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Japan-U.S. Relations: Issues for Congress

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SUMMARY

The post-World War II U.S.-Japan alliance has long been the anchor of the U.S. security role in East Asia and the Pacific. The alliance and access to bases in Japan, where about 53,000 U.S. troops are stationed, facilitate the forward deployment of U.S. military forces in the Asia-Pacific, thereby undergirding U.S. national security strategy. The U.S.-Japan alliance and the American nuclear umbrella also give Japan maneuvering room in dealing with its neighbors, particularly China and North Korea. Alliance cooperation has deepened significantly since the September 11, 2001, terrorist attacks.

Trade friction has decreased in recent years, partly because concern about the trade deficit with Japan has been replaced by a much larger deficit with China and the latter's association with concerns about the loss of manufacturing jobs. For 2004 the trade deficit with Japan was about $75 billion, compared with about $164 billion for China.

In October 2001 the Koizumi government gained parliamentary approval of unprecedented legislation permitting the dispatch of Japanese ships and transport aircraft to the Indian Ocean to provide rear-area, noncombat logistical support to U.S. forces engaged in the anti-terrorist campaign in Afghanistan. A small Japanese flotilla supplied about 30% of the fuel needs of U.S. and allied warships from late 2001 through March 2005. The Japanese flotilla since has been reduced to one escort ship. In early 2004 Tokyo sent some 600 noncombat military and reconstruction support to Iraq, despite considerable public opposition.

Japan's stance towards North Korea has hardened, especially since Pyongyang's admission that it kidnapped Japanese citizens in the 1970s and 1980s. North Korea's provocative nuclear sabre-rattling and unresponsive stance on the abductions issue has led Japan generally to support the "hardline" U.S. position in the Six Party Talks in Beijing, and to adopt legislation to permit economic sanctions on North Korea. The Bush Administration supports Japan's bid for a permanent seat on the U.N. Security Council.

Due to its concerns about North Korea and a rising China, Japan is participating in joint research and development of a sea-based missile defense capability and plans to acquire and deploy two separate U.S. systems beginning in 2006. The Koizumi government also has taken steps that could transform Japan into a more "normal" nation in terms of its security posture, including proposing a revision of the anti-war clause (Article 9) of the Constitution that prohibits participation in collective security arrangements.

The U.S. and Japan have announced a sweeping new agreement to strengthen their military alliance, including major force realignment and increased bilateral cooperation that envisions Japan a more active (non-combat) role in contributing to regional and global security, primarily through increased coordination with the U.S. military. Key features of the new arrangement include opening a joint air force operations center, moving 7,000 U.S. Marines from Okinawa to Guam, expanded bilateral cooperation in training and intelligence sharing, and Japan's acceptance of a nuclear-powered aircraft carrier in Yokosuka. The envisioned changes will complement the broader Pentagon strategy of deploying a more streamlined and mobile force in Asia. China has protested the new arrangement.

MOST RECENT DEVELOPMENTS

On December 12, 2005, the Japanese government lifted its ban on imports of U.S. beef. Japan had imposed the ban in December 2003 after the discovery of a case of bovine spongiform encepalopathy (BSE), or "mad-cow" disease, in Washington State. Under new Japanese government regulations, U.S. beef producers will be able to export beef from cattle 20-months or younger.

Prior to traveling to Asia in November 2005, President Bush described Prime Minister Junichiro Koizumi as "one of the best friends that I have in the international arena." During the one-day summit between the two leaders in Kyoto, Japan on November 15, 2005, Prime Minister Koizumi said, "There is no such thing as U.S.-Japan relationship too close.... The U.S.-Japan relationship, the closer, more intimate it is, it is easier for us to behave and establish better relations with China, with South Korea and other nations in Asia." Among the topics the two leaders discussed were the transformation of the U.S.-Japan military alliance, Japan's deployment to Iraq, North Korea, Japan-China relations, Japan's ban on imports of U.S. beef, and completing the Doha Development round of multilateral economic talks. During Bush's meetings with Koizumi and the presidents of China and South Korea, he encouraged the leaders to ease tensions that have strained Sino-Japanese and Korean Japanese relations recently.

On December 8, 2005, the Japanese Cabinet extended Japan's deployment of troops to the southern Iraqi city of Samawah for one year. When discussing the announcement, Prime Minister Koizumi hinted that Japan would likely withdraw its troops if Australian and British troops withdraw in 2006. Australian troops are providing military protection for the Japanese deployment. In October 2005, Japan's ruling Liberal Democratic Party (LDP) released its long-awaited draft revision of the Japanese constitution. The most notable changes reduce many — though not all — of the provisions that set limits on Japan's military activities.

BACKGROUND AND ANALYSIS

Role of Congress in U.S.-Japan Relations

Congress cannot itself determine the U.S. approach toward Japan, but its powers and actions in the areas of trade, technology, defense, and other policy form a backdrop against which both the Administration and the Japanese government must formulate their programs. In 2005, Congress has shown a renewed interest in U.S.-Japan relations. Three hearings have been held in 2005, after none were in the previous four years. Several high-profile policy issues were of particular interest to Congress, including dealing with the confrontation over North Korea's nuclear and missile programs, Japan's support for U.S. policy concerning Afghanistan and Iraq, cooperation on missile defense, the transformation of U.S. military deployments in Asia, Japan-China relations, and Japan's more assertive foreign policies and security posture. Members of Congress have been active in criticizing Japan's ban on

imports of U.S. beef and in pushing the Administration to employ anti-dumping trade penalties against steel imports from Japan.

