



MANOHAR PARRIKAR INSTITUTE FOR
DEFENCE STUDIES AND ANALYSES

मनोहर पर्रिकर रक्षा अध्ययन एवं विश्लेषण संस्थान

JAPAN

Digest

January 2020

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- **Nation-building in Prime Minister Abe's New Year Message**

Prime Minister Abe Shinzo, in his New Year message, articulated that even though Japan's declining birth-rate alongside an aging population are the greatest challenges, it should be seen as an opportunity to advance reforms in social security system, pensions, medical care, nursing, and in work-style. He outlined that 2020 Tokyo Olympic and Paralympic Games, and 2025 Osaka-Kansai Expo are great opportunities to initiate a new era in Japan. With regard to national security, he underscored that strategic stability in the Korean Peninsula and the Middle East constitutes great concern. Japan will continue to review its security policies and advance discussions regarding Constitutional amendment. Also, Abe reiterated that in advancing the Free and Open Indo-Pacific vision, founded on US-Japan alliance, Tokyo will deepen cooperation with Europe, India, Australia, and ASEAN.

- **Six Policy Priorities outlined by Foreign Minister Motegi**

On January 20, at the 201st session of the Diet, Foreign Minister Motegi argued that Japan should re-establish the international order by leading new rules-making efforts. He outlined six policy priority for Japan, including (1) strengthening the US-Japan alliance and advancing Free and Open Indo-Pacific vision together with Australia, India, ASEAN and Europe (2) managing outstanding issues with North Korea (3) improving relations with neighbouring countries including China, South Korea and Russia (4) easing tensions in the Middle East (5) advancing free and fair trade, reforming the WTO, and developing rules on data flow and digital economy under the 'Osaka Track' and (6) addressing global issues including United Nations Security Council (UNSC) reforms.

- **The US-Japan Alliance Celebrates 60th Anniversary of Treaty of Mutual Cooperation and Security**

In January 2020, the US and Japan celebrated 60th Anniversary of the Treaty of Mutual Cooperation and Security. The US-Japan Security Treaty was signed in 1951 as a ten-year agreement. In 1960, it was revised. In the post-World War II era, the alliance has anchored America's strategic presence in the Asia Pacific with forward deployment of troops. President Trump, in his statement, underscored the need for Japan to continue to increase its contributions towards the alliance. 2020 will be a difficult year as the alliance managers will start negotiating the Host Nation Support with President Trump heading for re-election.

- **The US-Japan Trade Agreement, and Digital Trade Agreement comes into effect**

The US and Japan signed two agreements aimed at liberalising bilateral trade in October 2019. First is the US-Japan Trade Agreement which facilitates limited tariff reductions and quota expansions to increase market access, and second is the US-Japan Digital Trade Agreement which includes rules on digital aspects of global commerce. These two agreements came into effect on January 1, 2020, and did not require formal action by Congress. This is envisaged as the first stage in a much larger bilateral trade agreement, and further negotiations are likely in coming months. Trade negotiation with Japan remains a key concern as US exporters are facing stiff competition following Japan's trade agreements with EU and TPP-11.

- **Japan Sends Intelligence-gathering Mission in the Middle East**

On December 27, 2019 the Cabinet approved the plan to despatch Self-Defence Force (SDF) intelligence-gathering mission to the Middle East. Subsequently the defence ministry on January 10, 2020 issued the despatch order. This is followed up by diplomatic efforts as Prime Minister Abe visited the Middle East including Saudi Arabia, the United Arab Emirates and Oman from January 11-15 with the aim of easing tensions and securing stable energy supplies. The objective of the SDF mission is to guarantee the safety of Japan-related commercial ships as 90 per cent of

the crude oil imports passes through the Middle East waters. The scope of the mission covers Gulf of Oman, north Arabian Sea, and Gulf of Aden. In October 2019, Chief Cabinet Secretary Suga Yoshihide confirmed that instead of joining US-led maritime security initiative, Japan will go for despatching SDF vessel with the objective of information gathering.

- **Japan to Set up Space Unit**

Japan will set up a space operation unit at the Air Self-Defence Force base in Fuchu City with the objective of monitoring satellites and space debris. This is in accordance with Tokyo's decision to focus on three new defence domains: space, cyber, and electronic warfare (EW). The defence ministry has secured US\$ 460 million from the Cabinet in December 2019 for space-related defence activities and programmes, including the establishment of the space unit.

- **Japan scrambling jets in East China Sea**

Despite positive momentum in China-Japan bilateral relations, defence ministry records show that Japan scrambled fighter jets 523 times to intercept Chinese military aircraft, primarily in the East China Sea, between April and December 2019. This represents a 9.9 percent increase in comparison to last year. There are some opinions that China may alter its behaviour around President Xi Jinping's scheduled visit to Japan in April 2020, but any change would only be temporary.

- **National Diet is in Session**

The Parliament (Diet) is in session from January 20 to June 17, 2020. Any extension may be difficult given the Olympics and Paralympics, and Tokyo gubernatorial election. Abe's focus is on passing budget bills. The draft budget for FY 2020 amounts to ¥102.66 trillion (US\$ 938 billion) which includes ¥ 5.31 trillion (US\$48.6 billion) for defence. Even though the focus of the ordinary session is on Olympics and Paralympics and social security reform, but a series of scandals involving Abe's Liberal Democratic Party (LDP) leaders remain the focus. In recent months, Abe administration is grappling with a number of scandals including election law violation by Kawai in Hiroshima, casino bribery scandal involving the Chinese company 500.com in addition to the state-funded cherry blossom party scandal.

- **Japan's Economic Woes and COVID-19**

Seasonally adjusted GDP in the last three months of 2019 contracted a real 6.3 percent from the previous quarter on an annualized basis. This is primarily owing to the setback in demand after the consumption tax hike from 8 percent to 10 percent in October 2019, and Typhoon Hagibis. Furthermore, COVID-19 is affecting the supply chains. The immediate effect of the epidemic is halting inflow of Chinese tourists to Japan. Between February-March 2019, 1.4 million Chinese visited Japan. In January, Nomura Research Institute estimates inbound-related losses for COVID-19 will be around ¥776 billion. These projections are based on the conjecture that, COVID-19 will be under control within a few months. But if it lasts for a year, Japan will register a GDP loss of ¥2.47 trillion.

- **Japan Registers Trade deficit**

Finance ministry confirmed that Japan registered a goods trade deficit for the third successive month in January. Amidst the global economic slowdown, Japan is experiencing weak exports to both China and the US. Data shows that the deficit amounts to ¥ 1.3 trillion (US\$ 12 billion) in January. It is important to note that the latest figures are not affected by the COVID-19 outbreak, as the epidemic did not start disturbing China's supply chains till then. Shipments to the US witnessed a southward movement 7.7 percent because of weaker demand for automobiles and construction machinery.