

EAST ASIA INSIGHTS

TOWARD COMMUNITY BUILDING

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Six Challenges for US-Japan Cooperation in Asia

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A NEW YEAR has come, but it seems clear that in 2016, the regional order in East Asia will continue to be characterized by a sense of instability. China's behavior continues to create unease, most prominently through its unilateral construction of artificial landfill islands in the South China Sea, but also through the progress it is making on its regional economic initiatives, the Asian Infrastructure Investment Bank (AIIB) and the One Belt, One Road infrastructure connectivity plan. Meanwhile, the shadow of Crimea hangs over Russian dealings with Asia, and North Korea has yet again tested a nuclear device.

A key question as 2016 progresses will be a familiar one: How best to focus US-Japan cooperation to address both the challenges and opportunities that accompany the rise of China? The time is ripe for intensive alliance consultations regarding future cooperation with China given the relative improvement of Sino-Japan relations over the last year. At the same time, there are six thorny issues that carry the potential to undermine US-Japan cooperation and thus need to be dealt with. Close, careful US-Japan consultation and cooperation is required to ensure that these issues do not create a wedge in the alliance.

1. The Future of US Global Leadership

The world is watching the US presidential election closely for signs of the foreign policy path the next US president will take. A significant amount of the rhetoric from the primaries is concerning—most notably the xenophobic remarks of Donald Trump, which have captured the media spotlight. While it is still a long road to the White House, the kind of debate we have seen so far—which has taken a hostile tone toward certain nations and groups (such as banning Muslims from entering the United States) and has failed to recognize the vital need for international cooperation—is damaging to the long-term credibility of US global leadership. Continued US leadership is critical to maintain and strengthen liberal and free-market values as well as the stability and prosperity of East Asia. The United States, East Asia, and the world need a US president with the stomach for strong global leadership based on deep cooperation and consultation with US allies and partners, rather than one who advocates unilateralist or isolationist thinking.

2. Regional Trade Deals and Economic Governance

The Trans-Pacific Partnership (TPP) deal reached in October 2015 has rightly been hailed as a major achievement in setting common rules for regional economic governance. Now the agreement must be ratified by the 12 signatory states, including the US Congress. In light of China's efforts to launch the AIIB, roll out the One Belt, One Road initiative, and reach a Regional Comprehensive Economic Partnership with the ASEAN+6 nations, the TPP is critical to the future credibility of US regional leadership. The TPP is not simply a vehicle to facilitate increased trade, but rather a means to shape 21st-century rules for economic governance and to promote and entrench liberal free-market principles in Asia Pacific.

Indonesia's decision in September 2015 to choose China over Japan to build a high-speed train line between Jakarta and Bandung is illustrative of what is at stake. The US\$5.5 billion Chinese proposal was attractive given that it required neither financing nor a loan guarantee from the Indonesian government; in other words, China is taking on almost all of the financial risk of the project, which most ODA providers are not able to do. Three-quarters of the funding will come from China and the remaining 25 percent from Indonesian companies. Indonesian President Joko Widodo, who campaigned on improving welfare for ordinary Indonesians, was thus able to avoid using the national budget for a project in one of the country's most prosperous areas. But many questions remain regarding the transparency of the proposal and the ability of China to meet international standards, including on labor and environmental regulations. There is already local criticism of the project for its plans to use Chinese workers at a time when Indonesia's unemployment rate is rising and there are concerns over China's safety record in light of the crash of a high-speed train in Wenzhou in 2011.

It is thus critical that the United States, Japan, and the broader international community engage with Chinese-led economic initiatives, including the AIIB and One Belt, One Road project, to help steer China toward a greater embrace of international best practices. In this context, it is important to note that the TPP has an open-accession clause to create a clear and transparent process through which other countries—including China, Indonesia, and South Korea—can

join in the future. The United States and Japan should actively promote the expansion of TPP membership, especially to these countries.

3. Demilitarizing the South China Sea

The construction of artificial landfill islands by China in the South China Sea in areas such as the Fiery Cross, Mischief, and Subi Reefs, which are also claimed by ASEAN nations, has set back efforts to peacefully negotiate a diplomatic resolution to these territorial disputes. Moreover, the potential for the future construction of a chain of airports, ports, and other facilities on the artificial islands, as well as high-profile attempts by the People's Liberation Army (PLA) Navy to enforce no-fly zones, risks further militarizing the South China Sea. Such a scenario would be a serious security concern for the region and should be avoided.

One potentially complicating factor is the recent election in Taiwan, where the Democratic Progressive Party (DPP) won a comprehensive victory, with Tsai Ing-wen winning the presidency and the party gaining the majority in the Legislative Yuan. The DPP is known for its pro-independence stance vis-à-vis Beijing and has in the past suggested negotiations between Taiwan and ASEAN nations over the South China Sea. Tsai has also questioned the "1992 consensus" that there is only "One China" with Beijing and Taipei simply maintaining differing interpretations. For the time being, Tsai seems to have settled for a loosely defined continuation of the status quo. But if the DPP government were to push Taiwan toward a more assertive foreign policy stance and articulate a South China Sea policy different from that of the mainland, it could further complicate the issue.

Further military build-up in the South China Sea will undoubtedly feed regional tensions and increase the risk of accidental conflict. Until a diplomatic resolution can be peacefully negotiated between China and the ASEAN countries, it is vital that all parties be alert to China's incremental changes. At the same time, in addition to continued US freedom of navigation operations—to ensure free passage, uphold international law, and prevent any further unilateral changes to the status quo—the United States and Japan must coordinate and cooperate to persuade China that freedom of navigation in what is a vital sea route for international commerce and the energy security of East Asia, is a shared interest not just for the

United States, Japan, and ASEAN countries but also for China itself.

