

# EASTASIAFORUM

ECONOMICS, POLITICS AND PUBLIC POLICY IN EAST ASIA AND THE PACIFIC

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## Peak Japan

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**Hiroyuki Akita** Can China and Japan deepen detente? ... **and more**

**ASIAN REVIEW – Matthew Brummer and Muhui Zhang:**  
**The trilateral summit can stabilise Northeast Asia**

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## From the Editor's desk

Japan's postwar transformation saw the country grow into an economic superpower and a key ally of the United States in Asia and the Pacific. Yet a number of features emblematic of that transformation have peaked.

Japan's asset price bubble burst in the early 1990s, its economy suffered three lost decades, and it was overtaken by China as the world's second-largest economy in 2010. Population peaked in 2008 at 127 million and has continued to decrease. And post-Cold War defence reforms under the Article 9 'peace clause' have hit a possible peak after the Abe government passed the September 2015 security-related bills recognising the right of the Japan Self-Defense Forces to engage in limited forms of collective self-defence.

This issue of the *East Asia Forum Quarterly* is about how Japan is managing these peaks. Yuri Okina examines how five years of Abenomics has fared in revitalising Japan's economy and the challenge of structural reforms. Takashi Oshio explores the challenge of reining in government debt while Keiji Kanda analyses the viability of the public healthcare system—one of the largest contributors to Japanese debt—in a super-ageing society with a shrinking taxpayer base. Emma Dalton scrutinises womenomics, bolstering economic growth by increasing women's participation in the workforce, and asks whether conditions for working women are really improving.

Trump's 'America First' policy has opened questions about the US-Japan alliance and how Japan might take more responsibility for its defence. Sheila A. Smith examines whether Japan can rely on the United States for its security or if it should hedge its bets on its own capabilities. Eric Heginbotham and Richard J. Samuels explore what Japanese defence planners need to prioritise as the security environment in East Asia changes. Tomohiko Satake argues that while the US-Japan alliance will remain at the centre of its foreign policy, Japan should seek a more independent role in building the regional order. Hiroyuki Akita examines the tentative Japan-China détente stirred by the advent of Trump. Lully Miura examines defence policy fissures between Japanese progressives and conservatives. And Michael Cucek examines strong domestic public resistance to moving Japanese defence policy reform beyond the framework of Article 9.

How Japan manages these peaks will profoundly affect the future shape of the East Asian regional order.

In *Asian Review* we cover trilateral cooperation in Northeast Asia (Brunner and Zhang); what now after the Kim summit with Trump (Shin and Lee); and Indonesia's ethnic politics (Oswald, Samphantharak and Tajima).

**Ben Ascione**

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COVER: A stylised Mount Fuji on a construction wall in Tokyo. Picture: Kim Kyung-Hoon, Reuters.



Japanese Prime Minister Shinzo Abe and US President Donald Trump before a press conference in the White House Rose Garden, June 2018.

# Can Tokyo survive Trump?

SHEILA A. SMITH

**A** YEAR-and-a-half into the Trump presidency, US foreign policy seems to have settled into a state of persistent flux, with its longstanding diplomatic relations turned on their head. Allies have been dubbed adversaries, and adversaries described as friends. The NATO summit reflected greater tension than the meeting between the US and Russian presidents in Helsinki, despite the National Security Strategy's cautious

tale of a rise in major power rivalry.

Around East Asia, the Trump administration's roller-coaster atmospherics have been on full display. With North Korea, threats of war abruptly morphed into the Singapore summit between President Donald Trump and North Korean leader Kim Jong-un. With China, Trump's cosy dinners with President Xi Jinping at Mar-a-Lago and in Beijing last year shifted into a bidding war of escalating tariffs. South Korea has suffered through the renegotiation of a

sensitive trade agreement—even as it waits amid rising domestic outrage to see whether the Trump administration will call out automobile imports as the next target of national security protections.

Interestingly, the US–Japan relationship seems to have avoided much of the dislocations other relationships have experienced. The bond between Trump and Prime Minister Shinzo Abe seems relatively strong despite somewhat abrupt shifts in policy. North Korea's accelerated

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missile tests in 2017 drew Abe and Trump into a close rapport, beginning with Pyongyang’s decision to launch multiple missiles in the direction of Tokyo just as the leaders were meeting in February that year. In the absence of a president in Seoul, Tokyo and Washington called the shots early on the alliance’s response to the growing tensions in and around the Korean peninsula. By year’s end, Abe and Trump had had more than 20 direct conversations on how to manage the diplomatic and military response to the heightened threat from the north.

Security cooperation was again the focus when Trump visited Tokyo in November 2017. The president visited US and Japanese military personnel at Yokota Air Base and discussed Japan’s purchase of new armaments from the United States to shore up its defences against North Korea. But Trump’s economic ambitions were not far from the surface. In their joint press conference, Trump lauded Abe’s decision, saying, ‘it’s a lot of jobs for us and a lot of safety for Japan.’

On the economic front, the United States and Japan have made little progress in finding common ground. Certainly, Japanese foreign direct investment in the United States supports the Trump administration’s priorities on job creation—Japan now has the second-highest foreign direct investment position in the United States, after the United Kingdom. New energy purchases by Japan are also expected to contribute to reducing the US\$56.5 billion trade deficit. But the new US penchant for tariffs has not left Japan unscathed.

Despite efforts to keep the US–Japan partnership on an even keel, the Abe cabinet has been set back by unannounced shifts in Trump administration policy. On trade, no prior warning was issued regarding

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The Abe cabinet had little warning of the announcement made by South Korean officials on the White House lawn that the US president had agreed to meet with Kim Jong-un

the application on 23 March of US tariffs under Section 232 of the Trade Expansion Act on steel and aluminium imports on the grounds that they threaten national security. The tariffs could affect about US\$2 billion of Japanese exports to the United States.

Similarly, the Abe cabinet had little warning of the announcement made by South Korean officials on the White House lawn on 8 March 2018 that the US president had agreed to meet with Kim Jong-un. This surprise prompted yet another trip to the United States for Prime Minister Abe to emphasise Japan’s interests in any negotiations that might result. Fast forward to the summit on 12 June, and the Japanese government was clearly taken aback by the president’s statement that US–ROK ‘war games’ would be ended because they were ‘provocative’ and ‘cost too much.’ Deterrence had been diminished too easily and without much thought.

Considerable hurdles loom on the horizon as 2018 draws to an end. Japan’s Liberal Democratic Party (LDP) will decide whether to keep Abe as its leader. While expectations are



running high that Japan's conservatives will stick with Abe, the campaign is expected to raise some difficult issues for the alliance. In October 2017, Abe led the party's campaign in the lower house election by trumpeting its foreign policy credentials and the prime minister's ability to manage the North Korea issue. Implicitly, Abe's relationship with Trump seemed Japan's best bet. But there are others in the LDP with considerable security and foreign policy expertise, and they will want to press the prime minister on whether Trump's negotiations with North Korea are truly reflecting Japan's interests.

The Japanese government will need to make some decisions by year's end on its defence priorities. A new defence plan is due, accompanied by

a five-year procurement plan, and the extent to which Japan invests in greater military integration with the United States remains to be seen. Can the United States still be relied on, or should Japan hedge its bets on its own capabilities?

In the United States, midterm elections are already consuming the White House, leaving little room for foreign policy and strategic leadership in Asia. The United States will be all but absent as Japan looks out at its rapidly shifting regional dynamics. The two Koreas plan another summit—one that could see further reduction in military tensions and a rhetorical embrace of peace on the peninsula. Tokyo seeks greater progress in the warming of its relations with Beijing, and perhaps a summit could be on the

horizon. Meanwhile, Washington is upping its trade war with China and threatening further tariffs on its allies, this time on the global auto industry.

For Japan's prime minister, be it Abe or a challenger, the coming months look like a tricky time for managing the alliance with Trump. In Washington, Tokyo seems to be flying under the radar for now. Yet collateral damage from the president's addiction to disruption, and the threat of serious damage to its global economic interests, cannot be discounted. Even the alliance that has weathered the Trump era best is not immune to its growing liabilities. [EAFQ](#)

*Sheila A. Smith is senior fellow for Japan studies at the Council on Foreign Relations.*



Taking a freight container aboard in Tokyo: the US penchant for tariffs has not left Japan unscathed.

PICTURE: ISSEI KATO / REUTERS



A Japanese peacekeeper serving with the UN Mission in South Sudan (UNMISS) at Juba in May 2016. The Self-Defense Forces have been deployed extensively on peacekeeping duties since the 1990s.

# Should Japan continue to support the US-led order?

TOMOHIKO SATAKE

**S**INCE the end of World War II, Japan's defence and security policy has always been built around a single premise—an international order based on US primacy.

Japan's post-war prime minister Shigeru Yoshida decided that Japan would become a member of the Western community by concluding the San Francisco Peace Treaty and the US-Japan Security Treaty in September 1951. These decisions enabled Japan not only to enjoy the

United States' security umbrella but also gave it access to the US market and to US technology, which were both indispensable for Japanese recovery and economic development. Meanwhile, Japan's security role in the context of East-West rivalry was limited to maintaining defence forces at a 'minimum necessary' level, while hosting US troops on its soil.

The end of the Cold War and Japan's economic miracle proved that Yoshida's decision was correct. Japan became a winner of the Cold War with relatively low costs. With

the collapse of the Soviet Union, it seemed as if liberal democracy had become a universal value of the world. At the same time, Japan was urged to contribute to the maintenance of the US-led liberal international order at a level commensurate with its economic power. This is why, as early as the 1990s, Japan began to dispatch its Self-Defense Forces (SDF) overseas for international peacekeeping or disaster relief operations, for multilateral institution-building and for the promotion of democracy and human rights through diplomatic and

economic measures. Japan also agreed with the United States to utilise the US-Japan alliance not only to protect Japan but also to contribute to regional and global order-building based on their shared values and interests.

This broader strategic goal of the US-Japan alliance came seriously into play during the US-led war on terror, in which cause Japan dispatched the SDF to the Indian Ocean and Iraq for the reconstruction effort. Japan's support for the war on terror was primarily motivated by the maintenance of strong bilateral ties due to the growing threat of North Korea, but equally important was Japan's desire to keep the US primacy in the Asia-Pacific by supporting and supplementing US regional and global roles.

For Japan, the rise of China was manageable, if not inevitable, so long as the United States showed a strong enough commitment to regional security—including Japanese defence. But with the advent of US President Donald Trump, Japanese policymakers are for the first time in the post-war period seriously questioning their policy of supporting the US-led international order. An initially optimistic view of Trump has been replaced by caution and confusion about his administration's strategic coherence.

