US-JAPAN RELATIONS gained momentum with Prime Minister Shinzo Abe’s US visit in late spring. Abe’s historic speech to a joint session of the Congress was well received in the United States. In addition, during his trip the two countries announced the first revision of the US-Japan Defense Cooperation Guidelines since 1997, which was based on the understanding that the Japan Self-Defense Force (SDF) will take on a larger role and US-Japan security cooperation will be expanded. However, even as Prime Minister Abe’s administration struggles this summer to pass the legislation that will allow Japan to expand its security role, structural shifts in East Asia are making it clear that the next step for Japan and the United States must be to transform the alliance into a more multifaceted partnership that better equips both countries to work together in shaping the evolving regional order.

The evolution in US-Japan alliance relations that was on display during Abe’s visit has taken place against the backdrop of ongoing shifts in the regional balance of power; the continued rise of emerging market economies such as China, India, and the ASEAN countries; the steady growth of Asia’s middle class; and a shift in US defense spending toward a more sustainable, “lean but mean” posture. Therefore, looking ahead, there is a pressing need to strengthen multilateral cooperation in the region—both in the diplomatic and security realms—and this means that, on the one hand, the United States needs to change how it engages in the region, while on the other hand, the allies and partners of the United States also have to increase their contributions to regional stability.

While US Secretary of State John Kerry was right to portray the revision to the guidelines as a “historic transition in the defense relationship between our two countries,” bolstering the US-Japan alliance for its own sake is no longer as important as it was in the past; rather it is useful primarily as one element of a broader shared strategy for the region. As such, Japan and the United States should build upon the success of Abe’s US visit by focusing on long-term efforts to take a more multifaceted approach in order to promote regional stability and prosperity.

Japan: Overcoming History and Building Trust

In the lead-up to this August’s anniversary of the end of World War II, a great deal of attention is being paid to Japan’s stance on war history, and measures
to ensure that history issues do not hinder broader cooperation must be taken as one prerequisite for any genuine effort to utilize the US-Japan alliance as a multifaceted vehicle to promote regional stability. During his US trip, Prime Minister Abe stated clearly that he would uphold the views expressed by the previous prime ministers on Japan’s wartime record; referred to Japan’s transgressions in Pearl Harbor, Bataan Corregidor, and the Coral Sea; and offered his “deep repentance” for the suffering caused by the war. Still, a group of US lawmakers criticized Abe for failing to mention the comfort women issue in his Congressional address, while the Chinese and South Korean governments protested that Abe fell short of a direct “apology.”

The 70th anniversary of World War II offers an important opportunity for the Abe government to affirm Japan’s postwar identity as a peace-loving nation and to mend strained ties with South Korea and China. In his highly anticipated August statement, Abe must unequivocally face up to Japan’s historical wartime transgressions without dropping any of the key elements of the Murayama Statement. At the same time, Abe should set out Japan’s defense policy in a forward-looking and practical way—clearly stating that it is aimed solely at defending Japan and contributing to the peaceful enhancement of the regional security environment—in order to dispel any misperceptions in China and South Korea that the revised US-Japan Defense Cooperation Guidelines or Japan’s new legislation to allow it to exercise limited forms of collective self-defense represent a return to a more aggressive regional posture.

**United States: Becoming a Resident Power**

A second prerequisite for a long-term effort to transform the US-Japan alliance into a more multifaceted partnership to stabilize the region is a change in the US mindset that enables the United States to truly act as a resident power. Current projections are that Asia will be home to two-thirds of the global middle class by 2030 and will account for more than half of global GDP by 2050. As the regional order evolves to reflect these shifts, it is critical that the United States become more intimately and directly involved in the order-building process. This requires the United States to move away from its tendency to act as an external balancer and toward a more engaged day-to-day involvement and leadership role in the region.

Truly becoming a resident power will also require the United States to move beyond its security commitment to the region to also having deeper economic and political engagement. For instance, it is incumbent on the United States to play a greater leadership role in economic rulemaking in the region—a successful conclusion of the Trans-Pacific Partnership (TPP) will be a useful step in this regard—as well as to project greater political leadership in regional multilateral forums like the East Asia Summit.

In particular, one important step that the United States can take to project political leadership is to spearhead the establishment of a four-party China-Japan-ROK-US confidence-building mechanism to tackle two pressing issues: (1) reassurance diplomacy regarding the evolving role of the SDF and the US-Japan alliance, and (2) agreements on crisis avoidance and communications. On the first point, of course, the Abe government’s proposed security legislation that should enable Japan to exercise its right to limited forms of collective self-defense is within the purview of Japan’s exclusively defense-oriented security policy framework. But without adequate confidence-building measures that engage Japan’s neighbors, there is a risk of misperceptions and increased regional tensions. And on the second point, military-to-military direct communication hotlines and crisis management procedure agreements are urgently needed in order to reduce the risk of accidental collision and to mitigate damage in the event of a crisis. This is especially critical in the East China Sea given the increasingly high risk of a sea or air collision near the Senkaku Islands.

