



US-Japan Relations:
Noda Marches On; Both Sides Distracted?

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Prime Minister Noda advanced a legislative package on tax and social security reform but faced stiff political headwinds in the form of a frustrated public and a jaded opposition steeling for an election. Japanese concerns over the safety of the *MV-22 Osprey* aircraft scheduled for deployment in Okinawa dominated the bilateral agenda – at least in the media – and tested the mettle of Japan’s widely-respected new defense minister. The two governments agreed to continue consultations on Japan’s interest in the Trans-Pacific Partnership (TPP) but political paralysis in Japan and presidential politics in the United States could complicate efforts to make progress in the near term. Two reports issued over the summer addressing US force posture strategy in the Asia-Pacific and the agenda for US-Japan alliance, respectively, focused on the future trajectory for the bilateral relationship.

Noda persists in the face of political uncertainty

Prime Minister Noda Yoshihiko continued to press forward with a domestic agenda centered on a consumption tax increase to shore up Japan’s public finances, support for nuclear energy, and Japan’s participation in the Trans-Pacific Partnership (TPP) trade negotiations to spur economic growth. The lack of consensus on these issues in his ruling Democratic Party of Japan (DPJ) and among the public kept his approval rating close to 30 percent and Noda reshuffled his Cabinet in June for the second time since he took office last fall in an attempt to turn the tide. He replaced five of eighteen Cabinet members, namely Defense Minister Tanaka Naoki, who was censured by the Upper House in April, and replaced him with Morimoto Satoshi, a widely-respected academic presumably appointed for his security expertise after embarrassing gaffes by his two immediate predecessors. Personnel changes did little to improve Noda’s standing but he remained steadfast in his commitment to his agenda regardless of the consequences, and that produced a summer of tactical maneuvering with an eye toward an election in the winter of 2012-13 that could determine the fate of his political future and his policy agenda.

Noda pledged repeatedly to push legislation that would raise the consumption tax from 5 percent to 10 percent by 2015 but party kingmaker Ozawa Ichiro and others considered that an abrogation of the 2009 election platform focused on social welfare spending that propelled the DPJ to power for the first time. Divisions within the ruling party finally came to a head in early July when Ozawa and approximately 50 of his supporters resigned from the DPJ; others also bolted and formed splinter groups to protest Noda’s agenda. Ozawa established a new political party, People’s Lives First (*Kokumin no Seikatsu ga Daiichi*), to advance his populist agenda but public opinion polls subsequently revealed tepid support at best for the former party kingmaker. Ozawa later joined forces with other newly formed parties to submit a censure motion against

Noda, but was sidelined after the prime minister struck a deal with the opposition Liberal Democratic Party (LDP) and Komeito Party to pass the tax legislation and other related bills on social security reform in exchange for a pledge to call for an election. Noda managed to do so without offering a specific timetable for the poll, which irked the opposition and prompted a series of obstructionist tactics after the bills cleared the Diet in early August. The LDP passed a censure motion against Noda in the Upper House in late August, formalizing a boycott of Diet deliberations in the hope of forcing an election they thought Noda had promised to call.

Offsetting the melodrama in the Diet was the reality that the DPJ and the LDP are less popular (both garner average approval ratings around 20 percent) and will likely face stiff competition from a rising political movement known as Osaka Restoration Group (*Osaka Ishin no Kai*) led by Osaka Mayor Hashimoto Toru. The group's platform, focused mainly on decentralization and reducing the size of the government (namely the Diet), could prove increasingly appealing to voters frustrated by political paralysis in Tokyo. Media reports speculated that Hashimoto could move to nationalize his party and test the water in the next election. This fledgling political movement, the fracturing of the DPJ, obstructionism by the LDP-led opposition, and Noda's persistence with a controversial policy agenda painted a picture of political uncertainty amid public yearning for some form of political realignment to establish a stable framework for governance. But exactly when the voters would get an opportunity to weigh in would remain an open question.

