

## **CHAPTER IV**

### **THE INTERTWINED RELATION BETWEEN UNITED STATES AND JAPAN**

In this Chapter the intertwined relation between United States and Japan is explained. The discussion will be divided into two parts; through the first is United States and Japan security alliance and the second is the economy relationship.

#### **A. United States and Japan Security**

The history of United States and Japan alliance started when Japan was defeated by the U.S on August 15, 1945 which also marked the end of World War II. At that time Japan became a country with conditions that required to surrender due to the threat of more powerful and ultimatum attacks from the United States and China. Japan signed a security agreement with the U.S-Japan Security Treaty on September 8, 1951 which signified the formation of an alliance between the two countries. Afterward, Japan's national security has guaranteed and was under the control of the United States military. This agreement allows the United States to maintain Japan's domestic security and this alliance has become a strong security partnership and a pillar for regional stability. After signing the U.S-Japan Security Treaty, the Mutual Security Pact was formed in 1952, the alliance was later updated to the Treaty of Mutual Cooperation and Security (1960), where Japan agreed to provide U.S. forces with basing rights on its territory in exchange for the provision of security against external threats. Until 2014 the U.S. bases over 50,000 troops in Japan (John Allen and Benjamin Sugg, 2016).

The alliance is majority non-mutual, which means that Japan is legally unable to provide defense capabilities for the United States if being attacked, but new guidelines for security

agreements under the administration of Shinzo Abe and Barack Obama had been made. This new guideline allowed Japan to be present in the defense of other countries, even with certain legal restrictions in mind, including the requirement for approval by the Japanese diet (Dell'Era, 2016). The Japanese government had also conducted various overseas operations that directly contributed to the U.S. operations in Afghanistan and Iraq. These included a long-term naval refueling mission in the Indian Ocean supporting the U.S. operations in Afghanistan and deploying some 600 troops to Iraq, where Japanese forces played an important role in Iraqi reconstruction operations after the U.S. invasion (Chanlett, 2016).

This alliance continued to grow stronger. Both countries had increased bilateral communication and coordination, and increased attention to Ballistic Missile Defense (BMD), and Cyber Security. BMD under the alliance of Japan and the United States produced several benefits, first is assurance for US forward deployed Forces, if the enemy has weapons to prevent US military operations, BMD will protect US forces deployed in the crisis, where the missile will help Tokyo minimize Chinese missile effects in the future crisis. The BMD system that can help Japan protect the U.S. bases in Japan where such matters are encouraged for Japan and the US as guidelines for defense cooperation. The second is a guarantee of Japanese security where the BMD system can eliminate the efforts of hostile countries to prevent Japan and the public and will provide guarantees about the prevention and defense of Korean and North China missile attacks. Third Japan Technology Cooperation United states about BMD will increase military technology cooperation between the two countries (Jimbo, 2002).

In Cyber security, the SDF and US Armed Forces will be various expertise and conduct educational exchanges in cyber security, maintain a posture to monitor their respective networks and systems, conduct bilateral exercises to ensure

effective cooperation for cyber security in all situations from peacetime to contingencies, ensuring the resilience of their respective networks and systems to achieve their mission and contribute to the government's efforts to improve cyber security. The two governments will also share relevant information quickly and precisely. If there are cyber incidents that affect Japanese security, the two governments will take cooperative action and consult closely to respond to threat (Ministry of Defense, 2015). The bilateral Joint Operations Command Center in Yokota Air Base was a clear example of the extent of integration where both parties shared information to improve identification, target search and signal interceptors. In addition, the United States and Japan had participated in various multilateral exercises with other partner countries in the region, including Australia and the Philippines. Because of the alliance, the United States and Japan are closer partners in economic terms. Japan is currently the 4th largest trading partner, and in 2014 the United States traded more than US \$ 200 million with Japan (John Allen and Benjamin Sugg, 2016).

