through the room. A farmer who had been sitting silently in the back of the room stood and began asking questions. And Eric answered each question with complete sincerity. I had the feeling I was witnessing the birth of a true leader.

This kind of personal transformation, though difficult to quantify, is surely the most important way in which a program like Copa Connect can hope to impact people's lives. When people like Eric realize their leadership potential, they not only transform their own lives but bring ongoing change to the entire community as role models for the people around them.

A three-day training workshop for local "aggregators" in the town of Ho in the central Volta Region. The training covered best agricultural practices based on our production protocol, use of portable information and communications technology, and a range of business skills. Each aggregator serves as a hub for input distribution, monitoring, and crop collection in a given cluster, allowing Copa Connect to operate efficiently in areas without access to irrigation, where small farms tend to be scattered over a wide area.

As of this writing at the end of August 2013, Copa Connect is partnering with approximately 600 smallholder rice growers. The goal is to bring that number to 1,000 by the end of the year, when Phase 2 begins.

Needless to say, doing business with one farmer (Eric) and doing business with 600 to 1,000 smallholders are two completely different matters. Already the program has encountered a host of difficulties that never emerged during the pilot. Prominent among these are logistics issues. To overcome these, Copa Connect needs to scale its business operations sustainably. It also needs to shift to an innovative business model that leverages community networks.

One of the most pressing challenges Copa Connects faces at the moment is that of securing and training extension officers to provide the kind of individual attention and support Copa Connect smallholders need to meet GADCO's exacting quality standards. The rapid growth of demand for rice in Ghana is a very recent phenomenon, which is one reason Ghana itself has so few rice specialists compared

with India or other Asian countries that have been growing rice as a staple for millennia. A cross-sectoral effort will be needed to bring about a real paradigm shift in Ghana's rice industry.

We have barely begun to tackle these challenges. This is just the beginning of a long and rocky road. But we are determined to forge ahead. After all, if not us, then who? Since the kickoff of Phase 1, GADCO's Copa Connect team has expanded, one position at a time, and its dedicated members fill me with hope and confidence.

The Right Stuff

It would be almost impossible to convey all that I learned in the process of launching and developing Copa Connect, an agribusiness designed to integrate impoverished smallholder farmers into the value chain. But one of the most important things I came away with was a first-hand appreciation of what it takes to succeed as a social entrepreneur in a developing country like Ghana.

The author with members of the Acumen leadership team in late March 2013, when they visited the town of Weta to observe a Copa Connect workshop. (Left to right: Chief Operating Officer Carlyle Singer, the author, West Africa Director Godfrey Mwindaare, and Chief Executive Officer Jacqueline Novogratz.

Good intentions, passion, a carefully crafted business model—all these things are necessary, but they are not sufficient. The most important asset of all is resilience—the ability to recover from setbacks, the flexibility to adapt to change, the toughness to pick yourself up and keep going. Social entrepreneurs need the grit to grapple with the immediate issues confronting them and plow through their daily tasks, even amid a dearth of resources and a corrupt or dysfunctional system. They need the courage to keep trudging forward one step at a time, without letting themselves succumb to the fear of failure or the uncertainties all around them. And above all, they need the conviction to approach their work with a mixture of realism and optimism and an unshakable commitment to their own vision and worldview.

To meet people possessed of these rare qualities in a variety of settings over the course of a year was a truly invaluable experience for me. The nine other 2013 Acumen Global Fellows; the East Africa Fellows with whom I spent time at the Acumen midterm meeting in Kenya; the social entrepreneurs I met through a variety of events; and last but not least, Eric and people like him around the world who

grab life by the horns in the tenacious belief that they can alter their future for the better—these are the people who have fueled my hope and kept me going. Thanks to their inspiration, I discovered the confidence and courage to tackle challenges I would once have dismissed as too risky; to celebrate each small step toward the solution of a problem; and to humbly acknowledge and deal with my own weaknesses.

I am grateful above all to the nine other Global Fellows in my cohort. There are so many things I would never have understood, faced, and surmounted had it not been for them. In good times and bad, whenever one of us was bereft, fearful, or confused, we were always there for one another, extending our support across national boundaries and time zones. Although our situations may change, I firmly believe that this fundamental relationship will endure.

May 15, 2014

China's Foreign Policy under Xi Jinping

Rumi Aoyama

One year after China's 2013 power transfer, Waseda University professor Rumi Aoyama plots the trajectory of Xi Jinping's diplomacy and foreign policy.

* * *

After more than three decades of "reform and opening up," China is approaching a major bend in the road. The government today must cope with a host of pressing domestic challenges, including a drop in economic growth, a shifting social structure, and above all, social unrest stemming from growing socioeconomic inequality.

When President Xi Jinping came to office a year ago, in March 2013, his government inherited a daunting policy agenda from the previous regime. This is precisely why the Chinese had such high hopes for a fresh approach that would cut through the web of vested interests and follow through on much-needed reforms. It is also the reason so many foreign observers are anxious to forecast the course of Chinese policy over the next 10 years.

In the following, I offer a quick review of Chinese diplomacy over the past year and a brief characterization of the Xi regime's foreign policy, seen against the backdrop of its urgent domestic priorities.

Taking Charge Domestically

A number of new domestic policies have already come into effect in the year since Xi Jinping took power. Among the most significant are initiatives to rein in shadow banking, root out corruption, and strengthen controls over the media and public opinion.

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Shadow banking, the collective term for nonbank financial dealings, has expanded rapidly in recent years, raising fears that a rash of bad loans could precipitate a credit crisis. The government has begun tightening oversight of shadow banking services to discourage incautious lending and avert a crisis.

At the same time, it is taking steps to steer the economy away from the investment-driven growth model that has prevailed in recent years. Amid slowing growth and rising fears of a credit crunch, the world is watching anxiously to see whether the economic policies of Premier Li Keqiang can pilot the Chinese economy toward a soft landing.

The new leadership has also taken a tough stand on corruption. The central government has set up more than 10 regional and sector-specific inspection teams, each led by a former governor or similarly high-ranking retired official under the age of 70. In this way, the Communist Party is taking the initiative in a "mass line" anti-corruption campaign targeting its own members, instead of relying on the legal system. While the aim is doubtless to shore up the party's legitimacy and help ensure the regime's continued stability, there are intrinsic limitations to such an approach.

This effort to strengthen the party's self-purification mechanisms has been accompanied by measures to tighten government control over Chinese society. Media censorship has tightened, and intellectuals have been instructed to steer clear of such sensitive topics as "democratic reform," "human rights," and "universal values."

Active Diplomacy

The Xi regime has also been extremely active on the diplomatic front over the past year, as the following summary will attest.

The first foreign country Xi visited after taking office was Russia, where he arrived on March 22. From Russia, Xi headed to Africa to attend the fifth summit of BRICS (Brazil, Russia, India, China, and South Africa) in Durban, South Africa, stopping also in Tanzania and the Republic of Congo. The Chinese official media heaped praise on all three of Xi's African host countries, calling them "China's good brothers, good friends, and good partners."[1] In Tanzania (an "old friend" whose support "China will never forget"), Xi and President Jakaya Kikwete signed a package of agreements that will clear the way for Chinese financing and construc-

[1] Xinhuanet, March 18, 2013. http://news.xinhuanet.com/world/2013-03/18/c_115067812.htm

tion of a port at Bagamoyo on the Indian Ocean, part of Beijing's co-called String of Pearls strategy.

