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Summary

Japan is a significant partner of the United States in a number of foreign policy areas, including addressing regional security concerns, which range from hedging against Chinese military modernization to countering threats from North Korea. The U.S.-Japan military alliance, formed in 1952, grants the U.S. military the right to base U.S. troops—currently around 54,000 strong—and other military assets on Japanese territory, undergirding the “forward deployment” of U.S. troops in East Asia. In return, the United States pledges to help defend Japan. The two countries collaborate through multiple bilateral and multilateral institutions on issues such as science and technology, global health, energy, and agriculture.

In the past several years, congressional interest in U.S. relations with Japan has centered on the strength of the U.S.-Japan alliance and particularly on how the governments of Japan and the United States coordinate their China strategies. In the 118th Congress, legislation has the potential to re-shape U.S. policy with Taiwan, which in turn has the potential to create a policy gap between the United States and Japan. In the event of a military contingency that engages the United States, U.S. bases in Japan would almost certainly be heavily involved. Another element of congressional activity on Japan is the encouragement of greater coordination among U.S. allies in the Indo-Pacific and particularly in the often-troubled relationship between Japan and South Korea. Congressional engagement with Japan has grown in the past decade, evident in frequent travel to the country and the interest in the bipartisan U.S.-Japan Congressional Caucus with over 100 Members.

Under the President Joe Biden and Prime Minister Fumio Kishida Administrations, the two countries have reaffirmed the U.S.-Japan alliance as a centerpiece of their respective Indo-Pacific strategies. Biden has emphasized rejuvenating bilateral alliances to deal with issues like North Korean denuclearization as well as China’s maritime assertiveness, human rights violations, and attempts to set new economic rules and norms through its growing outward investment. Both capitals view China’s policies and practices as a threat to stability in the region, and have coordinated policies on initiatives like the Quadrilateral Security Dialogue—known as the “Quad.” In the wake of Russia’s invasion of Ukraine, Japan imposed harsh sanctions and other financial restrictions on Russia. Japanese leaders are increasingly public about their concern with Taiwan’s security as linked to Japan’s own security and have moved to substantially increase their defense spending to respond to the changing strategic landscape.

Over the past decade, U.S.-Japan defense cooperation has improved and evolved in response to security challenges, such as the North Korean missile threat and the confrontation between Japan and China over disputed islands. Despite these advances, Japan’s government has indicated a goal of developing a more autonomous defense posture that is less reliant on U.S. protection. As Japan ramps up defense spending, Japanese policymakers are weighing to what extent they should devote resources to indigenous development or rather to focus on initiatives that deepen U.S.-Japan joint capabilities.

In the aftermath of the assassination of former Prime Minister Shinzo Abe in July 2022, Japanese politics remain dominated by the Liberal Democratic Party (LDP) and its smaller coalition partner Komeito. According to public opinion polls, Kishida’s political standing is weak due to dissatisfaction with his government’s handling of inflation, a weak yen, and a scandal involving the Unification Church and fellow LDP members. Despite this lack of popularity, Kishida appears poised to remain in his position at least through next year given the weak opposition and internal problems within the LDP. Japan is to host the 2023 G-7 in Hiroshima, Kishida’s hometown.

Japan is the United States' fourth-largest overall trading partner and Japanese firms are the second-largest source of foreign direct investment in the United States. Tensions in the trade relationship increased under the Trump Administration, particularly over its efforts to reduce the bilateral U.S. trade deficit, such as in motor vehicles, which account for roughly one-third of Japan's annual exports to the United States. A limited bilateral trade agreement went into effect in January 2020 that includes some tariff cuts and digital trade commitments by both sides. Japan is likely to be an important partner in the U.S.-led Indo-Pacific Economic Framework for Prosperity, although Japanese leaders have expressed disappointment that the United States has not indicated it will seek to join the Comprehensive and Progressive Trans-Pacific Partnership regional trade pact, previously known as the Trans-Pacific Partnership.

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This report contains two main parts: a section describing recent events and a longer background section on key elements of the U.S.-Japan relationship.

Developments in 2022

U.S.-Japan Strategy Aligns, with Converging Views on China and Russia

In 2022, the U.S.-Japan relationship continued to expand, building on early indications by the Biden Administration and its Japanese counterparts that the U.S.-Japan alliance is a centerpiece of the two countries' Indo-Pacific strategies. Tokyo's and Washington's strategic priorities appear increasingly aligned in responding to China's rising military and economic power. Beyond the region, the two countries are working in tandem to respond to global challenges, including at the United Nations, where Japan will occupy a non-permanent seat on the Security Council in 2023 and 2024. Multiple high-level visits, including by President Biden in May 2022, have reinforced the tight bilateral ties.

Japan's reaction to Russia's invasion of Ukraine is emblematic of this trend toward alignment. Japan's sanctions against Russia for its annexation of Crimea in 2014 were arguably milder than those adopted by its Group of 7 (G-7) partners, a response that analysts attribute to Japan's pursuit of energy cooperation with Russia and then-Prime Minister Shinzo Abe's drive to forge a strategic partnership with Russia.¹ In contrast, Prime Minister Fumio Kishida's government responded to Russia's invasion of Ukraine with alacrity, arguing that Russia's war on Ukraine has implications for Japan's security because of the war's potential to usher in an international system where the "rule of force" replaces the "rule of law."² Japan has adopted most of the sanctions and other penalties against Russia employed by the United States and Europe, provided humanitarian and material support for Ukraine despite Russia's threats to curtail energy supplies, and worked to rally international support for Ukraine.³ Japan's membership in the G-7 has provided a venue for coordination with the United States and major European countries. Japan holds the presidency of the G-7 in 2023 and plans to host the leaders' summit in May 2023 in Kishida's hometown of Hiroshima.

Congress has debated expanding ties with Taiwan through legislation and, together with the executive branch, is focused on possible threats to the island from the People's Republic of China (China, or PRC). Japan's government shares the concern that China may attempt to take military action against Taiwan in the coming years. After then-Speaker of the House Nancy Pelosi visited Taiwan in August 2022, China's military, the People's Liberation Army (PLA), launched unprecedented large-scale military exercises near Taiwan.⁴ During one phase of the exercises,

¹ Tobias Harris and Haneul Lee, "How Japan and South Korea Can Contribute to an International Response to a Russian Invasion of Ukraine," *Center for American Progress*, February 17, 2022.

² Japanese Ministry of Foreign Affairs, "Sanction Measures Following the Launch of Military Actions by Russia in Ukraine (Statement by Foreign Minister HAYASHI Yoshimasa)," February 25, 2022; Japanese Prime Minister's Office, "Address by Prime Minister Kishida at the Seventy-Seventh Session of the United Nations General Assembly," September 20, 2022.

³ Japanese Prime Minister's Office, "Japan Stands with Ukraine," September 26, 2022; "Kishida Denounces Russia, N.Korea at ASEAN Plus Three Meeting," *NHK*, November 12, 2022.

⁴ CSIS ChinaPower, "Tracking the Fourth Taiwan Strait Crisis," updated August 31, 2022.

several short-range ballistic missiles China test-launched splashed down in Japan's exclusive economic zone. China's actions appeared to underscore for many Japanese the impression that Taiwan's security is linked to Japan's security.⁵ In response to China's actions, U.S. Secretary of Defense Lloyd Austin and his Japanese counterpart, Yasukazu Hamada, met in September 2022 and condemned China's "coercive actions," calling them "provocative, destabilizing and unprecedented."⁶

Japan Expands Its Defense Posture

As perceived threats from North Korea and China have grown more acute, Japan's government has reconsidered national security. With the LDP and its smaller coalition party Komeito in firm control of the Diet (Japan's parliament), Kishida theoretically has the power to loosen some of Japan's long-held restrictions on its military posture, particularly if he gains Komeito's support for these changes. (For background on the restrictions on Japan's offensive capabilities, see "Collective Self Defense" below.) After seeing the aggression of Russia's invasion of Ukraine—and possibly fearing that Chinese President Xi Jinping could attempt a similar attack on Taiwan—over half of the Japanese public appeared to shift in favor of spending more on Japan's defense.⁷ The U.S. government has long supported Japan investing more in its defense and reinforcing deterrence against Chinese threats.⁸

In addition, Japan has expanded its security cooperation with other countries, with the encouragement of the U.S. government. In early 2022, Japan concluded a Reciprocal Access Agreement with Australia, allowing the Australian military and the Japanese Self-Defense Forces (SDF) to conduct joint defense and humanitarian operations. In May, a similar agreement was signed with the United Kingdom, further expanding Japan's network of formal defense relationships. Japan has also continued outreach with India's military forces to encompass defense technology and equipment cooperation as well as regular naval exercises to improve interoperability.⁹ Although these relationships are not as developed or formalized as the treaty alliance with the United States, these burgeoning arrangements indicate efforts by Japan to diversify its defense partnerships and—potentially—lessen its dependence on the United States for its security.

Japan's Transformational Defense Documents

On December 16, 2022, the government of Japan released a trio of much-anticipated security documents: the National Security Strategy (NSS), the National Defense Strategy, and the Defense Buildup Program. Taken together, these documents provide a blueprint that could fundamentally

⁵ According to the United Nations Convention on the Law of the Sea, coastal states are entitled to an "exclusive economic zone" extending no further than 200 nautical miles in which it enjoys sovereign rights to explore and exploit living and nonliving resources, among other things. U.N. Convention on the Law of the Sea, Part V: Exclusive Economic Zone. See also "Yomiuri-Gallup Survey Shows Awareness of China, Russia Threats," *Japan News*, December 22, 2022.

⁶ "Japan and U.S. Plan Joint Research on Defending Against Hypersonic Weapons," *Japan Times*, September 15, 2022.

⁷ "Yomiuri Public Opinion Poll: 51% Agree to Increase Defense Spending," *Yomiuri News*, December 4, 2022.

⁸ See, for example, The White House, "Joint Press Conference with President Obama and Prime Minister Abe of Japan," April 24, 2014, <https://obamawhitehouse.archives.gov/the-press-office/2014/04/24/joint-press-conference-president-obama-and-prime-minister-abe-japan>, and "Trump Urges Japan to Buy More U.S. Military Equipment," *Wall Street Journal*, November 7, 2017.

⁹ "Japan India Maritime Exercise (JIMEX) 2022 Concludes, Demonstrating Continued Commitment to Co-Operation to Balance China," *Jane's Country Risk Daily Report*, September 23, 2022.

reshape Japan's approach to defending itself and to its security relationship with the United States. The NSS describes China as an "unprecedented strategic challenge," a tougher characterization than the 2013 iteration of the NSS, which called China "an issue of concern to the international community."¹⁰ A top U.S. official hailed the documents as "bold and historic"¹¹ and praised Tokyo's pledged investments that would enhance deterrence in the region. A spokesperson for China's Ministry of Foreign Affairs commented on Japan's security documents, saying: "Hyping up the 'China threat' to find an excuse for its military build-up is doomed to fail."¹²

Japan's determination to develop a "counter-strike" capability is arguably among the most consequential of the policies unveiled in the documents. This capability would allow Japan to conduct missile strikes against missile-related sites within an adversary's territory under certain conditions. Japan currently does not possess the missiles necessary to carry out such strikes and therefore relies on U.S. strike capabilities or its ballistic missile defense system to deter or defeat adversary strikes. Due to Japan's constitutional limitation of acting only in self-defense, the government has stipulated that Japanese forces are not permitted to conduct pre-emptive attacks, though it has left vague what it defines as pre-emptive. Press reports indicate that Japan is considering acquiring the U.S.-made Tomahawk cruise missile as well as upgrading its own missiles to achieve this goal.¹³

Japan's Defense Buildup Program outlines plans to increase Japan's defense expenditures to 2% of its national gross domestic product (GDP), in line with NATO standards, by the latter part of the decade. Post-war Japan has generally limited defense spending to 1% of its GDP. If this increase were to take effect, Japan's defense budget would become the third-largest in the world after the United States and China. Questions remain about how Japan will reach this threshold, which may involve counting the Coast Guard and other costs not currently considered part of the defense budget as defense expenditures. Whether or not Japan's government meets the 2% goal, the country is poised to devote considerably more of its national budget to defense in a significant departure from its previous post-war practices.

These documents frame a number of strategic challenges facing Japan, and Japanese policymakers face a phalanx of decisions about how to address them. To increase the defense budget, the Japanese government must decide whether to raise taxes, cut other government spending, and/or go further into debt.¹⁴ Will public sentiment supporting Japan's more assertive security posture remain durable? Does Japan purchase U.S. military hardware or invest more heavily in its domestic industry? Defense experts question whether Japan's defense industry can produce cutting-edge technology yet caution that Japan may need to upgrade its information security in order to receive U.S. weapons systems.¹⁵ Key to all of these considerations is the

¹⁰ Ministry of Foreign Affairs, "National Security Strategy," December 16, 2022, https://www.mofa.go.jp/fp/nsp/page1we_000081.html.

¹¹ "Statement by National Security Advisor Jake Sullivan on Japan's Historic National Security Strategy," White House Briefing Room, December 16, 2022.

¹² PRC Ministry Foreign Affairs, "Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference on December 16, 2022," December 16, 2022.

¹³ "Japan to Buy Tomahawk Missiles in Defense Buildup Amid Fears of War," *Washington Post*, December 12, 2022.

¹⁴ The Japanese government debt-to-GDP ratio is already the largest in the world. See "Overview of the Bilateral Economic Relationship."

¹⁵ Motoko Rich and Hikari Hida, "Surrounded by Threats, Japan Rethinks Decades of Military Dependency," *New York Times*, November 14, 2022.

extent to which Japan seeks to develop more self-sufficiency while simultaneously keeping the U.S. alliance strong.

Kishida's Public Approval Sinks after Abe Assassination

In the summer and early fall of 2022, Japan's political situation continued to be colored by the after-effects of the July 2022 assassination of former Prime Minister Abe. Abe, 67 at the time of his murder, was postwar Japan's longest serving prime minister and arguably continued to be Japan's most powerful politician. Since Abe's death, Kishida's public approval ratings have fallen significantly, dipping below his disapproval ratings for the first time since he assumed the premiership in October 2021.¹⁶ If this trend continues, it could destabilize Japanese politics and complicate Kishida's ability to wield influence within his LDP and with its smaller coalition partner, the Komeito party. Kishida may then have less political clout, willingness, and/or time to push through Japan's Diet the controversial policies on his agenda, such as significantly expanding Japan's defense spending, backing a return to more full-scale use of nuclear power, and implementing his "new capitalism" economic agenda.¹⁷ Kishida's term as LDP president runs until 2024, and parliamentary elections do not need to be held until 2025, potentially giving him time to recover his political standing.

Pollsters and political analysts identify three principal causes for Kishida's difficulties: discontent with the government's response to rising prices, significant public opposition to the government holding and financing a state funeral for Abe, and his response to revelations in the wake of Abe's assassination of the extent of the LDP's ties to the Unification Church (see the text box below).¹⁸ In an apparent effort to remove political appointees with the closest links to the church, Kishida reshuffled his cabinet in August. However, evidence subsequently surfaced that many of the newly appointed cabinet ministers and vice-ministers had ties to the church, and an internal LDP survey revealed that nearly half the LDP's Diet members have had dealings with the church, such as receiving political donations or attending church functions.¹⁹ In a four-week period in the fall of 2022, three members of Kishida's new cabinet resigned due to a variety of scandals.

The July 2022 Assassination of Shinzo Abe

On July 8, a gunman assassinated former Japanese Prime Minister Shinzo Abe, postwar Japan's longest serving prime minister and arguably its most powerful politician. Abe was campaigning in the central Japanese city of Nara when he was shot from behind by a 41-year-old Japanese male who used a homemade gun. The shooting stunned Japan, where gun violence is virtually non-existent and restrictions on gun ownership are among the strictest in the world. From 2017 to 2021, Japan's National Policy Agency recorded 60 total shootings and 14 shooting deaths.²⁰

¹⁶ See, for instance, "Kishida Cabinet Approval Slips Below 30 Pct for 1st Time, Jiji Poll," *Jiji Press*, October 13, 2022; "Support for Kishida Down Further to 35% amid Unification Church Row," *Kyodo News*, October 9, 2022; "Disapproval of Kishida Cabinet Surpasses Approval Rating for 1st time, Yomiuri Poll," *Japan News*, October 3, 2022; "Approval Rate for Kishida Cabinet Falls to Record Low of 37%," *Asahi Shimbun*, November 14, 2022.

¹⁷ "The Fallout from Abe Shinzo's Murder Could Unseat His Successor," *The Economist*, September 26, 2022.

¹⁸ For example, see Chie Morifuji, "Kishida Cabinet Approval Rating Takes a Hit from Rising Prices, Unification Church Issue and Abe State Funeral," *Japan News*, October 3, 2022.

¹⁹ "LDP Lawmaker's Newly Uncovered Links to Unification Church Take Total to 180," *Jiji Press*, October 1, 2022.

²⁰ Ellen Francis et al., "What Are Japan's Gun Laws? Abe Killing Shocks Nation with Few Shootings," *Washington Post*, July 8, 2022.

Abe's assassin claimed to be motivated by Abe's ties to the Unification Church, a Korea-based religious group with reportedly about 60,000 members in Japan.²¹ The gunman reportedly told police that his mother had made large donations to the church, bankrupting his family. For decades, Abe and other members of the LDP held political connections to the church, which many Japanese media outlets describe as a "cult," and which has been accused of pressuring members to make large financial contributions and/or purchases of "spiritual goods."²²

A Thaw in Japan-South Korea Tensions

Japan–South Korea relations are perennially fraught because of a territorial dispute and sensitive historical issues stemming from Japan's colonization of the Korean Peninsula from 1910 to 1945. Beginning in 2018, a series of actions and retaliatory countermeasures by both governments involving trade, security, and history-related controversies caused South Korea–Japan relations to plummet, eroding U.S.–South Korea–Japan policy coordination. Relations have shown signs of improvement since the conservative Yoon Suk-yeol became president of South Korea in May 2022. Yoon, who has said he is seeking to increase alignment with the United States on many Indo-Pacific policies, has placed a priority on improving relations with Japan. With encouragement from the Biden Administration, Tokyo and Seoul have taken a number of steps to restore a positive relationship, including holding three trilateral heads-of-state meetings (the first since 2017) in 2022 in June, September, and November. Following North Korea's flurry of missile tests in 2022, the United States, Japan, and South Korea have resumed public trilateral military exercises, including a first-ever trilateral ballistic missile defense naval exercise in October 2022. In their November summit, Biden, Kishida, and Yoon issued a joint statement declaring their intent to "share DPRK missile warning data in real time."²³

While relations appear to be improving, it is unclear how the two governments might resolve the thorniest historical issues in order to deepen trust and whether Japan's leaders will reciprocate the efforts being made by the Yoon government. (See Japan–South Korea Relations section below for more details.) Since the mid-2010s, many public opinion polls have shown that over 40% of Japanese respondents and over half of South Korean respondents have poor impressions of the other country, though these negative ratings appear to have fallen between 2021 and 2022.²⁴ Making concessions to South Korea is reportedly particularly unpopular among many LDP conservatives, constraining Kishida's options.²⁵

Economic Recovery from COVID-19

Relative to other developed economies, Japan has lagged behind in its economic recovery from the COVID-19 pandemic.²⁶ Japan's GDP increased in 2021 by 1.7% after decreasing by 4.5% in 2020, but the economy contracted in the third quarter of 2022, raising some concerns over

²¹ "Strings Pulled: Dissecting Japan's Unification Church Problem," *Nikkei Asia*, September 7, 2022.

