



PISM

POLSKI INSTYTUT SPRAW MIĘDZYNARODOWYCH
THE POLISH INSTITUTE OF INTERNATIONAL AFFAIRS

BULLETIN

No. 110 (1356), 2 August 2019 © PISM

Editors: Sławomir Dębski • Patrycja Sasnal • Rafał Tarnogórski

Sebastian Płóciennik • Justyna Szczudlik • Daniel Szeligowski
Jolanta Szymańska • Marcin Terlikowski • Szymon Zaręba • Tomasz Żornaczuk

Japan's Foreign Policy in the Context of the Rivalry Between the U.S. and China

Andrzej Dąbrowski

Victory for the Liberal Democratic Party (LDP) and Komeito coalition in the complementary elections to the upper house of the Japanese parliament will not bring about a significant change in Japan's foreign policy. Neither will it allow constitutional reform, postulated by prime minister Shinzō Abe, for which he lacks the required majority. Amending the constitution would create new opportunities for military cooperation between the U.S. and Japan, but would have a negative effect on Japanese relations with China. Nevertheless, it is to be expected that Japan will be more active in its economic and security policies towards China and the United States, while the rivalry between these countries will become a greater challenge for the Japanese government.

The Abe government has, since coming to power in 2012, established Japan's position as an active and important player in the region and beyond. However, Abe's term of office has not yielded significant success in long-term foreign policy goals. The government has failed to sign a peace treaty with Russia and to regulate the Northern Territories (Kurils). The issue of the Senkaku Islands remains a matter of dispute between Japan, China and Taiwan. The most serious challenge for Japan is the increasing rivalry between the U.S. and China. U.S. trade policy towards China, and the implication that Donald Trump's administration is less concerned with the security of its allies in the region, are harmful for Japanese interests.

Abe's government has not yet been able to carry out the proposed amendment to the constitution. Imposed by the U.S. after the Second World War, and unchanged since 1946, the constitution obliges the Japanese state to renounce war and formally forbids the establishment of armed forces. Japan does maintain Self-Defence Forces (JSDF), the tasks of which have formally been limited to the defence of Japanese territory, but which have also, since a special act of 2015, been available for defensive out-of-area operations. Before the elections, Abe's government initiated a parliamentary discussion on constitutional reform. Due to obstruction by the opposition, and the lack of majority necessary to pass the vote, the project failed at the consultation stage.

Trade and Security Policy in Relations with the U.S. Since Trump took office, Abe has been striving for the best possible personal relations with the American president. The aim was to bring the interests of Japan closer to Trump, and to secure a privileged position among U.S. allies. Nevertheless, since 2018 the U.S. has threatened to impose additional tariffs on Japanese goods, and Trump himself has questioned the validity of the defence alliance between the two countries. In order to avoid giving the U.S. a reason to escalate disputes, Abe has not imposed retaliatory measures. This is due to the importance of the U.S. market for Japanese exports (the U.S. is its second largest market after China). Japan also continues to purchase U.S. arms (including the Aegis Ashore anti-ballistic system and F-35 fighters), in deals exceeding \$30 billion since 2010.

The U.S. urges Japan to engage the JSDF in activities outside its own territory. To date, the JSDF has supported the U.S. in Afghanistan (2001) and Iraq (2003) (humanitarian and supply missions), and in the operation of escorting ships in the Indian Ocean (2008–2010) and the Gulf of Aden (since 2009, under UN mandate). The Trump administration is trying to convince Abe's government to participate in a coalition to protect the freedom of navigation in the Strait of Hormuz, through which Japan imports about 80% of its crude oil. The initial proposal, made before the election, was rejected by the government. The main obstacle for Abe in this respect is that he wishes to maintain good relations with Iran.

