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I. EXECUTIVE SUMMARY

1. Japan will support the efforts by US President Donald Trump to negotiate a denuclearisation of North Korea but will continue to pursue a cautious approach toward the regime of the Democratic People's Republic of Korea (DPRK), a delegation of NATO Parliamentarians was told during a recent visit to Japan. Japan is also directly threatened by the DPRK's ballistic missiles and its biological and chemical weapons.

2. The delegation consisted of the Assembly's Sub-Committee on NATO Partnerships (PCNP) and the Sub-Committee on Transatlantic Economic Relations (ESCTER). The group, comprising 28 parliamentarians from 13 NATO member countries, led by Metin Lutfi Baydar (Turkey), visited Tokyo, Kyoto and Osaka from 18 to 22 June 2018. The purpose of the visit was to obtain a comprehensive picture of the security environment in the region and Japan's response to the challenges. During the visit, the delegation received in-depth briefings by senior officials from the Ministries of Defence and Foreign Affairs of Japan and engaged in an active dialogue with the Diet Members' Council for Comprehensive Security (DMCCS). The Japanese Diet participates in the NATO PA as a parliamentary observer. Discussions with independent experts at the Sasakawa Peace Foundation, the University of Kyoto, the Shimadzu Seisakusho Corporation and the Osaka Prefectural Government rounded off the programme.

3. Japanese interlocutors stressed that Japan is facing a set of different challenges. These include North Korea's nuclear ambitions, the rise of China, and threats to the global trading system. The latter have been exacerbated by the US withdrawal from the Trans Pacific Partnership (TPP) agreement and the tariffs that the US administration recently announced on Japanese steel and aluminium. Both Japanese officials and independent experts expressed concern that the United States under the current administration has retreated from leading on some of the issues which have been so important to building global stability, including trade. However, few interlocutors said they believed that the United States would withdraw from its security commitments in East Asia.

4. North Korea, particularly its nuclear and missile programmes, poses an immediate threat to Japan. Host country speakers expressed the hope that the recent meeting between US President Donald Trump and North Korean leader Kim Jong-un in Singapore may represent a step towards denuclearisation. A Foreign Ministry official attributed the DPRK's willingness to negotiate, in part, to Japan's policy of "maximum pressure". There was a general consensus that it will take considerable time and effort before the goal of a denuclearised North Korea can be achieved.

5. Speakers further agreed that the People's Republic of China (PRC) will have to play a crucial role if a negotiated settlement with the DPRK is to be achieved. Official and independent speakers noted that China and Japan have important economic ties, and there is a shared history with many fruitful contacts as well as tensions between the two countries. Today, there is considerable concern in Japan about the PRC's increasingly assertive approach towards Japan and other countries in the region, apparent, among others, in Beijing's territorial claims in the South and East China Seas and its rapidly growing and opaque defence expenditures. Thus, several speakers considered China as posing Japan's greatest long-term security concern. Russia has also built up its military presence in the region, particularly in the disputed northern territories (Kurile Islands) which were occupied by Russia at the end of World War II but claimed by Japan. The number of fighter scrambles undertaken by the Japanese air force in response to provocative flights by China and Russia has increased significantly in recent years.

6. Japan's response to this challenging security environment is threefold, the delegation learned. First, it is improving its defensive capabilities by various means, including by modernising its armed forces and by strengthening its missile defence. Second, Japan is actively working on reinforcing the Japan-US alliance, which remains crucial not only to the country's defence but also to regional security and stability overall. Third, Japan is deepening collaboration on shared security interests with other partners, such as Australia, South Korea, India, and the Association of Southeast Asian

Nations (ASEAN). This emphasis on multilateral security cooperation is also reflected in the “Free and Open Indo-Pacific Strategy”, Tokyo’s new foreign policy strategy.

7. In addition, Japan is interested in developing its partnership with NATO further, Minister of State Tomohiro Yamamoto and other Japanese officials underlined. To that end, Japan plans to upgrade its representation at NATO HQ by designating its embassy to Belgium as its Mission to NATO. Tokyo also wants to cooperate with NATO in the area of cyber security. Japan is NATO’s longest-standing partner outside Europe; it has supported a number of NATO operations in the past, including through funding development assistance and police training in Afghanistan and through participating in counterpiracy drills off the coast of Somalia.

