



**A Shift in Focus:  
The 18th Japan-US Security Seminar**

**A Conference Report**

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Rapporteur**

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The Consulate General of Japan in San Francisco  
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## **Japan Institute of International Affairs**

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The views expressed here do not necessarily represent the views of the US or Japanese governments, the co-sponsoring institutes, or the group of workshop participants as a whole.

## Foreword

The Japan Institute of International Affairs (JIIA) and the Pacific Forum CSIS were pleased and honored to again co-host the 18th annual Japan-US Security Seminar on March 23-24, 2012. A year has passed since our last meeting, which took place just weeks after the triple catastrophe of March 11, 2011. It has been a trying time for Japan and for our alliance, but the extraordinary resilience of the Japanese and the speedy and resolute response of the two countries, in *Operation Tomodachi*, confirmed what participants at this seminar have long believed: the US is a dedicated and committed partner, and the bilateral alliance is a vital contributor to the two countries' national security – sometimes in ways that we don't anticipate. March 11 offered our two nations a chance to validate our alliance and they rose to the challenge.

While Japan focuses on overcoming the triple tragedy of March 11, the external security environment continues to evolve. Our two governments, along with the rest of the region, are trying to understand the changes that will follow the death of North Korea's supreme leader Kim Jong Il and the ascension of his son, Kim Jong Un. China is preparing its own leadership transition, a process that has become more uncertain in the wake of political scandals and an economic slowdown. It isn't clear what is behind the new belligerence in South Korea's relations with Japan, but domestic politics may well be a factor. Japan's own political confusion may be compounding regional dynamics.

As always, there is a need for leadership in Tokyo and Washington, as well as increasing coordination between our governments. This can be difficult during election seasons; campaigns provide opportunities to stir the pot. The state of the Japanese and US economies also constrains choices and demands new and creative thinking.

Our meeting gives government officials in both countries a greater appreciation of the changes and challenges – and the opportunities for cooperation – that exist. We were pleased to see increased attention to the Security Seminar this year – an overflow crowd – with the first ever participation by Japanese politicians, one of whom was formerly a back bencher as one of our next generation Young Leader participants. His graduation “to the big table” is a promising sign for the alliance – a new generation is focusing on this critical partnership.

We are grateful to all the participants and keynote speakers for taking time from their busy schedules to join us and share their thoughts. Their commitment, insights, and ideas for the future of the alliance made this conference a success. We would also like to thank Japan's Ministry of Foreign Affairs and The Japanese Consulate in San Francisco for their generous support for this project.

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## Executive Summary

It has been a good year for the Japan-US alliance. The response by the United States in the aftermath of the March 11, 2011 earthquake, tsunami, and nuclear disaster put to rest any doubts about the US commitment to its ally. Prime Minister Noda Yoshihiko appears to be restoring stability to Japanese politics. Those positive developments have been subsumed by new challenges, most notably the mindset in Washington as the US copes with economic woes and Japan's mounting fiscal ills.

China faces uncertainty caused by a leadership transition, growing social strains, and an increasingly assertive foreign policy. Cross-strait relations remain calm, with the re-election of President Ma Ying-jeou providing stability in Taipei. In North Korea, the death of Kim Jong Il has been deftly handled and the succession went smoothly. The country remains an economic basket case and Pyongyang won't give up its nuclear weapons. Brinkmanship will persist. In South Korea, politics remain difficult to predict; ties with Japan remain frozen, however. Southeast Asia is concerned as China extends its reach, influence, and assertiveness. Both Japan and the US are seen as welcome interlocutors to balance China's growing power. Of special significance are developments in Myanmar, which could shift the regional balance of power.

The US remains determined to provide leadership in the region. Austerity budgets will tax the US ability to fulfill commitments but the US is sincere when it says it attaches a high priority to the Asia-Pacific region.

While regional security developments dominate thinking about the Japan-US alliance, domestic politics frame bilateral decision-making. Four trends in Japan will shape the alliance: the fiscal crisis (the country has a debt to GDP ratio of 213 percent); reconstruction of the Tohoku region after March 11, 2011; the future of nuclear power and energy security; and Japan's national competitiveness. In addition, there is uncertainty dominating Japanese politics since the departure of Prime Minister Koizumi. Five factors shape Japan's national politics: divisions within the DPJ, slowly increasing support for Noda, a zero-sum opposition, new political parties, and a sharp deterioration in trust in public institutions in Japan (a trend that predates the events of March 11).

US politics are characterized by political polarization, low approval ratings for Congress, and increasingly straitened fiscal circumstances. Fortunately, Asia-Pacific policy enjoys bipartisan support. Nonetheless, Japanese fear US decline and disengagement, and a potential condominium between the US and China to share power in the western Pacific.

Macroeconomic developments have transformed the framework in which the alliance operates. The US is recovering, but it will be years before the economy reaches the pre-Bush/Obama era. Japan still struggles to gain momentum. Most emerging economies have dodged the problems in the developed economies, export opportunities are limited. Even China questions the viability of its growth model. While the TPP is seen as a boon, offering economic, diplomatic, and strategic advantages, it has triggered a heated debate in Japan. One field for cooperation is Overseas Development Assistance.

While Americans challenge the notion of US decline or that its current trajectory is fixed, there is fear that Japanese problems are deeper and more intractable. There are fears that younger Japanese are “cossetted,” naïve about international relations and the meaning of decline, and unwilling to make sacrifices their elders made to build a strong Japan.

Claims that the US was “Missing in Action” in Asia during the George W. Bush administrations are also suspect. During that period, the US strengthened its alliances in Asia and trade with Southeast Asia leaped from \$130 billion in 2000 to \$180 billion in 2010. The new US Marine rotation to Darwin, along with the deployment of littoral ships to Singapore, is the military complement to the political and diplomatic engagement with Southeast Asia. The US still seeks access to the region through “places, not bases,” even as alliances remain cornerstones of US engagement and are irreplaceable. That presence is the core of the US extended deterrent. Strengthened conventional capabilities are more significant as regional adversaries strengthen their nuclear arsenals and the US decreases the role of nuclear weapons in its defense policies. This demands new and creative burden-sharing among allies.

Fortunately, there is rising public support in Japan for the SDF and the Japan-US alliance in the aftermath of 3/11 and *Operation Tomodachi*. There is growing understanding and acceptance of the role that the SDF plays in Japan and in daily lives. Japan is by no means “normal,” but there are evolutionary steps in that direction. While the Noda government has changed the security policy-making environment, policy changes lag the evolving mindset. Confidence in the US extended deterrent is high: credit the extended deterrence discussions between the governments both before and after the issuance of the *US Nuclear Posture Review*.

Problems persist. The most glaring is the US Marine presence on Okinawa. Blame a lack of understanding of the role of US forces in general and the marines in Okinawa in particular. Japanese politicians and strategists must “sell” the US presence to their constituents. This is difficult given a lack of trust in government in both countries which diminishes their ability to adapt the alliance to a changing environment.

A future focus will be energy policy. Energy import bills, along with demographic changes, are eroding Japan’s current account surplus and will create an economic squeeze. Oil imports are rising as the country deals with nuclear plant shutdowns after March 11. This could lead to closer relations with North America, which has extensive natural gas resources and doesn’t have the instability of other energy-supplying regions. The two governments should elevate energy dialogues to the highest levels. Other agenda items include alliance engagement with third parties, cooperation in cyberspace, and a regional dialogue to highlight Japan’s role and lessons learned after March 11. A regional HADR center should put Japan at the center of regional discussions.

The alliance is on the right track but hope is tempered by enduring problems – political uncertainty, Futenma, the rise of China – and a sense that economic challenges constitute a structural shift in the policy-making environment. Fortunately, both countries are eager to explore new and creative solutions to those problems.







## **Conference Summary**

Brad Glosserman, Rapporteur

It has been a good year for the Japan-US alliance. The immediate and strong response by the United States in the aftermath of the March 11, 2011 earthquake, tsunami, and nuclear disaster put to rest any doubts about the US commitment to the security of its ally. That assurance took on greater significance as Tokyo and Washington dealt with North Korean provocations, Chinese foreign policy assertiveness, and the myriad uncertainties created by political transitions throughout the Asia-Pacific region. Japanese Prime Minister Noda Yoshihiko has provided much-needed stability in Tokyo and reassurance to Washington by reasserting the importance of the partnership with the US to its partner and to the Japanese people.

Those positive developments have been subsumed by new challenges, however, most notably the mindset that appears to be emerging in Washington as the US struggles to deal with its economic woes, and Japan's mounting fiscal ills. Not surprisingly then, the 18<sup>th</sup> Japan-US Security Seminar devoted considerable time to the economic issues that dominate both high politics and daily lives in the two countries, the constraints they impose on policy making, and their implications for the alliance. This shift in focus was a departure for our discussion; so too was the participant list at this year's meeting. There has been concern that the seminar was losing its drive. This year, however, there was overwhelming turnout – nearly 60 experts and officials from the two countries – with participation from Japanese politicians from both DPJ and LDP parties and industry for the first time.

They were joined by 13 Pacific Forum CSIS Young Leaders, who provided a next generation perspective on these issues. We were delighted to see one former Young Leader, Shinjiro Koizumi, now with senior participants around the dialogue table and expect more will follow suit as they achieve positions of prominence. The report that follows reflects the views of the co-chairs, but it is not a consensus document.

### **A New Strategic Setting**

Regional developments, both within and among nations, pose real problems for security analysts. Matsuda Yasuhiro (*University of Tokyo*) provided both a framework for thinking about East Asia and a glimpse at developments within states in his presentation. His first point is precisely the continued salience of state-focused analysis; regional identity and institutions remain weak. Moreover, those states are incredibly diverse, representing a wide range of sizes, populations, political systems, economic systems, cultures, religions, etc. Equally diverse is the range of threats that regional governments must prepare for. All those factors complicate security planning, not least because coordination is inhibited by the widely varying perspectives and priorities of each government.

Matsuda began his state-by-state assessment with China, underscoring the importance of the leadership transition occurring this year. China continues to mark

impressive economic growth, but it isn't clear if that can continue, especially given emerging social strains. Matsuda characterized the current leadership as "lame ducks" with a new cadre posed to take power shortly and warned that the country is close to "a power struggle" among the next generation of leaders. From his vantage point, Xi Jinping, the presumptive next president and CCP head, is not a reformer; he will maintain the status quo. In this environment, he worries that the PLA is becoming increasingly powerful and that military modernization is giving it the ability to project power beyond Taiwan. That is problematic given historical tensions between China and Japan and the potent mix of competition and cooperation in China-US relations. He fears that Beijing is becoming increasingly assertive in its foreign policy and risks a miscalculation on the seas.

Fortunately, one flashpoint has been dampened. Cross-strait relations are calm, with the re-election of President Ma Ying-jeou providing stability in Taipei. Still, the cross-strait military balance is shifting toward China, putting a premium on good relations between Washington and Taipei.

In North Korea, the death of Kim Jong Il has been deftly handled. The succession has gone smoothly as a collective decision-making mechanism emerges in Pyongyang. The country remains an economic basket case but changes are not expected. Pyongyang won't give up its nuclear weapons and will continue to have tense relations with Japan. China will provide the DPRK with diplomatic cover and economic support. Brinkmanship will persist.

