Japan’s New Leader Should Maintain Security Policy in Order to Meet Enduring Threats

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KEY TAKEAWAYS

Yoshihide Suga succeeded Shinzo Abe as Japan’s prime minister amidst growing regional security threats, continuing COVID-19 effects, and lingering economic problems.

Suga will likely serve out Abe’s term, but unclear how far he may put his stamp on Japan’s diplomatic, security, and economic policies.

To strengthen ties with Suga’s government, the U.S. should urge progress on missile defense and promote economic freedom with Japan and other “Quad” members.

Chief Cabinet Secretary Yoshihide Suga assumed the mantle of Japanese prime minister amidst growing regional security threats, continuing COVID-19 effects on public health and the economy, a critical financial situation, and lingering structural economic problems. Given the extent of these challenges, one wonders whether to offer Suga condolences rather than congratulations.

Suga’s predecessor, Shinzo Abe, implemented a visionary foreign policy, strengthened Japan’s alliance with the United States, and undertook an increasingly firm security stance against Chinese and North Korean threats. Suga will continue Abe’s policies, but may do so with less enthusiasm for expanding Japan’s regional and global security role. Suga vowed to continue the “Abenomics” strategy to stimulate the economy, but he will have to adapt to undo the dire economic impact of the COVID-19 pandemic.
The new prime minister lacks Abe’s depth on foreign policy issues and dynamic persona for meeting world leaders. As such, he is likely to delegate more responsibility to the foreign and defense ministers. Suga will have to balance Japan’s security alliance with the U.S. with its economic dependence on China.

Concerns that the departure of the long-serving Abe will cause an immediate return to Japan’s “revolving door” of short-term leaders are overblown. However, questions remain as to how long Suga’s tenure will be and the degree to which he may seek to put his own imprimatur on Japan’s diplomatic, security, and economic policies.

Gaining Office Through Backroom Maneuvering

The choice for a new leader of Japan was determined by the ruling Liberal Democratic Party of Japan (LDP). The LDP, in coalition with the Komeito Party, has majorities in both houses of parliament, and the opposition is fragmented and weak. As a result, internal LDP factional politics substitutes for inter-party policy squabbles.

There were no real policy differences amongst the few LDP candidates running to succeed Abe. To the majority of ruling-party factions, Suga represented stability and continuity after Abe’s abrupt resignation due to health issues. Suga’s victory was assured once voting rules slanted to his advantage were adopted and his victory became a foregone conclusion before the first ballot was even cast.

That there needed to be such an election, however, was a surprise. Even on the eve of Abe’s resignation announcement, Suga and others had dismissed speculation that Prime Minister Abe would be stepping down.

Suga’s public approval ratings before the election were lower than those of other candidates, but surged to 74 percent approval for his cabinet after the election, the third-highest in modern Japanese politics.¹ The populace felt comfortable with stability amidst the social and economic turmoil of COVID-19 rather than risky change. However, Suga’s cabinet approval has since fallen to 55 percent after controversy around appointing nominees to the Science Council of Japan.²

Suga will likely fulfill the final year of Abe’s term as LDP leader, and therefore prime minister, through September 2021. A general election, however, must be held before October 2021, and could occur earlier in the year, before the LDP votes on whether to renew Suga’s mandate.
Abe’s Impressive Legacy

Shinzo Abe strode boldly across the Japanese political landscape, leaving a long shadow over his successor. He was incisive on foreign policy, decisive on security threats, but also ultimately inconclusive in attaining his economic goals.

Shortly before announcing his resignation, Abe set the record for Japan’s longest-serving prime minister. His political longevity enabled stability, policy coherence, and consistency which, in turn, enabled Japan to play a more prominent and assertive role in the region and on the world stage. Prior to Abe’s second tenure as prime minister, Japan had had six leaders in as many years. Abe delivered on national security promises that Japanese officials had been making for years.

Abe created a grand strategy for Japan, including setting the intellectual foundations for the Free and Open Indo-Pacific region and the Quadrilateral Security Dialogue, a strategic forum amongst Japan, Australia, India, and the United States, commonly referred to as the Quad. Both concepts were embraced and adapted to the United States’ strategy. Abe also elevated diplomatic, economic, and security ties with Southeast Asian nations, Australia, France, India, and the United Kingdom through a series of agreements and, in some cases, combined military exercises.

