

ABENOMICS: REVITALIZATION AND RESURGENCE OF JAPAN

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Japan's role in Asia has been among the most highly contested in modern times. Some have accused the state of acting as a warmonger, puppet of an external great power, valiant bulwark against the scourge of communism, bastion of democratic virtue, or prideful international sociopath. So what is Japan today? It is a nation of stagnation: dim growth prospects and a shrinking working class mark a diminishing presence on the world stage. The population of 125 million who fueled the incredible growth of the last century will drop to 97 million by the middle of this one, and forty percent of that population will be over the age of 65,¹ hardly a sufficient force for any prospects of growth. Moreover, the industrialization and globalization of other East Asian countries, especially China, has eroded Japan's comparative advantage in exports. These countries do not have the burden of high wages or an imminently unstable social welfare system. However, Japanese Prime Minister Shinzo Abe's bold and ambitious policies for economic transformation hold the potential to revitalize Japan's prospects. With a plan colloquially referred to as 'Abenomics,' Japan aims to elevate itself out of years of stagnation, and emerge once again as one of the largest economies in the East Asian region. With the commencement of Abenomics, various sectors of society have been targeted for drastic restructuring. Not only the economic, but also the political, social, and military sectors are subject to reform under Abenomics.² Thus, we believe that the energetic efforts of Shinzo Abe in enhancing Japan's economy form a solid base for a new movement towards a more active and cooperative role in East Asia. What then lies at the very center of Abenomics?

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- 1 Sir David Warren, "Where is Japan? A Study of an Economic Powerhouse at a Moment of Political Change," *Asian Affairs* 44, no. 2 (2013): 175-187.
 - 2 Puneet Paul Singh, "Abenomics: The Objectives and the Risks," *BBC*, July 19, 2013, <http://www.bbc.co.uk/news/business-23339712> (accessed November 25, 2015).

Surprisingly, Japan has been showing a considerable amount of progress and Shinzo Abe is planning to implement more rigorous economic reforms and fiscal policies. Relative early success of Abenomics, with growth up to 3.5% and a drop in unemployment resulted from a monetary policy targeted at reducing real interest rates and increasing the inflation rate.³ Therefore, the expansion of government expenses and spending along with hefty stimulus packages can be viewed as one of the pivotal points in his economic reforms. Abe asserted his aggressive monetary policy by appointing Haruhiko Kuroda as governor of the Bank of Japan. Kuroda is said to have set a target of achieving 2% inflation rate and increasing the amount of public spending within a year.⁴ This proactive fiscal policy also includes public works packages, expenditures on public programs, and infrastructure development. Abe's strategy is a comprehensive growth plan.

With such sudden and rapid stimulus from the public sector, Japan's economic prospects are brightening, at least for the moment. Bold experiments in monetary policy have led Japan out of economic downturn, which has lasted years, consequently leading to a dramatic downfall in exchange rates. The weakening of the yen as a result of substantial government spending has prompted a rise in exports and increased attraction of foreign investment in Japan's domestic economy. In addition, inflation of the yen has aided in raising corporate earnings and wages, consequently raising private consumption and stock prices as well. In regards to structural reform, opportunity for Japan to take initiative and develop the capacity for self-sustaining growth through investment in various sectors including energy, health, and employment, has been created.⁵ However, some cast skepticism on Shinzo Abe's rigorous economic reforms, questioning whether or not Japan will be able to maintain sustainable growth. The Bank of Japan's ability to achieve their 2% inflation target has also come into doubt. These questions concerning finance remain to be resolved. Next, we speculate on the other goals which Shinzo Abe hopes to achieve.⁶

3 Charles Riley, "Year of Abenomics delivers Japan Revival," *CNN Money*, November 6, 2013, <http://money.cnn.com/2013/11/06/news/economy/japan-abenomics/> (accessed November 25, 2015).

4 Jakarta Arisyi Fariza Raz, "Abenomics and implication on its Asian neighbors," *The Jakarta Post*, February 11, 2013, <http://www.thejakartapost.com/news/2013/02/11/abenomics-and-implication-its-asian-neighbors.html> (accessed November 25, 2015).

5 Matthew Boesler, "The truth about Abenomics- The Japanese Economic Experiment that is Captivating the World," *Business Insider*, March 16, 2013, <http://www.businessinsider.com/what-is-abenomics-2013-3> (accessed November 25, 2015).