Premier Li Keqiang followed this up with his own maiden tour (May 19–27), traveling first to India and Pakistan, then to Switzerland and Germany. Just three weeks before he arrived in India, tensions had spiked as a result of a standoff between Chinese and Indian troops along a disputed border in eastern Kashmir. Fortunately, a series of high-level talks had defused the situation by arranging a simultaneous withdrawal prior to Li's visit. Before Li left New Delhi, the Chinese and Indian governments issued a 35-point joint statement setting forth areas of agreement on the border dispute, trade, and other pending issues.

Pakistan has emerged as a major focus of Chinese foreign policy ever since Washington announced its intent to "rebalance" strategic resources toward Asia. This was apparent as early as 2012, when a spokesperson for China's Ministry of Foreign Affairs referred to Pakistan as a key "political ally, security shield, and economic market" and characterized the China-Pakistan relationship as "stronger than steel."[2] In the joint statement issued on the occasion of Li's visit, the Pakistani government agreed to join with China in condemning the East Turkestan Islamic Movement in Xinjiang as a common threat to stability and peace.

On the eve of Li's visit to Switzerland, the *Neue Zürcher Zeitung* carried a signed article by the Chinese premier titled "Why Switzerland," explaining why that nation was chosen as the first European stop on the Xi government's diplomatic itinerary. In the piece, Li notes that Switzerland was one of the first European countries to recognize China's status as a free market and extols the impending China-Switzerland free-trade agreement—then in the final stages of negotiation—as the first such pact between China and any continental European nation.

Li arrived in Germany just as the European Union was deliberating anti-dumping measures against imports of Chinese solar panels, and he was able to extract a promise from German Chancellor Angela Merkel to help avert the imposition of any permanent tariff. (The following July, the EU and China settled the dispute by

[2] Luo Zhaohui, "2011-nian Zhongguo de Yazhou waijiao" (China's Asian Foreign Policy in 2011), People.cn. http://fangtan.people.com.cn/GB/147553/237748/index.html

concluding a minimum-price agreement.)

No sooner had Li returned home than Xi embarked on his second official overseas tour as president (May 31–June 6), this time heading for Latin America. Of the 23 countries that continue to maintain diplomatic relations with Taiwan instead of the People's Republic of China, about half are located in Latin America and the Caribbean. In 2008, the Chinese government issued a policy paper on Latin America and the Caribbean stressing its determination to place greater emphasis on the region. President Xi put this policy into action with state visits to Trinidad and Tobago, Costa Rica, and Mexico. As China's official media explained it, these three countries were chosen in part for their positive response to Beijing's proposal for the creation of a China–Latin America cooperation forum.

In Trinidad and Tobago, Xi had the opportunity to meet with the leaders of eight Caribbean countries. Costa Rica was a natural choice as the only Central American nation with which China has official diplomatic ties (established in 2007), and as the partner in an FTA concluded in 2010. Mexico, a member of the Group of Twenty, has also assumed a position of importance in China's foreign policy. In Mexico, President Enrique Peña Nieto and President Xi signed a 33-point joint statement.

The final stop on Xi's second overseas tour was the United States, where he spent a newsworthy eight hours in tête-à-tête with President Barack Obama. The conversation reportedly ranged across a number of key topics of bilateral concern, including cyber spying, North Korea's nuclear weapons, and global warming. Unfortunately, the only substantive progress announced by the two leaders was an agreement to discuss ways of reducing emissions of hydrofluorocarbons, or HFCs, used in refrigerants.

Neither American nor Chinese media reports on the Xi-Obama summit revealed the specific content of the Xi-Obama talks. Xi left his American hosts with no gratifying memento in the form of a surprise agreement or concession, and as a consequence, the summit was widely deemed a disappointment in terms of concrete results. However, the official Chinese media offered a more sanguine assessment, claiming that it had served its purpose of helping to "build a new type of major-power relationship" and minimizing conflict between the two nations.[3]

Certainly it would be unrealistic to expect longstanding tensions and disagreements between Beijing and Washington to be resolved overnight, or for the two

[3] For more on the "new type of major-power relationship," see Bonji Ohara, "Japan in the New Era of US-China Relations." http://www.tokyofoundation.org/en/articles/2013/japan-in-new-era-of-us-china-relations

governments to reach a groundbreaking accord as a consequence of one summit meeting. China and the United States have already opened more than 90 channels of intergovernmental dialogue—far more than Tokyo has with Beijing. If Washington and Beijing can take advantage of these channels in the coming months to advance negotiations and minimize conflict, then those eight hours of talks between Obama and Xi will have been worthwhile.

Xi Jinping's Foreign-Policy Priorities

The government of Xi Jinping has its work cut out on the domestic front, though, as it attempts to navigate the shift to a new industrial structure and economic growth phase while containing social unrest and maintaining stable one-party rule. Given these domestic challenges, the overriding imperative for Chinese foreign policy today is to ensure a peaceful and stable international climate.

At the same time, China must cope with the challenges of a changing international environment. In recent years it has come into mounting conflict with some of its neighbors over territorial and maritime issues, and the US administration's decision to refocus its strategic resources on East Asia has complicated the regional situation further. The diplomatic activity described above reflects the foreign-policy priorities that the Xi Jinping regime has embraced in response to these circumstances. They can be summarized as follows.

(1) Maintaining a stable international environment: This posture is apparent in the Xi regime's emphasis on cooperation with the United States and its determination to "minimize conflict" between the two powers, as revealed in the upbeat official evaluation of the Xi-Obama summit. It is also reflected in remarks on maritime policy delivered by Xi in July 2013, in which he became the first Chinese leader to suggest in this context that "maintaining stability" was a priority on a par with that of "safeguarding rights." As M. Taylor Fravel has pointed out, this is a potentially significant departure, suggesting that Beijing may be prepared to adopt a more cooperative approach to territorial disputes, even if it refuses to compromise on sovereignty per se.[4]

(2) Actively cultivating relations with "old friends" in response to Washing-

[4] M. Taylor Fravel, "Xi Jinping's Overlooked Revelation on China's Maritime Disputes," *The Diplomat*, August 15, 2013. http://thediplomat.com/2013/08/15/xi-jinpings-overlooked-revelation-on-chinas-maritime-disputes/

ton's rebalancing policy: Chinese officials and media reports have made a point of identifying the countries on Xi's and Li's itinerary as old friends that "dug the well"—that is, countries that stood by China at some critical juncture, and to whom China owes a debt of gratitude. Not all of those countries have responded with equal enthusiasm to China's overtures, and Beijing may have made less progress on this front than it had hoped. But it may have at least achieved the goal of sending a strong message to the Obama administration regarding the latter's "pivot to Asia."

(3) Expanding China's international clout in the emerging developing world: This, too, is apparent from the prominent place of South Asia, Africa, Latin America, and the Caribbean on the diplomatic itinerary. Conscious of its own growing power, China has been working energetically to strengthen its relations with G-20 and BRICS countries, such as India, Mexico, and South Africa, that are playing a rapidly expanding role on the international stage. The new regime also seems particularly keen to boost ties with energy-producing countries.

As noted above, the Xi regime is devoting most of its energy to the difficult policy issues it faces on the domestic front. Given the extent of these domestic challenges, it seems likely that the government will continue to chart a cooperative foreign-policy course with a view to maintaining a stable and peaceful international climate.

To be sure, one cannot rule out the possibility that the current government will shift at some point to a hardline, hawkish stance in hopes of fanning nationalist sentiment and strengthening unity at home. At present, however, the essence of the current government's foreign policy is to carry on the previous regime's campaign to expand China's clout in the global community, while redoubling its efforts to maintain a stable international environment.

April 22, 2014

Worsening Water Shortages

Kunio Takami

Water shortages in Shanxi Province, China, are impacting seriously on agricultural production. As rivers and wells have dried up, some villages lack even enough drinking water. Kunio Takami writes of the efforts to provide water to parched villages, including through well-digging schemes involving his environmental NPO, as well as of major infrastructure projects designed to supply water to Beijing and other major cities.

