

CRS Report for Congress

Japan-U.S. Relations: Issues for Congress

Updated December 20, 2006

Emma Chanlett-Avery (Coordinator)
Analyst in Asian Affairs
Foreign Affairs, Defense, and Trade Division

Mark E. Manyin
Specialist in Asian Affairs
Foreign Affairs, Defense, and Trade Division

William H. Cooper
Specialist in International Trade and Finance
Foreign Affairs, Defense, and Trade Division



Prepared for Members and
Committees of Congress

Japan-U.S. Relations: Issues for Congress

Summary

The post-World War II U.S.-Japan alliance has long been an anchor of the U.S. security role in East Asia. The alliance, with its access to bases in Japan, where about 53,000 U.S. troops are stationed, facilitates the forward deployment of U.S. military forces in the Asia-Pacific, thereby undergirding U.S. national security strategy. For Japan, the alliance and the U.S. nuclear umbrella provide maneuvering room in dealing with its neighbors, particularly China and North Korea.

The Bush Administration has made significant strides in its goals of broadening U.S.-Japan strategic cooperation and encouraging Japan to assume a more active international role. Following the September 11, 2001, terrorist attacks, Japan made its first-ever military deployments in non-combat support of U.S. and allied forces in Afghanistan. In 2004 Tokyo sent non-combat troops to Iraq, despite considerable domestic opposition. Japan generally has supported the “hardline” U.S. position in the Six-Party Talks on North Korea’s nuclear program. In 2005 the U.S. and Japan announced a sweeping new agreement to strengthen military cooperation. The plan calls for U.S. forces to be realigned and Japan to take on a more active (non-combat) role in maintaining regional and global security.

Most of these developments have been viewed warily by South Korea and opposed outright by China. Beijing and Seoul also have expressed concern at the assertive foreign policy stance adopted by Prime Minister Shinzo Abe and his predecessor Junichiro Koizumi, both of whom were buoyed by heightened senses of nationalism and vulnerability (to North Korea and China) among many Japanese. The ruling party has drafted a new constitution that would eliminate most of the clauses prohibiting participation in collective security arrangements. The United States has supported both moves. Sino-Japanese and Korean-Japanese tensions also have risen due to competing territorial claims and accusations that Japan is attempting to whitewash its history of aggression during the first half of the 20th century. Koizumi’s repeated visits to the controversial Yasukuni Shrine further fueled China’s and South Korea’s resentment. Abe has made some progress in improving ties with his neighbors, but some fear that his nationalist views will preclude more than a superficial and temporary mending of relations.

Japan is one of the United States’ most important economic partners. Outside of North America, it is the United States’ largest export market and second-largest source of imports. Japanese firms are the United States’ second-largest source of foreign direct investment, and Japanese investors are by far the largest foreign holders of U.S. treasuries, helping to finance the U.S. deficit and reduce upward pressure on U.S. interest rates. Bilateral trade friction has decreased in recent years, partly because U.S. concern about the trade deficit with Japan has been replaced by concern about a much larger deficit with China. The exception was U.S. criticism over Japan’s decision in 2003 to ban imports of U.S. beef, which have since resumed.

This report replaces CRS Issue Brief IB97004, *Japan-U.S. Relations: Issues for Congress*, coordinated by Emma Chanlett-Avery.

Contents

Most Recent Developments	1
North Korean Nuclear Test and the Six-Party Talks	1
New Legislation Advances Abe's Agenda	1
Abe's Public Approval Slips	1
The Role of Congress in U.S.-Japan Relations	2
Major Diplomatic and Security Issues	4
Global Issues	4
Counterterrorism Cooperation	4
Support for U.S. Policy Toward Iraq	4
U.S. and Japanese Korean Peninsula Priorities Converge	5
United Nations Security Council Reform	5
Kyoto Protocol and Climate Change	5
Regional and Historical Issues	6
Abe's Asian Diplomacy: A New Beginning?	6
Japan-China Rivalry	6
Japan-South Korean Relations Uneasy	7
Territorial Conflicts	7
Impact of Historical Disputes on U.S. Interests	7
Congressional Interest in Japanese History Issues	8
Military Issues	8
Deepening Cooperation	8
Article 9 Restrictions	9
Proposed Command Structure Changes	10
U.S. Bases on Okinawa	10
Burden-Sharing Issues	10
Cooperation on Missile Defense	11
Economic Issues	12
Overview of the Bilateral Economic Relationship	12
Bilateral Trade Issues	14
Japan's Ban on U.S. Beef	14
Insurance	14
The Byrd Amendment	15
The Doha Development Agenda	15
Japanese Political Developments	16
The Political Situation in Late 2006	16
Background	17
Koizumi's Political Legacies	17
The Abe "Agenda"	18
The Democratic Party of Japan (DPJ)	19
Constitutional Revision	20
Japan's Demographic Challenge	21

Conclusion — Japan’s Increased Assertiveness 21
Legislation in 109th Congress 23

List of Figures

Figure 1: Map of Japan 3
Figure 2. Map of Military Facilities in Japan 11

List of Tables

Table 1. U.S. Trade with Japan, Selected Years 13

Japan-U.S. Relations: Issues for Congress

Most Recent Developments

North Korean Nuclear Test and the Six-Party Talks. After North Korea tested a nuclear weapon on October 9, 2006, Japan imposed its own unilateral sanctions — more restrictive than those called for in United Nation Security Council Resolution 1718 — that ban all North Korean ships from entering Japanese ports and restrict imports and most North Korean nationals from entering Japan. Officials in Tokyo also vowed to assist the U.S. military in stopping North Korean cargo ships for inspections, despite the country's pacifist constitution. Japan's reaction follows a pattern of Tokyo taking increasingly hardline positions on North Korea.

When the Six-Party Talks resumed in Beijing on December 18, 2006, Japanese delegates affirmed that resolution of the abduction issue — the fate of Japanese citizens abducted by North Korea decades ago — remained a top priority. U.S. Assistant Secretary of State voiced support for Japan-North Korea bilateral talks on normalization, but did not indicate that the abduction issue would be a crucial element of the overall negotiations. In a victory for Tokyo, on December 19, 2006, the UN General Assembly adopted a resolution that expressed concern for North Korea's "unresolved questions relating to the abduction of foreigners in the form of enforced disappearances," with the support of 99 countries, including South Korea.

New Legislation Advances Abe's Agenda. Prime Minister Abe's government won approval of landmark laws in December that expand two key areas of his agenda: enhancing the status of the military and promoting patriotism through education reform. Under one measure, Japan's Defense Agency was formally upgraded to a ministry for the first time since World War II. The ministry will have more clout in budget and policy-making decisions than its predecessor. The second law requires Japanese schools to promote patriotism among schoolchildren, a measure that pacifists have criticized as a return to pre-World War II state-sponsored militarism.

Abe's Public Approval Slips. Despite the passage of legislation he championed, Abe's popularity in several mid-December 2006 polls declined sharply; some polls showed him with under 50% approval for the first time since his election in September. According to the surveys, the public disapproved of Abe's reinstatement of several lawmakers who had left the ruling party last year after opposing former Prime Minister Koizumi's efforts to reform the postal system. Opposition parties criticized Abe for his role in staging "town hall" meetings under former Prime Minister Koizumi's administration that paid citizens to ask questions supporting the government's views. In response to the scandal, Abe and several other top officials forfeited three months of salary.