True, the Trump administration has for now continued its close security commitment to its Asian allies and partners, including the provision of nuclear extended deterrence. Yet such commitments seem based on short-term and narrowly defined interests rather than a long-term commitment to the international order itself. Japan was shocked when President Trump immediately accepted Kim Jong-un's offer of the US-North Korea summit meeting and even suggested the

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Japan's regional friends and partners have already begun their shift from the US-led international order: they now increasingly hedge against the dual risks of a more hegemonic China and an increasingly unreliable United States

potential withdrawal of US forces in South Korea without any consultation to regional allies.

Japan's regional friends and partners have already begun their shift from the US-led international order: they now increasingly hedge against the dual risks of a more hegemonic China and an increasingly unreliable United States.

South Korea has pursued the early takeover of wartime operational control on the Peninsula from the US military while continuing to maintain good relations with China and taking its own initiative for peace negotiations with North Korea. New Delhi, while increasingly cautious about China's growing power and influence, has seemed to maintain its traditional non-alignment policy and has actively promoted the 'multi-polarisation' of the world with China and Russia. Indonesia has pursued its 'global maritime axis' policy with aspirations of multipolarity and of becoming a great power. Even

Australia, which has supported the US-led liberal order for many years with Japan, has recognised the risk of overdependence on its 'great and powerful' friend and has begun to consider a 'plan B'.

Japan's response appears relatively slow and static by comparison. Its defence budget remains under 1 per cent of GDP, and its 'Free and Open Indo-Pacific' (FOIP) strategy focusses on economic and some low-key defence cooperation with regional countries. Indeed, many Japanese believe that the most important aspect of FOIP is to keep and strengthen the US military presence in the region by expanding the scope of US-Japan cooperation and by supporting or supplementing US regional activities with other like-minded democracies. While such a strategy seems to have been successful so far, it remains unclear to what extent or how long the United States will show commitment to FOIP under its 'America First' doctrine.

Should Japan continue its support of the US-led international order? If not, what is the best alternative?

Some may suggest that Japan should distance itself from the United States and gradually boost ties with China. But without a military backbone that is commensurate in power, China will likely bring Japan under its hegemonic influence. This would not be acceptable to most Japanese people.

Others might recommend that Japan focus its resources on homeland defence while giving up the illusion of 'liberal order-building' by developing its own nuclear program. But such a 'Japan First' policy would not only increase the risk of military conflict between Japan and its neighbours—it would also completely undermine the international nuclear non-proliferation regime. Such a move may well



promote the collapse of the rules-based international order and invite a world where 'might is right'. It is quite easy to imagine who in Asia would stand the most to gain from such a state of affairs.

Japan is faced with strategic puzzles. The US alliance will remain the centre of Japan's foreign policy, but Japan must go beyond the previous paradigm of merely 'supporting the US-led order' and should instead seek its own more independent role for regional order building. Japan's strategic partnerships with regional like-minded democracies, as well as its continuous engagement with China, should be the foundation for such a new order building strategy. **EAFO**

*Tomohiko Satake is a senior research fellow at National Institute of Defence Studies, Tokyo. The views expressed here are solely those of the author and do not represent the views of NIDS or the Japanese Ministry of Defence.*

RIGHT: A May Day rally in Tokyo. The gatherings regularly feature anti-war demonstrations. A 'Japan First' policy would be likely to meet public resistance.



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# Can China and Japan move beyond a tactical detente?

HIROYUKI AKITA

**J**APAN–China relations are beginning to warm up after a long, cold winter triggered by Japan’s nationalisation of the Senkaku Islands in 2012. China claims the islands and calls them the Diaoyu, but Japan does not acknowledge that a territorial dispute exists. Suspended high-level exchanges are resuming and both countries are preparing for Japanese Prime Minister Shinzo Abe’s visit to China before the end of 2018. If realised, it will be the first official visit by a Japanese prime minister to China in about seven years.

These developments are based on tactical calculations on both sides, rather than fundamental changes in the countries’ attitudes towards each other. Faced with an unpredictable international environment under the Trump administration, Tokyo and Beijing believe it is prudent to reduce

unnecessary risks of confrontation. Though bilateral issues such as the Senkaku/Diaoyu Islands dispute are far from being solved, Beijing and Tokyo are willing to pursue high-level political exchanges to achieve tactical detente.

This trend towards improved relations began in early 2018. In mid-April, both countries resumed high-level economic dialogue for the first time in eight years. Before that, Tokyo’s repeated suggestions to restart bilateral talks had been rebuffed by a cautious China. China shifted its stance sharply early in 2018 and agreed to reopen dialogue.

As another sign of positive change, on 4 May Chinese President Xi Jinping had a telephone conversation with Abe for the first time. The call was followed by Chinese Premier Li Keqiang’s visit to Tokyo, which marked a significant turning point in Japan–China relations: it was the first visit of

a Chinese premier to Japan since the nationalisation of the Senkaku Islands. During the visit, both sides agreed to launch a long-awaited maritime and aerial communication mechanism—crucial for avoiding unintended conflicts in the East China Sea.

During his visit to Tokyo, Premier Li stated that ‘it is safe to say that Sino–Japanese political ties are returning to normal’. Japan took this remark as an official statement by China that ‘winter’ was over and ‘spring’ had arrived between Beijing and Tokyo.

It is important for Japan and China to accelerate the positive trend to ensure bilateral relations do not cool again, especially during times of increased uncertainty or tension. A touchstone of the improved relationship will be whether mutual visits by Abe and Xi are realised before the end of 2019.

Since nationalising the Senkaku

Islands, no Japanese prime minister has visited Beijing except to attend international conferences. According to Japanese sources, discussions are ongoing for Abe to visit China in October 2018, which would coincide with the 40th anniversary of the peace treaty signed by both countries. Japan hopes Abe's trip will pave the way for a reciprocal visit by Xi to Japan in 2019, which would be the first by a Chinese president since 2008. If these visits take place, it will show that China–Japan relations are back on track.

**A**T PRESENT, this scenario seems likely unless some serious incident occurs, such as collisions between the two countries' vessels near the disputed Islands. Trade war between the United States and China is intensifying, with little prospect of compromise on both sides. On the security front, the Trump administration is poised to push forward its Indo-Pacific strategy to counter China's Belt and Road Initiative. These situations will motivate Beijing more—not less—to improve its relations with Japan.

It is still unclear if this tactical detente will lead to stable and cooperative relations between the two countries in the medium to long term. Things do not look too optimistic. There are undercurrents of future crises in the East China Sea.

China constantly sends its coast guard vessels to Japan's territorial waters surrounding the Senkaku Islands. Though China has tended to avoid provocative action in recent years, Japan is concerned that China will gradually increase the number of vessels sent to those areas. China also transferred administrative control of its coast guard from civilian to military authority in July. This move may lead to more tension.

China also continues to explore oil resources in the East China Sea near a median line that was proposed by Japan to separate their exclusive economic zones (EEZs). Japan has repeatedly appealed to China to stop unilateral oil exploration there, as the gas field underneath the median line overlaps both countries' EEZs, but China has not ceased those operations.

The balance of power between the two countries is shifting rapidly in Beijing's favour. China's GDP has already grown to about triple that of Japan, and China's military budget is more than three times bigger. If these trends continue, it is likely that China will become even less willing to compromise in the East China Sea and adopt increasingly assertive behaviour towards Japan.

There are three ways that Japan could respond. The first is to keep making 'salami slice' concessions on issues in the East China Sea to maintain detente with China. The second is to confront China and push back by drastically increasing its defence and coast guard capabilities.

Neither of these paths is realistic. Politically, it is very difficult for Japan to compromise on issues related to its territory and sovereignty. At the same time, budget constraints alone make it difficult for Japan to counter China's military expansion on its own.

The third and most realistic choice is somewhat between the first and second: to deter China with the United States and other partners, while deepening bilateral ties with China. Japan could deter China's assertive behaviour more effectively if it cooperate with other countries, which share same concern. It may also induce China to improve and deepen its relations with Japan, in order to avoid encirclement by those countries.

Japan is already accelerating efforts

on the deterrence front. Under the new guidelines for Japan–US defence cooperation, the two nations are working together to further strengthen their alliance. Japan is also seeking to expand its maritime security cooperation with Australia, India, France and the United Kingdom.

On the other hand, Japan's efforts to increase engagement with China are lagging. It is important for Japan to use the present detente period for this purpose. In addition to high-level exchanges, Japan should deepen economic cooperation with China, not only bilaterally but also within multilateral frameworks such as the Regional Comprehensive Economic Partnership (RCEP).

**E**ASING tension between Japan and China would benefit for the whole Asian region. Not only would it reduce the risk of conflict, but it would also make it easier to promote economic cooperation.

It is also crucial for Japan to establish crisis management mechanisms with China so that existing issues in the East China Sea do not develop into a serious confrontation or conflict. On 8 June, Japan and China implemented the bilateral maritime and aerial communication mechanism. This is a start, but more needs to be done.

Unlike the United States and China, Japan and China do not have a hotline connecting their senior defence officials. Regular exchanges between Japan's Self-Defense Forces and China's People's Liberation Army have been suspended. Now is a good time to try and rebuild these much-needed communication frameworks. **EAFQ**

*Hiroyuki Akita is foreign and security affairs commentator at Nikkei.*



Modern ninja: a soldier of the Amphibious Rapid Deployment Brigade in camouflage.

# An agenda for Japanese military reform

ERIC HEGINBOTHAM AND  
RICHARD J. SAMUELS

**C**HINESE military power has expanded dramatically in the past decade, a period that also witnessed the emergence of North Korea as a bona fide nuclear power. These developments, coming inevitably at the expense of the United States' relative power in the region, have raised the stakes for Japan

Japan's military planners face a number of major challenges on the near horizon. Potential conflict on

the Korean peninsula, skirmishes in the East China Sea, debilitating cyberattacks, and the forced repatriation of Taiwan by Beijing each need—and are likely to receive—their immediate attention. While planners have benefitted from the support and stable leadership of Prime Minister Shinzo Abe, much work remains to be done if they are to balance effectively against palpable threats.

Internally, there have been a great many changes during the Abe years. While today's Japanese Self-Defense Forces (SDF) remain more constrained

than the prime minister would prefer, they operate at further distance and with a greater degree of freedom than at any time since they were established in 1954. In 2013, the Abe government created a National Security Council with centralised policy responsibilities and passed a Designated State Secrets Law with guidelines for the first postwar security classification system. Two years later it passed legislation providing guidelines for the SDF to engage in collective defence. It also established a new Cyber Command and eliminated restrictions on the



export of weapons in the hope of stimulating an internationally competitive defence industrial base.

Yet Tokyo will need to undertake additional measures to improve defence capabilities going forward. Some of these would require dramatic changes to current approaches, but turbulent times call for adaptation. Intensifying security challenges in Japan's immediate environment have combined with the considerable uncertainty wrought by US President Donald Trump to make change urgent.

