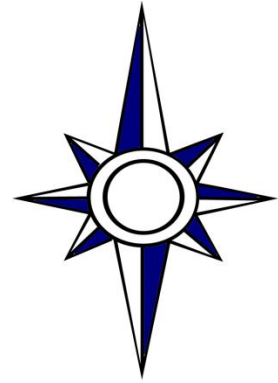


# Comparative Connections

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## US-Japan Relations: Back to Normal?

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There is an old Japanese saying that one should be prepared “to wait even three years sitting on the rock” (“*ishi no ue ni mo sanner*”). After three tumultuous and frustrating years as the Democratic Party of Japan (DPJ) tried to find its sea legs, Prime Minister Noda Yoshihiko finally made the first official visit to Washington of a Japanese prime minister since the spring 2009 visit to the Oval Office of Liberal Democratic Party (LDP) Prime Minister Aso Taro. Noda had his hands full this quarter: pursuing an increase in the consumption tax to offset declining income tax revenue from an aging society, trying to convince a wary public to support some continuation of nuclear power as Japan’s last operating plant shut-down for “stress testing” with no restart date, cobbling together domestic support to move ahead with Japanese participation in the Trans-Pacific Partnership (TPP) negotiations, and facing the perennial struggle to make progress on relocating Marine Corps Air Station Futenma on Okinawa to its proposed new home further north near the remote town of Henoko. By the time of his Washington visit, Noda had started to line up support for the consumption tax, backed off temporarily on TPP, and waited on restarting nuclear plants. However, in a flurry of last-minute negotiations between the US and Japanese governments and the US Congress, he did manage to complete an agreement to move ahead with de-linking the move of about 9,000 US Marines to Guam and other locations in the Pacific and setting aside (but not giving up on) the Futenma Relocation Facility (FRF). That announcement was a rare victory and set a positive tone for the summit and the joint statement Noda and President Obama made pledging to revitalize the US-Japan alliance. The prime minister returned home on May 1 facing the same stack of difficult domestic political challenges, but with an important if limited accomplishment in foreign policy.

### Noda in the hot seat

After a flurry of diplomacy at the end of last year marked by an official statement of interest in joining the TPP negotiations, Prime Minister Noda turned to his domestic agenda in January and called on the ruling DPJ and the opposition LDP to pass a package of legislation focused on tax and social security reform. Noda’s signature initiative, a proposed increase in the consumption tax from 5 to 10 percent by 2015, faced major opposition even within the DPJ, forcing a Cabinet reshuffle announced on Jan. 13 in which former Foreign Minister Okada Katusya was appointed as deputy prime minister to manage the domestic legislative agenda. Noda stressed his commitment to tax and social security reform repeatedly in advance of the new Diet session convened on Jan. 24. He made it clear that the stakes were high when he suggested during a DPJ party convention that he might dissolve the Diet for a general election if the social security and tax reform bills did not clear the legislature in the current session. Political pundits in Tokyo give him a 50/50 chance of getting the tax and social security bills through the Diet this year, but

Noda demonstrated determination not to be deterred from tackling what he views as the most immediate challenge facing Japan.

Noda also started the year knowing that he had to make progress on the realignment of US forces in Okinawa before an expected spring visit to Washington, but he was hobbled by the clumsiness of Tanaka Naoki, his new defense minister. Tanaka's predecessor, Ichikawa Yasuo, had himself crumpled after admitting his ignorance about the US basing issues on Okinawa, which prompted a censure motion from the Diet and his resignation in December. Tanaka fared little better, mistakenly claiming a few days after his appointment that construction of the FRF in Henoko could begin by the end of the year, despite broad recognition that this was not in the least bit realistic. He then confused the basic geography of Okinawa during a courtesy call on Gov. Nakaima Hirokazu in Naha and struggled to answer questions about defense policy during appearances before Diet committees. Tanaka also bore the brunt of criticism surrounding the government's relatively slow response to a missile launch by North Korea on April 13 and was censured by the Upper House a week later.