The Role of Congress in U.S.-Japan Relations

Congressional powers, actions, and oversight form a backdrop against which both the Administration and the Japanese government must formulate their policies. In the 109th Congress, members showed a renewed interest in U.S.-Japan relations. After holding two Japan-specific public hearings from 2001 through 2004, Congress held four in 2005-2006. Members of Congress were particularly critical of Japan's two-year ban on imports of U.S. beef and of the Bush Administration's handling of the beef dispute. On security issues, members have expressed concern that steps taken by the Japanese government are harming U.S. interests in East Asia by worsening Sino-Japanese and South Korean-Japanese relations. Former Prime Minister Junichiro Koizumi's visits to Yasukuni Shrine, which enshrines the names of several Class A war criminals from World War II, came under particular criticism. Chairman of the House International Relations Committee Henry Hyde convened a hearing on Japan's "history problem" and suggested in a letter to Speaker Dennis Hastert that Prime Minister Koizumi should not address a joint session of Congress unless he pledged to stop visiting Yasukuni Shrine. Relatedly, some members have called attention to signs that revisionist views of World War II and the U.S. Occupation of Japan (1945-52) increasingly are seeping into the mainstream in Japan. The Bush Administration's reaction to and role in fostering these developments also have begun to come under greater congressional scrutiny. (See also the "Legislation" section.)

Figure 1: Map of Japan



Source: Map Resources. Adapted by CRS.

Major Diplomatic and Security Issues¹

Global Issues

Counterterrorism Cooperation.

Following the terrorist attacks of September 11, 2001, the Koizumi government initiated a series of unprecedented measures to protect American facilities in Japan and provide non-lethal, “rear area” logistical support to U.S. military operations against Al Qaeda and the Taliban in Afghanistan. The latter mainly took the form of at-sea replenishment of fuel oil and water to U.S., British, French, and other allied warships operating in the Indian Ocean. The dispatch of Japan’s Maritime Self-Defense Forces (MSDF) was the first such deployment since World War II. A small flotilla of Japanese transport ships, oilers, and destroyers has provided about 30% of the fuel used by U.S. and allied warships, and Japan’s Air Self-Defense Force (ASDF) conducted hundreds of airlift support missions for U.S. forces.

On June 10, 2005, and again on October 26, 2006, the Japanese government decided to extend its anti-terrorism law for an additional year. Japan also has been the third-largest donor country for Afghan relief and reconstruction.

Support for U.S. Policy Toward Iraq. While strongly preferring a clear United Nations role in resolving the U.S./British confrontation with Iraq, Japan nonetheless gave almost unqualified support to the Bush Administration’s position. During an open debate in the U.N. Security Council, Japan was one of only two out of 27 participating countries (the other being Australia) to support the U.S. contention that even if the U.N. inspections were strengthened and expanded, they were unlikely to lead to the elimination of Iraq’s weapons of mass destruction. Since 2003, Japan has provided \$1.5 billion in grant assistance to Iraq, has pledged to provide \$3.5 billion in yen loans, and has agreed to a phased cancellation of 80% of the approximately \$7.5 billion in debt Iraq owed Japan. In addition, in January 2004, the Koizumi government deployed about 600 military personnel — mainly ground troops — to carry out humanitarian aid and reconstruction activities in Iraq. The ground troops were withdrawn from the southern area of Samawah in June-July 2006, but the air division of the Self Defense Forces (the official name of Japan’s military) has expanded its mission of airlifting multinational troops and their supplies from Kuwait into Iraq.

Japan Country Data

Population: 127.5 million (July 2006 est.)
% of Population over 64: 20% (U.S. = 12.4%) (2006)
Area: 377,835 sq km (slightly smaller than California)
Life Expectancy: 81.2 years (2006)
Per Capita GDP: \$31,600 (2005 est.) purchasing power parity
Primary Export Partners: US 22.9%, China 13.4%, South Korea 7.8%, Taiwan 7.3% (2005)
Primary Import Partners: China 21%, US 12.7%, Saudi Arabia 5.5%, UAE 4.9%, Australia 4.7%, South Korea 4.7% (2005)
Yen:Dollar Exchange Rate: 110.2 (2005), 108.2 (2004), 115.9 (2003), 125.4 (2002)
Foreign Exchange Reserves: \$835.5 billion (2005 est.)

Source: CIA *World Factbook*, December 2006

¹ This section was written by Emma Chanlett-Avery.

U.S. and Japanese Korean Peninsula Priorities Converge. Japan's policy toward North Korea has hardened in recent years, drawing it closer to the U.S. position in the ongoing Six-Party Talks on Pyongyang's nuclear weapons program. Japan has insisted on North Korea abandoning its nuclear weapons, promising substantial aid in return; has taken steps to squeeze North Korea economically; and participates in the U.S.-led Proliferation Security Initiative (PSI). The issue of Japanese citizens kidnapped in the 1970s and 1980s by North Korean agents has largely driven Tokyo's harder position. The Bush Administration and Congress have supported Japan's insistence on a full accounting of the fate of those abducted, and have included the abductions as part of the justification for keeping North Korea on the state sponsors of terrorism list. The North Korean Human Rights Act (P.L. 108-333) requires that U.S. nonhumanitarian assistance to North Korea depend on "substantial progress" toward fully disclosing information on the abductees.

Japan's North Korean policy has grown increasingly firm; leaders in Tokyo justify their reaction to North Korean provocations by pointing to the growing perceived threat to Japan's national security. After North Korea test-fired several missiles in July 2006 and tested a nuclear device in October 2006, Japan strongly supported punitive United Nations Security Council resolutions that condemn the actions and call for trade restrictions. In addition, Japan imposed unilateral sanctions more stringent than the UNSC resolutions, including a ban on all North Korean ships in Japanese ports, restrictions on imports and most North Korean nationals from entering Japan, and a freeze on bank remittances to North Korea from the ethnic Korean community in Japan. Abe's prominence rose significantly because of his strong stance on the abductee issue; North Korea policy under his leadership is likely to remain hardline in approach.

United Nations Security Council Reform. In 2004, Japan accelerated its longstanding efforts to become a permanent member of the United Nations Security Council by forming a coalition with Germany, India, and Brazil (the so-called "G-4") to achieve non-veto membership for all four countries. Though the Bush Administration has backed Japan's bid,² it did not support the G-4 proposal and opposed taking a vote on expanding the Security Council until a "broader consensus" on reforming the entire organization can be reached. After the G-4 bid failed in the run-up to the U.N.'s Millennium Summit in September 2005, Koizumi reportedly told Secretary General Kofi Annan that in the future Japan would have to coordinate more closely with the United States to achieve its goal. To become a new member, Japan needs to obtain support from two-thirds (128 countries) of all the U.N. member countries. Japan is the second-largest contributor to the U.N. regular budget, paying more than 20% of the total, more than twice the percentage paid by the third-largest contributor.

Kyoto Protocol and Climate Change. Japan is the fourth-leading producer of so-called greenhouse gases after the United States, the Russian Federation, and China. Under the Kyoto Protocol, which Tokyo ratified in 2002, Japan is obligated

² China and South Korea have criticized the Bush Administration for its support for Japan's bid for permanent U.N. Security Council membership.

to reduce its emissions to 6% below its 1990 levels by 2010. Japanese industry shares many of the concerns of U.S. industry about the cost and feasibility of achieving these reductions, but the Japanese government, which places a high value on its support of the protocol, has expressed dismay over the Bush Administration's decision to back away from the protocol. In 2005, Japan joined with the United States, China, India, South Korea, and Australia in a new, non-binding, agreement. The Asia-Pacific Partnership on Clean Development and Climate calls on the six nations to cooperate on the development and diffusion of technology to combat climate change, reduce pollution, and promote energy security. The group is designed to "complement, but not replace, the Kyoto Protocol." Some environmentalists have criticized the arrangement for its absence of mandates — particularly on greenhouse gas emissions — and for being a part of a suspected U.S. strategy to prevent the Kyoto Protocol from being renewed after it expires in 2012.