* * *

Nine Years of Drought, One Year of Floods

In one of the farming villages near the city of Datong in Shanxi Province, where *Midori no Chikyu Nettowaku* (Green Earth Network) has been involved in reforestation projects for many years, there is a folk song called "How High the Mountains." For generations local people have sung this song that describes the harshness of the natural environment around them: "The mountains are close by, but there is no firewood with which to cook. There's drought in nine years out of ten, and in the other comes floods." It is a short verse—just 16 characters long in the original Chinese. After visiting the region for 22 years, I feel that the words reflect with remarkable accuracy the problems people here face.

The second line of the song is borne out by statistics. Average annual rainfall is 400 millimeters, although in some years more than 600 mm of rain falls. The year 1995 was one such example. There was severe drought until mid-July, but toward the end of the month it began to rain. The rains normally come to an end in mid-September, but that year they continued into October. Many of the local houses are made of earth; rainwater drenched the roofs and walls of these structures, causing many to collapse. The tragedy affected 60,000 households—some 240,000 people in all.

Kunio Takami *Executive Director, Green Earth Network.*

But such years are the exception. Much more frequent are years in which it hardly rains at all. In 1999, for example, the region suffered the "worst drought since the founding of the People's Republic." Local farmers got almost no harvest from their maize that year. In upland areas like the Huangtu plateau, many farmers did not even bother to plant a crop that was clearly doomed from the start. The drought, which happened to coincide with the fiftieth anniversary of the People's Republic, can be fairly described as the kind of drought that comes once every 50 years. The situation was made even worse when another drought hit in 2001, and the mountains were singed brown into the summer months. The scale of this drought was even worse—people said a drought like this came just once a century. The region, hit by a "once-every-50-years" drought, thus suffered from a "once-a-century" disaster just two years later.

Rivers That No Longer Flow

Flowing water has all but disappeared from the major and minor rivers of the province. The Sanggan River rises in Mt. Guancen in the northwest of Shanxi Province, and transects the center of Datong City from west to east. In Datong County, Route S203 crosses the Sanggan via a bridge. Every time I cross the bridge I pause to take a photograph and check the water level. The last time I saw any substantial amount of water in the river was in July 1997, when I watched a local farmer drive his flock of sheep into the fast-flowing waters of the river for a bath. Since then, the running stream of water has vanished, and often the riverbed is absolutely dry.

In Ying County a little farther upstream, the entire riverbed is given over to fields planted with maize; there would be no room for a flowing river here anymore. Here too I take photographs whenever I pass through. In the summer of 2012 I was chased away by farmers who were working in their fields. There are watermelons growing at the back of the fields of maize, and apparently they had mistaken me for a watermelon thief. In the spring of 1993 poplars were planted here to strengthen the riverbanks. When the trees were saplings, the surging waters of the river sometimes used to rush up over their roots. Today, the poplars have grown but the river has dried up.

According to local accounts, this drop in the water level came suddenly. The Yuhe, which flows north to south through the easternmost extremity of downtown Datong, is one of the largest of the Sanggan's tributaries. Thirty years ago, locals say, there was always plenty of water, and it would have been impossible to ford the river on foot. Now, the flowing stream has disappeared altogether and people have built weirs like pools that serve the park situated on both sides of the river, where treated waste water from the city is stored.

Until recently an iron image of a bull stood in the grounds of the ancient Shanhua Temple. The image, which dates from the Ming dynasty, was apparently placed on the west bank of the Yuhe to pacify the river, which used to flood repeatedly. Now it has been moved to a museum in Datong ready for public display. In East and West alike, it is the job of the bull to fight back against the powers of the dragon who rules the waters.

Digging Wells in Farming Villages

In the drought year of 1993, only 4 of the 11 villages in Sunjiadian, Tianzhen County, produced more than 200 kilograms of grain per person, producing between 293 kg and 528 kg per person. All four were places where underground water makes irrigation possible. In 5 other villages, per capita grain production ranged from just 39 kg to 79 kg. In these villages, almost no irrigation was possible. The minimum amount of grain required to sustain one adult is 200 kg per year. To obtain this, irrigation is essential, and once a village starts on irrigation there is no turning back. Declining underwater water levels are a problem throughout the region.

Drinking water is also a problem in some villages. When we carried out a survey in 21 villages in seven counties in 2000, the most common responses were, "We have no shortage of water and practice irrigation" (42.6%) and "We have water sufficient for our daily needs, but no irrigation is possible" (47.4%). Far fewer respondents chose "We have sufficient drinking water but need to be careful how we use it" (18.3%) or "We lack sufficient water and must get water from other villages" (3.6%).

At first glance, these responses may make it look as though the water shortage

problem is not too severe. When we asked about the amount of water required per person per day, however, the average across the 21 villages was 23.8 liters, with a high of 31 liters and a low of 15.6 liters. And 61.6% of respondents said that water availability was decreasing. The percentage was higher in villages that used less water, rising to 70% in Yujiashan, where the average water use was 15.6 liters per person per day.

Wishing to do what we could to help, our organization cooperated with a well-digging project. The village of Yuanxizhuang in Guangling County originally had 20 wells but these gradually dried up so that by 1997 only 4 were still producing water, with local people being able to draw only 100 buckets of water per day. This was divided among 150 villagers and their livestock.

Using donations collected in Japan, we dug a well capable of producing 15,000 liters of water per hour from a depth of 176 meters. This was not enough to support irrigation, but villagers started to plant vegetable plots in their gardens, cultivating tomatoes, cucumbers, and green beans, which they had previously had to buy. We also cooperated on another well-digging project in Shiweng, Lingqiu County, where we reached water at a depth of 183 meters, enough to supply drinking water to three surrounding villages.

Since then, as part of the process of poverty relief, wells have been dug in more villages that were struggling to meet their water needs, and there are no longer villages without adequate drinking water. In this sense, it is fair to say that the effects of economic development are reaching even these poor villages. The last place remaining without sufficient water was the village of Yujiashan, which I mentioned briefly above. The natural spring near the village has hardly produced enough to meet the villagers' needs, and they were forced to travel long distances to get water from other villages. Using grant assistance for grassroots human security projects provided by the Japanese Ministry of Foreign Affairs, we cooperated on a well-digging project. Although the first attempt was unsuccessful, a second attempt in a different location struck water at 140 meters.

In April 2008 a ceremony was held to mark the successful completion of the well with the participation of a tour group from Japan. The whole village danced together with smiles on their faces after the ceremony. After a while, the sound of sobbing was heard from somewhere in the crowd. Before long it had spread through the entire group. An executive at the county's water authority told me, "Only outsiders like you could have succeeded in digging a well in that village." Numerous attempts had been made to dig a well there in the past, all of them unsuccessful.

Datong: Source of Beijing's Water

The Sanggan River flows east into Hebei Province, merging with the Huliuhe and Yanghe to become the Yongding. The Yongding flows on until it is stopped just outside Beijing by the Guanting dam and reservoir, which along with the Miyun dam is one of just two reservoirs serving the capital. In this sense, Datong can be described as the source of Beijing's water. For the region to experience such severe water shortages is therefore a serious problem indeed.

Beijing has pinned its hopes on the central route of the South-North Water Diversion Project. This will bring water from the Danjiangkou reservoir on the Yangtze River system to Beijing and Tianjin along a channel some 1,432 km long. Construction work on the main part of the project is now complete, and in late 2013 the media started to report that the project would begin operations in 2014. After some delays, the construction work has finally been completed.

