

OPINIÓN INVITADA

U.S.-Japan relations in the era of Trump: Navigating the turbulence of “America First”

Relaciones entre Estados Unidos y Japón en la era de Trump: navegando la turbulencia de “America First”

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A lost opportunity for strategic convergence²

No bilateral relationship matters more to Japan than the one with the United States. From wartime foe and occupying force, the United States morphed into Japan's indispensable security partner, becoming its anchor for a successful reintegration into the postwar international system. The basic deal undergirding the U.S.-Japan alliance remains intact: the extension of the U.S. nuclear umbrella protection in exchange for Japan hosting American military bases that are at the heart of U.S. forward military projection in the critical Asian region. But if there is a constant in the U.S.-Japan relationship, it is its perpetual transformation.

Japan's remarkable economic takeoff—rising from the ashes of World War II to become the second largest economy in the world a few decades later—both illustrated the enormous payoffs of the U.S.-Japan partnership and opened important new rifts between the two nations. Trade frictions and the growing American demand to reform essential traits of Japanese capitalism in the pursuit of fair market access came to dominate bilateral interactions. And building off its newfound confidence, Tokyo began to articulate a distinctive approach to aid-giving for development and rescue from financial crisis (including the failed proposal for an Asian Monetary Fund), positions that did not fully align with the mainstream Washington view. The end of the Cold War brought new trials as Tokyo struggled to relax the tight strictures of its security policy that had confined its response to the first crisis

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of the new international order, the 1990 Gulf War, to a much criticized effort of “checkbook diplomacy.”

The U.S.-Japan relationship has suffered, and survived, past episodes of disagreement. Profound changes in Japan’s economic stature and the geopolitical shift resulting from the implosion of the Soviet Union called for recalibration and adjustment of this relationship. But the U.S.-Japan bond was not just tested, it deepened over time. Once again, new great power realities and Japan’s own transformation were powerful drivers. President Obama’s “Rebalance to Asia” derived from the keen recognition that profound geopolitical shift was afoot with China’s rise, and that absent a proactive and positive policy of economic engagement, the United States risked marginalization from the emerging regional economic architecture. Hence, the Trans-Pacific Partnership (TPP) trade agreement came to be a lynchpin of the rebalance effort. When Shinzo Abe returned for his second stint as Prime Minister, he swiftly took steps for Japan to join the TPP negotiations. The TPP was essential to his administration’s economic policy (providing credibility to the domestic reform effort) and his foreign policy (ensuring the U.S. remained anchored to the region at a time of growing Chinese influence).

Sure enough, the United States and Japan sparred over long divisive market access issues on agriculture and automobiles, but they reached a compromise that enabled them to work hand-in-hand on rule-making.³ It was an ambitious endeavor covering novel and/or enhanced rules on digital economy, services liberalization, investment promotion and protection, disciplines on state-owned enterprises, intellectual property, competition policy, etc. Japan’s quiet transformation in the past quarter century brought both countries toward greater alignment on trade and investment rule-making. Japan left behind its past as unabashed developmental state as it relinquished many of its industrial policy tools (e.g. foreign exchange controls), and the vast regional production networks developed by Japanese corporations gave Tokyo a strong incentive to codify behind-the-border disciplines in trade agreements (Solís, 2017).

Prime Minister Abe’s incremental approach to economic reform was also evident in the security domain. The Abe years have been characterized by the

3. In essence, Japan insisted in protecting the five “sacred commodities” (rice, wheat, dairy, sugar and beef/poultry) and the United States required protracted liberalization in the automobile sector (25 to 30 years).

gradual ushering in of new milestones in Japan's security posture. Among them, the creation of a National Security Council, the reinterpretation of the Constitution to allow for a (limited) right of collective self-defense, the end to the ban on arms exports, and the 2015 Security Legislation detailing guidelines on overseas deployments for Japan's Self-Defense Forces (SDF) (Solís, 2019). Constitutional revision, Prime Minister Abe's cherished goal, has yet to materialize. The security reforms are a response to a deteriorating regional security environment (China's military buildup and pressure on the Senkaku islands, and North Korea's nuclear and missile programs). But they are also a significant Japanese investment in the alliance, with Tokyo carving out an expanded role in addressing joint security challenges. In the apt words of Ellis Krauss (2016): "Obama's pivot to Asia was matched by Japan's pivot to America."