The first is an increased defence budget, which in 2018 remains just 6 per cent larger in nominal terms than it was in 1997 and is now less than one-third of China's. Tokyo still punches well below its weight militarily at a time when Washington expects greater burden sharing and Chinese military improvements place a premium on combined effort. With only a fraction of US forces forward deployed to areas around Japan, the alliance will increasingly rely on Japanese capabilities for deterrence and initial warfighting.

Another priority area should be reform of defence requirements and the budgeting process. Japan lacks effective institutional mechanisms to translate specified objectives into force structure requirements or to compete different options against one another. Without such mechanisms, it is impossible to evaluate whether, for example, cruise missile defence is best served by fighter aircraft conducting combat air patrols, point defence by short range surface-to-air missiles, or attacks against adversary launchers. As one veteran Japanese operations research (OR) analyst put the case, OR is too often used in the Japanese case to justify budget figures, employing numbers to 'turn doves into hawks'.

The SDF is also hobbled by the lack



Prime Minister Abe: busy on the diplomatic front.

of a standing joint command system. The Japanese Joint Staff, established in 2006, is not a command authority. The chief of each service directs the activities of elements from that service alone. Periodic joint exercises are held, but the lack of a standing joint command system inhibits commanders from gaining adequate knowledge about the capabilities and practices of sister services.

Closer integration of the services and strengthening central analytic

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Nothing is more certain for Japan's military planners than the fact that the security environment in East Asia will continue its rapid transformation

functions could, and almost certainly should, produce major changes in the roles of Japan's three military services. The Ground Self-Defense Force (GSDF) continues to enjoy budgets that are 50 per cent larger than either the Maritime or Air Self-Defense Forces, despite the overwhelmingly air and maritime nature of threats facing Japan. Rather than reapportion budget shares, the Ministry of Defense has instead given the GSDF responsibilities that should go to the other services.

Prime Minister Abe has been as busy on the diplomatic front as he has been on the military one. In particular, he has begun to pivot to the rest of the region—from Australia to India—to improve technology, trade and general economic ties. He has even tried to mend fences with Russia. But regional military cooperation lags.

One issue likely to be on Japan's agenda for the next decade is improving relations with South Korea. History and politics keep Japan and South Korea at arm's length despite sharing a common vital ally and overlapping security challenges.

Tokyo and Seoul may opt to prioritise three areas. The first is intelligence-sharing. Seoul and Tokyo signed a bilateral intelligence accord (GSOMIA) in November 2016, but the deal was limited to just one year and did not allow the exchange of information about China's regional activities.

The second is logistical cooperation. Japan and South Korea have signed Acquisition and Cross-Servicing Agreements (ACSA) with several third-party countries but not with one another.

The third is the institutionalisation and expansion of trilateral training exercises between the United States, South Korea and Japan. Improved



Crew of the *Kaga* take position for the handover of the new helicopter carrier. Despite such acquisitions, Japan 'still punches well below its weight' militarily.

ROK–Japan cooperation might help buttress the US commitment to peninsular defence when developments in North Korea and the US–DPRK relationship are calling that commitment into question.

Japan may also seek a formal defence treaty with Australia. Japan has concluded ACSA agreements with five countries and is seeking to establish more meaningful military–industrial ties with a variety of European and Asian states. It also conducts expanded security dialogues with a widening set of regional states. A logical next step would be a formal defensive alliance with Australia, with which it shares overlapping areas of geographic interest and significant interoperability.

The islands of the southwest Pacific and southern Southeast Asia are regarded by Australian strategists as its vital 'northern approaches' and

by Japanese planners as critical but vulnerable sea lines of communication. A formal defence treaty would stimulate contentious debate in both countries but would signify the maturation of mutual strategic confidence.

Another likely agenda item for Japan is alliance coordination. There is currently no combined US–Japan command like that between the United States and South Korea. In a conflict, coordination would occur at the military and service levels, at a suboptimal geographic and procedural remove from actual command decisions. Creating a combined command would entail as many risks as benefits, but further efforts should be made to integrate coordination into the command processes on both sides.

Nothing is more certain for Japan's military planners than the fact that the security environment in East Asia

will continue its rapid transformation. Prime Minister Abe has demonstrated that Japan can adapt incrementally. Ensuring that Japanese and alliance deterrence capabilities remain robust will require further policy changes that may be even more dramatic than those witnessed to date. With the United States facing inwards and now making as many waves internationally as it calms, Japanese leaders may need to become regional leaders and take greater responsibility for Japan's own security. **EAFO**

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# Constitutional revision by 2020? Don't count on it

MICHAEL CUCEK

**'O**ur Party is of the Right, in stance and in principle ... and through the realisation of a strengthening of the preparations for a system of autonomous rule starting with the self-willed revision of the present Constitution shall be that which answers the mandate given to it by the Citizens.'

They are the final lines of the mission statement of Japan's Liberal Democratic Party (LDP), which was published on the date of the Party's founding on 15 October 1955. Revision or amendment of the 1947 US-drafted Japanese Constitution with a text written, as Party President and Japanese Prime Minister Shinzo Abe has repeatedly demanded, 'by our own hands' is the ultimate aim of the LDP's existence—especially of the avowedly rightist factions represented by Abe who now dominate the Party.

Despite the promise made at the party's founding, the LDP has in 60 years of nearly unbroken rule failed to table a single draft proposal for a constitutional amendment since the current Constitution came into force on 3 May 1947—a day now celebrated as the national holiday 'Constitution Day'. Scepticism is justified regarding the vow Abe made to Nippon Kaigi (a group that advocates constitutional revision) on Constitution Day in 2016 that before the opening ceremony of the 2020 Tokyo Olympic Games he would lead the National Diet and the people to vote for the first amendment

of the post-war Constitution.

Abe has in this endeavour advantages that his previous LDP presidents did not. His LDP–Komeito ruling coalition holds over two-thirds of the seats in the House of Representatives. This supermajority was one that he and his party seized in the 2012 election, ending Japan's three-year experiment with rule by the Democratic Party of Japan. The ruling coalition has held on to this two-thirds supermajority through two successive elections (in 2014 and in 2017). The ruling coalition together with allied micro-parties, independents and revision-sympathetic conservatives of the Ishin no Kai party also secured a two-thirds supermajority of the House of Councillors (the upper house) in 2016. These two supermajorities guarantee the first two requirements for the passage of a constitutional amendment: a more than two-thirds vote of approval in both houses of the Diet.

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The defence forces are broadly admired, and their constitutionality is accepted by nearly every part of Japan's political spectrum

Abe's cause is aided by the passing from the scene of the last anti-revision LDP grandees. The death of Hiromu Nonaka in particular removed a fearsome and adamant foe of revision, while retirement has claimed most LDP members whose seniority and caution against rocking the constitutional boat have prevented revision from becoming an actionable plan. The door is open for the LDP's younger generations, most of whom are strongly in favour of revision. This trend extends outside the LDP: in a survey of attitudes of House of Representatives members conducted by the Asahi Shimbun newspaper immediately after the October 2017 election, over 80 per cent said they were in favour of revision, including 97 per cent of LDP respondents and 86 per cent of all Komeito respondents. None of Abe's projected opponents in the scheduled September 2018 LDP presidential election are noted opponents of revision. Indeed, former defence minister and LDP secretary-general Shigeru Ishiba, Abe's most viable opponent in an intra-party power struggle, is desirous of much more radical revisions of the Constitution than Abe and his allies have been considering.

There is also a 'use it or lose it' fervour within the LDP (specifically among Abe's supporters) with regards to the House of Councillors supermajority. Half of the House of Councillors seats are up for election in July 2019. Given the volatility in the Japanese electorate's mood and the





A protester advertising her support for Article 9 during a May Day march in Tokyo organised by the National Confederation of Trade Unions. Despite the strength of Prime Minister Abe's position, the volatility of the electorate suggests that the opportunity for constitutional revision could evaporate quickly.

tendency voters have to use House of Councillors elections to chastise the government, the possibility to even begin the revision process could evaporate less than a year from now.

Crucially for a party riven by enduring factionalism and decades-long feuds, the LDP's internal constitutional revision apparatus is firmly in the grasp of Abe loyalists. A telling yet overlooked achievement was Abe's wresting of the chairmanship of the LDP Headquarters for the Promotion of Revision of the Constitution away from Hajime Funada. Funada, a member of Abe's LDP generation with a political pedigree equal to Abe's, squandered his political legacy in a

series of poor personal and political decisions. Funada had used control of the revision committee as means of hobbling the initiatives of his fellow party members. Buoyed by the great victory in the October 2017 election, Abe shoved Funada aside, replacing him with a more senior and supportive leader: Hiroyuki Hosoda, the head of Abe's own faction within the LDP. Hosoda can step on the accelerator or tap on the brakes in line with the political needs of the Abe Cabinet, and in doing so he can protect his ostensible protege and fend off interference by intra-party rivals in the constitutional revision process.

But things are not so sanguine outside the party. Beyond Abe's

control and casting doubt upon his ability to fulfil his promise to Nippon Kaigi are the attitudes of the voters toward his constitutional change proposals.

One of the unique features of Abe's years in power has been a lack of voter enthusiasm for his policies. While public opinion poll numbers in support of the Abe cabinet have fluctuated in between 40 and 60 per cent—remarkably high for any Japanese administration, much less one in its sixth year—the numbers supporting his administration's policies themselves have almost never risen above 50 per cent. These approval ratings usually hover in the mid-30s with a majority of voters

either doubtful about or actively opposed to constitutional change. Expending time and effort justifying changes has proved counterproductive for Abe: support for policy proposals have consistently declined the more that Abe and his lieutenants have tried to explain them.

The combination of these two phenomena—initial low support for Abe policies and declining support for those policies over time—seems deadly for constitutional revision. Article 96 of the Constitution requires a national referendum to be held on any proposed amendment or revision, and a strict majority of votes must be in favour of the proposal for it to pass. Any significant—that is to say controversial—amendment will start out with less than 50 per cent support if the history of the Abe Cabinet is any guide, meaning that it will have an essentially zero chance of surviving the referendum process. And polling has shown that at least 60 per cent of voters do not want alteration to the Constitution under Abe.

Of the four main constitutional revision proposals that Abe and his allies have considered, the emergency powers revision is seen as too controversial and has been shelved. Two others—free education through high school and the assignment of at least two senators to each House of Councillors electoral district—are actually matters of legislation, not constitutional revision. Indeed, the senator assignment issue was resolved by legislation in the recently concluded Diet regular session.

This leaves the proposal to add a sentence to Article 9—the Peace Article—constitutionalising the Japan Self-Defense Forces. This is the amendment proposal that many voters fear.