²² Kana Inagaki et al., "Killing of Shinzo Abe Shines Spotlight on Politicians' Links with Moonies," *Financial Times*, July 11, 2022; Michelle Ye Hee Lee and Julia Mio Inuma, "As World Gathers to Honor Abe, Japan Grapples with Church's Influence," *Washington Post*, September 26, 2022. The church's official name is the Family Federation for World Peace and Unification.

²³ The White House, "Phnom Penh Statement on Trilateral Partnership for the Indo-Pacific," November 13, 2022.

²⁴ See, for instance, "Will Improved Public Sentiment in Japan and South Korea Lead to Better Relations Between the Two Countries?," *Genron NPO*, September 12, 2022.

²⁵ Daniel Sneider, "N Korea Tests Put Seoul and Tokyo on a Narrow Bridge," *Asia Times*, October 14, 2022.

²⁶ Leika Kihara and Tetsushi Kajimoto, "Japan's Economy Stages Modest Bounce from COVID Jolt, Global Outlook Darkens," Reuters, August 15, 2022.

sustained recovery.²⁷ The government remains focused on economic recovery and is providing continued fiscal and monetary support. In late October 2022, the Kishida government announced a new package of economic measures worth ¥39 trillion (\$264 billion), building on past stimulus for economic relief from rising food and energy prices in the fallout from Russia's invasion of Ukraine.²⁸ The Bank of Japan (BoJ), unlike other central banks, remains committed to maintaining a loose monetary policy, taking actions to prevent interest rate increases. Ultra-low interest rates—the BoJ's policy rate is set at minus 0.1%—have placed downward pressure on the yen, which fell to a historic low against the U.S. dollar in October 2022.²⁹ Japanese officials have historically lauded a weak yen (which makes Japan's exports cheaper and imports more expensive), but the effect on import costs is also of increasing concern to many observers given the already high costs of imported energy and other commodities and Japan's recent economic contraction.³⁰ The weak yen, which boosts spending power of foreigners, supports Kishida's pledge to revive Japan's tourism industry, with a goal of increasing foreign tourists' total spending to more than 5 trillion yen (\$35 billion) annually.³¹ To this end, on October 11, 2022, the Japanese government ended pandemic-related visa and other border restrictions on international travelers. Some critics had described these measures as overly strict.³² Despite some signs of recovery since 2020, experts suggest the Japanese economy faces major headwinds in the near term due to a resurgence in COVID-19 cases, rising costs of imported goods, and the economic slowdown in the United States and other trading partners.³³

U.S.-Japan Renewal of Regional Economic Engagement

In May 2022, Japan joined 13 other countries as an inaugural negotiating partner in the U.S.-led Indo-Pacific Economic Framework for Prosperity (IPEF) initiative. IPEF appears to be the Biden Administration's response to urging—from policymakers, stakeholders, and U.S. allies such as Japan—for the United States to advance a trade agenda in what many consider the world's most dynamic economic region.³⁴ IPEF will not take the form of a traditional comprehensive U.S. Free Trade Agreement (FTA) but instead is focused on four separate “pillars” covering trade, supply chains, infrastructure and decarbonization, and tax and anti-corruption. At their ministerial in September 2022, IPEF members announced the negotiating objectives for each pillar. Japan and most countries (all except for India) opted to participate in all four pillars.³⁵ Unlike typical U.S.

²⁷ International Monetary Fund (IMF), “World Economic Outlook Update: Gloomy and More Uncertain,” July 2022, <https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>; Erica Yokoyama and Yoshiaki Nohara, “Japan's Economic Recovery Slammed Back into Reverse by Weak Yen,” *Bloomberg*, November 14, 2022.

²⁸ “Japan Enacts \$21bn Extra Budget to Tackle Surging Prices,” *Nikkei Asia*, May 31, 2022; Kazuaki Nagata, “Kishida Cabinet Approves Fresh ¥39 Trillion Stimulus Package,” *Japan Times*, October 28, 2022.

²⁹ For more on these developments and the mechanisms of their impact, see “BoJ's Kuroda Hints at Tweak to Ultra-Low Interest Rates as Future Option,” Reuters, November 2, 2022.

³⁰ “Japan's Monetary Policymakers Are Sticking to Their Guns,” *The Economist*, September 29, 2022.

³¹ “Japan's Kishida Pins Hopes on Foreign Tourists to Revive Economy,” *Nikkei Asia*, October 3, 2022.

³² Trevor Incerti and Hikaru Yamagishi, “How Japan Got the Pandemic Right—and Wrong,” *The Diplomat*, October 14, 2022.

³³ Kana Inagaki, “Japan Economy Accelerates After Covid Restrictions Eased,” *Financial Times*, August 14, 2022; Ben Dooley and Hisako Ueno, “Japan Bounces Back to Economic Growth as Coronavirus Fears Recede,” *New York Times*, August 14, 2022.

³⁴ See, for example, Asia Society, “A Conversation with Kurt Campbell,” virtual event, June 22, 2021.

³⁵ Office of the U.S. Trade Representative (USTR), “United States and Indo-Pacific Economic Framework Partners Announce Negotiation Objectives,” press release, September 9, 2022.

FTAs, IPEF will not cover tariffs and some other market access provisions. Japan and other IPEF partner countries have generally welcomed renewed U.S. engagement via the framework but also voiced various concerns and hopes for the agreement.³⁶

Many observers argue that since President Donald Trump withdrew the United States from the proposed Trans-Pacific Partnership (TPP) in 2017, the United States has failed to present a robust alternative economic strategy in the region.³⁷ Some Members of Congress and other stakeholders have expressed support for IPEF as an opportunity for the United States to take a leading role in establishing updated trade and economic rules in partnership with Japan and key partners in the region. At the same time, others have raised concerns over the initiative's potential lack of substantive commitments, including on market access, the binding nature (or lack thereof) of any commitments reached, and overall ambition to effectively deepen economic linkages.³⁸ The Biden Administration has suggested IPEF is to take the form of executive agreements, precluding a role for Congress in approving the future agreements.³⁹ Some Members have raised concerns over this approach and the perceived lack of consultation with Congress, emphasizing the need for a greater congressional role.⁴⁰ The leaders of Japan and some trading partners have urged the Biden Administration to consider joining the 11-nation Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which Japan helped form after U.S. withdrawal from the TPP. Previously, the Trump and Abe Administrations negotiated two limited bilateral trade deals, which took effect in 2020, liberalizing some agricultural and industrial goods trade and establishing rules on digital trade.

Congressional Role in U.S.-Japan Relations

Prior to the late 2010s, congressional engagement on Japan tended to focus on trade-related issues, concerns about the pace of base realignment on Okinawa, and Japan's treatment of history-related disputes with South Korea. (See "Comfort Women Issue" section below.) As China's rise re-shaped security outlooks, Congress focused more on the strength of U.S. defense partnerships in the Indo-Pacific as part of its oversight responsibility. In 2014, the bipartisan U.S.-Japan Congressional Caucus was formed, with over 100 Members joining the group. In 2015, Congress invited then-Prime Minister Abe to address a joint meeting of Congress—the first time a Japanese leader did so—and Abe outlined a more forceful role for Japan in the alliance. After Abe was assassinated in 2022, both chambers of Congress passed resolutions honoring his commitment to the alliance and praising his vision for a free and open Indo-Pacific.

When Congress grew concerned about the state of U.S. alliances in Asia under the Trump Administration—specifically with Japan and South Korea—it passed the Asia Reassurance Initiative Act (P.L. 115-409) in late 2018. The law asserted congressional prerogatives, authorized

³⁶ Tobias Harris and Trevor Sutton, "Biden's Economic Plan Leaves Asian Leaders Wanting More," *Foreign Policy*, May 27, 2022; Matthew P. Goodman and Aidan Arasasingham, *Regional Perspectives on the Indo-Pacific Economic Framework*, Center for Strategic and International Studies, April 2022.

³⁷ See, for example, Daniel W. Drezner, "The Policy Gap in the Indo-Pacific," *Washington Post*, January 12, 2022.

³⁸ See U.S. Congress, House Committee on Ways and Means, *Biden Administration's 2022 Trade Policy Agenda*, hearing, 117th Cong., 2nd sess., March 30, 2022; and U.S. Congress, Senate Committee on Finance, *The President's 2022 Trade Policy Agenda*, hearing, 117th Cong., 2nd sess., March 31, 2022. See also Robert Atkinson, "Biden's Indo-Pacific Framework Is a Paradigm Shift," *Foreign Policy*, July 1, 2022; and *Is the IPEF Glass Half Full or Glass Half Empty*, United States Studies Centre, August 2022.

³⁹ White House, "On-the-Record Press Call on the Launch of the Indo-Pacific Economic Framework," May 23, 2022.

⁴⁰ See various comments in U.S. Congress, House Committee on Ways and Means, *Biden Administration's 2022 Trade Policy Agenda*, hearing, 117th Cong., 2nd sess., March 30, 2022; and U.S. Congress, Senate Committee on Finance, *The President's 2022 Trade Policy Agenda*, hearing, 117th Cong., 2nd sess., March 31, 2022.

more spending, and directed the executive branch to develop a more strategic and long-term strategy in Asia. The act provides an example of how Congress conducts oversight of U.S. foreign policy.

More recently, congressional interest in U.S. relations with Japan has centered on the strength of the U.S.-Japan alliance and particularly on how Japan and the United States coordinate their China strategies. Members' concern about China's ability to forcefully seize Taiwan has led to the introduction of legislation that has the potential to re-shape U.S. policy with Taiwan, which in turn could create a policy gap between the United States and Japan. Japan has not committed to help Taiwan defend itself. (See "The Role of Taiwan" section below.) In the event of a military contingency that engages the United States, U.S. bases in Japan would likely be involved, and Japan could become a target for Chinese strikes. Congress may consider consulting with Japanese interlocutors as they chart a course for U.S. legislation relating to Taiwan.

Congressional interest in U.S. security policy in the Indo-Pacific has also led some Members to encourage greater coordination among U.S. allies in the region. In the past, Congress had passed resolutions that encourage greater trilateral cooperation among the United States, South Korea, and Japan, underscoring the value of the two allies working together.⁴¹ During official travel and other engagement with Japanese and South Korean officials, some Members have emphasized this importance to Japanese and South Korean officials. Some Members have engaged in trilateral legislative exchanges, which could be expanded in order to encourage more coordination.

Annual authorization and appropriations bills—including the National Defense Authorization Act (NDAA), State Department-Foreign Operations Appropriations bills, Military Construction-Veterans Affairs (VA) Appropriations bills, and any hearings surrounding these measures—provide opportunities for congressional involvement in and oversight of U.S.-Japan relations, particularly on issues related to the U.S.-Japan alliance. The FY2023 NDAA (P.L. 117-263, as amended), for example, included a sense of Congress provision (§1265) stating that the United States should “further the comparative advantage of the United States in strategic competition” with China in part by “enhancing cooperation with Japan ... including by developing advanced military capabilities, fostering interoperability across all domains, and improving sharing of information and intelligence.”

Overview of U.S.-Japan Relations

Forged in the wake of Japan's defeat in World War II, the U.S.-Japan relationship has transformed dramatically, with the two former adversaries becoming close allies over the course of seven decades. After the United States occupied the archipelago from 1945 to 1952, the U.S. Senate ratified the Treaty of Peace with Japan in March 1952.⁴² As the confrontation with the Soviet Union developed, the United States increasingly came to view Japan as a strategic bulwark in the Pacific. In the post-Cold War period, the relationship endured as Japan embraced international institutions and practices promoted by the United States. As North Korean threats emerged and

⁴¹ For example, in February 2019, when South Korea-Japan relations were entering a particularly tense phase, a bipartisan, bicameral group of lawmakers, including the chairmen and ranking members of the House Foreign Affairs Committee and Senate Foreign Relations Committee, co-sponsored a resolution (H.Res. 127 and S.Res. 67 in the 116th Congress) affirming the importance of Japan-South Korea-U.S. trilateral cooperation.

⁴² “Japanese Treaty, Security Pact,” *CQ Almanac*, 1952, <https://library.cqpress.com/cqalmanac/document.php?id=cqal52-1381087>.

China rose economically and militarily, both countries found an imperative to maintain and modernize the bilateral alliance.

The U.S.-Japan relationship is broad and deep-seated. Globally, the two countries cooperate on scores of non-traditional security issues through multilateral fora and international institutions, from nuclear nonproliferation to global health to disaster relief to climate change. The U.S.-Japan relationship has enjoyed broad support from Congress⁴³ as well as strong public support among both populations, according to opinion polls.⁴⁴ As challenges to the international rules-based order have developed, Japan and the United States have made efforts to strengthen their military cooperation. Under the Japanese constitution—drafted by U.S. officials during the American occupation—Japan has limitations on its ability to expand its military capability.⁴⁵ As threat perceptions have intensified, however, Japan has made significant changes to how it interprets legal constraints. U.S. and Japanese defense officials say that the two allies are working more closely together than ever before.⁴⁶

Despite these strengths, difficult issues remain. The challenges and threats from China and North Korea have grown sharper over the past several years: North Korea has accelerated its nuclear weapon and missile capabilities dramatically since 2016, and China’s economic strength and military capabilities have grown significantly in the past decade. Japanese leaders expressed dismay when the United States withdrew from the TPP in 2017. Trump’s apparent skepticism of the value of the alliance with Japan may have exacerbated the Japanese defense establishment’s long-standing fears of U.S. abandonment. Many analysts in Japan have indicated worry that U.S. commitment to the alliance could be impermanent, dependent on who is elected to the U.S. presidency.⁴⁷ In addition, Japanese concerns about what Joseph Nye calls the “relative decline” of U.S. power and presence in the region have risen.⁴⁸ In the United States, voices have emerged calling on Japan to contribute more resources to its own defense.⁴⁹

Biden Administration Policy

The Biden Administration has sought to elevate the U.S.-Japan alliance as a centerpiece of the U.S. strategy in the Indo-Pacific and embraced an approach to the region that dovetails well with Japan’s vision. Biden has emphasized the Quadrilateral Security Dialogue—known as the

⁴³ See, for example, S.Res. 706, A resolution Remembering Former Prime Minister of Japan Shinzo Abe, 117th Cong. (2021-2022), and H.Res. 349, Reaffirming the Vital Role of the United States-Japan Alliance in Promoting Peace, Stability, and Prosperity in the Indo-Pacific Region and Beyond, 116th Cong. (2019-2020).

⁴⁴ “International Public Opinion of the U.S. Remains Positive,” *Pew Research Center*, June 22, 2022.

⁴⁵ Article 9 of the Japanese constitution outlaws war as a “sovereign right” of Japan and stipulates that “land, sea, and air forces, as well as other war potential, will never be maintained.” The constitution has never been amended. Any attempt to change the constitution would require formidable political and procedural hurdles. A constitutional revision requires a two-thirds vote in each Diet chamber followed by approval in a nationwide referendum. Furthermore, any constitutional changes passed by the Diet must also be approved by a majority in a nationwide referendum, and many opinion polls show the Japanese public to be skeptical about the need for a revision, particularly of Article 9.

⁴⁶ U.S. Department of State, “Secretary Antony J. Blinken Remarks at the Virtual 2022 U.S.-Japan Security Consultative Committee Meeting with Defense Secretary Lloyd Austin, Japanese Foreign Minister Hayashi Yoshimasa, and Japanese Defense Minister Kishi Nobuo,” January 6, 2022.

⁴⁷ Michael M. Bosack, “Ameliorating the Alliance Dilemma in an Age of Gray-Zone Conflict—Lessons Learned from the U.S.-Japan Alliance,” *Naval War College Review*, autumn 2020.

⁴⁸ Joseph S. Nye Jr., “The Future of American Power: Dominance and Decline in Perspective,” *Council on Foreign Relations*, November/December 2010.

⁴⁹ Michael D. Swaine, Jessica J. Lee and Rachel Esplin Odell, *Toward an Inclusive and Balanced Regional Order: A New U.S. Strategy in East Asia*, Quincy Institute, January 11, 2021, pp. 46-47.

“Quad”—with Japan, India, and Australia. Biden, like Trump before him, has affirmed that Article 5 of the mutual defense treaty applies to the Senkaku Islands, a territory claimed by both Japan and China. The Biden Administration included this pledge in its National Security Strategy.⁵⁰ In December 2021, the two governments announced a new five-year cost-sharing agreement that raised Japanese contributions by around 7% to defray the costs of the U.S. military presence in Japan. During the Trump Administration, as the previous agreement approached its expiration, the United States reportedly requested that Japan pay \$8 billion annually, compared to the roughly \$2.5 billion it now pays.⁵¹ By concluding an agreement that continued Japan’s approximate contribution from years past, the Biden Administration appeared to signal its support of long-standing U.S. alliances.

U.S. and Japanese Policy on China

Leaders of Japan and the United States share a fundamental and profound concern about China’s role in the Indo-Pacific. Both governments have expressed distrust of Beijing’s intentions and indicated that they see China’s rising power and influence as detrimental to their national security. This shared strategic vision tethers the two countries and propels closer cooperation. Japan’s proximity to China heightens its concern, particularly because of China’s expansive maritime claims and regular military activities near Japan’s southwestern islands. Apparently driven by its apprehension, Japan has developed stronger and more integrated defense relations with Australia and India—also U.S. partners—that facilitate military engagement through the Quad and other cooperative activities such as the annual Malabar naval exercises among the four countries. These multilateral efforts, which the Obama, Trump, and Biden Administrations encouraged, reinforce U.S.-Japan alliance cohesion and cement the focus on pushing back on China’s increased power.

Differences remain, however, in how the U.S. and Japanese governments respond to threats posed by China. Most fundamentally, Japan and China are uniquely bound by their proximity, requiring the Japanese government to manage relations with its larger and more powerful neighbor in ways the United States need not. Japanese leaders have asserted that they seek to stabilize Japan’s relationship with China as an important trading partner.⁵² Before the disruption of the pandemic, the Japanese government was preparing to welcome Chinese President Xi for an official state visit in the spring of 2020, an example of Japan’s outreach to China before relations soured in the subsequent years.

The Role of Taiwan

Since 1972, Japan has had “unofficial” relations with Taiwan, the democratic and self-governed island east of mainland China over which the PRC claims sovereignty.⁵³ As with the United States, the lack of formal ties belies the depth and breadth of the Japan-Taiwan relationship. The

⁵⁰ The White House, *National Security Strategy*, October 2022, p. 38.

⁵¹ “U.S. Demanded Japan Pay \$8 bil. Annually for Troops: Bolton,” *Kyodo News*, June 22, 2020.

⁵² Mireya Solis, “China, Japan, and the Art of Economic Statecraft,” *Brookings Institution*, February 2020; and Eli Lake, “The U.S. Talks Tough Before a Meeting with China,” *Bloomberg Opinion*, March 17, 2021.

