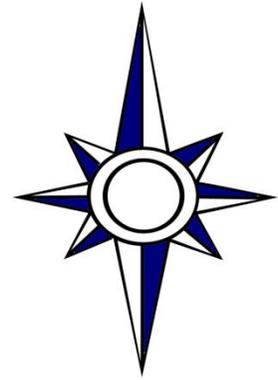


Comparative Connections

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US-Japan Relations: Tempering Expectations

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Prime Minister Kan Naoto opened the quarter with a speech promising a government that would deliver on domestic and foreign policy, but public opinion polls indicated he was failing on both fronts, damaging his own approval rating and that of the ruling Democratic Party of Japan (DPJ). The US and Japanese governments continued a pattern of coordination at senior levels and North Korea's bombardment of Yeonpyeong Island on Nov. 23 furthered trilateral diplomacy with South Korea and exchanges among the three militaries. President Obama met with Kan on the margins of the Asia-Pacific Economic Cooperation (APEC) Leader's Meeting in Yokohama to take stock of the relationship, though a once-anticipated joint declaration on the alliance did not materialize and the optics of the meeting appeared designed to lower expectations as the Futenma relocation issue remained unresolved. A bilateral public opinion survey on US-Japan relations released at the end of the quarter captured the current dynamic accurately with Futenma contributing to less sanguine views but convergence in threat perception and an appreciation for the role of the alliance in maintaining regional security as encouraging signs for the future.

Kan: good pronouncements, but deliverables?

In a speech to the Diet on Oct. 1, Prime Minister Kan vowed to exhibit political leadership in the form of a "true-to-its-word Cabinet," continue economic stimulus measures, and pursue an "active" foreign policy to be reflected in economic diplomacy and a new defense strategy due at the end of the year. The Kan government introduced various policy initiatives in the ensuing weeks but public opinion polls at the end of the quarter revealed a fundamental lack of confidence in Kan's ability to implement them, yielding a 30-point decline in his approval rating to just over 20 percent by December.

In the economic arena, the Bank of Japan announced a monetary easing policy on Oct. 5 featuring a reduction in the overnight call rate to between 0 and 0.1 percent and a \$61 billion asset purchase program to fight deflation. A stimulus package of similar size was approved by the Diet in late November and Kan also announced a 5 percent reduction in the corporate income tax rate as part of a tax package for the fiscal year beginning in April 2011. Despite employing rhetoric regarding fiscal restraint in the context of the DPJ presidential election back in September, the Kan government approved a record high draft budget of \$1.1 trillion in late December that will be the subject of heated debate in the next Diet session scheduled for late January. All of this was overshadowed, however, by Kan's argument in his Diet speech that Japan had to open its economy to remain competitive and should actively consider free trade agreements as a pillar of economic policy, specifically the Trans-Pacific Partnership (TPP) negotiations among nine countries including the United States.

The reference to TPP was bold given predictable opposition from agricultural interests. Subsequent arguments in favor of TPP by Foreign Minister Maehara Seiji and other Cabinet members raised expectations in the media of a formal decision to enter negotiations during the APEC forum in Yokohama in mid-November. But as with several other issues (such as climate change and the relocation of Marine Corps Air Station Futenma on Okinawa), the DPJ could not reach internal consensus and the Kan government announced a policy on comprehensive economic partnerships shortly before APEC that called for a study of agricultural reform but deferred a decision on entering TPP negotiations until June 2011. Kan did manage to initiate a lively debate about the economic and strategic importance of TPP and trade liberalization overall but the failure to match rhetoric with action in the short run raised questions about his credibility.