6 Ezrati, Milton Ezrati, "Skepticism about Abenomics," *Foreign Policy Journal*, November 13, 2013, <http://www.foreignpolicyjournal.com/2013/11/13/skepticism-about-abenomics/> (accessed

Military Rehabilitation

Essentially, Article Nine of the Japanese constitution dictates that it is contrary to the character of the nation (and international agreements) for the Japanese government to maintain a standing army capable of offensive warfare. The state is entirely banned from all acts of belligerency or any acts of violence that are not clearly in self-defense.⁷ The regional security forecast in 2013, certainly as seen from the perspective of Japan, is one that would bring most regional experts to question the feasibility of Article Nine. Most significant is the territorial dispute between Japan and China over the Senkaku/Diaoyu islands that became inflamed in 2012. The Japanese government formally purchased the islands from a private holder, over stern objections from China's foreign ministry.⁸ While the territory itself is small, the islands are an important fishing ground rich in resources such as gas, oil, and minerals.⁹ Looking to the United States as Japan's metaphorical bodyguard, American leadership is not eager to engage in a diplomatic battle with China, on Japan's behalf, over a remote group of islands in the Pacific Ocean. The lingering uncertainty regarding Japan's ability to assert itself and its territory, however, lie clearly in the policy of Abenomics.

Cultural and financial aspects of Abenomics directly facilitate the growth and maintenance of Japan's military in the near future. In 2010, China nudged Japan aside as the world's second-largest economy,¹⁰ aggravating the perception that Japan has been stuck in a frozen economy with little growth and a grim projection into the future. Relating back to the Senkaku/Diaoyu territorial dispute, Abe and his cabinet have realized that Japan needs to readjust its economic and defensive stance in the region. In order to project regional power comparable to China, however, the country needs a strong and stable economy to support future increases in defense spending.

November 25, 2015).

- 7 Prime Minister of Japan and His Cabinet, "The Constitution of Japan," Last modified November 3, 1943, http://www.kantei.go.jp/foreign/constitution_and_government_of_japan/constitution_e.html (Accessed November 28, 2013).
- 8 Julian Ryall, "Japan agrees to buy disputed Senkaku islands," *The Telegraph*, September 05, 2012, <http://www.telegraph.co.uk/news/worldnews/asia/japan/9521793/Japan-agrees-to-buy-disputed-Senkaku-islands.html> (accessed November 28, 2013).
- 9 Ministry of Foreign Affairs of Japan, "Three Truths about the Senkaku Islands," Last modified October 04, 2012, http://www.mofa.go.jp/region/asia-paci/senkaku/three_truths_1.html (accessed November 28, 2013).
- 10 BBC News, "China overtakes Japan as world's second-biggest economy," *BBC*, Last modified February 14, 2011, <http://www.bbc.co.uk/news/business-12427321> (accessed November 28, 2013).

Japan has customarily, though not legally, capped military spending at 1% of the gross domestic product (GDP)¹¹ in order to keep policymakers from operating outside the spirit of its pacifist constitution. For Abe to increase the spending in the annual budget without violating this custom, he would need to directly increase Japan's GDP proportionally to the predicted increase in military spending. However, in order to start the cycle of a stable economy feeding into military funding, the Japanese government has to address this exact core obstacle that is preventing the expansion and improvement of the economy: decades of fiscal shrinkage.

Abe's efforts to revitalize the Japanese economy have been bold, with a \$100 billion (10.3 trillion yen) expansion to government spending in 2013.¹² While the economy can certainly grow and improve the domestic fiscal situation, it constitutionally could not begin its military expansion without the change in the application of Article Nine. The introduction of growth-oriented policies made a reinterpretation of the role of Article Nine inevitable, and this happened via a July 2014 resolution passed by Abe's government.

For the first time in nearly ten years, Abe approved an increase in defense spending that may foreshadow an expected amendment to Article Nine. In the standard national budget, spending increased by 0.8% this year for military and related spending. Still a meager increase compared to China's sustained annual increases of 10% or more over the past twenty years, the true spark to the fire lies in Abe's stimulus package for the 2013 fiscal year. Approximately 20% has been boldly allotted to military investment and defense spending in the future.¹³ From an external perspective, it is highly abnormal to allocate one-fifth of a massive fiscal stimulus while merely increasing defense spending in the national budget by less than one percent. Actually, this is Abe's response to the previously explained cap on military spending that is proportional to Japan's GDP. While Abe customarily should not inject defense spending through the national budget, the injection through a stimulus falls under an entirely new set of regulations.