The Japan-United States Alliance has experienced several geopolitical transitions, and experienced various dynamics. After the collapse of the Soviet Union, the principles governing the Cold War became obsolete, this forced the United States and Japan to adjust and renew the alliance framework. This partnership received political challenges in the 2000s due to the softening of US policy towards North Korea by the George W. Bush Administration, which disappointed Japan, and the cessation of the relocation of defense bases. A series of provocations carried out by North Korea and increasingly aggressive maritime operations by China since 2010 appear to have rearranged relations between the two countries as before. From 2007 to 2012, unstable leadership and political paralysis in Tokyo slowed down several bilateral security cooperation measures, but finally the turmoil that engulfed Japanese politics was seen to have strengthened Japan's commitment to this alliance. In the end, both the left-wing party Democratic Party

Japan (DPJ) and the Liberal Democratic Party (LDP) reaffirmed the centrality of the partnership with the United States. The revision of the Defense Guidelines, which provide a framework for bilateral defense cooperation in 2015, shows how strong this alliance is and this revision contains a goal in increasing future cooperation.

This alliance contained a broad and strategic agreement, but the two countries still faced several obstacles in increasing the alliance. For example, the fiscal conditions that have caused an emphasis on the defense budget and Japanese people who feel pressured by the presence of the U.S forces, especially in Okinawa. Although Prime Minister Abe encouraged to improve Japan's security capabilities, there were still doubts as to whether Japanese people wanted to shift post-Cold War military posture to Japan to become more active (CNN, 2019).

Prime Minister Shinzo Abe ordered the Japanese Ministry of Defense at the end of 2012 to update or revise the cooperation framework in the New Guidelines for Japan-U.S Defense Cooperation. For the first time, the renewal of this guideline was initiated by the Japanese Government since the Guidelines were formed, namely in 1997. This guideline later became the basis of an intensive cooperation framework between the two countries in updating the Guidelines, finally the two parties ratified the new Guidelines on April 27, 2015. The Guidelines renewed the framework of cooperation in general and the direction of policy for the mission and role of the two countries and specifically emphasize security and defense cooperation but the goals and objectives of the Guidelines maintain and are in line with the 1997 Guidelines. The basic principles of this Guidelines are:

1. The rights and obligations under the Japan-U.S. Security Treaty and its related arrangements will remain unchanged.

2. All actions and activities undertaken under the Guidelines will be consistent with international law.
3. All actions and activities undertaken by Japan and the United States will be in accordance with their respective constitutions, laws and regulations then in effect, and basic positions on national security policy. Japan will conduct actions and activities in accordance with its basic positions, such as the maintenance of its exclusively national defense-oriented policy and its three non-nuclear principle.
4. The guidelines do not obligate either government to take legislative, budgetary, administrative or other measures, nor do the Guidelines create legal rights or obligations for either government. Since the objective of the Guidelines, however, is to establish an effective framework for bilateral cooperation, the two governments are expected to reflect in an appropriate way the results of these efforts, based on their own judgment, in their specific policies and measures (Japan Ministry of Defense, 2015).

This new guideline explains the increasing military interoperability, Japanese and US military technological developments, and complex security threats in the 21st century. For instance, the revision discussed bilateral cooperation on air use with the aim of defense, cyber security, and ballistic missile defense, which was not included in the 1997 Guidelines. The existence of new guidelines also aimed to improve coordination of alliances. The guidelines form the Alliance Coordination Mechanism (ACM), which will involve participants from all relevant institutions in the Japanese and US governments, as the main body to coordinate bilateral responses to all possibilities. According to the Japanese Defense White Paper, this new mechanism removes barriers that have hampered the coordination of alliances in the past (Chanlett, 2017).

Abe has readjusted constitutional interpretation to enable the implementation of increased Japan's defense budget, self-defense collective rights, untied arms export ban regulations, established the National Security Council and developed a package of security laws that provide a legal framework for new interpretations. The National Security Council aims to facilitate decision making on foreign policy, forming a draft law that allows sharing intelligence information with the United States (Storch, 2016).

The United States and Japan Alliance is a guarantee of Japanese security. Likewise for the United States, the existence of this alliance has connected a network of alliances with countries in the Asian region. In this context, the Japan-United States alliance has become a strategic basis for the United States in playing its role in the Asia Pacific region. Alliance relations are supported by a variety of factors including the common strategic interests and universal values such as freedom, human rights, supermasi law and democracy. In addition, Japan's geostrategic importance in supporting US involvement in the region became the basis for the alliance. Therefore, because the basics of the allies of the two countries are very close, the two countries work together in various sectors and levels including at high-level meetings, and at the ranks of ministries. Where both countries not only talk about bilateral, but also the situation of the Asia Pacific region.