This proposal is completely



Hiroyuki Hosoda: put in place by Prime Minister Abe to 'step on the accelerator or tap on the brakes' as Cabinet needs.

unnecessary. The Self-Defense Forces are broadly admired, and their constitutionality is accepted by nearly every part of Japan's political spectrum, the small and powerless Japan Communist Party being the lone exception. Putting the amendment to the voters could backfire spectacularly. A 'No' vote in the first constitutional revision referendum ever would force Abe's immediate resignation. It would also bury, possibly for perpetuity, further attempts to revise the Constitution. Moreover, a rejection would be the equivalent of finding that the Self-Defense Forces are indeed unconstitutional. Abe has testified that his government would ignore a referendum rejection and continue to consider the Self-Defense Forces constitutional, whatever the voters say. But given that a rejection would force his resignation, he and his team would not be in charge to make that decision if they do indeed preside over a failed attempt to revise Article 9.

Nevertheless, on August 12 Abe promised a conference in his home district of Shimonoseki that he would add the extra sentence to Article 9. What is more, he said he wanted the amendment proposal through the Diet by the end of 2018.

Abe's speech has triggered a lot of speculation about his intentions. The conventional wisdom is that Abe is averse to career-ending challenges. His ignominious premature exit from his first term as prime minister in 2007 made him a more cautious and patient radical. He does not succumb to time pressures and he never takes any stance—whether it be on a policy like raising the consumption tax or when to call the next election—if his side does not have an overwhelming chance of prevailing.

The question revolves therefore about what Abe means when he says he 'wants' to have a constitutional amendment before the year is out. We all 'want' many things, most of which we cannot have. Abe's most fervent supporters want a constitutional amendment, now. Abe seems to have merely been playing to the crowd.

Besides, Abe knows of a precedent on pushing against public opinion, one he does not want to follow. In 1960, Abe's grandfather Nobusuke Kishi staked his premiership on a deeply unpopular renewal of the Japan-US Security Treaty. Kishi lost power and nearly his lost life because of his commitment to deliver the renewal. Abe is not likely to follow in his grandfather's self-sacrificial path—not for a promise that the LDP has failed to honour for 63 years. [EAFQ](#)

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At the trilateral summit in May 2018, Japanese Prime Minister Shinzo Abe, centre, shakes hands with Chinese Premier Li Keqiang while South Korean President Moon- Jae-in looks on.

# Rapprochement in Northeast Asia can stabilise the region

MATTHEW BRUMMER AND  
MUHUI ZHANG

**C**HINA, Japan and South Korea convened a trilateral summit in Tokyo on 9 May after a three-year hiatus due to flaring bilateral diplomatic friction. Whether by design or serendipity, the timing was auspicious. North Korea's overtures to the international community towards peace and reconciliation have warmed otherwise frosty relations between the Northeast Asian powers, pulling their often conflicting foreign

policy priorities together towards the common goal of peace in the North Pacific. At the same time, mixed signals from the Trump Administration have undermined the United States' reliability as an alliance and trade partner, which has pushed Asian diplomatic efforts toward a shared centre.

Together, North Korea's pull and the United States' push has brought the leaders of China, Japan and South Korea to the table as they seek to harmonise foreign policies in a bid to secure regional stability.

The movement towards rapprochement between the three is clear, but less clear is what tangible solutions the trilateral partnership can deliver. Some have surmised that the summit, first held in 2008 but suspended since 2015 amid the tension of territorial disputes and lingering disagreements over the legacy of World War II, can serve as a possible mechanism to facilitate negotiations toward denuclearisation of the Korean peninsula. Such a view is overly optimistic: China, Japan and South Korea remain worlds apart on



their fundamental strategic priorities in East Asia. Rather, the summit's true value lies in its provision of a crisis-management mechanism to ease the varied and precarious bilateral disputes in the region.

The three Asian powers have traditionally viewed each other more as rivals than as allies—a legacy that has stymied development of ties for decades. The trilateral summit, by bringing the three together under the auspices of trilateral cooperation, serves as a means to a shared and desired end: peace and stability in East Asia. The summit provides an important buffering mechanism to ease bilateral conflicts, and thus serves to help stabilise a region that is plagued by historical anxieties and territorial disputes and that is in the midst of structural changes in the balance of power as China re-emerges as a major player on the world stage.

This mechanism is of increasing importance because bilateral tensions have been high in recent years. Diplomatic relations between China and Japan were suspended in 2012 when Japan nationalised a chain of disputed islands (known as Senkaku in Japanese and Diaoyu in Chinese) in the East China Sea. China–South Korea relations also markedly deteriorated: China saw the deployment of the US-developed Terminal High Altitude Area Defense (THAAD) anti-missile system in South Korea as a direct military threat and responded with harsh economic sanctions. These included a freeze in 2017 on a variety of South Korean imports and a halt on outbound tourism from China to South Korea.

To Washington's frustration, diplomatic relations between seemingly natural allies Japan and South Korea, both free-market democracies with the United States

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What may be untenable bilaterally becomes possible multilaterally, as sensitive bilateral issues are shelved in favour of pragmatic cooperation on issues of mutual interest

as a shared alliance partner, remain strained. Heated disagreements over the legacy of Japan's imperial past, fuelled by nationalistic sentiment in both countries plague the bilateral relationship. Around half of both the South Korean and Japanese public hold unfavourable opinions of the other (second only in negativity to views of China!).

The summit offers a platform to transcend the roiling bilateral hostilities in East Asia by moving diplomatic relations away from binary impasses and into a collective framework for negotiation and defining common interests. What may be untenable bilaterally becomes possible multilaterally, as sensitive bilateral issues are shelved in favour of pragmatic cooperation on issues of mutual interest. The summit has brought the nations together at the highest levels of government and made a tangible contribution to stability in Northeast Asia. No comfort women controversy, no territorial dispute claims, and no imperial legacy questions were raised in May. The summit made progress by excluding stalemate issues.

This pragmatic approach is desperately needed. Japan's containment policy towards China and China's hard-line policy towards Japan have led to diplomatic dilemmas for both sides. Pressured by domestic politics and public sentiment, leaders in both countries have not been willing to show gestures of diplomatic compromise, despite bilateral trade and investment reaching all-time highs. Even if Beijing and Tokyo share a willingness to restore bilateral relations to a normal track, the arrangement of frequent direct visits and bilateral meetings between political leaders appears a distant proposition.

The trilateral summit serves as an institutional platform that avoids diplomatic sensitivities and circumvents many of the nationalistic domestic pressures thwarting more robust political relations.

The summit has two agendas: trilateral meetings and bilateral meetings. The former are largely used to produce joint statements (like the Joint Statement on the 2018 Inter-Korean Summit) and to build consensus on umbrella initiatives, like regional free trade negotiations. The latter are used to address the many and varied bilateral challenges undermining harmonious relations. Together, the two agendas accomplish an otherwise untenable diplomatic program.

For example, in the lead-up to the May summit, Chinese Premier Li Keqiang visited Japan for the first time in seven years in what was designated as an official state visit. This included a formal banquet and audience with the Japanese emperor. In the week prior to Li attending the summit, Japanese Prime Minister Shinzo Abe held a phone conversation with Chinese President Xi Jinping—

the first time the two had spoken directly by phone with each other. Ultimately, a stepwise arrangement to coordinate restoration of diplomatic relations between the countries was reached, as was an agreement to restart the maritime and aerial communication mechanism for avoiding conflict along their national borders. The two countries have since been coordinating on a three-step process—first Li's visit to Japan in May, then Abe's visit to China toward the end of 2018, and finally Xi's visit to Japan sometime in 2019. All of this was made possible by the trilateral summit.

Likewise, the summit provided a platform for rapprochement between South Korea and China as they slowly emerge from the THAAD diplomatic fiasco, as it has between Japan and South Korea, who agreed to resume 'shuttle diplomacy' with South Korean

President Moon Jae-in inviting Abe to South Korea next year. Amid this progress on all bilateral fronts, the three countries vowed to accelerate trilateral negotiations on both their free trade agreement and on the Regional Comprehensive Economic Partnership. And in an unprecedented move, Beijing has proposed another summit meeting to be held in late 2018—the first time for it to be convened twice in the same year.

How does Washington fit in with China–Japan–South Korea trilateralism? For decades, two strategic triangles have co-existed in Northeast Asia. The US–Japan–South Korea triangle has primarily focussed on security cooperation, underwritten by the US military presence in the region and its deeply institutionalised alliances with both Asian partners. The China–Japan–South Korea triangle, on the other hand, has rarely addressed

security matters and has instead prioritised deepening economic ties between its often-quarrelsome members.

This separation of aims will continue for the foreseeable future, with the US triangle more heavily focussed on security affairs and the China triangle focussed on economic affairs. The main themes of summit diplomacy will remain in low-political arenas, such as environmental cooperation, socio-cultural and people-to-people exchanges, and trilateral negotiations on a comprehensive regional free trade agreement.

Still, some in Washington view the summit as a potential threat to US hegemony. These concerns are surely overblown. Indeed, Washington should welcome the outcome of China–Japan–South Korea trilateral diplomacy for several reasons.



Warming relations: Japan's Emperor Akihito talks with Chinese Premier Li Keqiang during their meeting at the Imperial Palace in Tokyo on 10 May 2018.

PICTURE: IMPERIAL HOUSEHOLD AGENCY OF JAPAN / REUTERS

PICTURE: WALLACE WOON / REUTERS

First, instability rising from any of the many bilateral disagreements would spell disaster for US interests on the Korean Peninsula, and the summit curtails the likelihood of instability.

The summit also works towards US objectives on the peninsula in fashioning ‘a meeting of the minds’ about the pressing importance of securing a resolution to the North Korean situation. While the wording of the joint statement on the inter-Korean summit was an exercise in cautious compromise and not ultimately what Japan was hoping for, it represented the first time in China–Japan–South Korea diplomatic history that the three states issued a joint statement with regard to North Korea. The sceptics will point to the text as merely symbolic, but it is an incremental upgrade towards regional stability. The true value of the summit lies in its ability to produce such stepwise upgrades.

Relatedly, the summit reduces the chance that Washington will become entangled in East Asian disputes in which it has no desire to be involved. The summit’s capacity to help restore bilateral relations between Japan and South Korea is no small reward for US security strategy in the region. Indeed, Washington has sought to strengthen Japan–South Korea relations for decades, to little avail. In bringing Japan and South Korea to the same table under the mitigating umbrella of trilateral cooperation, the summit builds important channels of communication between the estranged natural allies at the heart of the United States’ strategic position in Asia.

Instead of questioning the trilateral grouping, Washington should capitalise on the summit’s utility in producing outcomes that abut US strategic interests in the region without producing worrisome



President Moon Jae-in: shuttle diplomacy.

advances on the hard security front. If Washington engages in a dose of back-channel coordination with Japan and South Korea, it can ensure that the summit stays its course in building economic ties of mutual interdependence while remaining politically benign. The two triangles can exist in Asia without threatening each other’s congruency—at least for now.