8. On the economic front, the Japanese economy has begun to grow again, but there are important structural problems including a huge public debt exceeding 200% of GDP. Moreover, the demographic challenge that the country is facing as a result of an aging population will invariably increase the burden on public spending.

9. Developments in the EU-Japan Strategic Partnership and the Bilateral Trade and Investment Partnership were discussed at the Representation of the European Union to Japan. The visit concluded with briefings by Ichiro Matsui, Governor, and other representatives of the Osaka Prefectural Government on measures to prevent, prepare for, and respond to civil emergencies. The officials also provided in-depth information about the impact of the earthquake that hit the region of Osaka on 18 June, in the midst of the visit.

II. INTRODUCTION

10. Japan is one of NATO’s important global partners and shares a range of values with NATO members including democratic governance, the rule of law and human rights. Japan confronts a very difficult security environment today and this conditions its relations with NATO and is a primary reason why it is interested in deepening these ties.

11. Although the Japanese economy is experiencing solid growth after years of stagnation, it nonetheless confronts a range of enduring structural challenges. Prime Minister Shinzo Abe has very actively promoted the notion that Japan needs to address those features that have limited growth in recent decades. He also feels that the country needs to move beyond a kind of collective self-absorption which, in the past, has limited its global influence. The Prime Minister has said that he wants to give his country a greater sense of purpose in dealing with the rest of the world. As Asia prospers, Japan should play a leading role in building an orderly security environment and a rules-based system of regional economic relations. But this will not be easy and the country confronts global headwinds. Japan’s economy has improved, but its society is aging and this means that budgetary pressures are slated to mount over the coming decades. Japan also remains strategically dependent on the United States which is its primary external security ally. Moreover, Japan is surrounded by neighbours with which it maintains difficult relations and North Korea has recently launched test missiles over Japanese territory – an act that suggests the country also confronts an existential threat.

12. There are also growing concerns in Japan about the US commitment to the regional security order. The recent US-North Korean Summit has only heightened those anxieties. The decision taken by President Donald Trump to call off military exercises in Korea was not welcomed in Japan and, to some analysts, seemed like a capitulation to North Korea. Prime Minister Abe has consequently sought to develop a closer personal relationship with President Trump, but this has only had mixed results. For example, it failed to deter the President from targeting Japan for tariffs on its steel and aluminium exports. The Japanese, like their South Korean neighbours, are deeply concerned about the Trump administration’s approach to North Korea and feel that they have not been closely consulted as the United States alters its approach. This is particularly concerning, as Japan has very

important interests beyond the nuclear question insofar as North Korea is concerned. The matter of Japanese citizens abducted by North Korea, for example, remains a critical flashpoint in relations between the two countries. Japanese analysts are not convinced that President Trump made any progress in addressing either issue at the Singapore Summit meeting with North Korean leader Kim Jong-un. Japan has limited its criticisms, however, and Japanese leaders recognise that they need to play a long game in relations with President Trump and the United States more broadly.

13. Japan's relationship with China is also evolving. Although North Korea and its nuclear programme poses an immediate threat, the Japanese are very concerned about China's military build-up and its increasingly aggressive maritime posture designed to back up its maritime claims expressed in the so-called nine-dash line. China is Japan's leading trade partner and there are myriad cultural connections between these two important Asian powers. But there are very significant differences in political culture, economic policy and strategic orientation. The Japanese do not see the containment of China as a realistic option, but they do think it is possible to help shape this important but often antagonistic rising power. Relations between the two countries have improved significantly in recent years, but this rapprochement is somewhat fragile as well.

14. Japan sees Russia as a declining power and one that is not a direct strategic threat although there remain important territorial disputes with Russia over islands in the north of the country. Prime Minister Abe has sought to cultivate a decent relationship with President Vladimir Putin, but that effort has not produced many results. There has been no real progress on the disputed territories or even on a joint economic policy for the Kurile Islands.

15. From the northern territorial islands claimed by Japan but occupied by Russia to the South China Sea, Japan sees a welter of threats around its territory and this is driving change in its strategic outlook and its views on national defence. The Russians have deployed a division of troops in the northern Kurile Islands and built up their capabilities there. Russia sees these islands as part of its defensive line against a possible US invasion.