⁵³ Since 1972, Japan has diplomatically recognized the PRC but has not taken a position on Beijing’s claim to Taiwan. The 1972 normalization communique between Japan and the PRC states that the government of Japan recognizes the PRC as “the sole legal government of China,” and “fully understands and respects” the PRC position on Taiwan without recognizing or affirming that position. Adam P. Liff, “Japan, Taiwan, and the ‘One China’ Framework after 50 Years,” *China Quarterly*, 2022, p. 9.

two countries are each other's third-largest trading partners.⁵⁴ People-to-people ties are robust: Taiwan is a top tourism destination for Japanese visitors, and vice versa. The two sides maintain de facto embassies (the Taipei Economic and Cultural Representative Office in Japan, in Tokyo, and the Japan-Taiwan Exchange Association, in Taipei) and have found creative ways to conduct quasi-diplomacy, including through their respective ruling parties and groups such as the Japan-ROC Diet Members' Consultative Council.⁵⁵ In 2013, Taiwan and Japan concluded an agreement governing reciprocal fishing rights in disputed areas of the East China Sea and have explored possible future cooperation between their coast guards. Unlike those of the United States, Japan's unofficial ties with Taiwan do not extend to military cooperation.⁵⁶

Japan's 2021 defense white paper stated that "stabilizing the situation surrounding Taiwan is important ... for Japan's security" and that "it is necessary that we pay close attention to the [cross-strait] situation with a sense of crisis more than ever before."⁵⁷ Some observers caution that if China were to occupy Taiwan, it could project power deeper into the Western Pacific and more easily coerce Japan and other U.S. allies in the region.⁵⁸ Particularly since 2020, some Japanese politicians have drawn links between Taiwan's security and that of Japan. Former Prime Minister Abe cultivated closer ties with Taiwan throughout his career and, after stepping down in 2020, took an even more explicitly pro-Taiwan position, arguing that the United States should abandon its long-standing policy of "strategic ambiguity" and "make clear that it will defend Taiwan against any attempted Chinese invasion."⁵⁹

A cross-strait military conflict—particularly if it involved the United States—would carry a range of implications for Japan. Beyond massive long-term economic and geopolitical ramifications, PRC operations against Taiwan would likely involve military combat operations close to Japan's southwest island chain. A PRC blockade of Taiwan could affect Japan's trade and sea lines of communication. The PRC could also launch strikes against U.S. (and/or Japanese) bases in Japan in an effort to cripple the U.S. military's ability to come to Taiwan's aid.

Should the United States come to Taiwan's defense in the event of a PRC attack, some experts argue that the U.S. military's prompt and effective response would hinge on access to U.S. troops, weapons systems, and materiel based in Japan, particularly in Okinawa.⁶⁰ The SDF has a range of capabilities—including but not limited to missile defense; intelligence, surveillance, and reconnaissance; anti-submarine warfare; logistics support; and humanitarian assistance and

⁵⁴ Trade Data Monitor, accessed at <https://www.tradedatamonitor.com/>.

⁵⁵ Liff, "Japan, Taiwan, and the 'One China' Framework," p. 11; Lawrence Chung, "Landmark Japan-Taiwan Ruling Party Talks Yield Agreement on Coastguard Drills," *South China Morning Post*, August 27, 2021.

⁵⁶ Although some Japanese lawmakers have raised the prospect of establishing defense ties with Taiwan through legislation similar to the United States' Taiwan Relations Act (P.L. 96-8), these proposals have not attracted widespread support. Masahiro Matsumara, "Taiwan-Japan Military Ties Possible," *Taipei Times*, May 21, 2022; Adam P. Liff, "A 'Taiwan Relations Act' for Japan?," *Wilson Center*, February 25, 2021.

⁵⁷ Japan Ministry of Defense, *Defense of Japan 2021*, p. 92.

⁵⁸ See, for example, David Sacks, "Enhancing U.S.-Japan Coordination for a Taiwan Conflict," Council on Foreign Relations, January 2022.

⁵⁹ Shinzo Abe, "Op-Ed: The U.S. Must Make Clear to the World It Will Defend Taiwan Against Chinese Invasion," *Los Angeles Times*, April 12, 2022.

⁶⁰ Sheila A. Smith, "The United States, Japan, and Taiwan: What Has Russia's Aggression Changed?," *Asia Policy*, vol. 17 no. 2 (April 2022), p. 72; Sacks, "Enhancing U.S.-Japan Coordination for a Taiwan Conflict," p. 10.

disaster relief—that could feasibly augment a U.S. response.⁶¹ Some experts have called for more vigorous alliance planning for potential cross-Strait conflict scenarios.⁶²

Fundamental to Japan’s involvement in a potential cross-Strait conflict are domestic legal and political considerations. Although Japan over the past decade has enhanced its military capabilities and the legal powers to deploy them, legal and political barriers would confront a Japanese leader who seeks to work in tandem with U.S. military forces.⁶³ Navigating the constraining constitutional requirements for Japan to respond militarily could be particularly challenging in the absence of a direct PRC attack against Japan. Under Japanese law, crafted to abide by the constitution, such scenarios would require the alliance to conduct “prior consultation” whereby Japan grants the United States “the use of facilities and areas in Japan as bases for military combat operations to be undertaken from Japan.” Further, whether the government of Japan deems such a scenario an “important influence situation” or “survival-threatening situation” would dictate Japan’s legal options to respond.⁶⁴

U.S. World War II–Era Prisoners of War (POWs)

For decades, U.S. soldiers who were held captive by Imperial Japan during World War II have sought official apologies from the Japanese government for their treatment. A number of Members of Congress have supported these campaigns. The brutal conditions of Japanese POW camps have been widely documented.⁶⁵ In May 2009, the Japanese Ambassador to the United States attended the last convention of the American Defenders of Bataan and Corregidor to deliver a cabinet-approved apology for their suffering and abuse. In 2010, with the support and encouragement of the Obama Administration, the Japanese government financed a Japanese/American POW Friendship Program for former American POWs and their immediate family members to visit Japan, receive an apology from the sitting Foreign Minister and other Japanese Cabinet members, and travel to the sites of their POW camps. Annual trips were held from 2010 to 2018.⁶⁶

In 2011, Congress introduced several resolutions that thanked the government of Japan for its apology and for arranging the visitation program.⁶⁷ The resolutions also encouraged the Japanese government to do more for the U.S. POWs, including by continuing and expanding the visitation programs as well as its World War II education efforts. They also called for Japanese companies to apologize for their or their predecessor firms’ use of un- or inadequately compensated forced

⁶¹ Sacks, “Enhancing U.S.-Japan Coordination for a Taiwan Conflict,” p. 10.

⁶² See, for example, Sacks, “Enhancing U.S.-Japan Coordination for a Taiwan Conflict.”

⁶³ Adam Liff, “The U.S.-Japan Alliance and Taiwan,” *Asia Policy*, vol. 17, no. 3 (July 2022).

⁶⁴ Mirna Galic, “Japan’s Authorities in a Taiwan Contingency: Providing Needed Clarity,” *War on the Rocks*, October 6, 2021.

⁶⁵ By various estimates, approximately 40% of prisoners held in the Japanese camps died in captivity, compared to 1%-3% of the U.S. prisoners in Nazi Germany’s POW camps. Thousands more died in transit to the camps, most notoriously in the 1942 “Bataan Death March,” in which the Imperial Japanese military force-marched almost 80,000 starving, sick, and injured Filipino and U.S. troops over 60 miles to prison camps in the Philippines. For more information, see CRS Report RL30606, *U.S. Prisoners of War and Civilian American Citizens Captured and Interned by Japan in World War II: The Issue of Compensation by Japan*, by Gary Reynolds (out of print; available to congressional clients from the coauthors of this report).

⁶⁶ Since the mid-1990s, Japan has run similar programs for the POWs of other Allied countries.

⁶⁷ S.Res. 333 (Feinstein) was introduced and passed by unanimous consent on November 17, 2011. H.Res. 324 (Honda) and H.Res. 333 (Honda) were introduced on June 22, 2011, and June 24, 2011, respectively, and referred to the House Foreign Affairs Subcommittee on Asia and the Pacific.

laborers during the war. In July 2015, Mitsubishi Materials Corporation (a member of the Mitsubishi Group) became the first major Japanese company to apologize to U.S. POWs on behalf of its predecessor firm, which ran several POW camps that incarcerated over 1,000 Americans.⁶⁸

Japan Country Data

Population: 124,214,766 (2022 est.)
Percentage of Population over 65: 29.18% (male 16,034,973/female 20,592,496) (2020 est.)
Life Expectancy: 85 years
Area: 377,915 sq km (slightly smaller than California)
Per Capita Real GDP: \$41,400(2019 est.)
Primary Export Partners: United States 19%, China 18%, South Korea 6%, Thailand 6% (2019)
Primary Import Partners: China 23%, U.S. 11%, Australia 6%(2019)
Source: CIA, *The World Factbook*, May 2022.

U.S.-Japan Alliance Issues

The U.S.-Japan alliance has long been an anchor of the U.S. security role in Asia. The alliance’s foundational documents⁶⁹ give the U.S. military the right to base U.S. troops and other military assets on Japanese territory, undergirding the “forward deployment” of U.S. troops in East Asia. In return, the United States pledges to protect Japan’s security. The U.S.-Japan alliance was originally constructed as a fundamentally asymmetric arrangement—in the 1950s and 1960s, the United States assumed most of the responsibility for Japan’s defense. Over the decades, however, this partnership has shifted toward more equality as Japan’s military capabilities and policies have evolved. About 54,000 U.S. troops are stationed in Japan and have the exclusive use of approximately 85 facilities (see **Figure 2**). The U.S. security guarantee to Japan includes extended deterrence, known colloquially as the U.S. “nuclear umbrella.”

Since the early 2000s, the United States and Japan have improved the operational capability of the alliance as a combined force, despite political and legal constraints. Even before the Kishida government announced plans to raise defense spending close to 2% of GDP, the Abe administration’s record-high 2019 defense budget had exceeded Japan’s decades-long unofficial cap on defense spending of 1% of GDP. Further, Japan’s major strategic documents reflect a new attention to operational readiness and flexibility. In 2014, the Diet passed a law permitting the SDF to engage in collective self-defense. (See the “Collective Self-Defense” section below.) Unlike 25 years ago, the SDF is now active in overseas missions, including efforts in the 2000s to support U.S.-led coalition operations in Afghanistan and the reconstruction of Iraq. Japanese military contributions to global operations like counter-piracy patrols relieve some of the burden on the U.S. military to manage security challenges. Due to the increased co-location of U.S. and Japanese command facilities, coordination and communication have become more integrated in the past 15 years. The joint response to the 2011 tsunami and earthquake in Japan demonstrated the interoperability—and limitations—of the two militaries. The United States and Japan have steadily enhanced bilateral cooperation in many other aspects of the alliance, such as ballistic missile defense, cybersecurity, and military use of space.

⁶⁸ “Mitsubishi Materials Apologizes for Using US Prisoners of War as Slave Labor,” *The Guardian*, July 19, 2015.

⁶⁹ See “Treaty of Mutual Security and Cooperation Between Japan and the United States of America,” Japan Ministry of Foreign Affairs, <https://www.mofa.go.jp/region/n-america/us/q&a/ref/1.html>.

Figure I. Map of Japan



Source: Map Resources. Adapted by CRS.

Figure 2. Map of Major U.S. Military Facilities in Japan



Source: Map Resources. Adapted by CRS.

Notes: MCAS is the abbreviation for Marine Corps Air Station. NAF is Naval Air Facility.

Mutual Defense Guidelines

In April 2015, the United States and Japan announced the revision of their bilateral defense guidelines. First codified in 1978 and later updated in 1997, the guidelines outline how the U.S. and Japanese militaries will interact in peacetime and in war, as the basic framework for defense cooperation based on a division of labor. The revised guidelines account for developments in military technology, improvements in interoperability of the U.S. and Japanese militaries, and the complex nature of security threats in the 21st century. For example, the 2015 revision addressed bilateral cooperation on cybersecurity, the use of space for defense purposes, and ballistic missile defense, none of which were mentioned in the 1997 guidelines. The revised guidelines also laid out a framework for bilateral, whole-of-government cooperation in defending Japan's outlying islands and expanded the scope of U.S.-Japan security cooperation to include defense of sea lanes and, potentially, Japanese contributions to U.S. military operations outside East Asia.

The revised bilateral defense guidelines also sought to improve alliance coordination. The guidelines established a standing Alliance Coordination Mechanism (ACM), which involves participants from all relevant agencies in the U.S. and Japanese governments, as the main body for coordinating a bilateral response to any contingency. The ACM provides a platform for peacetime planning as well as for contingency and crisis situations. This mechanism removed obstacles that had inhibited alliance coordination in the past, though one study in 2016 questioned whether it is capable of effectively coordinating alliance actions in a military conflict.⁷⁰

Collective Self-Defense

Perhaps the most symbolically significant—and controversial—security reform Japan has undertaken over the past 30 years was a set of moves in 2014–2015 allowing Japan's potential participation in collective self-defense. Under the U.N. Charter, collective self-defense is the right to defend another country that has been attacked by an aggressor.⁷¹ Former Prime Minister Abe pushed to adjust a highly asymmetric aspect of the alliance: the inability of Japan to defend U.S. forces or territory under attack. Article 9 of the Japanese constitution renounces the use of force as a means of settling international disputes. However, Japan has interpreted Article 9 to mean that it can maintain a military for national defense purposes and, since 1991, has allowed the SDF to participate in noncombat roles overseas in a number of U.N. peacekeeping missions and in the U.S.-led coalition in Iraq. The Abe government expanded that interpretation and in 2015 passed a security legislation package that provides a legal framework for new SDF missions. The removal of the blanket prohibition on collective self-defense enables Japan to engage more in cooperative security activities, like noncombat logistical operations and defense of distant sea lanes, and to be more effective in other areas, like U.N. peacekeeping operations.

Realignment of the U.S. Military Presence on Okinawa

Due to the legacy of the U.S. occupation and the island's key strategic location, Okinawa hosts a disproportionate share of the U.S. military presence in Japan. (The westernmost point of the Ryukyu Island Chain, of which Okinawa is a part, is less than 70 miles from the coast of Taiwan.)

⁷⁰ Center for Strategic and International Studies, *Asia-Pacific Rebalance 2025: Capabilities, Presence, and Partnerships*, January 2016, p. 58.

⁷¹ Article 51 of the U.N. Charter provides that member nations may exercise the rights of both individual and collective self-defense if an armed attack occurs. Article 9 of the Japanese constitution, drafted by U.S. officials during the post-war occupation, outlaws war as a "sovereign right" of Japan and prohibits "the right of belligerency," stipulating that "land, sea, and air forces, as well as other war potential, will never be maintained."

About 25% of all facilities used by U.S. Forces Japan (USFJ) and over half of USFJ military personnel are located in the prefecture, which comprises less than 1% of Japan's total land area. Many native Okinawans reportedly resent the large U.S. military presence, reflecting in part the island's tumultuous history and complex relationships with "mainland" Japan and with the United States. Although Okinawans' views are far from monolithic, many Okinawans—including those who largely support the U.S.-Japan alliance—express concerns about the burden of hosting foreign troops, particularly about issues like crime, safety, environmental degradation, and noise.⁷² As a result, the sustainability of the U.S. military presence in Okinawa remains a critical challenge for the alliance.⁷³

In 1996, the alliance established a Special Action Committee on Okinawa, which mandated the return to Okinawa of thousands of acres of land used by the U.S. military since World War II. Subsequent bilateral negotiations aimed at addressing local resistance culminated in the 2006 U.S.-Japan Roadmap for Realignment, in which United States agreed to remove roughly 8,000 marines from Okinawa to Guam by 2014. Congressional concerns over the scope and cost of the Guam realignment, as well as broader U.S. government concerns about Guam's preparedness, led to later revisions that adjusted the number of personnel and dependents to be relocated.

The central—and most controversial—task of the realignment on Okinawa is to move Marine Corps Air Station (MCAS) Futenma from crowded Ginowan City to Camp Schwab in Nago City's less congested Henoko area. The encroachment of residential areas around the Futenma base over the decades has raised the risks of a fatal aircraft accident. Most Okinawans oppose the construction of a new U.S. base for a mix of political, environmental, and quality-of-life reasons, and demand the Futenma Replacement Facility be moved outside Okinawa.⁷⁴ In February 2019, Okinawa held a nonbinding referendum on the relocation of the U.S. base. About 72% of those who voted opposed the construction of the new base.⁷⁵

The relocation of MCAS Futenma is frequently challenged by local politicians and activists and is also beset by construction delays.⁷⁶ In three successive elections, most recently in September 2022, Okinawan citizens have elected governors who ran on platforms opposed to the relocation plan and who employed a variety of political and legal strategies to prevent or delay construction of the base. In the months before the 2022 gubernatorial election, however, LDP-backed candidates who were more friendly to the relocation scored upset victories, raising the prospect that politics could be shifting in the prefecture. In the October 2021 parliamentary elections, two ruling LDP candidates for Okinawa's seats defeated the anti-base All Okinawa party, and two more LDP candidates secured proportional representation seats. In January and February 2022 mayoral races on Okinawa—including in the city adjacent to Camp Schwab—incumbent candidates backed by the central government also won re-election over the All Okinawa

⁷² "Nearly 80% of Japanese Think Okinawa's Base-Hosting Burden Unfair," *Kyodo News*, May 5, 2022.

⁷³ For more information and analysis, see CRS Report R42645, *The U.S. Military Presence in Okinawa and the Futenma Base Controversy*, by Emma Chanlett-Avery and Ian E. Rinehart.

⁷⁴ "Okinawa's Vocal Anti-US Military Base Movement," *The Interpreter*, Lowy Institute, February 17, 2022.

⁷⁵ Linda Sieg, "Japan to Push Ahead with U.S. Base Relocation Despite Okinawa Referendum Result," *Reuters*, February 24, 2019, at <https://www.reuters.com/article/us-japan-okinawa/japan-to-push-ahead-with-u-s-base-relocation-despite-okinawa-referendum-result-idUSKCN1QE06Q>.

⁷⁶ "Okinawa and Japanese Government Locked in Hostile Battle over US Base Relocation," *The Diplomat*, December 21, 2019.

candidates.⁷⁷ Some commentators attribute the results to rising concern about China's threat among younger Okinawan voters.⁷⁸

Burden-Sharing Issues

Calculating how much Tokyo pays to defray the cost of hosting the U.S. military presence in Japan is difficult and depends heavily on how the contributions are counted. Further, the two governments present estimates based on different data depending on the political aims of the mathematical exercise. Because of the skepticism among some Japanese about paying the U.S. military, for example, the Japanese government may use different baselines in justifying its contributions to the alliance when arguing for its budget in the Diet. Other questions make it challenging to assess the value and costs of the U.S. military presence in Japan. Is the value to the United States determined strictly on activities that provide for the defense of Japan, in a narrow sense? Or is the system of American bases in Japan valuable because it enables the United States to more quickly, easily, and cheaply disperse U.S. power in the Western Pacific? U.S. defense officials often cite the strategic advantage of forward-deploying the most advanced American military capabilities in the Asia-Pacific at a far lower cost than stationing troops on U.S. soil.

Determining the *percentage* of overall U.S. costs that Japan pays is even more complicated. According to DOD's 2004 Statistical Compendium on Allied Contributions to the Common Defense (the last year for which the report was required), Japan provided 74.5% of the U.S. stationing cost.⁷⁹ In January 2017, Japan's Defense Minister provided data that set the Japanese portion of the total cost for U.S. forces stationed in Japan at over 86%.⁸⁰ Other estimates from various media reports are in the 40-50% range. Many analysts concur that there is no authoritative, widely shared view on an accurate figure that captures the percentage that Japan shoulders.

Host Nation Support

One component of Japan's contribution is the Japanese government's payment of \$1.7 billion-\$2.1 billion per year (depending on the yen-to-dollar exchange rate) to offset the direct cost of stationing U.S. forces in Japan. These contributions are provided both in-kind and in cash.⁸¹ For at least the past decade, the United States has spent \$1.9 billion-\$2.5 billion per year on non-personnel costs on top of the Japanese contribution, according to the DOD comptroller.⁸²

⁷⁷ "All Okinawa's Political Fall in Spotlight After Ishigaki Election," *Asahi News*, February 28, 2022.

⁷⁸ See, for example, "In Japan's Okinawa, Ruling Party's Tough China Stance Helps Win Young Voters," Reuters, October 31, 2021.