So what should we expect for the future of China–Japan–South Korea trilateralism? By serving as a buffering mechanism to thorny bilateral impasses, the summit constitutes the

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Expectations must remain realistic and pronouncements of breakthroughs must be weighed against the evidence.

region’s best chance for building the diplomatic bridges necessary for peace and stability in Asia. As North Korea’s ‘peace posture’ progresses and while rickety US leadership under Trump remains, the summit’s importance and impact will continue to grow.

Yet expectations must remain realistic and pronouncements of breakthroughs must be weighed against the evidence. The summit will not coordinate closely on denuclearising the peninsula, nor will it engage intimately in high-security affairs more broadly. What it will accomplish is the building out of avenues—grounded in economic pragmatism—for communication and engagement between China, Japan and South Korea, all of which will be vitally important to managing crises in a crisis-prone region.

Flanked by Li and Moon at the Royal Palace State Guest House in Tokyo, Abe noted at the close of proceedings in May how the summit provided a ‘very strong foundation’ for jointly responding to regional and global issues of mutual concern. He noted that ‘the bonds nurtured through the summit’ would serve the countries well in ‘overcoming difficult challenges’ in the region. While these sanguine words might not truly reflect the security challenges facing the three countries, and while the summit may not itself serve as a sharply honed instrument for denuclearising the Korean peninsula, it can serve as a mechanism for peace and stability in the region. And that is a win for all parties involved. **EAFO**

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## Ethnic diversity matters for decentralisation and development

A dancer awaits the start of a cultural parade marking an Independence Day celebration in Jakarta. While Indonesia's experiment with decentralisation saw significant power transferred from the capital to the districts, there is 'little evidence' that it has promoted growth or improved governance.

KAI OSTWALD, KRISLERT  
SAMPHANTHARAK AND  
YUHKI TAJIMA

**T**WENTY years have now passed since the New Order regime was overthrown in Indonesia. This event triggered not only democratisation in Indonesia but also a remarkable experiment with decentralisation that saw significant power transferred from Jakarta down to the country's many and diverse districts. While decentralisation likely played an

important role in mitigating the centripetal tendencies that gripped Indonesia at the time, there is little evidence that it has effectively delivered on its many other promises, like promoting growth or improving governance.

This is consistent with the experiences of regional neighbours that wrangled with decentralisation at the same time, such as the Philippines and Vietnam. Now as Malaysia eyes decentralisation as an important part of its post-transition reform process

and Myanmar considers similar reforms as part of its peace process, it is worth revisiting the complexities of devolving power in ethnically diverse settings.

Evidence from Indonesia provides potentially important guidance. It has long been understood that ethnic diversity, all else equal, is associated with poorer provision of public goods including schools, roads and health clinics. This has obvious implications for Southeast Asia, with its vast ethnic, religious and linguistic diversity. But

considering ethnic diversity only at highly aggregated levels may be insufficient or outright misleading: the spatial distribution of ethnic diversity — essentially how segregated or intermingled groups are at the local level — almost certainly has implications for its effects.

New research shows that patterns of ethnic segregation significantly affect the relationship between diversity and the provision of public goods. Locally segregated communities have substantial advantages in procuring public goods relative to more mixed communities, even after taking into account the overall levels of diversity and other potential factors.

This spatial dimension has hitherto not received a lot of attention. But its logic is quite straightforward. Procuring public goods requires coordination between the level where public goods are used — typically a village or other small community — and the level where proposals are approved and funded. In the Indonesian context, proposals for many goods are approved at the district level.

Following previous theories, it is clear that locally segregated communities are better able to coordinate their lobbying efforts than diverse communities. Indeed, there is a virtuous cycle of sorts that emerges when several locally segregated communities exist in relative proximity. This is because one community can point to provisions in a nearby community when making demands for more resources. In short, a sibling rivalry-like effect emerges that incrementally ratchets up public goods in a given area. This dynamic is absent in areas where ethnic groups are more mixed.

This is evident in population census and village census data from

Indonesia. What it means in practical terms is that locally segregated areas have a higher provision of public goods than areas that are locally mixed, at least for those goods that are decided upon at the district level. In some instances, diverse areas that are locally segregated have a greater provision of public goods than areas with little ethnic diversity. This has strong implications for effective development, given that public goods form the foundation for sustained growth.

What does this have to do with decentralisation? For decentralisation to support more robust economic development, districts must be able to compete effectively with one another under conditions of greater autonomy. It is generally understood that when there are significant disparities in human, infrastructural or natural resources between areas, then well-endowed areas will outcompete those with fewer resources at their disposal. This potentially widens — rather than shrinks — the developmental gap.

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When there are significant disparities in human, infrastructural or natural resources between areas, then well-endowed areas will outcompete those with fewer resources at their disposal

Since locally mixed areas may be at a distinct disadvantage when compared to locally segregated areas, their ability to compete effectively may also be inhibited.

The policy implication is clear. Decentralisation provides local areas with greater degrees of autonomy. But it also places a greater burden of self-sufficiency on localities at the very moment that they face increased competition from other areas. To ensure that this does not result in some areas being left behind, central governments must offer targeted support to potentially disadvantaged communities and work to level the playing field.

In the past, levels of human and physical capital were the main criteria in assessing community needs. The data from Indonesia makes clear that patterns of local diversity should also be taken into account so as to ensure that locally mixed communities do not fall behind their more segregated counterparts. **EAFO**

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*This article is based on the authors' recent research in the American Political Science Review, 'Ethnic Segregation and Public Goods: Evidence from Indonesia.'*



A man in Seoul walks past a TV broadcasting a news report on the dismantling of North Korea's Punggye-ri nuclear test site.

# Towards normality: What's next with North Korea?

GI-WOOK SHIN AND  
JOYCE LEE

**T**HE historic Trump–Kim Singapore summit in June and subsequent high-level meetings have offered a diplomatic opening on the Korean Peninsula. Progress has been made on the non-nuclear fronts of the Singapore deal, such as the suspension of the US–ROK joint military exercises and repatriation of the remains of US prisoners of war. But the current cold streak of progress on denuclearisation suggests North Korea is determined to set as slow a pace as possible.

As the region sets out on this long, bumpy journey—navigating the difficulties of denuclearisation itself while at the same time dealing with a regime so unpredictable, secretive, and cunning—real challenges await before any meaningful technical steps can be made. US demands for rapid denuclearisation and its obsession with the complete, verifiable and irreversible denuclearisation of North Korea (CVID) does not offer much hope for progress. CVID is not a realistic goal with North Korea, as any denuclearisation deal—big or small, vague or specific—with the

current North Korean regime is almost certainly reversible. With too much focus on CVID, there is the risk that the recent productive developments will be scrapped, in the same way that previous flashes of hope quickly dimmed.

The most pressing goal with North Korea is obviously denuclearisation, but any efforts toward this goal should be in accord with a bigger, more comprehensive picture—that is, to transform the North Korean regime into a denuclearised normal state. The United States' and its allies' objective should not be to defeat the regime but



rather to help it build normal relations with the outside world and to secure its future as a normal state.

Despite the media frenzy over the recent diplomatic developments with North Korea, any nuclear deal could quickly prove ephemeral. Even if President Trump had struck a 'grand deal' on CVID with Kim Jong-un in Singapore, what would have been the real value of such a deal when Kim, if not Trump himself, could scrap it at his convenience? CVID would have been useful in 2003 when it was first introduced as a framework for North Korea's then still-nascent nuclear program. Today, North Korea is no longer a country with nuclear ambitions but one with clearly demonstrated nuclear power. Kim's shift of the country's focus from nuclear to economic development probably means that North Korea's nuclear capability has reached a meaningful level.

The United States needs to be realistic when it comes to the likelihood (or unlikelihood) of North Korea's irreversible denuclearisation. North Korea has the techniques and manpower to assemble new nuclear weapons in just a few months or even weeks. Even at this moment, despite the country's promise to work toward denuclearisation, North Korean nuclear engineers are likely training a future generation of nuclear experts so as to keep the country's nuclear knowledge from ever being eradicated.

Verifiable denuclearisation also faces great challenges. Unless Kim voluntarily produces a full declaration of North Korea's existing nuclear sites and stockpiles, it will be impossible to pinpoint all of the country's nuclear and missile infrastructure. Even with international or US inspectors free to roam the country—itsself an unlikely prospect—locating each

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No single action would be sufficient to secure North Korea's trust in the United States. Likewise, the United States will not begin to trust North Korea overnight

and every uranium enrichment facility and hidden mobile missile launcher is simply not feasible. A recent intelligence report by the Defense Intelligence Agency supports scepticism about the feasibility of CVID: it points to evidence of North Korean efforts in the wake of the Singapore summit to deceive the United States about the extent of its nuclear arsenal and infrastructure.

Kim's vigorous summit diplomacy in the first half of 2018 has greatly changed the political dynamics in the region. He first reached out to South Korea taking advantage of the progressive Moon government, which was desperate to improve inter-Korean relations in order to reduce tension on the peninsula in time for the Winter Olympics. With Seoul's backing, Kim secured a date for the then-unthinkable summit with President Trump, avoiding the imminent threat of war. Then, leveraging on the summit with the United States, he skilfully drew China closer to his side by holding three meetings with Xi, garnering support for his strategy towards the United States and at the same time demonstrating to the United States that China had his back.

Even Trump's abrupt cancellation of the planned summit failed to catch North Korea off-guard: rather, it triggered a surprise second round Kim–Moon summit, highlighting Kim's strategic prowess.

In Singapore, Kim showed the world that he should not be underestimated and achieved a priceless propaganda victory for his people back home: an image of him as a world-class leader on par with the sitting US President. He successfully persuaded Trump to suspend the US–ROK joint military exercises—a move that has assuaged North Korea's longstanding paranoia, created internal division in South Korea and pleased China. Even if his diplomatic success ends here, he can still trade on the greatly changed political dynamics in the region—especially its improved relations with China and South Korea.

In the post-Singapore process, too, North Korea has been setting the pace much at its own convenience. There is no urgency on Kim's side because, unlike Trump or Moon, he has no term limits and can therefore set long-term goals. Kim has been deliberately setting the pace slow, the tone mixed and the agenda vague in the post-summit negotiations while giving Trump just enough to avoid humiliating him in Washington. In the worst-case (but not unlikely) scenario, Kim may just be trying to run out Trump's clock.

The US administration has moved from a decade of 'strategic patience' to a period of 'patient diplomacy' with North Korea. While patience is a requirement in dealing with North Korea, the United States needs to be aware that as it patiently 'follows' the North Korean pace, it runs the risk of not only buying the regime time to secretly move in the wrong direction but also loses sight of the compromises

that it must make in order to incentivise the regime to move even the slightest bit.

What, then, are the main challenges that the United States and its allies can expect to face in moving forward with its goal, and how should they be dealt with in a way that avoids compromising its security or allows the latest detente to go to waste?