South of the 38<sup>th</sup> parallel, the situation looks better. Japanese give ROK President Lee Myung-bak high marks, but he too is a lame duck since his term ends in December. Domestic politics in South Korea are likely to heat up with progressives slated to win National Assembly elections scheduled for April, setting up a real battle for the presidential ballot. [Editor's note: in fact, conservatives held on to their legislative majority, albeit just barely, proving that South Korean politics remain difficult to predict.] Ties with Japan remain frozen, while the conclusion of the Korea-US free trade agreement (KORUS) is a positive development.

In Russia, the return of Vladimir Putin as president suggests that there will be no improvement in that country's relations with either Japan or the US. The muscular elements of Russian foreign policy will continue, with military modernization expected to take on a renewed emphasis, powered in part by revenues generated by Russia's extensive natural resource exports.

While there is a distinction to be made between continental and maritime powers in Southeast Asia, most of them worry about China's increasing reach, influence, and assertiveness. Both Japan and the US are seen as welcome interlocutors to balance China's growing power. Particularly significant in this context are developments in Myanmar. While that country's future remains uncertain, its recent embrace of reform and openness could contribute to a shift in the regional balance of power.

Finding the common ground needed to establish a regional security architecture remains difficult. Matsuda sees US efforts here as a symbol of the US “return” to the region. But the difficulties inherent in building regional institutions are compounded by Chinese fears that such efforts are the first step in a containment strategy against Beijing.

Retreating to the macro perspective, Asia, according to Matsuda, is characterized by a divergence of land and sea powers, all trying to deal with a shifting balance of power at a time of growing economic interdependence and increasing structural inequalities. In this environment, US-China relations are critical to the region’s future, as is the challenge posed by China’s rise generally and North Korea’s obstreperousness.

US analyst Evans Revere (*Albright Stonebridge Group*) agreed with much of Matsuda’s analysis. The “complex and evolving strategic situation” combines extra-regional developments – those in Iran, Afghanistan, and Syria – with those already identified in Asia, against the backdrop of a long recession and dysfunctional politics in the US. Nevertheless, the most important development for Revere is the US determination to provide leadership and action in the region. He took issue with the notion that the US is “returning” to Asia – it never left. He conceded, however, that Washington’s attention was elsewhere and it was perceived to disregard some of its allies’ concerns.

In his country by country assessment, North Korea topped the list of concerns. Its impending “satellite launch” is a clear indication of the disregard that regime has for international law and norms. The clear violation of United Nations Security Council resolutions was proof of the dominance of domestic political concerns for the Pyongyang government – even to the point of undermining gains from the Feb. 29 “Leap Day” deal with the US that clearly benefitted the DPRK. This warped calculus suggests that there is a real potential for miscalculation. Revere, like most North Korea watchers, doesn’t believe that Pyongyang can be convinced to give up its nuclear weapons.

China has demonstrated a capacity to learn from its mistakes. Beijing has backed off since it overplayed its hand in 2010, but it continues to probe for opportunities within the region, including when dealing with Japan. The new leadership is largely unknown but, like Matsuda, Revere sees no signs of political liberalization. He too noted growing industrial and social problems, and worries about the “trust deficit” with the US. This is most clearly manifest in the perception that “the pivot” to Asia is an attempt to contain China. Revere echoed Matsuda’s view that cross-strait dialogue is going well and that helps defuse one potential flashpoint.

Revere considers South Korean politics to be volatile, and worried that a return to power by progressives could introduce frictions in relations with the US across issues ranging from trade relations to nuclear cooperation.

But the biggest factor affecting regional security is likely to be the US role in Asia. He worries that austerity budgets will tax the US ability to fulfill commitments for years to come. The administration is sincere when it says it attaches a high priority to the Asia-Pacific region, but he warned against underestimating the impact of budget pressures or

discounting the prospect of regional contingencies. Revere insisted that Japan has a special role to play as the US and its allies grapple with various problems. “Japan’s cooperation in crafting, implementing, and enforcing measures” to convince Tehran to forego its nuclear weapons will be essential.

China may not be the most important factor in the regional security equation, but it was the most important topic in our discussion. Participants from both countries highlighted China’s impact on regional (and global) rules and norms, economic flows and policies, the increasingly fierce competition for resources, and the foreign and security policies of both Japan and the US. There was agreement that China faces a difficult future, primarily because its economic policies are unsustainable. Domestic factors – rising inequality, corruption, labor shortages – and international constraints – unstable overseas markets, resource shortages, and pressure from trade partners – will force Chinese policy-makers to change course. But each shift, while necessary, creates new conundrums. For example, rising prosperity is likely to yield a middle-income trap with all its attendant problems. All the while, the authoritarian impulses of a one-party state will oblige the government to find “acceptable” channels for rising levels of public frustration. All regional governments must prepare for a rising tide of nationalism in China and the foreign policy problems that will likely create.

For the most part there was consensus on how to deal with China. All agreed on the need to engage Beijing while strengthening the capacity to deal with a revisionist power. In that sense, our thinking demonstrated considerable continuity with both existing policy in Tokyo and Washington and with the last decade of strategic planning. There was debate over how to interpret US thinking, however. Several Japanese participants suggested that China’s rise was driving the “pivot” in US foreign policy and that China policy was at its core (or its target...). US participants countered that the US had decided over nearly two decades ago that China’s rise was inevitable and that the best way to deal with that eventuality was to forge a closer relationship with Japan. A stronger alliance ironically gave Beijing control over its own destiny: if it chose to be a disruptive influence on the region, the framework would exist to respond forcefully. But the strength of that response would depend on Chinese behavior.

Another component of the attempt to “shape” China’s foreign policy is multilateral engagement. Japanese participants were prepared to credit the Obama administration with a more favorable view of multilateralism than its predecessor, a view that most US participants challenged. While there may be a perception that the Bush administration was fiercely unilateral, in fact it worked through regional organizations to promote security in the Asia-Pacific. Most US participants expect that policy to continue no matter who occupies the White House. In that light, a Japanese participant urged officials from his country to shift their thinking about ASEAN: rather than see it as a tool for regional development, he called on them to use it as an arena in the competition with China for regional influence. Several speakers suggested that Japan and the US better coordinate their activities in multilateral forums, primarily in Asia but elsewhere around the globe as well. (One Japanese participant suggested that Russia could play a key role in helping deal with China, especially given Beijing’s growing appetite for energy resources.)

The final theme of our opening session was Myanmar. There was agreement that the changes underway in the country are extremely important and might even have the ability to shift the regional balance of power. But there was some concern that Tokyo and Washington assessed those developments differently and might be moving at different speeds. There was concern that a lack of coordination could result in missed opportunities to promote positive change or worse, frictions between Tokyo and Washington.

This geopolitical overview was augmented and enhanced by an off-the-record presentation by Assistant Secretary of State Kurt Campbell, whose remarks generally reinforced many of the challenges and opportunities outlined by the prior discussion. In particular, he emphasized the thinking behind “the pivot” and the full spectrum of engagement – both geographical and functional – that the US has embraced with Asian governments. He concluded with strong words of support for the Japan-US alliance and its centrality to US foreign policy and security in the Asia-Pacific region.

### **The Armitage Assessment**

In keynote remarks, Richard Armitage (*Armitage Associates*) did his usual job of providing a security tour d’horizon and capturing the US zeitgeist in an inimitable fashion. He began with the mood in Washington – and it’s bad. Public disaffection for the institutions of government, the Congress in particular, has reached unprecedented levels; the IRS is more popular than the legislature. Blame the lies that politicians tell their constituents and the corrosive mentality that practice has created. There is a profound lack of trust in Washington and among Americans – and in Japan, apparently – but Armitage remains optimistic that it can be overcome. Shared sacrifice is the only answer to what ails the US. Still, at \$671 billion, the US defense budget remains large enough to permit the military to do its job, assuming the money is spent wisely. All bets are off if “sequestration” kicks in; those cuts would eviscerate US foreign policy and make it difficult if not impossible to maintain the existing diplomatic presence in Asia.

Surveying the region, Armitage, like our earlier speakers, explained that he wants China to take its rightful place in the region as it “re-rises.” But he too worries about its muscle-flexing and its revisionist tendencies. The best safeguard against a “bad China” is a region dominated by strong, vibrant democracies, such as Japan, the US, ROK, Australia, Indonesia, and India.

North Korea remains a wild card – but a predictable wild card that has played a poor hand remarkably well. Pyongyang has few choices but its behavior is perfectly explicable. Turning to South Korea, he applauded the efforts of President Lee Myung-bak and lamented Japan’s failure to take up his offer to genuinely improve Japan-ROK relations.

Armitage gives Prime Minister Noda high marks, crediting him with realism and putting the alliance back on solid footing. He faces a difficult economic situation and is trying to make the hard choices to deal with tough budget constraints. When pressed on how Japan can strengthen the alliance, he suggested a renewed emphasis on

interoperability with US forces (especially in the air), an updating of roles and missions, more training for amphibious operations, and increasing mobility and lethality. In other words, much of what Japan has already said it should do in its last defense white paper. His chief concern is that Japan needs to be in front of events and seen as dealing with problems of its own accord, rather than in a belated fashion or because it has been pushed by the US. Japan undermines its own image and credibility when it fails to muster the will to act on its own accord.

### **Domestic Politics and the Alliance**

While regional security developments dominate thinking about the Japan-US alliance – as they should – domestic politics frame bilateral decision-making. Historically, US election years have been wild cards for the Japan-US alliance, although their impact seems to have diminished in recent years. In his remarks, Gordon Flake (*The Mansfield Foundation*) focused on broad factors and trend lines in Japan that will influence the bilateral relationship. He identified four. The first is Japan's fiscal crisis. The country has the highest debt to GDP ratio – 213 percent – of any major economy. Fortunately, all but 5 percent of the debt is held by Japanese, meaning that pressure from international creditors is limited and the debt is sustainable as long those citizens continue to hold Japanese government bonds. Nonetheless, there is a consensus among Japanese elites that this position is untenable – blame the country's shifting demographic profile – as debt service consumes some 56 percent of the government's annual budget. Prime Minister Noda has embraced a doubling of the consumption tax from 5 to 10 percent – a move that is both necessary and unpopular, and which all economists agree is insufficient. The prime minister faces opposition both from the opposition (even though the Liberal Democratic Party has pushed such reform in the past) and from factions within his own party.

The second important factor is the reconstruction of the Tohoku region after the devastating events of March 11, 2011. Flake characterized the response as “nothing short of amazing,” given the speed of the cleanup and recovery. The image of the Self-Defense Forces (SDF) has been elevated to unprecedented heights after its selfless and heroic performance; that of the central government has been correspondingly low. Flake highlighted the fate of the 240,000 Japanese who are now the equivalent of internal refugees; at least 60,000 of them won't be going home in the foreseeable future. He wondered about their impact on domestic politics in Japan, noting that a mere handful of families – those related to the 13 people kidnapped by North Korea – have been able to hold policy hostage on a key foreign policy concern.