In bilateral relation, Japan contributed financially and in the non-military and US fields to contribute militarily, Japan's dependence on United States, Japan in fulfilling defense equipment needs, namely through the purchase of defense equipment produced by the United States. Japan has become a major buyer and has more defense equipment compared to other United States alliances. In the development Japan has produced several more sophisticated defense equipment systems prepared by companies from the United States (Yoda, 2006). On the other hand, from military technology used to make Japanese

warplanes, the technology used in the manufacture of these aircraft is protected by United States, where if there is damage the right to repair is a technician from the United States. Japan may not imitate, improve and even make military technology for itself without the approval of the United States.

Japan has become a major buyer of defense equipment produced by the US. Between 2009 and 2018 Japan is one of the 10 main recipients of actual shipping of major conventional weapons from the United States, spending an average of \$ 363.9 million per year, which accounts for between 83% and 97% of Japanese arms imports, according to estimates from the Stockholm International Peace Research Institute. Separate analysis shows that Japan under Prime Minister Shinzo Abe has increased the use of DOD's Foreign Military Sales (FMS) program, increasing from an average of around 76 billion JPY (\$ 690 million USD) in six years before returning to power in 2012 to average an average of 339 billion JPY (\$ 3.08 billion USD) in the following six years. The SDF has more equipment in common with the U.S military than any other allied military, according to US defense officials in Japan (Chanlett, 2019).

Japan has more defense equipment compared to other United States alliance countries. Japan has also produced several defense systems with advanced systems, such as the F-15 fighter aircraft, and other equipment prepared by U.S companies. In recent years, Japan has purchased defense equipment from the United States, some of which are:

- a) 2 Upgrade for BMD-capable Aegis Combat Systems for Japanese destroyers, valued at \$ 1.5 billion
- b) 3 RQ-4 "Global Hawk" Unmanned Aerial Vehicles (UAVs), valued at \$ 1.2 billion;
- c) 4 E-2D "Hawkeye" airborne early warning and aircraft control, valued at \$ 1.7 billion;

- d) 3 KC-46A "Pegasus" Aerial Refueling Tankers, valued at \$ 518 million;
- e) 17 V-22 "Osprey" tilt-rotor aircraft, valued at \$ 3 billion;
- f) 42 F-35 Joint Strike Fighters, valued at \$ 10 billion; (Chanlett, 2019).

Furthermore, some defense equipment is the production of cooperation between Japan and the U.S where Japan is the coproducer. While FSX is a product that starts using its own Japanese technology (indigenous systems). The Patriot is the first air-defense missile system owned by the US. For Japan, The Patriot is the answer to the weakness of its air defense and its need for technology. The F-15 is a growing form of U.S-Japan cooperation due to its increasingly sophisticated technological equipments.

Donald Trump's election in 2016 raises concerns because there will be an expansion of alliances that are slowing down. Trump as a U.S. president questioned the value of the US alliance and criticized Japan by saying that they failed to compensate the United States for protection. Trump argues that Japan has to pay more support Host-Nation faces a lack of US defense commitment. In response, Japanese officials maintain a Host Nation Support system that has been negotiated and renegotiated for years. Host-Nation Support is one component of Japan's contribution with Japanese government payments of nearly \$ 2 billion per year to offset the costs of placing U.S. forces. In Japan. All of these contributions are given in the form of goods such as fuel, barracks, etc. Japanese host country support consists of two funding sources: The Special Action Agreement (SMA) and the Facility Improvement Program (FIP). Each SMA is a bilateral agreement, generally covering five years, which requires Japan to pay a certain amount of utility and labor costs from the U.S base and to move training exercises far from populated areas. Below the current SMA, covering 2016-2020, the United States and keep the Host-



Nation Support at a level roughly equal to what was paid in the past. Japan will contribute 189 billion yen (\$ 1.6 billion) per year below SMA and contribute at least ¥ 20.6 billion (\$ 175 million) per year to FIP. Depending on the yen-to-dollar exchange rate, support for the Japanese host country is likely to be in the range of \$ 1.7 - \$ 2.1 billion per year (Chanlett, 2019).