Japan's unprecedented challenge: The Trump shock

The strategic convergence symbolized by the TPP was not meant to be. The bilateral relationship is now entering uncharted territory. U.S. domestic politics proved to be the black swan of our era, ushering in the Trump presidency. His "America First" policy, with its transactional view of alliances and its brazen economic unilateralism, challenges key pillars of the U.S.-Japan relationship. The first blow was quick to come, when three days after his inauguration, President Trump made good on his promise to withdraw the United States from the TPP. Trump has been critical of the World Trade Organization (WTO), has used the threat of termination to renegotiate existing trade agreements to extract more favorable concessions (with Korea, and with Canada and Mexico), and has slapped "national security" tariffs on metals that have impacted primarily U.S. partners. Trump has decried free-riding from allies in Europe and Asia, putting into question U.S. commitments with his complaint that these countries take advantage of the United States.

Japan faces an unprecedented challenge in the "Trump shock": An American president that disavows and could undo key planks of the postwar liberal order that the United States originally crafted—multilateral organizations, a rules-based economic order, and alliances that are sustained by a confluence of both interests and values.

Like every other foreign capital, and most analysts of American politics, Tokyo was blindsided by the outcome of the 2016 U.S. presidential election. This turn of events was particularly concerning for Tokyo given that the

newly-elected candidate's skepticism of trade and alliances derived from his 1980s critique of Japan's rise, and that Trump's anger toward the current state of international affairs was trained more on allies than foes (Wright, 2016). Breaking protocol, Prime Minister Abe organized a visit at Trump Tower ahead of the presidential inauguration. With the gift of a gold-plated golf club, Abe's strategy to charm Trump was born.

As Shinzo Abe is poised to become Japan's longest serving prime minister, the legacies of his tenure stand to be colored in no small measure by the successes and/or failures of his management of Trump. So far, this strategy has involved a reaffirmation of shared geostrategic interests. Alliance handlers were gratified when the Trump administration chose to organize its Asia policy with a concept first formulated by Prime Minister Abe—the "Free and Open Indo-Pacific."⁴ It has also crafted a campaign to deflect pressure on trade by socializing the American president to the jobs created through the sizable investments of Japanese companies in the United States. But a central thrust of Abe's effort has been the cultivation of friendship with Trump through deference, a campaign that culminated in President Trump's state visit to Japan in May 2019, where he became the first head of state to meet with the newly anointed imperial couple of the Reiwa era, and to award a "Trump Cup" to the champion of a prestigious sumo tournament.

The moment of truth for this bet of personal diplomacy with a transactional leader might not be far off. Regardless, Japan has opened other significant lines of effort to navigate the turbulence of "America First."

The next chapter in U.S.-Japan relations: Global, regional, and bilateral challenges

U.S.-Japan relations will be influenced by Japan's newfound leadership role on trade and the deftness (or lack thereof) of its regional diplomacy. Defying all expectations, Japan, in collaboration with the other remaining parties, resuscitated the TPP after the American exit. Newly baptized as the Comprehensive and Progressive TPP, the revamped deal kept intact the very ambitious calendar for tariff elimination and suspended only twenty-two

4. There are, however, two critical differences in the FOIP policies of each nation. Japan leads with economic policy, emphasizes multi-party trade agreements, and does not seek to exclude China. On the other hand, the United States has yet to put forward a compelling economic vision for the region and is increasingly defining competition with China in zero-sum terms.