The future of nuclear power and Japanese energy security is Flake's third focus. Prior to March 11, Japan had 54 nuclear power plants that generated 29 percent of the country's energy. That share was projected to increase to 50 percent in a few decades. Yet, as of May 1, Japan will have no nuclear power facilities online for the first time since 1966. This raises long-term concerns about energy supplies, but more immediately Flake worries about the economic viability of Japanese utility companies. They filled the gap in energy supplies with short-term – and expensive – purchases of liquefied natural gas



(LNG). A repeat performance could bankrupt those companies. Increasing volatility in international energy markets can do great damage to Japan.

Flake's fourth factor was Japan's national competitiveness. The trend to offshoring of industry accelerated in the aftermath of March 11, and this will have profound effects on Japan's long-term economic prospects.

Overlaying these trends is the political uncertainty that has characterized Japanese politics since the departure of former Prime Minister Koizumi Junichiro. Immediately after his tenure, the LDP went through a prime minister a year; in 2009, the Democratic Party of Japan (DPJ) won a general election, and took control of the Diet and the Kantei, but it has only recently shown a real capacity for governing. The result has been widespread voter skepticism and anger. Flake identified five factors shaping the trajectory of national politics: divisions within the DPJ, slowly increasing support for Noda, a zero-sum opposition, the gradual emergence of new political parties that might win over disaffected voters, and concomitant with that last phenomenon, a sharp deterioration in trust in public institutions in Japan (a trend that predates the events of March 11).

While the coming to power of the DPJ in 2009 has been a challenge for the alliance, Flake concluded that "by almost every measure, domestic politics in Japan represents less of a challenge for US-Japan relations today." Credit "the *Tomodachi* effect" – the gratitude earned by the US and the SDF for their performance in the joint operation to respond to March 11. While this provides a foundation for the bilateral relationship, the frequent turnover of top government officials, especially those with defense and foreign affairs portfolios, makes it difficult for relationship building at the highest levels of the alliance. This is most plainly manifest in the canceled meetings among the US president and his Japanese counterpart, and a long list of missed opportunities for the two countries to write a common agenda for their broader relationship.

In his examination of US politics, Nakayama Toshihiro (*Aoyama Gakuin University/Adjunct Fellow of JIIA*) focused on the significance of the changing political culture in the United States, an environment dominated by political polarization, low approval ratings for Congress, and increasingly straitened fiscal circumstances. He echoed US Sen. John Kerry who concluded that "the US domestic political situation is the biggest threat to US foreign policy." The only bright spot on this otherwise dark horizon is the bipartisan support that Asia-Pacific policy has traditionally enjoyed. Skeptical that the alliance can remain insulated from these broader trends, Nakayama confessed to being somewhat reassured by previous comments about continuing bipartisan support for the alliance.

Nevertheless, Japanese analysts continue to probe the depth and extent of the US commitment to the region and its future role. There are fears not only of decline and disengagement, but also a worry about a potential condominium between the US and China to share power in the western Pacific. Noting that the questions of a few years ago focused on overweening US power, not its absence, Nakayama suggested that perceptions of the US are prone to swings. He blames that on a superficial understanding of the US by

Japanese. But he also asserted that reflects the Japanese tendency to focus on US rhetoric – Japanese perceptions “are a mirror image of how you talk about yourselves.”

As an experienced “US watcher,” Nakayama discounts the extreme rhetoric. Instead, he concludes that the US will remain committed to the region and that Japan’s best security option is a strong relationship with the US, not only because of the alliance, but because the two countries share fundamental values and the same notion of a desirable order in the region.

There remain good reasons to question whether the current US trajectory is different from usual economic cycles; there may be something more fundamental about the recent downturn. Nakayama fends off the doomsayers – the US isn’t in terminal decline – while conceding that other countries are closing the gap with the US. Thus, “the main thrust of President Obama’s foreign policy is to adjust the US to the changing world... the search for a new foreign policy structure in the post-American world.” This is a sharp contrast to the Republican worldview, which insists on “peace through strength.”

If this characterization is correct, then the 2012 US election could have important implications for US foreign policy and engagement with Asia. Nakayama doubts that GOP foreign policymakers have the patience for the multilateral processes – the ASEAN Regional Forum, the East Asian Summit, and APEC, among others – in the region. At the same time, however, US policy toward China, one of the most important elements of US foreign policy in Asia, has been consistent. Nakayama notes that recent articles by prominent GOP strategists don’t make an issue of China.

Nakayama credits President Obama with “trying to do something quite audacious and fundamental” that “reflects a fundamental shift in how the US sees itself.” This reflects shifting attitudes toward the basic social compact in the US, an evolution that is evident in the rise of fringe groups like the Tea Party Movement (TPM) and Occupy Wall Street. Paralleling Flake’s highlighting of growing distrust in Japan, Nakayama sees the failure of US institutions to absorb frustration in the US. While he believes that the bipartisan foreign policy establishment can deal with these tendencies, warning signs cannot be ignored.

Nakayama concluded that the 2012 election won’t be as exciting as that of 2008 but it could prove to be as important. There is a fundamental difference in how the two candidates see the world and the US place in it. That has to have consequences for the Japan-US alliance.

Our discussion was surprisingly upbeat. Speakers from both sides noted the need for leadership and applauded the prime minister for trying to fill that gap. Most participants gave Prime Minister Noda credit for stabilizing politics and trying to make hard decisions, such as raising the consumption tax and pushing to join the Trans-Pacific Partnership (TPP). A Japanese participant argued that Noda’s success reflected his ability to set priorities – and the fact that the Japan-US alliance is high among them. A US participant credited the prime minister with reversing his party’s reluctance to exploit

bureaucratic expertise and suggested that has contributed to the improvement in his government's standing and response to problems.

Still, a pervasive sense of malaise exists among the Japanese people – as one Japanese participant explained, “the public knows that there are huge problems and something must change.” There are hopes that new political movements, such as that led by Osaka Mayor Hashimoto Toru, will emerge. (One speaker cautioned that support for him is not support for his vision so much as support for change more generally.) Others suggested that Noda's support will consolidate in coming weeks. Regardless, there was agreement that the next Japanese election could mark a turning point for the country.

Japan's problems are fundamental. But several participants pointed out that solutions are evident – the disastrous demographic trajectory can be altered by social policy changes, but hard choices are required. One of those choices concerns Japan's nuclear future. A Japanese participant warned that public anger over the mishandling of the nuclear power industry could be linked to the US extended deterrent and its nuclear capability. This must be watched closely and policy-makers in both countries should work to ensure that the two concerns remain separated.

### **Nonmilitary Security Relations, the Region, and the Alliance**

In previous years, the Japan-US Security Seminar took up economic concerns as something of an adjunct, a complement to the more narrow “hard” security focus of the group. Since the Global Financial Crisis of 2008, macroeconomic developments have transformed the framework in which the alliance operates by altering the economic balance of power and imposing new constraints on national decision-making. Amb. Nogami Yoshiji (*Japan Institute of International Affairs*) began with a macroeconomic overview that attempted to explain the new economic context. In his estimation, the US is recovering, but it will be years before the economy recovers to that of the pre-Bush/Obama era. Unemployment is going down but the employment ratio remains flat, and that has powerful political implications. Most emerging economies have dodged the problems in the developed economies, but those difficulties limit export opportunities. Even China, which appears to have weathered the worst of the downturn, faces new questions about the viability of its growth model. Its heavy reliance on fixed capital formation – some 52 percent of GDP is from investment, particularly in housing – creates new vulnerabilities.

For many economists, the TPP is seen as a boon, offering economic, diplomatic, and strategic advantages. Most alliance watchers see it as a plus for the bilateral relationship and for the two countries. On the other hand, Nogami noted that a heated debate on TPP in Japan is mainly centered around market access issues. Nogami stated that the Japanese public needs to hear an explanation of the value of a rules-based, Pacific trading community. He noted the view that, in its current form, the TPP is too small, and if Japan, Canada, and Mexico join, it would substantially increase the economic size and political impact of the deal.

Following up on a theme from the previous session, Nogami also worries about the impact of Japan's rising energy imports. He noted that the sustainability of its debt overhang – the 213 percent that Gordon Flake flagged in the previous session – depends on a current account surplus. Buying expensive LNG – TEPCO imported some \$10 billion worth in 2011 to make up for the nuclear energy shortfall – is the biggest squeeze on the current account. Nogami explained the argument that membership in TPP can help cut Japan's energy bills.

Finally, he highlighted the growing importance of cyber-security and the need to mobilize young people in Japan and the US to work together to tackle this problem.

Robert Madsen (*Massachusetts Institute of Technology*) took a more expansive perspective; but while agreeing that the bilateral relationship is warmer – closer or better – than in the past, he cautioned that that might not necessarily be a good thing. He suggested that the current high comfort level among the two countries reflects a mutual lowering of expectations.

His premises echo those articulated earlier in the discussion, although his conclusions are more pessimistic than many of the other participants. First, he believes that the West is in decline relative to newly emerging powers. Few challenge the notion that Japan is in decline, but Madsen suggested that its pre-eminence in the region – the bright moments of the '80s and early 90s' – was always going to be transitory, dependent on Chinese policy. Deng Xiaoping finally got that right and from that moment Japan was destined to be eclipsed. Of course, Japan may have hastened that moment with its own political and economic choices. The most important factor for Madsen is that debt: it is unsustainable. Madsen predicts default – either real or through inflation – within 10-15 years.

But Madsen also accepts the notion of US decline. Again, the big concern is debt. The US, like the rest of the West, has lived beyond its means and the crisis of the last four years is the product of that excess. The West is deleveraging and that process will be long and painful. Most significantly, this process affects every element of the Pax Americana that has underwritten global order in the postwar world. The US is squeezing the excesses out of its financial system, Europe is experiencing a currency crisis that could continue for another decade, and Japan is dealing with its own debt. Each of the three pillars of this global order is becoming more introspective politically and facing budget cutbacks. China's future isn't risk free, but its debt problem is smaller and it can control domestic demand. The balance of power may well have shifted.

Madsen urged Japan and the US to make the best of this situation and manage the inevitable rebalancing. This demands a more nuanced foreign policy, and he too applauded TPP as a good solution. From his perspective, it can help balance Chinese influence, strengthen Western values, and promote the existing rules and order. He is concerned, however, that Japan won't have the political will to make the choices it confronts.

The group echoed the presenters' positive views of TPP. There was agreement that the deal would be good for Japan – one participant noted that many of the TPP provisions had been drafted by Japanese trade negotiators in the APEC process. Unfortunately, the popular perception that the deal threatens Japanese interests or that the US is using it to beat up on Japan prevails and there are doubts whether the government in Tokyo has the energy or the inclination to push this initiative. Tokyo insiders suggested that much of the opposition there is political posturing and that opponents will come around when the time to get serious arrives.

We also probed Japan-US cooperation in other areas. Participants agreed that the two countries work well on security issues in Northeast Asia and within APEC. But a US participant characterized coordination on ASEAN issues as “poor,” arguing that silos or stovepipes within the foreign ministries hinder cooperation.