While the United States and South Korea continue to reaffirm their strong commitment to the bilateral alliance, their differing strategies and uncoordinated moves toward North Korea pose a great challenge to the alliance's wellbeing. South Korea's self-proclaimed stance as a 'mediator' between the United States and the DPRK raises the reasonable concern in Washington that the alliance might be compromised for the sake of improved inter-Korean relations. The Moon administration has already requested an exemption to sanctions on North Korea in order to realise its promises

and efforts toward inter-Korean economic cooperation, reducing the momentum of renewed US efforts at toughened sanctions.

Another key challenge for the United States is achieving the proposed joint declaration of the formal end of the Korean War by the end of 2018. The United States maintains that North Korea needs to deliver more on the denuclearisation front before any declaration can be signed, while South Korea asserts that such a declaration would in fact foster denuclearisation.

The apparent gap between the policy priorities of the United States and South Korea is nothing new. The real, bigger danger arises if the alliance itself is used as a negotiating card to jumpstart North Korea's denuclearisation. The alliance is likely to have been on the table in Singapore one form or another—as Trump's announcement to suspend US–ROK joint military exercises immediately

after his meeting with Kim suggests—and it will continue to appear in subsequent negotiations with North Korea. Even before Singapore, Trump had advocated a reduction of US troops in South Korea or even their removal entirely. Simultaneously, the new core group of elites in Seoul—many of whom were once anti-American nationalist activists—might seek to redefine or even sacrifice the alliance in the hopes of turning South Korea into a true sovereign state with no foreign troops in its backyard.

Can we denuclearise North Korea without hurting the US–ROK alliance? Or should we forgo the alliance if that is the only way to achieve a denuclearised North Korea? What if Trump has already held an off-the-record conversation with Kim in Singapore and praised it as an 'incredible offer', similar to his response to the request by Russia's Vladimir Putin to interrogate 11 American citizens? These are the



Pastor Park Jong-soo and South Korea Navy Commander Kim Jung-tae wave to the crew of navy destroyer *Seoae Ryu Seong-ryong* as the ship leaves Hawaii for a RIMPAC exercise. Was the US-South Korea alliance on the table during the Singapore talks?

PICTURE: MASS COMMUNICATION SPECIALIST 1ST CLASS MARTIN WRIGHT/U.S. NAVY / REUTERS

questions that the United States, South Korea and the rest of the region—especially Japan—need to put their heads together to answer. If North Korea leads the United States out of sync with sequence and timing, South Korea might end up with a marginal US military presence and a northern regime that is far from denuclearised and able to re-arm with nuclear weapons whenever it chooses.

How does China fit into this picture? The North Korean economy suffered from China's active participation in the international sanctions. According to the Bank of Korea's estimates, in 2017 North Korea's trade volume went down by 15 per cent from the previous year and overall exports dropped 37 per cent.

But the renewed friendly dynamic in China–DPRK relations has made it difficult for the United States to garner China's support for the perpetuation of this maximum pressure campaign. The United States needs to entice China to come back on board. It would be a mistake for Trump to think he can strike a purely bilateral nuclear deal with North Korea.

No one can expect China to sit these events out, and China will do everything it can to remain a key player in the negotiations. Xi's first visit to Pyongyang is also planned for later this month. Chinese involvement is inevitable, and as a result it makes sense to bring China into the process early on rather than deal with complications arising from its later intervention. Rather than being wary of China's intervention, the United States should work closely with China to continue to bring Kim out of his cocoon—by both pressure and diplomacy—and let him see the benefits of not relying on his nuclear weapons. But Kim has created a promising environment in which he


can play China and the United States against each other, getting what he wants by hedging against one side at a time. Trump has pressed China on trade, but he needs its support in dealing with North Korea.

Trust deficits sum up the fundamental challenge in working with North Korea. The rest of the world cannot trust North Korea, and North Korea cannot trust the rest of the world—not even China. Thus, while many pundits criticise the Singapore summit declaration as a failed deal, it and what followed deserve credit as a goodwill gesture towards the rigid DPRK regime and as groundwork for trust-building between the two adversaries.

No single action would be sufficient to secure North Korea's trust in the United States. Likewise, the United States will not begin to trust North Korea overnight, even if all existing testing facilities in the country are blown up. But playing this game with North Korea again is still worth it: there is a window of opportunity to guide the country into the international community through processes of diplomatic communication, exchange and engagement. North Korea's summit diplomacy has revealed its desire to appear as a normal state. Kim vigorously showcased multiple summit and numerous high-level meetings all within the parameters of conventional 'state-to-state' relationships. Standing side-by-side with South Korean President Moon Jae-in to read out a joint declaration, presenting his wife, Ri Sol-ju, as the state's first lady, immediately releasing news of Kim's summit meetings through DPRK media—all of this would have been unthinkable in his father's or grandfather's days.

Such efforts at international

recognition as a normal state may be insincere and ill-intentioned, but even so, the region should continue to allow North Korea and its leadership to experience firsthand what it feels like and means to be treated as a normal state and normal leaders. Any information campaign seeking to transform the country from the inside out should target not only the general public but elites as well—including the Kim family. Engaging the Kim family in such a way that they begin to appreciate the benefits of being acknowledged, welcomed and protected by the international community will be extremely meaningful and effective in the post-summit context after they have experienced—and perhaps enjoyed—increased exposure to the outside world. Every interaction with the North Korean leadership and its people should be an opportunity to advance this effort.

Kim may be dreaming of a normal state in possession of nuclear weapons, but that is clearly not the United States' or the region's agenda. We should make it clear that such an agreement is unacceptable. But by focusing solely on denuclearisation, we risk losing sight of the bigger, more important picture: guiding North Korea's desire to become a normal state so that this desire eventually overrides the country's obsession with nuclear weapons. After all, a normal North Korea could well achieve CVID, but CVID will not by itself deliver a normal North Korea. 

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# Abenomics after five years

YURI OKINA

**M**ORE than five years have passed since Prime Minister Shinzo Abe came to power at the end of 2012. Between then and now, Japan has seen steady economic growth and its unemployment rate fall by nearly half. Yet inflation remains low at 0.7 per cent and the ratio of outstanding debt to GDP has increased to 188 per cent. The potential growth rate—an estimate of how fast the economy would grow if it ran at full capacity—has barely moved.

The Abe administration's economic policy had three initial pillars, known as the first 'three arrows' of Abenomics. The first was bold monetary policy, which saw the introduction of a 2 per cent inflation target and a program of quantitative and qualitative easing, or QQE. The second—flexible fiscal policy—meant large-scale increases in public spending. The third pillar—a growth strategy to stimulate private investment—equated to a range of measures including regulatory reform, corporate governance reform and the reduction of corporate taxes.

The first three arrows were skewed towards monetary policy. Haruhiko Kuroda announced the policy on his appointment as Governor of the Bank of Japan (BoJ) in April 2013, attempting to realise a 2 per cent inflation target in two years through radical QQE—including the annual purchase of Japanese government bonds totaling 50 trillion yen (US\$452 billion) per year.

Initially, the new monetary policy produced lower interest rates as well as

a weaker yen. These results promoted the purchase of Japanese stocks by overseas investors, boosting stock prices and improving the profitability of Japanese companies.

Still, monetary policy failed to boost inflation, and the BoJ had no choice but to pursue further easing. In 2016, the BoJ introduced a negative short-term interest rate and a yield curve control policy that pegged the long-term interest rate close to zero. Yet even after five years of aggressive monetary easing, the inflation rate remains below 1 per cent and a variety of negative side effects have been generated.

With the decline in loan interest rates among regional banks, more than half have recorded deficits. The pegging of long-term interest rates around zero led to a lack of market warnings as debt grew. Considering Japan's worsening fiscal trend, an exit

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Even after five years of aggressive monetary easing, the inflation rate remains below 1 per cent and a variety of negative side effects have been generated

from QQE is an increasingly difficult prospect.

In 2015, Abe was re-elected as president of the ruling Liberal Democratic Party (LDP) and positioned the next three years as the second stage of Abenomics. Taking up the slogan, 'a society in which all 100 million people can be active,' Abe announced the 'new three arrows' of Abenomics.

These new three arrows are: a strong economy that creates hope, support for child raising that fosters dreams, and social security that gives citizens a sense of reassurance. In concrete terms, the policy package continues to prioritise growth but also seeks to halt the decline in Japan's birthrate and create a society that promotes women's involvement in the workforce. The aim is a society in which no woman needs to leave the workforce to provide nursing care to a member of her family.

The major elements set forth in the new three arrows' growth strategy are essential initiatives for Japan—including reform of working styles, fostering human resources and supporting cutting-edge innovation in the digital arena.

The reform of corporate governance is a particularly praiseworthy initiative. A Corporate Governance Code has been formulated. Listed companies in Japan have begun to seriously consider an orientation that would see them enhancing their governance functions while introducing diverse perspectives—for example, through the appointment of external directors—in order to increase their return on equity.

Since the most important policy issue for Japan is higher productivity, rapid implementation of supply-side reforms is urgently needed. Abenomics has not, so far, produced an increase in productivity. A policy of promoting digital innovation has been set out, but greater reform speed is essential against the background of intensifying international competition. There was initial progress in easing regulation in fields such as agriculture and medicine, with holders of vested interests such as Japan's Agricultural Cooperatives kept in check in part thanks to the LDP's landslide victory. More recently, however, these initiatives appear to have stalled.

With Japan's extremely high outstanding debt-to-GDP ratio, further fiscal restructuring is inevitable, even with the increase in consumption tax scheduled for 2019. Of particular importance will be controlling increases in social security expenditure in a super-aging society. Social security-related expenses accounted for 55 per cent of general expenditure in the 2018 budget, 33 trillion yen (US\$298 billion) in total.

Increasing Japan's healthy life expectancy and the efficiency of medical care provision through better coordination of medical data are priorities. In addition, it will be essential to control medical and nursing care-related public expenditure in diverse areas, while maintaining health insurance for all citizens. Eliminating the anxiety about their future that Japanese citizens are experiencing will benefit the growth of Japan's economy and its society.

EAFO

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# Managing Japan's debt and the financial crisis

TAKASHI OSHIO

**I**N JUNE 2018 the Japanese government approved a long-term economic policy plan that calls for delaying its goal of achieving a primary budget balance by five years to 2025. The main reason for this decision was the lower-than-projected economic growth in recent years. This back-track raises concerns about Japan's financial sustainability. The Japanese government now faces a gross government debt-to-GDP ratio of more than 250 per cent — well above that of other advanced economies.