Defense policy also garnered significant media attention during the quarter in the lead-up to the release of a comprehensive defense strategy in mid-December known as the National Defense Program Guidelines (NDPG). The NDPG offered a pragmatic approach to the security challenges Japan faces but arguably was not resourced sufficiently in the budgetary framework, or Mid-Term Defense Plan (MTDP), that accompanied it. The NDPG was organized around the concept of “dynamic defense,” which departed from core principles focused on homeland defense toward a more pro-active posture to support regional and global security. The document called for a reallocation of resources from the Ground Self-Defense Forces, which featured prominently in previous strategies to defend the North during the Cold War, to the Air and Maritime Self-Defense Forces to better defend the Nansei (southwest) island chain and strengthen Japan’s capacities in the maritime domain. Yet the MTDP did not include substantial investments in new technology and equipment to advance the strategy and the draft defense budget for fiscal year 2011 decreased 0.4 percent compared to the previous year (exclusive of host nation support). In another example of the Kan government failing to meet expectations, the strategy stopped short of relaxing limits on arms exports to facilitate defense industrial cooperation with other countries including the US, which would enable Japan to access new technologies for less than it would cost to develop them indigenously. The NDPG simply included a short statement to “study” the matter despite recommendations from an outside advisory board and the security policy committee of the DPJ to relax said limits. That may have left a sufficient opening to proceed on a case-by-case basis, but the decision to punt on the arms export question stemmed from a political calculation that cooperation with the left, namely the Social Democratic Party (SDP), would prove critical in passing a budget in the next Diet session.

Political turmoil: to be continued

Kan defeated Ozawa Ichiro handily in the DPJ presidential race last September but the rivalry between them quickly resurfaced on Oct. 4 when a citizens’ panel recommended Ozawa be indicted over an alleged funding scandal. Kan and DPJ Secretary General Okada Katsuya pleaded with Ozawa to answer questions in the Diet in the interest of transparency but he adamantly refused, essentially testing Kan’s mettle and rallying his own supporters in the legislature. Kan also faced pressure from the opposition Liberal Democratic Party (LDP), which threatened to boycott Diet deliberations if Ozawa did not appear for questioning. Ozawa eventually relented and announced on Dec. 28 that he would appear once the next session of the Diet commenced and reports surfaced that he was pressing for the dismissal of Chief Cabinet Secretary Sengoku Yoshito, a vocal Ozawa critic, in exchange for his testimony and would

demand that one of his lieutenants be installed in that post. In addition to facing the threat from Ozawa, Kan also had to pursue coalition building to secure passage of budget-related bills in the next Diet session. Potential partners included the SDP, the Komeito (Clean Government Party), and even the fledgling Sunrise Party of Japan led by former LDP members Yosano Kaoru and Hiranuma Takeo. In the end, Kan found no takers and faced the real prospect of legislative gridlock and internecine warfare with the Ozawa camp heading into next year.

The Kan government also continued to face criticism for mismanaging foreign policy issues including a September incident where a Chinese fishing boat collided with two Japanese coast guard vessels near the Senkaku Islands. Kan's problems were compounded when video of the collision was leaked to *YouTube* by a member of the Coast Guard, which raised doubts about the protection of classified information and government control of the bureaucracy. On Nov. 26 the Upper House, where the DPJ lost its majority after an election in July, passed non-binding censure motions against Chief Cabinet Secretary Sengoku and Transportation Minister Mabuchi Sumio for their handling of the Senkaku incident, which led to calls for their respective resignations. (Sengoku had also embarrassed Kan by referring to the Self-Defense Forces as "instruments of violence" during a Diet committee hearing.)

Public opinion surveys showed Kan had lost the confidence of the public with respect to foreign affairs, economic policy, the Ozawa funding scandal, and leadership overall. A Nov. 15 *Asahi Shimbun* survey indicated 77 percent of the population did not support Kan's foreign policy. A Dec. 7 *Yomiuri Shimbun* poll found 83 percent of the population disapproved of Kan's approach to the economy and 86 percent said the Ozawa scandal was being mismanaged. Another *Asahi Shimbun* survey released Dec. 13 posted a 21 percent approval rating for Kan and a disapproval rating of 60 percent with 65 percent of respondents citing the inability to implement policies as the primary cause. The budget debate in the first quarter of next year would be his most crucial – and perhaps final – test as premier.