Osprey controversy and an unwelcomed Japan-Korea spat

Secretary of State Hillary Clinton and Foreign Minister Gamba Koichiro met in late May on the margins of the NATO Summit in Chicago to build on a strategic vision for the US-Japan alliance unveiled during the Obama-Noda summit in Washington a few weeks earlier. The press, deprived of stories about impasses in the relocation of Marine Corps Air Station (MCAS) Futenma by the agreement of the two governments in April to continue moving forward, turned instead to controversy surrounding the scheduled deployment of 12 *MV-22 Osprey* aircraft to Okinawa later this year. Concerns about the safety of the *Osprey* in the wake of two recent accidents, most recently in Morocco last April, fueled public opposition to the deployment in Japan, especially Okinawa, and led to rounds of shuttle diplomacy to demonstrate the Noda government's attention to the issue. Parliamentary Senior Vice Minister for Defense Watanabe Shu visited Washington in May to request an explanation of the cause of the latest accident, and in June the Pentagon announced that it would proceed with the deployment as scheduled but not fly the aircraft until results of an investigation were presented to the government of Japan. Secretary Clinton and Deputy Secretary of Defense Ashton Carter visited Japan in July to offer further reassurances regarding the safety of the aircraft, and in early August Defense Minister Morimoto met Defense Secretary Leon Panetta at the Pentagon to discuss the *Osprey* issue and other alliance matters. (Arrangements were also made for Morimoto to ride in the aircraft.) The subsequent dispatch of a Japanese government investigation team to Washington for another round of consultations resulted in a report concurring with a US government assessment issued earlier in the summer that the accident in Morocco was caused by human error. However, the Okinawa Prefectural Government remained unconvinced and discussions on the *Osprey* could be expected to continue focusing on safety in lieu of the enhanced capabilities and operational benefits the aircraft provides.

Trilateral cooperation with South Korea figured prominently as trilateral naval exercises between the three countries took place in June south of the Korean Peninsula. The Japanese and Korean navies had sent observers to each other's bilateral exercises with the United States but this was a significant step in facilitating trilateral security cooperation in the region. This was followed by a trilateral dialogue between Secretary of State Clinton, Foreign Minister Gamba and Foreign Minister Kim Sung Hwan on the margins of the ASEAN Regional Forum in Cambodia to further enhance coordination with respect to North Korea. However, signs of trouble were evident when South Korea suddenly decided in late June to postpone signing security of information and logistical support agreements with Japan because of domestic opposition in the Korean National Assembly. Tensions in the Japan-ROK relationship subsequently reached a fever pitch after President Lee Myung-bak visited the disputed territory of Dokdo/Takeshima, stunting momentum to accelerate cooperation between Washington and its two closest allies in the region. Japan also became consumed by an ongoing territorial dispute with China over the Senkaku Islands, and the State Department stated that the Senkakus fall within the scope of Article V of the 1960 US-Japan security treaty but that the United States does not take a position on the question of sovereignty.

President Obama and Prime Minister Noda had occasion to interact at the G8 and G20 summits in Washington (Camp David) and Mexico, respectively. The two leaders agreed to continue bilateral consultations on Japan's interest in joining negotiations over the Trans-Pacific Partnership (TPP). Noda has thus far not been able to declare Japan's interest formally due to domestic political opposition and signs of any breakthrough remained elusive. Agriculture, insurance, and automobiles continued to top the list of US market access concerns and the need for the Obama administration to focus intently on the presidential campaign from the August party conventions up to Election Day in November appeared to leave the TPP question hanging in the balance until next year. Nonetheless, TPP remains a central pillar of the bilateral economic agenda and an issue Noda considers in Japan's national interests to pursue.

CSIS issued two reports over the summer with a bearing on US-Japan relations that might be of interest to readers of *Comparative Connections*. On July 27, Sen. Carl Levin and other members of Congress released an independent assessment of US force posture strategy submitted by the Center for Strategic and International Studies (CSIS) to the Department of Defense pursuant to the fiscal year 2012 National Defense Authorization Act. The report includes a review of current US military force posture and deployment plans of the US Pacific Command and options for the realignment of US forces in the region to respond to new opportunities presented by allies and partners. The third edition of the Armitage-Nye report on the US-Japan alliance was released in Washington on Aug. 15. The report includes chapters on energy security, economy and trade, relations with neighbors, and security strategy, culminating in a series of recommendations for the alliance and for the two governments to consider independently.