One potentially rich and important field for cooperation is Overseas Development Assistance (ODA). The two countries share interests and concerns when it comes to the purpose and goals of such aid, so coordination makes sense on an intuitive level. A US participant applauded coordination between the two governments at the recent High Level Forum on Aid Effectiveness that was held in Busan, and urged more, given budget constraints in both countries that are shrinking ODA levels. (While a Japanese participant explained that Foreign Minister Gamba Koichiro would fight to keep ODA spending from being cut, a US counterpart bemoaned how the US wasn't resourcing the “soft power” component of the “pivot.”) A US participant noted that the two countries' priorities seem to diverge when dealing with Mekong River issues and warned that there is a sense that Japan isn't interested in working with the US in the field.

More generally, US participants pushed back against the argument that the US was declining, or that the current US trajectory was fixed. While US problems have economic roots, they can be solved if the government overcomes its current paralysis. This is not an impossible assignment. (There were also warnings that Chinese power and influence have been exaggerated.) In contrast, most of our group believes that Japanese problems are deeper and more intractable. Japanese voices were some of the most pessimistic. In particular, Japanese participants warned that younger Japanese are “cossetted,” naïve about international relations and the prospects for and implications of gradual decline, and unwilling to make the sacrifices that previous generations had made to build a strong Japan. While there were dire warnings – fear that decline could trigger “precipitous political events” – Japanese participants countered that today's youth are not sufficiently politically engaged to make that a realistic concern.

### **A North East Asia Partnership**

In his keynote remarks, Vice Foreign Minister Tsuyoshi Yamaguchi began by expressing special thanks for assistance received from the United States in the aftermath of the March 11, 2011 earthquake. He credited Prime Minister Noda with providing much-needed stability in Tokyo. That reflects his steady style of governance as well as efforts to reestablish a good relationship with business circles and bureaucrats. Equally important, he

has worked hard on bilateral issues that exist between Japan and the US – TPP, Futenma, beef, the Hague Convention – and produced results.

He then traced, in broad strokes, the evolution of the Japan-US Security Treaty. He identified two themes that sparked tension in the relationship since its establishment. The first was Japan's determination to secure a US commitment to defend the country when the US priority was securing Europe. It took, said Yamaguchi, 10 years to get an explicit commitment from the US. The second issue was 'unified command.' The US, in keeping with its policy elsewhere in the world, sought a unified command in the event of an emergency in which all allied forces would fight under a single, US, leader. Japanese leaders sought equality within the command structure to preserve their independent stance and win support from the Japanese public. The final administrative agreement contains no mention of a unified command. Yamaguchi concluded that these remain "important themes underlying our security relations."

Today, Yamaguchi sees a multipolar world in which China is emerging as a superpower. Dealing with China is one of the two countries' most important tasks, a job that is made more difficult by the two countries' different thinking about China: the US, in his view, sought to isolate Beijing while Tokyo long sought to maintain contact. Today, there is great uncertainty about Chinese intentions. As a starting point, however, Yamaguchi concludes that the depth of economic interaction with China means that it cannot be treated as an enemy; rather it should be seen as an opportunity, rather than a threat. In this environment, confidence building measures are especially valuable.

Enmeshing China in a larger Asia is an important strategy. To that end, the Foreign Ministry will launch a track-two study of "the North East Asia Partnership" that will involve countries surrounding the Sea of Japan – Japan, South Korea, China, Russia, and Mongolia. The project would explore ways to develop the region, such as a North East Asia Development Bank. Ideally, it would bring Japan and Russia together and facilitate a solution to the Northern Territories dispute. (When questioned about Moscow's readiness to pursue such an option, Yamaguchi suggested that Japan will look increasingly attractive to Russia, given its need for investment capital and Europe's economic difficulties. A stronger Japanese prime minister will also strengthen Japan's own position in such talks.) If the US joined as a charter member of this initiative, this proposal could, argued Yamaguchi, bridge Asia and the eastern Pacific, and eventually yield a trans-Pacific free trade area.

### **National Security Policies, Strategic Cooperation, and the Alliance**

Focus then shifted to the mechanics of the alliance and how it is perceived in each country. Jim Przystup (*National Defense University*) put "the pivot" in context. He dismissed the notion that the United States was "Missing in Action" in Asia during the George W. Bush administrations. In fact, during that period, the US strengthened its alliances in Asia. While military attention was devoted to Northeast Asia, commercial interests led the way in Southeast Asia: trade leaped from \$130 billion in 2000 to \$180 billion in 2010. The result was, reported Przystup, "a dynamic US presence in the region."

More importantly, that presence is sustainable in current circumstances, and TPP will further consolidate US economic ties to the region. When it comes to security issues, however, “there are legitimate questions.” That said, Przystup noted that the US defense budget is projected to be \$567 billion in 2017: it would be \$622 billion without anticipated cuts. That is more than six times China’s projected defense budget and more than the next 10 countries’ defense spending combined.

Przystup characterized the new US Marine rotation to Darwin, along with the deployment of littoral ships to Singapore, as the “military complement to the political and diplomatic engagement with Southeast Asia.” It is, he also noted, a continuation of US thinking since the collapse of US base negotiations with the Philippines in the early 1990s. Now, as then, the US is looking for access to the region and seeks “places, not bases.” At the same time, US alliances remain cornerstones of US engagement with the region and are, according to Przystup, “irreplaceable.”

That presence generally, and the Japan-US alliance in particular, is essential to reassuring the Japanese about the credibility of the US extended deterrent. US policy makers must differentiate among threats felt by Japan. North Korea is seen primarily as a nuclear threat; China, on the other hand, is not a threat to the Japanese homeland so much as a creeping power that threatens to exploit a perceived security vacuum, particularly in the East China Sea. The US needs to reassure Japan (and potential adversaries) that Japan remains protected by the extended deterrent (both conventional and nuclear). Conventional capabilities are especially important when dealing with lower-level challenges, and here allies can contribute more. Przystup emphasized the critical role played by diplomacy and the overall health of the alliance – manifest in joint declarations along with military exercises and operations – in signaling the strength and resolve of the two governments and as a consequence, the deterrent.

A strengthened conventional capability takes on even more significance as regional adversaries strengthen their own nuclear arsenals and the US continues to decrease the role of nuclear weapons in its defense policies. A conventional strike capability assumes increasing salience in this context, as does new and creative burden-sharing among allies. The security environment is becoming more complex and fiscal and social challenges magnify difficulties in making policy. Cooperation is essential. The way forward is – and has been – clear. Policy makers have identified goals in a series of documents, ranging from the National Defense Program Guidelines to the “2+2” statements. But if the goals are well known, so are the obstacles: Przystup highlighted longstanding complaints – Japan’s need to better protect information, the breaking of administrative and bureaucratic stovepipes, and better information sharing across ministries. More joint planning is required along with side-by-side training of US military and the SDF, as well as planning for regional contingencies and HADR operations.

In his remarks, Kamiya Mataka (*National Defense Academy of Japan*) applauded rising public support in Japan for the Self-Defense Forces and the Japan-US alliance in the aftermath of the relief efforts made by the SDF after 3/11 and *Operation Tomodachi*. He senses a shift in the national mood, movement away from the antimilitarism that has

dominated Japanese public sentiment, and the gradual embrace of security policies that depart from longstanding policy principles. Japan is by no means “normal,” but there are evolutionary steps in that direction.

While there remains widespread suspicion of the use of military power as a policy tool, there is growing understanding and acceptance of the role that the SDF plays in Japan and in daily lives. Opinion polls suggested that “residual allergies” have been “cleared.” The alliance may have deterred adversaries and promoted peace, but deterrence is invisible – at least until it fails. Kamiya argued that *Operation Tomodachi* is the first time that Japanese saw firsthand how the alliance serves them in their daily lives.

But security policy lags the change in public thinking. While the Security Consultative Committee (“2+2”) outlined new strategic objectives in its 2011 statement, Kamiya complained that the Japanese government has done little concrete to realize those objectives. He credits the Noda government for changing the security policy-making environment: the China threat is acknowledged, as is the value of the alliance; the prime minister has expressly articulated the allies’ shared values and the role the two countries play in protecting the global commons. (This may not sound exceptional, but it shows remarkable continuity in security policy between DPJ and LDP governments and represents a clear departure from the positions initially taken by the DPJ government.) Most significantly, he understands the risk of weak political leadership and recognizes that the government in Tokyo must address problems posed by its financial circumstances and the security environment.

Noda is even ready to address them. The SDF held the largest ever joint exercises in the Kyushu and Okinawa area last November to improve its capability to defend remote offshore islands. The country is moving toward “dynamic defense,” his government has eased the three principles on arms exports. It dispatched the SDF to South Sudan for peacekeeping operations and is considering loosening the rules of engagement for SDF personnel in those deployments. Analysts note that even the LDP was unable to do many of those things; the shift in DPJ thinking and the resulting migration of the center of the security debate is an important development.

While signs are promising, Kamiya warned that the US must be sensitive to Japanese concerns. China looms increasingly larger, but North Korea remains the highest priority for the Japanese public. Each poses a distinct threat and the US must work with Japan to ensure that there is reassurance across the spectrum of threats and range of adversaries. He pointed out that Japan, under such circumstances, perceives the US extended nuclear deterrent as “indispensable” for its security. Although Tokyo was glad to see that the Obama administration’s 2010 *Nuclear Posture Review* paid sufficient attention to the importance of the US nuclear umbrella for its allies, concerns persist in Japan that the United States may be considering a new policy which may undermine the credibility of the US extended deterrent over Japan. Kamiya concluded by noting that language in recent US policy statements – the “Defense Budget Priorities and Choices,” released in this January – that “[a]n ongoing White House review of nuclear deterrence will address the potential for maintaining our deterrent with a different nuclear force” hints at such a shift



in US security policy; while the wording may be innocuous, Japanese policy makers worry about its meaning and import.

As always, discussion explored the two publics' appreciation of the alliance. A US participant noted that meetings with Japanese counterparts underscored their (and their country's) confidence in the US and the deterrent. Japanese participants credited the extended deterrence discussions between the two governments both before and after the issuance of the US *Nuclear Posture Review* as playing an integral role in promoting this confidence. The decision to renew host nation support and increase it for the first time in five years is another positive sign, as is the Noda government's readiness to rely more on bureaucratic expertise – a departure from his DPJ predecessors in the Kantei. All these developments signal a renewed commitment by both governments to take its partner's concerns seriously and make the alliance work.

Problems persist, however – the most glaring is the US marine presence on Okinawa. A Japanese participant insisted that US efforts to disperse forces were not well understood in Japan; some see the decision to move marines out of Okinawa and to rotate them through Australia as an admission of vulnerability – threatened by China's anti-access/area denial (A2AD) strategy – and a sign of weakness. For him, and for some others, any policy that reduces US forces threatens to undermine the deterrent. (How that is reconciled with a Japanese policy to reduce the US military footprint isn't clear.)