Regional and Historical Issues

Abe's Asian Diplomacy: A New Beginning? As he entered office, Prime Minister Abe established the improvement of relations with Japan's Asian neighbors as a foreign policy priority. In his first overseas visits to Beijing and Seoul, Abe was well-received, indicating a potential warming of ties. During Koizumi's term, long-standing Chinese and South Korean grievances had resurfaced, chilling political relations with Tokyo even as economic interaction grew more robust. Most damaging were Koizumi's annual visits to the Yasukuni Shrine, a Shinto shrine that honors Japanese soldiers who died in war, including fourteen Class A war criminals who were convicted by the International Military Tribunal for the Far East following Japan's defeat in World War II. Although Abe has reportedly prayed at the shrine on his own and voiced support for Koizumi's visits, some insiders suggest he will refrain from visiting for the sake of regional diplomacy.

Although analysts predict that Japan's relations with China and South Korea will improve in the short term, the longer-term implications of Abe's leadership are less clear. Abe, the grandson of Nobusuke Kishi, a cabinet minister during World War II who was held for suspected war crimes before going on to become Prime Minister, has outlined his campaign to restore Japanese pride and revise the pacifist constitution imposed on Japan during the American occupation. In the past, he has cast doubt on the judgements of the International Military Tribunals. Among his appointments to the cabinet are prominent foreign policy hawks, including the LDP policy council head Shoichi Nakagawa. Nakagawa is known for his support of history textbooks that critics claim downplay Japanese wartime aggression. The approval of such texts in the past few years has incensed China and South Korea.

Japan-China Rivalry. Abe hopes to repair China-Japan relations, which have become increasingly strained despite extensive economic ties. In an indication that relations could be warming, officials have offered tentative plans for a reciprocal visit by Chinese President Hu Jintao to Japan in 2007. Despite the overtures, the leaders will have much resentment to overcome from recent events. In April 2005, large-scale anti-Japanese demonstrations in at least nine Chinese cities protested former Prime Minister Koizumi's visits to Yasukuni Shrine, Japanese history textbooks, and Japan's bid to become a permanent member of the United Nations Security Council (UNSC). Many observers noted that the Chinese authorities were

unusually passive in allowing the protesters to organize, fueling speculation that Beijing quietly encouraged the demonstrations. Analysts note that leaders in Beijing appear to exploit the emotional issue of Japanese history: in order to solidify their own hold on power, they attempt to redirect frustration with the central government, but are also concerned that large-scale demonstrations will develop into anti-government protests.

Japan-South Korean Relations Uneasy. Relations with South Korea suffered during the Koizumi Administration, based on similar issues as the Japan-China tension. Resentment of Japan's 35-year annexation of the Korean peninsula still resonates strongly with Koreans, making it a potent political tool. Analysts note that South Korean President Roh Myoo-hun has exploited the Yasukuni visits and Japanese history textbooks to enhance his own political standing. South Korea also has complained about Japanese history textbooks, the Yasukuni visits, and a perceived failure by the Japanese government to adequately compensate Korean "comfort women," who were recruited to provide sexual services for Japanese troops during World War II. Some members of Congress have also taken interest in this issue by sponsoring a resolution calling for the Japanese government to accept responsibility for its enslavement of these women. (See "Legislation" section.)

Territorial Conflicts. In another indication of heightened regional tension, South Korea and China have challenged Japan on a series of territorial disputes. Beijing and Tokyo have confronted each other over the territorial rights of areas in the East China Sea, which is potentially rich in oil and gas reserves. Japan considers the area surrounding the Senkaku/Diaoyu islands to be part of its Exclusive Economic Zone (EEZ). The Japanese Self Defense Force has detected periodic Chinese military activities in the area, including a submarine incursion in 2004 close to Okinawa and a fleet of warships near a disputed gas field. China began production at a new site in Pinghu field in November 2006, despite Japan's opposition. Officials failed to reach agreement through multiple rounds of talks in 2006.

A long-standing dispute over ownership of two islets in the sea between Japan and South Korea reignited in 2005 after a local government celebrated "Takekushima Day," referring to the Japanese name for the islands (known as "Dokdo" in Korean). Tension flared again in 2006 when South Korea dispatched two armed vessels to respond to a Japanese team surveying the islands. Roh announced in a televised address that "Japan's present claim to Dokdo is an act of negating the complete liberation and independence of Korea...No compromise or surrender is possible, whatever the costs and sacrifices may be." A diplomatic compromise defused the standoff, but the fundamental question of ownership has not been resolved.

Impact of Historical Disputes on U.S. Interests. The question of Japan's historical legacy has affected Korean and Chinese views of the United States. Both countries have criticized the Bush Administration for its silence regarding the controversy over the Yasukuni shrine and Japan's record in accounting for its past history of aggression. In November 2005, President Bush discussed rising regional tensions during his bilateral summits with Koizumi and the leaders of China and South Korea. During a trip to Japan and China in January 2006, former Deputy Secretary of State Robert Zoellick suggested that Chinese, Japan, and U.S. historians engage in "track two" efforts to examine the history of World War II. Some officials

have voiced concern that friction between Japan and its neighbors is hurting U.S. interests in the region. Multilateral efforts such as the Six-Party Talks depend on the ability of all regional players to cooperate in dealing with North Korea's nuclear weapons programs. Other potential regional initiatives, such as a mechanism to improve energy cooperation in a region that is deeply dependent on imported resources, may be damaged by the lack of trust between Tokyo, Beijing, and Seoul.

Congressional Interest in Japanese History Issues. Some members of Congress have indicated a particular interest in World War II history issues in Asia. In July 2005, the U.S. House of Representatives passed H.Con.Res. 191, which commemorated the 60th anniversary of the end of the Pacific War. The resolution stated that Congress reaffirmed the judgments rendered by the international war crimes tribunal in Tokyo after World War II, including the conviction of Japanese leaders for "crimes against humanity." In September 2006, the House International Relations Committee passed H.Res. 759, which calls on Japan to "formally acknowledge and accept responsibility for its sexual enslavement of young women, known to the world as 'comfort women', during its colonial occupation of Asia and the Pacific Islands from the 1930s through the duration of World War II, and for other purposes." These resolutions, although not binding, indicate a divergence by some congressional members with the executive branch on U.S.-Japan relations.

In a related area, a number of surviving American World War II Prisoners of War (POWs) and civilian internees who were forced to work for Japanese companies during the war have filed suits in Japan and California seeking compensation of \$20,000 for each POW or internee for forced labor and torture. Thus far, the Japanese courts and the U.S. Court of Claims have dismissed the suits on grounds that Japan's obligations to pay compensation were eliminated by Article 14 of the 1951 Multilateral Peace Treaty with Japan. The Departments of State and Justice support the position of the Japanese government, but some Members of Congress have sided with the plaintiffs. The core issue is whether the Peace Treaty with Japan relieved only the Japanese government from future claims or whether it covered private companies as well. A number of bills and amendments introduced in the last several years have sought to block the executive branch from upholding the supremacy of the Peace Treaty in civil suits. None have been enacted, in part due to opposition from the Bush Administration.³

Military Issues⁴

Deepening Cooperation. Japan and the United States are military allies under a security treaty concluded in 1951 and revised in 1960. Under the treaty, Japan grants the United States military base rights on its territory in return for a U.S. pledge to protect Japan's security. In October 2005, at a Security Consultative

³ See CRS Report RL30606, *U.S. Prisoners of War and Civilian American Citizens Captured and Interned by Japan in World War II*, archived but available by request from the coordinator.