16. In the East and South China Seas, there are an array of disputes between China and its neighbours that are of concern to Japan. Japan itself claims the Senkaku Islands, a group of uninhabited islands in the East China Sea, are under its control. Japan uses its coast guard to patrol the islands and to maintain its claim of sovereignty over them. It registered 101 Chinese intrusions into these waters in 2017, and 60 by May 2018. China has also flown thousands of sorties into the region, compelling the Japanese air force to scramble its own fighters in response. At the same time, North Korea has conducted five nuclear tests, has clearly improved its submarine launch capabilities and is extending the range of its ballistic missile force. Although its submarines are very loud and easy to detect, they are now capable of launching intercontinental ballistic missiles (ICBMs).

17. The Spratley Islands in the South China Sea are the subject of an ongoing territorial dispute between China, Taiwan, Malaysia, the Philippines and Vietnam. China has substantially increased its maritime activities in these waters. This is of direct concern both to Japan and the United States as these are important sea lines of communication. China has transformed several of these islands and atolls into large naval bases on which both air force and navy units are deployed. This poses a potential threat to global trade. China has also extended its military presence into the Indian Ocean and this has become a growing concern for India and other regional trading nations.

18. All of this is shaping Japanese diplomacy in myriad ways. Despite several deep and abiding historic disputes with South Korea, the two countries are cooperating on strategic issues out of shared concerns about both China and North Korea. Both countries were taken aback by President Trump's announcement that the United States would stop certain military exercises in South Korea. This has reinforced the hand of those in Japan who promote a more robust view of national defence and who want to endow the self-defence forces with greater capabilities and a doctrinal overhaul. But there is sharp resistance in the country as well. Japan's leaders have to walk a fine line in coping with security threats and maintaining close ties with the United States. The US withdrawal from the

TPP trade negotiations was seen as an ominous indication of a new strategic orientation in the United States. It is noteworthy that Japan is now deepening its ties with ASEAN and promoting the idea of engaging with it on shared security challenges. Japan has reached out directly to Vietnam and the Philippines as it shares their concerns about Chinese policy in Asian waters. It has no formal diplomatic ties with Taiwan, but it does have very friendly relations with it as well as close economic ties. Japan is working to solidify closer relations with other Asian countries as well and has been reaching out in particular to India and Australia, with which it shares democratic values as well as several core strategic ambitions, such as ensuring unhindered access to the high seas.

19. Currently, there is no outstanding public demand in Japan to change Article 9 of the constitution, which limits the military to conducting purely defensive operations. Japan will likely remain very focused on homeland defence as it develops its security posture, but the requirements to conduct credible defence are changing. Japan deployed naval assets to Djibouti to join a coalition conducting antipiracy operations there, and it has also deployed peacekeeping forces to South Sudan. It is also now creating amphibious forces capable of rapid deployments. These are small and specific steps and they have, so far, not triggered sharp discussions in Japanese society.

III. ECONOMIC CHALLENGES

20. The Japanese public has been more engaged in matters related to international economic diplomacy in recent months, particularly after President Trump pulled out of the TPP talks, announced new tariffs on Japanese aluminium and steel and began an investigation to consider tariffs on automobiles for reasons of national security. All of this could have a direct impact on the Japanese economy, which is highly dependent on trade and has begun to pull out of a decades long slump in recent years. In several respects, the reforms launched by Prime Minister Abe have had beneficial effects on Japan's economy. Known as "Abenomics", these reforms have included fiscal, monetary and structural components. Quantitative easing has improved monetary conditions, but structural reforms have been more difficult to implement in the face of strong social and cultural resistance. These reforms would entail fundamental changes to the way Japanese society has been ordered and this has proven very difficult given vested interests in the status quo.

21. In any case, Japan has recently enjoyed a relatively stable period of growth. The labour market is very tight, with the unemployment rate currently at only 3%. But Japanese society is aging rapidly, and solutions will have to be found. Some see technology and robotics as offering possible solutions to this quandary and this helps to explain Japan's leading role in the robotics sector. For decades, immigration was almost a non-starter as it was very difficult to bring in long term employees from abroad. But Japanese society is subtly changing, and immigrants are now playing very important roles in many economic sectors. Few realise that one in eight Japanese marriages today involves a non-Japanese partner – most of whom are from other Asian societies. This marks an important evolution, and it is slowly altering Japanese views on immigrants. There is thus a disparity between official rhetoric on immigration and the homogeneous nature of Japanese society and the reality, which is far more complex. There are now signs that non-Japanese people are assuming an ever more important role in the Japanese economy, even though immigration remains a looming challenge to Japanese assumptions about their society and their future. Another related problem is a debt that stands at 240% of GDP. There has been little impetus to solve this beyond a recent sales tax hike. Many Japanese are not alarmed by this figure as most of this debt is held by the Japanese themselves, but the demographic situation suggests that pressures on public spending are slated to rise in the future.

