



**US-Japan Relations:  
Heading to the End Zone on TPP and Defense**

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Weak economic data prompted Prime Minister Abe Shinzo to postpone painful tax increases and call a snap election to extend the window in which to advance his policy agenda. US-Japan negotiations on TPP slowed, but President Obama made his first significant public push in December on TPP. Discussions on revising the bilateral defense guidelines advanced somewhat but were extended into 2015 to better coincide with the legislative debate in Japan on defense policy. Trilateral coordination with Australia and South Korea reflected a shared commitment to network the alliance agenda. Public opinion surveys revealed a foundation of support for the US-Japan relationship across a range of issue areas. All of the bilateral agenda on defense and trade was aimed at a potential Abe visit to Washington in the spring.

**Economic headwinds and a snap election**

Prime Minister Abe Shinzo reshuffled his Cabinet on Sept. 3 to reestablish momentum for his policy agenda. He appointed Liberal Democratic Party (LDP) Secretary General Ishiba Shigeru, widely considered his main rival within the party, to a new post focused on regional economic revitalization. Ishiba had been expected to assume another new position dedicated to steering security legislation through the Diet, but he reportedly refused due to differences over how the government approached the issue of collective self-defense. Abe then asked his new defense minister, Eto Akinori, to serve in that post concurrently in anticipation of a heated parliamentary debate on defense policy scheduled for spring 2015. Abe also appointed five women to the Cabinet in line with his government's focus on increasing female labor force participation, but suffered a blow in October when Minister for Economy, Trade and Industry Obuchi Yuko (a rising star in the LDP deemed by some analysts as a future candidate for prime minister) and Justice Minister Matsushima Midori resigned due to misuse of political funds and alleged violations of election law, respectively. The sudden resignations rekindled memories of Abe's first term as prime minister in 2006-2007 when multiple Cabinet ministers were forced to resign over scandals, raising questions then about Abe's capacity to govern effectively. But this time around, discouraging economic data that questioned the credibility of "Abenomics" was a greater source of political pressure and prompted a series of actions to turn the tide and secure his political footing.

In September, the Cabinet Office reported that Gross Domestic Product (GDP) decreased at an annualized rate of 7.1 percent in the second quarter of 2014, worse than a previous estimate of 6.8 percent issued in August. This was widely attributed to an increase in the consumption tax from 5 to 8 percent back in April mandated by legislation passed in 2012 (but which included a provision that the increase was subject to a review of economic conditions). The tax increase

clearly offset momentum established by a combination of monetary easing and fiscal stimulus, two of the three “arrows” of Abenomics that featured prominently up to that point amid a policy debate in the government and among politicians over the right balance between short-term stimulus and debt consolidation. And though Abe issued a comprehensive agenda for structural reform back in June, this third “arrow” of Abenomics deemed critical for sustainable growth was expected to take root incrementally. Just as doubts about the prospects for growth drove the headlines, the Bank of Japan shocked the markets on Oct. 31 by announcing a package of additional monetary stimulus spending including an acceleration of government bond purchases. News in mid-November that third-quarter GDP had declined 1.6 percent on an annualized basis prompted Abe to postpone for 18 months a second stage of the consumption tax increase scheduled for October 2015. The economic policy pendulum had shifted back in favor of stimulus but public concern was evident in some surveys, revealing a decline in his approval rating below 50 percent. Though not constitutionally mandated to call an election for another two years, Abe then dissolved the Lower House for a snap election under the rationale that a solid victory would afford him more time to implement his policy agenda.

Public opinion polls leading up to the Dec. 14 election indicated a solid foundation of support for Abe’s ruling Liberal Democratic Party (LDP), though predictions for seat totals varied. The LDP ended up losing a few seats but together with its coalition partner the Komeito was able to retain a two-thirds majority in the Lower House, which will smooth the passage of legislation. But the results were mixed in that the opposition Democratic Party of Japan (DPJ) and the Communist Party each fared well (though DPJ president Kaieda Banri was felled at the polls) and voter turnout was at a record low, which some analysts attributed to tepid support for Abe’s agenda. A public opinion survey by *Yomiuri Shimbun* shortly after the election found that when asked to choose among possible reasons for the ruling coalition’s victory, only 7 percent of respondents chose Abe’s economic policies. Luckily for Abe the political calendar works in his favor. Assuming he leads the LDP through nationwide local elections in April 2015 and is reelected LDP president the following September, Abe need not face election pressure until the next Upper House election in summer 2016 and could conceivably remain in office until the next Lower House poll in 2018. Realizing that scenario would depend in large part on his ability to deliver economic growth, but the extent to which Abe would expend political capital on structural reforms after the election remained unclear.