Abe also had a significant impact on Japan’s security posture. Amongst other accomplishments, he instituted Japan’s first National Security Council and National Security Strategy, increased Japan’s defense budget, implemented changes to augment defenses against China’s increasing territorial incursions, and overcame significant domestic resistance to enable Japan to play a large regional and global security role by exercising collective self-defense. Most, if not all, of those initiatives would likely not have occurred without Abe’s initiative and perseverance.

“Abenomics” was another one of Abe’s ambitious policies to jump-start the Japanese economy after decades of sluggish growth. A three-“arrowed” approach, Abenomics combined (1) progressive fiscal policy; (2) loose monetary policy; and (3) a plethora of structural reforms, including encouraging more women in the workforce, easing work requirements for foreigners, lowering corporate taxes, investment in technology and innovation, regulatory modernization, and trade liberalization.

These proactive economic policies, combined with Abe’s political stability, allowed his administration to experience some of the highest levels of Japanese business and consumer confidence since his first appointment
as prime minister in 2007. Japan’s unemployment rate reached the lowest it had been since the early 1990s. And under Abe’s liberal trade policies, Japan’s exports nearly recovered to their pre-2009 level.

Abe saw the strategic benefits of joining the U.S.-led Trans-Pacific Partnership (TTP) in 2013. The economic accord would strengthen Japanese ties with Southeast Asia, affirm the economic relationship with Washington, keep the United States integrated in the Pacific, and provide a bulwark against Chinese economic influence. He defeated stiff domestic opposition from the powerful agricultural lobby and other vested interests.

When President Donald Trump pulled the United States out of the TTP in 2017, Abe’s government, along with the Australian government, became the leaders of the trade deal’s negotiations, eventually creating the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or “TPP-11.” Abe also negotiated trade deals with the European Union, the United States, and the United Kingdom, not to mention a multitude of economic agreements around the world.

**Unfulfilled Promises.** Yet, despite Abe’s unusually long tenure—he was prime minister from 2006 to 2007, and again from 2012 to 2020—and controlling both houses of parliament, there is a nagging sense of a lack of long-term achievements. Despite his political strength and control of a powerful political faction, he was unable to achieve some of the bigger promises.

Despite a progressively loose monetary policy with the goal of increasing inflation, Japan never reached significant growth in private consumption or gross domestic product (GDP). The lack of increase in consumption likely came from the stagnant growth in companies’ productivity and workers’ wages. Some of the lack of growth had to do with consumption (or sales) tax increases in 2014 and 2019 that were also intended to offset Japan’s increasingly large fiscal deficit.

While Abe’s administration was able to start cutting down on government spending outside its means, central government debt still increased from 770 trillion yen ($7.3 trillion) in 2013 to approximately 936 trillion yen ($8.9 trillion) in 2020. The recent emergency budgets passed by Japan’s parliament to deal with the pandemic-induced recession will put additional pressure on Japan’s ability to service its debt.

Abe was also able to ease some of the barriers that inhibited foreign investment in Japan, but many barriers still exist. Japan saw its growth in foreign direct investment stock increase from $171 billion in 2013 to $310 billion in 2019. But foreign direct investment into Japan, as a percentage of GDP, is still the lowest of all countries in the Organization for Economic Co-operation and Development. And, while Japan’s foreign resident
population, an increasingly important group because of Japan’s aging population, grew under the Abe administration, it remains low at just above 2 percent of Japan’s total population.

Abe’s foreign policy had mixed results. While he created bold regional policies that the United States later adopted, he was unable to make progress on issues closer to home. There was no progress on North Korean denuclearization or resolving the issue of North Korea’s abductions of Japanese citizens in the late 1970s and early 1980s, nor on solving the northern-territory dispute with Russia.

In 2012, when Abe took office the second time, he inherited very strained relations with China and South Korea. He was able to initially improve those relations only to see them deteriorate by the time of his departure eight years later.

While Abe enacted impressive changes to Japan’s security structure, it is uncertain whether they will endure. Abe created powerful tools, but will his successors be able and willing to wield them? Abe brought Japan enhanced global recognition and potency, but influence, like fame, is fleeting without new accomplishments.

In the run-up to his departure in September 2020, Abe’s public approval ratings plummeted to 30 percent, seen as the “danger zone” of political support for prime ministers, and the lowest since his return in 2012. The populace was critical of a series of political scandals and Abe’s perceived lackadaisical response to the COVID-19 crisis.

