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## U.S.-Japan Relations

### Overview

Japan, a U.S. treaty ally since 1951, is a significant U.S. partner in several foreign policy areas, particularly security and trade. Shared security goals include meeting the challenge of an increasingly powerful China and countering threats from North Korea. The U.S.-Japan mutual defense treaty grants the United States the right to base U.S. troops—currently numbering around 54,000—and other military assets on Japanese territory in return for a U.S. pledge to protect Japan. The two countries collaborate through bilateral and multilateral institutions on issues such as science and technology, global health, energy, and agriculture. Japan is the fourth-largest overall U.S. trading partner and largest source of foreign direct investment into the United States, and its investors are the largest foreign holders of U.S. Treasury securities.

The Biden Administration has emphasized the restoration of U.S. alliances in Asia and has placed the U.S.-Japan alliance at the center of the U.S. Indo-Pacific strategy. Both governments distrust Beijing and see China's rising power and influence as detrimental to their national security. Japan's proximity to China—and the two countries' maritime and territorial disputes—heightens its concern. Biden has embraced the Quadrilateral Security Dialogue ("the Quad") with Japan, Australia, and India as a primary mechanism to advance shared goals in the region and has convened three leader-level Quad meetings.

Japanese Prime Minister Kishida Fumio acted quickly in response to Russia's invasion of Ukraine, imposing sanctions and other financial measures against Russia and pledging \$300 million in humanitarian and development aid to Ukraine, \$600 million in financial support, and shipments of non-lethal military equipment.

### Former PM Abe Assassination

On July 8, 2022, an assassin shot and killed former Prime Minister Shinzo Abe, arguably Japan's most powerful politician. The shooting stunned Japan, where gun violence is virtually non-existent and restrictions on gun ownership are among the strictest in the world. International leaders responded to the news with sorrow and praise for Abe's role in leading Japan to a more assertive role on the global stage. Abe was known as a key architect of the "Free and Open Indo-Pacific" concept—much of which the United States subsequently adopted as its own policy—and a champion of the Trans-Pacific Partnership (TPP) trade agreement. Many of the positions that Abe supported domestically, such as raising defense spending and amending Japan's constitution, are likely to remain prominent agenda items for the Japanese government.

### Ruling Party Increases Hold on Power

After Abe's assassination, Japanese leaders moved ahead with planned national parliamentary elections two days later. In the vote, the LDP and its coalition partner,

Komeito, increased their majority in the Upper House of Japan's Diet (parliament) from 57% of the seats to 60%, despite economic difficulties such as accelerating inflation. The LDP and Komeito control over 60% of the Diet's Lower House, giving the coalition a commanding majority in both legislative chambers. Diet elections do not need to be held until 2025, likely giving Kishida a three-year window to promote his policies.

### Japan's Changing Approach to Its Security

As perceived threats from North Korea and China have grown more acute, Japan has been reconsidering its security situation. With the LDP's firm control of the Diet, Kishida has the power to cement elements of Abe's long-held policy agenda. Kishida supports raising Japan's defense spending to 2% of its GDP, in line with NATO countries. Japan traditionally has limited defense spending to 1% of GDP. Although many analysts doubt that Japan will precipitously double its defense budget, the LDP has indicated it intends to substantially raise it. New iterations of three major documents—the National Security Strategy, the National Defense Program Guidelines, and the Mid-Term Defense Program—are due to be published by the end of 2022, and will reflect Tokyo's priorities. The United States has long supported Japan investing more in its defense and has a keen interest in the content of these documents.

For years, the LDP has been considering whether Japan should acquire the ability to launch offensive missile attacks against adversary bases. The release of national security documents this year could establish a policy on pursuing this capability, a notion many would have considered taboo a decade ago. Questions remain about how Japan would acquire this capability, including the extent to which it would be developed in cooperation with the United States.

Kishida has said he would like to explore the process of amending Japan's constitution, a chief Abe goal. The document has not been revised since U.S. officials drafted it during the 1945-1952 occupation of Japan. The LDP supports amending the language of Article 9, which asserts "the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes." Revising the constitution is a rigorous process, requiring the approval of two-thirds of legislators from both houses of the Diet and then approval by a majority in a national referendum. Polls indicate the public is divided on whether and what amendments are needed. Komeito, a party with pacifist roots, may not support amending Article 9 in the direction the LDP prefers.

### The U.S.-Japan Military Alliance

Since the early 2000s, the United States and Japan have improved the operational capability of the alliance as a combined force, despite Japanese political and legal

constraints. Japan has accelerated reforms to make its military (known as the Self-Defense Forces, or SDF) more capable, flexible, and interoperable with U.S. forces. Japan pays roughly \$2 billion per year to defray the cost of stationing U.S. military personnel in Japan. In addition, Japan pays compensation to localities hosting U.S. troops, rent for the bases, and the costs of new facilities to support the realignment of U.S. troops. The two governments announced a new four-year deal in December 2021 that continues Japan's contribution at about the same level.