Abe wasted little time in attempting to restore public confidence in his economic agenda. In late December the government approved a \$29 billion stimulus package to support local economies as well as a 2.51 percent decrease in the corporate tax rate to 32.1 percent beginning in April 2015, part of a pledge to reduce the rate below 30 percent over the next few years. He retained all of his Cabinet ministers from the September reshuffle with the exception of Defense Minister Eto, who stepped down amid criticism from opposition parties that he had misreported political funds. Eto was replaced by Nakatani Gen, a security policy specialist also charged with steering security legislation through the Diet next year. Debate about Abe’s post-election political standing notwithstanding, he ended the year well positioned to pursue defense and economic policy reforms that are fundamentally in US interests.

## Working the alliance agenda

The US and Japanese governments coordinated closely on bilateral initiatives undergirding the economic and security pillars of the alliance; they also continued efforts to coordinate with like-minded countries in the Asia Pacific region. On the economic front, bilateral negotiations linked to the Trans-Pacific Partnership (TPP) trade negotiations continued in Tokyo and Washington but officials failed to resolve sensitive market access issues in areas such as agriculture and automobiles. Two meetings of the TPP parties including a gathering of leaders on the margins of the Asia-Pacific Economic Cooperation (APEC) Economic Leaders Meeting in Beijing served to reaffirm a shared commitment to high standards for regional trade liberalization, but concrete progress would remain elusive absent a US-Japan agreement. Bilateral negotiations were put on hold during the US midterm elections in November and the subsequent snap election in Japan. After the midterms, Republican leaders in Congress expressed a willingness to work with President Obama on trade legislation in the next session and the president signaled a more aggressive approach on trade when he discussed the importance of TPP and criticized opponents of trade liberalization in a speech in early December (Obama and his economic team also began promising to pass necessary Trade Promotion Authority, or TPA, for the first time – a new sign of seriousness). Meanwhile, new public opinion polls in the US showed broadening support for free trade. Evidence of support for TPP and broader TPA legislation (which would prevent legislators from carving up trade bills) in Congress could help advance the negotiations, as could signals from the Abe government of a willingness to confront the politics of trade head-on. Greater urgency on TPP negotiations was added by plans for a possible Abe-Obama summit in Washington in late April or early May. In general, political analysts in Washington warn that a US-Japan agreement has to be completed in the spring to complete multilateral negotiations and pass TPA and TPP before the next US election cycle destroys consensus.

Bilateral talks aimed at reviewing the guidelines for bilateral defense cooperation were also propelled forward by the prospect of an Abe visit to Washington in the spring. On Oct. 8, after a meeting of the bilateral US-Japan Subcommittee for Defense Cooperation (SDC), the two governments issued an [interim report outlining priorities for defense cooperation](#) in a bilateral, regional, and global context and establishing a framework for a formal revision of the guidelines. Areas of emphasis include maritime security, air and missile defense, training and exercises, and intelligence, surveillance, and reconnaissance (ISR). The interim report notes the revised guidelines will address bilateral cooperation in situations involving an armed attack against Japan but also in case of an armed attack against a country that is in a close relationship with Japan, a reference to the Abe government's decision last July to exercise the right of collective self-defense. Trilateral and multilateral defense cooperation with allies and partners in the region also garnered significant attention as well as enhancing cooperation on space and cyber security. The interim report also included a section on bilateral enterprise, including defense equipment and technology cooperation in light of Japan's decision last April to relax restrictions on arms exports. The two governments issued another joint statement in December announcing an extension of the guideline review discussions into 2015, presumably to address in the final document the implications of Japan's parliamentary debate on collective self-defense.