⁷⁹ "2004 Statistical Compendium on Allied Contributions to the Common Defense." See <https://apps.dtic.mil/sti/citations/ADA475431>.

⁸⁰ "How Much Does Japan Pay to Host U.S. Forces? Depends on Who You Ask," *Japan Times*, January 31, 2017.

⁸¹ Michael J. Lostumbo et al., "Host-Nation Support and U.S. Payments to Other Countries," in *Overseas Basing of U.S. Military Forces: An Assessment of Relative Costs and Strategic Benefits*, 131-66. RAND Corporation, 2013, at <http://www.jstor.org/stable/10.7249/j.ctt915.15>.

⁸² Office of the Under Secretary of Defense, Comptroller, *Operation and Maintenance Overview: Fiscal Year 2019 Budget Estimates*, March 2018, pp. 200-203; Office of the Under Secretary of Defense, Comptroller, *Operation and Maintenance Overview: Fiscal Year 2017 Budget Estimates*, February 2016, pp. 225-228; Office of the Under Secretary of Defense, Comptroller, *Operation and Maintenance Overview: Fiscal Year 2015 Budget Estimates*, March 2014, pp. 192-195.

Japanese host nation support is composed of two funding sources: Special Measures Agreements (SMAs) and the Facilities Improvement Program (FIP). Each SMA is a bilateral agreement, generally covering five years, which obligates Japan to pay a certain amount for utility and labor costs of U.S. bases and for relocating training exercises away from populated areas. Although negotiations for the SMAs are always contentious, tensions surrounding burden-sharing talks during the Trump Administration spiked. As the deal neared expiration in late 2020, the Trump Administration reportedly requested a multifold increase. According to former National Security Advisor John Bolton, President Trump demanded that Japan increase its contribution to \$8 billion per year.⁸³ Shortly after Biden assumed the presidency, the two sides agreed to extend the existing agreement for an additional year. In December 2021, a new agreement committed Japan to pay roughly 7% more than it had in the past: The average annual expenditures for host nation support over 2022-2026 is approximately ¥211.0 billion (roughly \$1.5 billion in current exchange rates).⁸⁴

Additional Japanese Contributions

In addition to host nation support, which offsets costs that the U.S. government would otherwise have to pay, Japan subsidizes or compensates base-hosting communities. These are not costs that would be necessarily passed on to the United States, but U.S. and Japanese alliance managers argue that the U.S. bases would not be sustainable without these payments to areas affected by the U.S. military presence. Based on its obligations defined in the U.S.-Japan Mutual Security Treaty, Japan also pays the cost of relocating U.S. bases within Japan and rent to any landowners of U.S. military facilities in Japan. Japan pays for the majority of the costs associated with three of the largest international military base construction projects since World War II: the Futenma Replacement Facility in Okinawa (Japan provides \$12.1 billion), construction at the Marine Corps Air Station Iwakuni (Japan pays 94% of the \$4.8 billion), and construction of facilities on Guam to support the move of 4,800 marines from Okinawa (Japan pays \$3.1 billion, about a third of the cost of construction).⁸⁵

Japan is also a major purchaser of U.S. defense equipment. Japan is the third-largest recipient of overall U.S. Foreign Military Sales delivered in the past five decades.⁸⁶ The United States accounted for 94% of Japan's arms imports from 2010 to 2020, according to estimates from the Stockholm International Peace Research Institute.⁸⁷ Recent major acquisitions include Lockheed Martin F-35 Joint Strike Fighters, Boeing KC-46 Tankers, Lockheed Martin and General Dynamics Aegis weapons systems, Northrup Grumman E-2D Hawkeye airborne early warning aircraft, General Dynamics Advanced Amphibious Assault Vehicles, and Boeing/Bell MV-22 Ospreys.

⁸³ John Bolton, *The Room Where It Happened* (New York: Simon and Schuster, 2020), Chapter 11.

⁸⁴ Special Measures Agreement (SMA) and Related Measures, Japan Ministry of Foreign Affairs, December 21, 2021, https://www.mofa.go.jp/press/release/press4e_003074.html.

⁸⁵ Figures provided by U.S. officials at the Office of the Secretary of Defense, January 2017.

⁸⁶ These figures do not account for Direct Commercial Sales, information about which is not publicly available. U.S. Defense Security Cooperation Agency, *DSCA Historical Sales Book*, FY2020 Edition.

⁸⁷ Stockholm International Peace Research Institute, "Importer/Exporter TIV Tables," at <http://armstrade.sipri.org/armstrade/page/values.php>. SIPRI's methodology for calculating the value of arms transfers is available at <https://www.sipri.org/databases/armstransfers/sources-and-methods/>.

Extended Deterrence

The growing concerns in Tokyo about North Korean nuclear weapons development and China's modernization of its nuclear arsenal in the 2000s garnered renewed attention to the U.S. policy of extended deterrence, commonly known as the "nuclear umbrella." The United States and Japan initiated the bilateral Extended Deterrence Dialogue in 2010, perhaps recognizing that Japanese confidence in the credibility of U.S. extended deterrence was critical to its effectiveness, as some analysts have argued.⁸⁸ The dialogue is a forum for the United States to assure its ally and for both sides to exchange assessments of the strategic environment. The Japanese government welcomed the 2018 and 2022 Nuclear Posture Reviews.⁸⁹

Japanese leaders have repeatedly rejected the idea of developing their own nuclear weapons arsenal. Although Japan is a ratified signatory to the Treaty on the Non-Proliferation of Nuclear Weapons, and Japanese public opinion is largely antinuclear, a lack of confidence in the U.S. security guarantee could lead Tokyo to reconsider its own status as a nonnuclear weapons state. Then-candidate Trump in 2016 stated that he was open to Japan (and South Korea) developing its own nuclear arsenal to counter the North Korean nuclear threat.⁹⁰ Proponents of Japan developing nuclear weapons argue that this would deter Chinese aggression and allow the United States to use its own capabilities elsewhere, essentially freeing up U.S. assets.⁹¹ Other analysts have argued that Japan would face negative consequences if it were to develop its own nuclear weapons, including significant budgetary costs, reduced international standing in the campaign to denuclearize North Korea, and the possible imposition of economic sanctions that would be triggered by leaving the global nonproliferation regime.⁹² Some commentators also warn about potentially encouraging South Korea and/or Taiwan to develop nuclear weapons capability and triggering a counterreaction by China, which might create instability that could lessen Japan's economic and diplomatic influence in the region.⁹³ For the United States, analysts have noted that encouraging Japan to develop nuclear weapons could mean diminished U.S. influence in Asia, the unraveling of the U.S. alliance system, and the possibility of creating a destabilizing nuclear arms race in Asia.⁹⁴

⁸⁸ Brad Roberts, "Extended Deterrence and Strategic Stability in Northeast Asia," National Institute of Defense Studies (Japan), Visiting Scholar Paper Series, No. 1, August 9, 2013.

⁸⁹ Japan Ministry of Foreign Affairs, "Release of the U.S. Nuclear Posture Review (NPR) (Statement by Foreign Minister Hayashi Yoshimasa)," October 28, 2022; Japan Ministry of Foreign Affairs, "The Release of the U.S. Nuclear Posture Review (NPR) (Statement by Foreign Minister Taro Kono)," February 3, 2018, https://www.mofa.go.jp/press/release/press4e_001893.html.

⁹⁰ For example, Trump stated, "And, would I rather have North Korea have [nuclear weapons] with Japan sitting there having them also? You may very well be better off if that's the case. In other words, where Japan is defending itself against North Korea, which is a real problem." "Transcript: Donald Trump Expounds on His Foreign Policy Views," *New York Times*, March 26, 2016.

⁹¹ Anders Corr, "Japan: Go Nuclear Now," *Forbes*, January 31, 2017.

⁹² See, for example, Nobumasa Akiyama and Kenta Horio, "Can Japan Remain Committed to Nonproliferation?," *Washington Quarterly*, Spring 2013; and "The U.S. Doesn't Need to Worry about Japan (or Any Other Ally) Going Nuclear," *The Diplomat*, February 5, 2021.

⁹³ Brendan Taylor and H. D. P. Envall, "A Nuclear Arms Race in Northeast Asia?," *Australia National University College of Asia and the Pacific*, Summer 2017-2018.

⁹⁴ See, for example, Robert Manning, "Trump's 'Sopranos' Worldview Would Undo Asian Alliances," *New Atlanticist* blog post, March 29, 2016.

Ballistic Missile Defense and Strike Capabilities

Japan also plays an active role in extended deterrence through its ballistic missile defense (BMD) capabilities, which it began to pursue in 2003, largely in response to the growing ballistic missile threat from North Korea. Whereas prior to the introduction of BMD Japan was entirely reliant on the U.S. nuclear deterrent, it now actively contributes to extended deterrence,⁹⁵ and many analysts see U.S.-Japan efforts on BMD as the most robust aspect of bilateral security cooperation. DOD's 2019 Missile Defense Review stated that "Japan is one of our strongest missile defense partners."⁹⁶ Japan and the United States both deploy land- and sea-based missile defense systems in Japan.⁹⁷

In an about-face that was reportedly unanticipated by U.S. and Japanese observers, Japan announced in June 2020 that it would suspend a high-profile plan to purchase from the United States two Aegis Ashore ballistic missile defense batteries. The plan had been announced in 2017 as North Korea ramped up nuclear and ballistic missile testing, and alliance officials had touted the move as a central component of Japan's defense against North Korea.⁹⁸ Aegis Ashore would have provided a new layer of defense against incoming North Korean ballistic missiles for Japan and U.S. forces stationed there and could have afforded the U.S. military the flexibility to deploy its own Aegis ships now defending Japan to other parts of the region, including the South China Sea, Philippine Sea, and Indian Ocean.⁹⁹

The 2020 Aegis Ashore reversal intensified a decades-long debate over whether Japan should acquire strike capabilities. Although Japan is pursuing other missile systems for defensive purposes, it currently does not have the ability to conduct missile strikes on enemy territory. In August 2020, shortly before Abe announced his resignation, the LDP called on the Japanese government to consider acquiring this capability.¹⁰⁰ Kishida has reportedly said that it is an "option," and many observers expect this provision to be included in the upcoming defense policy documents.¹⁰¹ Movement toward adopting a strike mission reflects aspirations by some Japanese to achieve greater strategic autonomy and could mark a departure from the long-standing division of labor in the alliance with the United States as the "spear" and Japan as the "shield."¹⁰²

⁹⁵ Japan Ministry of Defense, *National Defense Program Guidelines for FY 2019 and Beyond*, December 18, 2018, p. 8 (provisional translation); Sugio Takahashi, *Ballistic Missile Defense in Japan: Deterrence and Military Transformation*, Institut Français des Relations Internationales, December 2012, pp. 20-22.

⁹⁶ U.S. Department of Defense, *2019 Missile Defense Review*, January 17, 2019, p. 67; Thomas Karako, "Shield of the Pacific: Japan as a Giant Aegis Destroyer," Center for Strategic and International Studies, May 23, 2018.

⁹⁷ Japan Ministry of Defense, *Defense of Japan 2018*, White Paper, August 2018, p. 324.

⁹⁸ Mike Yeo, "Japan Suspends Aegis Ashore Deployment, Pointing to Cost and Technical Issues," *Defense News*, June 15, 2020, <https://www.defensenews.com/global/asia-pacific/2020/06/15/japan-suspends-aegis-ashore-deployment-pointing-to-cost-and-technical-issues/>.

⁹⁹ Jeffrey W. Hornung, "Is Japan's Interest in Strike Capabilities a Good Idea?" *War on the Rocks*, July 17, 2020, <https://warontherocks.com/2020/07/is-japans-interest-in-strike-capabilities-a-good-idea/>.

¹⁰⁰ Chieko Tsuneoka, "Japan Edges Toward Military Pre-Emptive Strike Option," *Wall Street Journal*, July 31, 2020, <https://www.wsj.com/articles/japan-edges-toward-military-pre-emptive-strike-option-11596195100>.

¹⁰¹ "Japan Eyes Using Enemy Base Strike Capability with U.S.," *Kyodo News*, November 26, 2022.

¹⁰² Sheila Smith, *Japan Rearmed* (Cambridge, MA: Harvard University Press, 2019), p. 125; Yuki Tatsumi, "Japan Eyes 'Counter-Attack' Capability Against North Korea Missile Threat," *The Diplomat*, March 31, 2017; Michael Bosack, "The LDP Weighs in on Japan's Defense Posture," *Tokyo Review*, March 29, 2018, <https://www.tokyoreview.net/2018/03/the-ldp-weighs-in-on-japans-defense-posture/>.

Japan's Foreign Policy

Japan's foreign policy is broadly shaped by its security alliance with the United States and by its concern about China's military and economic power. Abe and his two successors have moved to diversify Japan's international network of relations to pursue its interests.

Japan-China Sovereignty Dispute over the Senkaku Islands in the East China Sea

Japan, China, and Taiwan claim a group of uninhabited land features¹⁰³ in the East China Sea known as the Senkaku Islands in Japan, Diaoyu in China, and Diaoyutai in Taiwan. The eight small, uninhabited land features are administered by Japan but also claimed by China and Taiwan. The Senkakus dispute has simmered for decades and first became a major source of discord in China-Japan relations in 2010. Tensions have spiked multiple times since then, and although Beijing and Tokyo have renewed efforts to deescalate tensions and avoid clashes, the dispute has remained potential kindling for a major flare-up in an increasingly uneasy bilateral relationship.

Starting in the fall of 2012, in the wake of another intensification of the dispute, China began regularly deploying maritime law enforcement ships near the islands and stepped up what it called "routine" patrols to assert jurisdiction in "China's territorial waters."¹⁰⁴ The number of Chinese vessels entering the territorial seas¹⁰⁵ surrounding the islands from 2013 through August 2022 ranged from zero to 24 per month (and averaged 8.3 per month). While the average number of Chinese vessels entering the territorial sea was fairly consistent during that time frame, the average number of vessels entering the contiguous zone—a zone extending an additional 12 nautical miles out from the outer edge of the territorial sea—increased markedly beginning in mid-2019.¹⁰⁶ Most of these patrols appear to be conducted by the China Coast Guard, which has been instrumental in advancing China's interests in disputed waters in the East and South China Seas.¹⁰⁷

China-Japan tensions have played out in the air domain near the Senkakus as well. The government of Japan reported that scrambles by Japan Air Self Defense Force aircraft against "Chinese aircraft" increased eightfold between FY2010 (96 scrambles) and FY2016 (851 scrambles). The average number of scrambles from FY2017 to FY2020 was 568.¹⁰⁸

¹⁰³ Although the disputed territory commonly is referred to as "islands," it is unclear if any of the features would meet the definition of *island* under international law.

¹⁰⁴ "Chinese Ships Continue Patrol Around Diaoyu Island," *China Daily*, October 28, 2012.

¹⁰⁵ According to the United Nations Convention on the Law of the Sea, coastal states are entitled to a "territorial sea," a 12-nautical-mile area extending from the low-water line along a coast. The sovereignty of a coastal state extends to this territorial sea. U.N. Convention on the Law of the Sea, Part II: Territorial Sea and Contiguous Zone.

¹⁰⁶ Japan Times, "Japan Braces for Moves in East China Sea after China Coast Guard law," February 1, 2021, <https://www.japantimes.co.jp/news/2021/02/01/national/japan-china-coast-guard-law-senkakus/>; Japan Ministry of Foreign Affairs, "Trends in Chinese Government and Other Vessels in the Waters Surrounding the Senkaku Islands, and Japan's Response—Records of Intrusions of Chinese Government and Other Vessels into Japan's Territorial Sea," updated September 9, 2022, https://www.mofa.go.jp/region/page23e_000021.html.

¹⁰⁷ U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018*, May 16, 2018, pp. 71-72; Ryan D. Martinson, "Echelon Defense: The Role of Sea Power in Chinese Maritime Dispute Strategy," U.S. Naval War College China Maritime Studies Institute, 2018, pp. 16-17.

¹⁰⁸ Japan Ministry of Defense, "China's Activities in East China Sea, Pacific Ocean, and Sea of Japan," updated

These patrols exemplify how the dispute over the Senkakus has played out primarily in the “gray zone,” defined by some as the ambiguous space between peace and conflict, with nonmilitary actors such as coast guards, fishermen, and China’s maritime militia on the front lines.¹⁰⁹ China’s approach to the dispute (as well as its disputes in the South China Sea) appears to be aimed at exploiting the gray zone to gradually consolidate its control and influence over contested space without escalating to armed conflict.¹¹⁰ Japan has prioritized enhancing its ability to counter gray zone activities in addition to strengthening its traditional military capabilities.¹¹¹

Japan’s administration of the Senkakus is the basis of the U.S. treaty commitment to defend that territory. U.S. administrations going back at least to the Nixon Administration have stated that the United States takes no position on the territorial disputes. However, it has also been U.S. policy since 1972 that the 1960 U.S.-Japan Security Treaty covers the Senkakus, because Article 5 of the treaty stipulates that the United States is bound to protect “the territories under the Administration of Japan,” and Japan administers the Senkakus.¹¹² In its own attempt to address this perceived gap between U.S. official neutrality on the sovereignty question and its support for Japan against China’s attempts to change the status quo, Congress inserted in the FY2013 (P.L. 112-239) and FY2018 National Defense Authorization Acts (H.R. 4310, P.L. 112-239) a resolution stating, among other items, that “the unilateral action of a third party will not affect the United States’ acknowledgment of the administration of Japan over the Senkaku Islands.”¹¹³

China and Japan also dispute maritime rights in the East China Sea more broadly, with Japan arguing for a “median line” equidistant from each country’s claimed territorial border dividing the two countries’ exclusive economic zones in the East China Sea. China rejects Japan’s claimed median line, arguing that it has maritime rights beyond this line.¹¹⁴

The Quad Signals Broader Approach

In 2017, the Trump Administration renewed an effort to develop the Quadrilateral Security Dialogue, also known as “the Quad,” a coalition of Australia, India, Japan, and the United States

September 2021. Japan’s fiscal year begins on April 1 and ends on March 31 the following year.

¹⁰⁹ For more on the gray zone concept, see Jonathan Wilkenfeld et al., “Escalation Management in the Gray Zone: Shaping Decision Calculus: From Theory to Causal Understanding,” University of Maryland for the Minerva Research Initiative, December 2021, p. 5; RAND Corporation, “Research Brief: A New Framework for Understanding and Countering China’s Gray Zone Tactics,” 2022, p. 1; and Jake Harrington and Riley McCabe, “Detect and Understand: Modernizing Intelligence for the Gray Zone,” Center for Strategic and International Studies, December 7, 2021, p. 2.

¹¹⁰ Patrick Cronin et al., “No Safe Harbor: Countering Aggression in the East China Sea,” Center for a New American Security, March 2018; Adam P. Liff, “China’s Maritime Gray Zone Operations in the East China Sea and Japan’s Response,” *China’s Maritime Gray Zone Operations* (Annapolis, MD: Naval Institute Press, 2019).

¹¹¹ Japan Ministry of National Defense, “Three Pillars of Japan’s Defense,” Defense of Japan 2020.

¹¹² Speaking in Japan in April 2014, President Obama stated that “Article 5 covers all territories under Japan’s administration, including the Senkaku Islands,” in what is believed to be the first time a U.S. President publically stated the U.S. position. The White House, “Joint Press Conference with President Obama and Prime Minister Abe of Japan,” Akasaka Palace, Tokyo, Japan, April 24, 2014.