In early 2018, when the Trump Administration abruptly adjusted course and pursued negotiations with North Korea, many in Tokyo grew concerned about the possible marginalization of Japan's interests. In addition to Korean peninsula dynamics, the return of trade frictions to the forefront of the U.S.-Japan relationship since 2017 has raised concerns that the alliance could face challenges in the years ahead. However, the leaders of Japan and the United States emphasize the importance of the two countries' in summit talks in Tokyo on May 27, 2019. Japanese Prime Minister Shinzo Abe during the beginning of talks with U.S President Donald Trump hope this visit by them something befitting the opening of a new era, Reiwa. Trump wants to make this an opportunity to clearly demonstrate that the bonds of the Japan-US alliance continue to be firm in the Reiwa era, the Japanese leader added. For Trump's part, he said that he had a good relationship with his Japanese counterpart and that relations with Japan are the best they have been (Xinhua, 2019).

According to the report of Ministry of Foreign Affairs of Japan. In the opening remarks of the summit meeting, Prime Minister Abe welcomed the visit of President Trump and Mrs. Trump to Japan as the first State Guests in the era of Reiwa. The two leaders through sharing views considered that the Japan-US alliance was stronger than before and is now the closest alliance in the world, thanks to recent steps to strengthen the Alliance including the Japanese Peace and Security Legislation and a strong personal relationship between the two leaders. The two leaders also stressed their determination to continue to strengthen the unwavering ties between Japan and the US and

to lead the region's peace and prosperity and the international community as true global partners in the new era (Ministry of Foreign Affairs of Japan, 2019).

## **B. The Relationship in Economic Sector**

The United States and Japan are two of the world's largest economic powers. Their economies are deeply intertwined through trade and investment. This deep economic integration has been an extraordinarily positive force for job creation, wage growth, innovation, and enhanced prosperity for both countries (Ministry of Foreign Affairs of Japan, 2015).

United States and Japan account for over 30% of world domestic product, for a significant portion of international trade in goods and services, and for a major portion of international investment. This economic clout makes the United States and Japan potentially powerful actors in the world economy. Economic conditions in the United States and Japan have a significant impact on the rest of the world (Cooper, 2016). The U.S and Japan bilateral economic relationship based on enormous flows of trade, investment, and finance is strong, and increasingly interdependent. Further, it is firmly rooted in the shared interest and responsibility between the United States and Japan to promote global growth, open markets, and a vital world trading system. In addition to bilateral economic ties, the U.S and Japan cooperate closely in multilateral such as the WTO, Organization for Economic Cooperation and Development, the World Bank, and the International Monetary Fund, and regionally in the Asia-Pacific Economic Cooperation forum (APEC) (International Business Publication, 2015)

**Table 4.1 Top Five United States Trading Partner 2018 (billion)**

No	Country	Exports	Imports	Total Trade
1	China	\$ 120.3	\$ 539.5	\$ 659.8
2	Canada	\$ 298.7	\$ 318.5	\$617.2
3	Mexico	\$ 265	\$ 346.5	\$ 611.5
4	Japan	\$ 75	\$ 142.6	\$ 217.6
5	Germany	\$ 57.7	\$ 125.9	\$ 183.6

*(Source: United States Census Bureau)*

The table above illustrates, it can be seen that Japan occupies the fourth position of U.S trading partners with export reaching \$ 75 billion and Import \$ 142.6 billion with total trade reaching \$ 217.6 billion. Furthermore. In the first position is China with a total trade of \$ 659.8 billion. Canada is in the second place with total trade reaching \$ 617.2. Third place is Mexico with a total trade of \$ 611.5 billion and The fifth place is Germany with the total trade is \$ 183.6 billion (United States Census Bureau, 2018).