Major Diplomatic and Security Issues

(This section was written by Mark Manyin and Emma Chanlett-Avery)

Japan Country Data

Population: 127.4 million (July 2005 est.)
% of Population over 64: 19.5% (U.S. = 12.4%) (2005)
Area: 377,835 sq km (slightly smaller than California)
Life Expectancy: 81.15 years (2005)
Per Capita GDP: $29,400 (2004 est.) purchasing power parity
Primary Export Partners: US 22.7%, China 13.1%, South Korea 7.8%, Taiwan 7.4% (2004)
Primary Import Partners: China 20.7%, US 14%, South Korea 4.9%, Australia 4.3% (2004)
Yen:Dollar Exchange Rate: 108.3 (2004), 115.93 (2003), 125.39 (2002), 121.53 (2001)
Foreign Exchange Reserves: $664.6 billion (2003)

Source: CIA *World Fact book*, July 2005

The U.S.-Japan alliance and the American nuclear umbrella give Japan maneuvering room in dealing with its militarily more powerful neighbors. The alliance and access to bases in Japan also facilitate the forward deployment of U.S. military forces in the Asia-Pacific, thereby undergirding U.S. national security strategy. The most significant bilateral trend in the past five years has been the steady growth of Japanese security cooperation with the United States, including the first-ever deployments of Japanese Self-Defense Forces in noncombat support of U.S. military operations following the September 11, 2001, terrorist attacks. In economic terms, the two countries have become increasingly interdependent: the United States traditionally has been Japan's most important foreign market, while Japan is one of the largest U.S. markets and sources of foreign investment (including portfolio, direct, and other investment).

Global Issues

Indian Ocean Deployment. The Koizumi government strongly condemned the terrorist attacks of September 11, 2001, and initiated a series of unprecedented measures to protect American facilities in Japan and provide non-lethal logistical support to U.S. military operations against Al Qaeda and the Taliban in Afghanistan. The latter mainly took the form of at-sea replenishment of fuel oil and water to U.S., British, French, and other allied warships operating in the Indian Ocean, and logistical airlift. A small flotilla of transport ships, oilers, and destroyers has provided about a third of the fuel used by 10 allied naval forces in the Indian Ocean since the first deployment in November 2001. In addition, as of October 2004, the Air Self-Defense Force (ASDF) had conducted more than 250 airlift support missions for U.S. forces with C-130 and U-4 transport aircraft.[1] On June 10, 2005, the Japanese government decided to extend the anti-terrorism law for two years, but to reduce its Indian Ocean deployment to only one escort ship. This would effectively bring an end to the post-911 role of the Maritime Self-Defense Forces (MSDF) in providing fuel oil

[1] Donna Miles, "U.S. Envoy Praises Japan's Support for Terror War," *Armed Forces Information Services*, Oct. 28, 2004, [http://www.defenselink.mil/news/Oct2004/n10282004_2004102804.html].

and water to U.S., British, and other allied ships conducting anti-terrorism operations in the Indian Ocean and Persian Gulf.

Japan's ability to "show the flag" in its first such deployments since the end of World War II was made possible by the adoption by the Japanese Diet (parliament) at the end of October 2001 of three related anti-terrorism bills. One law, the Anti-Terrorism Special Measures Law, gave unprecedented post-World War II authority to the Japanese Self-Defense Forces (SDF) to provide "rear area" support to U.S. forces operating in the Indian Ocean. Permitted support includes intelligence sharing, medical care, and the provision of fuel and water and nonlethal military supplies. The restriction of the authority to nonlethal supplies was a domestic political compromise aimed at reconciling Japan's "no-war" constitution with the government's desire to meet the Bush Administration's expectations of material support. In general, Japan's U.S.-dictated constitution remains a major obstacle to closer U.S.-Japan defense cooperation because of a prevailing constitutional interpretation of Article 9 that forbids engaging in "collective defense," that is, combat cooperation with the United States against a third country. (See "Constitutional Revision," below.)

Aid to Afghanistan. After the United States, Japan also has been the leading donor country for Afghan relief and reconstruction. Japan played a major role, along with the United States, Saudi Arabia, and the Asian Development Bank in accelerating reconstruction of the critical highway linking Kabul with Kandahar, in the heartland of the Pushtun ethnic group.[2]

Support for U.S. Policy toward Iraq. While strongly preferring a clear United Nations role in resolving the U.S./British confrontation with Iraq, Japan nonetheless gave almost unqualified support to the Bush Administration's position. During an open debate in the U.N. Security Council on February 18, 2003, Japan was one of only two out of 27 participating countries, the other being Australia, to support the U.S. contention that even if the U.N. inspections were strengthened and expanded, they were unlikely to lead to the elimination of Iraq's weapons of mass destruction. Prime Minister Junichiro Koizumi and then-Foreign Minister Yoriko Kawaguchi called the leaders of several undecided Security Council Members to try to persuade them to support the U.S. position. Since 2003, Japan has provided $1.5 billion in grant assistance to Iraq and has pledged to provide $3.5 billion in yen loans. In mid-October 2004, Japan hosted a conference in Tokyo for a group of countries and institutions that have pledged funds to support the reconstruction of Iraq. In addition, the Koizumi government has deployed about 600 military personnel — mainly ground troops — to carry out humanitarian aid and reconstruction activities in Iraq. The deployment has been highly controversial in Japan. Prime Minister Koizumi is widely expected to renew the deployment, which is due to expire in mid-December 2005.

United Nations Reform. In 2004, Japan accelerated its longstanding efforts to become a permanent member of the United Nations Security Council by forming a coalition with Germany, India, and Brazil (the so-called "G-4") to achieve non-veto membership for all four countries. Though the Bush Administration has backed Japan's bid, it has not supported the G-4 proposal, and has opposed taking a vote on expanding the Security

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[2] Glenn Kessler, "Afghans Ask for Economic Aid to Prevent Domination by Drug Trade," *Washington Post*, Apr. 1, 2004.

Council until a "broader consensus" within the organization can be reached. After the G-4 bid failed in the runup to the U.N.'s Millennium Summit in September 2005, Prime Minister Koizumi reportedly told Secretary General Kofi Annan that in the future Japan would have to coordinate more closely with the United States to achieve its goal. To become a new member, Japan needs to obtain support from two-thirds (128 countries) of all the U.N. member countries. Japan is the second-largest contributor to the U.N. regular budget, paying more than 20% of the total, more than twice the percentage paid by the third-largest contributor. China and South Korea have criticized the Bush Administration for its support for Japan's bid for permanent U.N. Security Council membership.