provisions (mostly on the intellectual property chapter) that the Americans had championed. The first mega trade agreement for Asia-Pacific was, therefore, brokered with Japanese leadership. Soon thereafter, Japan and the European Union wrapped up negotiations for an ambitious trade agreement that comprises a third of the world's total Gross Domestic Product (GDP). Japan's trade leadership chops were further enhanced as it steered a trilateral effort with the United States and the European Union to formulate rules on market-distorting policies and WTO reform. Progress has been achieved in the areas of transparency in industrial subsidies and measures to outroot forced technology transfers. This concerted effort originates from a shared concern regarding China's recommitment to its state-capitalism model. But Japan has stayed clear from endorsing an American unilateral approach (using a 301 investigation under U.S. trade law on China's Intellectual Property theft); Instead, it seeks to offer an alternative to the tit-for-tat tariff war that has negatively affected Japanese companies embedded in the global supply chain.

Japan has moved deftly with its connectivity agenda. Since Prime Minister Abe announced in 2015 a \$110 billion initiative on Partnership for Quality Infrastructure (later expanded to \$200 billion), Japanese diplomats mobilized successfully to codify high standards on infrastructure investment across a variety of international fora (G7, APEC, OECD, and G20). Among the principles that Japan is espousing are debt sustainability, open and transparent procurement, fit with development strategies, and environmental and governance safeguards. Japan has also aimed for a multiplier effect to its long-standing presence in infrastructure finance in the region by partnering with like-minded countries—the United States, Australia, and India. Projects in Southeast Asia and the Pacific Islands are likely to emerge as a priority for this coordinated effort. Japan's leadership bid in the digital connectivity domain is more aspirational. Taking advantage of Japan's unique position (endorsing the TPP principle of freedom of cross-border digital flows in alignment with the U.S., but also meeting the adequacy standards on data privacy in the EU), Prime Minister Abe boldly announced an Osaka Track on data governance. The organizing principle is to promote “Free Data Flows with Trust.” However, during the Osaka G20 meetings, the challenges of reconciling national positions on what constitutes “trust” became evident.

Japanese regional diplomacy has an important bearing on U.S.-Japan relations, certainly when it comes to the China question. Japan has no appetite for a superpower Cold War in Asia. The negative spiral in U.S.-China relations

has in fact coincided with an attempt by Prime Minister Abe and President Xi to repair bilateral ties, which had sharply deteriorated since 2010 due to tensions over the Senkaku islands. After seven years without a visit from a Japanese leader, Prime Minister Abe traveled to Beijing for a summit meeting in October 2018, and President Xi is scheduled to reciprocate in the spring of 2020. Signaling a new spirit of cooperation to jointly supply infrastructure for the region, the two sides agreed on a mechanism for business cooperation in third countries; projects will move forward—the Japanese side insists—only if they meet the exacting standards of infrastructure investment. The Japan-China rapprochement is important and yet tactical. Neither side is prepared to sign on to the other's vision for regional integration; Japan is not joining China's Belt and Road Initiative (BRI). Instead it is offering its own financing alternative to the region and encouraging China to improve the terms of its lending. More fundamentally, there is strategic distance between a thaw and a hedge. Japan's security posture remains anchored in the U.S. alliance, and as one of Asia's consolidated democracies, there is deep concern over China's growing authoritarianism. Japan is clear-eyed about the growing pressure from China's military buildup. The fact that Chinese incursions in waters near the Senkaku have not abated, even at a time of an improved bilateral climate, is an eloquent reminder.