11 Kirk Spitzer, "Why Japan's Biggest Defense-Spend Hike in Over Two Decades Isn't Going to Buy Much" *TIME*, Last modified September 02, 2013, <http://world.time.com/2013/09/02/why-japans-first-defense-spend-hike-in-over-two-decades-isnt-going-to-buy-much/> (accessed November 28, 2013).

12 The Economist, "Abe's master plan," Last modified May 18, 2013, <http://www.economist.com/news/leaders/21578044-shinzo-abe-has-vision-prosperous-and-patriotic-japan-economics-looks-better> (accessed November 28, 2013).

13 Gwynn Guilford, "Abe is planning a massive fiscal stimulus—but what's left to stimulate?" *Quartz*, December 20, 2012, <http://qz.com/37804/abe-is-planning-a-massive-fiscal-stimulus-but-whats-left-to-stimulate/> (accessed November 28, 2013).

Related divisions have also undergone spending boosts that offer insight into the future expectations of government. The Japanese Coast Guard is, unlike most other nations, not governed under the military or judicial branches of government and instead is operating under the Ministry of Land, Infrastructure, Transportation, and Tourism. Whether this was a strategic bureaucratic reassignment to avoid restrictions to military divisions is unclear, but it certainly serves that purpose under the government's Abenomics campaign. As a non-military division that is crucial to Japan's assertion of sovereignty and territory, the coast guard received a total budget increase of nearly 40% from last year. The budget specifically states that 20.6% of funding is earmarked to protecting Japanese territory, highlighting the coast guard's sub-military role and revealing another aspect of Abe using his economic policy as a parallel to expanding Japan's hard power in Asia. Some analysts have said that the coast guard has been the government's means of "[coping] with its vulnerabilities without addressing the underlying problems of its defense policy." However, considering other policy changes coinciding with the rise in maritime funding, the coast guard appears to be playing an instrumental role in Abe's united defense vision for the future.

The sights are set beyond Japan's own domestic defense industry as well. In an effort to gain standing support for the constitutional change that would give Abe the landslide he needs to fulfill the conservative dream of a powerful Japan, the Abenomics policy also looks to profit immensely from arms exports and defense cooperation. In June 2013, negotiations were held with the French president that saw the early workings of a cooperative alliance in nuclear and military equipment. Together with Japan's Business Federation, there has been a strong move to relax and review the restrictions on arms development and exportation, culminating in the outright lifting of the arms export ban in June 2014.¹⁴ With the legal inability to freely export arms technology, Japanese firms are more able to maintain up-to-date technological exploration in the field and thus are largely unsuccessful in attracting mass-production contracts and investment. Abe's intentions, on the contrary, along with the projections from related analysts, suggest that the abolition of export restrictions will lead to immense expansion in the military contracting sectors for companies like Mitsubishi Heavy Industries

14 Mina Pollmann, "Japan's First Steps into the World of Arms Exports," *The Diplomat*, January 15, 2015, <http://thediplomat.com/2015/01/japans-first-steps-into-the-world-of-arms-exports/> (accessed November 25, 2015).

and NEC.¹⁵ A double-win for Abe, these partnerships would both secure Japan's place as a competitive military manufacturer as well as secure the nation's place in a highly profitable industrial sector.

The chips of Abe's defense interests fall into place with the reinterpretation of Article Nine – the essential green light for the nation's militarization. While there have been no direct admissions that Abenomics is an economic policy aimed at the rearmament of Japan, the layers of the policies are riddled with defense spending, regulation changes, and reallocation of spending to avoid international stipulations. The purely financial ambitions of Abe's trademark agenda specifically facilitate his increase in defense spending, and are constructed to sustain future increases. Similarly, Constitutional changes and future-oriented agreements with other leaders illuminate the future of Japan as a military participant.