⁴ For more information on the U.S.-Japan alliance, see CRS Report RL33740, "*The Changing U.S.-Japan Alliance: Implications for U.S. Interests*," by Emma Chanlett-Avery.

Committee meeting (SCC, also known as the 2+2 meeting) of the Japanese and U.S. foreign and defense ministers, the two sides released an interim report, *Transformation and Realignment for the Future*, announcing several significant steps that will expand the alliance beyond its existing framework. A follow-up implementation plan, announced in May 2006, lays out the final agreement, including the key provision that Japan will bear over \$6 billion of the estimated \$10.2 billion cost for relocating 8,000 Marines from Okinawa to a facility in Guam by 2014. U.S. officials say Japan will pay an estimated \$26 billion overall for the realignment initiative. Some military officials in Japan are concerned that the high cost of the realignment could result in decreased capabilities because of budgetary restraints.

As U.S. personnel and facilities in Japan are realigned as part of the broader Pentagon strategy of deploying a more streamlined and mobile force, Japan is to take a more active role in contributing to global stability, primarily through increased coordination with the U.S. military. Key features of the new arrangement include a reduction in the number of U.S. Marines in Japan, the relocation of a problematic air base in Okinawa, the deployment of an X-Band radar system in Japan as part of a missile defense system, expanded bilateral cooperation in training and intelligence sharing, and Japan's acceptance of a nuclear-powered aircraft carrier in the Yokosuka Naval Base. Many of the agreement's most controversial elements are likely to face continued obstacles, particularly from local Japanese politicians in the areas identified to host new facilities and troops. In March 2006, 89% of voters in Yamaguchi prefecture voted against expanding the Iwakuni base to accommodate more U.S. troops in a non-binding referendum.

The most recent overhaul builds upon the 1997 revised defense cooperation guidelines that grant the U.S. military greater use of Japanese installations in time of crisis and refer to a possible, limited Japanese military role in "situations in areas surrounding Japan." At the "2+2" meeting in February 2005, Secretaries Rice and Rumsfeld, along with their Japanese counterparts, outlined a more global and integrated vision of the alliance, specifically mentioning issues related to the Korean Peninsula and the Taiwan Straits as "common strategic objectives" for "peaceful resolution." Defense officials stress, however, that the Japanese military will not be involved in combat missions but instead limit its contributions to logistical support for counterterrorism operations or to humanitarian and reconstruction efforts.

In recent years Japan has edged closer to a more independent self-defense posture in both practice and in published security strategies. Japan's National Defense Program Guidelines (NDPG), approved in December 2004, call on Japan to become more engaged militarily in the Indian Ocean region from the Middle East to Southeast Asia, permit military exports to the United States for development of joint missile defense, and increase the size of rapid reaction forces, whose main mission is to prevent infiltration from North Korea. The NDPG also mention China as a security problem, the first such mention in a five-year plan.

Article 9 Restrictions. In general, Japan's U.S.-drafted constitution remains a major obstacle to closer U.S.-Japan defense cooperation because of a prevailing constitutional interpretation of Article 9 that forbids engaging in "collective self-defense"; that is, combat cooperation with the United States against a third country. Article 9 outlaws war as a "sovereign right" of Japan and prohibits "the right of

belligerency.” Whereas in the past Japanese public opinion strongly supported the limitations placed on the Self-Defense Force (SDF), this opposition has softened considerably in recent years (See “Constitutional Revision”). Since 1991, Japan has allowed the SDF to participate in non-combat roles in a number of United Nations peacekeeping missions and in the U.S.-led coalition in Iraq.

Proposed Command Structure Changes. The October 2005 interim report, followed by the May 2006 roadmap for implementation, outlines major command changes agreed to by Japanese and U.S. officials. One would shift 300 soldiers from the 1st Army Corps headquarters from Washington State to Camp Zama to establish a deployable headquarters. The Ground Self Defense Forces would also base a rapid-response headquarters at Camp Zama. A bilateral and joint operations center is to be built at Yokota Air Base (about 23 miles northwest of Tokyo) to enhance coordination between the Japanese and U.S. air and missile defense command elements. The headquarters of the 3rd Marine Expeditionary Force, meanwhile, would be moved from Okinawa to Guam, reducing the number of marines in Okinawa by about 8,000.

U.S. Bases on Okinawa. The reduction of marines on Okinawa seeks to quell the political controversy that has surrounded the presence of U.S. forces on the island for years. Public outcry against the bases has continued since the 1995 rape of a Japanese schoolgirl by American servicemen, which galvanized underlying resentments. Though constituting less than 1% of Japan’s land mass, Okinawa currently hosts 65% of the total U.S. forces in Japan. Okinawan politicians have called for a renegotiation of the Japan-U.S. Status of Forces Agreement (SOFA) and a reduction in U.S. troop strength. The U.S. and Japanese governments oppose revising the SOFA, but have acknowledged the political demand to alleviate the burden of military presence in Okinawa. As part of the realignment of U.S. bases, U.S. officials agreed to move most aircraft and crews constituting the marine air station at Futenma to expanded facilities at Camp Schwab, located in Nago, a less-congested area of Okinawa.

Both candidates in the November 2006 gubernatorial election for Okinawan governor opposed the Nago relocation plan. LDP-backed Hirokazu Nakaima, the winner in the closely-fought election, has indicated a willingness to talk with the central government and the city of Nago to adjust the plan. His opponent, Keiko Itokazu, had called for the base to be relocated overseas.

Burden-Sharing Issues. The United States has pressed Japan to increase its share of the costs of American troops and bases. According to a Pentagon report, in 2004, Japan provided \$4.4 billion in direct and indirect Host Nation Support (HNS), which is 75% of the total cost of maintaining troops in Japan. In 2004, Japanese officials reportedly suggested that HNS be reduced on grounds that Japan is now making a greater direct contribution to the alliance. In January 2006, Japan renewed its pledge to provide \$1.2 billion in direct support for each of the next two years to U.S. forces amid controversy over how much of the cost of relocating forces will be shouldered by Japan. In May 2006, Japan agreed to shoulder 59% (over \$6 billion) of the estimated cost of relocating forces from Okinawa to Guam. Richard Lawless, U.S. Deputy Undersecretary of Defense, estimated that Japan would need to pay an additional \$20 billion for the realignment initiative.

Cooperation on Missile Defense. A U.S.-Japan program of cooperative research and development of anti-ballistic missiles began in 1999. The decision to acquire the ground-based U.S. Patriot Advanced Capability-3 (PAC-3) system and the ship-based U.S. Standard Missile-3 system was justified largely on the basis of North Korea's missile program. In December 2005, Japan's Defense Agency agreed that Japan will pay over \$1 billion for the project over nine years. Following North Korean missile tests in July 2006, officials announced that the deployment of the PAC-3 system to Okinawa would accelerate, starting the deployment in August 2006 instead of the previous date of March 2007. The system includes 600 new U.S. troops.

Figure 2. Map of Military Facilities in Japan



Source: Map Resources. Adapted by CRS.

Economic Issues⁵

Trade and other economic ties with Japan remain highly important to U.S. national interests and, therefore, to the U.S. Congress.⁶ By the most conventional method of measurement, the United States and Japan are the world's two largest economies,⁷ accounting for around 40% of world gross domestic product (GDP), and their mutual relationship not only has an impact on each other but on the world as a whole. Furthermore, their economies are intertwined by merchandise trade, trade in services, and foreign investments.