Rest of the year

Domestic politics could take center stage in both countries for the rest of the year. The DPJ and LDP are each scheduled to conduct party leadership elections in September as a possible prelude to a general election some predict could coincide with the US presidential election. Both

governments will likely take advantage of the annual Asia-Pacific Economic Cooperation (APEC) forum in Vladivostok, the United Nations General Assembly in New York and the East Asia Summit in Cambodia to advance their respective diplomatic agendas and coordinate a bilateral agenda addressing regional and global challenges.

Chronology of US-Japan Relations May – August 2012

May 6, 2012: With the shutdown of the No. 3 unit of Hokkaido Electric's Tomari nuclear plant, all of Japan's nuclear reactors switch offline for the first time since May 1970.

May 8, 2012: Members of the Democratic Party of Japan (DPJ) Standing Officers Council reinstate the party membership of Ozawa Ichiro following Ozawa's acquittal by the Tokyo District Court of allegations he falsified a political funds report.

May 10, 2012: Japan's Ministry of Finance announces that Japan's debt hit a record 959.95 trillion yen at the end of fiscal year 2011.

May 17, 2012: Cabinet Office states that preliminary growth figures for the first quarter of 2012 show the Japanese economy grew at an annual rate of 4.1 percent.

May 21, 2012: Japanese Foreign Minister Gamba Koichiro and US Secretary of State Hillary Clinton meet at the NATO Summit in Chicago to discuss the US-Japan alliance, Japan's contributions and hopes for Afghanistan, applying pressure to Iran, and agreeing to a firm response in the event of any further provocation by North Korea.

June 2, 2012: Parliamentary Senior Vice Minister for Defense Watanabe Shu visits Washington and asks Defense Secretary Leon Panetta to explain the cause of the fatal crash of a US *MV-22 Osprey* tilt-rotor aircraft in Morocco in April.

June 2, 2012: Parliamentary Senior Vice Minister Watanabe, Defense Secretary Panetta and Australian Defense Minister Stephen Smith agree to draw up an action plan to enhance trilateral defense cooperation and to expand the three countries' joint defense drills.

June 4, 2012: Prime Minister Noda Yoshihiko reshuffles his Cabinet for the second time since taking office, replacing five of 18 Cabinet members, including Defense Minister Tanaka Naoki Tanaka, and Minister of Land, Infrastructure, Transport and Tourism Maeda Takeshi, both of whom were censured by the Upper House in April. They are replaced, respectively, by Morimoto Satoshi, a professor at Takushoku University, and Hata Yuichiro, former DPJ Upper House parliamentary affairs chief.

June 5, 2012: Japanese government receives a US government report stipulating that the crash of an *MV-22 Osprey* aircraft in Morocco in April was not caused by any mechanical problem.

June 7, 2012: The ruling DPJ reaches an agreement with the Liberal Democratic Party (LDP) and Komeito to begin talks on amending government-sponsored bills on comprehensive reform of the social security and tax systems.

June 8, 2012: Prime Minister Noda states that Japan must restart reactors No. 3 and 4 of the Oi nuclear plant in Fukui Prefecture in order to protect the economy and people's livelihoods. Noda also stresses the importance of nuclear power as a long-term energy source for Japan.

June 12, 2012: International Monetary Fund report states that Japan's government and its central bank must do more to combat deflation.

June 12, 2012: World Bank's Global Economic Prospects report raises Japan's 2012 real gross domestic product growth outlook to 2.4 percent from the 1.9 percent projected in January, citing progress in reconstruction work after the March 11 earthquake and tsunami last year.