Bilateral coordination

Despite the Kan government's troubles at home, bilateral US-Japan coordination proceeded well this quarter. Secretary of State Hillary Clinton and Foreign Minister Maehara met in Hawaii on Oct. 27 to continue consultations that began on the margins of the United Nations General Assembly a month earlier. They covered a wide range of issues during the two-hour session including North Korea, Iran, base realignment issues including the Futenma replacement facility, the agenda for APEC, and Japan's steps toward ratifying the Hague Convention on International Parental Abduction and enhancing parents' basic visitation rights. The headline from the meeting was a discussion of rare earth metals and a statement by Clinton during a press conference afterward that Japan and the US should seek additional sources of supply while encouraging China to resume normal trading in those materials. Clinton also welcomed Japan's interest in TPP.

Defense Secretary Robert Gates and Defense Minister Kitazawa Toshimi also had an opportunity to address security matters on Oct. 11 at the Association of Southeast Asian Nations Defense Ministers Meeting Plus 8 (ADMM+) in Hanoi. Defense cooperation progressed with a successful *Aegis* ballistic missile defense test flight intercept test conducted by the Maritime

Self- Defense Force (MSDF) and the US Missile Defense Agency (MDA) off the coast of Kauai, Hawaii on Oct. 29. The two governments also concluded negotiations over host nation support in mid-December after reaching a compromise that would essentially maintain Japanese budget outlays at current levels for the next five years.

North Korea's shelling of Yeonpyeong Island on Nov. 23 furthered trilateral coordination with South Korea, which sent observers to *Keen Sword 2011*, a US-Japan joint training exercise held Dec. 3-10. Secretary Clinton then hosted Foreign Minister Maehara and ROK Minister of Foreign Affairs and Trade Kim Sung-hwan for a trilateral ministerial in Washington on Dec. 6 and issued a trilateral joint statement that reaffirmed efforts to consult closely on North Korea-related issues; condemned North Korea's construction of a uranium enrichment facility as a violation of United Nations Security Council resolutions; reiterated that sincere denuclearization efforts by North Korea were a prerequisite for the resumption of the Six-Party Talks; and stressed the importance of strengthening trilateral cooperation on political, economic, and security issues, and various global challenges.

APEC Leaders Meeting

President Obama and Prime Minister Kan met on Nov. 13 on the margins of the APEC Leaders Meeting in Yokohama and briefly appeared before the media, though they did not take questions. Kan vowed to press forward with the May 28 agreement on Futenma relocation after the Okinawa election and repeated his interest in Japan joining negotiations for the Trans-Pacific Partnership (TPP). Obama welcomed Japan's interest in TPP (Kan attended a meeting of TPP members in Yokohama as an observer) and mentioned a bilateral open skies agreement as a concrete example of economic cooperation. Obama also expressed support for Japan becoming a permanent member of the UN Security Council and referred to Japan as a "model citizen" in supporting international rules and norms. Obama also invited Kan to visit Washington in the first half of next year. The two governments did not produce a joint declaration to commemorate the 50th anniversary of the bilateral security treaty as anticipated earlier in the year but did issue fact sheets highlighting cooperation on nuclear security issues and economic dialogues on clean energy and trade.

The lack of a joint statement proved quizzical to the Japanese media in light of the contention by the administration that the trip was to emphasize the centrality of alliance relationships to US strategy in Asia. But the impasse over the relocation of the Marine Corps Air Station Futenma on Okinawa, a core element in a larger realignment plan for US forces in Japan, precluded any such effort and the two leaders presumably declined questions from the media to avoid the topic altogether. The president's invitation to the prime minister did offer some breathing room to reach a deal by spring. Okinawa Gov. Nakaima Hirokazu rejected a bilateral agreement to build a replacement facility for Futenma in northern Okinawa and repeated demands to remove Futenma from the prefecture soon after being reelected on Nov. 28 and stood firm during separate visits by Kan and Maehara to Okinawa in December. A national survey published by *Asahi Shimbun* on Dec. 15 found that 59 percent of the population felt the bilateral agreement should be renegotiated.

Bilateral developments this quarter featured a healthy level of coordination to address immediate policy challenges; less predictable is the extent to which the two governments can agree over the coming months on a long-term strategy in which alliance cooperation will be rooted.