4. North Korea

Four years since he inherited power from his father, Kim Jong-un appears to be drawing from a diverse toolbox to consolidate his grip on power. First, Kim is continuing the country's nuclear weapons development program. On January 6, 2016, North Korea tested a nuclear device for the fourth time—the second under Kim Jong-un's leadership. Such tests and rocket launches are a signal to domestic audiences, especially the Korean People's Army (KPA), that Kim is capable of continuing the country's technological progress and bolstering military might against hostile external forces. Second, Kim has also purged a number of high-level officials from his father's cliques (most infamously his own uncle, Jang Song-thaek), replacing them with his own younger loyalists. Notably, these purges have tended to target military men rather than economic planners. Third, Kim has also shown interest in cementing his legitimacy through economic development. Experiments with reforms have taken place quietly in the background, allowing farmers to retain a fraction of their produce to sell on the market rather than being forced to sell everything to state distributors. Kim is also gearing up for the 7th Congress of the Workers' Party of Korea (WPK), the first time such a meeting has been held in 36 years. It has been speculated that Kim may use the party congress as a platform to launch more serious economic reform measures and to reassert the primacy of the WPK over the KPA.

The region was rocked by North Korea's most recent nuclear test. This time, the international community must go beyond business-as-usual measures to deal with the North Korean nuclear program. In order to truly alter North Korea's behavior, economic sanctions, including financial sanctions, will need to be strengthened. Beijing has a big role to play. Irrespective of its apparent change in attitude after the third North Korean nuclear test in 2013, China has continued to provide substantive assistance to North Korea. For any form of sanctions to be effective, though, the international community as a whole, including China and Russia, must fully back them. South Korea, Japan, and the United States must deepen cooperation and adopt a unified approach on sanctions policy as well

as on joint contingency planning. From a coordinated trilateral base, the three nations also need to consult with China and Russia to form a united five-nation front to apply greater pressure on North Korea. An immediate restart of the denuclearization process under the Six-Party Talks may be difficult, but without the right measures to pressure and isolate North Korea, nothing will be achieved and North Korea will continue to develop its nuclear arsenal.

5. Russia Policy

Since Vladimir Putin and Shinzo Abe both returned to power in 2012, the two leaders have built a certain rapport and have shown a willingness to deal with the issue of the Northern Territories (referred to as the Southern Kuril Islands in Russia). Putin was even scheduled to visit Japan. But then Russia annexed Crimea in March 2014 and summit plans were put on hold.

Since then, Japan has stuck to its international obligations and imposed sanctions against Russia in concert with the other G7 nations to punish Russia for its violation of international law. However, if it appears that an acceptable agreement can be reached on the Northern Territories, an issue that has blocked the normalization of Japan-Russia relations since the end of World War II, Japan will have no choice but to seize the opportunity. At the same time, it is important that the United States and Japan maintain very close coordination and not allow Russia to utilize the Northern Territories issue to drive a wedge between them. They must also make clear to Russia that any Russo-Japanese cooperation to resolve the Northern Territories dispute will not translate into an acceptance of the annexation of Crimea or any other violation of international law.

Recently, Prime Minister Abe has reportedly expressed the possibility of making a trip to Russia in his capacity as this year's chair of the G7. There is also talk of a possible trip by Putin to Tokyo by the end of 2016. While continuing to advocate for a peacefully negotiated resolution to the Crimea crisis, given the possibility that the isolation of Russia could push Putin toward China, it may be wise not to preclude some forms of strategic cooperation with Russia in areas of overlapping interest—including on North Korea and Syria.

6. Reducing Okinawa's Burden

The battle between the Okinawa prefectural government and the Japanese central government regarding the relocation of the US Marine Corps Futenma Air Station continues to intensify. Each side has launched a series of tit-for-tat court battles centering on the legality of the construction of a new base in Henoko to replace Futenma. Backed by their determined governor, Takashi Onaga, local Okinawan protestors are demanding at a minimum that no new bases be built in the prefecture, with a view to reducing the concentration of bases in Okinawa in the future.

The situation has reached something of an impasse. While the United States might be happy to leave this to the Japanese government to deal with as a domestic issue, ultimately the United States will also have to suffer the consequences of Okinawa's local opposition. Deep US-Japan consultations must continue, which should be conducted as part of regularized reviews of the US forward deployment structure and how it relates to US-Japan alliance goals. There are two important points to keep in mind here. First, while a continued US forward deployment presence in Okinawa is critical to the maintenance of the alliance's deterrence posture, if the situation is not handled with due sensitivity for local Okinawan concerns, base protests will continue to be a thorn in the side of alliance relations over the long term. Second, the overall US forward deployment posture in East

Asia should be evaluated in light of advances in new military technologies and the need to respond to regional security challenges in a dynamic way. A more evenly rotated distribution of US soldiers across the region—a trend that is underway thanks to increased cooperation with partners such as Australia, India, the Philippines, Singapore, and Vietnam—would not only help reduce the burden on Okinawa over the long term, but also be strategically desirable in responding to a range of new threats.



The choices we make now, during this time of regional flux, about how to deal with these six challenges will go a long way toward determining the future regional order. With deep and regularized consultations across all aspects of the alliance—including on security, economic, and diplomatic strategy—not only can the United States and Japan (in conjunction with other allies and partners) deepen the foundation of their cooperation, but they can also guard more effectively against unilateral changes to the status quo and work together with China to steer its rise in a mutually beneficial direction.

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East Asia Insights is an occasional newsletter focusing on East Asia community building from the Japanese perspective.

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