Kyoto Protocol and Climate Change. Japan is the fourth-leading producer of so-called greenhouse gases after the United States, the Russian Federation, and China. Under the Kyoto Protocol, which Tokyo ratified on June 4, 2002, Japan is obligated to reduce its emissions 6% below its 1990 levels by 2010. Japanese industry shares many of the concerns of U.S. industry about the cost and feasibility of achieving these reductions by the target date of 2012, but the Japanese government, which places a high value on its support of the protocol, expressed extreme dismay over the Bush Administration's decision to back away from the protocol. In July 2005, Japan joined with the United States, China, India, South Korea, and Australia to announce a new, non-binding, agreement, the Asia-Pacific Partnership on Clean Development and Climate, that calls on the six-nation agreement to cooperate on the development and diffusion of technologies to combat climate change, reduce pollution, and promote energy security. A vision statement announcing the initiative, which is expected to take more concrete form during a ministerial meeting in Australia in November 2005, says the agreement will "complement, but not replace, the Kyoto Protocol." Environmentalists have criticized the arrangement for its absence of mandates — particularly on emissions of greenhouse gases — and for being a part of a suspected U.S. strategy to prevent the Kyoto Protocol from being renewed after it expires in 2012.

Regional and Historical Issues

Converging Korean Peninsula Priorities. Japan's policy toward North Korea has hardened in recent years, drawing it closer to the U.S. position in the ongoing Six-Party Talks on Pyongyang's nuclear weapons program. Japan has insisted on North Korea abandoning its nuclear weapons, promising substantial aid in return. The issue of Japanese citizens kidnapped in the 1970s and 1980s by North Korean agents has largely driven Tokyo's harder position. The Bush Administration and Congress have supported Japan's insistence on a full accounting of the fate of those abducted. The North Korean Human Rights Act, passed by the 108th Congress and signed by President Bush in October 2004, (P.L. 108-333), requires that U.S. nonhumanitarian assistance to North Korea depends on"substantial progress" toward fully disclosing information on the abductees. At the same time, Japan has reportedly encouraged the United States to adopt a more flexible position; after a Koizumi-Bush meeting at the June 2004 G-8 Summit, the Bush Administration submitted its first and only detailed negotiating position at the six-party talks.

Outside the framework of the talks, Koizumi has pursued an independent channel of diplomacy with North Korea. In September 2002, a historic summit in Pyongyang with Kim Jong-il momentarily restarted normalization talks between the two countries, which have never had official relations. During the visit, Kim admitted that North Korea had abducted 13 Japanese nationals, only five of whom remained alive. News of the unexplained deaths

and Kim's refusal to provide information on other suspected abductees outraged the Japanese public. Shortly after the summit, the five surviving abductees returned to Japan, ostensibly for a visit, but subsequently remained. In May 2004, Koizumi won the abductees' family members' release by traveling to Pyongyang for another one-day summit.

Further steps were taken to squeeze Pyongyang economically. In December 2004, after Japanese DNA tests invalidated North Korea's claims that boxes of remains delivered to Japan were those of a deceased abductee, the Japanese government suspended aid shipments to North Korea. Pressure has increased from the Diet to impose sanctions, though Koizumi has resisted and has not ruled out normalizing relations with Pyongyang by the time he leaves office in September 2006. Normalization talks are scheduled to restart on November 3, 2005. Meanwhile, since 2004, Tokyo has stepped up enforcement of Japan's controls on the export of potential dual-use items to North Korea and passed legislation that allows authorities to block visits to Japanese ports by uninsured ships deemed to be a security risk (less than 5% of North Korean commercial vessels are thought to be adequately insured). As a result, two-way trade flows between 2002 and 2004 decreased by 33%, from about $390 million to around $260 million. These steps follow the 2003 passage of laws authorizing the imposition of economic sanctions, including the banning of cash remittances to North Korea, without the previous requirement of specific United Nations or other multilateral approval. Remittances to North Korea, thought to have declined significantly since the early 1990s, are estimated to total tens of millions of dollars a year. Japan has also participated in and hosted exercises for the U.S.-led Proliferation Security Initiative (PSI).

Japan-China Rivalry. Despite extensive economic ties, relations between China and Japan, always uneasy, have become increasingly strained in recent years. Political tensions are high on a variety of sovereignty-related issues, and many observers see a potentially destabilizing spike in nationalist animosity towards Japan among Chinese. In April 2005, large-scale anti-Japanese demonstrations broke out in at least nine Chinese cities, including a violent protest in Shanghai that damaged the Japanese consulate as well as shops that catered to the large Japanese expatriate community. Many observers noted that the Chinese authorities were unusually passive in allowing the protesters to organize, fueling speculation that Beijing quietly encouraged the demonstrations to channel dissatisfaction at its own governance toward a foreign target.

Beijing and Tokyo have faced a series of confrontations over the territorial rights of areas in the East China Sea potentially rich in oil and gas reserves. Japan considers the area surrounding the Senkaku/Diaoyu islands to be part of its Exclusive Economic Zone (EEZ). The Japanese Self Defense Force has detected periodic Chinese military activities in the area, including a submarine incursion close to Okinawa and a fleet of warships near a disputed gas field. In October 2005, there were reports that China completed and had begun operating at least one new drilling platform in the contested area. Beijing has criticized the strengthening U.S.-Japan security relationship even as the three countries work together in the Six-Party Talks to deal with North Korea's nuclear weapons programs. In another indication of shifting relations, Japan has cut its assistance to China in half since 2000.

East Asia Summit. The new East Asian Summit (EAS) scheduled to meet on December 14, 2005, in Kuala Lumpur, Malaysia, will bring together the ten Association of Southeast Asian Nations (ASEAN) members [Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam], as well as the "plus three" states

[China, South Korea, and Japan] and Australia, New Zealand, and India. Japanese officials have described the EAS as an "historic summit meeting to be held with a view to establishing a future East Asia Community." Japanese officials reportedly have worked with Singapore and Vietnam to resist attempts — led by China — to exclude Australia, New Zealand, and India from the summit and any follow-on organizations.