¹¹³ For more information, see CRS Report R42761, *The Senkakus (Diaoyu/Diaoyutai) Dispute: U.S. Treaty Obligations*, by Mark E. Manyin; and CRS Report R42930, *Maritime Territorial Disputes in East Asia: Issues for Congress*, by Ben Dolven, Mark E. Manyin, and Shirley A. Kan.

¹¹⁴ According to the United Nations Convention on the Law of the Sea, coastal states are entitled to an “exclusive economic zone” extending no further than 200 nautical miles in which it enjoys sovereign rights to explore and exploit living and nonliving resources, among other things. U.N. Convention on the Law of the Sea, Part V: Exclusive Economic Zone; Japan Ministry of Foreign Affairs, “Japan’s Legal Position on the Development of Natural in the East China Sea,” August 6, 2015, https://www.mofa.go.jp/a_o/c_m1/page3e_000358.html.

that has adopted a common platform of protecting freedom of navigation and promoting democratic values in the region. Abe was an early champion of the Quad during his first stint at prime minister from 2006 to 2007. The Biden Administration has adopted the initiative, convening a virtual leader-level meeting in March 2021. At this summit the leaders announced a promise to jointly expand availability of COVID-19 vaccines and deliver up to a billion doses to Southeast Asia and the broader Indo-Pacific by the end of 2022.¹¹⁵ This step, along with a plan to reduce dependence on China’s near-monopoly on rare earth materials used in high-technology products and to work together to strengthen the Paris Agreement, could usher in a new chapter in cooperation.

Japan hosted the second-ever in-person Quad summit in May 2022 at which the four countries, among other steps, announced a new Indo-Pacific Partnership for Maritime Domain Awareness. The White House says the partnership aims to offer “a near-real-time, integrated, and cost-effective maritime domain awareness picture” that will “transform the ability of partners in the Pacific Islands, Southeast Asia, and the Indian Ocean region to fully monitor the waters on their shores.”¹¹⁶ Questions remain about the durability of the arrangement if leadership shifts in member countries, whether other countries will be brought into the Quad’s initiatives, and particularly about India’s inconsistent enthusiasm for the grouping. Many Members of Congress have been enthusiastic about the Quad.¹¹⁷

Japan has also worked steadily to build closer bilateral security ties with both Australia and India.¹¹⁸ For the past decade Japan has deepened defense relations with Australia, and in 2020 the two agreed to a Reciprocal Access Agreement (similar to a Status of Forces Agreement) to define rules and procedures when troops are stationed temporarily in the other’s country for joint exercises or disaster-relief activities. As another U.S. treaty ally, Australia uses similar practices and equipment, which may make cooperation with Japan more accessible. Japan has inked an Acquisition and Cross-servicing Agreement (the formal mechanism that allows a country to acquire or provide logistic support, supplies, and services directly from/to another country) with India, along with agreements concerning the protection of classified military information and transfer of defense equipment and technology. Bilateral exercises with both countries have grown in number and sophistication.

Japan and the Korean Peninsula

Japan-South Korea Relations

In the 21st century, Japan’s relationship with South Korea has fluctuated between troubled and tentatively cooperative, depending on external circumstances and the leaders in power. The state of relations is framed by the legacy of history, with current events causing the spike in tension. Many Koreans hold strong grievances about Japan’s colonial rule over the peninsula (1910-1945), especially on the issue of Korean “comfort women” who were forced to provide sex to Japanese soldiers in the World War II era.¹¹⁹ Relations often became bitter with Abe in power, driven by South Korean criticism of Abe’s past statements on the two countries’ contentious history and his affiliations with nationalist organizations, as well by Japanese frustration that

¹¹⁵ “Quad Leaders’ Joint Statement: ‘The Spirit of the Quad,’” The White House, March 12, 2021.

¹¹⁶ The White House, “FACT SHEET: Quad Leaders’ Tokyo Summit 2022,” May 23, 2022.

¹¹⁷ See, for example, “US Lawmakers and Experts Support Historic QUAD Leadership Summit,” *Economic Times*, March 20, 2021.

¹¹⁸ Rod McGuirk, “Japan, Australia Upgrade Security Pact Against China,” Associated Press, October 22, 2022.

¹¹⁹ “South Korea and Japan: Resolving the Comfort Women Issue,” *The Diplomat*, September 10, 2020.

South Korean governments were abandoning previously negotiated agreements intended to address bilateral conflicts.

In addition to the comfort women issue (see below), the perennial issues of how Japan's behavior before and during World War II is depicted in Japanese school textbooks, and a territorial dispute between Japan and South Korea, continue to periodically rile relations. Seoul has expressed disapproval of some of the history textbooks approved by Japan's Ministry of Education, which South Koreans claim diminish or whitewash Japan's colonial-era atrocities. A group of small islands in the Sea of Japan, known as Dokdo in Korean and Takeshima in Japanese (the U.S. government refers to them as the Liancourt Rocks), are administered by South Korea but claimed by Japan. Japanese assertions of their claim in defense documents or by local prefectures routinely spark official criticism and public outcry in South Korea.

Currently, one of the most salient bilateral issue is whether the South Korean Supreme Court decides to liquidate the seized assets of Japanese companies that the court in 2018 ruled must compensate South Koreans for forced labor during Japan's occupation. Japan argues that the 1965 Japan–South Korea normalization agreement resolved situations such as compensating forced laborers. According to press reports, the Yoon administration has established a consultative body to seek ways to avoid the liquidation of the seized Mitsubishi Heavy and Nippon Steel Corporation assets and has reportedly offered a proposal that involves compensating the victims through an existing South Korean government fund plus statements of regret and voluntary contributions from the Japanese corporations. However, it is unclear whether Yoon, who is confronting relatively low public approval ratings, can manage the anticipated negative response from South Korea's opposition parties, which have a majority in South Korea's parliament.¹²⁰

Bitter relations between Japan and South Korea dim prospects for effective trilateral cooperation with the United States, particularly in responding to North Korean threats. This became clear in 2019 when South Korea—in the midst of a trade dispute with Japan—threatened to withdraw from a bilateral military intelligence sharing agreement with Japan, spurring U.S. officials to intervene and convince Seoul to remain in the pact.¹²¹ From its initial weeks in office, the Biden Administration has sought to “reinvigorate and modernize” both alliances, and senior Administration officials have expressed hope that this effort will include more trilateral cooperation.¹²² Washington, including Congress through various resolutions, has generally encouraged closer ties between Tokyo and Seoul as two of its most important alliance partners. The two countries have shared security concerns; developed economies; and a commitment to open markets, international rules and norms, and regional stability. A poor relationship between Seoul and Tokyo jeopardizes U.S. interests by complicating trilateral cooperation on North Korea policy and on responding to China's rise. In 2021 and 2022, the three countries convened a number of trilateral meetings ranging from the working level to the heads-of-state level. In a further sign that relations were beginning to normalize, in the fall of 2022, Kishida and Yoon held two bilateral meetings, the first such meetings since 2019.

¹²⁰ “Japan Says South Korea Working to Solve Wartime Labor Compensation Row,” *Kyodo News*, August 26, 2022; Sneider, “N Korea Tests Put Seoul and Tokyo on a Narrow Bridge.” The fund that would be used under the proposal is the Foundation for Victims of Forced Mobilization by Imperial Japan. It was created in 2014 and among its contributors is the Korean steel company POSCO, which received Japanese economic aid under the set of agreements by which Japan and South Korea normalized relations in 1965.

¹²¹ “Scrapped Intelligence Pact Draws United States into Deepening South Korea-Japan Dispute,” Reuters, August 29, 2019.

¹²² “Interim National Security Strategic Guidance,” The White House, March 2021.

Comfort Women Issue

A perennial stumbling block to better Japan–South Korean relations involves the “comfort women,” a literal translation of the Japanese euphemism referring to women who were forced to provide sexual services for Japanese soldiers during the imperial military’s conquest and colonization of several Asian countries in the 1930s and 1940s. In 2015, then-Prime Minister Abe and then-President Park Geun-hye of South Korea concluded an agreement that included Abe issuing a new apology from a Japanese premier and the provision of 1 billion yen (about \$8.3 million) from the Japanese government to a new Korean foundation that supports surviving victims.¹²³ The two governments’ foreign ministers agreed that this long-standing bilateral rift would be “finally and irreversibly resolved” pending the Japanese government’s implementation of the agreement.¹²⁴ Although the main elements of the agreement appeared to have been implemented in 2016, the deal remained deeply unpopular with the South Korean public, and former President Moon Jae-in disbanded the foundation established by the agreement in 2018.¹²⁵

The comfort women issue has had visibility in the United States due in part to Korean-American activist groups. These groups have pressed successfully for the erection of monuments in California and New Jersey commemorating the victims, passage of a resolution on the issue by the New York State Senate, the naming of a city street in the New York City borough of Queens in honor of the victims, and approval to erect a memorial to the comfort women in San Francisco. In 2007, the U.S. House of Representatives passed H.Res. 121 (110th Congress), calling on the Japanese government to “formally acknowledge, apologize, and accept historical responsibility in ... an unequivocal manner” for forcing young women into military prostitution. The resolution passed by voice vote and attracted 167 co-sponsors, driven in part by a June 2007 *Washington Post* advertisement signed by several Japanese legislators—some of whom Kishida included in his August 2022 cabinet—and academics rejecting the historical basis of the resolution.¹²⁶

Japan’s North Korea Policy

Japan has employed a hardline policy toward North Korea, including a virtual embargo on all bilateral trade, and has been a vocal proponent of efforts by United Nations to punish Pyongyang for its human rights abuses and military provocations. Japan is directly threatened by North Korea given the demonstrated capability of Pyongyang’s medium-range missiles. In October 2022, North Korea test-launched a long-range ballistic missile that flew over northern Japan, the first test to fly over Japanese territory in five years. North Korea has long-standing animosity toward Japan for its colonialism of the Korean peninsula in the early 20th century. When multilateral diplomacy with North Korea was more active, one of the potential elements of a broad deal was a Japanese assistance package in recognition of the suffering caused during this period—along the lines of the aid Japan negotiated when it normalized relations with South Korea in 1965—that could be worth several billions of dollars.¹²⁷ North Korea may also target U.S. bases in Japan in the event of a conflict.

¹²³ In contrast to past apologies from Japanese prime ministers that were made in their personal capacities, then-Foreign Minister Fumio Kishida stated that Abe’s apology was issued in his capacity “as Prime Minister of Japan.”

¹²⁴ South Korean and Japanese Foreign Ministries’ translations of the December 28, 2015, joint announcement.

¹²⁵ “6 Months Later: The ‘Comfort Women’ Agreement,” *The Diplomat*, May 11, 2016.

¹²⁶ Asia Policy Point, *Kishida 2nd Cabinet Insights*, accessed December 14, 2022.

¹²⁷ For examples of how this package might be calculated, see CRS Report RS20526, *North Korea-Japan Relations: The Normalization Talks and the Compensation/Reparations Issue*, updated September 12, 2002, by Mark Manyin (out of print; available to congressional clients upon request).

In addition to direct security concerns, Japan has prioritized addressing the long-standing issue of Japanese citizens kidnapped in the 1970s and 1980s by North Korean agents. In 2002, then-North Korean leader Kim Jong-il admitted to the abductions and returned five survivors, claiming that the others had perished from natural causes. Japan's government officially identifies 17 individuals as abductees and says that relations can never be normalized without resolution of this issue.¹²⁸

Coordination between Japan and the United States on North Korean policy has fluctuated depending on the approach taken by different U.S. leaders. In general, when the United States has engaged North Korea with diplomacy, Japanese leaders have expressed concern that the abductee issue does not receive sufficient attention. Under the Trump Administration, Tokyo supported Trump's initial "maximum pressure" approach. When Trump turned to personal diplomacy with Kim Jong-un in 2018 and 2019, Japanese officials expressed concern that the United States would make a deal on long-range missiles that left Japan vulnerable. According to many analysts, some Japanese are unconvinced that North Korea will give up its nuclear weapons or missiles and fear that Tokyo's interests vis-à-vis Pyongyang will be marginalized if U.S.–North Korea relations warm.¹²⁹ When the Six-Party Talks (established to deal with North Korea's nuclear weapons program and that included Japan, South Korea, North Korea, China, Russia, and the United States) were active, U.S. officials identified Japan a key actor in a possible resolution of problems on the Korean peninsula, but the multilateral format has been dormant since 2009.

Relations with Southeast Asia

For decades, Japan has pursued productive relations with Southeast Asian countries, providing generous official development assistance and earning broadly positive reviews from regional leaders. In one 2020 survey, Southeast Asians rated Japan as the most trusted major power.¹³⁰ With China's rising influence, Tokyo has redoubled these efforts. Japanese officials frequently visit the region, and the government has launched several initiatives that emphasize capacity-building in the security sphere. Japan's approach generally complements U.S. policy toward Southeast Asian countries, with both the United States and Japan pursuing strong relations with Vietnam and the Philippines in particular. Japan has developed stronger relations with countries such as Cambodia and Burma, in contrast to the United States, which has placed sanctions and restrictions on interactions with their authoritarian regimes. Some scholars argue that by utilizing their respective comparative advantages, the United States and Japan can coordinate for a broader, more strategic joint approach to Southeast Asia.¹³¹ Under the Biden and Trump Administrations, the United States and Japan have launched a number of initiatives to cooperate on infrastructure projects, including many involving significant public-private partnerships, in Southeast Asia.¹³²

¹²⁸ Japan Ministry of Foreign Affairs, "Abductions of Japanese Citizens by North Korea," https://www.mofa.go.jp/region/asia-paci/n_korea/abduction/index.html.

¹²⁹ Robert King, "Japan and North Korea: Summitry, Missile Fears, and Abductions," Center for Strategic and International Affairs, June 19, 2019.

¹³⁰ The State of Southeast Asia, 2020 Survey Report, *ASEAN Studies Centre*, https://www.iseas.edu.sg/images/pdf/TheStateofSEASurveyReport_2020.pdf.

¹³¹ See, for example, Kei Koga, "Recalibrating U.S.-Japan Indo-Pacific Strategies Toward ASEAN," Wilson Center, October 2022.

¹³² See, for instance, The White House, "United States-Australia-Japan Joint Statement on Cooperation on Telecommunications Financing," October 15, 2022.

Economic Issues

U.S. trade and economic ties with Japan are assessed by many experts and policymakers as highly important to the U.S. national interest. By the most conventional method of measurement, the United States and Japan are the world's largest and third-largest economies (China is number two), accounting for about 30% of the world's GDP in 2021.¹³³ Furthermore, their economies are closely intertwined by two-way trade in goods and services and by investment in each other's economies.

Overview of the Bilateral Economic Relationship

Japan was the United States' fifth-largest export market for goods and services (behind Canada, Mexico, China, and the United Kingdom) and the fifth-largest source of U.S. imports (behind China, Mexico, Canada, and Germany) in 2021. Japan accounted for 4% of total U.S. exports in 2021 (\$112 billion) and 5% of total U.S. imports (\$168 billion).¹³⁴ The United States was Japan's second-largest goods export market and second-largest source of goods imports (after China) in 2021.¹³⁵ Japan is also a major investor in the United States, accounting for more than 14% of the stock of inward foreign direct investment in 2021 (\$690 billion).¹³⁶ U.S. affiliates of Japanese multinational firms employed about 1 million U.S. workers in 2020 (latest available data).

The relative significance of the bilateral economic relationship for the United States has arguably declined as other countries, including China, have become increasingly important global economic actors.¹³⁷ Some of this shift stems from structural changes in the global economic landscape, including the growth of global supply chains. Data from the Organization for Economic Cooperation and Development (OECD) suggest that even on a value-added basis, which adjusts conventional trade data by attributing intermediate components of traded products to their country of origin, Japan accounts for a declining share of U.S. import activity.¹³⁸ At the same time, U.S. import figures may underestimate the importance of Japan and Japanese companies in U.S. consumption patterns since Japanese firms have invested heavily in export-oriented production facilities in Asia and around the world as well as directly in the United States.

U.S. trade with Japan has largely risen over the past few decades. Major economic events have also influenced U.S.-Japan trade patterns in recent years, such as the global economic downturn stemming from the 2008 financial crisis and the COVID-19 pandemic, which dampened both U.S. exports and imports. The decline in the value of the Japanese yen since 2012—which hit historic lows in 2022 and is tied to aggressive monetary stimulus in Japan as part of “Abenomics” (described below)—likely affected both the value and quantity of trade as measured in yen.

¹³³ Based on GDP (current US\$) from World Bank, *World Development Indicators*.

¹³⁴ For an overview of key figures in the economic relationship, see the Bureau of Economic Analysis' country fact sheet on Japan at <https://apps.bea.gov/international/factsheet/>.

¹³⁵ Data from Japan Ministry of Finance, accessed through Trade Data Monitor on 10/03/2022.

¹³⁶ U.S. Bureau of Economic Analysis, Balance of Payments and Direct Investment Position Data, https://apps.bea.gov/iTable/index_MNC.cfm (accessed October 3, 2022).

¹³⁷ Over the past decade, U.S. goods exports to the world grew by 18%, while exports to Japan grew by 12%. U.S. goods imports from the world grew by 27%, while U.S. imports from Japan grew by 3%.

¹³⁸ From 2005 to 2015 (the most recent trade in value added statistics available) U.S. imports from Japan on a value-added basis declined from \$172 billion to \$149 billion, or from 9% to 6% of U.S. global value-added imports. During the same period China's share of U.S. imports on a value-added basis rose from 9% to 19%. OECD Trade in Value Added Database (TiVA) at <https://www.oecd.org/sti/ind/measuring-trade-in-value-added.htm>.

The Trump Administration's trade policy largely focused on challenging "unfair" trading practices, boosting U.S. import competition, and reducing bilateral trade deficits and strained U.S. economic relations with Japan and other countries. U.S. and Japanese officials addressed some of these concerns in limited trade agreements reached in 2019 (see below). The Biden Administration emphasizes that while opening markets and reducing trade barriers remains fundamental to its trade agenda, repairing U.S. partnerships and alliances is a major priority.¹³⁹ Key issues in the bilateral trade relationship of ongoing U.S. attention and of priority for some Members of Congress include concerns over market access for U.S. products such as autos and agricultural goods and various nontariff barriers, which U.S. companies argue favor domestic Japanese products.¹⁴⁰ The United States has also prioritized renewed regional economic engagement with its launch of the IPEF with Japan and 12 other trading partners. Japan has welcomed U.S. engagement and analysts see it as a key partner for IPEF (see below). The Japanese government, in addition to major auto producers the EU and South Korea, has recently raised concerns over new requirements for electric vehicle (EV) tax credits in P.L. 117-169 (commonly referred to as the Inflation Reduction Act of 2022) and potential discriminatory effects, which some observers see as potentially injecting some tension in the IPEF talks.¹⁴¹

Despite some renewed trade tensions, the major trend in U.S.-Japan bilateral economic relations over the past two decades has largely been easing tension, in particular compared to the contentious and frequent trade frictions at the fore of the bilateral relationship in the 1980s and early 1990s. By contrast, increasing tension in the U.S.-China economic relationship, particularly threats of decoupling, presents significant risks to Japan given its extensive economic ties with both countries.

Japan's Domestic Economy: Seeking Growth amid Challenges

In their first ever "Economic 2+2" meeting held in July 2022, U.S. and Japanese officials emphasized the need to make their economies more competitive and resilient amid various risks and uncertainties in the global economy.¹⁴² Prime Minister Kishida inherited a challenging domestic economic landscape in the wake of COVID-19 and, more broadly, in building on the legacy of Abe's economic policies. Japan's economy grew rapidly from the end of World War II through the 1980s. However, since the collapse of an asset bubble in the early 1990s, the Japanese government has struggled to end persistent deflation (decreasing prices) and weak economic

¹³⁹ USTR, *The 2021 Trade Policy Agenda and 2020 Annual Report*, March 2021.