Negotiations of a new agreement to co-finance the presence of U.S. forces in Japan will be a challenge for military cooperation between these countries. Japan currently covers annual costs of \$1.7 billion, under a five-year agreement is due to expire in 2021. Japan subsidises the relocation of U.S. bases in Okinawa (about \$12 billion) and Iwakuni (about \$4.8 billion), and the construction of a base on Guam (about \$3 billion), which is intended to take some forces from Okinawa. The Trump administration may use negotiations on a new agreement to attempt to make the Abe government pay more for the U.S. presence in Japan. Talks will take place during the 2020 U.S. election campaign, which may stiffen the parties' negotiating positions.

The shape of relations between Japan and the U.S. will be influenced by the outcome of talks on the trade agreement. The U.S. goal is primarily to gain access to the Japanese market for its agricultural and food products, which in turn would reduce the U.S. trade deficit. Japan wants to maintain low tariffs for cars exported to the U.S. (currently 2.5%). Trump will want to close negotiations during the election campaign, showing voters his ability to conclude favourable trade agreements. At the same time, Japan is redirecting the flows of its exports to the markets of the EU, East Asia, South-East Asia, Canada and Mexico, thereby gradually decoupling economic performance from trade with the U.S. (about 19% of exports).

Relations with China and the Region. Duality is a defining feature of relations between Japan and China. Territorial disputes and historical events remain influential, but the commonality of economic interests as exporters plays an increasingly important role, especially in view of U.S. trade policies. However, Japan still has concerns about the military threat from China. The latest Japanese security strategy continues themes of previous years, indicating China as a potential source aggression. The importance of this issue for the Abe government is evidenced by the construction of helicopter carriers and the creation of landing troop divisions of the Naval Self-Defence Forces, which would be capable of defending island territories. The Japanese authorities aim for military deterrence and deeper relations with China in areas that do not raise similar controversies.

A similar dichotomy is present in economic relations between Japan and China. Both countries show willingness to cooperate in support of free trade, but they differ in their vision of economic policy. Abe's government remains critical of the Chinese Belt and Road Initiative, fearing the loss of markets in Europe, among others. Thus, Japan calls on China to maintain the transparency of the project.

U.S. trade policy became a factor that brought Japan and China closer together. While Chinese exports have been directly affected by U.S. tariffs, Japan is primarily affected by the indirect outcomes of the trade dispute and the economic slowdown it is causing. Japan has managed to offset the negative effects of the trade dispute by taking steps towards multilateral trade agreements. Abe's government has successfully overseen the conclusion of a Comprehensive and Progressive Agreement for Trans-Pacific Partnership, after the U.S. left the TPP agreement. In February, an FTA with the EU entered into force. Negotiations are also under way between Japan (together with, among others, China and South Korea) and ASEAN countries regarding the Regional Comprehensive Economic Partnership agreement.

Conclusions. Japan, under Abe's governance, is trying to position itself as a key country in the East Asia region. In the face of the growing trade and political disputes between the U.S. and China, Japan will try to maintain strategic cooperation in the field of security with the United States, while simultaneously strengthening its own defence potential. Abe will try to use the improvement of relations with China, along with the atmosphere of multilateral cooperation in East Asia and South East Asia, to provide Japan with a lasting position as an exporter and to increase the number of trading partners. It is also possible that, under the free trade agreement with the EU, Japan will increase the volume of exports to European markets, which will improve the negative trade balance on the EU side.

Constitutional reform is a long-term prospect. In addition, changes introduced by parliament must be approved in a referendum, and 54% of Japanese people oppose such changes. Slowing down efforts to reform the constitution may paradoxically prove beneficial to Japan. The changes would cause opposition from neighbours (especially China and South Korea), which could hinder the development of Japan's economic relations in the region. Therefore, Abe will conduct a more active foreign policy based on existing tools, such as the 2015 Act on Military Missions. He will try to strengthen the country's position as a key trading partner in the region, and as a trusted U.S. ally. In addition, the constitution and additional laws give Abe the flexibility to decide on the involvement of the JSDF in crisis management missions, including the one planned by the U.S. in the Strait of Hormuz.