Tanaka's struggles notwithstanding, the Noda government was able to reach an agreement with Washington on realignment (more below), but the FRF issue remains a challenge. Noda visited Okinawa in February to stress the importance of reducing the burden on Okinawans and realizing efforts to realign US force presence, but public opinion favors relocating the FRF outside the prefecture. In March, Gov. Nakaima submitted a response to the central government's environmental impact statement on the current plan for the FRF, which entails construction of a runway on the eastern shore at Camp Schwab near Henoko, and included 404 questions for further clarification. The Noda government will likely have to address those concerns before discussions with the Okinawa Prefectural Government on the FRF can continue.

Public opinion polls consistently revealed frustration with political paralysis in Japan and Noda's approval rating declined precipitously in line with those of his immediate predecessors, bottoming out at 21 percent in one survey but hovering at around 30 percent. A majority of the public did not support his plan to increase the consumption tax and his signature initiative remained a source of tension within the DPJ. Compounding the potential for discord was the April 26 acquittal of Ozawa Ichiro of charges that he submitted fraudulent political funding reports. Ozawa, a former DPJ leader and architect of the 2009 election victory that brought the party into power, favors social welfare spending over tax increases and was expected to block Noda's efforts with the support of over 100 of his followers in the Diet. Some analysts suggested the combination of internecine warfare in the DPJ and a recalcitrant stance by the opposition LDP might force Noda to follow through on his threat to dissolve the Diet and call a general election this summer. Other scenarios pictured Noda hanging on until the DPJ presidential race in September. It appears that fluidity would continue to rule the day with little evidence of coalition building that would favor stability. (Okada was rumored to have at one point sounded out the LDP about forming a coalition government but to no avail.) Polls showed the DPJ and LDP were both increasingly unpopular with their respective approval ratings close to 20 percent, and across several surveys a majority of the public did not affiliate with any political party. Some surveys even highlighted public expectations that a nascent political movement known as Osaka Restoration (*Ōsaka Ishin no Kai*) led by Osaka mayor Hashimoto

Tohru, which favors a reduction in the size of the central government and the decentralization of power to local municipalities, would play an increasing role in national politics.

Noda was able to pass a budget for fiscal year 2013, but many analysts believed his political fate would rest on his ability to pass the tax legislation, a task made all the more complicated by the reemergence of Ozawa. Despite this grave political challenge at home, Noda remained equally focused on advancing an agenda for the US-Japan alliance.

### Increased tempo of bilateral coordination on security and trade

The US and Japanese governments consulted regularly across a range of bilateral, regional, and global issues that spoke to the depth and breadth of bilateral coordination. Several senior US officials visited Japan for discussions on Iran's nuclear ambitions. Japanese efforts to reduce dependence on Iranian oil imports were rewarded when Secretary of State Hillary Clinton announced on March 20 that financial institutions in Japan and 10 other countries would not be subject to US sanctions. Tokyo and Washington also worked closely on missile defense to prepare for an expected missile launch by North Korea. Though the April 13 North Korean launch failed, the preparations allowed the Self-Defense Forces to demonstrate the degree to which Japanese capabilities and joint US-Japan interoperability had advanced. Bilateral coordination also centered on other issues, including political reform in Burma and ways to help shape the agendas for multilateral institutions in the region such as the East Asia Summit. The United States, Japan, and the European Union also took the issue of rare earth metals head-on by submitting a formal complaint to the World Trade Organization concerning Chinese restrictions of rare earth exports.

This period also was characterized by efforts to further develop the economic and security pillars of the alliance. The two governments held a series of preliminary consultations on Japan's interest in joining TPP negotiations, though Tokyo chose not to declare its interest formally due to continued political opposition, particularly by Japan's agricultural cooperatives and a majority of the LDP. In January, the US Trade Representative's office issued a statement highlighting progress in a separate bilateral dialogue known as the Economic Harmonization Initiative, but market access concerns in Japan appeared to increase, even as the two governments began more concrete preliminary consultations on TPP. Problem areas spotlighted in the National Trade Estimate Report released by USTR in April included agriculture, insurance, and the automobile market, as well as restrictions on US beef imports.