Japan's Role as a Regional Power

Despite nationalist and militarist sentiments among the prominent Japanese political actors, the reactivation of Japan's military will lead to more constructive activity as an Asian democracy. The postwar constitutional restrictions on Japanese armament frame Japan's role as oriented toward American security concerns. Because the state, though possessing a large self-defense force, has very limited ability to project power, it has been perceived as serving primarily as an entity within the American global security regime. Prime Minister Yasuhiro Nakasone's 1983 characterization of Japan as an "unsinkable aircraft carrier"¹⁶ of the US has served to define Japan's role. In that capacity, Japan is prevented from assuming its full capability as a regional power; structured by its lack of a power-projecting military into the US counter-communism global arrangement, there has been no opportunity for Japan to develop a coherent, independent role as an actor in Asia.

Rather, the state has muddled at best through abortive efforts to carve out a position as a great power, especially since the fall of the Soviet Union opened up the world order for potential reshuffling.¹⁷ Shorn of the ability to assert its power-projection capabilities, Japan has sought to claim a space in the international world in other capacities. The role of "bridge

15 Tiago Mauricio, "Abenomics and Japan's Defense Priorities," *International Relations and Security Network*, June 27, 2013 <http://www.isn.ethz.ch/Digital-Library/Articles/Detail/?id=165176> (accessed November 28, 2013).

16 Tsuneo Akaha, "Japan's Non-Nuclear Policy," *Asian Survey*, 24, no. 8 (1984): 852-877.

17 Gilbert Rozman, "Japan's quest for great power identity," *Orbis* 46, no. 1 (2002): 73-91, ISSN 0030-4387, [http://dx.doi.org/10.1016/S0030-4387\(01\)00107-7](http://dx.doi.org/10.1016/S0030-4387(01)00107-7).

between China's authoritarianism and the West's human rights agenda"¹⁸ was subverted by China's economic resurgence and international political confidence.¹⁹ A promising alignment alongside Russia, including a favorable settlement of the northern islands territorial dispute that would have been empowering in terms of domestic politics, faded as the 1990's Russian state rejected economic progress in favor of corruption. The chance of becoming a sort of lending powerhouse also fizzled with deepening economic stagnation. All aspirations for a respected leadership role in the region were self-destructed in the mid 1990s with rising nationalism; the Diet weakened an apology marking the 50th anniversary of Japan's defeat, acidic comments were released by various officials (including an assertion by the director-general of the Energy Agency that "Japan was not the only one that was wrong," and that "it was thanks to us that they were able to become independent," and "Japan's right wing asserted a national identity that was both divisive in Asia and not supportive of American goals."²⁰ With the limitations on becoming a normal state, Japan was left with no avenue for becoming a great power.

With the confidence and determined effort at economic revitalization and reactivation of real military capability, Japan under Shinzo Abe is now making another, far more promising effort. The previous efforts were all catalyzed and emboldened by large changes and trends in international security: America's security and financial needs, and then Russia's rebirth and development. This next effort is no different. Here we see Japan attempting to use its new capability to establish a role as a leader of Asian democracies, so as to better integrate and contain a China roaring ahead with foreign policy ambitions.

Central to this consideration is Japan's relationship with India, the other large democratic power in the Asia Pacific. India, though facing growing rivalry with China over issues such as border disputes and military presence in the Indian Ocean, has very little foreign policy momentum to bring to the table. Roughly only 800 diplomats represent the country, the same caliber of representation as Singapore, and "is still punching well below its weight in foreign affairs."²¹ Nonetheless, Abe is showing determined signs of developing a deeper relationship. After his 2007 visit to the country,

18 Ibid., 6.

19 Ibid., 10.

20 Rozman, Japan's quest for great power identity," 9.

21 "India Abroad," *The Economist*, September 29, 2012, <http://www.economist.com/node/21563415> (accessed November 14, 2013).

along with Indonesia and Malaysia, he announced a new “roadmap” for “cooperation in wide-ranging areas” including “working together in the global arena.” This further was intended, he declared, to “give concrete shape to the strategic and global partnership” between the two governments, in the context of “bilateral cooperation between the two major democracies in Asia.”²² Beyond rhetoric, the security partnership was formalized in the 2008 Joint Declaration on Security Cooperation Between Japan and India. This document establishes bilateral cooperation and information sharing on security matters, with special emphasis on maritime security. In the 2013 Japan-India Summit, Prime Minister Manmohan Singh reiterated that Japan is “a natural and indispensable partner in our quest for stability and peace in the vast region in Asia that is washed by the Pacific and Indian Oceans.”²³ The very fact that a bilateral summit was convened is telling enough: Japan is maneuvering to be in a position to align with India on a wide variety of issues, especially security, and this relationship is deepening.