22. The NATO PA delegation met with Mr Tadamori Oshima, the Speaker of the House of Representatives. He acknowledged that Japan has watched Europe's migration crisis with sympathy and is also very concerned about Russian behaviour in Ukraine. He noted, however, that in East Asia, China and North Korea constitute the greatest immediate concerns. Japan shares the values of freedom, democracy, the rule of law and good governance with Western Europe and

North America, and it looks forward to close cooperation to support these values. This is an important element of developing deeper security cooperation between Europe and Japan, he added.

23. At a meeting in the Prime Minister's office, Yasutoshi Nishimura, the Deputy Chief Cabinet Secretary, discussed a recent visit of the NATO Secretary General to Tokyo, which he described as further solidifying Japan's cooperation with NATO. He noted that this is a partnership rooted in shared democratic values and common interests, for example in countering both cyberattacks and piracy in strategic waters that link Europe and Asia. He said that Japan intends to open a permanent mission to NATO to step up cooperation with the Alliance across a range of fields. Japan will host the 2020 Olympics, and this will require the implementation of a number of measures to bolster cyber security. He admitted that Japan needs to bolster its capacity in this particular arena and sees deepening ties with NATO as a means to achieve this. Japan's constitution continues to shape the way it approaches defence and security matters, and it does impose certain limitations. But there are objective security reasons for Japanese leaders to re-examine the national approach to security, given those constitutional limitations and a range of enduring social obligations that the state must consider.

24. Mr Nishimura noted that Japan is also slated to deepen links with the EU when it signs a new EU-Japan agreement. There have been some trade frictions with the Trump administration. The US withdrawal from the TPP talks, for example, was something of a shock. Japanese leaders believe that it is essential to keep the United States engaged in the global multilateral trading system and recognise that Washington has a fundamental leadership role to play in building a fair free trade system.

25. The delegation visited the Japan Aerospace Exploration Agency (JAXA) to discuss the changing space industry and the Agency's cooperation with the European Space Agency (ESA) and NASA. JAXA shares a great deal of data with these other agencies on a range of projects, including those focused on climate change and Earth observation. It is also engaged in long-term thinking about Mars-oriented missions in the future. Although Japan does not collaborate closely with China, as that country tends to work alone, it does have a long-term relationship with the Russian space agency. JAXA supports the national government's space policy and plays an active role in technological development issues. It has a budget of JPY 180 billion and currently employs 1,600 workers. This amounts to only one tenth of NASA's budget and one third of the ESA budget. Currently the Agency is in the midst of a seven-year plan aiming to bolster the aerospace industry in Japan.

26. Japan has a long tradition in space and was the fourth country to successfully launch a rocket into orbit. It puts support for science and innovation at the very centre of the space effort and believes this is the foundation of a successful space industry. It is supporting efforts in telecommunications, Earth observation and measurement and is developing components that are exported around the world. In 2016, the space industry generated EUR 59 billion, of which Japan accounts for EUR 2.6 billion – a relatively small figure. But this space effort supports a number of non-space businesses. It is also seeing a rapid expansion of private sector businesses playing in the space market.

27. Space-based Earth observation technology is of particular value to a country like Japan that is vulnerable to earthquakes. Satellite images can help gauge damages and better understand how the shifting of tectonic plates have altered the landscape. This technology is also of great use when managing other natural disasters including fire and flooding. The Japanese are deeply concerned about the proliferation of debris in high traffic orbits around the Earth and are working to develop stronger international rules aiming to limit debris generation.

28. The NATO PA delegation visited the Delegation of the European Union to Japan, where it had discussions with Ambassador Viorel Isticioaia-Budura and members of his staff. The Ambassador noted that the delegation had arrived in Tokyo at an important moment for EU-Japanese relations. The EU is in the midst of expanding cooperation with Japan and has concluded a major agreement

with it that is likely to be signed at the annual EU-Japan summit. Prime Minister Abe is scheduled to travel to Brussels to sign a new Economic and Strategic Partnership Agreement with the EU. The EU collaborates with Japan in a number of fora including the G7, the G20, the UN and the ASEAN Regional Forum. In October, the EU is hosting the Asia-Europe Summit meeting, which will engage leaders from 54 countries. The EU is also engaged in a policy dialogue with Japan covering a range of issues from cyber security, space, energy, culture, education, and defence. Japan has come to see the EU as a security partner as well as an economic partner.