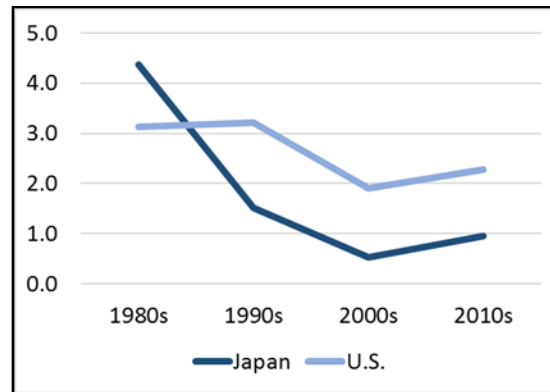
¹⁴⁰ For more on Japanese trade barriers, see USTR, *2022 National Trade Estimate Report on Foreign Trade Barriers*, March 2022, pp. 287-304. For congressional views, see U.S. Congress, House Ways and Means Subcommittee on Trade, U.S.-Japan Trade Agreements hearing, 116th Cong., 2nd sess., November 20, 2019.

¹⁴¹ These requirements include, namely, restrictions on the countries from which automakers can source critical minerals/components and in which they can assemble EVs in order to qualify for the credits. As the Japanese government commented, "However, the requirements of the EV tax credit, conditioning that the extraction, processing, manufacture, or assembly of critical minerals or battery components should be done in North America or countries with which the U.S. has a free trade agreement in effect, are not consistent with the U.S. and Japanese governments' shared policy to work with allies and like-minded partners to build resilient supply chains, and they in fact preclude Japanese businesses from enjoying the benefit." See *Comments by the Government of Japan*, Response to Internal Revenue Service Request for Comments on Credits for Clean Vehicles (Notice 2022-26), November 4, 2022, available at <https://www.regulations.gov/comment/IRS-2022-0020-0689>. Also see "Sources: Electric Vehicle Tax Credit Dispute Could Affect IPEF Talks," *Inside U.S. Trade*, November 9, 2022; and Satsuki Kaneko, "Japan Raises Concern over U.S. Eligibility Rules on EV Subsidies," *Nikkei Asia*, September 9, 2022. For more information on the IRA provisions, see CRS Insight IN11996, *Clean Vehicle Tax Credits in the Inflation Reduction Act of 2022*, by Molly F. Sherlock.

¹⁴² U.S. Department of State, "Joint Statement of the U.S.-Japan Economic Policy Consultative Committee: Strengthening Economic Security and the Rules-Based Order," July 29, 2022.

growth. For the past three decades Japan’s GDP growth has been below most advanced economies, including the United States (see **Figure 3**).¹⁴³

Figure 3. GDP Growth: Japan and United States
(10-Year Average of Annual % Change)



Source: World Economic Outlook database, October 2020.

Brief periods of recovery have continually been followed by devastating economic events, including the Asian financial crisis in the late 1990s; the global financial crisis in the late 2000s; and the earthquake, tsunami, and nuclear reactor meltdown in northeastern Japan in 2011. (For more on Japan’s “triple disaster,” see the “Nuclear Energy” section below.)

Most recently, the global recession caused by the COVID-19 pandemic has been acutely felt in Japan. International tourism, for example, had been a targeted growth sector in recent years before the pandemic effectively halted such activities in 2020, including tourism related to the Tokyo Olympics. Japan’s economy contracted by 4.5% in 2020 and grew 1.7% in 2021—a relatively low rebound compared to other advanced economies.¹⁴⁴ The economy underperformed relative to expectations and contracted in the third quarter of 2022, raising further concerns over sustained recovery.¹⁴⁵ As such, the government remains focused on economic recovery from the pandemic, with continued fiscal and monetary support.¹⁴⁶ In October 2022, Kishida announced a new package of economic measures worth ¥39 trillion (\$264 billion), building on past stimulus for economic relief from rising food and energy prices.¹⁴⁷ The BoJ, unlike other central banks, remains committed to loose monetary policy, taking actions to prevent interest rate increases.¹⁴⁸ Japan’s ultra-low interest rates—the BoJ’s policy rate is set at minus 0.1%—have in turn put downward pressure on the yen, which fell to historic lows against the dollar in the fall of 2022,

¹⁴³ Due to Japan’s shrinking population, on a per capita basis, its economic growth looks more robust when compared to countries with growing populations such as the United States.

¹⁴⁴ IMF, World Economic Outlook Update, July 2022.

¹⁴⁵ Erica Yokoyama and Yoshiaki Nohara, “Japan’s Economic Recovery Slammed Back into Reverse by Weak Yen,” *Bloomberg*, November 14, 2022.

¹⁴⁶ Eri Sugiara and Leo Lewis, “Japan’s Economy Expands 5.4% in Fourth Quarter after Covid Curbs Eased,” *Financial Times*, February 15, 2022.

¹⁴⁷ “Japan Enacts \$21bn Extra Budget to Tackle Surging Prices,” *Nikkei Asia*, May 31, 2022; Daniel Leussink and Kantaro Komiyama, “Japan Planning New Economic Package in October After Near-Term Help,” Reuters, September 8, 2022.

¹⁴⁸ Roula Khalaf et al., “Fumio Kishida Backs Bank of Japan’s Ultra-Loose Policy Despite Yen Plunge,” *Financial Times*, October 11, 2022.

prompting BoJ intervention for the first time since 1998. Japanese officials have historically lauded a weak yen, which makes Japan's exports cheaper and imports more expensive and supports the Kishida government's aim to boost tourism spending, but the weaker yen's effect on import costs is of increasing concern given soaring costs of imported energy and other commodities.¹⁴⁹

In addition to the effects of the pandemic, Japan faces a number of ongoing, long-term structural economic challenges. Primary among these is a rapidly aging and shrinking population, which among other difficulties places increasing strain on a heavily indebted government, as the working age population declines relative to retirees.¹⁵⁰ At 259% of GDP in 2020, the size of Japan's federal government's gross debt relative to its economy was already the largest in the world before it implemented massive fiscal stimulus in response to COVID-19.¹⁵¹ Attempting to put Japan on a path of long-term fiscal sustainability without disrupting the economy in the short-term has proven a difficult balancing act. Consumption tax increases in 2014 and in 2019 pushed down domestic consumption, resulting in sizeable quarterly economic contractions. As a result, Japan's economy was already in the midst of contraction when the COVID-19 shutdowns took effect.

Faced with a declining working-age population and an aversion to immigration, Japan's future economic growth depends on increasing labor productivity (the output of each individual worker), which has grown slowly for the past several decades and declined relative to other major economies.¹⁵² Although the causes of this decline are debated, many economists see Japan's rigid and bifurcated labor market as a significant impediment to improving productivity. The rigidity in the system stems from the traditional Japanese employment model, a result of both cultural and legal structures in which "salaryman" workers accept a grueling work schedule in exchange for the benefit of long-term job security with pay strongly linked to seniority.¹⁵³ Some experts have argued that this "job-for-life" system potentially dampens productivity by lowering the incentive to learn new skills during the course of a career and by impeding the dissemination of innovations and best practices that would normally occur when workers change from one employer to another.¹⁵⁴ Businesses have made the employment system more flexible by expanding the group of nonregular or temporary employees who garner less competitive salaries and face easier dismissal than their salaryman counterparts. Since the 1980s, the share of nonregular workers in the workforce has grown from 15% to nearly 40%, with women accounting for the bulk of the growth.¹⁵⁵ Instead of improving productivity, many analysts see this dual system as having exacerbated the problem while adding to concerns over gender inequality.¹⁵⁶ The Japanese government has attempted to reform the system, including through legal measures to ensure that

¹⁴⁹ "Japan's Monetary Policymakers Are Sticking to Their Guns," *The Economist*, September 29, 2022.

¹⁵⁰ At 49% in 2021, Japan's dependency ratio, the share of retirees to workers, is nearly twice that of the United States. World Bank, World Development Indicators, <https://data.worldbank.org/indicator/SP.POP.DPND.OL>, accessed October 17, 2022.

¹⁵¹ IMF, *World Economic Outlook Database*, April 2022, <https://www.imf.org/en/Publications/WEO/weo-database/2022/April/weo-report>.

¹⁵² Martin Neil Baily, Barry Bosworth, and Siddhi Doshi, *Productivity Comparisons: Lessons from Japan, the United States, and Germany*, Brookings Institution, January 2020.

¹⁵³ Randall S. Jones and Haruki Seitani, *Labour Market Reform in Japan to Cope with a Shrinking and Ageing Population*, OECD Economics Department Working Papers No. 1568, September 16, 2019.

¹⁵⁴ McKinsey Global Institute, *The Future of Japan: Reigniting Productivity and Growth*, March 2015.

¹⁵⁵ Andrew Gordon, "New and Enduring Dual Structures of Employment in Japan: The Rise of Non-Regular Labor, 1980s-2010s," *Social Science Japan Journal*, vol. 20, no. 1 (February 10, 2017), pp. 9-36.

¹⁵⁶ *Ibid.*

nonregular workers receive “equal pay for equal work,” but enforcing such provisions has proven a challenge.¹⁵⁷ A related challenge, which may also help explain Japan’s sluggish wage growth despite its tight labor market, is the disparity in productivity between firms, which is among the highest in the OECD.¹⁵⁸

Former Prime Minister Abe attempted to tackle a number of these domestic challenges through a three-pronged economics program known as “Abenomics.” The program’s three components or “arrows” consisted of expansionary monetary policy, flexible fiscal stimulus, and structural reforms. The BoJ has deployed unprecedented levels of monetary stimulus, including quantitative easing through massive purchases of government bonds and the use of negative interest rates to encourage lending. Government spending under Abe was also largely stimulative, but some observers argue that consumption tax increases in 2014 and 2019 put unnecessary strain on a still weak economy.¹⁵⁹ The Abe government also made some progress on structural reforms, including in the energy and agriculture sectors and in corporate governance, and sought to spur productivity by opening the Japanese marketplace to greater international competition, lowering tariff and nontariff barriers through a series of trade agreements. Another key component focused on “womenomics,” or boosting economic growth through policies to encourage the participation and advancement of women in the workforce (see **text box**).¹⁶⁰

¹⁵⁷ Makiko Inoue and Ben Dooley, “A Job for Life, or Not? A Class Divide Deepens in Japan,” *New York Times*, November 27, 2020.

¹⁵⁸ OECD, *Insights on Productivity and Business Dynamics: Japan*, March 2020.

¹⁵⁹ Mike Bird, “Japan’s Third Sales-Tax Blunder Must be Its Final Mistake,” *Wall Street Journal*, February 17, 2020.

¹⁶⁰ See CRS Report R43668, “*Womenomics*” in Japan: *In Brief*, by Emma Chanlett-Avery and Rebecca M. Nelson.

Mixed Success of “Womenomics”

A key component of the third arrow in Abe’s economic reform focused on “womenomics,” or boosting economic growth through reforms and policies to encourage the participation and advancement of women in the workforce.¹⁶¹ Japan lags behind many other high-income countries in gender equality and continues to underutilize the potential of its female labor force. Women were also disproportionately affected by employment cuts in response to the pandemic, as they are highly over-represented among Japan’s nonregular workers.¹⁶² To advance “womenomics,” the government has proposed or implemented a number of policies, such as expanding the availability of day care. Japan’s overall female participation rate in the labor force increased from 48% in 2012 to 53% in 2021.¹⁶³

Despite some progress, a dearth of women in top management and government positions has left many disappointed in the results.¹⁶⁴ Japan’s position in the World Economic Forum’s national rankings of gender equality remains low—116th out of 146 countries in 2022.¹⁶⁵ Japan fared worse in political empowerment rankings (139th), reflecting the relatively low number of female legislators and high-ranking government officials. According to the OECD, in 2021 women occupied 12.6% of board seats across major Japanese companies, compared to 29.7% in the United States.¹⁶⁶ Japan’s pay differential or gender wage gap at 22.1% was the third-highest in the OECD in 2021, which researchers attribute largely to lack of female leadership in the workplace.¹⁶⁷ In May 2022, Prime Minister Kishida announced plans to require large companies to disclose their gender wage gaps as part of efforts to improve transparency and address disparities.¹⁶⁸

Overall, the program appears to have had moderate success, primarily by halting deflation. Price levels exceeded their previous 1998 peak for the first time in recent years (see **Figure 4**).¹⁶⁹ In addition, during Abe’s tenure the labor force participation rate increased as additional workers, especially women, joined the labor force, despite a declining working age population (see **Figure 5**). In 2019, the unemployment rate fell to 2.4%, its lowest levels in more than 25 years, and increased slightly to 2.8% since the pandemic.¹⁷⁰ Some analysts also credit the program with injecting optimism into Japan’s economy after its decades-long period of sluggish economic growth coupled with its demographic challenges had given rise to a narrative of Japan as a nation in decline.¹⁷¹

¹⁶¹ See CRS Report R43668, “Womenomics” in Japan: In Brief, by Emma Chanlett-Avery and Rebecca M. Nelson.

¹⁶² Japan’s labor survey found that 54% of women are employed as nonregular workers compared to 22% of men in 2021. Mari Ishibashi and Rei Nakafuji, “Women Bear Brunt of Japan’s Pandemic Job Losses,” *Nikkei Asia*, September 7, 2020. Statistics Bureau of Japan, *Labor Force Survey*, “2021 Yearly Average Results,” February 1, 2022, <https://www.stat.go.jp/english/data/roudou/results/annual/ft/index.html>.

¹⁶³ World Bank, *World Development Indicators*, <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS>.

¹⁶⁴ Motoko Rich and Hisako Ueno, “Shinzo Abe Vowed Japan Would Help Women ‘Shine.’ They’re Still Waiting,” *New York Times*, September 13, 2020.

¹⁶⁵ World Economic Forum, *The Global Gender Gap Report 2022*, July 13, 2022.

¹⁶⁶ Eiki Hayashi and Kohei Yamada, “Japan Falls Behind on women in Boardrooms as Europe Makes Strides,” *Nikkei Asia*, June 9, 2022.

¹⁶⁷ OECD, *OECD Data*, <https://data.oecd.org/earnwage/gender-wage-gap.htm>; Kazuo Yamaguchi, “Japan’s Gender Gap,” *Finance and Development*, March 2019.

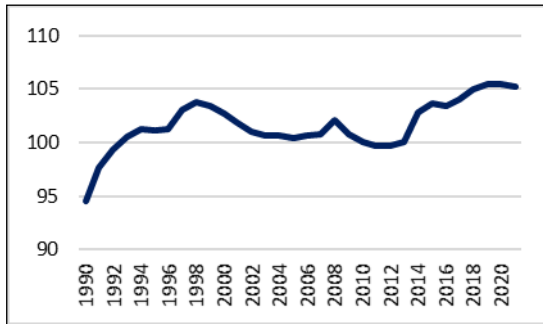
¹⁶⁸ Takashi Tsuji, “Japan to Make Big Companies Report Gender Pay Gaps,” *Nikkei Asia*, May 20, 2022.

¹⁶⁹ Price level data from IMF, *World Economic Outlook Database*, October 2020.

¹⁷⁰ Unemployment rate data from World Bank, *World Development Indicators*, <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=JP>.

¹⁷¹ See, for example, “Abe Shinzo Has Left an Impressive Legacy,” *Economist*, September 3, 2020.

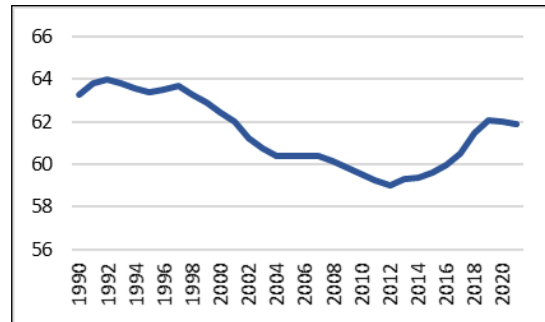
Figure 4. Consumer Price Index: Japan
(index, 2010 = 100)



Source: International Monetary Fund, International Financial Statistics.

Notes: Cost to the average consumer of acquiring a basket of goods and services with index year set to 2010.

Figure 5. Labor Force Participation Rate: Japan



Source: World Bank, World Development Indicators.

Notes: Annual percentage of population above age 15 in the labor force.

Many analysts agree, however, that further structural reforms remain vital for Japan to maintain its standard of living in the face of persistent demographic challenges.¹⁷² To mitigate these challenges and enhance economic growth, the International Monetary Fund, for example, has recommended prioritizing (1) labor market reforms aimed at increasing participation among women, older workers, and foreigners, and reducing distortive effects of Japan’s two-tier labor market system by providing more training for nonregular workers; (2) reforms to increase long-term productivity growth (such as deregulation aimed at facilitating expansion of higher productivity small- and medium-sized enterprises and exit of poor-performing firms); and (3) continued reduction of tariff and nontariff barriers.¹⁷³ The COVID-19 pandemic in particular has further highlighted the structural inequities in the Japanese labor market: Women, young, and nonregular workers who remain overrepresented in vulnerable industries were hit particularly hard.¹⁷⁴

Prime Minister Kishida has pledged to correct for the perceived shortcomings of Abenomics with a focus on a “new form of capitalism” aimed toward reducing social disparities and driving broad-based growth in the economy.¹⁷⁵ His plan calls for more investment in human capital and expanded support of innovation and startups, as well as efforts to decarbonize the economy and advance digitalization. While the response to the economic fallout from the COVID-19 pandemic remains at the forefront, Kishida has emphasized economic priorities including supply chain

¹⁷² The IMF, for example, estimates that Japan could offset up to 60% of the expected slowdown in its GDP growth resulting from its aging and shrinking population by continuing and deepening structural reforms. IMF, *Japan: 2019 Article IV Consultation Staff Report*, February 2020, p. 36.

¹⁷³ Ibid.

¹⁷⁴ Shinya Kotera and Jocen M. Schmittmann, *The Japanese Labor Market During the COVID-19 Pandemic*, IMF, May 2022.

¹⁷⁵ Kana Inagaki and Leo Lewis, “Fumio Kishida Pledges to Steer Japan Away from Abenomics,” *Financial Times*, October 14, 2021; Yuko Takeo, “Japan’s Kishida Seeks Fresh Growth via ‘New Capitalism’ Plan,” *Bloomberg*, May 31, 2022.

security (for which he created a new ministerial economic security post), improvements in the use of digital technologies, and green growth.¹⁷⁶

U.S. Tariffs Modified Under the Biden Administration

Unilateral tariff increases on several significant U.S. imports from Japan imposed during the Trump Administration remain in place under the Biden Administration with some modifications.¹⁷⁷ In 2018, President Trump announced tariffs of 25% and 10% on certain U.S. steel and aluminum imports, respectively.¹⁷⁸ The tariffs, imposed under Section 232 of the Trade Expansion Act of 1962 on the premise that such imports threaten U.S. national security, drew criticism from Japan (the fifth-largest supplier of affected U.S. steel imports in 2020) given its close security relationship with the United States. Japan did not retaliate against the tariff actions, in contrast to other trading partners including the EU and China. Japan, however, appeared to be a relatively significant beneficiary of the Department of Commerce’s product exclusion process, which allowed U.S. importers to petition the government for tariff relief on individual products from specific countries.¹⁷⁹ Bilateral tensions heightened further when President Trump also declared auto imports, including from Japan, a national security threat, but the U.S. government ultimately refrained from imposing additional tariffs.¹⁸⁰

The Biden Administration has expressed preference for multilateral solutions to the economic issues the Trump Administration sought to address through its tariff actions, including overcapacity in the global steel market, while acknowledging that tariffs are a legitimate and at times necessary U.S. trade policy tool.¹⁸¹ In February 2022, the Biden Administration reached an agreement with Japan to partly lift the Section 232 tariffs through a tariff-rate quota, which exempts up to 1.25 million metric tons of Japanese steel annually from the 25% tariff.¹⁸²

Japanese exports of washing machines and solar panels were also subject to additional temporary U.S. safeguard tariffs imposed under Section 201 of the Trade Act of 1974 to address serious or threatened serious injury from these imports to domestic industries. U.S. safeguards on large washers are currently in effect through 2023. In February 2022, President Biden extended the safeguard tariffs on solar products, with some product exclusions, for four years until 2026.¹⁸³

¹⁷⁶ Japan Cabinet Secretariat, “Policy Speech by Prime Minister Kishida Fumio to the 205th Session of the Diet,” October 8, 2021.