Japan is not simply pursuing a bilateral relationship with another potential great power; it is positioning itself as a leader and strategic partner of many Asian nations. In the same India-Malaysia-Indonesia trip, Abe signed a Japan-Indonesia Economic Partnership Agreement and put forth a joint statement with Malaysian Prime Minister Abdullah Badawi that the two governments “will cooperate not just in the context of our bilateral relations, but also on regional and global issues.” He laid out the strategy more explicitly when questioned about assertive diplomacy:

I have been speaking of assertive diplomacy, which is to engage in foreign policy to strengthen cooperation and coordination with countries that share basic values, and secondly to build an Asia that is open and brimming with innovativeness, and also thirdly to contribute to the peace and prosperity of the international community. These are the elements of what I call assertive diplomacy. It is not for us to selfishly insist on Japan’s national interests. Rather, we need to give thought to what Japan should do in the international community. In the international arena we need to assert very firmly what Japan

22 Shinzo Abe, “Press Conference By Prime Minister Shinzo Abe Following His Visits to Indonesia, India and Malaysia,” (Press Conference, August 24, 2007), Speeches and Statements by Prime Minister, http://www.kantei.go.jp/foreign/abespeech/2007/08/24press_e.html (accessed November 25, 2015).

23 Manmohan Singh, Ministry of External Affairs, Government of India, “Prime Minister’s address to Japan-India Association, Japan-India Parliamentary Friendship League and International Friendship Exchange Council,” May 28, 2013, <http://www.mea.gov.in/in-focus-article.htm?21754/> (accessed November 14, 2013).

intends to do together with the countries of the world.

This is the attitude of an empowered nation. Japan is expanding its foreign policy capabilities by addressing the major concerns of the nations of Asia: the prospect of expanding Chinese hegemony. Abe is “clearly intent on engaging China from a position of strength, viewing it as a non-democratic and rising power that fundamentally challenges the international status quo, as well as Japan’s national security,” according to *Strategic Comments*.²⁴ The nations with which Shinzo Abe is currently in partnership are receptive: the emphasis on maritime security plays well with both Indian concerns over China’s ‘String of Pearls’ military port facilities around the Indian Ocean, as well as with ASEAN perturbation over China’s aggressive claims to the South China Sea.²⁵ By portraying Japan itself not as a hegemon intent on pursuing its own self interests but rather as the nexus of linked partnerships with democratic Asian nations who appreciate Japan’s investment, security guarantee and guidance both economic and political, Abe opens a new path to assuming the relative prominence of a great power. This is in contrast to the other influential regional player, China, who aggressively entertains conflicting territorial claims not only with India and Japan but also Vietnam, Brunei, Malaysia and the Philippines. This has led to naval confrontations with the Philippines²⁶ and armed incursions into Indian territory²⁷, as well as a heated dispute with Japan itself over the Diaoyu/Senkaku islands.

We perceive Japan’s aggressive claim to these islands as essentially similar in motivation to China’s, in that it represents an initial probing attempt at demonstrating regional power projection and influence. Coupled with the nationalist sentiment from many Japanese Liberal Democratic Party (LDP) leading politicians, including Abe himself, this dispute could serve as a distasteful reminder of Japan’s historical aggression and colonization, potentially alienating historical victims such as Korea. Japan’s assertiveness and openness towards the Asian democracies and middle powers, however,

24 “Beyond Abenomics: Japan’s grand strategy,” *Strategic Comments* 19, no. 4 (2013): v-vi. (<http://www.tandfonline.com/doi/full/10.1080/13567888.2013.830419> (accessed November 23, 2013).

25 “India, Japan join hands to break China’s ‘string of pearls’” *The Times of India*, May 30, 2013, http://articles.timesofindia.indiatimes.com/2013-05-30/india/39627850_1_indian-ocean-india-and-japan-japanese-counterpart-shinzo-abe (accessed November 14, 2013).

26 “Philippine warship ‘in stand-off’ with Chinese vessels,” *BBC*, April 11, 2012, <http://www.bbc.co.uk/news/world-asia-17673426> (accessed November 14, 2013).