29. Francesco Fini, Deputy Head of the EU Delegation, spoke about the EU's Strategic Partnership Agreement with Japan. He noted that the EU has made a strategic decision to enhance its presence in Asia to forge partnerships that will help it better address a range of global challenges, including promoting a liberal democratic international order, the rule of law and human rights. The Strategic Partnership is a legally binding framework. It is a so-called mixed agreement and will have to be ratified by the Council, the European Parliament and some national parliaments. There will be provisional application of some articles during the ratification process as this process can take a significant amount of time.

30. The EU's Economic Partnership Agreement with Japan is slated to put 91% of trade with Japan at zero tariffs. All industrial products, wine and spirits will go to zero tariffs, and agricultural tariffs are slated to fall significantly over the next 15 years. This is an EU only agreement and will be ratified through the European Parliament. Parallel negotiations on investment will have mixed ratification requirements, which means national parliaments will be involved in the approval process on this front. The scope for the agreement is wide and it will also eliminate many non-tariff barriers (NTBs) to trade. Indeed, the EU made the reduction of NTBs a top priority for the talks and many have been successfully eliminated. The EU believes that Japan's views on NTBs have shifted and that it has adopted a more liberal position on these matters.

31. The EU sees the rise of China as both an opportunity and a challenge. The EU's agreement with Japan is not in any way anti-Chinese, but there are nonetheless concerns about China in the region. The EU seeks to compare notes on Chinese actions with other players in the region. Japan has important constitutional constraints on its defence sector and is bound by a very important security treaty with the United States. Since 2015, Japan has taken a more proactive position on security and it is working to secure its alliance with the United States for the future. Prime Minister Abe has made this a priority in his relationship with President Trump.

32. Prime Minister Abe is in a relatively strong position as opposition forces are currently in disarray. He is well positioned to argue that he is a figure of stability and continuity. The country still faces economic challenges related to high public debt and a long period of negative interest rates. Growth has now returned, profits are rising, and unemployment is very low. The country has begun to see a rise in prices and inflation is approaching 2%. But the public debt stands at 240% of GDP. This is very large but much of it is held in domestic hands. The public deficit has fallen, and the goal is to move to a balanced budget by 2025. This will not be easy in a rapidly aging society. Japan is losing roughly 400,000 people a year. By 2058, its population is slated to fall from the current number of 126 million to 87 million. This decline in population poses an enormous societal challenge. Health care costs alone could rise by 60% by 2040. How this is to be financed is not at all clear. This could lead to a reconsideration of immigration policy, as Japan will need workers as society ages.

33. In meetings at the Japanese Foreign Ministry, Japan's difficult relations with Russia were discussed. From the perspective of the Japanese, the most compelling issue remains the status of the northern territories which are occupied by Russia. This has meant that Russia and Japan never formally agreed to a peace treaty after the war. The border demarcation problem has prevented this from occurring. The Soviet Union long denied the existence of this territorial dispute. This has changed, and it is now a subject of discussion between Japan and Russia.

34. In 1855, a first treaty was signed between Czarist Russia and Japan. In it, the two countries demarcated the border line in these northern waters. An additional treaty was signed in 1875 regarding the Island of Sakhalin and, in 1905, the Portsmouth Treaty concluded the Japanese-Russian war. The four islands of the northern territory were never the territory of any country other than Japan. In 1945, the Soviet Union declared war on Japan, occupied the Kurile Islands and, after the document of surrender was signed, advanced on the four islands currently under dispute. Japan eventually renounced the rights to the Kurile Islands, but not to the four islands of the northern territories. The Soviet Union never signed the San Francisco Peace Treaty ending the war with Japan and, as a consequence, the issue has never been resolved.

35. Prime Minister Abe has met President Putin 21 times and they have discussed joint economic activities and humanitarian issues on the four islands. Many original inhabitants were forcibly deported by Joseph Stalin. There are now 17,000 Russians living in these islands. Many of the former residents want to visit the tombs of their ancestors and this has been strongly endorsed by the Japanese government. There is now a special visa free arrangement for Japanese citizens to visit these islands, although visas are required to visit Sakhalin.