Although Japan’s COVID-19 infections are low compared with other nations, there was a sense that Abe was absent, perhaps due to his own growing health problems. By contrast, prefecture governors Yuriko Koike in Tokyo and Hirofumi Yoshimura in Osaka were seen as bold, effective leaders who took charge and called on the Abe administration to be more responsive. The COVID-19 economic downturn strongly affected the already sluggish Japanese economy.

Staying the Course—Choosing Continuity over Change

During his eight years as chief cabinet secretary, Suga became known as a strong behind-the-scenes problem solver and policy implementer for Abe rather than a visionary. Suga’s campaign highlighted the Abe administration’s policy successes and vowed to maintain them. Suga pledged, “We need to inherit and facilitate policies promoted by Prime Minister Abe in order for us to overcome this crisis.... I recognize that I carry that mission.”
Suga described Japan as “facing an unprecedented [economic] crisis from the coronavirus pandemic [so he] will pick up the baton of Abenomics and push on.” He added, “I want to continue Abenomics and enhance it.” He declared that Japan’s alliance with the U.S. would remain the basis of Tokyo’s security.

In an indication of policy continuity, he selected eight of Abe’s 20 cabinet ministers to remain in their posts with an additional seven moving to another cabinet post or being reappointed to a position they held in previous administrations.

It is unclear, however, to what degree Suga’s policies might deviate from those of his predecessor. He is not expected to push as strongly as Abe to revise Japan’s constitution to remove the Article 9 renunciation-of-war clause, nor spend as much political capital on nationalist themes.

Suga admitted that he lacks Abe’s flare for foreign policy and acumen for summit diplomacy. He commented that “Prime Minister Abe’s leadership diplomacy was truly amazing. I don’t think I can match that…. I will stick to my own style, while also seeking assistance from the Foreign Ministry. And of course I will consult with (Abe).” As such, Foreign Minister Toshimitsu Motegi and Defense Minister Nobuo Kishi are expected to play larger roles under Prime Minister Suga. Abe may be called upon as foreign policy advisor or special envoy.

**Suga Faces Rough Waters Ahead**

Suga's lack of experience in foreign and security policy may lead him to focus on Japan's dire economic condition, particularly amidst the COVID-19 crisis. While he can delegate much to his foreign and defense ministers, he must balance his efforts between domestic and overseas responsibilities.

**Economic Challenges.** Suga’s immediate and most pressing challenge will be managing the spread of COVID-19, eventually distributing a vaccine, and mitigating the economic costs that resulted from containment measures. While Japan’s debt-to-GDP ratio has grown to one of the largest of any nation, Japan’s low interest rate (less than 1 percent) means that the central government is not under pressure to cut back spending at this time.

Over the next year, Suga is also unlikely to feel pressure to address some of the Japan’s other longer-term problems, such as its aging population. Japan is expected to see its population drop by 20 million over the next 30 years, with more than one-third of its population over the age of 65 by 2050.
Suga will have a difficult decision to make early next year about whether to cancel the Tokyo Summer Olympics if the virus is not under control. It is estimated that Japan has already spent more than $26 billion in anticipation of hosting the games.\textsuperscript{12} If the Summer Olympics games are allowed to continue, this may help Suga bring Japan’s tourism numbers back to normal.

**Military Threats.** Japan warns that its security environment is “changing at extremely high speeds [and] becoming more complex” far more quickly than anticipated.\textsuperscript{13} Tokyo faces mounting conventional military threats from North Korea and China, as well as new challenges in the cyber-space, space, and electromagnetic domains.\textsuperscript{14}

North Korea continues to augment and improve its nuclear and missile arsenal and can threaten the entire Japanese archipelago with nuclear weapons. Pyongyang has conducted military exercises simulating nuclear airburst attacks on Japan.

The Abe administration was alarmed by Beijing’s surging defense expenditures, rapidly expanding and modernizing military capabilities, intensifying intimidation efforts, and increasing incursions into Japan’s peripheral areas.

**Upcoming Security Policy Changes.** Then-Defense Minister Taro Kono’s decision to cancel the planned Aegis Ashore ballistic missile defense system surprised the United States and caused tremors in the U.S.–Japan alliance. Kono has a reputation as a maverick and budget cutter; his shift away from the defense portfolio may reduce the potential for other shocks to major defense programs and procurement plans.

