

JASWDC and Carnegie Endowment Host Japan in 2017

By David Song

WASHINGTON – Japanese and American experts addressed the critical domestic and international issues that Japan faces in 2017 at a symposium presented last Thursday, January 26, by the Japan-America Society of Washington DC, and in cooperation with the Carnegie Endowment for International Peace, The Sasakawa Peace Foundation, and The National Association of Japan-America Societies.

In panels dominated by uncertainties of the Trump presidency and Chinese rise to regional leadership, leading Japan watchers debated how the Abe administration could use its relative political stability and realist attitudes to uphold the liberal international post-war order, while also addressing the shortcomings of domestic economic reform.

### **Trump and the Rise of China**

Speakers at the *Japan in 2017* symposium raised issues about how President Trump’s “America First” policy and its impact on diplomatic relations could weaken U.S. presence in the Asia-Pacific and pose security risks for Japan.

“It is the Trump administration’s priority to [place] short term, tactical economic deals over long-term strategic interest,” said key note speaker Yoichi Funabashi, chairman of the Rebuild Japan Initiative Foundation. Other speakers also expressed concerns of Trump approaching the U.S. alliance system in a strictly bilateral and “transactional” manner, neglecting multilateral frameworks such as the Trans-Pacific Partnership (TPP) and leaving a power vacuum in the region for other players—such as China—to fill.

Panelists cited several possible consequences of Trump’s policy that could negatively impact Japan in the upcoming year: potential escalation of Sino-U.S. conflict in the Asia-Pacific, loss of confidence in the regional U.S. alliance system, and fall of the U.S.-centered liberal order that signals the rise of Chinese-led globalization.

- *Possibility of Sino-U.S. Conflict*

Several speakers expressed worries of rising conflict between U.S. and China, particularly in aspects of trade and territorial issues. While some have raised fears of an impending Sino-U.S. trade war having a spillover effect in Asia, CSIS senior adviser Bonnie Glaser argued that China seems to show a willingness to bargain in key areas such as opening of foreign investment. With the 19<sup>th</sup> Party Congress coming up this fall, Xi Jinping appears to be seeking stability in Asia while avoiding any appearance of weakness in territorial and sovereignty issues.

But Japanese worries of Sino-U.S. conflict still remain, as Trump may pressure China in non-negotiable areas such as the One China Policy, or make miscalculations in the escalation of military tensions in the

South China Sea. Such a confrontation would present unparalleled risks to Japan and the region at large. At the same time, Yomiuri Shimbun bureau chief Satoshi Ogawa and others have noted that the opposite scenario, of a U.S.-Chinese “grand bargain” could relegate U.S.-Japan relations to a more limited role and arguably damage long term strategic interests for both the U.S. and Japan.

- *Doubt in Alliance Commitments*

In relation to Sino-U.S. tensions, Japan experts highlighted how Trump’s positions toward foreign policy have raised doubts about the dependability of the U.S. alliance system in the Asia-Pacific. With aggressive rhetoric against long-time allies and trading partners—ranging from NATO and Mexico to South Korea and Japan, Trump’s “America First” policy has called into question U.S. commitments to support relationships such as the U.S.-Japan alliance.

Arguing against Trump’s isolationist rhetoric, Representative Joaquin Castro (D-Texas) said, “When you do that, you start to threaten the United States’ position in the world, and undermine these long standing alliances that have made our nation the wealthiest in the world.”

In terms of U.S.-Japan relations, Ogawa cited various polls showing over 50% of the Japanese public believe that the U.S.-Japan relationship will decline under Trump, noting how Trump’s demands for military burden-sharing and silence on U.S. defense of the Senkaku islands have caused growing uncertainty. While Defense Secretary James Mattis’ visit to Tokyo will likely reaffirm the security treaty’s coverage of the Senkakus, problems of domestic opposition to increased host nation support could present future obstacles.

The uncertainty around Trump’s commitment to security relations has also stoked debates about the possibility of a nuclearized Japan. While some American experts have noted its possibility in the event of a complete withdrawal of U.S. military presence in Asia, Funabashi argues the consensus remain in Japan that nuclearization will not guarantee security, making it an untenable option for Japan.

