

## ABE'S EXIT PART I : THE EXTERNAL IMPLICATIONS

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With Shinzo Abe's recent resignation as Japan's Prime Minister, we assess the implications from two perspectives. **In Part I**, we consider the significant regional security implications of Abe's resignation. His administration reshaped Japan's national security policy and military posture to counter potential threats in the region. Abe's push to strengthen the alliance with the U.S. and uphold the multilateral order also provided balance to China's growing regional influence. Although it is unlikely Abe's successor will deviate from his foreign and security policies, the transition may be fraught with risks.

**In Part II**, we will look at the lessons from "Abenomics" where a restart improved policy effectiveness in contrast to the current, global deluge of monetary and fiscal stimulus bluntly aimed at addressing broad economic issues.

Shinzo Abe's recent resignation due to health concerns marks an end to a political career that was defined by a stable government, strengthened relations with the U.S. and other like-minded allies, building the country's military capabilities to counter countries, such as North Korea and China, and pursuing a multilateral approach to global security and trade.

Given that Abe dominated Japanese politics for so long (two Prime Minister tenures of 2006-2007 and 2012-2020) and that his achievements on the external front far outweigh his failures, it is logical to question whether his successor can safeguard Abe's foreign policy legacy. The backdrop of a severe economic downturn due to the COVID pandemic and the increasingly strained relations between Japan's neighbors and a more assertive China further complicates the political transition.

### A Focus on National Security

Abe's success in creating and maintaining a stable government subsequently provided him with the political space to think more strategically about Japan's role in the region and across the globe. By creating the National Security Council in 2013, he expanded the authority of the Prime Minister's Office, effectively taking control of the most important aspects of foreign and national security policy making.

One of Abe's national security policy goals was to deepen relations with the U.S. By showing Japan's interest in developing its own military capabilities—with the U.S. defense industry as a major supplier—Abe's strategic objective sought to more closely bind the U.S. to a mutual defense commitment. During his tenure, military spending rose by 10%. Japan amassed the largest F-35 fleet outside the U.S., and Abe's government made significant upgrades to the country's naval forces, including the added capability to launch cruise missiles.

At the same time, Abe tried to fundamentally change Japan's military and strategic posture. Despite his failure to change Japan's "pacifist constitution" (Article 9 prohibits the country from maintaining military forces except for self-defense), Abe pushed through legislation that allows Japan's self-defense forces to provide support to allies, such as the U.S., if they are engaged in combat internationally. Under Abe, Japan also shifted its strategic focus away from the potential Russian border threats to the regional situations with North Korea and China. The following chart shows the extent of the military installations on Japan's southern islands, several of which were added during the Abe administration.

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**THE GROWING MILITARY PRESENCE ON JAPAN'S SOUTHERN ISLANDS**



Source: PGIM Fixed Income, Japan's Ministry of Defense and Coast Guard, and The Wall Street Journal

Abe's evolving military and geopolitical posture emerged during a generational shift in sentiment about Japan's pacifist stance that was adopted after WWII. Security concerns are now most acute among younger Japanese—recent surveys indicate that nearly 95% of those aged 18 to 29 say that there's at least some risk of Japan getting drawn into a war, explaining why many young people supported Abe's push for a strong military.<sup>1</sup>

While Japan has sought to broaden its military latitude away from the prescribed pacifism of the post-WWII "peace constitution" under Abe, his foreign and national security policies in the rest of Asia (with some exceptions) have been friendly and focused on advancing countries' mutual interests. In this context, Japan has improved both economic and security ties with India and Australia as linchpins of the country's new regional security posture. At the same time, combining Japan's infrastructure expertise and soft power, Abe has been largely successful in presenting Japan as an alternative to China's Belt and Road Initiative that has been blamed in some quarters for driving EM countries into the so-called "debt trap." And as the U.S. withdrew its support for the Trans-Pacific Partnership (TPP), Abe succeeded in completing the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

**Challenges Await Abe's Successor**

Abe's resignation also leaves Japan with serious challenges going forward. Relations with China, Japan's biggest economic partner, continue to deteriorate. Japan's moves to ban Huawei from participating in its 5G infrastructure, to incentivize a partial decoupling from China, and to develop offensive military capabilities suggest China-Japan relations will remain tense in the coming years. Japan's relations with South Korea have also deteriorated significantly under Abe as diplomatic disagreements over North Korea and other issues poisoned the economic and trade relations between the two U.S. allies. The North Korea nuclear issue remains frozen as Abe failed to push the U.S., and especially South Korea, towards progress. In addition, Abe failed to gain concessions from Moscow on the disputed Northern territories/Kuriles in the North of Japan, a development that has stalled Japan's relations with Russia.

As Japan heads towards its leadership transition, Abe's successor (likely Yoshihide Suga given his recent strong support within Japan's controlling Liberal Democratic Party) therefore faces a series of domestic and external challenges. Given that Suga has supported Abe's foreign and national security policy goals, there is no strong reason to believe that a change of direction is forthcoming. Nonetheless, only time will tell whether he possesses the combination of vision, conviction and charisma needed to maintain, or even build, on Abe's efforts to both stabilize the geopolitical balance and advance economic integration in the region.

<sup>1</sup> Survey data were cited from The Wall Street Journal as of July 12, 2020.

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