Overview of the Bilateral Economic Relationship

Although Japan remains important economically to the United States, its importance has slid as it has been edged out by other trade partners. Japan is the United States's third-largest merchandise export market (behind Canada and Mexico) and the fourth-largest source for U.S. merchandise imports (behind Canada, Mexico, and China) as of the 10 months of 2006. At one time Japan was the largest source of foreign direct investment in the United States, but, as of the end of 2005, it was the second largest source (behind the United Kingdom). It was the ninth-largest target for U.S. foreign direct investment abroad as of the end of 2005. The United States remains Japan's largest export market and second-largest source of imports as of the end of 2005.

Japan's domestic economic conditions have influenced the U.S.-Japan economic agenda. Except for some brief periods, Japan had incurred stagnant or negative economic growth in the 1990s and the first few years of this decade. However, Japan recently has shown signs of achieving sustained economic recovery. Some long-standing trade disputes continue to irritate the relationship. The U.S. bilateral trade deficit with Japan reached \$81.3 billion in 2000. However, in 2001, the U.S. trade deficit declined 15%, primarily because of the slowdown in the U.S. economy, but increased moderately to \$70.1 billion in 2002. The trade deficit decreased slightly to \$66.0 billion in 2003 but increased to \$75.2 billion in 2004 and to \$82.7 billion in 2005, breaking the record set in 2000, and is on another record-breaking pace in 2006. (See **Table 1**.)

⁵ This section was written by William Cooper.

⁶ For a more complete treatment of U.S.-Japan economic ties, see CRS Report RL32649, *U.S.-Japan Economic Relations: Significance, Prospects, and Policy Options*, by William H. Cooper.

⁷ China's economy is now larger than Japan's by another method of measurement: purchasing power parity.

Table 1. U.S. Trade with Japan, Selected Years
(\$ billions)

Year	Exports	Imports	Balances
1995	64.3	123.5	- 59.1
2000	65.3	146.6	- 81.3
2003	52.1	118.0	-66.0
2004	54.4	129.6	-75.2
2005	55.4	138.1	-82.7
2005*	45.9	114.3	-68.5
2006*	49.6	122.7	-73.1

Source: U.S. Commerce Department, Census Bureau. FT900. Exports are total exports valued on a free alongside ship (f.a.s.) basis. Imports are general imports valued on a customs basis.

There have been complaints from U.S. industry and certain Members of Congress about the Japanese government's massive intervention in currency markets in 2003 and early 2004 to slow the Japanese yen's appreciation against the U.S. dollar. Some legislation was introduced in the 109th Congress regarding the alleged currency manipulation. While many of the bills targeted China's exchange rate practice, some referred to Japan. For example, S. 377 (Lieberman), The Fair Currency Enforcement Act of 2005, listed Japan as a country, among others, that has implemented exchange rate policies that give its exports an unfair competitive advantage in the U.S. market, and the bill stated that experts have estimated that the yen is undervalued by about at least 20%. The bill would have authorized the President to take actions under U.S. trade laws to retaliate, if a country is found to be manipulating its currency values.⁸

Despite some outstanding issues, tensions in the U.S.-Japan bilateral economic relationship have been much lower than was the case in the 1970s, 1980s, and early 1990s. A number of factors may be contributing to this trend: Japan's economic problems in the 1990s and in the first few years of this decade changed the general U.S. perception of Japan as an economic "threat" to one of a country with problems; the rise of China as an economic power has caused U.S. policymakers to shift attention from Japan to China as a source of concern; the increased use by both Japan and the United States of the WTO as a forum for resolving trade disputes has depoliticized disputes and helped to reduce friction; and the emphasis in the bilateral relationship has shifted from economic to security matters.

⁸ For more, see CRS Report RL33178, *Japan's Currency Intervention*, by Dick K. Nanto.

Bilateral Trade Issues

Japan's Ban on U.S. Beef.⁹ In December 2003, Japan imposed a ban on imported U.S. beef in response to the discovery of the first U.S. case of bovine spongiform encephalopathy (BSE or “mad cow disease”) in Washington state. In the months before the diagnosis in the United States, nearly a dozen Japanese cows infected with BSE had been discovered, creating a scandal over the Agricultural Ministry's handling of the issue (several more Japanese BSE cases have since emerged). Japan had retained the ban despite ongoing negotiations and public pressure from Bush Administration officials, a reported framework agreement (issued jointly by both governments) in October 2004 to end it, and periodic assurances afterward by Japanese officials to their U.S. counterparts that it would be lifted soon.

In December 2005 Japan lifted the ban after many months of bilateral negotiations but reimposed it in January 2006 after Japanese government inspectors found bone material among the first beef shipments to have arrived from the United States after the ban was lifted. The presence of the bone material violated the procedures U.S. and Japanese officials had agreed upon that allowed the resumption of the U.S. beef shipments in the first place. U.S. Secretary of Agriculture Johanns expressed regret that the prohibited material had entered the shipments. It is not clear when U.S. beef shipments to Japan can resume.

On June 21, 2006, S. 3435 (Conrad) was introduced in the 109th Congress, which would have imposed sanctions on U.S. imports from Japan if Japan did not lift its ban on imports of U.S. beef by August 31, 2006. On June 22, the Senate Appropriations Committee approved agricultural appropriations legislation (H.R. 5384). Section 757 of the bill that contained a Sense of the Senate resolution that the United States should impose sanctions against Japan if Japan had not lifted the ban on imports of U.S. beef by the date of the bill's enactment. On July 27, 2006, Japan announced it would resume imports of U.S. beef from cattle 20 months old or younger. While praising the decision, some officials have called on Japan to broaden the procedures to include beef from older cattle. The first shipments arrived on August 7. Members of the 110th Congress may press Japan to lift restrictions on imports of U.S. beef further.

Insurance. Market access in Japan for U.S. and other foreign insurance providers has been the subject of bilateral trade agreements and discussion for some time. Current U.S. concerns center around making sure that Japan adheres to its agreements with the United States, especially as Japan's domestic insurance industry and government regulations of the industry are restructured. Specifically, American firms have complained that little public information is available on insurance regulations, how those regulations are developed, and how to get approval for doing business in Japan. They also assert that government regulations favor insurance companies that are tied to business conglomerates — the keiretsu — making it difficult for foreign companies to enter the market.

⁹ For more information, see CRS Report RS21709, *Mad Cow Disease and U.S. Beef Trade*, by Charles Hanrahan and Geoffrey Becker.

The United States and Japan concluded agreements in 1994 and 1996 on access to the Japanese market for U.S. providers of life and non-life insurance and also on maintaining competitive conditions for foreign providers in the specialty insurance market — cancer insurance, hospitalization, nursing care, and personal accident insurance. U.S. and Japanese officials continue to meet under those two agreements, and U.S. providers have been able to expand their presence in Japan under them, according to the Office of the U.S. Trade Representative (USTR).

However, the United States has raised concerns about Kampo, the government-owned insurance company under the Japan Postal Service, which offers insurance services that directly compete with U.S. and other privately owned providers. The United States has also raised questions about the activities of regulated and unregulated insurance cooperatives, *kyosai*, claiming that these entities do not have to adhere to the same regulations that bind traditional private insurance companies, creating an unfair competitive advantage. A Japanese government privatization framework released on July 31, 2006, generated statements from the American Chamber of Commerce in Japan and from the American Council of Insurers arguing that the privatization plan would allow Kampo to compete with foreign insurance providers by offering new products before it has been completely privatized.