Ultimately, the role of US forces and the US marines on Okinawa in particular, remains obscure. In one breath, Japanese are told that the Marines are needed in Okinawa to deter the Chinese and to be ready for a regional contingency; in the next, they are being reduced and moved around the region. It isn't clear how the marines relate to the deterrent. A Japanese participant suggested that the two countries rewrite their strategic objectives, a recommendation that was strongly opposed by Americans who argued that a firm response by the US and its allies when provoked is the proper course, not a reformulation of strategic objectives. Another Japanese participant pushed the US to make a stronger case for Okinawa deployments; Americans countered that the responsibility for "selling" the US presence rests on the shoulders of Japanese politicians. An American participant suggested that Japan deploy more of its forces to Okinawa to both defend its interests and underscore the island's importance to the nation's security.

Another US participant reminded the group that it isn't just Japanese who need to be educated about the value of US forces. US Congress members need a better understanding of the roles played by US forces overseas. He warned that as budgets are cut, many Congress members are looking for savings from overseas deployments before they cut spending in their districts. He endorsed more dialogue between alliance supporters and Congress members to build a stronger constituency for the alliance.

One "existential" problem plagues both countries: a lack of trust in government undermines support for the alliance and diminishes the ability of either government to make the changes necessary to adapt the alliance to a changing environment.

Finally, several participants stressed that the real test of a deterrent is how it is perceived by potential adversaries. Specific deployments are not as important as the general belief that the US and Japan will act together, forcefully if necessary, to defend their interests. Doubts have been erased in recent years. Unfortunately, as one pessimist noted, credibility is ephemeral. More troubling, strong political leadership in Japan can help overcome many of the problems that beset the alliance, but it won't necessarily influence perceptions in Okinawa. That remains a political micro-climate that demands focused and well-crafted responses.

## **Visions for the Alliance**

The Japan-US security seminar aims to get beyond the day-to-day issues that surround (or bog down) the alliance and look over the horizon to chart its future. Our understanding of dynamics in the Japan-US alliance is intended to produce recommendations that guide policy. Nakanishi Hiroshi (*Kyoto University*) started this forward-leaning discussion by echoing views heard earlier. He highlighted the transformation of Japanese thinking about security, an evolution that has unfolded over the last decade. To be blunt, Nakanishi believes the Japanese are becoming more serious about security policy. From his perspective, there is not only a heightened sense of insecurity but a realization of “the true value of Japanese society and culture based on traditional values and the peaceful nature of human behavior.”

Japan's vantage point is that of a country situated between the US and China. This is not only a geopolitical location, but an economic and cultural/civilizational one as well and poses several critical choices for the country. Nakanishi identified three: will Japan link with a Pacific power like the US, a continental power such as China, or be unaligned? Japan has chosen the first option. Second, how will Japan balance association with Pacific democratic powers and increasing economic engagement with Asia? Japan now tries to serve as a model of democracy and a free market economy. Third, how will it adjust to a shifting regional balance of power and maintain its capacity for independent decision-making? This requires Tokyo to offset China's growing A2AD capability and prepare for North Korean provocations, while dealing with constrained finances. Japan also seeks to play a regional role and this demands increased capability among the SDF to help secure the northwestern Pacific.

To operationalize these choices, Tokyo has passed new National Defense Program Guidelines, revised long-held arms export policies, and decided to acquire the F35. But future budget constraints will oblige Tokyo to rethink procurement policies and procedures and how it meets its security needs. He agreed with earlier assertions that *Operation Tomodachi* can provide a model for future operations, particularly when trying to operate jointly with the US.

Nakanishi also agreed with previous comments about obstacles to progress – weak political leadership, government institutions that lack strong oversight and intelligence capability, shoddy finances, and a graying population. He also highlighted constitutional constraints on collective self-defense, but he is skeptical about tackling that problem head

on. Okinawa also demands attention. He urged the two countries to take a bolder approach than the current realignment plan. [Editor's note: the April 27 Joint Statement of the "2+2" to shift some 9,000 marines off the island is a step in this direction.]

Looking ahead, he called for an expansion in the alliance's geographic and functional scope. Potentially rich opportunities lay, for example, in expanding trilateralism (he identified the ROK, Australia, and India as potential partners), enhancing roles in HADR, further revising arms export policies to permit closer work with European governments, and working in space, cyberspace, and the maritime domain. The two governments should also revitalize Asia-Pacific regionalism; Nakanishi also endorsed the TPP.

Finally, nuclear governance is another key concern. Nakanishi judges the current policy as "increasingly out of touch with reality on nuclear issues." The Fukushima accident is a rude awakening, but actions by North Korea, Iran, India, and Israel challenge the validity of the NPT regime. Japan and the US need to tackle nuclear proliferation and security issues on a long-term basis.

Using an analytical framework much like that of Nakanishi, Jim Kelly (*Pacific Forum CSIS*) concluded that the Japan-US alliance "must undergo extensive changes in the near term years." Like Nakanishi, he sees Japan as occupying a unique geographic and economic position – part of Asia but also distinct from it. He too sees the future as framed by civilization and demographic forces, along with a sharpened global competition for resources. But Kelly concludes that Japan's future lies in "a larger and broader framework that goes outside of Asia, specifically to North America."

Kelly highlighted energy resources as a key feature of the new trade landscape. Demand for energy is higher and Japan is being especially hard hit by the shutdown of its nuclear industry. Oil imports are skyrocketing as a result, increasing Japan's reliance on volatile regions such as the Middle East. Kelly concluded that this should lead to "a much closer tightening, beyond East Asia, of the US and Japan relationship." While Tokyo is and should be reaching out to other democracies, they are too far away to have a significant impact on Japan's options. Kelly also endorsed TPP (while wondering whether the US can muster the will to pass the deal).

As Kelly surveys the globe, he sees North America, despite various problems, as possessing real strength. In particular, it is poised to exploit extensive natural gas resources at a time of world energy shortages. He concluded that Japan, "working with the US in a broader, North American context, has real potential... The economies of the US (and in differing ways Canada and Mexico) can – in potential – provide options for Japan that are outside Asia." Of course, real integration will force Japan to make difficult choices on agriculture, but a shifting demographic profile might make those choices easier.

Taking a lead from our presenters, discussion focused on trade issues, and the TPP again dominated the conversation. Several US participants urged Japanese counterparts to change the terms of their domestic debate on TPP. So, for example, when discussing

agriculture, Japan should redefine food security as “ensured access to imports” rather than domestic self-sufficiency – which is the current term of reference (and is not tenable). Another American suggested Japan should be more aggressive in promoting dialogues with trade partners, such as the ROK and Vietnam, so that Tokyo looks more like a demandeur and a country shaping the discussion rather than one that is merely responding to other governments.

Americans highlighted other benefits that could flow from an expanded TPP regime. It would increase US and Japanese leverage within the region vis-à-vis China, which has pursued an aggressive strategy that has resulted in numerous trade deals in Asia and beyond. Economists worry that these deals are suboptimal, however, and do not promote rigorous trade rules. TPP provides a counter to a lax trade regime. It could also strengthen multilateral negotiations and spur renewed interest in global talks.

Energy issues, however, were our primary topic. The events of March 11 and the subsequent shut down of Japan’s nuclear energy facilities have profound implications for Japan’s economy. The loss of nuclear power has magnified demand for hydrocarbons, which increases upward pressure on international prices. This, in turn, creates demand for new infrastructure, in LNG in particular. Equally significant are the changes this will force on Japan’s diplomacy: deprived of nuclear energy, which is relatively clean, Tokyo’s global warming policies must shift.

Most troubling, however, is the impact that energy policy will have on the overall economy. Japan’s shifting demographic profile has exhausted the country’s extensive pool of savings. A current account surplus has traditionally supplemented those dwindling resources. Rising energy imports are pushing that account into deficit and threaten to accelerate Japan’s economic reckoning. One participant estimated that the new energy environment could move forward Japan’s economic crisis by 3-4 years.

There was agreement that energy issues are no longer purely economic or technical concerns, but are truly strategic concerns. It was recommended that the two governments elevate their energy dialogues to the highest levels.

In the security realm, participants endorsed alliance outreach to, and engagement with, third parties. In Asia, for example, Indonesia is a particularly important nation, and one that both Japan and the US should engage in new and creative ways. One US participant suggested that coast guards are an under-utilized resource and the two countries should better exploit those assets in a region with extensive coastal regions and a desperate need for capacity. A Japanese participant flagged the new technical assistance that the Ministry of Defense is providing for regional governments; this too should be more fully developed. Another participant suggested that the UK might be a partner for trilateral efforts, particularly focusing on defense industry development (facilitated by the recent change in arms exports regulations) and intelligence sharing.

Cyber-security is another area that the two countries should explore. This is a growing bilateral concern, as was evidenced by its mention in the 2011 Security

Consultative Committee statement. A Japanese participant urged Japan to borrow from the US and hold a Def Con conference to recruit hackers; the compatibility of the two cultures is problematic, but it must be bridged at some point if Japan is to tap its best talent.

A final recommendation called upon Japan to launch a regional dialogue that would highlight Japan's role and lessons learned from the March 11 events. A regional HADR center is another good idea and one that should put Japan at the center of regional discussions.

The mood of the Japan-US Security Seminar has again shifted. The Japan bashing of the past – in days of old by Americans and, ironically, by the Japanese themselves in recent years – has ended and there is a renewed sense of optimism about the alliance and the bilateral relationship. That new mood is not unalloyed, however. These are not yet the best of times, but the worst of times seems over; the alliance seems on the right track once again. Nonetheless, hope for progress is tempered by enduring problems – political uncertainty, Futenma, the rise of China – and a sense that the economic challenges faced by both Tokyo and Washington constitute a structural shift in the policy-making environment. Fortunately, our discussions suggest that both countries are eager to explore new and creative solutions to those problems. The strong turnout for our meeting and the interest shown by new participants – politicians and industry – are positive signs. It is up to all of us – officials, experts, and members of the public – to promote the changes that will ensure that this alliance continues to contribute to peace and prosperity in the Asia Pacific.



## **A Time for Courage from Japan**

By Richard L. Armitage

(This paper is from a transcript of Mr. Armitage's comments at dinner at the 18th Japan-US Security Seminar)

I'm delighted to be here with my colleagues, Japanese and American, particularly to be with Kurt Campbell and Joe Nye. As I said today at the afternoon session I think we're blessed and we're awfully lucky as Americans and, frankly, if I can be so bold as to speak for Japan, to have Kurt Campbell as our Assistant Secretary at this time.

I understand there was a question today about what would happen if Republicans came in. Well, beats me. They don't know what they're doing right now. It's quite clear. But, I think in terms of Asia policy, it will be like it has been for the last 30 years. And I've said, and I mean it in the nicest possible way, whether Kurt Campbell or Jim Kelly were in that job now, the way we'd approach it and the professionalism of the people who work in Asia will be exactly the same and I think the response from Capitol Hill will be the same.

I'm a guy of a certain age and I am a victim of my past like everyone else, including the music I used to listen to and maybe still do. I was particularly positively affected by a great musician by the name of Jimi Hendrix. Now Jimi Hendrix also had the benefit of being a member of the 82<sup>nd</sup> Airborne. He jumped out of airplanes and so did I, and I had made the decision that if he could jump out of airplanes I could do it too. So he was in a way an example to me until he went off the path with drugs. But that's not the point I was trying to make. He had a song called "All Along the Watchtower" and it had what I thought was a great lyric in it. It says "there are people here among us who think that life is but a joke. But you and I aren't down with that, and that is not our fate. Let us not speak falsely now, the hour is getting late." I don't mean to suggest that in these kinds of dialogues we speak falsely, but sometimes we speak too politely.