Historical Issues Divide Asian Powers. Historical grievances, particularly those centered around Japan's behavior during and preceding World War II, continue to aggravate Japan's relationships with its neighbors. The most consistently divisive issue involves the visits of Japanese politicians to the Yasukuni Shrine, a Shinto shrine that honors Japanese who died in war. Those enshrined include several Class A war criminals. Chinese leaders have emphasized repeatedly that Prime Minister Koizumi's Yasukuni visits constitute a huge stumbling block in moving political relations forward. Koizumi's fifth annual visit to Yasukuni on October 17 again drew angry protests from Asian leaders: both Beijing and Seoul cancelled upcoming bilateral meetings with the Japanese. Some observers noted attempts to tone down the symbolism of the visit with less formal clothing and ceremony, perhaps as a concession to domestic pressure from pro-business interests who fear antagonizing China. Koizumi may also have been responding to an Osaka High Court ruling earlier in the month which claimed his visits as Prime Minister to Yasukuni constituted a violation of the constitutional separation of church and state. Some reports have noted that the existing separation of church and state has been weakened in the draft revision of the constitution recently submitted by the governing LDP.

In a related vein, Japan has come under fire for its history textbooks for school children; China insists that the texts misrepresent Japan's past by downplaying the atrocities committed by Japanese soldiers against civilian populations. South Korea also has complained about Japanese history textbooks, the Yasukuni visits, and a perceived failure by Japan to compensate Korean "comfort women" who were recruited to provide sexual services for Japanese troops during World War II. Although the Japan-South Korean disputes generally are regarded as more manageable than Sino-Japan tensions, the disagreements over history are a major obstacle to improved Japan-South Korean ties, which is often called the "weak link" in the U.S. triangle of alliances in Northeast Asia.

The question of Japan's historical legacy also has affected Korean and Chinese views of the United States. Both countries have criticized the Bush Administration for its silence regarding the controversy over the Yasukuni shrine and Japan's record in accounting for its past history of aggression before and during World War II. In a move that could open the door to disagreements between Japanese nationalists and members of the U.S. Congress, in July 2005 the U.S. House of Representatives passed H.Con.Res. 191, which commemorated the 60th anniversary of the end of the Pacific War; the resolution stated that Congress reaffirmed the judgments rendered by the international war crimes tribunal in Tokyo after World War II, including the conviction of Japanese leaders for "crimes against humanity."

Claims of Former World War II POWs and Civilian Internees. Congress has also indicated interest in another issue in which the U.S. and Japanese governments have been in essential agreement. A number of surviving American World War II POWs and civilian internees who were forced to work for Japanese companies — including Mitsui, Nippon Steel, and Mitsubishi — during the war have filed suits in Japan and California seeking compensation of $20,000 for each POW or internee for forced labor and torture.

Former POWs and civilian internees had been paid about $1.00-2.50 for each day of internment from a fund of seized Japanese assets administered by a War Claims Commission (WCC) established by Congress in 1948. Thus far, the Japanese courts and the U.S. Court of Claims have dismissed the suits on grounds that Japan's obligations to pay compensation were eliminated by Article 14 of the 1951 Multilateral Peace Treaty with Japan. The Departments of State and Justice support the position of the Japanese government, but some members of Congress have sided with the plaintiffs. The core issue is whether the Peace Treaty with Japan relieved only the Japanese government from future claims or whether it covered private companies as well. A number of bills and amendments introduced in recent Congresses sought to block the executive branch from upholding the supremacy of the Peace Treaty in civil suits. None have been enacted, in part due to opposition from the Bush Administration.

Military Issues

Deepening Cooperation. Japan and the United States are military allies under a security treaty concluded in 1960. Under the treaty, Japan grants the U.S. military base rights on its territory in return for a U.S. pledge to protect Japan's security. In October 2005, at a Security Consultative Committee meeting (SCC, also known as the 2+2 meeting) of the Japanese and U.S. foreign and defense ministers, the two sides released an interim report, *Transformation and Realignment for the Future*, announcing several significant steps that will expand the alliance beyond its existing framework. As U.S. personnel and facilities in Japan are realigned as part of the broader Pentagon strategy of deploying a more streamlined and mobile force, Japan will take a more active role in contributing to global stability, primarily through increased coordination with the U.S. military. Key features of the new arrangement include a reduction in the number of U.S. Marines in Japan, the relocation of a problematic air base in Okinawa, the deployment of a an X-Band radar system in Japan as part of a missile defense system, expanded bilateral cooperation in training and intelligence sharing, and Japan's acceptance of a nuclear-powered aircraft carrier in Yokosuka. Many of the agreement's most controversial elements are likely to face continued obstacles, particularly from local politicians in the areas identified to host new facilities and troops.

The most recent overhaul builds upon 1997 revised defense cooperation guidelines that grant the U.S. military greater use of Japanese installations in time of crisis and refer to a possible, limited Japanese military role in "situations in areas surrounding Japan." At the preceding 2 + 2 meeting in February 2005, Secretaries Rice and Rumsfeld, along with their Japanese counterparts, outlined a more global and integrated vision of the alliance, specifically mentioning the Korean Peninsula and the Taiwan Straits as areas of concern. Defense officials continue to stress, however, that the Japanese military will not be involved in combat missions but instead limit its contributions to logistical support for counter-terrorism operations or for humanitarian and reconstruction efforts.

In recent years Japan has edged closer to a more independent self-defense posture in both practice and in published security strategies. The National Defense Program Guidelines (NDPG) issued in October 2004 calls on Japan to become more engaged militarily in the Indian Ocean region from the Middle East to Southeast Asia, permits military exports to the United States for development of joint missile defense, mentions China as a security problem (the first such mention in a five-year plan), and increases the size of rapid reaction forces, whose main mission is to prevent infiltration from North Korea.