The United States and Japan also engaged in trilateral coordination this period. Prime Minister Tony Abbott of Australia hosted President Obama and Prime Minister Abe for a trilateral summit

in November on the margins of the G-20 meeting in Brisbane and the three leaders issued a joint statement reaffirming shared values and highlighting a commitment to cooperate on regional and global security challenges, strengthen trilateral security cooperation, promote regional economic growth, and support multilateral institutions in Asia. At the end of the year the US, Japan, and South Korea signed an intelligence-sharing agreement regarding North Korean nuclear and ballistic missile programs. Though limited in nature and requiring Seoul and Tokyo to share information via the Pentagon, this agreement signaled incremental progress in enhancing trilateral security cooperation that is vital to regional stability. In October, President Obama and Indian Prime Minister Narendra Modi issued a joint statement after their summit in Washington stressing the importance of trilateral dialogue with Japan. These three developments reflected the prominence of coordination with like-minded states in the US “rebalance” to Asia as well as the Abe government’s national security strategy. Rounding out another season of active diplomacy, US and Japanese officials also conferred on a range of issues including North Korea policy, developments in Syria, and efforts to combat the Ebola outbreak in West Africa.

### **Public opinion**

Public opinion surveys published during this period offered insights into perceptions of US-Japan relations in both countries. The Chicago Council on Global Affairs survey on US foreign policy attitudes revealed that 80 percent of Americans consider the United States and Japan mostly partners rather than mostly rivals, indicating trust in Japan as an ally. Sixty percent of respondents said they support the US rebalance to Asia and 59 percent think the US should strengthen relations with traditional allies like Japan and South Korea even if that might adversely affects relations with China. The survey also found support for forward US military presence in Asia with 62 percent stating that US forward presence is a stabilizer and 55 percent supporting the long-term presence of US military bases in Japan. With respect to trade, 63 percent of Americans support TPP and 62 percent think Japan is one of the top 10 trading partners of the US.

A Ministry of Foreign Affairs (MOFA) survey on the US image of Japan published in November produced similar results with 73 percent of the American public and 90 percent of opinion leaders considering Japan a dependable partner. US opinion leaders also suggested that the best way to improve US-Japan ties is to strengthen economic and trade relations, specifically through technological cooperation (91 percent) followed by cooperation on TPP (88 percent). The MOFA survey also found that the American public and opinion leaders considered Japan the most important ally for the US in Asia; over 80 percent in both categories thought Japan should play a more proactive role to support peace and security in the Asia-Pacific region.

A survey published jointly by *Yomiuri Shimbun* and *Gallup* at the end of December showed 49 percent of Japanese and 45 percent of Americans consider US-Japan relations to be good or very good. Only 45 percent of Japanese respondents said they trusted the US somewhat or a great deal compared to 61 percent of Americans who felt that way about Japan. Japanese respondents were also less sanguine about the future with just 11 percent suggesting the relationship will improve either somewhat or considerably compared to 33 percent of Americans. (The most popular response in Japan and the United States was that the relationship won’t change, 76 and 43 percent respectively.) But a majority in both countries felt the US military presence in Japan

should either be maintained or strengthened, and 53 percent of Americans and 47 percent of Japanese support Japan's decision to exercise the right of collective self-defense. The military was the most trusted institution in both countries.

### **Looking ahead to 2015**

Prime Minister Abe will present a budget for the next fiscal year and attempt to shape public debates on economic and defense policy. Similar debates should also heat up inside the Washington Beltway, particularly on TPA and TPP. Bilateral discussions on TPP and defense guidelines are also expected to continue. The most important question in the relationship is whether an Abe-Obama summit in the spring will force the conclusion of the trade and security discussions and pave the way for the next battle – ratification in the Congress and Diet.

### **Chronology of US-Japan relations September – December 2014**

**Sept. 3, 2014:** Prime Minister Abe Shinzo reshuffles his Cabinet, appointing a record-tying five women to Cabinet posts.

**Sept. 4, 2014:** Japanese newspapers publish public opinion surveys on the Abe Cabinet with *Yomiuri Shimbun* posting a 64 percent approval rating, *Nikkei* 60 percent, *Kyodo News* 55 percent and *Mainichi Shimbun* 47 percent.

**Sept. 8, 2014:** Japan's Cabinet Office reports GDP fell at an annualized rate of 7.1 percent in the period April-June 2014 compared to a previous estimate of 6.8 percent.

**Sept. 10-14, 2014:** US Ambassador-at-Large for Global Women's Issues Catherine Russell visits Tokyo to attend the World Assembly for Women Symposium and meet Japanese government officials and private sector leaders.