27 “China accused of incursion in India’s Arunachal Pradesh,” *BBC*, August 22, 2013, <http://www.bbc.co.uk/news/world-asia-india-23790860> (accessed November 14, 2013).

does not mean that China is excluded entirely. Indeed, Shinzo Abe has pragmatically deemphasized the anti-Chinese nationalist rhetoric which he once espoused verbosely and has “developed and adopted a policy of rapprochement.”²⁸ Given the enormous trade dependency between the two countries it would be impractical not to. Abe, then, is not moving Japan into a position of power with the end of combating China. Rather, by assuming great power status with the empowerment of its military and regional leadership, Japan is asserting that China will not be able to unilaterally create the defining discourse on security in Asia. Instead, it will have to cooperate and integrate with a multipolar regional power structure, with the weaker states within China’s intended sphere of influence protected by coalition with both Japan and India. By assuming great power status, Japan takes on the task of maintaining an Asia that is stable, developing, and free of Chinese dominance.

Trans-Pacific Partnership: Make or Break for Abenomics

The Trans-Pacific Partnership (TPP) is a multilateral free trade agreement (FTA) that includes such G20 powers²⁹ as the US, Australia, Mexico, Canada, and Japan. The TPP aims to remove all tariffs without any exception between the member nations. Despite increasing efforts to form FTA’s both regionally and abroad,³⁰ Japan faced domestic resistance to the unrestricted tariffs that would be implemented if Japan entered into the TPP.³¹ The main conflict stemmed from the agriculture sector, particularly producers of the Sacred Five: rice, sugar, dairy, wheat, and barley.³² Backed by the Japanese Agriculture Cooperatives (JA) and members of both the Liberal Democratic Party (LDP) and Democratic Party of Japan (DPJ), the agriculture sector had been successful in delaying negotiations for Japan’s entry into the TPP until its entry in 2015.³³

28 John Hemmings and Maiko Kuroki, “Tokyo Trade-Offs: Shinzo Abe’s Hedging Strategy Against China,” *The RUSI Journal* 158, no. 2 (2013): 58-66.

29 Dpmc.gov.au. “G20 member countries,” 2013. http://www.dpmc.gov.au/g20/member_countries.cfm (accessed November 22, 2013).

30 Prime Minister of Japan and His Cabinet, “Press Conference by Prime Minister Naoto Kan Following the APEC Economic Leaders’ Meeting in Yokohama,” November 14, 2010.

31 “Japanese agricultural group head submits comment to USTR, urging TPP members to treat agriculture as an exception,” *The Japan Agri News*, June 8, 2013, <http://english.agrinews.co.jp/?p=387> (accessed November 22, 2013).

32 “TPP Or No TPP Japanese Agriculture Must Be Reformed,” *Forbes*, 2013, <http://www.forbes.com/sites/stephenharner/2013/08/19/tpp-or-no-tpp-japanese-agriculture-must-be-reformed/> (accessed November 22, 2013).

33 “Japan joins the TPP talks,” *The Canon Institute for Global Studies*, 2013, <http://www.canon-igs>.

However, Shinzo Abe insisted that entry into the FTA was necessary for the success of his three-pronged economic plan.³⁴ Membership would not only foster strengthening of Japan-US relations, but would also allow progress with regional East-Asian FTAs, specifically the Association of Southeast Asian Nations (ASEAN) and Comprehensive Economic Partnership in East Asia (CEPEA). The CEPEA, concomitantly with the TPP, would provide a sound foundation for the Free Trade Area of the Asia-Pacific (FTAAP). Development of the FTAAP has been mentioned even before Abe's return as prime minister. Former prime minister Naoto Kan emphasized Japan's need towards more globalized trade policies in 2010 after the Asia Pacific Economic Cooperation (APEC) meeting held in Yokohama.³⁵ Contrary to the JA's present concerns, Kan expressed at the press conference that opening the Japanese markets to foreign nations, on a scale comparable to the Meiji era opening of ports at Yokohama in 1859, would revitalize the dying agriculture sector in Japan. According to former Prime Minister Naoto Kan:

Japan's agriculture is weakening today and we shall revive this agriculture, but at the same time we shall work on economic partnerships and liberalization endeavors, an area in which Japan has fallen behind other countries. We shall engage in this area in terms of a new round of the opening up of Japan in the 21st century.