Perceptions of US-Japan relations

A joint survey on US-Japan relations published by Gallup and *Yomiuri Shimbun* in December found the Japanese public much more negative about the state of the relationship than Americans with 40 percent of Japanese answering “poor” or “very poor” compared to just 10 percent in the US, arguably due to exhaustive coverage of the Futenma issue in the Japanese media. More encouraging is a sense of convergence with respect to North Korea and China: both rated North Korea as the most serious threat in the world and both publics expressed concern about China, though Japanese distrust China much more than Americans do, a clear impact of the Senkaku incident. Most reassuring is the recognition of the alliance as a public good in both countries, with 76 percent of Japanese and 72 percent of Americans stating that the alliance contributes greatly or somewhat to the security of the Asia-Pacific region.

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Prime Minister Kan could reshuffle his Cabinet to boost his public approval rating heading into a difficult Diet session focused primarily on the budget. Budgetary debates should also prevail in Washington when divided government returns to Congress with Republicans in control of the House of Representatives. Bilateral diplomacy will continue with Foreign Minister Maehara and other Japanese officials expected to visit Washington to begin preparing for the next bilateral summit in the first half of 2011.

Chronology of US-Japan Relations

October – December 2010

Oct. 1, 2010: In an address to the Diet, Prime Minister Kan Naoto calls for an “active foreign policy” including participation in free trade agreements such as the Trans-Pacific Partnership (TPP) and vows to lead a “true-to-its-word Cabinet.”

Oct. 1, 2010: The Asia-Pacific Economic Cooperation (APEC) forum’s Women’s Entrepreneurship Summit is held in Gifu, Japan.

Oct. 4, 2010: A citizens’ panel orders indictment of Democratic Party of Japan (DPJ) lawmaker Ozawa Ichiro in connection with a funding scandal.

Oct. 4, 2010: *Mainichi Shimbun* poll indicates a 49 percent approval rating for the Kan Cabinet.

Oct. 5, 2010: *Yomiuri Shimbun* poll posts a 53 percent approval and 37 percent disapproval rating for the Kan Cabinet. Seventy-two percent of respondents considered “inappropriate” the decision to release the captain of a Chinese fishing vessel that collided with two Japanese Coast Guard vessels near the Senkaku Islands in September; 90 percent said the government needs to

clearly demonstrate that the Senkaku Islands are Japanese territory; 71 percent said Japan should deepen its alliance with the US; and 84 percent said they do not trust China.

Oct. 5, 2010: The Bank of Japan announces a monetary easing policy, lowering the overnight call rate to between 0 and 0.1 percent and introducing a plan to purchase various financial assets such as government securities and commercial paper.

Oct. 6, 2010: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits Tokyo for consultations with Japanese officials.

Oct. 6, 2010: A *Kyodo News* poll indicates a 47 percent approval rating for the Kan Cabinet. Fifty-four percent of respondents suggested Ozawa Ichiro should resign from the Diet due to an alleged funding scandal and 63 percent said Ozawa should resign from the DPJ.

Oct. 11, 2010: US Defense Secretary Robert Gates and Japanese Defense Minister Kitazawa Toshimi discuss the East China Sea issue and the relocation of Marine Corps Air Station Futenma on the sidelines of the inaugural ASEAN Defense Ministers Meeting Plus 8 in Hanoi.

Oct. 12, 2010: Chief Cabinet Secretary Sengoku Yoshito tells a news conference the government will discuss whether to revise Japan's three arms exports principles. That evening Prime Minister Kan states he has no intention of changing said principles.

Oct. 12, 2010: Japanese Vice Foreign Minister Sasae Kenichiro meets with US Deputy Secretary of State James Steinberg at the State Department in Washington.

Oct. 14, 2010: Japan submits a nuclear disarmament resolution to the United Nations General Assembly for the 17th straight year.

Oct. 19, 2010: Japanese Foreign Minister Maehara Seiji declares Japan should enter negotiations over the Trans-Pacific Partnership trade liberalization initiative (TPP) at a conference hosted by *Nikkei Shimbun* and the Center for Strategic and International Studies (CSIS) in Tokyo.

Oct. 19, 2010: In a monthly economic report, the Government of Japan declares economic momentum in a lull.

Oct. 22, 2010: Minister of State for Economic and Fiscal Policy Kaieda Banri argues during a press conference that Japan should join the TPP trade liberalization initiative.