But Beijing could not wait. It accelerated work on the final stage of the South-North project, linking Shijiazhuang in Hebei Province and Beijing, and this section has been bringing water to the capital from four dams in the cities of Shijiazhuang and Baoding since September 2008, just after the Beijing Olympics.

The water in the Guanding reservoir comes from the northern part of Datong; since then, the southern part of the city has also provided water to Beijing. The Tanghe River, which has its source in the southern part of Hunyuan County, collects rainwater that falls in Lingqiu County and then cuts through the Taihang mountain range before emptying into the Xidayang reservoir in Tang County, Hebei Province. The Shahe-Dashahe River that flows through the southern part of Lingqiu County empties into the Wangkuai reservoir in Quyang County, Hebei Province. The Hutuo River is also dammed in two places, at the Gangnan and Huangbizhuang reser-

voirs. The river rises close to the border between the cities of Datong and Xinzhou in Shanxi Province. Water from these four reservoir dams is transported to Beijing.

It is often the case with a huge project that people's expectations and hopes for the benefits it will bring grow and grow during the long years before the project is compete, only for problems to come to the surface once it actually starts functioning. It remains to be seen what results the water diversion project will really bring when it is finally complete.

April 3, 2014

Growing the Japan-Europe Partnership

Akiko Fukushima

Only a few decades ago, Japan and Europe were embroiled in a highly contentious "trade war." In the years since then, though, ties have expanded well beyond the domains of trade and investment, Senior Fellow Akiko Fukushima notes, and we are now cooperating in areas ranging from politics and security to education and cultural exchange. Negotiations are now underway on a free-trade agreement, and the two regions are emerging as important partners with shared values. The following is reprinted with permission from the April 2, 2014, edition of the Japan News.

* * *

On March 10, 2014, about 200 representatives of government, academia, business and media from EU member states, Japan and other Asian countries gathered at a hotel in the European Quarter of Brussels for a conference titled "EU-Japan: Ready for a New Stage in Relations?" which I also attended as a panelist. Hosted by Friends of Europe, a Brussels-based think tank, the conference explored several questions: "What are the roadblocks in fostering Japan-EU relations?" "How can Japan and the EU move to the next stage of cooperation?" and "What is the grand future vision for the relationship?"

In order to answer these questions, we must put Japan-EU relations in a historical perspective. Only a few decades ago, Japan and Europe were embroiled in a highly contentious "trade war." In the years since then, though, both the EU and Japan have tried to expand their relationship well beyond the domains of trade and investment to areas ranging from politics and security to education and cultural exchange.

The decisive "Battle of Poitiers" between Japan and Europe was fought not in 1356 but in 1982, when Japanese VCRs claimed almost 90 percent of the French

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market. In order to stop the massive flood of imports from Japan, France shut down the customs clearance office at Le Havre and moved it to Poitiers, a development symbolizing the trade war between Japan and Europe during the 1980s. We have come a long way since then.

There are lingering differences between Japan and Europe over certain issues, such as capital punishment, but they are certainly not flagrant enough to constitute a "war." Instead, we tend to focus today on shared universal values, such as freedom, democracy, respect for fundamental human rights and the rule of law, as well as on common principles like a market economy. In fact, Japan and Europe see great potential for further collaboration, going beyond the traditional domains of trade and investment.

In 1991 Japan and the European Community adopted a joint declaration that expanded our areas of cooperation to political and security areas. Ten years later, in 2001, the two sides adopted an action plan to promote cooperation in areas ranging from politics and security to education and cultural exchanges. Through these steps, relations between Japan, the EU and its individual member states have grown steadily.

Now the relationship is about to move up to the next stage. Japan and the EU are currently negotiating two new instruments, namely, a strategic partnership agreement (SPA) and a free trade/economic partnership agreement (FTA/EPA). Japan and the EU may not have identical economic interests, but when agreement is reached on an FTA/EPA, this will no doubt benefit not only our two economies but also the global business community.

An SPA, meanwhile, should offer a new paradigm for cooperation on a variety of political and security challenges. Security issues are no longer confined to traditional concerns about territorial integrity, although these are still very important, as we are witnessing in Ukraine. Worries also include fragile states, terrorism, the illegal trafficking of humans and narcotics, the proliferation of weapons of mass destruction, pandemics, climate change, natural disasters and cyber-attacks, to name a few. These security concerns are not only diversified but also intertwined and indivisible, thus requiring a synergistic approach to ensure an effective response.

When examined closely, Japan and the EU have long been working on similar agendas at similar locations, although such cooperative efforts have often gone unnoticed. Both have contributed to peace and stability in such areas as the Balkans, Afghanistan, East Timor and the Horn of Africa through the mediums of diplomacy, security cooperation and development assistance.

Japan's dispatch of Self-Defense Forces to Djibouti to conduct antipiracy oper-

ations in the Gulf of Aden is one illustration. On Jan. 18, 2014, the EU's antipiracy Operation Atalanta, with the support of a Japanese Maritime Self-Defense Force patrol aircraft and a helicopter from the Japanese destroyer *Samidare*, apprehended five suspected pirates in a dhow. In the Horn of Africa, the EU has been training coast guard members at the Jazeera Training Camp in Mogadishu, Somalia, while Japan is offering training for the Djibouti Coast Guard. Such capacity-building assistance can be combined in the future to establish a robust and seamless law enforcement presence along Africa's eastern coast.

The EU is pursuing its initiatives in fragile and conflict-affected countries in the Horn of Africa and the Sahel region under a "comprehensive approach" combining a wide array of policies and tools at its disposal spanning diplomacy, security, defense, finance, trade, development cooperation and humanitarian aid.

Japan, too, is taking a holistic approach under the label of "human security," aimed at promoting freedom from fear, freedom from want and freedom to live in dignity. Some argue that Japan and the EU have different interpretations of human security, with the EU's focus being on human rights and freedom from fear while Japan's is on freedom from want. Both, though, endorsed the U.N. resolution on a common understanding of human security in September 2012, which embraces both freedoms. The concept of human security, moreover, enables us to perceive the complex and interdependent nature of people's anxieties and the importance of involving a broad spectrum of sectors to address a full range of such anxieties.

While Japan's traditional geographical focus has been on the Asia-Pacific, this has recently been expanding to cover broader areas, as exemplified by Japan's hosting of the Tokyo International Conference on African Development. Indeed, Japan has deployed an SDF engineering unit comprising approximately 400 personnel to the U.N. Mission in the Republic of South Sudan since 2011, and last year, members of the SDF, Japan International Cooperation Agency and nongovernmental organizations worked together to rebuild the main road in the Nabali district of Juba, the nation's capital.

Local people had been unable to use the road due to flooding during the rainy season, and this was considered a factor in the area's persistent epidemics. But with the road rebuilt and drainage ditches provided, the road can be used year-round. The mayor of Juva remarked that, for the people, the project symbolized the arrival of peace. Sadly, though, conflict has returned. Even so, Japan feels that combining different actors in addition to dispatching SDF personnel, as in the South Sudan case, is an effective approach and has utilized it in several multinational operations, starting with Samara, Iraq, in 2003 and Haiti in 2010.

In its first National Security Strategy announced in December 2013, Japan

outlined a policy of using the tools and policy instruments of diplomacy, defense, and development assistance to promote the peace, stability, and prosperity of its own country, the Asia-Pacific region and the international community. Japan has also announced a commitment to make a proactive contribution to peace based on international cooperation.

Thus, despite the differences in terminology—human security versus comprehensive approach—Japan and the EU are two soft-power partners with a common agenda and common values. Countries that "threaten" each other or do not share values cannot be partners. In the globalized world, many of us may have a common agenda but not necessarily common values. Capitalizing on our respective strengths and shared values, Japan and the EU should be fighting alongside one another, rather than against each other. The battles today are not over VCRs but should be waged against threats to the peace, stability and prosperity of our respective countries and regions, as well as of the global community.