- *Collapse of the U.S.-centered Liberal International Order*

Underlying the concerns of conflict and U.S. alliance commitments is the fear of U.S. withdrawal from involvement in Asia, which could destabilize the regional order that Japan depends on and create a power vacuum for China to fill.

As various speakers commented, Trump’s hostility toward multilateral frameworks such as the TPP and his push for transactional, bilateral deal-making have opened the possibility for China to dictate the rules of the road through its broad, strategic activities—such as The Belt and Road Initiative and the Regional Comprehensive Economic Partnership (RCEP).

While Asia experts such as Abigail Friedman acknowledged that Southeast Asia has been receptive of RCEP due to its ASEAN-centrality, other Japan experts have argued that the collapse of the TPP has allowed for China to step forward with its own vision of global governance. While Trump turns his back on free trade, Xi Jinping made statements supporting multilateral free trade, putting to question the United States' role as a leader in the Pacific as China appears ready to spearhead its own regional order.

But the possibilities of a China-led globalization in the Asia-Pacific present real uncertainties to Japan. As panelists have stated, various Asian countries—including Japan—feared how the Chinese rise has come with methods of economic pressure and aggressive coercion, and have hedged toward the U.S. as a regional balancer. With Trump's America showing signs of being an unreliable stabilizer to the region, Japan and other nations must look elsewhere for alternatives to what Funabashi labels as China's "state-driven globalization," or else hedge their bets with the rise of a Chinese regional order.

### **Japan's Role in Asia 2017**

In response to these potential crises arising in the Asia-Pacific, the panelists addressed two general avenues for Japanese leaders and policymakers to pursue: addressing alliance management issues, and taking the lead in supporting the liberal international order through fostering multilateral frameworks in the Asia-Pacific.

From the Japan side, Ogawa argued that the Japanese government and media must be able to differentiate between Trump's bluffs and his actual policy—citing how National Security Adviser Michael Flynn acknowledged Trump's demands for more host nation support (HNS) is more bluff than reality.

Still, experts like Agence France-Presse's White House correspondent Andrew Beatty and Ogawa both encouraged Japan to develop its military and increase its defense budget to address Trump's complaints, though Glaser, as a China expert, described a growing consensus in Beijing that Abe's militarization and constitutional revision agenda will foster more tensions between the two nations.

From a domestic standpoint, Funabashi also notes that increases in Japan's already generous host nation support will likely face large domestic opposition. Funabashi instead argues that Japan must articulate the value of the U.S.-Japan alliance to Trump and the American public, demonstrating its importance to U.S. projection of power and forward deployment in the Asia-Pacific—though Trump's "America First" focused constituency will likely be ambivalent.

In terms of the broader Asia-Pacific region, Friedman stated how Southeast Asia and South Asia look towards Japan as a potential leader to fill the vacuum left by the U.S., with New Delhi in particular seeing it as an opportunity for middle powers such as India and Japan to step up in the region. While Japan is limited in security aspects of multilateral cooperation, various panelists have suggested that Japan continue to uphold the liberal free trade regime and support regional architecture such as ASEAN.

For example, Funabashi called for Japan to push forward the TPP framework with the remaining 11 countries, even without U.S. support, and use “TPP 11” to foster a high trade standard FTA regime in the Asia-Pacific. TPP countries could arguably contribute as a caucus to encourage better standard for other FTAs such as RCEP, and provide an alternative to China’s vision of globalization and regional order.

In fact, Friedman mentions the possibility of “the diplomatic piece being picked up by Japan more,” describing how Abe’s engagement with ASEAN-centrality could make up for Trump’s possible diplomatic disengagement with Asia. Building off this perspective, Glaser urged Japan to find like-minded countries such as Australia and India to keep the discourse of a liberal international order alive in the Asia-Pacific in the face of possible U.S. disinterest and Chinese rise to prominence.

### **Abe, Abenomics, and the Future of Reform**

But does Japan have the domestic political stability and economic power to take a leading role in stabilizing the liberal international order in the Asia-Pacific? As several symposium panelists discussed, Prime Minister Abe’s political longevity and realist attitudes will likely be a stable foundation during times of global upheaval and extreme populism, but Japan still faces economic obstacles in areas such as corporate governance, women in the workforce, and mounting national debt—all of which could problematize Japan’s ability to fill the vacuum in Asia left by the U.S.

