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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. Congressional interest and oversight in U.S. relations with Japan generally focuses on the strength of the alliance—particularly on how Japan and the United States coordinate their China strategies—and how Japan and South Korea cooperate on security.

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. The more assertive security and foreign policy postures Japan has adopted since the early 2010s has given Japan—and the U.S.-Japan alliance—more options for dealing with an array of global and regional issues. 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. President 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 participated in three leader-level Quad meetings. The Biden Administration also is negotiating a new regional economic and trade initiative with Japan and key partners.

Prime Minister Fumio Kishida’s government responded to Russia’s invasion of Ukraine forcefully, arguing that Russia’s aggression has implications for Japan’s security because of the war’s potential to usher in an international system where the “rule of force” replaces the “rule of law.” Japan has adopted most of the sanctions and other penalties against Russia employed by the United States and Europe, and provided humanitarian and material support for Ukraine despite Russia’s threats to curtail energy supplies.

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.

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.

Japan Expands its Defense Posture

As perceived threats from North Korea and China have grown more acute, Japan’s government has reconsidered its approach to national security. With the Liberal Democratic Party (LDP) and its smaller coalition party Komeito in firm control of the Diet (Japan’s parliament), Kishida has the potential to loosen some of Japan’s long-held restrictions on its military posture, particularly if he gains Komeito’s support for these changes. On December 16, 2022, the government of Japan released a trio of much-anticipated security documents: the National Security Strategy (NSS), the National Defense Strategy, and the Defense Buildup Program. Taken together, these documents provide a blueprint that could fundamentally reshape Japan’s approach to defending itself and to its security relationship with the United States.

The documents label China as an “unprecedented strategic challenge,” declare Japan’s intention to develop a “counterstrike” capability to attack enemy missile sites, and outline plans to increase Japan’s expenditures to 2% of its national gross domestic product (GDP), in line with NATO standards. Post-war Japan generally has limited defense spending to 1% of its GDP. If this increase takes effect, Japan’s defense budget will become the third-largest in the world. The documents do not specify how Japan will implement and resource these goals, or to what extent Japan will pursue them in tandem with the United States.

Japan also has expanded its security cooperation with Australia, the United Kingdom, and India, with the encouragement of the U.S. government. Although not as developed or formalized as the U.S. treaty alliance, these burgeoning relationships indicate efforts by Japan to diversify its defense partnerships and—potentially—lessen its dependence on the United States for its security.

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, which have been fueled in part by frequent operations near the islands by PRC government vessels, Tokyo and Beijing have largely managed to keep tensions from escalating. As China has increased economic, diplomatic, and military coercion of Taiwan, the Government of Japan has framed the prospect of cross-Strait conflict as an urgent challenge. Such a conflict could involve the United States, and likely would implicate U.S. and Japanese military personnel and assets in Japan, especially in Okinawa.

Wary of China's rising influence, Japan has cultivated relations with Southeast Asia, launched a U.S.-Japan-Australia regional infrastructure financing initiative, and championed the Quad to improve defense coordination and buttress the region's institutions. Japan has also welcomed the Australia-UK-United States (AUKUS) pact (see IF12113) and pledged cooperation with the partnership.

Japan-South Korea relations are perennially fraught because of a territorial dispute and sensitive historical issues stemming from Japan's colonization of the Korean Peninsula from 1910 to 1945. Beginning in 2018, a series of actions and retaliatory countermeasures by both governments involving trade, security, and history-related controversies caused relations to plummet. Relations have improved since Yoon Suk-yeol became president of South Korea in May 2022. Tokyo and Seoul have taken a number of steps to restore a positive relationship, including holding three trilateral heads-of-state meetings (the first since 2017) in 2022. Following North Korea's flurry of missile tests in 2022, the United States, Japan, and South Korea resumed public trilateral military exercises, including a first-ever trilateral ballistic missile defense exercise in October 2022.

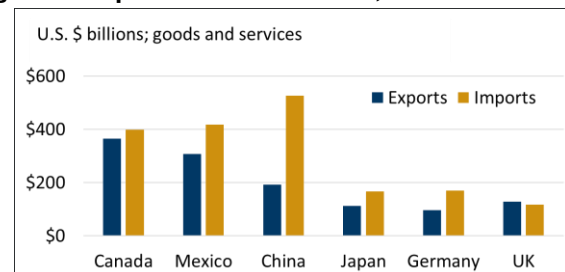
For decades, Japan has pursued productive relations with Southeast Asian countries, providing generous official development assistance and earning broadly positive reviews from regional leaders, and in the past decade has redoubled these efforts. Japanese officials frequently visit the region and the government has launched several initiatives that emphasize capacity-building in the security sphere. Japan's approach generally complements U.S. policy toward Southeast Asian countries, with both the United States and Japan pursuing strong relations with Vietnam and the Philippines in particular. Japan also has developed stronger relations with countries like Cambodia and Burma, in contrast to the United States, which has placed sanctions and restrictions on interactions with their authoritarian regimes. Under the Biden and Trump Administrations, the United States and Japan have launched a number of initiatives to cooperate on infrastructure projects, including many involving significant public-private partnerships, in Southeast Asia.

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 billion) and imports (\$167.0 billion), and fourth-largest overall trading partner (**Figure 1**).

In their first ever "Economic 2+2" meeting in July 2022, U.S. and Japanese officials emphasized shared priorities and the need to make their economies more competitive and resilient amid global economic risks and uncertainties. In 2021, Japan's GDP growth was 1.7%, after decreasing by 4.5% in 2020, and the government remains focused on pandemic economic recovery with fiscal and monetary support. In late 2022, Kishida announced a new package of economic measures worth ¥39 trillion (\$264 billion), to facilitate economic relief from rising food and energy prices. Several long-term challenges (e.g., declining working-age population) also remain perennial economic concerns for Japan. Kishida's priorities include supporting supply chain security, broader income redistribution, greater use of digital technologies, and green growth. The Bank of Japan, unlike other central banks, has maintained loose monetary policy and acted to prevent interest rate increases, which in turn has put downward pressure on the yen—it fell to a 24-year low against the dollar in 2022. While Japanese officials have historically lauded a weak yen, the effect on import costs is also of increasing concern.

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



Source: Bureau of Economic Analysis.

Trade Agreement Negotiations

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, an economic arrangement that aims to address selected trade issues, such as digital trade, trade facilitation, labor, and the environment, but not tariff liberalization or other market accession provisions. IPEF also addresses issues not typically covered in trade talks, like supply chain resiliency. Previously, the Trump and Abe Administrations negotiated two limited trade deals, which took effect in 2020, liberalizing some agricultural and industrial goods trade and establishing digital trade rules. Some Members of Congress and U.S. trade partners like Japan 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. The Biden Administration has indicated it does not intend to pursue CPTPP membership at this time.

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