**Strengthening Multilateral Security Cooperation**

The revision of the US-Japan Defense Cooperation Guidelines is a positive step forward in positioning Japan and the US-Japan alliance to engage in deeper multilateral security and diplomatic cooperation. Since those guidelines were first established in 1978 to facilitate coordinated action in the event of an attack on Japan, the regional security environment has undergone a fundamental transformation. The first revision of the guidelines in 1997 was precipitated by two key crises earlier in the decade: the first Korean nuclear crisis and the Taiwan Strait crisis. These crises
illuminated the fact that—given a lack of legal provisions detailing what the SDF could or could not do under the Article 9 “peace clause” of the constitution—Japan was unprepared to deal with a regional contingency. The 1997 guidelines and the supporting legislation passed in 1999 (the Law Concerning Measures to Ensure the Peace and Security of Japan in Situations in Areas Surrounding Japan) detailed the roles of the SDF during regional security situations and recognized Japan's right to provide rear-area support to the United States, so long as it did not constitute an “integral part in the use of force.”

Fast-forwarding to the present, the regional security environment has changed yet again. Most prominently, China's maritime behavior has become increasingly assertive as it continues to send ships into the vicinity of the Senkaku Islands in ever greater numbers, announced an Air Defense Identification Zone covering the Senkakus and a large portion of the East China Sea in November 2013, and is unilaterally constructing landfill islands in disputed areas of the South China Sea. The United States and Japan must assume that China will continue to rise, although they should recognize that its future direction is not predetermined, that engagement can help steer China toward mutually beneficial outcomes, and that violent conflict with China is both undesirable and highly unlikely. At the same time, they must be prepared for further possible unilateral or unpredictable behavior from China. With this in mind, it must be emphasized that the Abe government's proposed security legislation currently being debated in the Japanese Diet is within the bounds of the Article 9 “peace clause” of the constitution.

Looking ahead, the next task for the United States and Japan should be to strengthen trilateral security cooperation with partners such as South Korea, Australia, India, and the ASEAN nations. In particular, deeper US-Japan-ROK trilateral cooperation, including contingency planning, is urgent given the uncertain situation on the Korean Peninsula. Since taking over as leader of North Korea three and a half years ago, Kim Jong-un has purged a startling number of high-ranking officials, including Defense Minister Hyon Yong-chol earlier this year and his own uncle, Jang Song-thaek, in 2013. Positions of power are increasingly being stacked with loyalists and close family members, including Kim Jong-un's younger sister. As such, Kim's power base appears narrow, and even members of the inner circle may fear for their personal safety. It is thus imperative that the United States, Japan, and South Korea coordinate closely to devise detailed contingency planning.

Trilateral cooperation directed toward North Korea should take into account the need to engage China and Russia, make preparations to steer the situation toward a soft-landing unification, and utilize Track 2 diplomacy to inject fresh ideas from academia to ensure the long-term stability of the Korean Peninsula. At the same time, trilateral security cooperation with other partners (e.g., Japan-Australia-US and Japan-India-US cooperation) should also be expanded as an important mechanism for future security collaboration in the region.

The US Forward Deployment Strategy

Of course, utilizing the US-Japan alliance as a vehicle to help maintain regional stability depends on sustaining the US forward deployment in East Asia over the long term. While the forward deployment of US troops throughout East Asia serves as a regional public good, it also needs to be reexamined regularly—through intensive consultation with alliance partners—to ensure it is politically sustainable and is able to meet contemporary challenges.

First, it is important to reexamine whether maintaining US forces in such a high concentration in one area of the region, as they currently are in Okinawa, is the best strategy over the long term to fulfill US-Japan alliance goals. Local opposition in Okinawa to the concentration of US bases there has become more strident in recent months as the debate over the relocation of US Marine Corps Air Station Futenma has heated up. The hardening of positions on the part of those who wish to reduce the number of US bases in Okinawa and of those who wish to proceed with the planned relocation threatens to make the current situation politically unsustainable over the long term. And if the base relocation is not handled with due sensitivity for local concerns, some fear that the disagreement between Tokyo and the Okinawan local government could escalate to an all-out confrontation. Ironically, this confrontation is coming to a head as advances in new military technologies and the changing nature of regional security challenges make it increasingly desirable to establish a broader and more dynamic forward deployment posture where US soldiers are more
Second, as the SDF continues to expand its roles and functions in order to engage in the limited exercise of collective self-defense, there will be greater potential for joint basing arrangements in which the US military and the SDF share military facilities. This should be utilized as an opportunity to deepen US-Japan security cooperation and to have the United States assist the SDF to gradually transition toward fulfilling greater contributions to regional peace.