Article 9 Restrictions. Until its dispatch of a small naval flotilla and transport aircraft to provide noncombat logistical support of U.S. forces operating in the Indian Ocean following the September 11 attacks, Japan had barred its Self-Defense Forces (SDF) from operating outside of Japanese territory in accordance with Article 9 of the 1947 constitution. Article 9 outlaws war as a "sovereign right" of Japan and prohibits "the right of belligerency." It provides that "land, sea, and air forces, as well as other war potential will never be maintained." Japanese public opinion has strongly supported the limitations placed on the SDF. However, since 1991 Japan has allowed the SDF to participate in non-combat roles in a number of United Nations peacekeeping missions and in the U.S.-led coalition in Iraq. In mid-2004, then-Secretary of State Colin Powell said that Japan must revise Article 9 in order to realize its goal of permanent membership on the United Nations Security Council. One reported motive for the Bush Administration's intervention is that Article 9 is closely linked to the three "non-nuclear principles," which includes not possessing, producing, or permitting the introduction of nuclear weapons. Japan's agreement to house a new, nuclear-powered carrier in Yokosuka beginning in 2008 after the existing carrier is decommissioned has already sparked local protests and could develop into a major domestic controversy.

Proposed Command Structure Changes. The October 2005 interim report outlines major command changes agreed to by Japanese and U.S. officials. One would shift 300 soldiers from the 1st Army Corps headquarters from Washington State to Camp Zama to establish a deployable headquarters. The Ground Self Defense Forces would also base a rapid-response headquarters at Camp Zama. A bilateral and joint operations center will be built at Yokota Air Base (about 23 miles northwest of Tokyo) to enhance coordination between the Japanese and U.S. air and missile defense command elements. The headquarters of the 3rd Marine Expeditionary Force, meanwhile, would be moved to Guam, reducing the number of marines by about 7,000.

U.S. Bases on Okinawa. The reduction of marines from about 18,000 to 11,000 on Okinawa seeks to quell the political controversy that has surrounded the presence of U.S. forces on the island for years. Public outcry against the bases has continued since the 1995 rape of a Japanese schoolgirl by American servicemen. Though constituting less than 1% of Japan's land mass, Okinawa currently hosts 65% of the total U.S. forces in Japan. Okinawan politicians have called for a renegotiation of the Japan-U.S. Status of Forces Agreement (SOFA) and a reduction in U.S. troop strength. The U.S. and Japanese governments have opposed revising the SOFA, but have increasingly pushed the U.S. to alleviate the burden of its military presence in Okinawa. Japan's opposition Democratic Party came out in favor of a total U.S. military withdrawal from Okinawa.

As part of the realignment of U.S. bases, U.S. officials agreed to move most aircraft and crews constituting the marine air station at Futenma to expanded facilities at Camp Schwab, located in a less-congested area of Okinawa. Disagreements over the relocation of the Futenma air station had stalled the implementation of a 1996 U.S.-Japanese Special Action Committee on Okinawa (SACO) agreement under which the U.S. military would relinquish some bases and land on Okinawa (21% of the total bases' land) over seven years.

Burden-Sharing Issues. The United States has pressed Japan to increase its share of the costs of American troops and bases. Under a host nation support (HNS) agreement,

Japan has provided about $2.5 billion annually in direct financial support of U.S. forces in Japan, about 77% of the total estimated cost of stationing U.S. troops. In 2004, Japanese officials reportedly suggested that HNS be reduced on grounds that Japan is now making a greater direct contribution to the alliance. Japan will be responsible for covering the costs of movement of U.S. forces included in the realignment agreement announced in October, but no cost estimate has been released.

Cooperation on Missile Defense. A six-year Japan-U.S. program of cooperative research and development of anti-ballistic missiles began in 1999. Proponents of missile defense justify it on the basis of North Korea's missile program, but China opposes the program. Prime Minister Koizumi announced in December 2003 that Japan would acquire the ground-based U.S. Patriot Advanced Capability-3 (PAC-3) system and the ship-based U.S. Standard Missile-3 system. The Defense Agency reportedly hopes to begin deploying the missile defense system around major Japanese cities by 2007. The total cost to Japan is estimated at close to $10 billion.

Economic Issues

(This section was written by William Cooper)

Despite Japan's long economic slump, trade and other economic ties with Japan remain highly important to U.S. national interests and, therefore, to the U.S. Congress.[3] By the most conventional method of measurement, the United States and Japan are the world's two largest economies, accounting for around 40% of world gross domestic product (GDP), and their mutual relationship not only has an impact on each other but on the world as a whole.[4] Furthermore, their economies are intertwined by merchandise trade, trade in services, and foreign investments.

Although Japan remains important economically to the United States, its importance has slid as it has been edged out by other trade partners. Japan is the United States's third-largest merchandise export market (behind Canada and Mexico) and the fourth-largest source for U.S. merchandise imports (behind Canada, Mexico, and China) as of the first six months of 2005. At one time Japan was the largest source of foreign direct investment in the United States but, as of the end of 2004, it was the second largest source (behind the United Kingdom). It was the fifth-largest target for U.S. foreign direct investment abroad as of the end of 2004. The United States remains Japan's largest export market and second-largest source of imports as of the end of July 2005.

Japan's domestic economic conditions have influenced the U.S.-Japan economic agenda. Except for some brief periods, Japan had incurred stagnant or negative economic growth in the 1990s and the first few years of this decade. However, Japan recently has shown signs of achieving sustained economic recovery.

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[3] For a more complete treatment of U.S.-Japan economic ties, see CRS Report RL32649, *U.S.-Japan Economic Relations: Significance, Prospects, and Policy Options*, by William H. Cooper.

[4] China's economy is now larger than Japan's by another method of measurement: purchasing power parity.

Some long-standing trade disputes continue to irritate the relationship. The U.S. bilateral trade deficit with Japan reached $81.3 billion in 2000, breaking the previous record of $73.9 billion set in 1999. However, in 2001, the U.S. trade deficit declined 15%, primarily because of the slowdown in the U.S. economy, but increased moderately to $70.1 billion in 2002. The trade deficit decreased slightly to $66.0 billion in 2003 but increased to $75.2 billion in 2004. If current tends continue, the U.S. trade deficit in 2005 with Japan may break the record set in 2000. (See **Table 1**.)