June 13, 2012: According to a survey conducted by *Yomiuri Shimbun*, 64 percent of respondents support the passage of government-sponsored bills to raise the consumption tax rate, with 25 percent opposed to the bills. Fifty-five percent of respondents regard the increase as necessary to rehabilitate the nation's finances and maintain the current social security system.

June 14, 2012: US Department of Defense announces that the United States, South Korea, and Japan will conduct a joint naval exercise on June 21-22 in waters south of the Korean Peninsula.

June 16, 2012: Fukui Gov. Nishikawa Issei agrees to restart reactors No. 2 and 3 at the Oi nuclear power plant during a meeting with Prime Minister Noda – the first reactivation in Japan since the Fukushima nuclear disaster in March 2011.

June 18, 2012: Meeting on the sidelines of the G20 Summit in Mexico, Prime Minister Noda and President Barack Obama agree to proceed with consultations aimed at Japan's entry into the Trans-Pacific Partnership free trade talks.

June 26, 2012: The Okinawa Prefectural Assembly adopts a resolution calling for the early return of Marine Corps Air Station (MCAS) Futenma and the cancellation of the plan to deploy US Marine *Osprey* aircraft to Okinawa.

June 26, 2012: A bill to increase Japan's consumption tax rate passes the Lower House.

June 29, 2012: European Union, United States, and Japan request a dispute settlement panel at the World Trade Organization after failing to resolve a dispute over China's restrictions on exports of rare earths.

June 29, 2012: The United States confirms that it will go ahead with the deployment of 12 MV-22 Osprey aircraft to American bases in Japan. The Pentagon commits to refraining from any flight operations of the MV-22 in Japan until the results of investigations are presented to the Japanese government and the safety of flight operations is confirmed.

July 2, 2012: Ozawa Ichiro resigns from the DPJ and announces his intention to launch a new political party.

July 2, 2012: Okinawa Gov. Hirokazu Nakaima reiterates his strong opposition to the US military's plan to deploy *MV-22 Osprey* aircraft at MCAS Futenma and demands a thorough investigation of recent accidents involving the aircraft.

July 8, 2012: Secretary of State Clinton and Foreign Minister Gamba meet in Japan to discuss Afghanistan, US-Japan relations, and regional and global issues. Secretary Clinton also pays a courtesy call on Prime Minister Noda.

July 9, 2012: Democratic Party of Japan finalizes decision to expel Ozawa Ichiro and 36 supporters following their decision to quit the party in opposition to the government's consumption tax bill. The DPJ also suspends former Prime Minister Hatoyama Yukio's party membership for 3 months for voting against the bill.

July 11, 2012: Ozawa Ichiro officially launches a new party, "People's Lives First" (*Kokumin no Seikatsu ga Daiichi*).

July 12, 2012: Foreign Minister Gamba, Secretary of State Clinton and South Korean Foreign Minister Kim Sung Hwan agree in a trilateral dialogue on the margins of ASEAN-related meetings in Cambodia to make concerted efforts to prevent North Korea from engaging in provocative acts, stating that "any provocation by North Korea, including another nuclear test or missile launch, will be met with a resolute and coordinated response from the international community."

July 13, 2012: The government drafts a bill that would revise the existing peacekeeping operation (PKO) cooperation law to allow Japan's Self-Defense Forces to more quickly provide protection for overseas civilian personnel during UN peacekeeping operations.

July 16, 2012: Tens of thousands of anti-nuclear protestors assemble in Tokyo's Yoyogi Park, demanding an end to the use of nuclear power in Japan.

July 20, 2012: US Deputy Defense Secretary Ashton Carter meets Japanese Foreign Minister Gamba, Defense Minister Morimoto and Parliamentary Senior Vice-Minister of Defense Watanabe in Tokyo to discuss US strategic rebalancing toward the Asia-Pacific region.

July 26, 2012: US National Security Advisor Thomas Donilon and Prime Minister Noda meet in Tokyo to discuss U.S.-Japan relations and regional affairs.