Even with the revision of policy strategy, achieving the goal of fiscal

To tackle this demographic pressure, the elderly with the capacity to work must be encouraged to continue supporting society rather than being supported by it

consolidation by 2025 remains uncertain. The above 3 per cent nominal and 2 per cent real GDP growth rates assumed in the government's plan are still overly optimistic. The government's strategy has to rely on faster economic growth rather than spending cuts if it is to succeed. Indeed, the government has stopped referring to its previous commitment to limit increases in social security spending by 500 billion yen (US\$4.45 billion) per year. This suggests that it gives continued priority to stimulating economic growth over fiscal consolidation.

But the prospect of any acceleration in economic growth is very doubtful. There is little room for further monetary easing by the Bank of Japan and the government is committed to raise the value-added tax from 8 per cent to 10 per cent in October 2019. The projected growth rate depends almost entirely on strong productivity improvement, which will be difficult to realise.

Some argue that the Japanese government does not need to rush to achieve fiscal consolidation. A large portion of public debt is financed domestically, and the government still has large net foreign assets. In addition, any cuts in social security spending—especially for the elderly—would face political opposition. Politicians are most likely to remain reluctant to deliver fiscal



Haruhiko Kuroda, Governor of the Bank of Japan. There is 'little room for further monetary easing', a policy that, under his leadership, the bank has pursued to lift the inflation rate.

elderly in the total population. Income transfers from the young to the elderly will become less and less sustainable — as indicated by the mounting government budget deficit. More broadly, the overall balance between consumption and production in society will deteriorate, causing a reduction in net national savings. To tackle this demographic pressure, the elderly with the capacity to work must be encouraged to continue supporting society rather than being supported by it.

The eligible age for claiming public pension benefits is scheduled to be raised to age 65 by 2025 for men and by 2030 for women. Compared to other advanced economies, the eligible age, and the pace of its increase, is lower in Japan—especially given the longer life expectancy among Japanese. Earnings-tested pension benefit programs need to be abolished to mitigate the disincentive to work. Such a labour market policy would widen the fiscal space for social security benefits and enhance economic growth potential—both of which would eventually contribute to fiscal consolidation.

To avoid fiscal collapse and sustain confidence in fiscal and monetary policy, the Japanese government needs a more aggressive but prudential strategy of fiscal consolidation. This strategy has to call for containing government spending, the expansion of labour force participation among the elderly and increasing tax and social security contributions. Equally important, it needs to be based on much more realistic assumptions about economic growth. **EAFQ**

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consolidation. Any substantial plans for fiscal or social security reform are unlikely to emerge at least until the next upper house election scheduled for July 2019.

A warning signal on the fiscal balance could come from the bond market. The pace of net financial assets growth in the household sector is falling and will keep falling, reflecting a declining household savings rate due to Japan's ageing population. If gross government debt keeps climbing at a faster pace than household net financial assets, it will become more difficult to absorb new government

bonds in the financial market. This concern, if it grows among market participants, may trigger a punitive increase in the interest rate, which could immediately threaten debt sustainability. Although low interest rates and the Bank of Japan's aggressive bond purchases tend to obscure the risk of fiscal collapse, this now appears to be adding to the potential cost of Japan's 'exit' strategy.

Another issue the government had to address in coming years is labour force participation among the elderly. An ageing population means an increase in the share of the dependent





Women in formal kimonos pose after the ceremony at the Tokyo Stock Exchange on 4 January 2018 that began the year's trading.

# Is womenomics improving working women's lives?

EMMA DALTON

**W**OMENOMICS is a bundle of policies aiming to empower Japanese women economically. It was implemented in 2013 as part of Prime Minister Shinzo Abe's broader approach to boosting the economy—a set of policies known as Abenomics.

How successful has womenomics been in Japan?

The objectives of womenomics are to increase the number of women in the workforce, facilitate their ability to stay in the workforce and boost the number of women in leadership

positions in a wide range of sectors. Has womenomics achieved any of this?

The number of women in Japan's workforce has been steadily increasing since the Equal Employment Opportunity Law (EEO) was implemented in 1986. Between then and 2012, the overall rate of women's labour force participation rose from 53.1 to 60.7 per cent. In 2016, the figure was 66 per cent, indicating that participation continued to accelerate after womenomics was announced.

The increase in the number of women in the workforce since the mid-1980s has been accompanied by

a gradual easing of labour regulations, which led to an increase in 'irregular workers'—that is, those employed under precarious work conditions. Women in irregular work made up most of the increase of women entering the workforce after the introduction of the EEO. The rise in precarious work has affected both men and women, but has had a stronger impact on the female workforce. Recent statistics indicate that six out of 10 women workers are irregular workers.

In Japan, women's labour force participation by age has historically

been depicted by an ‘M-curve.’ This means participation rates have typically been highest for women in either their early 20s or 40s, with lower participation rates between these two ‘peaks.’

But this pattern is now shifting significantly. The changing shape of the M-curve indicates that more women are remaining in the workforce during their child-rearing years. This has been aided by generous, and improved, maternity leave policies, among other things.

**T**HE number of women in managerial positions increased from 11.1 per cent in 2012 to 13 per cent in 2016. The proportion of women in the upper echelons of economic and political power, however, remains very low. Japan’s poor representation of women in positions of power is reflected in the three-year continuous drop in Japan’s ranking in the World Economic Forum’s Global Gender Gap Index, to 114 out of 144 countries as of 2017—the lowest amongst advanced democracies.

It can be argued that womenomics has had some success, particularly in increasing the number of women in the workforce and their ability to remain there after giving birth. Still, another perhaps more important question that we might ask is: has womenomics been good for women? As Ueno Chizuko, Chelsea Szendi Schieder and many others have argued, while womenomics is about women, it is not really for women.

Take, for example, the group of working women called ‘Tuna Girls’ from Saitama. Fed up with waiting for state support services, these women formed their own women-led start-up for local working women who struggle to balance work and family. Tuna Girls felt that the ‘shining women’

government support that they kept hearing about in the news was not filtering down to them, so they felt compelled to take matters into their own hands.

Or we could listen to the full-time mothers and housewives in Narita City who, according to one city councillor, feel apprehensive when they hear news stories about womenomics policies—policies they believe might ‘force’ them into the workforce, something they have little interest in doing. Many women in Japan do not want to work after they have had children.

This should come as no surprise if we consider the lack of support mechanisms in place for them or the difficult conditions under which many women and men work. Under Abenomics, there has been an increase of *karōshi* (death from overwork), a decline in real wages (while corporate profits have risen) and an increase in the wage gap between irregular and regular workers. The number of working poor, those who earn less than 2 million yen (US\$18,000) per year, has grown from 10.9 million in 2012 to 11.32 million in 2016.

On top of this, many women suffer sexual harassment at work, and some face *matahara*, a particular type of harassment reserved for women who return to work after maternity leave.

The shortage of childcare facilities, particularly in Tokyo, and particularly for infants, is an enduring problem that womenomics has not addressed adequately. The government promised to provide 320,000 slots by 2020 and to abolish waiting lists, but findings from an independent study put the required number of slots at more than double that promised figure. There are also strong cultural norms discouraging women from remaining in the workforce when their children are young, particularly between the

ages of 0 and 3, and strong social and professional disincentives against men taking childcare leave despite it becoming more attractive to do so under womenomics. The intersection of these norms with inadequate infrastructure for working mothers raises questions that womenomics is not adequately addressing.

**A**NOTHER disincentive for working women is the tax system, which encourages low-earning married women to limit their income to a certain threshold. Japan’s tax and social security systems have made it the only country in the OECD where double-income households are more likely to be in poverty than households on a single income.

These factors—an inhospitable and unrewarding work model, insufficient infrastructure for working parents, and tax systems that favour the male-breadwinner family model—mean that women’s capacity to actively choose their living and working styles is still constrained.

There is a disconnection between the policies of womenomics, which seem to be formulated and implemented at an elite level for women working in the upper echelons of their profession, and the needs of the vast majority of working women. Womenomics might be on target to achieving its goals, but attaining those goals will not improve the lives of the majority of women in Japan without radical institutional changes in workplace and employment practices, and in the gendered division of labour within households. **EAFQ**

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The era of 100-year life: an elderly man exercises with dumbbells during a Respect for the Aged day promotion at a temple in Tokyo.

# Financial pressures mount as the population ages

KEIJI KANDA

**J**APAN'S economy has been in a growth phase since December 2012. Corporate earnings have reached record highs, and the job opening-to-application ratio has improved to a level not seen in the last 44 years. But during the same period, general government gross debt has grown at a pace exceeding the economic growth rate. It reached 239 per cent of GDP in 2016—the highest such rate in the world.

An important contributor to the debt problem is the growth in social security expenses for medical and nursing care. Medical- and nursing-care benefits in the 2015–16 fiscal year grew 1.3 and 1.6 times respectively over the previous 10 years. Nominal GDP during that same period marked time for the most part. Relative to the scale of the economy, growth in medical- and nursing-care expenses is phenomenal. One third of the resources for Japan's National Health Insurance is provided by public

funding (tax and fiscal deficit), and a major element in Japan's fiscal deterioration (public funding of the National Health Insurance scheme accounted for 6.4 per cent of GDP in the 2016–17 fiscal year).

The biggest challenge for Japan—a leading consequence of population aging—is to maintain the sustainability of its social security system given increasing medical and nursing costs. The ratio of Japan's population over the age of 65 (the aging rate) was 28 per cent as of February 2018—far in



excess of other Asian nations. The United Nations and the World Health Organization define aging rate levels as follows: over 7 per cent is considered an aging society, over 14 per cent is an aged society and over 21 per cent is defined as a super-aged society. Japan passed the point of super-aged society in 2007, and the aging rate is expected to grow to nearly 40 per cent by the year 2065.

To begin the process of fiscal consolidation, the Abe Cabinet plans to reform the medical- and nursing-care systems. By making medical- and nursing-care data more easily available and usable, the Cabinet hopes it will be easier to understand where and when individuals' medical and nursing issues may emerge, producing incentives for insurance subscribers and individuals in general to make use of preventative medicine and improve health outcomes. The availability of data should also make excessive costs more apparent, and encourage healthcare providers to keep expenses down. In line with cost reduction efforts, the government is aiming to promote the use of generic drugs and a drastic review of the drug pricing system to combat rising drug costs.

The effects of these reforms are expected to become evident over time, but there are nonetheless people

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The government needs to aggressively pursue reforms that it can immediately realise, such as prioritising and optimising benefits as well as rethinking the balance of benefits and contributions

and organisations that are searching for ways to increase the effectiveness and pace of reform. Since it is not possible to predict with any accuracy the degree to which medical- and nursing-care expenses can be kept under control, the government needs to aggressively pursue reforms that it can immediately realise, such as prioritising and optimising benefits as well as rethinking the balance of benefits and contributions.

An especially big challenge is how society can continue to take on the burden of growing social security expenses in the future. The government has been reviewing the system with an eye to basing contributions on ability to pay rather than on age, but the pace of reform in this area has been slow, due at least in part to the tendency to think of the elderly as being weak. The co-payment rate for medical services averages 30 per cent, but it drops to 20 per cent for ages 70 to 74, and to 10 per cent for people over age 75.