Kono’s decision also triggered a decision to rewrite Japan’s National Security Strategy which was last updated in 2013. In preliminary government discussions, Abe pushed for Japan to acquire conventional strike capabilities for “active deterrence” by striking foreign missile targets after an initial attack on Japan, but before a second attack. Such a decision would be highly controversial domestically as well as with Japan’s neighbors, since some argue that it would violate Japan’s post–World War II pacifist constitution. The Komeito Party, the ruling LDP’s junior coalition partner, is strongly opposed to the measure.

**Uncertain U.S. Ally.** The Japanese public continues its support of a strong alliance with the United States. In a survey by public broadcaster NHK, 73 percent of respondents wanted the alliance maintained or further strengthened.\textsuperscript{15} Prime Minister Abe tenaciously developed the strongest personal relationship of any world leader with President Trump.
But that did not prevent President Trump’s harsh criticism of Japan, which led to imposition of tariffs on imports, demands for significant increases in host nation payments for stationing U.S. forces overseas, and threats to reduce U.S. forces. Tokyo will resist Washington’s demand for a fourfold increase in payments to offset U.S. troop costs in upcoming negotiations. Then-Defense Minister Kono commented, “If we pay more, then the U.S. forces in Japan will become something like mercenaries, and I don’t think anyone wants to do this.”

**Strained Relations with South Korea.** Bilateral relations between Tokyo and Seoul are always contentious due to deep-rooted animosities from unresolved history and sovereignty issues. Flare-ups of even higher tensions are cyclically driven by actions from both sides. Abe became a lightning rod for South Korean anger due to his association with some nationalist themes and perceived resistance to Japan’s earlier apologies for its brutal occupation of the Korean Peninsula from 1910 to 1945.

Bilateral relations were strained before Abe’s tenure, including during the three-year leadership of the leftist Democratic Party of Japan. Abe’s apparent acquiescence to an agreement toward resolving Japan’s wartime use of South Korean “comfort women” did little to improve bilateral relations.

Abe’s departure provides a window of opportunity for both nations to repair their ties, which further deteriorated due to tit-for-tat responses to the 2018 South Korean Supreme Court ruling that Japanese companies should pay restitutions for forced South Korean labor during World War II. South Korean President Moon Jae-in indicated a willingness to discuss the issue. However, Suga affirmed the Abe administration’s view that the 1965 treaty that normalized relations between the two countries resolved all claims of restitution. Suga stated that the South Korean court’s ruling was a violation of international law and “unreasonable demands” for compensation.

**Balancing U.S. and Chinese Demands.** Under Abe, Tokyo sought to improve its relationship with Beijing by compartmentalizing strong pushback against increasing Chinese incursions into the Senkaku Islands from continued bilateral economic engagement. The Abe administration saw China as both a growing security threat and an important economic partner.

This balance, however, was challenged by China’s growing territorial belligerence, Chinese actions against Uighurs and Hong Kong protestors, concerns over supply chain risk, and cover-up of the COVID-19 outbreak. Japan is now intensifying efforts to diversify, away from an over-reliance on the China market, by assisting Japanese companies in relocating business operations from China to Japan or Southeast Asia.
However, neither Japan, nor other Asian nations, are receptive to zero-sum approaches to Beijing. China remains Tokyo’s largest trading partner and many of Japan’s products are dependent on Chinese supply chains.

Recommendations for Japan and the United States

In order to balance Japan’s current and future needs, Prime Minister Suga should:

- **Double down on regulatory reforms.** While Suga’s plans to remove inter-governmental bureaucracies and limit the influence of special interests is a worthwhile endeavor, instead of looking for ways that might make regulations easier to implement, Suga should consider removing unnecessarily burdensome regulations. Japan’s regulatory system still makes it difficult to invest, get credit, or start a business.

- **Promote policies that support consumers, but not at the risk of jobs.** Suga has already suggested policies, such as reform of Japan’s rural-land costs and mobile phone fees, which may boost consumer welfare. But policies that support consumers at the cost of businesses, such as an increase of the national minimum wage, may put pressure on Japan’s recently increasing unemployment rate and workers who have been furloughed.

- **Recognize that the private sector moves faster in the digital space than government.** Suga is planning to create a new government agency in charge of information technology policy. This aligns with the growing use of digital services in today’s inter-connected world. But like any government agency, this too can fall to outdated bureaucratic red tape, reducing its effectiveness. Suga wants to support Japanese consumer welfare, and no one responds better to consumer demand than the private sector. Suga should welcome private-sector input when creating this new digital agency.

