

Japan's Foreign Policy – Contradictions & Challenges

By Reinhard Drifte



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Japan's foreign policy seems to show two contradictory tendencies: on the one hand, we find indications of an increasingly assertive policy, but on the other, there are signs of a weaker or less active policy. Among the indications of the former, one may mention a stronger stance against China (including political and military policies), more nationalism, a greater emphasis on Japan's role in the Japan-US security alliance and in international peacekeeping, a quest for a permanent UN Security Council seat, and a general weakening of Japan's "pacifism". At the same time, one cannot fail to observe a relative as well as absolute decline of Japan's economic strength, particularly after almost three decades of economic problems, reinforced by the triple disasters of 3.11, 2011, and considerable political instability, which all draw political attention away from the country's economic and social problems.

Relations with China – Deepening Economic Ties ...

Nothing demonstrates better these contradictions and challenges than Japan's relationship with China. There is an increasing perception of China being not only a political and economic competitor, but also a strategic rival. China is now Japan's most important trade partner (the total trade volume in 2011 was \$345 billion) ahead of the US, and one of the most important destinations of Japanese foreign direct investment (\$6.3 billion). This year, both countries agreed to engage in direct yen-yuan trading, which reduces the necessity to use the dollar, and both governments are buying each other's government bonds. Japan is becoming increasingly dependent on this economic relationship, as demonstrated by the spat about China's reduced exports of rare earths, its acquisition of a considerable number of Japan's ailing small and medium enterprises which otherwise would disappear, the dependence of some regions on income-generating tourists from China, and the crucial importance of the Chinese market for Japan to grow out of its domestic economic troubles. While most informed observers would in general welcome the deepening of this economic relationship with its many benefits, there are related aspects which cast a shadow over it, for example, a series of scandals surrounding the imports of food and health products from China which has alarmed the Japanese public. The ongoing problems with imports of rare earths have shown that China is willing to play hard ball with Japan, as was the case with the ramming of two Japan Coast Guard ships by a rogue Chinese fisherman in September 2010 when China used Japan's dependence on rare earths to put pressure on it to release the fisherman from Japanese custody. Chinese purchases of Japanese companies are viewed with a very critical eye by a Japanese public which has always disliked mergers and acquisitions, particularly when involving state-dominated companies or risking the leakage of technology.

... while Political & Military Tensions Rise

These ambivalent feelings resulting from the deepening economic relationship are worsened by China's growing military potential, which is seen as non-transparent, and its growing assertiveness in international relations. A recent opinion poll showed the highest percentage of Japanese having negative feelings towards China. The most serious security problems are the territorial dispute over the Senkaku Islands, which the Chinese call the Diaoyu Islands, and the confrontation arising from Chinese oil and gas ventures in waters between the two countries in the East China Sea, claimed by both sides as lying within their Exclusive Economic Zone (EEZ). Having failed to solve these problems when relations were better in the 1980s, the Japanese side at the beginning of the 1990s finally reacted to relentless Chinese advances in exploring for oil and gas in these disputed waters. The September 2010 incident has worsened the territorial problem around the Senkaku Islands, leading to an unending series of escalatory measures on both sides, which continue to poison the political atmosphere, if not risking the occurrence of a serious incident. Whereas the issue of Japan's past aggression against China is no longer in the political foreground, there is still great popular resentment, despite many Chinese admiring Japan for its economic success and societal organization.

The Democratic Party of Japan came to power with the intention of halting this downward spiral in the bilateral relationship, but lack of unity, leadership and imagination, and agenda overload, prevented the finding of an alternative China policy. Finally the government opted for the continuation of the China policy of the Liberal Democratic Party, that is, deepening economic dependence on China while strengthening the military relationship with the US as a guarantee against China's security challenges, and orientating Japan's defense policy towards possible Chinese provocations in the East China Sea. North Korea's military policies serve as a further convenient explanation for the necessity of closer security cooperation with the US. In addition, Japan has been strengthening its relations with China's neighbors who have a delicate relationship with China – Vietnam, India, Central Asia and Mongolia.

Since last year, the Japanese government has even expressed some political support for the Philippines in its territorial problem with China in the South China Sea, perceiving the South China Sea confrontation quite rightly as an ominous parallel to the rising tensions in the East China Sea. The question is, however, whether soft and hard power balancing against China – given Japan's increasing economic dependence on the country – is sustainable or merely increases contradictions and tensions.