36. This long-standing dispute has not prevented the two countries from developing fruitful cooperation in a wide range of fields. Japan also works to encourage Russia to play a more constructive international role on issues like Ukraine and it advances the idea that international law should be respected and that borders should not be changed by force. Japan considers the annexation of Crimea as an illegal act and has imposed sanctions against Russia as a result of this illegal occupation. Japan imports some energy from Sakhalin Island but is 90% dependent on Middle Eastern oil. Thus, while European energy security, in part, hinges on reducing energy imports from Russia, Japan sees Russia as offering a means to decrease its overreliance on Middle Eastern energy, which it has identified as a strategic vulnerability.

37. Japanese analysts fail to detect any genuine North Korean commitment to denuclearisation and see no positive developments in terms of verification coming out of the US-North Korean summit. It also did not see any commitments on biological and chemical weapons. These are all a concern to Japan. That said, Japanese officials recognise the potential importance of dialogue. In addition to the questions of weapons of mass destruction, Japan is also deeply concerned about the matter of North Korean abductions of Japanese citizens.

38. Relations with China have become more stable in recent years. The Chinese Prime Minister recently visited Japan, marking an important turning point. There are, however, persistent tensions in the East China Sea, particularly over what the Japanese characterise as the intrusion of Chinese vessels into Japan's territorial waters. Japan has worked to discern shared interests with China and to find ways to collaborate in these particular areas, but it is worried about those Chinese military policies that threaten Japanese security interests. The question of Taiwan is particularly concerning as China has adopted a more provocative diplomatic military posture towards that island. China and Japan worry about North Korea's nuclear and ballistic missile programmes. Both countries would like to prevent Pyongyang from developing these capabilities as they threaten regional stability. But China's relations with North Korea are conditioned by the fact that it is also an ally and a client.

39. Japan is working with key partners with which it shares core political and economic values to build a more stable region. It has developed a strategic partnership with India as well as a trilateral dialogue that engages the United States in this discussion and a quadrilateral dialogue that also includes Australia. The US withdrawal from the TPP negotiations surprised many in Japan and has raised questions in some Japanese circles about the US commitment to East Asian stability.

40. The delegation also visited the Sasakawa Peace Foundation (SPF) where it met with several policy experts. The SPF is a non-profit foundation dedicated to global collaboration matters related to security, the oceans, strengthening relations among countries in Asia, the Middle East and the South Pacific, individual freedoms, human rights and gender issues. The SPF has conducted a great

deal of work on cooperation in the East. Such cooperation has become ever more important as there are signs that the United States is altering its approach to Asia in several ways that are of concern. Although there are no signs that the United States will imminently withdraw from the region, it is nonetheless prudent to hedge against such a possibility, even though for most Japanese this is an “unthinkable” eventuality. This is one of many reasons why Japan has begun to deepen ties with Europe.

41. Japan has watched US-North Korean talks with concern. The United States has played a critical deterrent function in the region. There is concern that a breakdown in US-North Korean relations could trigger a conflict with global strategic implications. The North Koreans are highly dependent on trade with China and this gives the larger power some leverage over its difficult ally. The Chinese are, of course, worried about North Korea’s nuclear capability. Some Chinese leaders feel that these systems are more of a problem for the United States than for China, but that could be wishful thinking.

42. Chinese domestic politics are also evolving, and the country appears to be entering a period of more rigid authoritarianism. Chinese President Xi Jinping has consolidated his power and enhanced his capacity to exercise repression. Perhaps not coincidentally, China’s period of extra high growth is also coming to an end. One legacy of this rapid growth has been profound corruption. Mr Xi seems to want to take on this problem, or at least use it to consolidate his own power. There are many vested interests in the old system and his willingness to challenge these interests suggests a profound shift in Chinese politics. Mr Xi has used repression as his primary tool for exercising change.

43. Chinese suspicion of the West has also mounted. This too has provided an excuse for greater repression and the country has paradoxically become more closed just as its super power ambitions are becoming more apparent. The Chinese economy is increasingly sophisticated, and its firms have moved far up the production scale. The country’s economic foundations are far stronger than previously, and this could be a factor in the growing trade war with the United States. China has made the development of its technology sector a top priority and has engaged in an all out effort to acquire Western technology both through legal means and through espionage. This is a direct challenge to the United States and has been understood as such in Washington. Concern about China’s growing capacities in the cyber field is one of the reasons that Japan hopes to expand cooperation with NATO on cyber security. In Prime Minister Abe’s recent trip to NATO HQ, this emerged as a key priority. Japan will send staff to NATO’s Centre of Excellence in Estonia which is focused on cyber security matters. Japan will host the 2020 Olympics and needs to reinforce its cyber security capabilities and deepen cooperation with other states to ensure a safe and secure event.