Mutual Engagement With China
The future of East Asian regional stability and prosperity also depends heavily on the rise of China and the response of the rest of the region. To this end, Japan and the United States would be wise to complement their security cooperation with more vigorous efforts to constructively engage with China in key areas, including cooperation on multilateral financial institutions, on regional trade agreements, and on energy and the environment. The basic approach for such cooperation must transcend labels like advanced industrial democracies and emerging market economies, and instead begin from mutual engagement on an equal basis.

The Asian Infrastructure Investment Bank
The AIIB presents a litmus test of how the region will react to the rise of China. Major democratic economies in Asia (such as Australia, New Zealand, and South Korea) and in the EU (including France, Germany, Italy, and the UK) have signed on as founding members. The two prominent absences are the United States and Japan. China’s establishment of the AIIB should not be a surprise to anyone given the vast demand for infrastructure finance, the domination of the Asian Development Bank (ADB) by the United States and Japan, and the decision by the US Congress to block voting reform that would have engaged China more meaningfully in the IMF.

Japan should join the AIIB promptly for three reasons. First, by participating in its formative period, Japan will be better positioned to promote high performance standards on governance and transparency from within.

Second, Japan’s participation is important in order to foster ADB-AIIB cooperation. China is the ADB’s second-largest cumulative borrower with a total of US$31.58 billion in loans since joining in 1986, including US$1.49 billion in 2014. China can self-finance its own infrastructure development, but continues to go through the ADB because of the accompanying expertise, quality control, and environmental standards it brings. ADB-AIIB cooperation would help to establish similar measures in the AIIB, thereby improving its ultimate impact.

Third, the AIIB calls for a 25/75 percent split of funding between extra-regional and regional members. The addition of Japan, Asia’s second largest economy, would diversify the sources of Asian funding and mitigate the risk of Chinese dominance. While the United States may not be able to join in the near future, Japan’s inclusion in the AIIB can help raise the American comfort level with the institution as US-Japan consultations provide an indirect channel through which the United States can coordinate with the AIIB.

Regional Trade Diplomacy
For both Japan and the United States, the successful conclusion of the TPP would be one important component of any effort to advance a multifaceted approach to East Asia. The decision in June by the US Congress to grant trade promotion authority to the president was a major step forward. Hopefully, negotiations can finally be concluded in short order, so that the TPP can become a strategic vehicle to ensure that East Asia’s trade and economic system will remain free and adopt the high-standard rules needed for 21st-century economic integration.

However, the two mega-regional trade agreements being negotiated in Asia, the TPP and the Regional Comprehensive Economic Partnership (RCEP), risk dividing the region into competing US- and China-led trade blocs if not carefully managed. In moving toward final TPP and RCEP agreements, it is important that a pathway be created allowing for their future amalgamation as a steppingstone toward the establishment of a Free Trade Area of the Asia Pacific. Over the long term, the TPP should be utilized as a vehicle to stimulate cooperation with China. As such, it should include an open accession clause to establish a clear and transparent process by
which China (and other RCEP members) can join the TPP in the future after reaching predetermined economic benchmarks. At the same time, the RCEP should be utilized as a vehicle not just to deepen economic integration among the ASEAN+6 countries but also to bridge the gap between advanced and developing countries within the region.

**Regional Energy and Environmental Cooperation**

Over the coming decades, the demand for energy will continue to grow exponentially, particularly in Asia’s emerging economies that have growing middle classes, such as China, India, and the ASEAN nations. Regional cooperation—including joint efforts in such areas as energy exploration, development of new extraction technologies, and strengthening of nuclear safety measures—is needed to ensure that the energy demands of all nations are met. Japan and the United States can cooperate in pushing the East Asia Summit or other regional forums to take up these issues in a more serious manner.

At the same time, the unabated use of fossil fuels will cause environmental damage that is detrimental to sustainable economic growth and poverty reduction, not to mention the ecology of the planet. In order to meet the growing regional energy demand in an environmentally sustainable manner, the United States and Japan—as global leaders in technology development—should coordinate and invite all like-minded nations to promote cooperation for jointly funded and developed green energy technologies.

Recent successes in bolstering US-Japan security cooperation are important steps that can help the alliance to meet post–Cold War challenges. However, the United States and Japan need to take a multifaceted approach in order to steer the evolving regional order in a positive and inclusive direction. This requires that the United States act as more of a resident power in East Asia, including by participating more in regional forums. And it makes it imperative for Japan and the United States to work to further strengthen multilateral security cooperation, enhance regional confidence-building measures, and vigorously pursue cooperation with China that focuses on concrete areas of mutual benefit, including on international finance institutions, mega-regional trade agreements, and energy and environmental cooperation. Such a multifaceted approach to regional cooperation will go a long way in helping to ensure the peace and prosperity of Asia Pacific throughout this, the “Asian Century.”

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**East Asia Insights**

*East Asia Insights* is an occasional newsletter focusing on East Asia community building from the Japanese perspective.

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