The decision by the DPJ and LDP to freeze and effectively reverse former Prime Minister Koizumi Junichiro's signature postal privatization initiative cast a particularly troubling cloud over discussions on TPP, given the implications for the insurance market in Japan, which could end-up dominated by a behemoth public sector insurance corporation in the guise of Post Offices. Ultimately, Noda chose not to try to complete a decision on TPP in time for his April 30 visit, intimidated by the enormity of his political agenda at home and uncertain that the White House would be willing to accept notification of Japanese participation before US presidential elections, particularly with states like Ohio in play. Nevertheless, an unprecedented majority of US and Japanese businesses favor Japan's participation in TPP and public opinion polls in the

US show that a large majority of Americans support trade deals with Japan – a stunning contrast to the attitudes toward Japan on trade only a decade ago.

The realignment of US forces in Okinawa remained atop the bilateral security dialogue. Both sides attempted to break the logjam by announcing on Feb. 8 that the US was conducting a strategic review of US force posture and had initiated discussions with Japan to adjust the roadmap for realignment released in 2006 and examine ways to delink the relocation of MCAS Futenma from the transfer of Marines from Okinawa to Guam and resulting land returns to Okinawa, which heretofore were considered part of a package. The two governments then initiated a series of bilateral discussions on this matter with an aim toward reaching an agreement by late spring when Prime Minister Noda was expected to meet with President Obama in Washington.

Japanese media reports indicated that an agreement would be announced on April 25, but one day prior, US Senators Carl Levin (D-MI), John McCain (R-AZ), and Jim Webb (D-VA) issued a letter to Defense Secretary Leon Panetta warning that any agreement would require the support of Congress and expressing concerns about cost and other aspects of the purported agreement on the relocation of Marines from Okinawa to Guam. The letter also referenced an independent study of US force posture in the Asia-Pacific requested in the Fiscal Year 2012 National Defense Authorization Act (more below). On April 26, the bilateral Security Consultative Committee (SCC), also known as the 2+2, finally issued issue a joint statement – after rushed discussions to re-establish support from a skeptical Congress – outlining the details of an agreement for implementing a new delinked version of the movement of US forces off Okinawa. The SCC statement noted that approximately 9,000 Marines and their dependents would be relocated from Okinawa to places outside Japan including Australia, Guam, and Hawaii. The cost of the move to Guam was estimated at \$8.6 billion, of which Japan would contribute \$3.1 billion in cash. To support bilateral defense cooperation, the governments also announced that the two militaries would consider developing joint training areas in Guam and the Commonwealth of the Northern Mariana Islands as shared-use facilities by US forces and Japan's Self-Defense Forces. The agreement also identified US facilities eligible for land return, subject to further discussions between the two governments. Both governments reiterated their belief that the existing plan for the FRF at Camp Schwab near the Henoko area remained the most viable option for relocating MCAS Futenma and were committed to resolving the issue as soon as possible.

CSIS was chosen by the US Department of Defense to conduct the independent assessment of force posture options for the Pacific Command Area of Responsibility. The independent assessment will include the following elements required by Section 346 of the Fiscal Year 2012 National Defense Authorization Act (Public Law 112-81): a review of current and emerging US national security interests in the US Pacific Command (USPACOM) area of responsibility, a review of current US military force posture and deployment plans of USPACOM, options for the realignment of US forces in the region to respond to new opportunities presented by allies and partners, and the views of noted policy leaders and regional experts, including military commanders in the region. The CSIS study is under the joint direction of David Berteau, senior vice president and director of the International Security Program, and Michael Green, senior adviser and Japan Chair.

## Summit in Washington

With the SCC joint statement and the newly adjusted realignment plan secure, President Obama hosted Prime Minister Noda at the White House on April 30, the first US-Japan summit in Washington since the DPJ assumed power in 2009. The leaders issued a joint statement reaffirming a commitment to enhance bilateral security and defense cooperation; strengthen regional institutions such as the East Asia Summit (EAS) and Asia-Pacific Economic Cooperation (APEC), consistent with internationally accepted rules and norms; develop high standard trade and investment rules for the region and promote regional integration, including bilateral consultations on TPP; cooperate on energy including clean and renewable sources, nuclear energy, and energy security; and strengthen people-to-people exchanges between the two countries. The two governments also issued a fact sheet listing bilateral initiatives including the recent 2+2 statement on the realignment of US forces, civil nuclear cooperation, clean energy, cyber and space cooperation, and innovation and entrepreneurship. Secretary of State Clinton hosted a dinner for Prime Minister Noda that evening and announced that, at the end of an extensive period of events marking the 100<sup>th</sup> anniversary of Japan's gift of cherry blossoms to the United States, the US would as a reciprocal gesture donate 3,000 dogwood trees to Japan as a symbol of the enduring friendship between the two nations.