In recent years, there have been complaints from U.S. industry and certain Members of Congress about the Japanese government's massive intervention in currency markets in 2003 and early 2004 to slow the Japanese yen's appreciation against the U.S. dollar. Some legislation has been introduced regarding the alleged currency manipulation. While many of the bills target China's exchange rate practice, some do refer to Japan. For example, S. 377 (Lieberman), The Fair Currency Enforcement Act of 2005, lists Japan as a country, among others, that has implemented exchange rate policies that give its exports an unfair competitive advantage in the U.S. market, and the bill states that experts have estimated that the yen is undervalued by about at least 20%. The bill would authorize the President to take actions under U.S. trade laws to retaliate, if a country is found to be manipulating its currency values.

In addition, the recent announcement by the Ford Corporation of factory closings and the layoff of some 30,000 auto employees exemplified growing problems of the U.S.-based auto industry. In a November 22, 2005 speech he delivered at the National Press Club, Ford Chairman, Bill Ford, stated among other things that U.S. auto manufacturers face the financial burdens of pension costs and health care benefits that Japanese auto companies, such as Toyota, do not face because the Japanese government finances these costs, thereby placing the burden on the whole society and not on just Japanese business. While Ford's argument for his company's problems is subject to debate, his remarks may signify the re-emergence of Japanese industrial policy as a point of contention in the bilateral relationship.[5]

Table 1. U.S. Trade with Japan, 1996-2005

($ billions)

Year	Exports	Imports	Balances
1996	67.5	115.2	- 47.7
1997	65.7	121.4	- 55.7
1998	57.9	122.0	- 64.1
1999	57.5	131.4	- 73.9
2000	65.3	146.6	- 81.3
2001	57.6	126.6	-69.0
2002	51.4	121.5	-70.1
2003	52.1	118.0	-66.0
2004	54.4	129.6	-75.2

[5] Bill Ford's Address at the National Press Club, November 22, 2005. See also James P. Womack, "Mr Ford's Wrong Turn," *Washington Post*, December 4, 2005, pp. B1, B4.

Year	Exports	Imports	Balances
*2004**	*40.4*	*95.5*	*-55.1*
*2005**	*41.0*	*102.2*	*-61.2*

Source: U.S. Department of Commerce, Bureau of the Census. FT900. Exports are total exports valued on a f.a.s .basis. Imports are general imports valued on a customs basis.

* January-September data.

Japan's Ban on U.S. Beef.[6] Another lingering bilateral trade dispute pertains to the Japanese ban on imports of U.S. beef. In December 2003, Japan imposed a ban on imports of U.S. beef in response to the discovery of the first U.S. case of bovine spongiform encephalopathy (BSE or "mad cow disease"), in Washington State. In the months before the diagnosis in the United States, nearly a dozen Japanese cows infected with BSE had been discovered, creating a scandal over the Agricultural Ministry's handling of the issue (several more Japanese BSE cases have since emerged). Japan had retained the ban despite ongoing negotiations and public pressure from Bush Administration officials, a reported framework agreement (issued jointly by both governments) in October 2004 to end it, and periodic assurances since then by Japanese officials to their U.S. counterparts that it would be lifted soon. Japan has not provided a date certain for completing its deliberations, which have been further clouded both by considerable domestic resistance to the rule changes in Japan, and by the confirmation in June 2005 of a second U.S. cow with BSE, this time from Texas, becoming the first U.S. native-born case. (This cow was first tested in November 2004, but the BSE confirmation was not made until June 2005.) On October 31, 2005, a committee of experts reported to the Japanese Food Safety Commission that the difference in risk between U.S. and Japanese beef from cows 21 months or younger is minimal.

On December 12, 2005, the Japanese government lifted its ban on imports of U.S. beef. Under new Japanese government regulations, U.S. beef producers will be able to export beef from cattle 20-months old or younger. (At the same time, the U.S. government announced it is lifting its ban on imports of Japanese beef that was imposed in 2001 after the discovery of a case of BSE in Japan.) Agriculture Secretary Mike Johanns said that he expected U.S. beef exports to Japan to resume within a week to ten days of the announcement but that it was too soon to estimate how much of their pre-embargo market in Japan U.S. beef exporters would be able to re-capture. Prior to the embargo, Japan was the largest market for U.S. beef exports, with $1.4 billion in exports in 2003. USTR Robert Portman indicated that the United States would continue to press Japan to allow beef exports from cattle up to 30 months old.

The issue had reached the highest political levels. In a March 9, 2005 telephone call to Prime Minister Koizumi, President Bush urged the Japanese leader to end the ban and has raised the issue at subsequent meetings with the Japanese leader. The two leaders discussed the issue at November 16, 2005 meeting in Kyoto, Japan. Members of Congress had weighed in on the issue as well. H.Res. 137 (Moran) and S.Res. 87 (Thune) were introduced on March 3 and March 17, respectively. The resolutions express the sense of the respective

[6] This paragraph was provided by Geoffrey S. Becker, Specialist in Agricultural Policy, Resources, Science, and Industry Division. For more, see CRS Report RS21709, *Mad Cow Disease and U.S. Beef Trade*, by Charles Hanrahan and Geoffrey Becker.

Houses of Congress, that the U.S. government should impose economic sanctions against Japan, if Japan does not lift the ban. On October 26, 2005, S. 1922 (K. Conrad), was introduced in Senate and on October 28, 2005, H.R. 4179 was introduced in the House. These bills would require the President to impose extra tariffs on various Japanese products beginning on January 1, 2006, if Japan has not lifted its ban on imports of U.S. beef.

The Byrd Law. Japan, together with other major trading partners, has challenged U.S. trade laws and actions in the World Trade Organization (WTO). For example, Japan and others challenged the U.S. 1916 Antidumping law and the so-called Byrd Law (which allows revenues from countervailing duty and antidumping orders to be distributed to those who had been injured). In both cases, the WTO ruled in Japan's favor. Legislation to repeal the 1916 law was passed by the 108th Congress. However, there is strong resistence in the Congress to repealing the "Byrd Law." In November 26, 2004, the WTO authorized Japan and seven other countries to impose sanctions against the United States. [7] In November 2004, the WTO authorized Japan and the other countries to impose sanctions against the United States. On September 1 Japan imposed 15% tariffs on selected imports of U.S. steel products as retaliation and, in so doing, joined the EU and Canada which had begun to impose retaliatory tariffs earlier.[8] It is the first time that Japan has imposed punitive tariffs on U.S. products.

