



April 17, 2015

U.S.-Japan Relations

Prime Minister Shinzo Abe is scheduled to address a joint meeting of Congress on April 29, becoming the first Japanese leader to do so. In power since 2012, Abe is positioned to be one of the longest-serving prime ministers in post-war [Japan](#). He has ambitions to achieve other historic milestones as well. Among them are reforming Japan's military, amending the U.S.-drafted post-war constitution, and transforming aspects of Japan's economy.

Abe led the conservative Liberal Democratic Party (LDP) back into power in late 2012 following a six-year period in which six different prime ministers served. Since then, he has stabilized Japanese politics and shored up the foundation for long-term U.S.-Japan cooperation and planning. Globally, the two countries cooperate on scores of multilateral issues, from nuclear nonproliferation to climate change negotiations to responding to the outbreak of Ebola in 2014. Abe has prioritized the [alliance with the United States](#): He increased the defense budget for the first time in 10 years (albeit modestly) and secured approval for the construction of a new U.S. Marine Corps base on Okinawa. He has also led Japan into the [Trans-Pacific Partnership \(TPP\)](#) free trade agreement (FTA) negotiations and has attempted to revitalize Japan's economy, including seeking a number of economic reforms favored by many interests in the United States. Abe's boldness in pursuing such measures has been welcomed by U.S. officials and aligns with the Obama Administration's strategy of "rebalancing" to the Asia-Pacific region.

However, Japan's relationships with South Korea and China have been problematic due in part to Abe's handling of historical issues dating from the World War II era. History has long colored Japan's relationships with its neighbors, who argue that the Japanese government has neither sufficiently acknowledged nor "atoned" for Japan's occupation and belligerence in the first half of the 20th century, with the implication that Japan's current moves to expand its military capabilities cannot be trusted. Abe has made some statements that suggest he may ratchet back previous Japanese apologies and acknowledgements of imperial Japan's record. The upcoming 70th anniversary of the end of World War II in August 2015 has heightened attention to these issues.

The U.S. – Japan Alliance

Since the early 2000s, the United States and Japan have taken significant strides to improve the operational capability of the alliance as a combined force, despite political and legal constraints. The original, asymmetric arrangement of the alliance, dominated by the U.S. security guarantee, has moved toward a more balanced security partnership in the 21st century. Japan's decision to engage in collective self-defense (see below) may accelerate that

trend. The joint response to the 2011 tsunami and earthquake in Japan demonstrated the interoperability of the two militaries. Japan continues to pay roughly \$2 billion per year to defray the cost of stationing roughly 54,000 U.S. forces in Japan.

This spring the two allies are to announce a revision to their Mutual Defense Guidelines (MDG), the main policy document defining the bilateral defense arrangement. Last updated in 1997, the guidelines outline the division of labor between U.S. and Japanese militaries in peacetime and in war. U.S. and Japanese officials say that one main objective of the revision is to establish new guidelines for cooperation in domains of combat that were not addressed in 1997: cyber warfare, military uses of space, ballistic missile defense, and others. Another goal is to enable a more agile and "seamless" bilateral response to contingencies that do not cross the threshold of war. The revised MDG may also outline new areas for U.S.-Japan security cooperation beyond the defense of Japan, particularly in light of the Abe government's decision in 2014 to allow Japanese forces to participate in collective self-defense, meaning the defense of another country that has been attacked. The removal of the blanket prohibition on collective self-defense will enable Japan to engage in more cooperative security activities, such as non-combat logistical operations and defense of distant sea lanes. The government's 2014 decision, however, also establishes conditions for exercising collective self-defense that could inhibit full implementation of this new policy.

A prominent controversy over the [relocation of the Futenma Marine Corps base in Okinawa](#) has yet to be resolved, despite the Abe government's success in securing approval from the former Okinawan governor in late 2013. Local opposition to the bilateral agreement to move the facility to a less congested part of the island remains strong: Politicians who oppose the relocation won all major elections in Okinawa in late 2014. Ongoing anti-base protests and the opposition of the new Okinawan governor present steep challenges to implementing the planned relocation.

Regional Relations

In recent years, Abe has forged stronger ties with Australia, India, Russia, and many countries in Southeast Asia, but relations with neighboring countries have been rocky. Abe and South Korean President Park Geun-hye have not yet held a bilateral summit, and Abe has met Chinese President Xi Jinping only once briefly since both took office in 2012. Leaders in Seoul and Beijing were outraged by Abe's 2013 visit to Yasukuni, a Shinto shrine established to "enshrine" the "souls" of Japanese soldiers who died during war, which includes 14 individuals convicted as Class A war criminals after World War II. Seoul has criticized the Abe

Administration's moves that appear to downplay the imperial Japanese government's involvement in the "comfort women" system, referring to the thousands of women "recruited" to provide sex to Japanese soldiers. Critics claim that the Abe government has attempted to change the prevailing understanding that Japan coerced the women into sexual slavery.