## Up Next

President Obama and Prime Minister Noda will meet again at the G20 and G8 summits to be held in Chicago and Camp David, respectively, in mid-May. Back home, Noda will attempt to pass tax and social security reform legislation before the current Diet session ends in late June, with the prospects for a leadership change or perhaps even a general election dependent on the outcome. The US presidential campaign season should also heat up in line with the summer weather. Bilateral diplomacy can be expected to continue apace including preparations for regional summits in the Asia-Pacific later this year. And Tokyo and Washington wait for North Korea's expected next move.

## Chronology of US-Japan Relations January – April 2012

Jan. 4, 2012: Prime Minister (PM) Noda Yoshihiko holds a New Year press conference and identifies reconstruction from the Great East Japan Earthquake, the ongoing response to the Fukushima nuclear accident, revitalization of the economy including trade liberalization, and social security and tax reform as priorities for his government.

Jan. 4, 2012: Nine disgruntled Lower House members of the ruling Democratic Party of Japan (DPJ) establish the Kizuna Party to oppose an increase in the consumption tax, Japan's participation in the Trans-Pacific Partnership (TPP) trade negotiations, and nuclear power.

Jan. 5, 2012: Obama administration releases a new strategic guidance for the Department of Defense emphasizing the centrality of the Asia-Pacific region to US defense strategy.

Jan. 6, 2012: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits Tokyo for consultations on North Korea, Burma, coordination in multilateral fora such as the East Asia Summit, and bilateral issues including the Hague Convention on Child Abduction and the relocation of Marine Corps Air Station Futenma.

Jan. 12, 2012: US Treasury Secretary Timothy Geithner visits Tokyo and meets PM Noda, Finance Minister Azumi Jun, and Bank of Japan Governor Shirakawa Masaaki.

Jan. 13, 2012: PM Noda reshuffles his cabinet, installing Okada Katsuya as deputy prime minister and appointing Tanaka Naoki as defense minister.

Jan. 15, 2012: *Yomiuri Shimbun* survey posts a 37 percent approval rating for the Noda Cabinet and a disapproval rating of 51 percent. Thirty-nine percent of respondents support a proposed increase in the consumption tax to 10 percent by 2015, with 55 percent opposed.

Jan. 15, 2012: A poll released by *Asahi Shimbun* reveals a 29 percent approval rating and 47 percent disapproval rating for the Noda cabinet. Thirty-four percent of the public supports the proposed consumption tax increase and 57 percent disapproves.

Jan. 15, 2012: Defense Minister Tanaka Naoki suggests during an appearance on a television program that construction of the Futenma Replacement Facility (FRF) on Okinawa could commence this year.

Jan. 16, 2012: PM Noda suggests that he might dissolve the Diet for a general election if social security and tax reform bills do not clear the legislature in the current session.

Jan. 17, 2012: Assistant Secretary Campbell and Special Representative for North Korea Policy Glyn Davies co-host a US-Japan-ROK strategic dialogue in Washington.

Jan. 18, 2012: Robert Einhorn, State Department special advisor for nonproliferation and arms control, and Daniel Glaser, assistant secretary of the Treasury for terrorist financing, lead a delegation to Tokyo for discussions with Japanese counterparts on Iran.

Jan. 19, 2012: Edano Yukio, minister of economy, trade and industry, notes in a *Wall Street Journal* interview that all of Japan's nuclear power plants could be shut down by summer.

Jan. 19, 2012: Assistant Secretary Campbell praises the efforts of the Noda government on issues such as regional security and TPP in an appearance at the Stimson Center in Washington.