The Doha Development Agenda. Japan and the United States are major supporters of the Doha Development Agenda (DDA), the latest round of negotiations in the WTO. Yet, the two have taken divergent positions in some critical areas of the agenda. For example, the United States, Australia, and other major agricultural exporting countries have pressed for the reduction or removal of barriers to agricultural imports and subsidies of agricultural production, a position strongly resisted by Japan and the European Union. At the same time, Japan and others have argued that national antidumping laws and actions that member countries have taken should be examined during the DDA, with the possibility of changing them, a position that the United States has opposed.

Despite some outstanding issues, tensions in the U.S.-Japan bilateral economic relationship have been much lower than was the case in the 1970s, 1980s, and early 1990s. A number of factors may be contributing to this trend:

- Japan's economic problems in the 1990s and in the first few years of this decade have changed the general U.S. perception of Japan as an economic "threat" to one of a country with problems.
- The rise of China as an economic power has caused attention of U.S. policymakers to shift from Japan to China as source of concern.
- The increased use by both Japan and the United States of the WTO as a forum for resolving trade disputes has de-politicized disputes and helped to reduce friction.
- A decided shift in emphasis in the bilateral relationship from economic to security matters, in the wake of 9/11, the war in Iraq, and the emerging nuclear threat from North Korea.

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[7] *International Trade Reporter*. January 20, 2005. p. 90.

[8] Japan Invokes Punitive Tariffs on U.S. Imports. *Tokyo Jiji Press.* September 1, 2005.

Japanese Political Developments

(This section was written by Mark Manyin)

Koizumi's Sweeping Victory in September 2005 Elections. Prime Minister Junichiro Koizumi is emerging as one of the most powerful Japanese leaders since the end of World War II. He already is Japan's fourth-longest serving prime minister since 1945, and he has used his popularity to centralize power in the prime minister's office (at the expense of the previously powerful LDP factions). Koizumi's influence appears to have been greatly enhanced on September 11, 2005, when he led his ruling Liberal Democratic Party (LDP) to a landslide victory in nationwide elections for the Lower House of the Japanese parliament (the Diet). The LDP won 296 of 480 seats, its largest total in nearly 20 years, and 84 seats higher than its position before the election. The next Lower House elections are not required to be held until September 2009.

Koizumi's victory appears to have further weakened the LDP's conservative "old guard," whose power Koizumi has gradually reduced since he came to power in 2001. Koizumi exercised his right to call a snap Lower House election after many LDP members helped engineer the defeat in the Upper House of his controversial proposal to privatize the Japanese postal system.[9] The LDP narrowly controls the Upper House only through a coalition with a smaller party. During the campaign, Koizumi successfully made his postal privatization plan the dominant issue. He expelled 37 "postal rebels" from the LDP, recruiting many younger, reform-minded "assassin" candidates — including many women — to run against them. Claiming a mandate for postal reform, Koizumi re-introduced and secured passage of his postal privatization bill.

The medium-term implications of Koizumi's victory are uncertain because he repeatedly has stated that he will step down from his position as LDP President when his term expires in September 2006. (Traditionally, the LDP President assumes the premiership.) A number of prominent LDP members have called for rewriting the party's rules to allow Koizumi to extend his term, but to date Koizumi has resisted these entreaties, saying only that he expects his successor to advance his reform agenda, which includes shrinking the size of government, making the LDP more responsive to its president, and devolving budget authority to Japanese states (called prefectures in Japan).

Koizumi's Successor. After his election victory, Koizumi said that he wants his successor to carry on his reforms and that he would reshuffle his Cabinet in order to give a chance for potential successors to gain more experience. On October 31, 2005, he appointed a new Cabinet, giving prominent positions to three individuals who are widely thought will seek the LDP presidency in 2006. Shinzo Abe (51 years old) — known for his hawkish views on North Korea, China, and history issues — was given the important position of Chief Cabinet Secretary, a position that will give him nearly daily exposure on the Japanese media, as well as the power to allocate the LDP's political funds to individual politicians. Another hardliner, Taro Aso (65) — who is known as an advocate of closer relations with Taiwan — was given the Foreign Ministry portfolio. Sadakazu Tanigaki (60) was

[9] In addition to providing mail delivery, Japan Post also functions as the country's (and perhaps the world's) largest bank and life insurer, with about ¥350 trillion (approximately $3 trillion) in deposits.

reappointed as Finance Minister. Notably, another would-be prime minister, Koizumi's former Chief Cabinet Secretary Yasuo Fukuda (69) was left out of the Cabinet altogether. Fukuda reportedly has advocated a somewhat more conciliatory position toward China and was a chief architect of Koizumi's policy of normalizing relations with North Korea.

The Democratic Party of Japan (DPJ). The election also appeared — at least for the moment — to stall the emergence of a two-party system in Japan. The LDP has ruled almost continuously since its formation in 1955. Over the past three years, a viable opposition party — the Democratic Party of Japan (DPJ) — seemed to be emerging. In several elections, the DPJ steadily increased its strength in the Diet by winning over reform-minded urban and independent voters, who were attracted to the DPJ's economic reform platform that in many ways is more radical than Koizumi's. In the September 2005 election, however, many of these voters opted for Koizumi's rebranded LDP. As a result, the DPJ lost more than one-third of its strength; the party now has 113 seats in the Lower House, down from 175 before the election, and its leader resigned to take responsibility for the defeat.