A new expression is becoming popular in Japan: 'the era of the 100-year life'. Some even say that the elderly seem five or 10 years younger than their actual age. So it's important that the government create an economic and social system in which people continue to work regardless of their age (assuming they are willing and able to do so).

In order to provide a public pension plan that is compatible with the diverse work choices of the elderly, the government is considering setting the pensionable age at 70 or older. Considering the extension of healthy life expectancy, the government could also consider raising to 65 the age at which pensions are awarded.

As for the cost of social security being borne by society as a whole, the rate of the value-added tax (which is supposed to pay for social security) will need to be raised. This tax rate is now at 8 per cent, and the government plans to raise it to 10 per cent in October 2019. But even this will not make up for the lack of social security funds. If reforms in the social security system do not go far enough, it could become necessary to raise the value-added tax rate to around 20 per cent by 2040, assuming that public expenditure is provided by revenue from the tax alone.

Raising the value-added tax is a major public issue, and doing so could cause political difficulties. But if the government continues to delay raising the tax rate, the structure of Japan's social security system—a major contributor to its massive budget deficit—will remain unchanged and the sustainability of the system will come seriously into question. **EAFO**

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**Asian crisis,  
ready or not**

# US-Japan cracks are starting to show

LULLY MIURA

**U**S PRESIDENT Donald Trump met North Korean leader Kim Jong-un in June 2018. The ‘historic event’ ended up with a piece of paper, which verified already existing commitments made by North Korea at the third inter-Korean summit in April 2018. Although there were no specific promises made in the US–North Korea joint statement, President Trump made a generous gesture to halt joint military exercises with South Korea. International and US media have expressed concerns about stopping the exercises without a more substantial pledge to denuclearise from North Korea.

The sentiment in Japan following the US–North Korea summit is of disappointment and powerlessness. President Trump mentioned Japan as one of the main cost bearers of denuclearisation, yet no concrete agreement about denuclearisation was made. Once again, Japan would be paying for something it has little influence over. The pacifist sectors of Japan—the opposition and left-leaning media—are critical of the Abe administration for being out of the loop.

Japan finds itself in a difficult position. It doesn’t really have any policy alternative other than to attempt to influence the US government. But what is clear from the United States’ turn towards rapprochement with North Korea is that this influencing capability is quite limited. Japan also has no offensive

capabilities, neither nuclear nor conventional, to draw concessions out of North Korea. Japan’s Self-Defense Force will likely not be joining the military operation towards North Korea in any significant fashion. In case of a military scenario, the decision-making will not include Japan nor address its concerns, while many of the associated risks and costs are likely to fall on Japan. In other words, the Japanese government has no lever to pull.

The unfolding saga on the Korean Peninsula is exposing a more fundamental issue for Japanese and regional security: the gaps in perception between Japan and the United States regarding their alliance. The perception of the Trump administration embodies a long-standing distrust towards Japan as a ‘free-rider’ in the alliance. The United States has accused Japan in the past of using its pacifism ‘excuse’ to maintain a low-cost defence policy. This remains a widely shared view among the US public and some US policy experts as well. But that is not the prevailing view in Japan at all. Japanese media focuses almost entirely on a fear of entrapment by the United States.

This gap in perception has a long history, dating back to the early days of the Cold War. The United States changed its policy towards Japan to integrate it into the US policy of containing communism. The United States repeatedly demanded that Japan re-arm and build-up its military but Japanese diplomats dodged and delayed military contributions,

citing Japan’s pacifist public opinion. Declassified diplomatic documents regarding the renegotiation process for the Japan–US security treaty in the 1950s reveal the tensions between both countries during that time.

The impression that Japan used its pacifist public as an excuse to not help in the containment effort irritated the United States. The feeling of discontent led the United States to demand keeping a ‘free hand’ military policy. The biggest fear among Japanese diplomats was being abandoned by the alliance—the old version of the treaty didn’t include the US obligation to defend Japan. The Japanese public, on the contrary, did not share such fear of abandonment nor did it strive for a more independent security policy. The Japanese government therefore chose to focus on hospitality toward the US military and remain a non-military power.

**D**IFFERING views on the alliance within Japan created a domestic conservative–progressive ideological dispute. The progressive-leaning public focussed on the risk of entrapment, and intentionally or unintentionally ignored the risk of abandonment. The conservative Liberal Democratic Party (LDP) government, albeit in small increments, chose to strengthen the alliance and tried to keep the details away from the public as much as possible.

The LDP’s strong grip on power and economic focus made this possible. The Japanese public and opposition were largely kept in the dark regarding



A Japan Coast Guard ship sprays water on a North Korean fishing boat in waters claimed as Japan's exclusive economic zone.

the realities of the alliance. The failure of the progressive Hatoyama administration during its short time in power in 2009 to remove the US base from Okinawa tends to be explained through its incompetence. But it can also be explained as the opposition party also fearing, once it was in power, that Japan might be abandoned. Due to the opposition's limited tenure in power, this realisation was not sufficient to overcome the almost comical perception gap among Japan's conservatives and progressives.

The recent trend among Japanese progressives, cut off from Cold War narratives, has been to become more isolationist. President Trump's straight talk has made Japanese progressives doubt US commitment to the alliance, all the while maintaining their strong fear of entrapment. Their policy interest heads towards weakening the alliance and becoming more independent, but not necessarily building up independent military capabilities. That kind of policy direction has no linkage to any world order, old or new. Contrary to the Cold War period, recent progressives

don't even like China (only around 10 per cent of the Japanese public likes China). It would lead to nowhere but isolationism. Japanese conservatives, on the other hand, have no policy alternative but to cling to the current US-led world order, which is quickly collapsing.

Adding China to the narrative provides a clearer view of the potential future of the Asia Pacific. North Korea may return to international society by gradually decreasing (but likely not abandoning) its nuclear capabilities. By the time its nuclear arsenal reaches a bearable level for the United States, it is possible that a new world order will have emerged in which China plays the dominant regional role. South Korea has shifted towards reconciliation with North Korea, and nobody seriously wants to stop such a trend. Japan and South Korea have different views about China, but the progressives in both countries share a similar view about the United States: 'Don't involve us in the confrontation with China.' This isolationist sentiment will continue to be a critical gap in the United States' regional alliances.

With diminishing relative power and resolve, the United States alone cannot stop China's expansion. US presence in the region works to deter the invasion of its allies, but it cannot prevent the salami slicing tactics used by China. The United States may grow increasingly critical towards its regional allies and accuse them of being opportunistic, which will likely be true. These alliances are, after all, based on mutual interest, and interests can change.

In the coming new regional order, Japan will be forced to play a semi-American role that can provide a partial counterbalance to China and fulfil the role of benchmark keeper. No other country is capable of or interested in playing such a role. But the question remains whether Japan itself is up to the task. Japanese society will be torn in two between isolationism and active realism.

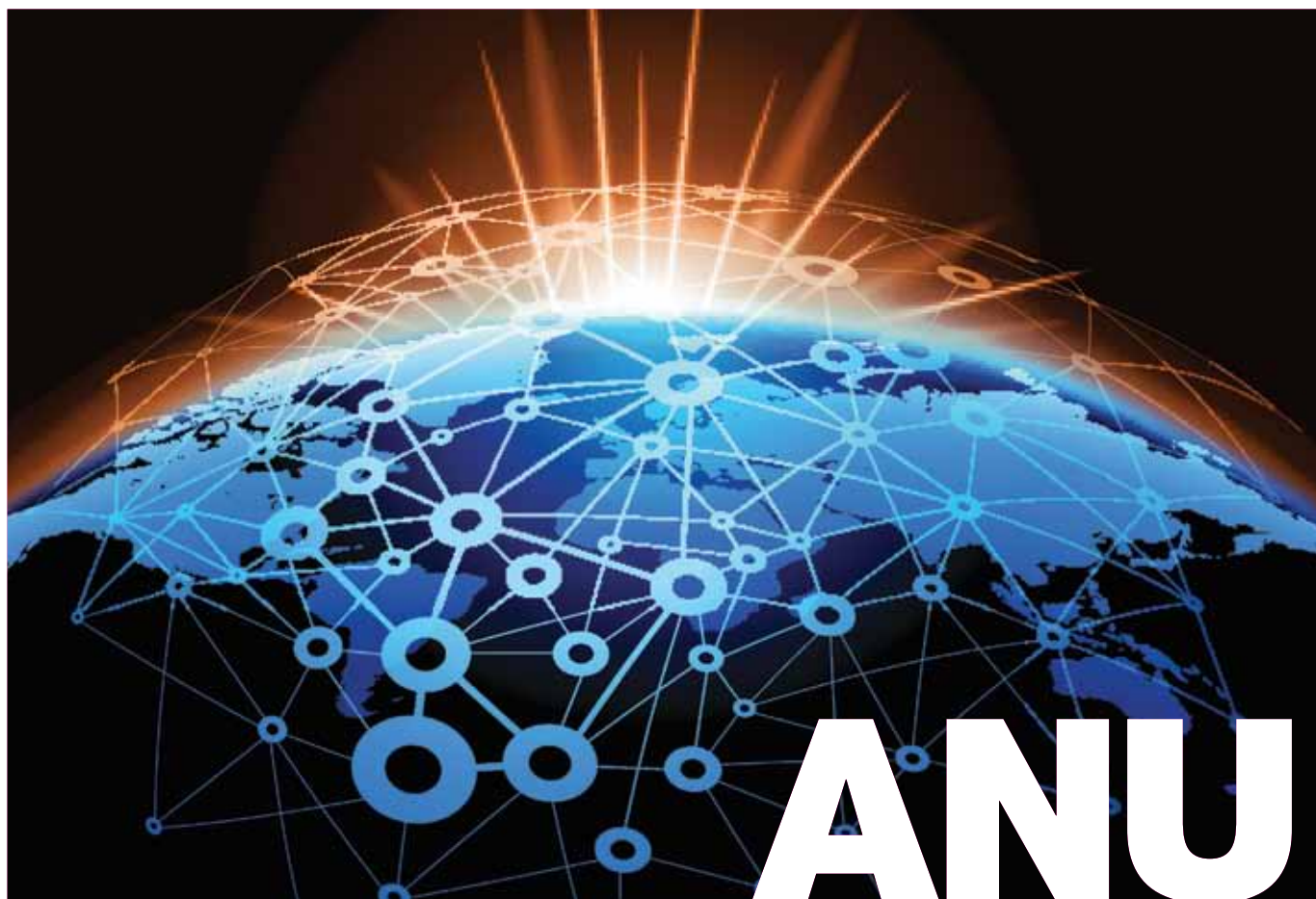
**EAFQ**

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