Taking our partnership to the next stage requires imagination, wisdom, political will and leadership to clear the roadblocks to a broad-based coalition, not only in traditional economic areas but also in our political, security and cultural relations. We will need to coordinate our activities in putting the pieces of the jigsaw puzzle together. When the pieces fit, Japan and the EU will emerge as even stronger architects in the building of a resilient international society. In the age of unpredictability, resilience—the capacity to manage crisis rather than be overwhelmed by it—will henceforth be a key component of our ties as well as for the international community.

March 28, 2014

President Obama's April Trip

With a Focus on US-Japan-ROK Relations

Chris Nelson

Chris Nelson, the editor and publisher of the influential Nelson Report on Washington's foreign policy, particularly toward Asia, was a featured speaker at the Tokyo Foundation Forum held on March 19, 2014. He discussed President Obama's upcoming trip to Japan, South Korea, Malaysia, and the Philippines and the administration's views of Japanese domestic and foreign policy with Akio Takahara, Tokyo Foundation senior fellow and University of Tokyo professor, and Tsuneo Watanabe, the Foundation's director for foreign and security policy research. The Forum was moderated by Research Fellow Takaaki Asano. The following are notes prepared by Nelson prior to the presentation, reprinted here with the permission of the speaker.

* * *

When I started to draft these remarks, the initial working subtitle was "The Crisis in US-Japan and Japan-Korea Relations." Indeed, through almost lunchtime last Friday, that's what most of us thought we'd be dealing with, following the apparently unsatisfactory event of Vice Foreign Minister Akitaka Saiki's visit to Seoul earlier in the week.

Frankly, most of us in DC thought we were really in for trouble between Tokyo and Washington and between Seoul and Tokyo, and there were increasingly public calls for US "shuttle diplomacy" (former Assistant Secretary Kurt Campbell) and "mediation" (former National Security Advisor Tom Donilon).

But then, almost like a form of divine intervention, considering the enormous anxiety generated by the December 26 visit to Yasukuni Shrine by Prime Minister Shinzo Abe, and more recently the announcement by Chief Cabinet Secretary Yoshihide Suga of what sounded like a reexamination of the entire basis of the Kono and Murayama apologies, suddenly we saw the prime minister stand in the

Chris Nelson *Senior Vice President, Samuels International Associates.*

Upper House and, speaking as prime minister, and not in some personal, informal remarks, for the first time give a very firmly, plainly worded pledge that he and his cabinet would not revoke either Murayama or Kono.

As you know—or should know by now—our friends in Seoul monitor every word from senior officials in Japan. Indeed, they parse every syllable, much as sometimes the Japanese media and officials scrutinize every utterance by President Barack Obama or, say, Ambassador Caroline Kennedy.

Let me risk a mixed metaphor by saying, when you get a gift from heaven, don't look a gift horse in the mouth! Translation: I was inundated, literally, with very informed messages from scholars, journalists and political activists in Japan, Korea, and the US explaining in excruciating detail all the possible nuances that could end up destroying the meaning and effectiveness of Abe's pledge.

Chris Nelson

So I say to them and ask you: Does anyone think for one minute President Park Geun-hye doesn't know all those possible reasons for doubt, even cynicism? For us, the bottom line now is very clear:

President Park welcomed what she heard from the prime minister, because after months of saying she would never meet with Abe-san until there was a full acceptance of the truth about history as seen by the ROK (and, indeed, most of the world), hours after the prime minister's speech to the Upper House was conveyed to Seoul, we see her express a willingness to meet and to try to find a common ground to work for the future, rather than battle over the past.

In fairness to the second Abe administration, the malaise in US-Japan relations—in terms of confidence in each other—predates the difficulties between Tokyo and Seoul. Years of US frustration with weak prime ministers culminated in the near disaster of the first couple of years of Democratic Party of Japan government.

It started with what seemed like half the Diet traipsing off to Beijing with Ichiro Ozawa to kiss Hu Jintao you-know-where, and you remember the media speculation about Japan "tilting" to China. Hard to recall how anyone could have been that naïve, isn't it!

But despite the continued stalemate over Futenma, US-DPJ relations got better

during the course of the Yoshihiko Noda administration, and officials like then-Foreign Minister Seiji Maehara helped restore Japan's reputation as a serious partner and player.

But if I launch into all this now I'll never get to the Malaysia and Philippines parts of the Obama mission, which I want to do as the Philippines serves as a "might have been" or, indeed, as an emerging "worst case" for what Japan-China could become if we don't all handle things correctly.

So let's start down south and work our way up, and I should start by saying my original "crisis" title also was based on my full agreement with Abe-san's remarks at Davos that so upset the Europeans. Asia is increasingly at risk of a "1914"-style mishap leading to a catastrophe that, of course, no one wants.

Malaysia

The "good news" part of my original speech was going to start with Malaysia and Southeast Asia because Prime Minister Abe and his team are universally seen in DC as doing a great job of reaching out and solidifying Japan's relations throughout the region, so this is a good place to begin now.

To be frank, the US needs to do a better job with "KL," as us Asia-types like to call Kuala Lumpur, and it really goes back to the Bill Clinton era, specifically to a visit by then-Vice President Al Gore. Horrified White House staff told us at the time that Gore basically made an ass of himself, bullying, hectoring, and playing the Ugly American role as though following a bad script.

It wasn't that he was wrong to be focusing on the environment, human rights, democracy, and so forth, but there are ways to do it and then there are stupid ways to do it, and Gore managed to do it so badly, the government to government level relationship was thrown into a pit from which, in many ways, it's never quite recovered.

Obama took office in early 2009 and came to announce the "pivot" to Asia, which was then and is still today largely misunderstood and not entirely satisfactorily explained by the administration, although its "messaging" has improved over the last year or so.

The fact is the pivot was always more about a re-focus on Southeast Asia, ASEAN especially, since then, as now, there was never any drop-off in US focus on Japan, China, Korea and, especially, North Korea. The vast majority of US forward-based armed forces of every branch then and now remain in Northeast Asia (as, indeed, our friends down on Okinawa always remind us!)

But for years under George W. Bush, Southeast Asia was an afterthought, with

nearly no significant summit visits to the region, despite the increasingly vocal pleas of the US business community then, as now, largely good Republicans, I'd note. All that changed under Obama and, stimulated by his personal participation in APEC and the ARF, TPP has helped achieve much of the "re-focus" that was the original intent of the Pivot, pending, of course, successful results.

So back to Malaysia and the Gore visit; when you throw last week's depressing recurrence of the Anwar persecution—not prosecution—into the pot, or pit, maybe, here we are again, and this time it's not our fault. Even so, we're hoping that Obama, a far more sophisticated analyst than most, will speak and act in ways which reflect the importance of Malaysia and the ASEAN region per se.

That, of course, is why Obama has rescheduled and persevered with his long-standing plans to visit, but which the budget wars with Congress made initially impossible. This time let's hope that Ukraine and who knows what won't intervene!

A special focus is expected to be on improving chances for Malaysia to work out its remaining issues on TPP, and Malaysian friends say they badly need to hear from Obama himself how important that is to the US. That includes giving the local business community a boost and offering the example of US companies as best practices on health, education, clean energy, entrepreneurial spirit, and so forth.

As you know, reform is never easy, and Prime Minister Najib Razak is under serious domestic pressure to quit TPP (alas the downside of Anwar's domestic opposition).