A week after the vote, the party elected 43-year old Seiji Maehara to be the new party president. The choice of Maehara, who is known as a realist on security and defense issues, highlights the DPJ's considerable internal tensions between the party's hawkish/conservative and passivist/liberal wings. In particular, the issue of revising the war-renouncing Article 9 of the Japanese constitution is generating considerable internal debate in the DPJ. As a result, on many issues the DPJ did not formulate coherent alternative policies to the LDP. In the election, the DPJ took many positions likely to cause friction with the United States if it assumed power, including voting against Japan's Iraq deployment, calling for a total U.S. military withdrawal from Okinawa, and criticizing Koizumi for aligning Japan too closely to the United States. Maehara has indicated he will reverse some of these positions, saying that on broad questions of foreign policy, there is little fundamental difference between his vision and Koizumi's. If he is able to bring the DPJ along to this view, it is likely to reduce the politicization of many security issues in U.S.-Japan relations. Maehara has indicated, however, that he favors the withdrawal of Japanese troops from Iraq.

Constitutional Revision. Japan's constitution was drafted in 1946 by the U.S. Occupation authorities, who then imposed it on a reluctant Japanese legislature. Since the early 1990s, however, previously strong public opposition to revising the constitution has gradually weakened and public opinion polls now show widespread support for some sort of revision. Over the past year, various proposals have been debated and submitted, with an eye toward Prime Minister Koizumi's goal of having the LDP submit a constitutional draft by December 2005. The most controversial issue, and the one with the most important implications for the future of the U.S.-Japan alliance, has been the war renouncing clause, Article 9.

Both the LDP and the DPJ are split between relatively hawkish and pacifist wings that appear to be sparring over the question of whether or not conditions (such as United Nations backing) should be attached to the right to join collective security arrangements. In other words, the issue is not whether, but how, Article 9 should be revised, a development that is due in part to increased concerns about North Korea and China. In late March 2005, Japan's House of Representatives Research Commission on the Constitution, composed of representatives from various parties, released a report indicating that over two-thirds of members generally favor constitutional provisions allowing Japan to join U.N. collective

security arrangements, stipulating the Self-Defense Forces existence, and maintaining some portion of the war-renouncing clause of Article 9. A wide majority of the commission also favored allowing women to serve as emperor, establishing stronger privacy and environmental rights, creating a constitutional court, and revising Japan's federalist system. Constitutional amendments must be approved by two-thirds of each chamber, after which they will be "submitted to the people" for majority approval.

LEGISLATION

P.L. 109-5 (S. 384). Extends the existence of the Nazi War Crimes and Japanese Imperial Government Records Interagency Working Group for two years. Passed by both Houses and signed into law by President Bush in March 2005.

P.L. 109-97 (H.R. 2744). The Agriculture Appropriations Act of 2006. Signed into law (P.L. 109-97) November 10, 2005. The Senate-passed version included two amendments, adopted on September 20, 2005, that would have denied funds to implement a rule to lift the U.S. ban on Japanese beef until Japan has lifted its ban on imports of U.S. beef (S.Amdt. 1732 agreed to by a vote of 72-26); and that expressed the sense of the Senate that the U.S. ban on imported Japanese beef should remain in place until Japan has lifted its ban on imports of U.S. beef (S.Amdt. 1738, agreed to by voice vote). House and Senate conferees did not include either amendment in the final bill, though the conference report (109-255) says Congress "clearly reserve[s] the right to impose restrictions similar to those suggested by the Senate if there is not a swift resolution to this issue."

P.L. 109-114 (H.R. 2528). Veterans Affairs Appropriations Act of 2006. Section 118 requires the Defense Department to report by February 15 on U.S. efforts to encourage Japan and other allied countries to increase their share of the allied defense burden. Became public law on November 30, 2005.

H.Con.Res. 68 (Evans). Expresses the sense of Congress that the Government of Japan should formally issue a clear and unambiguous apology for the sexual enslavement of "comfort women" during the colonial occupation of Asia. Introduced March 17, 2005; referred to House Asia Pacific Subcommittee.

H.Con.Res. 168 (Hyde). Condemns the Democratic People's Republic of Korea for the abductions and continued captivity of citizens of the Republic of Korea and Japan. Passed by the House (362-1) on July 11, 2005; referred to Senate Foreign Relations Committee.

H.Con.Res. 191 (Hyde). Commemorates the 60th anniversary of the conclusion of the War in the Pacific and reaffirms the judgments rendered by the International Military Tribunal for the Far East of 1946-1948, including the conviction of certain individuals as war criminals. Passed by the House (399-0) on July 14, 2005; referred to the Senate Committee on Foreign Relations.

H.Con.Res. 311 (Ramstad)/S.Con.Res. 67 (Coleman). Urges Japan to honor its commitments under a 1986 bilateral agreement on medical equipment and pharmaceuticals.

House bill introduced December 7, 2005; referred to House Ways and Means Committee. Senate bill introduced November 18, 2005; referred to Foreign Relations Committee.

H.Res. 137 (Moran)/S.Res. 87 (Thune). Express the sense of the respective Houses of Congress that the U.S. government should impose economic sanctions against Japan, if Japan does not lift its ban on U.S. beef. Neither resolution has seen committee action.

H.Res. 321(Leach). Expresses support for a "regionally balanced expansion" of the membership of the United Nations Security Council, which would include adding Japan, India, Germany, Brazil, and an African country. Introduced June 15, 2005; referred to the House Committee on International Relations.

H.R. 30 (Mica). To provide compensation for certain World War II veterans who survived the Bataan Death March and were held as prisoners of war by the Japanese. Introduced January 4, 2005; referred to House Committee on Armed Services. Similar legislation in the 108th Congress (H.R. 595) did not see action outside of committee.

H.R. 4179 (Salazar) and S. 1922 (Conrad). Require the President to impose extra tariffs on various Japanese products beginning on January 1, 2006, if Japan has not lifted its ban on imports of U.S. beef. H.R. 4179 introduced October 28, 2005; referred to House Ways and Means Committee. S. 1922 introduced October 26, 2005; referred to Senate Finance Committee.

S. 377 (Lieberman). Requires negotiation and appropriate action with Japan, China, and other countries that have engaged in currency manipulation. Introduced February 15, 2005; referred to Senate Finance Committee. crsphpgw