I have a friend and I think many of you probably know him by the name of Kishore Mahbubani. Ambassador Mahbubani was the Singaporean ambassador to the UN at one time and he's quite an interesting guy. And he loves to break crockery. Shortly after the death of Moammar Gadhafi, he wrote a rather provocative piece and he said, "all over the world dictators are dying and democracies are failing." He was engaging in some hyperbole because there was only one dictator dying and that was Moammar Gadhafi. And it wasn't that democracies all over the world were failing, but in Japan, as in the United States, as in Europe, we're having some trouble. I wouldn't describe it as that we're in stasis but we are in realignment and reordering our priorities. It's just unfortunate that democracies take some time to do so.

Kishore went on to say the reason dictators or Moammar Gadhafi are dying and democracies were failing was because they were all built on lies. Dictators told lies to their people that they had a good life and that things were great. The outside world was their enemy, etc. And eventually, particularly in this age of social media etc., the population found them out. And democracies to some extent are built on lies, too.

Look at Europe and the difficulties of the EU right now. It's built on a lie. People can have monetary union and fiscal independence: now how does that make sense? It doesn't, and people are smarter than that. Even in the United States we're on the verge, in my view, of lying to our population because none of our politicians stand up and say we've got to sacrifice. Every American knows that if we're going to get our fiscal house in order we're going to have to address taxes in some form and we're going to have to reduce spending and everybody is going to have to sacrifice but no one will say it.

This lack of trust is something that you see in the United States and you see in Japan, I think probably mostly out of the problems of Fukushima. I'm one of those who tonight thinks that on the Japanese side we have here represented by Dr. Yamaguchi, Ms. Nakabayashi, and Mr. Koizumi, three of the best and most hopeful Diet members that we could have in our deliberations. These are people representing different generations of leadership and I think, if I can have an opinion, that once these folks find their way to the top of the food chain this is going to be a much different Japan and the citizens of Japan are going to be grateful for it.

But for our US and Japanese friends, let me put things in context of how the US public uses our Congress. I'm not qualified to speak about the Japanese public and the Diet. Americans view our Congress with almost unlimited disaffection. The positive views of the US Congress are 10 percent, which is record territory. To put that in context, at the height of the Gulf oil spill British Petroleum enjoyed a 26 percent approval rating. The IRS is more popular. Hugo Chavez beat the US Congress by 1 point, 11-10. But it's not all bad news for Congress: Fidel Castro was lower than the US Congress.

Now I'm about to do a rather tricky thing. I was accused of starting my conversations with a joke, but I think I'll put one in the middle. This is a US joke, so our Japanese friends should forgive me if it doesn't translate very well. I think it illustrates how many of our citizens feel about Congress.

There was a fellow driving down the highway and he came upon a huge traffic jam. All the cars were stopped, nothing was moving and he sat there patiently. Soon another fellow walked up to the car and knocked on the window, and the driver rolled it down and said, "what's up, what's going on?" The fellow said "it seems the terrorists have captured the entire US Congress and they are demanding a \$10 million ransom, and if they don't get their ransom they're going to douse the Congressmen with gasoline and set them on fire. So I'm going car to car to take up donations for the US Congress." And the driver said, "that's very interesting but just out of curiosity's sake how much is each car donating?" The fellow said, "about a gallon a piece."

In the deliberations today and I'm sure tomorrow, a lot of the conversation will concern, if not be dominated by, the re-rise of China. Obviously this is the most important thing that we all have to face. The question is the same for all of us: whether the re-rise will be predictable, a straight line, and will it be a rising tide which lifts all boats, or will it be herky jerky and what not? We Japanese or Americans certainly don't want a grumpy, unstable China. That is not our intent at all. But I think we've got to look clearly at what



we have in front of us. Thank God the National People's Congress is over and we can move on from all the US pundits who are telling us how reformers won because Bo Xilai was demoted. Nothing in my view could be more wrong. Anything that appears obvious in China probably isn't. You always have to look between the second and third reading to see what really goes on. In my view what we witnessed there was personal politics that had gotten out of control and the big wheels didn't like it and they were going to teach Bo Xilai a lesson that has very little to do with policy.

The National People's Congress really got my interest because it looked not like a secret conclave they used to have in Beijing. It looked more like Oscar night in the US, with starlets, princelings all showing up doing their time on the red carpet. This is a bad thing for China, because this is going to put distance between their citizens and their princelings. I think we have to be a little sympathetic to China. When Prime Minister Noda gets up in the morning he's got a plateful of problems; and when President Obama gets up in the morning he's got a plateful of problems. But they're nothing compared to the problems that the present leader Hu Jintao and the future probable leader Xi Jinping have on their plates. You all know them – as well as I. I guess first and foremost I'd say there is the leadership change. They are bureaucrats just like we are bureaucrats and when we have a leadership change everybody kind of hunkers down, waiting to see if there's going to be a new wind and what's right and what's wrong, what's in and what's out. It's like those New Year's lists that we see every New Year's Day of what's in and what's out. Next on the top of the list is corruption.

Then there is demographics, but not the demographics of the shrinking male population, but the demographics of one child having to take care of two elderly parents who are living longer these days. You've got the demographic problem of the ant people. People coming from the countryside to the city with no social safety net, no real jobs for them, and real possibility they could become problems for the government in Beijing. The environment, lack of fresh water, all these things are right up there next to the top of the list. Kurt just had these conversations, I'm sure I've had them in China, and Joe you probably had them too. They're fascinated and frightened by the so-called Arab awakening. (Now the Arab's don't like it when we call it the Arab awakening because they say they weren't asleep but they were something for some time and they can call it what they will.) The Chinese are fascinated by it because they know in their heart of hearts they can't control social media. And they've got Tibet, Xinjiang, and Inner Mongolia all at the same time which they have never had to deal with before.

So China's problems are tremendous and I think when we get a little impatient with them, one has to in fairness realize they're dealing with some huge problems.

I thought one of the greatest pieces of US diplomacy in recent years was Secretary Clinton's and Assistant Secretary Campbell's efforts at the ARF in Hanoi. I'm going to explain my view of what went on; Kurt can defend himself later. Secretary Clinton demonstrated some remarkable diplomacy surrounding the belligerent, in my view, statements of China concerning the disputed islands in the South China Sea and freedom of

navigation. These were important issues to us but they were important beyond the fact that the Spratlys or the Paracels impacted South China Sea freedom of navigation.

They were important because it gets to the heart of what kind of state China is going to be. Are they going to be a Westphalian state of the 17<sup>th</sup> century variety that believes in the absolute sovereignty of the state, or are they going to be a Westphalian state of 19<sup>th</sup> or 20<sup>th</sup> century where they cede some of that sovereignty for the global commons for the general public good.

I thought that what Secretary Clinton and Assistant Secretary Campbell were doing was fantastic because it was trying to guide China into coming to a view of what kind of nation they were going to be and how they viewed the global commons. I don't think they have answered this yet.

The backdrop of that 2010 August meeting in Hanoi was some pretty rough behavior from China. Japan suffered it, we saw it and South Koreans saw it in the support of China for the North Korean activities against the Cheonan, etc. I think for a while in 2011 China reevaluated its efforts and saw that it was not bringing in dividends and they needed to pull their horns in and go back to Deng Xiaoping's maxim about hiding your lamp under a basket for a while.

I don't know what 2012 is going to bring. I would have thought given the leadership change that they would concentrate almost solely on domestic issues and the reordering of their economy from an export-driven economy to an internal consumption economy, which they are not sure they can do. But if they do, we're all going to benefit. But the initial signs are a little troublesome as we saw in the Senkakus recently. China not only was patrolling in what is more traditionally, at least since the end of the Second World War, Japanese waters, but they refused to leave when told to do so. An official from the Chinese oceanographic administration said that the intent of China was to continue to navigate in those waters and to break the capability of Japan to make its control over the Senkakus a fait accompli. That is pretty strong language as far as I'm concerned. Put that with the fact that by 2015 they will have doubled their defense budget and it will then be half of the US budget and four times Japan's budget, and unless China can answer the question what kind of nation they are going to be, it's going to be difficult for all of us. If they do answer the question of how they view the global commons in a congenial way to us it will be quite another situation.

Let me give some comments on North Korea for a second. I know that this afternoon there was some discussion of North Korea, and I, myself, find what North Korea is doing these days to be perfectly, not only understandable, but perfectly consistent with its past behavior.

First of all, why in the world would the North Korean leadership want to do anything different than they have done for the past many years, given leadership change in China, a leadership change from old-to-new-to-old in Russia, an election in South Korea both parliamentary and at the end of the year presidential, and in the United States? All

four of those are good reasons for North Koreans to sit right where they are and see what changes this might bring from which they could benefit – must say I find it remarkably clever that they were able to sell Yongbyon for the fifth time. This is remarkable. The fact that they not only sell Yongbyon but then decide to have a satellite shoot is perfectly consistent because they don't recognize the legality of those sanctions in the first place. I'm one of those who thinks that this year North Korea is not going to break out into war or anything of that nature but it is liable to have more bad surprises than not. If this missile goes well for them, I don't think they can say "oh, my bad, we're not going to do it." Not now. I think the new leader would lose remarkable face if he did.

So my prediction is we're going to have some difficulties with North Korea for a while. Certainly until after all those elections I spoke about are over. And we're going to have some difficulties because Japan has not taken advantage of remarkable leadership in South Korea, a leadership with President Lee Myung-bak. This is a guy who wanted better relations. He demonstrated it to his people. He told me one time, and he probably told Kurt, that he was sometimes accused of being Japanese because he was born in Osaka, but he was sincere because he thought that the development of relations was a positive way and was absolutely the correct thing to do. But for whatever reason and part of it I think had to do with Mr. Hatayama's leadership and Mr. Kan's leadership, that offer was never picked up in my view in an appropriate way. Frankly it's beyond me to understand how Foreign Minister Koichiro Gemba who otherwise made a beautiful speech on foreign policy at the beginning of the year found it necessary to add Takeshima to the top of his list of particulars and immediately got the expected reaction from South Korea.

Whether Mrs. Park is the president in December or whoever, for us and for Japan, the management of our South Korean relationship is going to be a little more difficult for a while. For the US, as Joe and Kurt knows, it's always been a little difficult; it's been a honeymoon with Lee Myung-bak, but for us it's not always been milk and roses and honey for us at all.

I'm going to turn a bit to Japan, because I started off by talking about Jimi Hendrix, and I don't want to speak falsely. On the one hand, after the erratic leadership of Mr. Hatayama and the somewhat less erratic but not much leadership of Mr. Kan, I think most Americans very much appreciate the leadership of Prime Minister Noda. I mean that sincerely. He's more of a traditional, consensus building Japanese leader. I think he's the real deal and I think he's moving as best as he can. Unfortunately he doesn't own his Cabinet; they're not all his. There's going to have to be some reordering of the political system and probably his own party, the DPJ, before he can really move out.