Oct. 24, 2010: Former Foreign Minister Machimura Nobutaka of the Liberal Democratic Party (LDP) wins a by-election in Hokkaido for a seat in the Lower House of the Diet.

Oct. 25, 2010: US Ambassador to Japan John Roos and Transportation Minister Mabuchi Sumio sign a memorandum of understanding regarding a bilateral open skies agreement.

Oct. 27, 2010: US Secretary of State Hillary Clinton and Foreign Minister Maehara meet in Honolulu, Hawaii to discuss security and economic issues including rare earth metal supplies.

Oct. 28, 2010: Secretary Clinton delivers remarks about US engagement in the Asia-Pacific in Honolulu, Hawaii.

Oct. 28, 2010: The Bank of Japan revises downward its forecast for economic growth in fiscal year 2010 to 2.1 percent compared to an estimate of 2.6 percent in July. The central bank leaves interest rates unchanged and releases details of a \$61 billion asset purchase program.

Oct. 29, 2010: Japan's Maritime Self Defense Force (MSDF) and the US Missile Defense Agency (MDA) conduct a successful *Aegis* Ballistic Missile Defense (BMD) flight intercept test off the coast of Kauai in Hawaii.

Oct. 30, 2010: Secretary Clinton offers to host trilateral talks with her Chinese and Japanese counterparts during a press conference on the margins of the East Asian Summit in Hanoi.

Nov. 4, 2010: Ozawa Ichiro meets DPJ Secretary General Okada Katsuya and refuses to testify in the Diet about a funding scandal.

Nov. 5, 2010: Video footage of the Sept. 7 collision between a Chinese fishing boat and two Japanese Coast Guard vessels near the Senkaku Islands is leaked to *YouTube*.

Nov. 8, 2010: The Kan Cabinet's disapproval rate exceeds its approval rate by a margin of 48 to 32 percent according to a survey by *Kyodo News*. Seventy-four percent of respondents were dissatisfied with the Kan government's foreign policy; 46 percent supported Japan joining TPP; and 58 percent wanted Ozawa Ichiro summoned to the Diet to answer questions about an alleged funding scandal. A similar poll by *Yomiuri Shimbun* shows an approval rate of 35 percent and a disapproval rate of 55 percent with 61 percent in favor of Japan joining TPP.

Nov. 9, 2010: The Kan Cabinet approves a trade liberalization policy including discussions of agricultural reform but defers a decision on whether to join TPP to June 2011.

Nov. 11, 2010: Foreign and trade ministers of the Asia-Pacific Economic Cooperation (APEC) forum member countries meeting in Yokohama adopt a joint statement denouncing protectionism and supporting efforts toward a Free Trade Area of the Asia-Pacific (FTAAP).

Nov. 13, 2010: The leaders of the nine TPP countries including President Obama meet on the margins of the APEC forum in Yokohama. Prime Minister Kan participates as an observer.

Nov. 13, 2010: Prime Minister Kan and President Obama meet on the margins of the APEC forum in Yokohama and discuss several issues including Afghanistan, bilateral security issues, United Nations Security Council reform, APEC, and TPP. The two governments issue a fact sheet on bilateral initiatives on economic, energy, and nuclear security issues.

Nov. 14, 2010: APEC leaders adopt a joint declaration entitled "Yokohama Vision: Bogor and Beyond" outlining steps toward FTAAP.

Nov. 14, 2010: Japanese Justice Minister Yanagida Minoru reportedly questions his appointment in remarks to constituents and makes light of deliberations in the Diet.

Nov. 15, 2010: *Asahi Shimbun* poll indicates a 27 percent approval rating for the Kan Cabinet with 77 percent of respondents disapproving of Kan's foreign policy.

Nov. 16, 2010: A DPJ panel on foreign policy and national security submits to the government recommendations for the National Defense Program Guidelines (NDPG) due in December. Suggestions include a permanent law for the dispatch of SDF forces and a relaxation of Japan's three principles on arms exports.

Nov. 18, 2010: Chief Cabinet Secretary Sengoku refers to the SDF as an "instrument of violence" during a session of Upper House Budget Committee in the Diet.