- **Work with Quad members to help speed up the economic recovery in the region.** While Japan and the other Quad members are looking for ways to make their supply chains more resilient to the next economic disruption, the immediate concern should be a speedy economic recovery. Japan and others should focus on recovering the four economies of the Quad. And that recovery should promote economic freedom.
• **Invite Taiwan to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.** As Japan will look for ways to diversify its supply chains away from China even after the pandemic, it should look toward further increasing its economic partnership with Taiwan.

• **Remove barriers to Japan–South Korean economic relations.** Japanese and South Korean economic and security interests overlap more than they compete. Japanese and Korean officials should look for ways to improve the bilateral relationship and remove barriers that unduly punish cross-border trade and investment.

• **Increase the defense budget.** Prime Minister Suga should convince the Japanese legislature and public that steadily rising threats require more than incremental adjustments to the defense budget. Although Tokyo has articulated comprehensive new strategies, missions, and ambitious procurement plans, it did not couple them with the resources needed to implement them. An escalating threat environment requires a commensurate response by Japan to augment its defense capabilities. Japan must break through and move well above its self-imposed conceptual limit of spending only 1 percent of its GDP on defense.

• **Avoid nationalism.** The Japanese government and politicians are justified in seeking to nurture Japanese patriotism. Nationalism in the Japanese context, however, is more than that. Prime Minister Abe’s brand of nationalism—which he sometimes fed—came at the expense of more important and attainable objectives with South Korea and the U.S. Abe wasted important political capital, and needlessly generated domestic and foreign controversy. Suga should not attempt to revise Article 9 of the Japanese constitution, and should instead implement more attainable and relevant defense reforms to expand Japan’s security role.

In order to strengthen the U.S.–Japan alliance, the United States should:

• **Urge Japan to move forward on missile defense.** The decision to cancel the planned deployment of the Aegis Ashore missile defense system removes what would have been a vital link in Japan’s defense against North Korean missiles and nuclear weapons. The Aegis Ashore
units would have provided missile defense for the entire country, unaffected by weather or staffing shortages that have affected the Aegis ships. The Suga administration should ensure that Japan, and, therefore, the U.S.–Japan alliance, has the most robust missile defense system possible.

- **Coordinate ballistic missile decisions with Tokyo.** Tokyo’s unexpected reversal of the Aegis Ashore decision was not coordinated with the U.S. The bilateral and integrated missile defense system affects both nations and, as such, should entail carefully synchronized strategies. Tokyo made a major decision without an alternative game plan. That should not occur again.

- **Urge Japan to assume additional security responsibilities,** but to move carefully on strike capabilities. The U.S. should welcome any expansion in the Japanese security role to augment alliance capabilities. But, Japanese strike capability is still only at the theoretical debate stage. Tokyo has yet to articulate strike policy, strategy, a doctrine of employment, triggering events, procurement, deployment, or how offensive systems would train in Japan. Such decisions should be made in an alliance framework, in part, to allay South Korean concerns that would inevitably arise.

- **Seek an incremental increase in Japanese reimbursement for U.S. troop presence.** U.S. troop presence overseas serves the country’s strategic interests, including maintaining peace and stability in northeast Asia. That said, it is perfectly appropriate to adjust the contributions each side makes to the maintenance of the U.S. presence. Demands made by the Trump Administration have been unreasonably high.

- **Promote economic freedom with Japan and the other Quad members.** The U.S. should ensure that Quad members are talking and focused on what is important right now—economic recovery. Promoting economic freedom can help to speed up the recovery, allowing the group to return to issues like making sure that cross-border investments have a strategic purpose.

- **Follow through on a comprehensive trade deal with Japan.** The 2019 U.S.–Japan Trade Agreement falls short of addressing a number
of barriers to trade and investment. The U.S. should follow up to ensure the trade agreement is comprehensive. One way to ensure smooth negotiations is to articulate that trade with Japan does not present a national security threat to the United States.

Conclusion

Prime Minister Suga will be judged, and his political longevity determined, by how well he handles Japan’s many challenges. Moreover, he will face these challenges without the strong political base, public support, and personal dynamism of Abe. If he succeeds, then he will retain political and public support. If he does not, he may have a short tenure.

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Endnotes

16. Ibid.
17. “Comfort women” was the euphemism given to women forced into sexual slavery for the Japanese Imperial Army during World War II.