#### *• Abe’s Political Stability*

Various panelists noted the exceptional nature of Abe’s political stability during times of global political turmoil, with Mansfield Foundation executive director Frank Jannuzi describe Abe as a “bedrock of stability in the global and economic order.” With a 64% approval rating this past December, Abe is predicted to remain in office by 2020, becoming the longest serving prime minister in Japanese history.

Experts such as Funabashi have attributed Abe’s stability in an era of populism to his right-wing conservatism, which Abe successfully moderated over the years with his pragmatic approaches to foreign affairs. While Castro and Jannuzi acknowledge the Obama administration’s role in helping temper sensitive issues such as the comfort women issue between Japan and South Korea, many of the experts agree that Abe has signaled his shift from nationalist ideals to realism through gestures such as his 70<sup>th</sup> World War II anniversary statement and the Japan-South Korean comfort women accord last year. With a strong understanding of his historical legacy as the longest serving prime minister, Abe is likely to continue acting as a pragmatic realist, offering political stability in the region.

#### *• Abenomics: Issues of Economic Reform*

But in terms of economic leadership in the Asia-Pacific, Japan still faces structural obstacles that Abenomics must address. While Funabashi noted that the Japanese government arguably avoided populist unrest by tripling its social security budget between 1990 and 2016, Japan will need to improve

its currently meager economic growth in order to continue to fund such social programs. Experts such as Columbia Business School's Alicia Ogawa argue that while Abenomic's second arrow of monetary policy has helped contribute to steady recovery and stopped deflationary trends, more will be necessary to gain the growth necessary to combat an aging society and massive national debt.

To address these issues, panelists focused on Abenomic's third arrow, "structural reforms," as the key to reviving Japanese growth, with discussions centered on corporate governance, women in the workforce, and Japanese globalism.

Ogawa emphasized on Abe's "micro-revolution," an aggressive call for corporate Japan to reform its corporate governance and stewardship, as an opportunity for Japan to not only foster growth, but also create a new model for global business best practices. These reforms arguably foster greater productivity in the Japanese private sector by legally empowering Japanese shareholders to keep companies more accountable to invest more and become more profitable, as well as setting corporate governance codes that require company outsiders onto corporate boards.

But Abenomic's attempts to dismantle the Japan's "culture of insiders" and improve investment attitudes still faces various issues, such as indiscriminate stock buying by the Bank of Japan and pension funds, dis-incentivizing corporate productivity; or the lack of labor reform, which discourages outsiders from entering different corporations.

In terms of labor reform, Jannuzi also discusses the shortcomings of Abenomic's attempts to increase women in fulltime employment. Jannuzi uses Japan's generous maternal leave policy as an example of how while legal reforms have successfully adopted in Japan, cultural attitudes toward women in the corporate world still create significant barriers that cannot be overcome through only legal means.

Issues about Japan's reluctance toward globalization trends also make Japan's long-term economic growth and regional engagement uncertain. As Funabashi had stated, Japan had resisted globalization trends such as allowing major inflows of foreign labor into the country, which some experts viewed as problematic for promoting diversity and innovation in Japan. Jannuzi further noted how Japan's ambivalence for globalism could be seen in the decrease of Japanese students studying abroad, primarily driven by domestic Japanese corporations discouraging and pigeonholing the hiring of students with overseas experience.

While on a government level Abe's international realism directs the nation toward a larger possible leadership role in the Asia-Pacific region, Japan's societal reluctance for globalism and its obstacles to economic reform could hamper the Japanese government's efforts in becoming more globally engaged. With Abe's Liberal Democratic Party (LDP) having enjoyed four straight electoral victories, Funabashi and other panelists worry about LDP resistance to structural reform, particularly without external pressure from the United States. But when facing a mounting debt problem and weak economic growth, the Abe administration may also need to address unpopular measures such as benefit cuts if Abenomics fails to deliver its promised economic growth.