The Byrd Amendment. Japan, together with other major trading partners, challenged U.S. trade laws and actions in the World Trade Organization (WTO). For example, Japan and others challenged the so-called Byrd Amendment (which allows revenues from countervailing duty and antidumping orders to be distributed to those who had been injured). The WTO ruled in Japan's favor. In November 2004, the WTO authorized Japan and the other complainant-countries to impose sanctions against the United States. In September 2005, Japan imposed 15% tariffs on selected imports of U.S. steel products as retaliation, joining the EU and Canada. It is the first time that Japan had imposed punitive tariffs on U.S. products. In the meantime, a repeal of the Byrd Amendment was included in the conference report for S. 1932, the Deficit Reduction Act of 2005, that received final congressional action on February 1, 2006, and was signed by the President into law (P.L. 109-171) on February 8, 2006. The measure phases out the program over a period ending October 1, 2007.¹⁰ Although Japan has praised the repeal of the Byrd Amendment, it criticized the delayed termination of the program and has maintained the sanctions on imports from the United States. Consequently, Japan announced on August 4, 2006, that it would maintain the tariff sanctions until October 1, 2007.

The Doha Development Agenda. Japan and the United States are major supporters of the Doha Development Agenda (DDA), the latest round of negotiations in the WTO. Yet, the two have taken divergent positions in some critical areas of the agenda. For example, the United States, Australia, and other major agricultural exporting countries have pressed for the reduction or removal of barriers to agricultural imports and subsidies of agricultural production, a position strongly

¹⁰ For more information on the Byrd Amendment, see CRS Report RL33045, *the Continued Dumping and Subsidy Offset Act ("The Byrd Amendment")*, by Jeanne J. Grimmett and Vivian C. Jones.

resisted by Japan and the European Union. At the same time, Japan and others have argued that national antidumping laws and actions that member countries have taken should be examined during the DDA, with the possibility of changing them, a position that the United States has opposed.

In July 2006, WTO Director-General Pascal Lamy indefinitely suspended the negotiations because, among other reasons, the major participants could not agree on the modalities that negotiators would use to determine how much they would liberalize their agricultural markets and reduce agricultural subsidies. The resumption of negotiations will depend on large part if the United States and Japan, along with the European Union and developing countries, can resolve their differences.

Japanese Political Developments¹¹

The Political Situation in Late 2006. After recording high public approval ratings in the first weeks of his premiership — the result of a “honeymoon” period, North Korea’s nuclear test, and his trips to China and South Korea — Prime Minister Abe’s standing in public opinion polls has fallen significantly, to the 50% range. This, however, is high by Japanese standards. The downturn appears to be attributable primarily to Abe’s decision in November to readmit into the LDP several former “postal rebels” who Koizumi had expelled from the party in August 2005 after they had rejected his plan to reform Japan’s massive postal system (which includes one of the world’s largest financial institutions). Abe’s decision to readmit the rebels, who publicly pledged to support Abe’s reform agenda, thus appears to be tainting the LDP’s image as a reformist party, a perception that Abe’s predecessor, Junichiro Koizumi, had created. The risk Abe is taking is that this could lead to larger-than-expected losses by the LDP and its coalition partner, Komeito, in the July 2007 elections for the Upper House of the Diet (Japan’s parliament).

The negative fallout from the postal rebel issue may be short-lived. Most observers of the Japanese political scene have argued that because Abe lacks Koizumi’s charisma, the LDP’s electoral performance will depend more on the success or failure of its policy agenda than was true under Koizumi. Thus far, Abe has achieved two of his goals: upgrading the Japan Defense Agency into a full-fledged ministry and passing a sweeping education reform law, which among other things requires schools to teach “patriotism.” Both initiatives were carry-overs from the Koizumi Administration, in which Abe was Chief Cabinet Secretary. Abe also has made some incremental gains in pushing along the process to amend Japan’s constitution, another of his stated goals. Finally, Abe’s reputation as an electoral standard-bearer seems to have been boosted by the LDP’s victories in parliamentary by-elections in October and in the Okinawan governorship election in November. Internal support for Ichiro Ozawa, president of major opposition party, the Democratic Party of Japan (DPJ), appears to have suffered from the losses of DPJ-backed candidates. Ozawa’s standing had already had been shaken by his hospitalization for a significant period earlier in 2006.

¹¹ This section was written by Mark Manyin.

Background. In general, Japan's political peculiarities both constrain and enhance U.S. influence over Japanese policy. Compared to most industrialized democracies, the Japanese parliament is structurally weak, as is the office of the prime minister and his cabinet. Though former Prime Minister Koizumi and his immediate predecessors increased politicians' influence relative to Japan's bureaucrats, with important exceptions Japan's policymaking process tends to be compartmentalized and bureaucratized, making it difficult to make trade-offs among competing constituencies on divisive issues. The result is often paralysis or incremental changes at the margins of policy. On some issues this can provide an opening to use foreign pressure (*gaiatsu*) to break policy logjams.

On the other hand, the nature of Japan's policymaking process often makes it difficult for Japanese leaders to reach controversial agreements with foreign countries. Japan's structural debilities also have tended to retard its ability to act decisively and proactively in the international sphere — often to the frustration of the United States — though this characteristic is less pronounced today than the 1990's. Koizumi centralized power to a greater extent than his predecessors and aligned Japanese foreign policy closely to the United States. Prime Minister Abe shares his predecessor's emphasis on strengthening the U.S.-Japan alliance and concentrating greater power in the Cabinet office, for instance by creating a Japanese equivalent of the U.S. National Security Council.

Koizumi's Political Legacies. Japan's third-longest serving prime minister since 1945, Koizumi leaves a number of important legacies for Japanese policymaking. First, Koizumi ushered in a new, more modern "style" to Japanese politics by using his charisma, optimistic outlook, and telegenic acumen to promote his policies. The result was that the LDP made striking electoral gains under Koizumi's reign, particularly in the September 2005 Lower House election, in which the LDP won 296 of 480 seats, its largest total in nearly 20 years, and 84 seats higher than its position before the election. Prime Minister Abe is widely considered to be a far less charismatic politician than Koizumi, meaning that he will have to employ different means to advance his agenda.

Second, Koizumi used his immense popularity to bolster the prime minister's office at the expense of the previously powerful factions in his ruling LDP. Prior to Koizumi, cabinet posts, including the office of prime minister, typically were filled not on the basis of merit or policy principles but rather with a view towards achieving a proper balance among the LDP's faction leaders, who acted behind-the-scenes as kingpins. Because the LDP president was not the true leader of the party, he often lacked the power to resolve divisive intra-party disputes or even to set the party's agenda. Koizumi successfully attacked and flouted the faction-based system, which helped him to centralize power in the prime minister's office. Judging from Prime Minister Abe's Cabinet selections — he continued Koizumi's practice of not using factional affiliation to determine ministerial posts — he intends to perpetuate the more top-down party mechanism he inherited.

Third, during Koizumi's premiership, LDP's dominant foreign policy outlook underwent a sea change, as a group that may be described as the "normal nation-ists" became dominant inside the party. This loosely defined grouping, of which Abe is

a prominent member, favors Japan rearming, bolstering its alliance with the United States, and playing a more prominent diplomatic and security role globally.

The Abe “Agenda”. At 52 years old, Prime Minister Abe is Japan’s first post-war prime minister to be born after the end of World War II. Like many Japanese politicians, Abe belongs to a political family. His father, Shintaro Abe, was foreign minister in the 1980s and was a leading contender for the top post. His grandfather, Nobusuke Kishi, was prime minister from 1957-1960. Shinzo Abe cites his grandfather as particularly important to his development, an influence which colors Abe’s views about Japan’s wartime history; as a prominent official in Japanese-occupied Manchuria and later the Minister of Commerce and Industry from 1941-1945, Kishi was imprisoned as a Class A war criminal under the U.S. Occupation of Japan, which lasted until 1952.