Still, like Abe-san, Najib knows he needs TPP to help push domestic economic reform and growth. Unlike US-Japan, America's trade with Malaysia can be diverted elsewhere, and the postponement of an FTA back in 2008 puts even more emphasis on TPP this time. So the White House knows all this, and we'll see how Obama handles it.

The Philippines

The Philippines is a former US colony, most Americans conveniently forget, since our people are not taught much about our own Imperial Age, preferring a national myth that grants pure motives and positive outcomes to a great deal of the nineteenth and early twentieth centuries.

(Conservatives in Japan and China aren't the only ones who prefer to use "history" as a form of psychological identity therapy, if that's any consolation to those working to overcome the current tensions with Seoul, in particular. But we'll get to that shortly.)

We suspect that no matter what may be on the official agenda, what Obama

and President Benigno Aquino are going to most seriously focus on will be China. And while the situation of the Philippines "versus" China in superficial ways resembles that of China-Japan, the differences are what have helped create the on-going, largely depressing situation Manila now faces.

While the US-Philippines mutual defense alliance is in many ways similar to the US-Japan arrangement, the determining fact is the fundamental weakness of the Philippines in virtually every area that counts for strategic strength, starting of course with air and naval forces.

Manila basically had nothing with which to resist the Chinese use of paramilitary "civilian" ships and aircraft to carve out areas of dominance in traditional fishing grounds, and lately the overt use of PLA Navy and Air Force assets to enforce the takeover. One old Coast Guard cutter, barely armed, and one more on the way from the US, present no deterrent, and the reality of the situation remains that the 7th Fleet is not about to steam around defending anyone's fishermen from China except under pretty dire circumstances that we all hope we'll never see.

But that reminds us—you saw last week the Chinese block a food shipment to the brave Philippine Marines holding out on a ship wrecked on a reef within territory now taken-over by the PLA Navy. Our good friend Ralph Cossa of the Pacific Forum CSIS in Hawaii has a great idea about how to make a point and do something at the same time:

The US Navy should respond to an SOS call from that Philippine crew as required by international maritime law on a humanitarian basis and airdrop food and medical supplies to those guys before they are starved out. What do you think of that idea? I like it.

To short-hand what we could spend an hour on, there is only one upside to the very sad downside now facing Manila: a Chinese "fait accompli" of forcing access to and basically assuming control over traditionally international and/or Philippine maritime resources.

And that upside is frankly pretty scary:

There is now general acceptance in the US that Beijing is trying the same set of tactics, the same strategy against Japan in the Senkakus. Only unlike poor Manila, Japan has perhaps the largest, most modern, up-to-date and effective air and sea military of anyone in North Asia save the US, although of course China is rapidly building up assets and capabilities across the board.

(And we don't want to slight our South Korean allies, and let's remind ourselves—both Americans and Japanese—the Koreans are our allies!)

Our Chinese friends, as Kurt Campbell always calls them, only slightly tongue-in-cheek, for most of the 2000's seemed on a roll: Beijing's "soft power" campaigns

seemed to be making friends all over, China's always-growing economy seemed to promise a new model for everyone in Asia, and the 2008 financial collapse, coming after the catastrophe in Iraq, seemed to presage the rapid decline of the United States, with all that implies.

But, perhaps like Mr. Putin in Ukraine with his takeover of Crimea, China got overconfident and arrogant. It began pushing around neighbors like Vietnam, the Philippines, and, finally Japan, in ways so overtly military, and using arguments that sounded like a return to nineteenth century national state imperialism, that frankly, the US now finds itself more in demand as a strategic partner than at any time in recent memory.

ASEAN for nearly 10 years has been in on and off again efforts to seriously negotiate a Code of Conduct for maritime exploration, rights of passage, and how to handle confrontations, and for the past couple of years it's been Beijing, using its proxies to block a real agreement.

Clearly we all have to keep trying. No doubt this will come up throughout Obama's trip.

Now having said all that...let's step back a bit and try to see if we can encourage a less emotional reaction to China. It is not the first rising power to start behaving like one, it is not the first rising power to demand that the existing power or powers—call it the "hegemon," if you want—move over a bit and cede rule-making and interpretation power, share them, at least.

And it is not the first rising power to spend a hell of a lot of money on armaments and the physical tools of both offense and defense, and likely it won't be the last. Indeed, Japan—pacifist by experience and Constitution—after all spends a lot of money on arms, equipment, and a very fine military.

The point, as Don Rumsfeld so memorably asked many years ago, is what China plans to do "with all this military"!

So what does worry a lot of us—scare a lot of us, to be frank—is an increasing sense that for all its "lecturing" of Japan about "history," the Xi Jinping administration seems to be following an almost nineteenth century model of imperial domination: if you want and need resources, you have to physically control the resources.

Why anyone would want to repeat the worst aspects of the twentieth century is hard to understand. (And I have to say, to be put in the position where China feels justified in lecturing about "history" is like being called ugly by a frog. The day that Chinese authorities allow an honest discussion of Mao, the Great Leap Forward, the Cultural Revolution, and Tiananmen Square is the day China can lecture Japan about anything, but we'll get into that more below.)

To sum up quickly on the China risk: We in DC may be kidding ourselves, but the sense is that for all its bullying, the leadership has a good bottom line sense of its real interests, and there will remain another generation of regional peace and stability and economic growth. So in reality, what we fear most isn't "1914" by design, but by accident.

On balance, there's evidence that the PLA Navy is getting more sophisticated in risk management. We understand from good sources that the recent USS *Cowpens* incident had one bit of important good news: At some point, the two directly involved ships' captains talked directly, something the PLAN has not allowed before.

The greatest risk of accident leading to escalation therefore remains the PLA Air Force, whose pilots remain less a known factor than a senior ship's commander. This has been true since well before the 2001 Hainan Island confrontation between a PLAAF pilot and an EP3 US surveillance aircraft.

South Korea

We're going to keep this section brief, as a great deal of the Obama/Park discussion we can be pretty sure will be about "Japan" and Abe specifically. So let's hope that nothing untoward happens between now and then to change the conversation in directions no one wants.

The Korea-US FTA has had its second anniversary, and you've likely seen the criticisms of US auto interests, led not just by the usual folks on Capitol Hill but also NGOs, who have increasingly lined-up against TPP for a variety of reasons. We can talk more about that in the Q&A if you want. Seoul of course is in a "watch and learn" mode on TPP, as it's already got its FTA with the US, and it's doing RCEP with you and our Chinese friends.

Whether that's ever going to see the light of day I'd love to know, but perhaps my visit this week will help shed some light.

Always a major focus of any US-ROK meeting is what's up with North Korea and, basically, what the hell are we going to do! I'd prefer to leave the Pyongyang analysis to the Q&A's for fear I'll talk for another hour and we'll all be late for dinner.

Quickly for now: Kim Jong-un is increasingly seen as a potentially unstable source of risky decision-making. His late father, for all his personal brutality and aggressive actions, always seemed to have a sense of limits: just how far he could go with "provocations" short of a real risk of war. The "Norks" as we call the North Koreans in DC have, for example, never publicly admitted sinking the *Cheonan*.

But the young Boy Marshall's recent decision to execute his uncle—and intelligence sources generally agree that Kim also ordered the deaths of the entire family and many top supporters down to distant cousins—this isn't "just" brutal by any standard, its unprecedented by DPRK standards as well.

Not since 1955 has a "Kim killed a Kim," we are told by experts. And their conclusion from this is that the young man may be dealing with internal instability he himself has created—with unforeseen consequences.

Last but not least on North Korea—for US policy, it always comes back to China—what can we get Beijing to really do about their unfortunate client. Increasingly over the past couple of years, most China experts agree that the leadership is coming closer and closer to some possible break point with the DPRK, but it never quite happens.