¹⁷⁷ CRS Report R45529, *Trump Administration Tariff Actions: Frequently Asked Questions*, coordinated by Brock R. Williams.

¹⁷⁸ CRS Report R45249, *Section 232 Investigations: Overview and Issues for Congress*, coordinated by Rachel F. Fefer and Vivian C. Jones.

¹⁷⁹ According to analysis by the Mercatus Center, in 2019, more petitions for exemptions on imports from Japan were filed and approved than for any other country. Mercatus Center, *Investigating Product Exclusion Requests for Section 232 Tariffs: An Update*, August 21, 2019, <https://www.mercatus.org/investigating-section-232-an-update>.

¹⁸⁰ Trump White House, “Adjusting Imports of Automobiles and Automobile Parts into the United States,” May 17, 2019, <https://trumpwhitehouse.archives.gov/presidential-actions/adjusting-imports-automobiles-automobile-parts-united-states/>. President Trump directed USTR to seek a negotiated solution with Japan and appeared to use the threat of potential tariffs as leverage in broader trade talks with Japan, which concluded in 2019.

¹⁸¹ U.S. Congress, Senate Finance Committee, Hearing to Consider the Nomination of Katherine C. Tai to be United States Trade Representative, with the rank of Ambassador Extraordinary and Plenipotentiary: Questions for the Record (“Nomination Hearing”), 117th Cong., 1st sess., February 25, 2021.

¹⁸² Department of Commerce, “Raimondo, Tai Statements on 232 Tariff Agreement with Japan,” press release, February 7, 2022.

¹⁸³ The White House, “A Proclamation to Continue Facilitating Positive Adjustment to Competition from Imports of

U.S.-Japan Trade Negotiations

After facing potential Section 232 auto tariffs, Japan agreed to enter into negotiations with the United States on a bilateral trade agreement. In October 2019, the United States and Japan signed two agreements: the U.S.-Japan Trade Agreement (USJTA), which provides for limited tariff reductions and quota expansions to improve market access, and the U.S.-Japan Digital Trade Agreement. The agreements, which took effect in January 2020, without formal action by Congress, constituted what the Trump and Abe Administrations described as “stage one” of a broader U.S.-Japan trade agreement, but further talks did not materialize.

The USJTA commitments cover about 5% of bilateral trade. Under its provisions, the United States is reducing tariffs on mostly industrial goods and certain Japanese niche agricultural products. Japan is reducing or eliminating tariffs on about 600 agricultural tariff lines, such as beef, pork, and cheese, and expanding preferential tariff-rate quotas (which permit access for a specified quantity at a specified tariff rate). Opening Japan’s highly protected agriculture sector (the fourth-largest U.S. agriculture market in 2021) and reaching parity with exporters from Japan’s FTA partners were key drivers of the agreement for the United States.¹⁸⁴ The USJTA does not cover trade in motor vehicles, a driver of the U.S. bilateral trade deficit and long-standing area of bilateral tension.¹⁸⁵ The agreement on digital trade, an area in which the two countries have broadly similar goals, largely reflects the digital trade rules in the 2020 U.S.-Mexico-Canada Agreement.

The limited scope agreement was a significant shift in approach from recent U.S. FTAs, which typically involve one comprehensive negotiation. The Trump Administration used delegated tariff authorities in Trade Promotion Authority (TPA) to proclaim the tariff provisions, while treating the digital trade agreement, which did not require changes to U.S. law, as an Executive Agreement.¹⁸⁶ Some Members of Congress and U.S. stakeholders raised questions regarding the congressional role in approving trade agreements and urged second-stage talks to achieve a comprehensive deal.¹⁸⁷ Expedient reduction of Japan’s agricultural tariffs, however, was widely supported in Congress and by some U.S. agriculture stakeholders given growing concerns that Japan’s other trade agreements disadvantage U.S. exports.¹⁸⁸ At the same time, many industries expressed concerns about the extent of USJTA’s new market access or lack of attention to other key issues typically covered in comprehensive FTAs.

Certain Crystalline Silicon Photovoltaic Cells (Whether or Not Partially or Fully Assembled into Other Products),” February 4, 2022.

¹⁸⁴ Responses for Questions for the Record for Ambassador Robert Lighthizer, in U.S. Congress, Senate Committee on Finance, *The President’s 2019 Trade Policy Agenda and the United States-Mexico-Canada Agreement*, hearings, 116th Cong., 2nd sess., June 18, 2019, p. 25, <https://www.finance.senate.gov/hearings/the-presidents-2019-trade-policy-agenda-and-the-united-states-mexico-canada-agreement>.

¹⁸⁵ The Administration declined to take action on Section 232 tariffs on Japanese auto imports, which some analysts link to Japan’s concessions in the USJTA, although the agreement itself is silent on the issue. See “Joint Statement of the United States and Japan,” September 26, 2018, <https://www.mofa.go.jp/mofaj/files/000405449.pdf>.

¹⁸⁶ TPA provides for the expedited consideration of trade agreement implementing legislation if the agreement makes progress toward achieving negotiating objectives and the Administration adheres to certain notification and consultation requirements. For more information, see CRS In Focus IF10038, *Trade Promotion Authority (TPA)*, by Cathleen D. Cimino-Isaacs and Christopher A. Casey.

¹⁸⁷ U.S. Congress, House Ways and Means Subcommittee on Trade, *U.S.-Japan Trade Agreements*, hearings, 116th Cong., 2nd sess., November 20, 2019.

¹⁸⁸ “U.S. Business Groups Laud Initial U.S.-Japan Deal, Press for More Talks,” *Inside U.S. Trade*, September 26, 2019.

Japan has continued to enter trade agreements with its other trading partners. Following U.S. withdrawal from the TPP in 2017, Japan led efforts among the remaining 11 countries to conclude the CPTPP, which took effect in December 2018 for Japan. Japan’s FTA with the EU, which went into effect soon after in 2019, is to eventually remove nearly all tariffs, including for example the EU’s 10% auto tariff.¹⁸⁹ In addition, in early 2022, the Regional Comprehensive Economic Partnership entered into force and will lower trade barriers among Japan and 14 other Asian members, including China.¹⁹⁰ Some experts and Members of Congress see the advancement of mega-regional trade deals without U.S. participation as limiting U.S. economic and strategic influence in the Asia-Pacific. Other stakeholders and Members have supported the United States not participating in agreements such as the CPTPP.¹⁹¹ Those concerned over limited U.S. influence contend, moreover, that following TPP withdrawal, the United States failed to present an alternative economic strategy in the region.¹⁹² While Japan continued to urge the United States to consider joining the CPTPP, the Biden Administration has currently expressed no such interest.

In May 2022, Japan joined 13 other countries as an inaugural negotiating partner in the U.S.-led IPEF initiative. IPEF appears to be the Administration’s response to urging from policymakers, stakeholders, and U.S. allies such as Japan for the United States to advance a more robust trade agenda in the region.¹⁹³ IPEF will not take the form of a traditional comprehensive U.S. FTA and instead involves commitments in four separate “pillars” covering (1) select trade issues (e.g., labor, environment, digital trade, trade facilitation); (2) supply chains; (3) infrastructure and decarbonization; and (4) tax and anti-corruption. IPEF members held their first in-person ministerial meeting in September 2022.¹⁹⁴ The Biden Administration has said it sees the potential agreement as attracting a broad base of U.S. domestic support, which it argues was missing from the TPP.¹⁹⁵ Unlike U.S. FTAs, IPEF will not cover tariffs and comprehensive market access provisions. The Administration has also suggested that IPEF is to take the form of executive agreements, which has prompted concern among some Members who say that the Administration is potentially circumventing “congressional input, authority, and approval.”¹⁹⁶ In December 2022, a group of Members of the Senate Finance Committee asserted that Congress must have a role in approving any future IPEF agreement as it aims to regulate foreign commerce and reshape international trade flows.¹⁹⁷ Some Members of Congress and stakeholders support IPEF as an

¹⁸⁹ CRS In Focus IF11099, *EU-Japan FTA: Implications for U.S. Trade Policy*, by Cathleen D. Cimino-Isaacs.

¹⁹⁰ CRS In Focus IF11891, *Regional Comprehensive Economic Partnership (RCEP)*, coordinated by Cathleen D. Cimino-Isaacs.

¹⁹¹ See U.S. Congress, House Committee on Ways and Means, *Biden Administration’s 2022 Trade Policy Agenda*, hearing, 117th Cong., 2nd sess., March 30, 2022; and U.S. Congress, Senate Committee on Finance, *The President’s 2022 Trade Policy Agenda*, hearing, 117th Cong., 2nd sess., March 31, 2022; Keigh Johnson, “While Trump Builds Tariff Walls, Asia Bets on Free Trade,” *Foreign Policy*, November 1, 2019; Peter A. Petri and Michael G. Plummer, “RCEP: A New Trade Agreement That Will Shape Global Economics and Politics,” *Brookings Order From Chaos* blog, November 16, 2020.

¹⁹² See, for example, Daniel W. Drezner, “The Policy Gap in the Indo-Pacific,” *Washington Post*, January 12, 2022.

¹⁹³ See, for example, Joshua P. Meltzer, “The High Stakes Indo-Pacific Economic Framework,” *East Asia Forum*, April 9, 2022.

¹⁹⁴ USTR, “United States and Indo-Pacific Economic Framework Partners Announce Negotiation Objectives,” press release, September 9, 2022.

¹⁹⁵ White House, “On-the-Record Press Call on the Launch of the Indo-Pacific Economic Framework,” May 23, 2022.

¹⁹⁶ Letter from Rosa DeLauro, Member of Congress, et al. to Katherine Tai, United States Trade Representative; Gina Raimondo, Secretary of Commerce; Antony Blinken, Secretary of State; and Jake Sullivan, National Security Advisor, August 1, 2022.

¹⁹⁷ Letter from Sen. Ron Wyden, Chairman, Senate Committee on Finance, et al. to President Biden, December 1, 2022.

opportunity for the United States to take a lead role in establishing updated trade and economic rules in partnership with key partners in the region. At the same time, some observers have raised concerns over IPEF's potential lack of substantive commitments, including in market access, and overall ambition to deepen economic linkages.¹⁹⁸ Japan and IPEF partner countries have generally welcomed U.S. engagement via the framework but also voiced various concerns and hopes for the agreement.¹⁹⁹

The Biden Administration is concurrently pursuing other bilateral initiatives and economic engagement with Japan. It announced a new Competitiveness and Resilience (CoRe) Partnership with Japan during the April 2021 bilateral summit, which is to focus on cooperation in technological innovation.²⁰⁰ The Administration also launched a cooperative U.S.-Japan Partnership on Trade to advance collaboration and engagement on common areas of interest and address specific trade issues.²⁰¹ The Administration has emphasized the importance of working with allies such as Japan to meet the challenges posed by China. The United States, European Union, and Japan recently renewed trilateral talks, which had been held intermittently since 2018, "to address the global challenges posed by non-market policies and practices of third countries that undermine and negatively affect our workers and businesses."²⁰²

Energy and Climate Issues

Unlike security cooperation, which has reflected continuity across recent U.S. and Japanese governments, U.S.-Japan cooperation on energy, climate, and other environmental issues has been more prone to changing priorities by U.S. and Japanese political leaders.

Energy

Enhancing energy security is a high priority for Japan's policymakers. The country's archipelagic geography and vulnerability to natural disasters, limited domestic energy sources, and under-connected energy transmission infrastructure make it vulnerable to energy supply and transmission disruptions. Japan's reliance on imported oil and natural gas for more than 90% of its energy needs has led policymakers to seek to diversify the country's energy sources.²⁰³

¹⁹⁸ See U.S. Congress, House Committee on Ways and Means, *Biden Administration's 2022 Trade Policy Agenda*, hearing, 117th Cong., 2nd sess., March 30, 2022; and U.S. Congress, Senate Committee on Finance, *The President's 2022 Trade Policy Agenda*, hearing, 117th Cong., 2nd sess., March 31, 2022. Also Robert Atkinson, "Biden's Indo-Pacific Framework Is a Paradigm Shift," *Foreign Policy*, July 1, 2022; Wendy Cutler and Daniel M. Price, *The Debate Papers: Is the IPEF Glass Half Full or Glass Half Empty*, United States Studies Centre, August 2022; Inu Manak, "Unpacking the IPEF: Biden's First Big Trade Play," Council on Foreign Relations, June 8, 2022; and James Crabtree, "Biden and Xi Struggle to Compete in Asia," *Foreign Policy*, May 11, 2022.

¹⁹⁹ Tobias Harris and Trevor Sutton, "Biden's Economic Plan Leaves Asian Leaders Wanting More," *Foreign Policy*, May 27, 2022; Matthew P. Goodman and Aidan Arasasingham, *Regional Perspectives on the Indo-Pacific Economic Framework*, Center for Strategic and International Studies, April 2022.

²⁰⁰ The White House, *Fact Sheet: U.S.-Japan Competitiveness and Resilience (CoRe) Partnership*, April 16, 2021.

²⁰¹ USTR, "Readout of the First Round of Meeting of the U.S.-Japan Partnership on Trade," March 1, 2022.

²⁰² USTR, "Joint Statement of the Trade Ministers of the United States, Japan, and the European Union After a Trilateral Meeting," November 30, 2021.

²⁰³ International Energy Agency, *Japan 2021: Energy Policy Review*, p. 30; Rock Swift and Yuka Obayashi, "Explainer: Why Japan's Power Sector Depends So Much on LNG," Reuters, March 9, 2022.

The United States and Japan convene several energy-focused dialogues and initiatives.²⁰⁴ These aim to promote shared energy security, accelerate “the clean energy transition” in both countries, and facilitate public-private efforts to provide access to “affordable, clean, and reliable energy” in third countries, particularly in Southeast Asia and the Pacific Islands.²⁰⁵

Nuclear Energy

Japan is undergoing a national debate over the future of nuclear energy, with major implications for Japan’s energy diversification efforts, U.S. businesses operating in Japan, and nuclear safety and nonproliferation measures worldwide. In 2010, nuclear power was providing roughly 30% of Japan’s power generation capacity, with the Japanese government aspiring to increase that share to as much as 40% by 2030.²⁰⁶

However, the policy to further expand nuclear power was abruptly reversed in the aftermath of the March 11, 2011, natural disasters and meltdowns at the Fukushima Dai-ichi nuclear power plant (see text box, below). Public trust in the safety of nuclear power collapsed, and a vocal antinuclear political movement emerged.²⁰⁷ This movement tapped into an undercurrent of popular antinuclear sentiment, a legacy of the U.S. atomic bomb attacks on Japan in 1945. Following the disaster, all of the country’s 54 nuclear reactors were shut down until 2015, when some gradually began to come back online. As of October 2022, Japan had 33 operable reactors, with two more under construction.²⁰⁸ The drawdown of nuclear power generation resulted in many short- and long-term consequences for Japan: increased fossil fuel imports; rising electricity costs for residences and businesses; heightened risk of blackouts in the summer; widespread energy conservation efforts by businesses, government agencies, and ordinary citizens; and significant losses for and near-bankruptcy of major utility companies.²⁰⁹

²⁰⁴ These dialogues and initiatives include the Japan-U.S. Energy Security Dialogue (established in 2022), the Japan-U.S. Clean Energy Partnership, the Competitiveness and Resilience (CoRe) Partnership, and the Japan-U.S. Energy and Energy Security Initiative.

²⁰⁵ U.S. Mission Japan, “Japan-U.S. Energy Security Dialogue Joint Statement,” December 8, 2022.

²⁰⁶ Japan Ministry of Economy, Trade and Industry, “New National Energy Strategy (Digest),” May 2006, p. 14.

²⁰⁷ Alexander Brown, *Anti-Nuclear Protest in Post-Fukushima* Tokyo, Routledge Press, 2018.

²⁰⁸ World Nuclear Association, “Nuclear Power in Japan,” updated October 2022.

²⁰⁹ *Nikkei Asian Review*, “Japanese Consumers Will Be Paying for Fukushima for Decades,” December 10, 2016, <https://asia.nikkei.com/Business/Japanese-consumers-will-be-paying-for-Fukushima-for-decades>; Japan Ministry of Economy, Trade, and Industry, “Strategic Energy Plan,” April 2014, p. 10.

Japan's March 2011 "Triple Disaster"

In March 2011, Japan observed the 10th anniversary of what it refers to as the "triple disaster." On March 11, 2011, a magnitude 9.0 earthquake jolted a wide swath of Honshu, Japan's largest island, shifting it eastward approximately eight feet. The quake generated a tsunami that pounded Honshu's northeastern coast, causing widespread destruction. Some 20,000 lives were lost, and entire towns were washed away. Over 500,000 homes and other buildings and around 3,600 roads were damaged or destroyed. Up to half-a-million Japanese people were displaced. Damage to several reactors at the Fukushima Dai-ichi nuclear power plant complex led the government to declare a state of emergency and evacuate nearly 80,000 residents within a 20-kilometer radius due to dangerous radiation levels.

Japan's immediate response to the multifaceted disaster received widespread praise. Over 100,000 SDF troops deployed quickly to the region. After rescuing nearly 20,000 individuals in the first week, the troops turned to a humanitarian relief mission in the displaced communities. Construction of temporary housing began a week after the quake. Japan's preparedness—strict building codes, a tsunami warning system that alerted many to seek higher ground, and years of public drills—likely saved tens of thousands of lives.

Appreciation for the U.S.-Japan alliance among the Japanese public surged after the two militaries worked effectively together to respond to the earthquake and tsunami. Years of joint training and many interoperable assets facilitated the integrated alliance effort. "Operation Tomodachi," using the Japanese word for "friend," was the first time that SDF helicopters used U.S. aircraft carriers to respond to a crisis. The USS *Ronald Reagan* aircraft carrier provided a platform for air operations as well as a refueling base for SDF and Japanese coast guard helicopters. Other U.S. vessels transported SDF troops and equipment to the disaster-stricken areas. For the first time, U.S. military units operated under Japanese command in actual operations.