But I'm really sympathetic to what he's inherited. First of all, like all leaders in the world today, he inherited a difficult economic situation. The business community is bedeviled by its own difficulties – a strong yen being probably first among them and high corporate taxes and power shortages. This power shortage is really going to hurt Japanese industry, particularly if Japan can't find the political will to restart some of the nuclear reactors. You've got delayed trade decisions. You've got really restrictive labor practices

and you've got measures that have been put in place to get a leg up on climate change and environmental problems, all of which come at a cost to the economy.

That's the backdrop of what Mr. Noda is trying to do. He's facing two other real difficulties. One is the consumption tax, which everyone in Japan knows is necessary. His problem is probably more in his own party than in the opposition party. Second, there is a decision on TPP. Many of us feel this is very much in both of our interests.

That's a backdrop to demonstrate some sincere appreciation for Noda-sensei: he has a difficult road ahead.

Now the less congenial part of the conversation. The prime minister the other day, for the second year in a row, was kind enough to go to the Defense Academy for the graduation and he spoke. He spoke about the fact that China was a growing military threat and had growing military capabilities. Full stop. So what are you thinking? What are you going to do about it? You don't just lay out a description of the problem without giving a prescription about what you're going to do about it. That was lacking. It leads everyone who listens, including Chinese friends, to say "what are you going to do about it?"

One thing we know is that under the present economic situation there is not going to be an increase in the defense budget in Japan. I'm sorry about that, but I understand dollars and cents or yen and there's just no money given the other problems. So that means we have to do more with the same amount of money.

If you're going to do the same, or do more, with the same amount of money then you ought to not start buying top of the line aircraft which today still don't have a price. The US version today, if we were to buy, is between \$133 and \$165 million depending on what variant – Marine, Air Force, or Navy. Of course as more aircraft are made, the price would come down. So Japan makes a decision on an aircraft which is a lot of money but it's a really good aircraft, and the other services have to suffer. I would argue that the money could be better spent by truly becoming interoperable. The navy and the Maritime Self-Defense Force, are damn good in interoperability; the Air Self-Defense Force and our Air Force are not. We can't see the same picture across board. We can't talk together in all cases and the Ground Self-Defense Forces and our own various land forces are just not in the game with each other. So it seems to me that we really ought to concentrate on interoperability.

Someone eluded in a conversation today to roles and missions. In 1981 we together with Japan laid out a roles and missions approach which I think dramatically changed Japan's appreciation of our own abilities in the area and surrounding areas of Japan to a thousand miles. This rationalized the defense budget and allowed the United States to range farther a field from Japan, to participate in the defense of Japan much farther away from the home islands. This was a good thing. But wouldn't you think that 30 or so years later it's time to have another serious discussion with roles and missions? Chris Johnstone and others have started these discussions. We've got to put a mark on the wall. What are we trying to achieve? Maybe it's sea surveillance in the South China Sea, or use of our

submarines together for better sea surveillance; a lot farther away from the home islands of Japan.

These are the kind of things that we have to really start working on and we won't get them done unless we together decide on a goal. One of my personal favorites is this: we just had a great exercise where Japanese Ground Forces assaulted the beaches at Camp Pendleton. They have been doing this since 2005 I think. And the US very much appreciates the opportunity to train with our Japanese brothers. But Japan has some amphibious capability. Has Japan ever landed Japanese soldiers on any island? No. They won't do it. They have to step up. These are not against the law, not against collective self-defense, it doesn't violate article 9. It just takes doing what is in the White Paper of 2010 and becoming more mobile, agile, and lethal. This is what forces have to do.

Finally my favorite. There is discussion in Japan right now about the possibility of sending mine sweepers to the Straits of Hormuz in the Persian Gulf. I think the prime minister ought to decide that today. If he feels there's a threat, a credible threat to close the Straits, he will say now that he'll send the mine sweepers. Not that he'll send them with the United States, not that he'll send them with Britain. He should say he's going to do it because it involves the defense of Japan who has to depend on those Straits of Hormuz for 84 percent of Japanese energy. There is no better self-defense I think than that. It doesn't violate article 9. While I'm on article 9, the *Asahi Shimbun* under the bi-line of Mr. Yoichi Kato several months ago wrote a very interesting piece about Djibouti. It's a foreign base, a Japanese base on foreign soil, that houses Ground Self-Defense, Air Self-Defense, and Maritime Self-Defense Forces. They together work with navies, air forces, etc. from how many other nations in the anti-piracy crusade off Somalia. We're all much better for Japanese participation. But how can Japan do that? Because of the Article 9 prohibition. Japan can do it because this is not collective self-defense; it's a legal issue, it's law enforcement. The US and Japanese talks in this room understand this issue and understand the difference between law enforcement and Article 9. But no other air-breathers in San Francisco would be able to explain why this isn't collective self-defense. I can explain it but it embarrasses me to do so. At any rate, as I said to Mr. Nakabayashi who was at a talk I gave in Tokyo, from our point of view, if it looks like a duck, walks like a duck, and quacks like a duck, it's probably a duck.

The greater point I'm trying to make is that Japan can do these things, if it summons the political will. But to do things late or under gaiatsu chips at the self-image of Japan, it also is not timely enough to be applied to a problem at hand and I'm simply suggesting the prime minister should get out in front of these things.

You have every right to say, "that guy is pretty anti-China, etc.," I'm not. I want a China that does take its rightful place in the world stage and as I said as a rising tide that lifts all boats. But I know one thing to my core and that is that we have the best opportunity, and when I say "we" – Japan, the United States, all of us in Asia – we have the best opportunity for a peaceful rise of China onto the world stage or re-rise of China, if that re-rise is in a region that is dominated by strong, vibrant democracies. I'm talking about Japan and the United States, and I'm talking about South Korea, and Australia, and

Indonesia, and India. It's not for sure but we have the best possible chance. I'll stop there and go to questions.

## Questions and Answers

### Question 1

*I wonder if you can share your assessment of our ability to get the job done knowing the problems that we're going to face in terms of our budgets, the constraints, and other commitments that we have around the world. I understand the point that you made about Japan needing to step up, but we also need to step up. How difficult will it be to deliver on the commitments that we've made in the coming year?*

I have a two-part answer because there are two scenarios. First of all, our – not pivot – but our rebalancing in Asia – I like the word rebalance because it indicates two things. First, we're rebalancing out of two wars to spend needed time and energy and resources, at least to have them available to Asia. Second, we're rebalancing within Asia, not spending our entire time in Northeast Asia but broadening our reach where acceptable to other countries to include Southeast Asia in a more robust way than perhaps we've had in recent years, when Dr. Rice twice skipped the ARF and I think embarrassed the home team quite a bit.

Let's be real about our defense budget. There's plenty of money there: it's the 2005 budget, \$671 billion, with the overseas contingency operations money added. Now under that scenario, we can do it because at its heart Asia in security terms is a maritime and air theatre. It's not ground-centric. We can do it.

Now if we get into sequestration this is an entirely different ballgame. That would be almost double the hit to our defense budget. It would leave Assistant Secretary Campbell no money for diplomacy if we go to sequestration. The State Department will find the maintenance of its present Foreign Service officer corps which is not that big, severely limited. That is if we get into sequestration, which I never thought would happen. There's a growing school of thought that it may happen, but there are some things along the way that you have to be alert to. In August, because of the sequestration law, if there hasn't been an arrangement on our budget, the services and the Pentagon have to come up with their plans to cut force structure beyond what is already on the table. The Pentagon has to come up with a new strategy. Actually, that's a misnomer because we confuse the words strategy and budget. We haven't had a strategy for some time, but we have got a budget. And the hope was the famous Quadrennial Defense Review would inform the budget. It's quite the opposite, as budget always inform the QDR. It's just the way things operate.

So the long way of answering is that there are two scenarios but there is one hitch in both of them. Let's assume we only have \$671 billion. That's more than enough money for our defense and security responsibilities around the world. However, I can't say with any confidence that we will spend that money wisely because the way we procure weapons systems is bizarre. It's out of whack, and the F-35 which I was referring to is a perfect case in point. So we have plenty of money, but I can't say we'll spend it wisely.

## Question 2

*How can Japan contribute to strengthen the US-Japan alliance? When you were deputy secretary of State you said, “show the flag, or boots on the ground.” They were very famous words. I interpret that to mean that you are basically saying that Japan should show willingness to contribute to the world together with the US. So Japan should send the 600,000 troops to Iraq even though Japan cannot defend its troops on its own. Now it seems to me that the more important contribution is not to send the troops to Iraq which is not self- sustainable, but to do more to defend Japan. Especially in the southwest island chain which as you said is a front line between the US and China.*

That’s exactly correct. I was suggesting that we get the Ground Self-Defense Force out of Hokkaido, make them more mobile and into something that looks a little bit like the US Marine Corps or maybe halfway to the US Marine Corps and start practicing and exercising and delivering them.

On the larger issue of “boots on the ground” in Samua, yes, I wanted it badly. Why? Not because Japan was going to out and fight, but because Japan has an international reputation. When Japan applies that international reputation things generally come out a little better than they might otherwise.

But I live in constant fear about the US-Japan relationship. Let me give you an example why. You didn’t mention it but you’ve got an excellent deployment to South Sudan right now. I think it was quite brave and the US wasn’t involved in anyway, I know the *Geitai* was a little worried because they didn’t have that lifeline that they’ve had with the US but they did it. I think it’s terrific and worthy of a lot of praise. But what if we got up tomorrow and read that Polish troops on your left flank are attacked by rebels and Japan was not able to assist them? What’s that going to do to Japan’s international reputation? We understand why and all that and the limitations, but these are the kinds of things that I’m pushing against. So, yes, when I talk about mine sweepers in the Gulf I’m trying to get in the back door. There’s no secret about this. I’m trying to get in the back door to loosen up this Article 9 prohibition which I think ultimately is going to really damage Japan’s reputation.





## Japan as “Bridge across the Pacific”

By Tsuyoshi Yamaguchi

Mr. Nogami, Mr. Cossa, and dear colleagues on both sides of the Pacific, I am greatly honored to be invited to this seminar hosted by JIIA and Pacific Forum CSIS and to meet many good friends to discuss the security issues across the Pacific. This seminar has been doing a great job of providing intellectual input toward a better management of the alliance. I would like to offer my heartfelt respect to both Mr. Nogami and Mr. Cossa for this.

Since I joined the event yesterday, there have been lively discussions to enrich our alliance.

After the terrible earthquake and tsunami last year, Japan received warm support from all over the world. But what was extremely special and moving for us was the assistance we received from the United States, including the deployment of an aircraft carrier under *Operation Tomodachi*. That operation touched the hearts of the Japanese people. On behalf of the Government of Japan, I would like to take this opportunity to express once again our deep appreciation to the people of the United States.

Last August, I participated in a fierce battle to install a new prime minister. Japanese politics is still chaotic, but Prime Minister Noda will be staying in office for some time more. There may be a general election sometime this year. It will not be in June, but probably, toward the end of the year. I will make sure that he wins.