Beijing's fundamental calculus remains to preserve stability at almost any cost, although the past two years have seen China willing to vote for and to enforce, to some extent, various UN sanctions.

Last week, senior Chinese officials actually talked about a "red line" on the Korean Peninsula in ways which seemed definitely aimed at warning Kim Jong-un not to start something really dangerous.

For now, it seems that Obama's policy will remain letting President Park take the initiative in developing Kim's intentions and then to see if any return to negotiations are possible.

Japan

So let's move to the Tokyo stop. My old editor at UPI first taught me about the "news": He said, "Chris, when the airplane lands safely that's not news." So much of the US-Japan relationship, indeed, probably most everything about it, has so long been in the "no news" category that I think this causes us to do two dangerous things: First, to take the good stuff for granted and only focus on the "difficult"; second, to forget that the "difficult" stuff is largely a government-to-government thing and not a problem with "Japan" or the "United States," and especially not people to people.

Our two countries are now so intertwined socially, economically, and intellectually, that we take for granted that my cousins in rural Ohio can buy sushi in Buehler's Market in Wooster, in the center of the Amish farm belt. Granted it's terrible sushi, but it's there, and probably half the farmers are driving Toyota and Nissan trucks and using Yamaha farm equipment to grow the locally produced vegetables and meat.

The Japanese-American community is now so fully integrated into the American community that no one thinks twice about it, although there's a downside for the GOJ sometimes in that the old community has lost any sense of political cohesion. One obvious, over-due "remedy" is to vastly increase—or actually to work and spend to refurbish—the enormous educational and cultural exchange programs which have been allowed to lapse so that very few major universities now have serious Japan study programs on anything but art.

A really important point: in many ways, this integration is fully operational at the international cooperation level, at the UN, in the international financial institutions, and at the professional level between Gaimusho and State, or DOD and MOD. Maybe not so much at the Agriculture Department, come to think of it. Oh well, let's see if TPP can help at least a little bit!

Before getting to the "crisis" issue, there is of course much "good news." There's no question of many successes over the past year or so, and the current security guidelines review really does offer a historic opportunity to expand our alliance capabilities in ways that we never dreamed of previously.

Talk to any administration player and once you get through the Abe/Park issues, the prime minister's new National Security Council, the Secrets Protection Act, and the possibility that Japan might exercise the right to collective self-defense and relax self-imposed limitations on defense industry cooperation with US companies, all are seen by US officials to offer important new opportunities for cooperation on regional and global security.

TPP of course is the very definition of opportunity and crisis, since failure to accomplish the deal, whether this year or not, will be a huge setback for the US "rebalance" strategy, and, we've been assured by economists as well as Abe himself, a blow to Abe's "third arrow" and the reforms needed for economic growth.

I'll be glad to talk about the DC part of the TPP conundrum during the Q&A's if you want.

Checking with the USTR just before I left on how things went last week between Wendy Cutler and her Japanese counterparts, we heard the same as you here in Tokyo: Negotiations on the TPP have come to a crucial crossroads, and from the DC perspective, from Obama on down, the administration is looking to Japan's

leadership to carry the negotiations across the finish line. Conclusion of this process will support new jobs, foster new business opportunities, and promote economic growth.

Overall, speaking privately and informally, a senior Administration official stressed this to us in language we want to underscore:

"Strengthening our alliances, and particularly our trilateral cooperation with Japan and the ROK, remains one of our most important policy priorities for the Asia-Pacific. Improving ties between the two countries is in our strategic interest, and we have encouraged both countries to work together to take steps that would contribute to reconciliation. We were encouraged by Abe's March 14 remarks to the Diet, which were a positive step for the relationship. We don't want to mediate between our two friends, but remain closely engaged with both in making progress."

Americans don't do "nuance" all that well, and compared to Japanese, we don't do nuance at all. So note please that our administration friend isn't declaring victory and scheduling a parade. Strengthening alliances and "particularly trilateral cooperation with Japan and the ROK remains" is followed by words that show the administration's appreciation of this as a work in progress, work still to be done, and so far something to be "encouraged" so long as "both countries" work to take steps that "would contribute to reconciliation."

"Would," not "have." All these action verbs and adverbs are conditional, aren't they! What we're being told is that the Obama Administration is just as worried now as it has been for the past two or three years that the senior leadership levels

From left to right, Tsuneo Watanabe, Akio Takahara, Chris Nelson, and Takaaki Asano.

of both Tokyo and Seoul have taken turns doing and saying things which they knew could not possibly contribute to "strengthening trilateral cooperation" and the alliances.

Speaking personally, what truly mystifies me is why the Abe administration until last Friday seemed indifferent to the negative effect in Seoul, especially, of provocative remarks and actions. Either the alliances are important or they aren't. Why do something that just gives a free club to hit you with, especially to China? I don't get it.

I have to note that administration officials are being just a tiny bit disingenuous when they say "we don't want to mediate between our two friends." Well that's certainly true in the sense that the person who jumps into a family fight rarely gets thanked, and sometimes gets punched in the nose.

But the fact is that the Obama administration has been "closely engaged" since the Noda/Lee administrations and deeply since President Park and Prime Minister Abe took power, and we can tell you that everyone involved at State, DOD, the NSC, and in each embassy, has been worried as hell, and often equally frustrated.

So it's no exaggeration to say there was a palpable feeling of relief in DC when word came, first, of Abe-san's remarks in the Upper House and then, the long-hoped for positive response from Seoul. Washington didn't "mediate" all that, but it sure was in the middle of it.

Back to "nuance" for a minute: We understand that Ambassador Kennedy has come under quite a bit of quite personal criticism for her very nuanced expression of "disappointment" over the prime minister's Yasukuni visit. I can tell you that the reaction in DC across the board from every friend Japan cares about there was "that is one hell of a Christmas present."

In my Report and since then, I characterized Kennedy's "disappointment" as "anodyne," which is a fancy $2-dollar word meaning, among other things, emotionally flat—colorless even. So I was as surprised as the Obama folks when we began to hear that Japanese of all political persuasions seemed to be stunned at how rude and kind of scary and frankly inappropriate was that word "disappointment."

"How could you say that to us, you know the Chinese are kicking us around, you know the North Koreans are still holding our people, you know our South Korean friends are mad at us." This serial lament came in from all sides in Japan and we all were frankly a bit stunned.

To be frank, the real reaction of senior US players, and, we suspect but do not know, the president, was forcefully expressed in a vernacular not appropriate for public events. Knowing this as we all did, when State decided to issue the very

bland "disappointment" remarks through Ambassador Kennedy, most of us were surprised something far, far stronger wasn't said.

The reaction to Kennedy dramatized a private conversation we'd been having ever since last year and the first glimmer of statements in the Diet and in local political campaigns surfaced which featured what are called "denier" views on the Nanjing catastrophe, the invasion and occupation of much of China itself, and of course, the increasingly personal attacks on the veracity of surviving comfort women.

That debate, which continues to this day, is: granted we are Japan's best friend internationally, that we are each other's partners in so many things, but how do we achieve a balance between cooperation and constructive commentary and, when necessary, constructive criticism when we see Japanese leaders doing things that we think affect our legitimate interests.

More succinctly, what do friends of Japan say in private versus what do they say in public, with the goal of being effective, and not just sounding like Al Gore in Malaysia in 1999?

Believe me, we've seen the polls showing that while the majority of Japanese don't believe the version of history preached by the most conservative elements of the Abe coalition, by far a majority of Japanese resent being "lectured" on morality by not just the Chinese, the Koreans, and other Asians, but especially by their most important ally, us Americans.