Which begs the question, why was the JA so opposed to the TPP? Before its entrance into the FTA, the Japanese government systematically protected Japanese farmers by placing high tariffs on agricultural imports and providing subsidies on production, the most persistently protected product being rice under the Food Control Law first introduced in 1942.³⁶ Originally meant to regulate distribution of food resources during World War II and continuing on through post-war reconstruction, such high levels of protection from the government have had detrimental effects on the rice industry. Subsidies pay farmers to grow limited amounts of rice and hoard their unused lands

org/en/column/macroeconomics/20130904_2096.html (accessed November 22, 2013).

34 Daniel Hanson and Lara Crouch, "Why Japan Must Join the TPP," *The Diplomat*, June 5, 2013, <http://thediplomat.com/pacific-money/2013/06/05/why-japan-must-join-the-tpp/> (accessed November 22, 2013).

35 Prime Minister of Japan and His Cabinet, "Press Conference by Prime Minister Naoto Kan Following the APEC Economic Leaders' Meeting in Yokohama," November 14, 2010.

36 Masayoshi Honma, "Japan's Agricultural Policy and Protection Growth," Originally published in *Trade and Protectionism*, NBER-EASE Volume 2, by Ito, Takatoshi and Anne Krueger. 95-114. Chicago: University of Chicago, 2013.

to prevent consolidation of lands by potential conglomerates that would implement more productive growing methods.³⁷ The entire system used to protect the rice farmers has led to inefficient production that needlessly drives market prices high. The 800% tariff³⁸ on rice imports restricts and damages the consumers by limiting their access to more affordable products. This approach taken by the government and perpetuated by the JA has led to an approximately 50% drop in farmer's income from JPY 6.1 trillion in 1990 to JPY 3.4 trillion in 2007.³⁹ The significant increased cost of Japanese grown rice and concerns over contamination of locally grown crops as a result of the Fukushima nuclear debacle⁴⁰ have led to a higher demand to import foreign rice. The JA was right to be apprehensive. A joint statement signed by JA president Akira Banzai and Roger Johnson, president of the National Farmers Union in the U.S., released on June 11, 2013 expressed their concern.

This broad framework seems to lack any effort toward supporting farmers and minimizing the adverse effects inflicted upon them. Tariff adjustments should be at an appropriate level and serve as a fair and justifiable measure to provide balance. It is both unfair and unacceptable to put the interests of multinational corporations above those of farmers who are forced to sell at a minimal farm-gate price...Greater transparency in the negotiating process and in-depth study of the possible impact of the TPP are called for. As long as the TPP negotiations are conducted under the framework of secrecy, the daunting fear of the damage imposed upon family farmers will continue to grow.⁴¹

Entrance into the TPP could prove to be devastating for domestic farmers already having to deal with growing fears of radiation amongst the Japanese populace. The FTA would force them to compete with foreign producers given

37 Masayoshi Honma, "Japan's Agricultural Policy and Protection Growth," in *Trade and Protectionism, NBER-EASE Volume 2*, eds Ito, Takatoshi and Anne Krueger, (Chicago: University of Chicago, 2013.): 95-114.

38 "WTO Critique Of Japanese Agriculture," *Forbes*, 2011, <http://www.forbes.com/sites/stephenharner/2011/02/17/wto-critique-of-japanese-agriculture/> (accessed November 22, 2013).

39 "TPP Or No TPP Japanese Agriculture Must Be Reformed," *Forbes*, 2013. <http://www.forbes.com/sites/stephenharner/2013/08/19/tpp-or-no-tpp-japanese-agriculture-must-be-reformed/> (accessed November 22, 2013).

40 "Japan Seeks New Rice Source," *Wall Street Journal*, 2013, <http://online.wsj.com/news/articles/SB10001424052970204294504576612450622716270> (accessed November 22, 2013).

41 National Farmers Union (USA) and JA Zenchu (Japan), "Joint Statement of National Farmers Union (USA) and JA Zenchu (Japan) regarding the Trans-Pacific Partnership Negotiations," June 11, 2013.

tariff free access to the Japanese market, a task that may prove too difficult after so many years of stagnation.