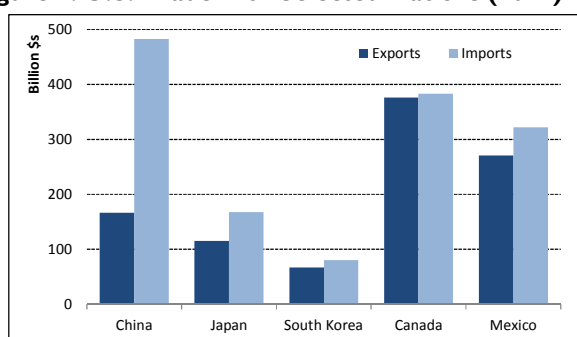
Territorial Dispute with China

Japan and China have engaged in a dispute [over islets in the East China Sea](#) known as the Senkakus in Japan, Diaoyu in China, and Diaoyutai in Taiwan. The uninhabited territory, administered by Japan but also claimed by China and Taiwan, has been a subject of contention for years but grew increasingly heated after the Japanese government purchased three of the eight islets from a private landowner in 2012. Since then, China has begun regularly deploying maritime law enforcement ships near the area, and near-daily encounters between the two countries' ships have occasionally escalated, though not into military conflict. Although the United States does not take a position on the sovereignty question, it is U.S. policy that the 1960 U.S.-Japan Security Treaty covers the islets, because Article 5 of the treaty stipulates that the United States is bound to protect "the territories under the Administration of Japan." This commitment poses the possibility, however remote, of U.S. engagement in a military conflict with China over the islets.

Economic and Trade Issues

U.S. trade and broader economic ties with Japan remain highly important to the United States. The United States and Japan are the world's largest and third largest economies and are closely intertwined by trade in goods and services and by foreign investment. In 2014, Japan was the fifth largest U.S. trading partner for goods and services exports (\$115 billion) and fourth largest for imports (\$168 billion).

Figure 1. U.S. Trade with Selected Nations (2014)



Source: U.S. Census Bureau, FT-900, exhibit 20.

In an effort to reverse nearly two decades of Japanese economic stagnation, including chronic deflation and low growth, Abe has promoted a three-pronged economic program, nicknamed "Abenomics," that includes monetary stimulus, fiscal stimulus, and structural economic reforms. Many economists agree that progress across these three

areas has been uneven, particularly on structural reforms. In early 2015, Japan's powerful agriculture lobby agreed to a significant restructuring, which many analysts interpreted as a signal of Abe's commitment to such reforms. The Abe Administration has also placed particular emphasis in its economic growth reform agenda on encouraging the participation and advancement of women in the workforce, a policy labeled "womenomics."

The results of Abenomics to date have been mixed. Overall economic growth has remained relatively weak, including a recession in 2014, but recent data show that Japan emerged from recession in the last quarter of 2014. Abenomics has also contributed to a 50% depreciation of the yen against the dollar since 2012, making Japanese exports more competitive but raising the costs of imports into Japan. Japan's stock market indexes have more than doubled since the program began.

The TPP Negotiations

Japan's decision to join the 12-nation TPP talks in July 2012 greatly increased the economic significance of the potential FTA but also introduced a number of challenges into the negotiations, particularly in the areas of auto and agricultural trade. Japan is by far the [largest U.S. trading partner in the negotiations](#) without an existing U.S. FTA. Japan's involvement also strengthens the strategic importance of TPP, giving the endeavor greater clout and viability. The TPP constitutes the economic cornerstone of the Obama Administration's "rebalance" strategy to Asia.

U.S. bilateral negotiations with Japan remain a key challenge in the overall TPP negotiations. On many non-tariff issues, such as intellectual property rights protections, U.S. and Japanese goals are reportedly closely aligned. In the areas of auto and agricultural trade, however, disagreements remain. U.S. automakers have long argued that a variety of non-tariff regulatory barriers impede their access to the Japanese market. Japan meanwhile continues to resist the removal of import protections for its five "sacred" commodities—sugar, dairy, beef and pork, wheat and barley, and rice. Some Members of Congress and analysts have also expressed [concerns about "currency manipulation"](#) in the context of the proposed TPP, primarily focused on Japan.

Additional Information

For more, see CRS Report RL33436, *Japan-U.S. Relations: Issues for Congress*. Also see CRS Report RL33740, *The U.S.-Japan Alliance*; CRS Report R42645, *The U.S. Military Presence in Okinawa and the Futenma Base Controversy*; and CRS Report R42694, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*.

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