**Sept. 12, 2014:** A *Jiji Press* survey finds only 20 percent of the Japanese public supports a planned increase in the consumption tax from 8 to 10 percent in October 2015.

**Sept. 15, 2014:** Japan's Ministry of Internal Affairs and Communications publishes data indicating that 26 percent of the Japanese population is 65 or older, a record high.

**Sept. 16-17, 2014:** The US and Japan hold the sixth director general-level meeting of the US-Japan Policy Cooperation Dialogue on the Internet Economy in Washington.

**Sept. 24, 2014:** United States Trade Representative (USTR) Ambassador Michael Froman and Japanese Minister for Economic and Fiscal Policy Amari Akira meet in Washington to discuss bilateral trade negotiations linked to the Trans-Pacific Partnership (TPP).

**Sept. 24, 2014:** Japan imposes additional sanctions on Russia over the conflict in Ukraine.

**Sept. 24, 2014:** Secretary of State John Kerry and Foreign Minister Kishida Fumio meet in New York on the margins of a G-7 foreign ministers' meeting to discuss US-led airstrikes in Syria and other issues.

**Sept. 25, 2014:** Prime Minister Abe addresses the UN General Assembly in New York.

**Sept. 30, 2014:** President Obama and Indian Prime Minister Narendra Modi meet in Washington and issue a joint statement referencing the importance of US-Japan-India ties.

**Oct. 1, 2014:** US Special Representative for North Korea Policy Glyn Davies visits Tokyo to meet senior Japanese government officials.

**Oct. 8, 2014:** Following a meeting of the US-Japan Subcommittee for Defense Cooperation (SDC) in Tokyo, the two governments issue an interim report on the revision of the bilateral guidelines for defense cooperation.

**Oct. 10, 2014:** Acting Deputy USTR Wendy Cutler meets Japanese counterparts in Tokyo to discuss bilateral trade negotiations linked to TPP.

**Oct. 15, 2014:** President Obama and Prime Minister Abe discuss the importance of bilateral and international cooperation on Ebola in a telephone call.

**Oct. 19-21, 2014:** US Secretary of Commerce Penny Pritzker leads 20 US firms on a trade and business development mission to Japan.

**Oct. 20, 2014:** Minister of Economy, Trade and Industry Obuchi Yuko and Justice Minister Matsushima Midori resign from the Abe Cabinet due to alleged misuse of political funds and violation of the election law, respectively.

**Oct. 20, 2014:** US and Japanese governments issue a joint statement announcing progress toward an Agreement on Cooperation in the Field of Environmental Stewardship Relating to the United States Armed Forces in Japan.

**Oct. 22, 2014:** Officials from the US, Australia and Japan participate in the trilateral US-Australia-Japan Security and Defense Cooperation Forum (SDCF), which promotes cooperation in areas such as humanitarian assistance and disaster relief, peacekeeping support, and maritime capacity building.

**Oct. 25-27, 2014:** Ministers and heads of delegation for the TPP countries meet in Sydney, Australia to take stock of the multilateral trade negotiations.

**Oct. 31, 2014:** Bank of Japan unexpectedly announces a package of monetary stimulus spending including an acceleration of government bond purchases at an annual pace of ¥80 trillion and a tripling of exchange-traded fund (ETF) and real estate investment trust (REIT) purchases.

**Nov. 1, 2014:** US Special Envoy for the Six-Party Talks Sydney Seiler visits Tokyo to meet Japanese officials to discuss North Korea policy.

**Nov. 4, 2014:** Republican Party wins a majority in the Senate and retains control of the House of Representatives in the US midterm elections.

**Nov. 7, 2014:** Japanese government provides up to \$100 million of additional support to counter the Ebola outbreak in West Africa, supplementing a previous pledge of \$40 million made at the UN General Assembly in September.

**Nov. 7, 2014:** Ministry of Foreign Affairs releases poll on the image of Japan in the US indicating Japan is considered the most important partner for the US in Asia. Seventy-three percent of US public and 90 percent of opinion leaders perceive Japan as a dependable partner.

**Nov. 10, 2014:** Leaders of the parties to TPP meet on the margins of the Asia Pacific Economic Cooperation (APEC) meeting in Beijing to assess progress in the multilateral trade negotiations.