It is another rift in Northeast Asia that threatens to undermine the ability of the United States to coordinate effectively with its most important East Asian allies—Japan and South Korea. The shadow of history stemming from painful memories of Japan's colonization of the Korean Peninsula (comfort women and forced labor) have long made for fraught postwar relations. But it is the current actions of both governments that could undermine the economic foundation of bilateral ties with broader spillover effects. The decision in the fall of 2018 of Korea's Supreme Court to award compensation to individual claimants for forced wartime labor, and to authorize the seizure of Japanese companies' assets, triggered the current crisis. As scores of similar cases make their way through the Korean courts, Japan has strongly protested, noting that all compensation claims were addressed in the 1965 normalization treaty and has invoked the arbitration mechanism contemplated in the pact, but to no avail. On July 4, 2019, in a surprise move, the Japanese government tightened export controls on three chemicals essential to semiconductor manufacture where Japan is the dominant supplier (in the neighborhood of 90% of total supply) for corporate giants like Samsung. Citing lax export

control practices in South Korea and noting the overall erosion of trust, Japan is now considering dropping South Korea from its preferred White List, in which case the Japanese government would have the discretion to grant or not an export license for every single transaction involving sensitive dual-use materials. There is concern that South Korea may retaliate by scrapping the military information sharing agreement. A dysfunctional South Korea-Japan relationship undercuts U.S. influence in the region, and American officials have belatedly moved to press for a standstill on bilateral tensions (Mitsuru & Kim, 2019). Japan's invocation of national security to justify export curbs has generated strong concern: It creates further doubt about the resilience of global supply chains at a time of rising inter-state tensions, and it will likely compel the WTO to make one more ruling on the national security exemption, long-considered a Pandora box for the multilateral body.

Another fundamental test to Japan's trade leadership is currently unfolding in the bilateral talks with the United States. There is little reason to be optimistic about the prospects of market access negotiations. When it comes to trade, President Trump has not been moved by friendships. Japan did not enjoy the initial temporary suspension of national security tariffs on metals that the European Union, Canada and Mexico did, and was compelled to launch bilateral trade negotiations to avoid the imposition of a devastating 25% national security tariff on automobiles. The Executive Decree on Adjusting Auto Imports issued by President Trump in May 2019 was a blow to Japan on several fronts. It endorsed the extremely dubious finding of the 232 investigation by the Commerce Department that foreign-owned auto companies represent a national security threat to the United States.⁵ It sent an unequivocal message to Japan that increased investment in the United States will never be enough to appease the American president. And it established a tight six-month timeline for negotiation results or tariff action from the United States.

A core difficulty has been to structure the negotiations as a win-win for both countries. American farmers are losing market share in the lucrative Japanese market because they do not enjoy the tariff preferences that their

5. Although the report has not been made public, it reportedly draws a connection between imports from foreign car makers, to reduced R&D capabilities of domestic firms, hindering their collaboration with the Pentagon to the detriment of U.S. power projection abroad. Such sweeping conclusions invite open disbelief.

peer competitors from CPTPP nations (Australia, New Zealand, etc.) do. Add to that the fact that the U.S. farming community has been the sacrificial lamb to the trade war with China. U.S. Trade Representative Lighthizer has called for a new approach to negotiate in stages with Japan, starting first with an agriculture-focused deal. While Japan has committed to entertaining agricultural liberalization to the level of its extant mega trade agreements, Lighthizer's proposal is a non-starter. A single-sector agreement among developed countries does not meet WTO guidelines for preferential trade deals. The proposition of one-sided concessions gives the Japanese government no incentive or political cover to cut a deal. Japanese negotiators, therefore, have called for reciprocal U.S. tariff cuts on auto parts. Given the fixation with the bilateral trade deficit from a "tariff man" president, it will be an uphill battle to secure a balanced negotiation outcome.

Far from serving as keystone to a modern regional economic architecture, U.S.-Japan bilateral negotiations are largely an exercise in damage control. 2020 may provide a bumpy ride for U.S.-Japan relations. Just as Prime Minister Abe hosts the Tokyo Olympics and President Trump is in full re-election mode, a perfect storm may be brewing if protracted trade talks overlap with difficult negotiations over host nation support. That is a real cost of "America First": the diminished potential of the U.S.-Japan partnership.

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