From the table it also can be seen that in 2018 U.S got deficit to Japan that happen because the value of imports from japan is higher than the value of exports. U.S economic policy toward Japan seeks to address this trade deficit through free, fair, and reciprocal trade. In particular, the United States aims to expand access to Japan's markets, increase two-way investment, stimulate domestic demand-led economic growth, improve the climate for U.S investors, raise the standard of living in both countries, and promote economic

restructuring (Bureau of East Asian and Pacific Affairs, 2019). In the trading relation between U.S and Japan, there are some commodity that dominate the export and import of both countries that can be seen through this table

**Table 4.2 Top Five Exports Imports commodity of United States with Japan**

No	Products	United States exports to Japan		
		2016	2017	2018
1	Mineral fuels, mineral oils and products of distillation; bituminous substances, mineral	2,429,091	5,535,891	8,801,099
2	Machinery, mechanical appliances, nuclear reactors, boilers; part	6,300,088	7,528,376	8,235,315
3	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical	6,876,731	6,955,635	7,534,721
4	Aircraft, spacecraft, and parts	7,943,760	6,524,742	6,495,383
5	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	4,997,530	4,913,850	4,840,724

No	Products	United States imports from Japan		
		2016	2017	2018
1	Vehicles other than railway or tramway rolling stock, and parts and accessories	50,558,963	51,712,608	52,482,726
2	Machinery, mechanical appliances, nuclear reactors, boilers; part	29,672,144	31,686,205	33,029,794
3	Electrical machinery and equipment and part	16,410,355	17,489,019	18,081,970
4	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical	6,572,769	6,747,139	7,212,697
5	Aircraft, spacecraft, and parts	4,507,407	4,016,610	4,198,301

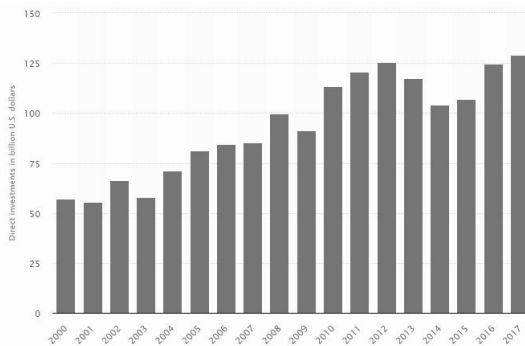
(source: Trade.map: Trade statistics for international business development)

The table above shows The top export commodity between the United States and Japan is mineral fuels, which increasing from 2.4 billion USD in 2016 to 8.8 billion USD in 2018. Most of U.S oil exports are petroleum products such as residual fuel oil or petroleum coke. The top export categories in 2018 were mineral fuels (\$8.8 billion), machinery (\$8.2 billion), optical and medical instruments (\$7.5 billion), aircraft (\$6.4 billion),

and electrical machinery (\$4.8 billion). Although highest export commodity of United States is mineral fuels, the total exports are not as much as imported from the United States to Japan. This is because many U.S citizens use products from Japan, one of them is vehicles that dominate by car. The vehicle Industry become the top import commodity of United States from Japan. The top import categories in 2018 were vehicles (\$52 billion), machinery (\$33 billion), electrical machinery (\$18 billion), optical and medical instruments (\$7.2 billion), and aircraft (\$4.1 billion).

In the investment sector, began due to the U.S concerns over the Japanese economy around the 1970s. with the support of lower-skilled skilled labor, as well as imported machinery and technology, Japanese companies are slowly starting to produce goods that make Japan the largest exporter in the US. starting from the Honda Motor automotive factory in Ohio, Japanese automotive factories began to integrate into the economy and society throughout the U.S through this directly and indirectly created 1.5 million jobs in the US (The Government of Japan, 2019).

**Figure 4.1 Direct Invest Position U.S to Japan 2000-2017 (Billion)**



(Source: Statista.com)

Through the data above, it can be seen from the direct investment position of the United States in Japan. These statistics show where the position of direct investment in the United States in Japan began from 2000 to 2017. In 2017, US investments made in Japan were valued at around 129.06 billion US dollars. The total direct position of the United States abroad amounts to 6.01 trillion US dollars in 2017. (Statista, 2019). In 2013 where the chart touched \$ 117 billion. Whereas in 2014 experienced decline of around \$ 104.13 billion until 2015 occur an increase reaching \$ 106.93. The increase in direct investment got a significant increase in 2016 reaching \$ 124.55 and in 2017 reached the highest point of around \$ 129.06 billion.

Over the last two decades Japan has been one of the biggest foreign investors in the U.S, its biggest buyer of government debt, the top job-creator in the local automotive sector outside of American brands, and a key ally in energy (both fossil, renewable, and nuclear. Furthermore, according to data from USTR (United States Trade Representative), the U.S direct investment in Japan in the form of stock reached \$ 129.06 billion in 2017. The investment came from finance, insurance, manufacturing and information services. Whereas Japanese FDI in the United States in the form of stock reached \$ 469 billion in 2017. Japanese Direct Investment in the United States is the same as the United States which comes from finance and others (Bureau of East Asian and Pacific Affairs, 2018).