**Nov. 10, 2014:** Robert King, US special envoy for North Korean human rights issues, meets Japanese officials in Tokyo to discuss a range of human rights and humanitarian issues.

**Nov. 10, 2014:** *NHK* poll shows 44 percent approval rating for the Abe Cabinet.

**Nov. 16, 2014:** President Obama, Prime Minister Abe, and Australian Prime Minister Tony Abbott conduct a trilateral leaders' meeting on the margins of the G-20 Summit in Brisbane.

**Nov. 16, 2014:** Onaga Takeshi, an opponent of the plan to relocate Marine Corps Air Station Futenma within Okinawa Prefecture, defeats incumbent Nakaima Hirokazu in the Okinawa gubernatorial election.

**Nov. 17, 2014:** Cabinet Office of Japan announces that GDP decreased at an annualized rate of 1.6 percent in the third quarter.

**Nov. 18, 2014:** Prime Minister Abe calls for a snap election and announces a plan to dissolve the Lower House of the Diet on Nov. 21. Abe also postpones a planned increase in the consumption tax from October 2015 to April 2017 due to weak economic numbers.

**Nov. 24, 2014:** *Nikkei Shimbun* poll posts a 44 percent approval rating for the Abe Cabinet; 51 percent support Abe's decision to postpone the consumption tax increase, but 51 percent do not support economic policies known as "Abenomics." When asked which party they would support in the upcoming Lower House election, the ruling LDP garners 35 percent support, followed by the opposition Democratic Party of Japan (DPJ) with 9 percent, and 45 percent undecided. Surveys by *Yomiuri*, *Asahi*, and *Sankei* indicate similar levels of support for the LDP.

**Dec. 3, 2014:** President Obama discusses TPP and Trade Promotion Authority (TPA) in an address to the Business Roundtable in Washington.

**Dec. 8, 2014:** Japanese government revises its estimate for third quarter real GDP growth downward from -1.6 to -1.9 percent on an annualized basis.

**Dec. 8-9, 2014:** Sung Kim, US special representative for North Korea policy and deputy assistant secretary of state for Japan and Korea, meets senior officials in Tokyo to discuss North Korea and U.S.-Japan alliance issues.

**Dec. 14, 2014:** The ruling LDP and Komeito prevail in the Lower House election, securing a two-thirds majority in the chamber.

**Dec. 14, 2014:** The White House issues a statement congratulating Prime Minister Abe on the LDP's success in the Lower House election.

**Dec. 16, 2014:** President Obama calls Prime Minister Abe to congratulate him on the LDP's election victory.

**Dec. 16, 2014:** When asked to choose among possible reasons for the LDP's convincing victory in the Lower House election, 7 percent of respondents to a *Yomiuri Shimbun* survey choose support for Abe's economic policies. Most popular, at 65 percent, is the relative attractiveness of the LDP compared to other parties.

**Dec. 18, 2014:** US-Japan Security Consultative Committee (SCC) issues a joint statement announcing an extension of discussions on revising guidelines for bilateral defense cooperation with the aim of revising the guidelines in the first half of 2015.

**Dec. 22, 2014:** President Obama signs the 2015 National Defense Authorization Act including partial funding for the transfer of US Marines from Okinawa to Guam.

**Dec. 23, 2014:** A joint survey by *Yomiuri Shimbun* and Gallup finds 49 percent of Japanese and 45 percent of Americans consider US-Japan relations in good condition.

**Dec. 25, 2014:** Prime Minister Abe's third Cabinet is officially inaugurated with only one new appointment, that of Nakatani Gen as minister of defense.

**Dec. 25, 2014:** Public approval rating of the Abe Cabinet stands at 53 percent according to a public opinion poll by *Kyodo News*.

**Dec. 27, 2014:** The Abe government unveils an economic stimulus package ¥3.5 trillion (\$29 billion) stimulus package to support local economies.

**Dec. 29, 2014:** The United States, Japan, and the Republic of Korea sign an intelligence sharing agreement regarding North Korean nuclear and ballistic missile programs.

**Dec. 30, 2014:** Japan's ruling coalition approves a 2.51 percent decrease in corporate tax rate to 32.1 percent beginning in JFY 2015, and an additional 0.8 percent decrease the following year.