Jan. 20, 2012: Noda Cabinet elects to extend Japanese Self-Defense Force peacekeeping operations on the Golan Heights and Haiti for six months and one year, respectively.

Jan. 20, 2012: Defense Minister Tanaka meets Okinawa Gov. Nakaima Hirokazu in Tokyo to discuss basing issues in Okinawa.

Jan. 23, 2012: According to a survey by *Mainichi Shimbun*, 60 percent of the public opposes a planned increase in the consumption tax with only 37 percent in favor. But only 28 percent thought social security obligations could be met without increasing the consumption tax. When asked what other reform measures should take precedence over the consumption tax increase, 35 percent said decreasing the number of Diet members, 32 percent said cutting Diet members' salaries, and 20 percent suggested salaries of public servants should be targeted.

Jan. 24, 2012: PM Noda addresses the Diet and calls on opposition parties to cooperate on legislation and outlines a policy agenda including social security and tax reform, strengthening the US-Japan alliance and promoting regional diplomacy.

Jan. 24, 2012: Bank of Japan downgrades its growth forecast for the fiscal year ending March 2012, predicting a 0.4 percent contraction of the economy compared to 0.3 percent growth projected in October 2011. The Bank projects 2.0 percent growth for fiscal year 2012.

Jan. 25, 2012: Japan's Finance Ministry announces the first trade deficit since 1980.

Jan. 25, 2012: Three DPJ lawmakers form a splinter group in the Lower House, the "New Party Daiichi-New Democrats."

Jan. 26, 2012: LDP President Tanigaki Sadakazu calls for a snap election.

Jan. 27, 2012: Defense Minister Tanaka and US Defense Secretary Leon Panetta discuss bilateral security issues including the relocation of MCAS Futenma during a telephone call.

Jan. 27, 2012: US Trade Representative Ron Kirk announces progress in bilateral consultations on economic issues under the rubric of the Economic Harmonization Initiative (EHI).

Jan. 30, 2012: Sixty-three percent of respondents to a *Yomiuri Shimbun* survey agree that a consumption tax increase is necessary for social security to be maintained, but only 16 percent agree with the government plan to increase the consumption tax to 10 percent by 2015.

Jan. 31, 2012: Opposition lawmakers criticize Defense Minister Tanaka for failing to answer questions about defense policy during separate budget committee hearings in the Lower House and Upper House of the Diet.

Feb. 1, 2012: Noda Cabinet approves draft legislation to decommission nuclear reactors after 40 years and set up a new nuclear regulatory agency under the Environment Ministry.

Feb. 7, 2012: US officials host counterparts from Japan for preliminary consultations on Japan's interest in entering TPP negotiations.

Feb. 8, 2012: US and Japan issue a joint statement announcing a decision to delink efforts to relocate MCAS Futenma from plans to transfer US Marines from Okinawa to Guam and review the 2006 roadmap for the realignment of US forces in Japan.

Feb. 13, 2012: An *Asahi Shimbun* survey indicates a 27 percent approval rating and 49 percent disapproval rating for the Noda Cabinet. Forty percent supported Noda's proposal to increase the consumption tax and 46 percent opposed. Twenty-nine percent favored a government led neither by the DPJ nor the LDP, 21 percent were for LDP rule, and 19 percent supported the DPJ. Fifty-four percent of respondents expressed a hope that the "Osaka Ishin no Kai" (Osaka Restoration) political movement led by Osaka Governor Hashimoto Toru secures enough seats in the next general election to exert influence in the Diet. Sixty-three percent of respondents did not affiliate with a political party and the approval ratings of the DPJ and LDP were 17 percent and 12 percent, respectively.

Feb. 14, 2012: The Bank of Japan agrees to establish an inflation target of 1 percent and ease monetary policy by expansion of an asset purchase program from 55 trillion to 65 trillion yen.

Feb. 20, 2012: Approximately 120 Japan Self-Defense Force (JSDF) engineers arrive in South Sudan to participate in a United Nations peacekeeping mission.

Feb. 22, 2012: US and Japanese officials conclude a two-day consultation on Japan's interest in joining TPP negotiations.

Feb. 26, 2012: PM Noda visits Okinawa to discuss basing issues with Gov. Nakaima.