44. NATO has provided Japan with another important vehicle for collaboration with like-minded partners. NATO and Japan have been engaged in dialogue since the early 1990s and the two sides demonstrated their commitment to strengthening cooperation in a joint political declaration signed in April 2013. Practical cooperation is ongoing in many fields, including cyber defence, maritime security, humanitarian assistance and disaster relief, non-proliferation, and defence science.

45. Japan’s security is directly threatened by North Korea’s ballistic missile programme, but it is hardly alone in this. North Korean missiles have sufficient range to reach Europe, part of the United States as well as Russia and China. Japan, however, is also threatened by shorter-range missiles which are operational and deployed all over North Korea. The North Koreans are seeking to increase the range, accuracy and manoeuvrability of its missiles and their doctrine calls for saturation attacks. They have introduced mobile launchers and have even tested submarine launches, although their submarines are very loud. The North Koreans do not need a great deal of time to launch these missiles as they are using solid fuel propellants.

46. In response to this threat, Japan is developing a purely defensive missile defence architecture focused on a mid-course and terminal phase interceptor. If the terminal phase was breached, the system would resort to patriot missiles. The military has decided to deploy the Aegis Ashore system and is working with the United States on this. Both China and Russia are strongly opposed to this particular programme, claiming it threatens the strategic balance. Russia has claimed that Japan is exaggerating the ballistic missile threat and, in doing so, has used language that is akin to its charges against a similar limited missile defence system in Europe.

47. China's defence budget is currently estimated to be about one third of that of the United States, although this does not include its expenditures on space programmes. Neither China's defence budget nor its space programme are transparent. Chinese military forces have been increasingly active in the Sea of Japan and the East China Sea. Here again, Japan has been compelled to scramble fighter aircraft in response to some of this activity. The Chinese have also been constructing military bases on several disputed reefs. This represents a serious strategic challenge to China's neighbours, including Japan, as these bases have become operating hubs for provocative military activity. These bases expand China's range and help it to deploy its submarines in blue waters.

48. Although Japan would like to conclude a peace treaty with Russia to settle the ongoing dispute over the northern territories, it has seen an increase of Russian military activity, with a notable rise in Russian warplane sorties that have warranted Japanese scrambles. Long-range bombers have flown around Japan as a demonstration of Russian force. Russia now treats the Sea of Okhotsk as its own strategic bastion and has increased its naval presence there. It has also deployed a significant number of missiles on the disputed islands, even though Japan opposes the militarisation of these islands. Russia is also moving into the Indian Ocean, where it is increasing its naval operations. It has bases in several countries, including Pakistan, Sri Lanka and Bangladesh, which are helping it to extend its naval range. The Russians have also established a base in Djibouti, which suggests how far West they are prepared to move. In a sense, this activity represents to a military complement to China's One Belt, One Road initiative.

49. Japan thus confronts a very worrying set of strategic challenges. Its response has been premised on several important relationships. These were alluded to in a discussion with Yoshiomi Saito, an Associate Professor at Kyoto University. He noted that the United States remains Japan's most critical partner. Japan's own constitution prevents it from developing offensive military capabilities, which is why it relies on its American partners to complement the efforts of its defence forces. It is also deepening cooperation with partners in ASEAN, Australia, India and in Europe and NATO specifically. Japan has called for a free and open Indo-Pacific strategy to increase economic interconnectedness with its partners throughout this vast region.

50. Japan also seeks to promote rules, respect for international norms and the freedom of navigation. It does so, in part, by providing security-related assistance to a number of countries in the region and by maintaining a close partnership with the United States, India and Australia while reinforcing relations with other countries like Indonesia. It is very open to promoting more defence cooperation with South Korea, but there are outstanding issues between the two countries which impede deeper cooperation. There are aspirations in Japan to work on these issues to open the door for more cooperation with South Korea. Japan does not see itself working against China's Belt and Road initiative in this region but it does seek to foster a more diverse, open and free region, which is not necessarily China's ambition.