Not All Is Well in Relationship with US

While the US certainly welcomes Japan's more hard-nosed defense alliance policies and greater international burden sharing (for example, contributions to UN peacekeeping operations (PKO) or US policies towards Afghanistan), the alliance has difficulties in adapting to changing parameters. On the one hand, Japan has become more realistic in its defense policy and so has weakened some policies related to its pacifism, but on the other, its dire public finances have led to declining defense expenditures. The participation in the US Navy-based anti-missile umbrella is a considerable drain on Japan's defense budget, and the recent decision on the acquisition of the over-budget American F-35 fighter will not help. The biggest challenge is the relocation of bases in Okinawa, which has been dragging on since 1996, and which distracts an enormous amount of attention away from discussing how to develop a more balanced and future-oriented defense cooperation. In the meantime, the risk of an accident resulting from the concentration of 75% of US bases in Okinawa is a constant threat to the survival of the alliance. The DPJ is as incapable of sorting out the relocation issue as the LDP is, nor have changing US administrations shown much flexibility and urgency.

While Japan is leaning more to the US to counter the difficult strategic situation in Northeast Asia, the US also has a growing political and economic relationship with China, albeit similarly beset with contradictions. China is becoming more important for the US economy, and politically it is an indispensable partner for addressing global and regional issues, despite wide differences. As Japan is trying to rely more on the US, there are also many issues where both countries take divergent positions, for example, on climate change, North Korea, the International Court of Justice, and Japan's quest for a permanent UN Security Council seat. If these issues and the Japan-US-China triangle are not properly handled, the political relationship will, in the end, become less beneficial to both partners.

Conundrum of the Korean Peninsula

The Korean Peninsula is the region where most of Japan's major foreign and security challenges come together. On the one hand, Japan and South Korea have never been more similar in their political and



South Korean President Lee Myung Bak (right) and Japanese Prime Minister Yoshihiko Noda shake hands ahead of the first plenary session of the 2012 Nuclear Security Summit at the Convention and Exhibition Center in Seoul on March 27, 2012.

economic systems, and share comparable perceptions of the challenges arising from China and North Korea. They both have the US as their only security alliance partner, which would like them to work much closer together. The current South Korean president, Lee Myung Bak, with his political conservatism and background as a businessman, was originally positively disposed towards closer cooperation with Japan, even in the area of security. On the other hand, rigidities and differences of interests have prevented both countries from capitalizing on these favorable conditions to build a closer political and economic relationship. The main obstacle to the political relationship is the issue of the past. South Korea is not satisfied with the way Japan addresses various history-related problems, whether it is the issue of the so-called comfort women, the territorial dispute over the islands of Takeshima (which the Koreans call Dokdo), or even the naming of the Sea of Japan, which the Koreans want

the international community to call the East Sea. For the Koreans, these problems are ultimately all related to the Japanese occupation of 1910-1945, and bearing grudges against Japan has become part of Korean national identity, whereas many Japanese either don't even see the link to the past, deny official involvement in forcing Korean women to act as wartime sex slaves, or use legal arguments to refute compensation claims. Just after the triple earthquake, tsunami and nuclear disaster in March 2011, the Korean public seemed to turn very much in favor of Japan as it admired the disciplined and courageous behavior of the Japanese people in the devastated areas, but only a month later history-related issues were allowed to come to the fore in Japan, and a golden opportunity for the bilateral relationship disappeared again.

Common Interests but Limited Cooperation

There are also important differences in Japanese and South Korean perceptions of China and North Korea. South Korea has quite a list of grievances towards China but in view of its dependence on the Chinese market, which is even greater than that of Japan, as well as the hope of China exerting a moderating influence on Pyongyang, the official South Korean reaction to China is often moderate and Seoul avoids any appearance of ganging up on China with Japan. A good example is the bloody clashes between Chinese fishermen and the Korea Coast Guard in the disputed EEZ to the north of the East China Sea in recent years: the Japanese are hardly aware that these clashes have caused the death and injury of Korea Coast Guard members, whereas the worst similar incident in September 2010 between Chinese fishermen and the Japan Coast Guard in the East China Sea only led to temporary arrests. There is therefore also no cooperation between Japan and South Korea to press China to agree to the delimitation of the overlapping EEZs between the three countries.