Feb. 26, 2012: US Special Representative Davies visits Japan to brief officials on his meetings with North Korean officials in Beijing.

March 1, 2012: Deputy Secretary of State Thomas Nides visits Japan to address a US-Asia business summit and discuss a range of political and economic issues with Japanese officials.

March 1, 2012: Assistant US Trade Representative Wendy Cutler discusses TPP at a US-Asia business summit in Tokyo.

March 7, 2012: USTR Ron Kirk testifies before the Senate Finance Committee and states the US will address market access concerns with Japan regardless of whether it joins TPP.

March 8, 2012: US and Japanese officials meet in Washington to exchange views on the realignment of US forces in Okinawa.

March 8, 2012: A \$1.1 trillion draft budget for fiscal year 2012 passes the Lower House of the Diet and is forwarded to the Upper House.

March 10, 2012: A survey released by the Cabinet Office finds 91 percent of the public with a favorable impression of the JSDF.

March 11, 2012: One-year anniversary of the Great East Japan Earthquake.



March 13, 2012: The US, Japan and the European Union file a joint complaint to the World Trade Organization criticizing China's restrictions of rare earth mineral exports.

March 20, 2012: Secretary of State Clinton issues a statement announcing that financial institutions in Japan and 10 other countries would not be subject to US sanctions because of significant efforts to reduce oil imports from Iran.

March 27, 2012: Okinawa Gov. Nakaima submits his response to an environmental impact statement on the relocation of MCAS Futenma submitted by the Ministry of Defense last December, identifying 404 items for further clarification from the central government.

March 28, 2012: US Energy Secretary Steven Chu visits Tokyo to meet Japanese officials and participate in a US-Japan-EU workshop on critical minerals.

March 30, 2012: Noda Cabinet approves draft legislation that would increase the consumption tax to 10 percent by 2015.

April 2, 2012: Sixty percent of the public opposes an increase in the consumption tax according to a *Mainichi Shimbun* survey.

April 2, 2012: USTR issues the National Trade Estimate Report and lists concerns about market access in Japan including nontariff barriers in the automobile market.

April 3, 2012: Defense Minister Tanaka and Defense Secretary Panetta agree in a phone call to coordinate closely in the event of a North Korean missile launch.

April 5, 2012: The Lower House of the Diet passes the budget for fiscal year 2012.

April 10, 2012: Secretary of State Clinton and Foreign Minister Gamba Koichiro meet in Washington to discuss a range of issues including the realignment of US forces in Japan, North Korea, Afghanistan, and TPP.

April 13, 2012: North Korea launches a rocket that falls into the sea soon after liftoff.

April 13, 2012: A *Jiji Press* poll posts a 21 percent approval rating for the Noda Cabinet.

April 16, 2012: Assistant Secretary Campbell visits Tokyo to discuss North Korea and the realignment of US forces in Okinawa.

April 20, 2012: Upper House of the Diet passes censure motions against Defense Minister Tanaka for responding inadequately to the April 13 North Korean rocket launch and Transportation Minister Maeda Takeshi for endorsing a specific candidate in a local election.

April 23, 2012: Defense Secretary Panetta calls Defense Minister Tanaka to discuss the realignment of US forces in Okinawa and Guam.

April 24, 2012: Senators Carl Levin (D-MI), John McCain (R-AZ), and Jim Webb (D-VA) send a letter to Defense Secretary Panetta expressing concerns about an imminent agreement between the United States and Japan on US force posture in the Asia-Pacific.

April 26, 2012: Bilateral Security Consultative Committee (also known as the 2+2) issues a joint statement detailing an agreement on the relocation of US Marines from Okinawa to Guam.

April 26, 2012: DPJ lawmaker Ozawa Ichiro is acquitted of charges he was involved in submitting false political funding reports.

April 27, 2012: Bank of Japan expands its asset purchase program from 65 trillion to 75 trillion yen.

April 27, 2012: The Diet passes legislation scrapping a requirement that Japan's postal and insurance businesses be fully privatized by 2017.

April 30, 2012: PM Noda and President Obama meet at the White House and issue a joint statement on the US-Japan alliance.