Close trade and security ties binding on the U.S and Japan in a network of interdependence. The alliance serves mutual interests through an asymmetrical arrangement in which the U.S. guarantees Japanese defense and gains a strategic position in East Asia with U.S. troops based or home-ported in Japan. In return, Japan subsidizes the U.S. troop presence and receives a security guarantee without raising the worries of neighboring countries about possible Japanese rearmament. Since the 1980s, however, several problems have troubled the alliance. U.S. support for the current security arrangements remains strong,

although it requests greater burden-sharing from Japan. The U.S contends that the alliance creates stability in East Asia amid uncertainties about Chinese military buildup and possible crisis in North Korea. Moreover, Japanese subsidies make it cheaper to station troops in Japan than at home (Davis, 1997).

In addition, Japan's other dependence on the United States is that the United States has always been a determinant of Japan's move to determine policies for Japanese defense and security. In accordance with the Japan-U.S Security Treaty article three, it was explained that the two countries must work together to defend and develop their constitutional provisions. Furthermore, most Japanese people view that the alliance with the United States is important, it is not only intended for Japanese defense interests, but also for regional and international peace and stability (Irsan, 2007). Therefore, to catch up with neighboring countries such as China and North Korea, the only way out to stabilize Japan defense forces must be dependence on the United States as a country that has great military power

The election of Donald Trump as president of the United States has presented a new challenge for the U.S and Japanese cooperation. During his campaign, Trump often expressed his dissatisfaction with the U.S. alliance, questioning their strategic and economic values to the United States, and emphasizing their costs to the average U.S citizen. But it was his actions as president of trade policy which had introduced the biggest uncertainty into the U.S-Japan relations. A few days after taking office, Trump fulfilled the promise of his campaign and attracted the United States from the TPP. He has repeatedly complained about the size of the U.S bilateral trade deficit with Japan. In April 2018, the Trump administration refused to release Japan from steel import tariffs based on Section 232 of the Trade Expansion Act of 1962, which gave the president the authority to limit imports due to national security issues. In late May, the US Department of Commerce announced a similar



investigation under Section 232 to the impact of national security on imports of cars and auto parts. These actions, as well as President Trump's provocative stance at the G7 Leaders Summit in Quebec, Canada, in June 2018, raised concerns that the United States had turned away from the global ruling leadership based on economic order at the time when Japanese Prime Minister Shinzo Abe hoped to connect weapons more closely with the United States in enforcing that order (Funabash, 2018).

Trump administration's decision to withdraw the U.S from TPP removed a pillar of U.S. policy toward the Asia-Pacific region and introduced an element of uncertainty in the bilateral economic relationship and more broadly, the future of the regional trade. The U.S approach to favor bilateral over multilateral trade arrangements appears out of step with the prevailing trends in Asia. To address these concerns, Prime Minister Abe and President Trump emphasized in their Summit Joint Statement in February 2017 that the United States and Japan remained fully committed to strengthening economic relations between their two countries and across the region, based on the rules for free trade and justice. This will include setting high trade and investment standards, reducing market barriers and enhancing opportunities for economic and job growth in the Asia-Pacific (Matake, 2018).

Despite being in a period of tension in the U.S and Japan relations, these pressures and uncertainties have not changed the underlying strong forces that drive strategic convergence between the U.S and Japan. This long-lasting power provides many reasons to be optimistic about the long-term prospects of the U.S-Japan alliance and economic cooperation, especially in the Indo-Pacific region. the United States has three main interests in the Indo-Pacific region: protecting the security of the United States and its allies, expanding trade and economic opportunities, and supporting the norms of universal

democracy. This is in line with Japanese interests. Over the past 70 years, Japan has grown into a developed market economy, with a large stock of unique intellectual property, significant direct investment abroad, and deepening of shared values with the United States. In the end, long-standing strategic and economic interests will likely encourage U.S. administration to pursue an active economic agenda in the Indo-Pacific region. Japan is a natural partner in this effort (Funabash, 2018).