Among other enduring differences is the prioritization of problems concerning North Korea. Whereas for the US and South Korea, the military challenges posed by North Korea are the most immediate issues to address, the DPJ has gone even further than the LDP in emphasizing the issue of abducted Japanese citizens above all else. One can interpret this as a very cynical move merely to gain domestic support, because megaphone diplomacy will certainly not move North Korea. Although security cooperation between Japan and South Korea would seem to be the most natural thing, the planned signing of an agreement on military exchanges was cancelled by Seoul twice this summer, and the signing of an Acquisition and Cross-Servicing Agreement for logistical cooperation when their militaries are engaged in PKO or humanitarian assistance/disaster relief activities has been postponed indefinitely, all being put down to Japan's past deeds.

Liberalizing Trade

Liberalizing trade has become a major focus in Japan's policy towards Northeast Asia. It would make sense to conclude Free Trade Agreements (FTAs) between Japan and its most important trade partners. Japan and South Korea are each other's third-biggest trading partners, and bilateral trade rose 16% in 2011 to \$106 billion. Talks to conclude an FTA with Seoul were started in 2003 but disagreement over the liberalization of Japan's agricultural market, and Korean fears about being economically dominated by Japan led to a long interruption of negotiations which only resumed this year. While the chances of even a bilateral agreement are highly doubtful, Japan, China and South Korea agreed to negotiate a trilateral FTA. The conclusion this year of a trilateral agreement for the protection of investment was greeted as a good omen for a trilateral FTA, but even if it comes about it will be replete with exceptions because all three countries have sensitive sectors to protect. The FTA issue in Northeast Asia has become even more complex with Japan's declared intention to join the Trans-Pacific Partnership Agreement, which is a very ambitious FTA and strongly supported by the US. Because of the latter reason it has become – like many other issues in Japan's foreign and security policy – a Japan-US alliance issue, but for the reasons mentioned above Japan will not be able to join the agreement under current conditions.

Japan as Regional Actor

The Japanese government has always stressed its relationship with Asia because of its own geographic location and the economic opportunities it is offering. With Japanese Official Development Assistance, and later the establishment of a network economy, Japan has considerably contributed to economic development and integration in Asia. While it has been mostly active in the economic field – reinforcing the activities of its private companies – the Japanese government has also been trying for quite some time to translate this economic leadership into political leadership. Tokyo has been helping Southeast Asian countries to combat piracy, with training and hardware, supporting the Indochinese countries with building their infrastructure, underwriting the peace process in the southern Philippines, and financing the



A Japanese SDF member scatters gravel at a groundbreaking ceremony for traffic work in Juba, South Sudan, on April 2, 2012.

establishment of a court in Cambodia to try the former Khmer Rouge leadership. Its first UN PKO participation took place in 1992 in Cambodia.

Just at the moment of Japan's attempt to translate its economic leadership into political leadership, China has come onto the scene. As a very astute political actor that knows how to turn minimal strength to maximum effect, Beijing is proving to be a considerable economic attraction to its Asian neighbors, and has managed to prevent the ASEAN member states from taking a unified stance against Chinese interests. This has been most visible in the case of finding a *modus vivendi* in the South China Sea. In addition, China has beaten Japan in the race to conclude FTAs with ASEAN countries by showing greater flexibility, whereas Japan is hindered by its political establishment, which is still indentured to the agricultural interest group. Asian countries clearly do not want to become too dependent on China, but Japan will have to work harder to bring to bear its advantages as a much more developed country, which can offer market access, capital, technology, training or governance support.

Changing Course?

The euro crisis has shown yet again how difficult it is for democracies to change course, even in the face of immediate danger. Last year's triple disasters have also posed an immediate challenge to Japan's economy, which is the foundation for any foreign policy, but political instability, agenda overload, demographic decline and easy short-term solutions for the private as well as public sector (for example, relocation of industry abroad or rebuilding the old economic structure in the northeast of the country) reduce the motivational power arising from disaster. Japan's foreign and security policy will have to avoid the impression that every policy action is seen as a move to counter China, or to compete with China on a regional and global level. Instead it has to be seen as innovative and abandoning the perception of leadership by stealth and procrastination. Japan has to learn to do more with less. But in the end, the foundations for this change in course have to be laid at home. **JS**

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