July 27, 2012: An *Asahi Shimbun* poll finds support for Ichiro Ozawa's new political party at 15 percent, with 78 percent expressing no significant expectations for Ozawa's party. Prime Minister Noda's Cabinet approval rating stands at 27 percent.

July 27, 2012: Senator Carl Levin (D-MI) releases an independent assessment of US force posture strategy in the Asia-Pacific conducted by the Center for Strategic and International Studies (CSIS) pursuant to the fiscal year 2012 National Defense Authorization Act (NDAA).

July 30, 2012: The government's Council on National Strategy and Policy draws up a strategy for revitalizing the Japanese economy by 2020, emphasizing energy and environment, medical care and welfare, and agriculture, forestry and fisheries.

July 31, 2012: Japan's annual defense white paper is formally endorsed by the Noda Cabinet.

Aug. 3, 2012: Defense Minister Morimoto and Defense Secretary Panetta meet in Washington to discuss the US-Japan alliance and Japanese concerns over *Osprey* aircraft scheduled for deployment to Okinawa.

Aug. 7, 2012: Minor opposition parties, including Ozawa Ichiro's People's Lives First Party, submit a no-confidence motion against Prime Minister Noda in the Lower House and a censure motion in the Upper House in advance of an upcoming vote on the government's tax hike bill.

Aug. 8, 2012: In exchange for support from the LDP and Komeito to help pass the government's comprehensive tax and social security reform bills, Prime Minister Noda promises to "seek a public mandate" once the legislation passes through the Diet, but sets no date for an election.

Aug. 9, 2012: *Asahi Shimbun* poll finds the Noda Cabinet approval rating at 25 percent, the lowest since Noda entered office in September. With respect to political parties, 15 percent support the DPJ, 13 percent favor the LDP, and 55 percent declare themselves unaffiliated.

Aug. 10, 2012: Legislation to raise the consumption tax rate from 5 percent to 8 percent by April 2014 and to 10 percent by October 2015 passes the Diet.

Aug. 10, 2012: A bill that would allow the establishment of special wards similar to those in Tokyo passes the Lower House of the Diet. The proposed bill covers all areas with a population over 2 million (currently 10 cities would fit such a requirement) and requires the consent of both governors and mayors to rezone the administrative districts.

Aug. 13, 2012: *Mainichi Shimbun* survey finds 92 percent of the Japanese public is worried about the effects of an increase in the consumption tax; 44 percent of respondents supporting the legislation.

Aug. 14, 2012: A *Yomiuri Shimbun* survey finds 53 percent of respondents favor the dissolution of the Lower House by autumn, and 53 percent also consider political realignment the most desirable path toward a government framework for the future.

Aug. 15, 2012: CSIS hosts release of third Armitage-Nye Report on US-Japan relations and US strategy in Asia.

Aug. 15, 2012: A team of Japanese government officials meets US counterparts at the Pentagon to discuss the US investigation into recent *MV-22 Osprey* accidents.

Aug. 22, 2012: Prime Minister Noda meets antinuclear demonstrators and vows to improve the safety of the two recently-restarted nuclear reactors at the Oi power plant in Fukui Prefecture, but makes no further concessions.

Aug. 27, 2012: The DPJ forces an electoral reform bill through a parliamentary committee of the House of Representatives, while the opposition LDP boycotts the deliberations in protest.

Aug. 29, 2012: The opposition-controlled Upper House of the Diet adopts censure motion against Prime Minister Noda at a plenary meeting.

Aug. 30, 2012: A number of opposition parties, including LDP and Komeito, pass a non-binding censure motion against Prime Minister Noda in the Upper House of the Diet, marking the beginning of the opposition parties' boycott of future Diet deliberations.

Aug. 30, 2012: Osaka Mayor Hashimoto Toru announces that his party, Osaka Restoration Group, plans to propose cutting the number of seats in the House of Representatives from 480 to 240, removing 90 of 180 proportional seats and 150 of 400 single-seat constituencies.

Aug. 31, 2012: The US and Japanese governments issue a joint statement regarding aid coordination in the Pacific region.