51. There has also been an ongoing effort to re-examine Japan's constitutional constraints on its military. There has been an evolution in how Article 9 is interpreted. Japan has created a national security council and has put a national security strategy into place. Prime Minister Abe would like to further loosen up the interpretation of this Article and perhaps eventually to revise it. Resistance to this notion is strong and the debate, at times, has been intense.

52. Concern about a US retreat from the liberal internationalist consensus has revived this discussion. Hiroshi Nakanishi, a Professor at the Graduate School of Law, said that Japan is working hard to manage relations with the Trump administration. There were also difficulties with President Obama, and Japanese officials and experts had felt that his administration had not reacted with sufficient alacrity to North Korea's nuclear weapons programme and China's increasingly aggressive posture in Asia. Japan does not want war on the Korean Peninsula, but it also does not want to see a nuclear armed North Korea. Japan hopes that the United States will eventually re-join the TPP – an effort that was designed expressly to counterbalance China in the Far East.

53. Japan's defence budget is roughly one third of China's, but Japan faces a serious budget deficit problem that constrains its spending flexibility. Currently, Japan's defence budget stands at roughly 1% of GDP. Prime Minister Abe would like to increase this, and there are efforts underway to increase defence efficiency. For many years, Japanese defence industries were not allowed under law to collaborate with non-Japanese firms on any defence projects. This has now changed. There are now important collaborative programmes underway, for example with the United Kingdom and France, in areas like missile technology development and underwater detection systems. These are still relatively modest efforts, but they represent important first steps. Japan welcomes US forces in the country and spends generously to help support them. The Trump administration has recognised this model and expressed appreciation for it. The country also engages in essential intelligence sharing with its neighbours on matters of shared concern.

54. The constitution continues to condition the way Japan can deploy forces. The limitations are most apparent on the higher end of the conflict spectrum. Thus, Japan can participate in peacekeeping operations but not in peace enforcement operations. It can defend the troops of other countries in a peacekeeping operation framework, but not in enforcement operations or in state to state conflicts. Definitions are thus of great importance for Japanese policymakers.

55. The delegation visited the Shimadzu Seisakusho Company in Osaka, which is a world leader in the health care industry, including in fields like analytical tools, robotics and medical products. Teruhisa Ueda, the company's president provided a profile of the company. He noted that one of its scientists, Koichi Tanaka, won the Nobel Prize in 2002 for his work on mass spectrometry analysis and proteins, and added that the company is currently developing both the means to detect cancer earlier and new therapies to kill cancer cells. Mitsuo Kitaoka, the Managing Executive Officer in charge of Research & Development described how the company seeks to understand important mega trends to align its research with those trends. He noted that for Japan, its declining birth rate and aging population is a critical demographic fact of life and threatens to raise the cost of medical spending in the future. Shimadzu Seisakusho is seeking to identify ways to reduce those costs and to develop technologies and systems to help society better cope with the aging process. Global warming is another trend the company is closely tracking. It is linking these trends to technological innovations such as the rapidly developing internet of things, which could provide important services to the elderly in the future. It is developing less invasive surgical techniques to lower the burden and costs of operations and recovery. It is also working in artificial intelligence, automation, clean energy, next generation battery materials and high performance composite materials, all of which could help Japan better cope with labour shortages in the future.

56. The delegation met with representatives of the Osaka Prefectural Government several days after a major earthquake struck that city – an event that resulted in the death of six people and more than 300 injuries. Ichiro Matsui, the Governor, told the delegation that international solidarity was very important in coping with disasters of this sort. He described how the Prefectural Government responded to the emergency and outlined the ways the city prepares for these kinds of situations. A ten-year effort has been underway to make sure that all critical infrastructure can survive important seismic events. He noted as well that sharing emergency information is essential at these moments. His government had made sure that this information is shared in many languages. Messages are put out to all mobile phones from a disaster control centre. This kind of organisation is particularly

important in a large city like Osaka. The city will host the World Expo in 2025 and it has worked to incorporate disaster planning into the overall planning process for this major international event.

57. Osaka generates 7% of Japan's GDP and has a population of roughly 8.83 million people. Around 11 million people visited the city in 2017. The city has a very strong commercial culture and is home to many of Japan's most important companies, including Panasonic and many health-related companies operating out of an important life science cluster in Kansai. Both Kyoto and Osaka universities play a central role in the region's economic dynamism and the government works closely with those schools and the private sector to ensure that there is a broader economic synergy in the region between the academics and the business communities.