Abe came to prominence earlier this decade by championing the cause of Japanese abducted by North Korea. Aside from his advocacy of taking hard-line positions toward North Korea and strengthening the U.S.-Japan alliance, Abe did not associate himself with many specific policies, though he is widely believed to hail from the conservative side of the Japanese spectrum on a range of issues. Based upon statements during his campaign to become LDP President and since taking over the reigns of government, Abe has proclaimed his vision to be “a beautiful country, Japan,” which he hopes to achieve through accomplishing several goals, including the following:¹²

- further centralizing power in the Prime Minister’s Official (the *kantei*), making it into a “control tower” for policy, in part by creating a National Security Council;
- adopting a more “proactive” diplomatic posture;
- further reforming and strengthening the U.S.-Japan alliance but simultaneously giving Japan more equity in alliance so that both countries “expend sweat”;
- forming “strategic dialogues” with Australia and India, “countries that share fundamental values” with Japan;
- restoring normal diplomatic relations with China and South Korea;
- pursuing the revision of the Japanese constitution in the medium term;
- in the more immediate term, revising the current interpretation of the constitution’s Article 9 to give Japan more flexibility to deploy its troops abroad;
- rectifying Japan’s fiscal imbalances by drastically cutting back governmental expenditures and reducing the size of government; and
- reforming Japan’s educational system.

¹² Sources for this list include Abe’s September 29, 2006 Policy Speech to the Japanese Diet; “Excerpts of Abe’s Book ‘Toward a Beautiful Country’,” translated by the U.S. Embassy in Tokyo’s Office of Translation and Media Analysis, July 27, 2006; “Japan: Shinzo Abe Grants Interview on DPRK Missile Launches, Implications,” *Bungei Shunju*, September 1-30, 2006, translated by the Open Source Center, JPP20060816016003; Election campaign pamphlet provided by the Shinzo Abe Support Team, translated by the U.S. Embassy in Tokyo in its *Daily Summary* 2006-9-12 Sept. 2006 - 30 Sept. 2006 pp 94-108.

Abe's first Cabinet generally is considered to be comprised of foreign policy hawks. Many analysts consider his appointments to economic posts to be less prominent — and less powerful — than they were under Koizumi.

Abe's first major electoral challenge will come in July 2007, when Japan's Upper House is scheduled to hold nationwide elections. Currently, the LDP controls the Upper House by virtue of its alliance with a smaller party, Komeito. The LDP is not expected to do well in the July vote, in part because it made major gains under Koizumi during the last election and in part because the government is expected to have to confront some difficult economic decisions over the coming months. Opinion polls generally are topped by worries over personal economic security issues such as concerns over the country's ageing population, the health of the Japanese pension system, and the growing gap between rich and poor that occurred under the Koizumi-era reforms. Indeed, Japan's second-largest party, the Democratic Party of Japan (DPJ) has made these economic issues its top priority.

The Democratic Party of Japan (DPJ). The LDP's sweeping victory in the September 2005 election appeared — at least for the moment — to stall the emergence of a two-party system in Japan. The LDP has ruled almost continuously since its formation in 1955. From 2002-2005, Japan's largest opposition party, the Democratic Party of Japan (DPJ), seemed to be emerging as a viable candidate to defeat the LDP. In several elections in the early part of the decade, the DPJ steadily increased its strength in the Diet by winning over reform-minded urban and independent voters, who were attracted to the DPJ's economic reform platform that in many ways is more radical than Koizumi's. In the September 2005 election, however, many of these voters opted for Koizumi's LDP, in part because Koizumi was able to establish himself — rather than the DPJ — as the symbol of reform. As a result, the DPJ lost more than one-third of its strength; the party now has 113 seats in the Lower House, down from 175 before the election, and the party's leader resigned to take responsibility for the defeat.

A week after the vote, the DPJ elected 43-year-old Seiji Maehara — known as a realist on security and defense issues — to be the new party president. However, Maehara and the entire DPJ leadership resigned in March 2006, in response to widespread criticism over their handling of a political scandal. The following month, the party's Diet members selected longtime political leader Ichiro Ozawa (63), once a top LDP leader before he defected to the DPJ in mid-1993 to press for sweeping reform in the Japanese political system. Since leaving the LDP, Ozawa has pushed for reforming Japan's political and economic systems, as well as adopting a more assertive and independent foreign policy. Following his selection, Ozawa stated that he would push for "a U.N.-centered national security policy" that has the Japan-U.S. alliance "as a pivot, but emphasizes Asia."¹³ In July 2006, he visited China and met with Chinese President Hu Jintao. He has criticized Prime Minister Koizumi's visits to Yasukuni Shrine and aspects of the USFJ's troop redeployment plan. In the past, Ozawa has been hampered by what many see as his top-down management style and his political opportunism.

¹³ "Ozawa Elected as New President," DPJ Press Release, April 7, 2006.

Constitutional Revision. Japan's constitution was drafted in 1946 by the U.S. Occupation authorities, who then imposed it on a reluctant Japanese legislature. Since the early 1990s, previously strong public opposition to revising the constitution has gradually weakened and public opinion polls now show widespread support for some sort of revision. In October 2005, Japan's ruling Liberal Democratic Party (LDP) released its long-awaited draft revision of the Japanese constitution. The most notable changes reduce many — though not all — of the provisions in the war-renouncing clause (Article 9) that set limits on Japan's military activities. After renouncing war and the "threat or use of force as a means of settling international disputes," the proposed revision explicitly states that Japan "shall maintain armed forces for self-defense" that operate under the prime minister and are subject to the Diet's approval and direction. The explicit mention of a military force is designed to rectify the disconnect between the current constitution — which says that "land, sea, and air forces, as well as other war potential, will never be maintained" — and the reality that Japan possesses a Self Defense Force. More importantly, the LDP's draft appears to allow Japan to participate in collective security arrangements by stating that the armed forces "may act in international cooperation to ensure the international community's peace and security."

Both the LDP and the DPJ are split — with the DPJ's internal divisions much deeper — between relatively hawkish and pacifist wings that appear to be sparring over the question of whether or not conditions (such as United Nations backing) should be attached to the right to join collective security arrangements. In other words, the issue is not whether, but how, Article 9 should be revised, a development that is due in part to increased concerns about North Korea and China. In March 2005, Japan's House of Representatives Research Commission on the Constitution, composed of representatives from various parties, released a report indicating that over two-thirds of members generally favor constitutional provisions allowing Japan to join U.N. collective security arrangements, stipulating the Self-Defense Forces' existence, and maintaining some portion of the war-renouncing clause of Article 9. A wide majority of the commission also favored allowing women to serve as emperor, establishing stronger privacy and environmental rights, creating a constitutional court, and revising Japan's federalist system.

Constitutional amendments must be approved by two-thirds of each chamber of the Diet, after which they are to be "submitted to the people" for majority approval. In June 2006, the Lower House of Parliament began debating legislation detailing how a national constitutional referendum would be conducted. The LDP-led coalition and the DPJ proposed separate referendum bills, dampening hopes for the two camps to cooperate on constitutional revision. Notably, according to the timetables outlined in both drafts, the soonest that a national referendum could be held would be about three years after a referendum law is passed. In December 2006, the two sides made progress toward closing the gaps in their referendum bills.