Though the TPP may force farmers to be more competitive and may result in widespread bankruptcy, competition from foreign producers would not be a definite death sentence. Japanese rice is able to demand such high prices because of its reputed quality.⁴² Worldwide demand for quality rice caused by a shortage of agricultural output has led to a global rise in the cost of rice.⁴³ The demand provides Japanese farmers with a market in which their product could flourish and would not limit their production. Small-scale farmers gain more freedom with their livelihood in a competitive market as opposed to relying on government subsidies that dictate the amount of their profits. The domestic needs would be met by lower quality foreign rice from countries with much larger production capabilities such as the U.S., which would also serve to bolster relations between the two nations. However the JA remains stubborn, and as one of Japan's largest and most funded cooperatives,⁴⁴ they possess and have exercised the means to delay negotiations for entrance into the TPP. To quell the behemoth organization, Shinzo Abe has made promises to the agriculture sector to protect the "Sacred Five." He claimed that Japan has enough influence to warrant the desired exemptions to the tariff free FTA and hopes to seal entry by the end of 2013.⁴⁵

In spite of the resistance from the agricultural sector, Abe had little choice but to enter the TPP. The past 20 years of Japan's stagnant economy have finally reached a point where Japan can confidently participate in global markets. Participation in the TPP as well as in other FTAs would usher in a new era for Japan that could potentially place them above China as an Eastern superpower. Despite resistance from the JA, Abe recognized that it was essential for negotiations to go smoothly and for the TPP to be successful in order for his economic plan, Abenomics, to have its full effect on the Japanese economy. The multilateral trade agreement would not only give Japan an economic advantage, but would also prevent China from

42 "You are what you eat," *The Economist*, 2013, <http://www.economist.com/node/15108648> (accessed November 22 2013).

43 "Probe on rice shortage, price increase still on," *Tribune*, 2013, <http://www.tribune.net.ph/nation/probe-on-rice-shortage-price-increase-still-on> (accessed 22 Nov 2013).

44 Mark Klinedinst and Hitomi Sato, "The Japanese Cooperative Sector," *Journal of Economic Issues* 28, no. 2 (1994): 509-517, (accessed November 22, 2013).

45 Kyodo, "Abe wants Japan to play leading role in TPP deal," *Japan Times*, October 11, 2013, <http://www.japantimes.co.jp/news/2013/10/11/business/abe-wants-japan-to-play-leading-role-in-tp-deal/#.Uo8ENpQpbtU> (accessed November 22, 2013).

continuing to overshadow Japan by providing more leverage to negotiate terms in other FTAs such as the trilateral Regional Cooperative Economic Partnership (RCEP)⁴⁶ with China and South Korea. Despite this, it appeared that the lack of transparency with the TPP negotiations could have prevented Abe from successfully convincing the concerned parties, which included members of his LDP.

Abe was in a most precarious situation politically. He boldly placed himself in a position from which there was no return. Abe's economic policies only allow room for nothing less than complete success if he wants to retain any political influence during his tenure. If the TPP fails to revitalize the Japanese economy, Abe may even be forced to rescind his prime minister seat once again in response to the assured backlash that is to come from those who resisted joining the FTA. At the very least, Abe will not be able to pass any more bills during the remainder of his incumbency, hindering, if not wholly extinguishing, any hopes to amend Article Nine. The world is watching to see if Japan can overcome this hurdle and take their seat as a legitimate opposition to the current undisputed China or whether they will let the old-regime, with their outdated policies, stonewall their return as a regional power.

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Nothing is guaranteed. Shinzo Abe faces considerable obstacles: domestic opposition may stymie his plans, or they may not work as intended, failing to lift the country out of stagnation. Even more fearful a possibility is that Japan may surge ahead, but that the powerful nationalist forces, which brought Shinzo Abe to power, will reassert more aggressive policies, and Asia falls to tension and conflict. Still another possibility is that China's rise may be more powerful or rapid than expected, and uncontested hegemony renders Japan a second-tier power before Abenomic policies even play out. These are real possibilities. However, what our paper describes is an optimistic future, a future that we believe Shinzo Abe and the LDP seek to actualize using Abenomics as the propelling force. While the many moving parts of Asia, ASEAN's identity crisis, and the South China Sea Islands render it a quixotic task to predict what may come to pass, the reader should identify in our paper an interpretation of what the often-reviled Japanese leadership sees as the future and use this conception as a predictor of the economic

46 Prime Minister of Japan and His Cabinet, "Press Conference by Prime Minister Naoto Kan Following the APEC Economic Leaders' Meeting in Yokohama," November 14, 2010.