And until last Friday, there was no consensus on what "method" is intellectually honest, and, most especially, what method "works." There was until Friday great concern that based on the evidence, unless the American critics approached actual rudeness in public, there would be senior Japanese officials who concluded that private remonstrations were not serious and therefore there was no real penalty for visiting Yasukuni despite the crystal clear US opposition because of our concerns over the ROK alliance and our conviction that the visit handed Beijing a club to beat us both over the head with and was stupid! Sorry, no "nuance" there.

Well I didn't mean to go on at such length on this, but given the past few weeks, I thought it might be useful for you to hear how the dilemma is being analyzed back in DC.

And it helps lead to my final point—the frequent expressions of doubt we hear about how many Japanese are worried that despite the Mutual Defense Treaty, you won't be able to count on us if there really is a military crisis with China. The gist of the doubter's school seems to be that because China trade is so important and because China has nuclear weapons, the US won't actually fight for Japan if we're asked to.

We could spend the next hour on this, but for now, let me say that ever since then Secretary of State Hillary Clinton said very clearly that if China used military force against Japan to try to take control of the Senkakus, Article 5 of the MDT would apply.

Before they cut off the mike, let's conclude by saying of course President Obama is going to be dealing with all of the above, and more, during his visit here and in Seoul, and further south. He will likely have the traditional joint press appearances in each stop. And he will have to be prepared to say things in public things about topics which likely the professionals would far prefer remain in private.

I will take the liberty of predicting a private remark from Obama to Abe: "Mr. Prime Minister, the United States welcomes your pledge made to the Diet that you will not take back the Kono and Murayama apologies which are so vital to the functioning of our alliances and our mutual goal of good relations throughout Asia. And Mr. Prime Minister, I will hold you to them, with my thanks."

For the first time in many months, the events of last Friday offer all concerned that the current positive tone will be borne out by events. Fingers crossed.

May 1, 2014

Moscow and Beijing Likely to Become Closer

Paul J. Saunders

Russian President Putin will be visiting China in late May at a time when Russia increasingly finds itself isolated following its annexation of Crimea. Western sanctions are driving Moscow and Beijing closer together, and this could prove awkward for Japan, Paul Saunders notes, which seeks Russian gas but is also receiving signs from Washington to limit commercial ties with Russia.

* * *

Despite some disappointment that the United States and Japan did not reach an understanding on the Trans-Pacific Partnership trade agreement, President Barack Obama's recent trip to East Asia has apparently helped to reassure US allies and partners and produced some modest accomplishments, such as a new defense cooperation agreement with the Philippines. Nevertheless, Obama's personal diplomacy is one effort among many in the region—and it may soon be overshadowed by another leader's visit, when Russian President Vladimir Putin arrives in Beijing for talks with China's Xi Jinping, now expected on May 20–21.

Putin's trip comes at a tense time in East Asia. But, of course, everything seems to be coming "at a tense time in East Asia," and it is far from clear when this "tense time" will end because it is far from clear whether, when, or how the two main drivers of the region's uncertainty—China and North Korea—will alter their conduct.

With this in mind, it may actually be more important that Putin's meeting with Xi comes at a tense time in Europe, where many believed that the arrival of the twenty-first century had put an end to such problems. Russia's annexation of Crimea has forced an unwelcome change in this thinking.

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Deepening Standoff

This matters in Asia because the confrontation between the United States, Europe, and Russia over Ukraine continues to escalate with no obvious resolution. The April 17 Geneva agreement on de-escalating the crisis offered brief hope but now appears to have collapsed due to a combination of Moscow's unwillingness or inability to influence Russian-speaking groups occupying government buildings in eastern Ukraine and the Kiev government's creative legal maneuvers, such as incorporating right-wing militias into a new National Guard so that they are no longer "illegal armed groups" and need not be disarmed under the deal.

The United States and the European Union have responded to this with new sanctions on Russian officials, legislators, and others; Washington has also sanctioned many new banks that US officials allege are connected to Putin associate Gennady Timchenko. American and Russian officials don't appear to be communicating effectively with one another, and expanding violence in Donetsk and other cities in the country's eastern regions could spiral beyond anyone's control.

The deepening standoff—especially between Washington and Moscow, as European governments are more reluctant to risk a conflict—is putting heavy pressure on Russia's weak economy, producing massive capital flight, a softening stock market, and a sliding ruble. Russia's economic officials have also acknowledged negative GDP growth in the first quarter of 2014.

In practical terms, this likely has less to do with sanctions against Russia than it does with Russia's conduct and the uncertain endpoint of the crisis, both of which deter foreign investors even as they encourage Russia's wealthy to seek safe havens for their money, ideally beyond the reach of both Western and Russian officials.

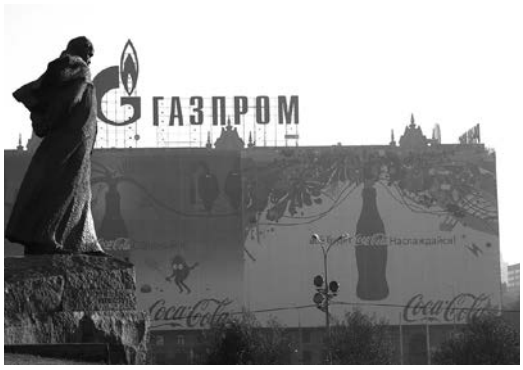
New Gas Deliveries to China?

Worse from the Kremlin's perspective are US threats of so-called "sectoral sanctions" that could target Russia's energy and/or banking sectors. When combined with growing EU resolve to cut energy imports from Russia by exploring options for new domestic production and expanding imports from alternative suppliers, this could send Russia's federal budget—in which over half of revenues come from oil and gas taxes—into deficit.

Before the crisis, the Russian government already faced some unpleasant decisions in the oil sector, where excessive tax rates are discouraging new production to replace disappearing output from aging oil wells. Moscow's problem is that the

deep cuts in tax rates necessary to boost investment would sharply reduce revenues at a time when the Kremlin's budget commitments to social spending are only increasing.

As a result, top Russian energy experts told me in Moscow last week that Gazprom is virtually certain to make significant price concessions so that Russia and China can finally sign a long-awaited natural gas deal under their existing framework agreement when Vladimir Putin visits Beijing later this month. Gazprom's deputy chief executive Alexander Medvedev has since then publicly stated that he expects to sign the agreement. Executives at Novatek, Russia's second-largest gas producer, also expect to sign a contract for liquified natural gas deliveries to China.



Russian officials increasingly appear to believe that growth in the Russia-China economic relationship may offset any damage to Moscow's trade ties with Western countries. Russia is prepared to conduct this trade in Chinese yuan, if necessary, to stay beyond the reach of dollar-oriented financial policy measures.

Russia's efforts to expand its non-US and non-European markets is likely to put Japan in an especially awkward position, with strong economic imperatives arguing in favor of expanded energy relations—especially if Russia's energy companies are somewhat more flexible on pricing—and equally strong political signals from Washington to limit commercial ties to the country. In addition to the narrow issue of new sales for Russia's firms and new taxes for its government, US officials are also concerned about Moscow's access to key technologies.

Russian experts believe their country's energy sector can get most of the technology it needs from China but acknowledge that only the United States and Japan can provide some LNG equipment.

A broader question is how far this new Russia-China cooperation may extend beyond energy exports. Of perhaps greatest importance to the United States and its allies in Asia is that Russia's arms exports to China have slowed significantly in recent years, in part due to Moscow's intellectual property concerns. Renewed high-tech arms exports could contribute substantially to China's military modernization.

Though Russia itself may have reservations about stepping onto this path, a worsening confrontation over Ukraine may lead them to conclude that they are already on it—whether they want to be or not.

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