Nov. 18, 2010: US Energy Secretary Steven Chu and Japanese Minister of Economy, Trade and Industry (METI) Ohata Akihiro issue a joint statement on technological cooperation on clean energy summarizing progress of a bilateral initiative launched in November 2009.

Nov. 22, 2010: Justice Minister Yanagida resigns after criticism of his remarks about Diet deliberations.

Nov. 22, 2010: *Mainichi Shimbun* survey reports 26 percent approval rating for the Kan Cabinet.

Nov. 24, 2010: *Kyodo News* poll shows the Kan Cabinet's approval rating fell to 23 percent and support for the DPJ fell below that of the LDP for the first time by a margin of 22 to 24 percent.

Nov. 26, 2010: The Diet approves a \$61 billion stimulus package.

Nov. 26, 2010: Upper House of the Diet passes non-binding censure motions against Chief Cabinet Secretary Sengoku and Transportation Minister Mabuchi for their handling of a collision between a Chinese fishing boat and two Japanese Coast Guard vessels near the Senkaku Islands in September.

Nov. 28, 2010: Nakaima Hirokazu is reelected governor of Okinawa.

Nov. 30, 2010: Foreign Minister Maehara states there is no deadline for resolving Futenma relocation, de-linking that issue from the expected visit of the prime minister to Washington in spring 2011.

Dec. 3-10, 2010: US military personnel and the Japanese Self Defense Forces participate in a bilateral training exercise titled *Keen Sword 2011*.

Dec. 6, 2010: Prime Minister Kan announces plans to strengthen ties with the Social Democratic Party (SDP) and the People's New Party (PNP) before the next Diet session.

Dec. 6, 2010: Secretary of State Clinton, Foreign Minister Maehara, and ROK Foreign Minister Kim Sung-hwan conduct trilateral ministerial in Washington and issue a joint statement.

Dec. 7, 2010: *Yomiuri Shimbun* survey posts a 25 percent approval rating for the Kan Cabinet. Eighty-three percent of respondents were dissatisfied with Kan's approach to the economy and 86 percent said the government was mishandling the Ozawa funding scandal.

Dec. 7, 2010: The Kan Cabinet decides to exclude the relaxation of the three arms non-export principles from the National Defense Program Guidelines.

Dec. 9, 2010: Chairman of the Joint Chiefs of Staff Adm. Michael Mullen visits Tokyo to meet several officials including Defense Minister Kitazawa.

Dec. 13, 2010: Prime Minister Kan announces a 5 percent cut in the corporate income tax rate as part of a package of tax measures for fiscal year 2011.

Dec. 14, 2010: The US and Japanese governments reach an agreement on host-nation support for US forces in Japan for the next five years.

Dec. 15, 2010: Fifty-nine percent of the population thinks Japan should renegotiate the Futenma relocation plan according to a nationwide survey conducted by *Asahi Shimbun*.

Dec. 17, 2010: Government of Japan releases *National Defense Program Guidelines* and Mid-Term Defense Plan.

Dec. 17, 2010: Prime Minister Kan visits Okinawa to discuss Futenma issue with Gov. Nakaima and other officials.

Dec. 20, 2010: Ozawa Ichiro meets Prime Minister Kan and rejects a plea to answer questions about a funding scandal in the Diet.

Dec. 21, 2010: Foreign Minister Maehara visits Okinawa to meet with Gov. Nakaima.

Dec. 22, 2010: A joint survey by Gallup and *Yomiuri Shimbun* finds 40 percent of the Japanese public thinks US-Japan relations are "poor" or "very poor" but a record 52 percent said they trust the United States "very much" or "somewhat." Forty-nine percent of US respondents said relations with Japan are "good" or "very good."

Dec. 22, 2010: Secretary of State Clinton issues a statement honoring the Emperor of Japan's birthday on Dec. 23.

Dec. 24, 2010: Kan Cabinet approves record-high \$1.11 trillion draft budget for fiscal year 2011.

Dec. 28, 2010: Ozawa Ichiro announces his intention to appear before the Diet to answer questions about a funding scandal after the next session of the Diet opens in January.