Since 2015, the Japanese government has aspired for nuclear energy to account for 20%-22% of Japan's power supply by 2030.²¹⁰ Public opinion on the role of nuclear power in Japan remains divisive, however. One 2022 poll suggested that public support for restarting inactive reactors reached 53%, the highest level of support since 2011.²¹¹ Russia's 2022 invasion of Ukraine appears to be shaping debates over nuclear power in Japan, with some arguing that the country should expand nuclear power to reduce dependency on Russian fossil fuel imports and others arguing that Russia's targeting of Ukrainian nuclear facilities demonstrates the vulnerability and danger nuclear reactors present in wartime.²¹² U.S.-Japan cooperation on nuclear energy ranges from technical collaboration (to extend reactor life and ensure a secure fuel supply, for example) to leveraging financial, technical, and commercial tools to expand nuclear power capacity elsewhere in the Indo-Pacific region. "Fully utilizing existing nuclear power" is a goal of the U.S.-Japan "CoRe Partnership," which aims to address climate change and promote green, sustainable global economic growth, according to the White House.²¹³

Natural Gas

Following the "triple disaster" of 2011, natural gas grew as a share of Japan's energy mix. It constitutes approximately one-quarter of Japan's energy mix.²¹⁴ More than 90% of Japan's natural gas consumption comes from liquefied natural gas (LNG) imports.²¹⁵

²¹⁰ Japan Ministry of Economy, Trade, and Industry, "Outline of Strategic Energy Plan," October 2021, p. 12; Japan Ministry of Economy, Trade, and Industry, *Fifth Strategic Energy Plan*, July 2018, p. 32.

²¹¹ Stephen Stapczynski, "Most Japanese Back Nuclear for First Time Since Fukushima," *Bloomberg*, March 27, 2022.

²¹² Dominic Faulder, "Asia's Nuclear Power Dilemma: Ukraine War Drives Energy Turnarounds," *Nikkei Asia*, April 20, 2022.

²¹³ White House, "Fact Sheet: The U.S.-Japan Competitiveness and Resilience (CoRe) Partnership," May 23, 2022.

²¹⁴ Rocky Swift and Yuka Obayashi, "Explainer: Why Japan's Power Sector Depends So Much on LNG," Reuters, March 9, 2022.

²¹⁵ International Energy Agency, "Japan Natural Gas Security Policy," August 18, 2022.

LNG is an area where the United States and Japan claim to have complementary interests. Both governments foresee LNG contributing to their respective energy security needs, and the sector emerged as a priority area of energy cooperation during the Trump and Abe Administrations.²¹⁶ A Clean Energy and Energy Security Initiative established by the two countries in 2022 aims to, among other things, promote stable and sufficient energy supply through LNG.²¹⁷ Japan was the third-largest destination for U.S. LNG exports in 2021,²¹⁸ while the United States is the world's third-largest LNG exporter, set to become the top exporter by 2025.²¹⁹ Japanese companies are invested in U.S. LNG projects, and Japan is increasing its imports of U.S. LNG. Since 2016, Japan has pursued a strategy of trying to establish itself as a regional LNG trading and pricing hub.²²⁰

Climate Change

On climate policy, Tokyo has taken cues on from Washington and shifted its own priorities in response to U.S. pressure.²²¹ During the Obama Administration, Japan and the United States cooperated on a wide range of bilateral and multilateral environmental and climate initiatives. During the Trump Administration, cooperation shifted away from climate change toward regional energy security in service of the two countries' shared interest in a "free and open Indo-Pacific." Facing pressure from the Biden Administration, Japan since 2021 has embraced more ambitious climate-related targets, and leaders from both countries have signaled that cooperation on the "climate crisis" is "a pillar of the U.S.-Japan bilateral partnership."²²² In 2021, Washington and Tokyo announced a "U.S.-Japan Climate Partnership" to "reinforce" existing cooperation in several "priority areas" such as climate finance, advanced clean energy technology development, and supply chain resilience and diversity "to support energy security and the clean energy transition."²²³

Japan's 2021 Nationally Determined Contribution to global climate actions notes that the country "aims to reduce its greenhouse gas emissions by 46 percent" by FY2030 (from 2013 levels) and aims to realize carbon neutrality by 2050.²²⁴ Climate Action Tracker, an international research consortium that rates countries' progress toward the Paris Agreement goal of "holding warming well below 2°C, and pursuing efforts to limit warning to 1.5°C," rated Japan "insufficient" in 2021 and 2022, a slight improvement from "highly insufficient" ratings in previous years.²²⁵

²¹⁶ "U.S., Japan to Cooperate on LNG Projects Throughout Asia," *Natural Gas Intelligence*, April 24, 2018.

²¹⁷ White House, "Fact Sheet: The U.S.-Japan Competitiveness and Resilience (CoRe) Partnership."

²¹⁸ U.S. Energy Information Administration, "U.S. Natural Gas Exports and Re-Exports by Country," data release 10/31/2022, https://www.eia.gov/dnav/ng/ng_move_expc_s1_a.htm.

²¹⁹ International Energy Agency, *Gas 2020: 2021-2025: Rebound and Beyond*, June 2020, <https://www.iea.org/reports/gas-2020/2021-2025-rebound-and-beyond>.

²²⁰ Japan Ministry of Economy, Trade and Industry, "METI Publicized the Strategy for LNG Market Development at the G7 Energy Ministerial Meeting in Kitakyushu," May 2, 2016; Yohei Katakawa, "U.S.-Japan Cooperation Under the 'Free and Open Indo-Pacific' and Japan's Energy Security," Council on Foreign Relations CogitAsia Blog, April 9, 2019; Jiji, "LNG Production Begins in U.S. Project Financed by Mitsui, Mitsubishi and Others," May 15, 2019.

²²¹ Florentine Koppenborg and Ulv Hanssen, "A Turning Point for Japan-US Climate Cooperation?" *The Diplomat*, October 8, 2021.

²²² U.S. Department of State, "U.S.-Japan Joint Statement," August 31, 2021.

²²³ U.S. Department of State, "Fact Sheet: U.S.-Japan Climate Partnership," May 23, 2022.

²²⁴ UN Framework Convention on Climate Change, "Japan's Nationally Determined Contribution (NDC)," 2021.

²²⁵ Climate Action Tracker, "Japan," <https://climateactiontracker.org/countries/japan/>.

Japanese Politics

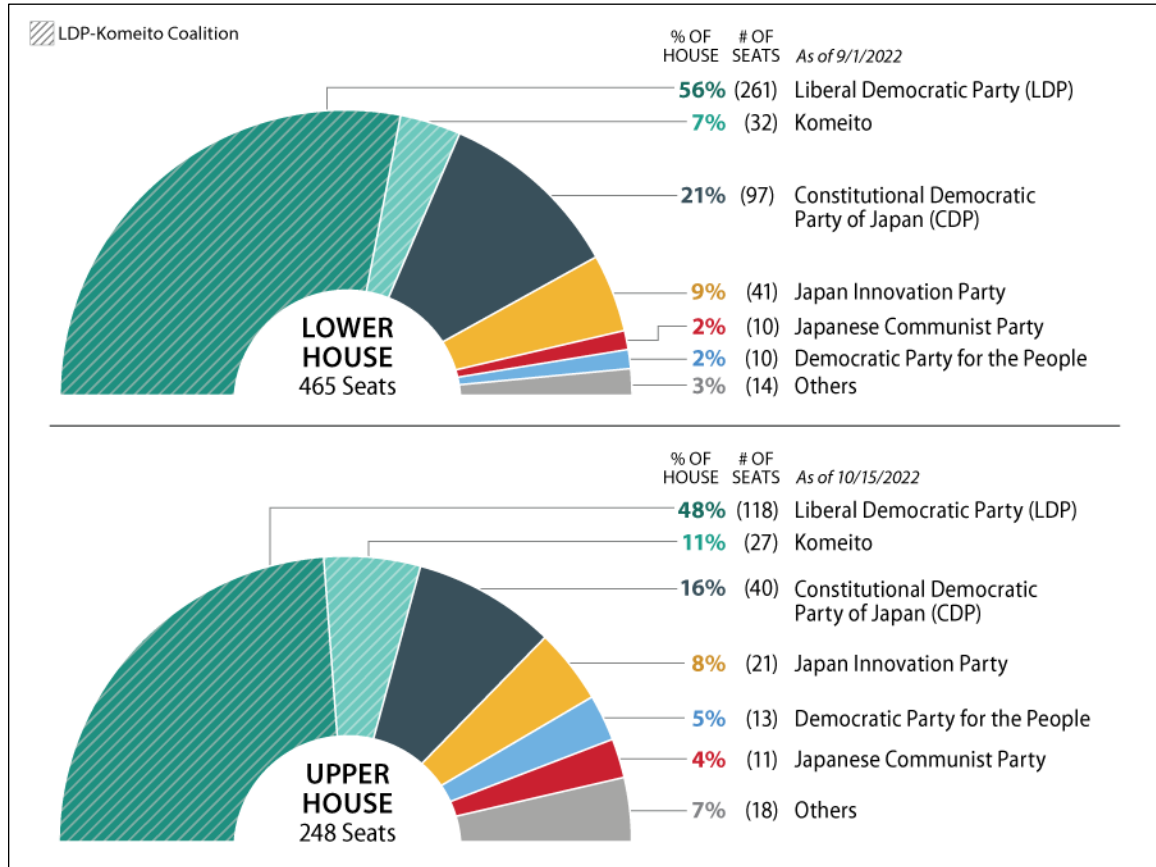
The LDP Coalition's Control over the Diet

Since 2012, the locus of Japanese politics has been centered in the dynamics within Japan's ruling LDP and its smaller coalition partner, the Komeito party. (The coalition has won every parliamentary election since December 2012. Since that time, Japan's opposition parties have generally struggled to reach double digits in many public opinion polls.) Prime Minister Kishida's LDP enjoys a dominant position in the Japanese political world. With Komeito, the LDP holds nearly two-thirds of the seats in the Lower House of Japan's Diet and nearly 60% of the seats in the Upper House. (See **Figure 6** for a display of major parties' strength in Japan's parliament.) The LDP has been in this position of parliamentary supremacy since former Prime Minister Abe led it back into power in December 2012. Since then, the LDP, in coalition with the Komeito party, has won victories in seven consecutive parliamentary elections in July 2013, December 2014, July 2016, October 2017, July 2019, October 2021, and July 2022. The last two wins occurred under the leadership of Kishida, whom the LDP selected as party leader in September 2021.

Since 1955, the LDP has ruled Japan for all but about four years. Its most recent, and longest, time out of power was in 2009-2012, when the left-of-center Democratic Party of Japan (DPJ) ruled the country. Japan's political stability since 2012 stands in contrast to the turmoil of the 2007-2012 period, when the premiership changed hands six times in those six years, and no party controlled both the Lower and Upper Houses of the parliament for more than a few months.

Figure 6. Party Affiliation in the Japanese Diet (Parliament)

The LDP and Its Partner, Komeito, Control the Lower House, Which Elects the Prime Minister.



Source: Japan's Lower and Upper Houses of the Diet.

The LDP's reliance on Komeito to maintain its political dominance extends beyond the latter party's crucial Upper House seats, which give the coalition a majority in that chamber. Komeito is a political offshoot of the Soka Gakkai Buddhist movement that is able to mobilize its followers into a reliable voter bloc in many electoral districts. According to one estimate, by 2019 the organization was providing 5%-20% of the votes for each LDP candidate.²²⁶ Komeito's outsized political importance also manifests itself on selected security issues, given Soka Gakkai's pacifist leanings. Komeito arguably influenced former Prime Minister Abe to water down a number of the provisions of his 2014 reforms allowing Japan to participate in collective self-defense activities. Komeito's more pacifist tendencies also appeared to have complicated Abe's unsuccessful efforts to revise Japan's constitution, particularly its pacifist-oriented Article 9. Ultimately, Abe was unable to realize these reforms during his nearly eight years in office.²²⁷

²²⁶ Editorial Board, "Abe's Dominance Belies Japan's Weak Politics," *East Asia Forum*, July 15, 2019.

²²⁷ Any attempt to change the constitution would have to surmount other formidable political and procedural hurdles. A constitutional revision requires a two-thirds vote in each Diet chamber followed by approval in a nationwide referendum. Decisions about priorities will also likely take time, because there are calls to amend a number of other provisions of the constitution, which was written by the United States during the U.S. occupation of Japan in 1946 and has never been changed. Furthermore, any constitutional changes passed by the Diet must also be approved by a majority in a nationwide referendum, and many opinion polls show the Japanese public to be skeptical about the need

Revising the constitution has been a long-standing goal of Japanese conservatives, who have come to dominate the LDP. Many of these politicians in the LDP's dominant wing are also known for advocating nationalist (and in some cases ultra-nationalist) views that many argue embrace a revisionist view of Japanese history that rejects the narrative of Imperial Japanese aggression and victimization of other Asians in the first half of the 20th century.²²⁸ In contrast, Kishida is generally not associated with the LDP's nationalist wing and, prior to seeking the premiership in 2021, had tended to advocate a more dovish approach to foreign and defense policy matters. However, as with many LDP members of parliament, Kishida is a member of Nippon Kaigi Kyokai, a group that contends Japan should be applauded for liberating much of East Asia from Western colonial powers in the 20th century, that the 1946-1948 Tokyo War Crimes tribunals were illegitimate, and that the killings by Imperial Japanese troops during the 1937 "Nanjing massacre" were exaggerated or fabricated.²²⁹

Japan's Main Opposition Parties

Since 2012, Japan's opposition parties have generally struggled to reach double digits in many public opinion polls, compared to over 30% for the LDP. In general, disarray among Japan's opposition parties has arguably contributed to the LDP-Komeito coalition's electoral success since the center-left DPJ lost power in December 2012. The DPJ subsequently split, and one of its successor parties, the Constitutional Democratic Party, has been the largest opposition party since 2019. Another opposition grouping, the center-right Nippon Ishin (Japan Innovation) Party, which has strong roots in the Osaka-Kyoto region, increased its seat total in the July 2022 Upper House election. Its members, along with those of the smaller Democratic Party for the People, have supported revising the constitution and a more robust defense policy. In the future, they could potentially provide the LDP with additional votes to offset the possible loss of Komeito votes on those issues.

Popular Views on Japan's Security

Public opinion polls in Japan reveal a citizenry that is considerably more concerned about threats to Japan but still reluctant to drastically revise Japan's approach to security. In one poll, just over one-third of respondents favored increasing defense spending to 2% of GDP, in contrast to the enthusiasm among many Japanese politicians.²³⁰ Another poll showed just over half supporting some increase in the defense budget.²³¹ Further, the LDP's coalition partner, the Komeito party, has expressed major reservations about shifting to more security activism.²³²

for a revision, particularly of Article 9.

²²⁸ See, for example, Jeff Kingston, "Abe's Revisionism and Japan's Divided War Memories," *Japan Times* commentary, August 22, 2015.

²²⁹ Aurelia George Morgan, "Abe's Cabinet Reshuffle," *East Asia Forum*, September 4, 2019; "Suga Cabinet Members in Right-Wing Diet Groups," *Akahata*, September 21, 2020, translated by Japan Media Highlights.

²³⁰ "Japan's Ruling LDP Holds Highest Pre-Election Support at 28%: Poll," *Japan Times*, June 29, 2022.

²³¹ "Concerned Public, Not Gaiatsu, Now Drives Strong Security Policies," *Yomiuri Shimbun*, June 11, 2022.

²³² Brad Glosserman, "Understanding Japan's Defense Debate," *PacNet*, Pacific Forum, September 2022.

Shinzo Abe's Legacy

The July 2022 assassination of former Prime Minister Abe sent shockwaves through Japan and the world. Abe was credited with bringing unusual stability to Japanese politics and foreign policy, was known as a key architect of the “Free and Open Indo-Pacific” concept—much of which the United States subsequently adopted as its own policy—and a champion of the TPP trade agreement. After resigning in 2020, he remained politically active, pushing for Japan to increase its defense spending, acquire more advanced military capabilities, and take a more assertive stance toward China, especially its threats to Taiwan—all moves widely supported by the United States.

Abe was a stalwart supporter of the U.S.-Japan alliance who worked closely with Presidents Obama and Trump to strengthen the operational capabilities of the two militaries and align U.S. and Japanese strategies toward the Indo-Pacific. Obama and Abe together made historic visits to Hiroshima (where the United States dropped its first atomic bomb in 1945) and Pearl Harbor (site of the initial Japanese attack on the United States in 1941), and in 2015 Abe became the first Japanese prime minister to address a joint meeting of Congress. Abe developed a close rapport with Trump that sustained the relationship despite the U.S. withdrawal from the TPP, U.S. imposition of tariffs on Japanese steel and aluminum on national security grounds, and Trump's skepticism of alliances. In 2019, Trump and Abe completed two limited trade deals covering some goods and digital trade. (The agreements took effect without formal action by Congress.)

Abe's nationalist views on Japan's history of colonialism and invasion during the first half of the 20th century at times generated controversy in Japan and abroad. Abe was associated with groups and promoted individuals to important posts who rejected the narrative of Japanese aggression and victimization of other Asians. Early in his premiership, some observers voiced concern that his leadership could harm U.S. interests in the region by inflaming historical tensions. Examples include a 2013 visit to the controversial Yasukuni Shrine that honors Japan's wartime dead—including several Class A war criminals—and his suggestion that women forced to provide sex to Imperial Japanese soldiers were not coerced into the military's extensive brothel system. However, Abe generally refrained from major diplomatically inflammatory statements and drew praise for his pragmatic foreign policy. Japan's regional standing and influence generally improved, aside from China and South Korea. During visits to the United States and Australia, Abe made speeches expressing regret for World War II.

Japan's Demographic Challenge

Japan's combination of a low birth rate, strict immigration practices, and a shrinking and rapidly aging population presents policymakers with a significant challenge. Polls suggest that Japanese women are avoiding marriage and childbearing because of the difficulty of combining career and family in Japan: The fertility rate is 1.36, below the 2.1 rate necessary to sustain population size.²³³ Japan's population growth rate is -0.2%, according to the World Bank, and its current population of 126 million is projected to fall to about 102 million by midcentury.²³⁴ Concerns about a huge shortfall in the labor force have grown, particularly as the elderly require more care. The ratio of working-age persons to retirees is projected to fall from 5:2 around 2010 to 3:2 in 2040, reducing the resources available to pay for the government social safety net.²³⁵ Japan's immigration policies have traditionally been strictly limited, limiting one potential source of new workers. In 2019, the Japanese government introduced a new visa policy aiming to attract

²³³ Japan Ministry of Internal Affairs Statistics Bureau, *Statistical Handbook of Japan 2020*, September 2020, p. 16.

²³⁴ World Bank, “Population growth (annual %) – Japan,” 2019 Revision, <https://data.worldbank.org/indicator/SP.POP.GROW?end=2019&locations=JP&start=2011>; World Bank, “Population total – Japan,” 2019 Revision, <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=JP>; Japan Ministry of Internal Affairs Statistics Bureau, *Statistical Handbook of Japan 2020*, September 2020, p. 10.

²³⁵ Lynann Butkiewicz, “Implications of Japan's Changing Demographics,” National Bureau of Asian Research, October 2012.

500,000 foreigners to Japan’s workforce by 2025 but is not on track to meet this goal.²³⁶ Some scholars have raised concerns that the United States may face challenges as its Indo-Pacific allies—especially Japan and South Korea but also Thailand, Australia, and New Zealand—struggle to keep their economies healthy as the labor force declines.²³⁷

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²³⁶ Rebecca Smith and Anita Vukovic, “How Can Japan Meet Its Goal of 500,000 Foreign Workers by 2025? By Contracting Out Labor Mobility Programs,” Center for Global Development, September 12, 2019, <https://www.cgdev.org/blog/contracting-out-labor-mobility-programs>; Jiji, “Japan’s New Visa System on Track to Fall Far Short of Target,” January 21, 2020, <https://www.japantimes.co.jp/news/2020/01/21/national/japans-new-visas-falling-short/>.

²³⁷ Andrew L. Oros, “Biden’s Asian Outreach Reflects the Power of Demographics,” *The Hill*, March 31, 2021, <https://thehill.com/opinion/international/543894-bidens-outreach-to-growing-asian-countries-reflects-the-power-of>.