A long-standing effort to relocate a U.S. Marine Corps base in Okinawa to a less-congested area has divided Japan's central government and Okinawan leaders for decades. About 25% of facilities used by U.S. Forces Japan (USFJ) and over half of USFJ personnel are in Okinawa, which comprises less than 1% of Japan's total land area. Okinawans have long expressed widespread opposition to new base construction and have chafed at the U.S. military presence more broadly. However, recent elections yielded victories for LDP-backed candidates, suggesting Okinawan attitudes about the U.S. military presence may be shifting. The September 2022 Okinawa gubernatorial election will pit incumbent Denny Tamaki—an opponent of the base relocation—against LDP candidate Atsushi Sakima, who is seen as more flexible on the transfer.

## Regional Relations

Tokyo is existentially concerned about Beijing's growing economic and military power. A perpetual challenge is a dispute between the two countries (as well as Taiwan) over a group of uninhabited Japan-administered islets in the East China Sea (known as the Senkaku Islands in Japan, and Diaoyu in China). Despite these tensions, Tokyo and Beijing have tried to stabilize relations. Wary of China's rising influence, Japan has cultivated warm relations with several Southeast Asian countries, launched a U.S.-Japan-Australia regional infrastructure financing initiative, and championed the Quad to improve defense coordination and buttress the region's institutions and norms.

Abe was a forceful supporter of Taiwan, and helped move Japan toward a more muscular framing of the urgency of defending Taiwan from potential Chinese aggression. Japan's approach to supporting Taiwan's ability to defend itself—in peacetime and war—depends on several factors, including U.S. policies, legal limitations on Japan's ability to engage in military conflict, and public opinion.

Japan's relations with South Korea are perennially fraught due to sensitive legacy issues from Japan's colonization of the Korean Peninsula from 1910 to 1945. Actions and retaliatory countermeasures by both governments involving trade, security, and history-related controversies caused bilateral relations to plummet in the past five years. With encouragement from the Biden Administration, Tokyo and Seoul have taken incremental steps to reverse this trend by attending multiple high-level trilateral and bilateral meetings, but it is unclear how they will resolve the thorniest historical issues in order to deepen trust.

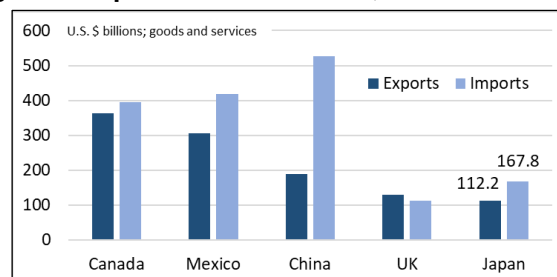
## Economic and Trade Issues

The United States and Japan, two of the world's three largest economies, are key trade and investment partners. In 2021, Japan was the fifth-largest U.S. trading partner for

exports (\$112.2 billion) and imports (\$167.8 billion), and fourth-largest overall trading partner. Several long-term challenges (e.g., declining working-age population, low productivity growth, and large government debt load) are perennial economic concerns for Japan. Kishida's economic priorities include supply chain security, for which he created a new ministerial economic-security post, broader income redistribution, greater use of digital technologies, and green growth. Japan has pledged a 46% reduction in greenhouse gas emissions by 2030 (from 2013 levels).

Japan's GDP increased in 2021 by 2.2%, after decreasing by 4.5% in 2020, and the government remains focused on pandemic economic recovery with continued fiscal and monetary support. In May 2022, Japan's parliament enacted a \$21 billion supplementary budget to provide economic relief from rising commodity prices, including food and energy, related to Russia's invasion of Ukraine. The Bank of Japan, unlike other central banks, remains committed to loose monetary policy, taking actions to prevent interest rate increases. Japan's relatively lower interest rates have in turn put downward pressure on the yen, which fell to a 24-year low against the dollar in July 2022. Japanese officials have historically lauded a weak yen, but some analysts raise concerns over its effect on import costs.

**Figure 1. Top U.S. Trade Partners, 2021**



Source: Bureau of Economic Analysis.

## Trade Agreement Negotiations

The Trump and Abe Administrations negotiated two limited trade deals liberalizing some agricultural and industrial goods trade and establishing digital trade rules. Some Members have called for the United States to join the 11-nation Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which Japan helped form after U.S. withdrawal from the proposed TPP in 2017. President Biden has indicated he does not intend to pursue CPTPP membership at this time. In May 2022, Japan joined 13 other countries as an inaugural negotiating partner in the U.S.-led Indo-Pacific Economic Framework for Prosperity (IPEF) initiative, a limited economic arrangement that aims to address some trade issues, such as labor, environment, and digital trade, but not market access (i.e., tariff negotiations).

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