Japan's Demographic Challenge

Japan's combination of a low birth rate, strict immigration practices, and a rapidly-aging population present policymakers with a significant challenge. Polls suggest that Japanese women are avoiding marriage and child-bearing because of the difficulty of combining career and family in Japan; the birthrate has fallen to 1.25,

far below the 2.1 rate necessary to sustain a population size. Japan's current population of 128 million is projected to fall to about 100 million by mid-century.¹⁴ Observers are concerned about a huge shortfall in the labor force, particularly as the elderly demand more care. Japan's National Institute of Population and Social Security Research projects that the working-age population will fall from 85 million in 2005 to 70 million by 2030. Japan's immigration policies have traditionally been strictly limited, but in 2006 the government reached agreements with the Philippines and Indonesia to allow an increase in foreign workers, particularly in the nursing and hotel industries.

Conclusion — Japan's Increased Assertiveness¹⁵

Since the late 1990s, Japan has displayed a more assertive foreign policy, a process that Koizumi accelerated and that Abe is likely to continue. The new assertiveness has manifested itself in at least four notable ways. First, Japan has intensified its cooperation with the United States. Second, Tokyo has hardened its policies toward Beijing, refusing to back down from territorial and historical disputes and reorienting the U.S.-Japan alliance to give both countries more flexibility to respond to perceived and actual threats from China. Third, Japan has attempted to exert more influence in Southeast Asia and on the global stage, as evidenced by its pursuit of a permanent seat on the U.N. Security Council and its negotiation of free trade agreements (FTAs) with a number of Southeast Asian countries. Fourth, Japanese leaders have sought to make Japan a more "normal" country by legitimizing the military's ability to participate in collective security arrangements and take actions — such as firing at hostile foreign ships in Japanese waters — that most other nations take for granted. Currently, Japan's military role is highly conscribed by the constitution's war-renouncing clause of Article 9.

The motivations for Japan's increasing foreign policy assertiveness are both external and internal. Domestically, Koizumi found that breaking from Japan's traditionally passive foreign policy posture played well with politically influential right-of-center groups. Many elements of his policies also resonated among the population as a whole, as ordinary Japanese have become much more security conscious since North Korea's missile launch in 1998. The negative implications of China's economic and military rise are viewed with deepening concern in Japan, particularly when seen against the backdrop of Japan's decade-long economic slump, as well as the decline in and ageing of Japan's population. Many Japanese worry that they gradually are ceding leadership in East Asia to China, and that the after-effects of this shift will harm Japanese interests. In the shorter term, anxieties have been raised by the intensifying disputes with China and by North Korea's nuclear weapons and missile programs.

In general, the Bush Administration has encouraged Tokyo's rising assertiveness, which thus far has tended to dovetail with U.S. interests in the strategic

¹⁴ "Japan Shrinks," *Wall Street Journal Asia*, November 24, 2006.

¹⁵ This section was written by Mark Manyin.

realm. In the future, however, it is likely that a more active Japan will be more willing to question U.S. policies on a range of strategic issues where U.S. and Japanese interests do not coincide. Asian analysts will watch closely to see if the U.S.-Japan relationship, labeled by many as “stronger than ever” under the Bush and Koizumi Administrations, will continue to strengthen under Abe’s leadership.

Legislation in 109th Congress

P.L. 109-5 (S. 384). Extends the existence of the Nazi War Crimes and Japanese Imperial Government Records Interagency Working Group for two years. Passed by both houses and signed into law by President Bush in March 2005.

P.L. 109-97 (H.R. 2744). The Agriculture Appropriations Act of 2006. Signed into law (P.L. 109-97) November 10, 2005. The Senate-passed version included two amendments, adopted on September 20, 2005, that would have denied funds to implement a rule to lift the U.S. ban on Japanese beef until Japan has lifted its ban on imports of U.S. beef (S.Amdt. 1732 agreed to by a vote of 72-26); and that expressed the sense of the Senate that the U.S. ban on imported Japanese beef should remain in place until Japan has lifted its ban on imports of U.S. beef (S.Amdt. 1738, agreed to by voice vote). House and Senate conferees did not include either amendment in the final bill, though the conference report (H.Rept. 109-255) says Congress “clearly reserve[s] the right to impose restrictions similar to those suggested by the Senate if there is not a swift resolution to this issue.”

P.L. 109-114 (H.R. 2528). Veterans Affairs Appropriations Act of 2006. Section 118 requires the Defense Department to report by February 15 on U.S. efforts to encourage Japan and other allied countries to increase their share of the allied defense burden. Became public law on November 30, 2005.

P.L. 109-171 (S. 1932). The Deficit Reduction Act of 2005. The conference report includes a repeal of the Byrd Amendment. Received final congressional action on February 1, 2006, and was signed by the President into law on February 8, 2006. The measure phases out the program over a period ending October 1, 2007.

H.Con.Res. 68 (Evans). Expresses the sense of Congress that the Government of Japan should formally issue a clear and unambiguous apology for the sexual enslavement of “comfort women” during the colonial occupation of Asia. Introduced March 17, 2005; referred to House Asia Pacific Subcommittee.

H.Res. 759 (Evans). Expresses the sense of the House of Representatives that the Government of Japan should formally acknowledge and accept responsibility for its sexual enslavement of young women, known to the world as “comfort women,” during its colonial occupation of Asia and the Pacific Islands from the 1930s through the duration of World War II, and for other purposes. Committee Agreed to Seek Consideration Under Suspension of the Rules (Amended) by Unanimous Consent.

H.Con.Res. 168 (Hyde). Condemns the Democratic People’s Republic of Korea for the abductions and continued captivity of citizens of the Republic of Korea and Japan. Passed by the House (362-1) on July 11, 2005; referred to Senate Foreign Relations Committee.

H.Con.Res. 191 (Hyde). Commemorates the 60th anniversary of the conclusion of the War in the Pacific and reaffirms the judgments rendered by the

International Military Tribunal for the Far East of 1946-1948, including the conviction of certain individuals as war criminals. Passed by the House (399-0) on July 14, 2005; referred to the Senate Committee on Foreign Relations.

H.Con.Res. 311 (Ramstad)/S.Con.Res. 67 (Coleman). Urges Japan to honor its commitments under a 1986 bilateral agreement on medical equipment and pharmaceuticals. House bill introduced December 7, 2005; referred to House Ways and Means Committee. Senate bill introduced November 18, 2005; referred to Foreign Relations Committee.

H.Res. 137 (Moran)/S.Res. 87 (Thune). Expresses the sense of the respective Houses of Congress that the U.S. government should impose economic sanctions against Japan, if Japan does not lift its ban on U.S. beef. Neither resolution has seen committee action.

H.Res. 321 (Leach). Expresses support for a “regionally balanced expansion” of the membership of the United Nations Security Council, which would include adding Japan, India, Germany, Brazil, and an African country. Introduced June 15, 2005; referred to the House Committee on International Relations.

H.R. 30 (Mica). To provide compensation for certain World War II veterans who survived the Bataan Death March and were held as prisoners of war by the Japanese. Introduced January 4, 2005; referred to House Committee on Armed Services. Similar legislation in the 108th Congress (H.R. 595) did not see action outside of committee.

H.R. 4179 (Salazar) and S. 1922 (Conrad). Require the President to impose extra tariffs on various Japanese products beginning on January 1, 2006, if Japan has not lifted its ban on imports of U.S. beef. H.R. 4179 introduced October 28, 2005; referred to House Ways and Means Committee. S. 1922 introduced October 26, 2005; referred to Senate Finance Committee.

S. 377 (Lieberman). Requires negotiation and appropriate action with Japan, China, and other countries that have engaged in currency manipulation. Introduced February 15, 2005; referred to Senate Finance Committee.