Domestically, I think Prime Minister Noda has reestablished a good relationship with business circles and bureaucrats. He is not a flamboyant type, but he has a solid and steady style of political government. He has been taking a good care of the bilateral issues that exist between the United States and Japan; TPP, Futenma, beef, the Hague Convention. We have seen solid progress.

Here, let me just mention a few things about the origins of the Security Treaty. After the war, Prime Minister Yoshida ordered the Foreign Ministry to explore various options to ensure Japan’s security following the departure of the Allied powers after the occupation. After intensive discussions within the ministry for about two years, the ministry’s answer was that Japan should rely on the United Nations. Yoshida was irritated and said; “You are talking like members of the opposition. You lack a statesman’s insight. Such a useless opinion does not deserve even a glance. It needs reexamination.” Yoshida’s argument was that if the Soviet Union were ever to invade Japan, the United Nations would not be able to function as a protector because of the veto system of the Security Council. The only realistic option would be to rely on the United States through leasing bases in Japan. In particular bases in Okinawa would be vital.

When engaging in negotiations with the United States toward the Security Treaty, the most important thing for Yoshida was to secure the United States’ commitment to defend Japan in the event of an invasion. The United States tried to make such a

commitment as weak as possible, even to eliminate it entirely if possible. That was because the United States thought then that the next war would be in Europe, not in Asia. The United States even floated the prospect of a Pacific Pact, with the underlying idea being to weaken America's defense commitment to Japan. At the 11<sup>th</sup> hour, the United States proposed the wording of "Such forces may be utilized to contribute to the maintenance of international peace and security in the Far East and to the security of Japan against armed attack from without...."

The Japanese side did not notice its real meaning. "May be utilized" can also mean "may not be utilized." The Pentagon wanted to make its defense commitment as weak as possible. This would lead to the revision of the Security Treaty in 1960 to make America's defense commitment more explicit in treaty terms. It took 10 years. This defense commitment has been the biggest theme underlying the security treaty.

Another big issue was "unified command." After concluding the security treaty, the United States and Japan negotiated the administrative agreement. The United States proposed unified command in the event of an emergency; the US commander taking the command of both US armed forces and those of Japan. For the United States, unified command was something taken for granted, because in NATO General Eisenhower was appointed and welcome as the commander of not only the armed forces of the United States, but also of European forces, such as those of Britain, France, etc. For Prime Minister Yoshida, however, unified command was not acceptable because he thought it would make Japan look like a pawn of the United States. For Yoshida, Japan being an equal partner was extremely important to gain the acceptance of the Japanese people for the alliance. Otherwise the alliance would be fragile. Dulles was irritated by Yoshida's tenacity, and even threatened to stop working toward ratification of the peace treaty. This would have meant Japan returning to an occupied status. This time, however, at the 11<sup>th</sup> hour, the United States side conceded. The State Department persuaded the Defense Department arguing that if the United States imposed unified command, it would put Yoshida in a difficult political situation and communist forces would achieve a strong position in Japan. Thus there was no mention of a unified command in the administrative agreement. This is another big theme for Japan that underlies the security treaty; I would call it the importance of maintaining an independent stance.

I leave it up to you to speculate how much these two themes are influencing the management of today's security relations between the United States and Japan, to me, it looks like they are still important themes underlying our security relations.

An interesting thing is that the US-Japan Security Treaty was not referred to as an "alliance" when it was created. It was during Prime Minister Nakasone's days that the relationship was first referred to as an alliance. This was the early 1980s, 30 years after the conclusion of the Security Treaty. Dr. Thayer, my professor at SAIS Johns Hopkins, played an indirect but important role in this.

What was the strategic objective of the Security Treaty in its origin? It was to counter the Soviet Union.

After the end of the Cold War, there was a period of US hegemony. People even talked of the end of history as we know it. But since 9/11, especially after the wars in Afghanistan and Iraq, the world has become a multipolar rather than a unipolar system, and we have seen the emergence of China as a superpower.

How to deal with China has become one of the most important tasks for the US-Japan alliance.

When we look back to the origins of the alliance, there was a difference between Japan and the United States regarding China. Yoshida, having served as a diplomat in China, thought that it was possible to maintain contact with China, while Dulles insisted that Japan should forget about China and form ties with Taiwan because China had become a communist country. Yoshida said; "China is China whether it becomes red or black." Here again, Dulles threatened to withdraw from the ratification work of the peace treaty. Yoshida had to give in, but 20 years later when President Nixon abruptly flew over Japan and shook hands with Mao Zedong, Yoshida's thinking proved to be correct.

Today, China's armed forces are growing bigger and bigger. What are China's intentions? To build up a Chinese empire? Maybe. What is worrying us most is that we are not sure about China's real intentions. Confidence building measures are important in this sense. For example, building a framework of search and rescue among Asian countries including China would be possible.

At the same time, China's economy has grown big and today it is bigger than Japan's. China possesses the greatest amount of US Treasury bills. China also holds the most dollars as foreign exchange reserves. To regard China as an "enemy" would not make real sense.

While I fully realize the potential threat posed by a militarized China and the need to cope with it, I am inclined to see China more as an opportunity rather than threat. Japan will try to explore ways to coexist with China. An Asian Union, something like the EU, would be too difficult. But, "connectivity" could be a keyword. Building an Asia Pacific community, with APEC as its base, could be a wise strategy. TPP may be a part of this.

We, and by "we" I mean the Foreign Ministry, are going to launch a second track study toward what I call the North East Asia Partnership involving the countries surrounding the Sea of Japan. I am thinking of Japan, South Korea, China, Russia, and Mongolia. I want the United States to be a part of it as a charter member. You are most welcome. (We do not have a 90-day rule, either, by the way.) Specific projects could be discussed there to stimulate the development of the region. In the future, something like an Asian Development Bank would be a possibility, a North East Asia Development Bank.

Mr. Putin has made positive noises indicating that he wishes to solve the outstanding Northern Territories issue. Simultaneously he has suggested that economic cooperation could be helpful for the solution. I hope this scheme of a North East Asia Partnership would stimulate the process.

Korea, China, Russia, and Mongolia are not members of the TPP. I hope that this scheme of a North East Asia Partnership and the TPP together would contribute to constructing a large free trade area in the Asia Pacific region in the years to come.

Arnold Toynbee predicted that the world's center of gravity would shift from west to east, or from occidental to oriental. We are now actually witnessing it. Both President Obama and Secretary Clinton realize it and emphasize the importance of the Asia Pacific region. Here, I find our common strategy; develop the Asia Pacific region into a source of prosperity, thus making the region as an engine for the world economy. TPP and various bilateral FTAs will be an important tool. The North East Asian Partnership which I mentioned is also an important factor.

A poem by Longfellow contains the lines: "Humanity, with all its fears, with all its hopes of future years, is hanging breathless on thy fate."

We do share our fate, and we can make the world a better place to live in by building an Asia Pacific community where countries coexist, where countries prosper together, and thus make peace together.

In closing my humble remarks, let me quote Nitobe Inazo, a phrase I cherish; "It is my wish to serve as a bridge across the Pacific."

# **The United States in the Asia-Pacific Region: Challenge, Complexity, and the Tasks Before us**

By Evans J.R. Revere

The United States today faces a complex and rapidly evolving strategic situation not only in the Asia-Pacific region but beyond, one made all the more challenging by the burden of our military commitments in Afghanistan, the looming specter of a nuclear Iran, the ongoing bloody suppression in Syria, and calls for the United States to do even more to deal with the latter two crises. Looking at the Asia-Pacific region today, serious concerns abound, not the least of which are those generated by a rising China, a recalcitrant North Korea, and the uncertainties posed by leadership changes and elections, including our own presidential vote in November.

All of this takes place as the United States is seeking to recover from the largest economic recession of our lifetimes, and as we are trying to ease the burden that debt and deficits are imposing on our budget, our markets, and our posterity. The United States is grappling with all these challenges, and more, at a time when our politics are suffering from an almost unprecedented level of fractiousness, when extremism is being worn as a badge of honor by some of our politicians, and when our legislative process has become sclerotic and even dysfunctional.

But I am not here to make an argument for despondency and despair. Quite the contrary! One hallmark of the past year has been the international community's demand for US leadership and action in dealing with global and regional challenges. Importantly, another has been the United States' determination to provide both. Whether working to support change in Egypt, contributing to the demise of a sinister dictator in Libya, or consigning Osama Bin Laden to the ash heap of history, the United States has done what has needed to be done. And when friends were in need, as Japan was just a year ago after the triple disaster at Fukushima, the United States was there.

There has been no slackening of US leadership and commitment in the Asia-Pacific region. Remember that the Obama administration began its tenure by signaling its determination to play an active and engaged regional role. Some have described this as a "return" to region – hardly an accurate characterization since we never actually left. Rather, what the administration did was to acknowledge that the United States had paid a price for not showing up at crucial regional meetings. We paid a further price in the region because, as our attention and resources were increasingly committed to extra-regional priorities, it created a perception that we were disengaged or disengaging. We also paid a price by appearing not to value sufficiently the concerns of our Japanese ally when it came to dealing with North Korea. And we suffered as well in South Korea, as ideological differences with Seoul crept into the alliance and undermined our ability to work smoothly with each other.

Today, as we look at the region, we've largely put these problems and perceptions behind us. The US-Japan and US-ROK alliances are in solid shape. The United States is back at the table in regional fora, including now through our participation in the East Asia

Summit, although it remains to be seen whether the US will sustain its high-level initial participation. Imaginative diplomacy and remarkable internal developments in Rangoon have enabled the United States and Myanmar/Burma to achieve a major turnabout in their long-dormant ties. Here, Washington and Tokyo have an opportunity to work closely together to accelerate Burma's return to being a respected member of the international community.

Looking to the future, there's much work left to do, and plenty of challenges to be tackled. This meeting is particularly timely, since one of these regional challenges has reared its head again in a disturbing way. The ink on the Feb. 29, 2012 US-DPRK understandings had hardly dried when Pyongyang announced last week its intention to launch a satellite to commemorate the 100<sup>th</sup> anniversary of Kim Il-sung's birth in April. Such a launch would be a direct and serious violation of UN Security Council resolutions, and of the Feb. 29 "Leap Day" agreement. The North Koreans first told me just days before Kim Jong-il's death of their determination to conduct a launch, and I found it disturbing that they were so adamant about their intentions. US negotiators were already aware of this possibility, and told the DPRK that there would be major consequences from a launch. There was no question in US-DPRK negotiations that the "missile moratorium" being discussed specifically included satellite launches. Yet Pyongyang chose to announce the launch anyway, for reasons that I believe had to do with domestic political priorities.

There are two factors driving North Korean behavior today. The first of these is continuity. I said in the hours after Kim Jong-il's death that we were likely to see more continuity than change with the accession to power of Kim Jong-un, including continuity of policies and tactics that we find unacceptable. This has unfortunately proved to be the case.

The other factor driving North Korean behavior is the succession, which has influenced virtually all of the DPRK's internal and external actions since August 2008, when Kim Jong-il suffered a stroke.

To ensure the stability and smoothness of the succession, the DPRK has needed to rally the regime, the military, and the people behind the new leader. It has done so by demonstrating its military power, engaging in brinkmanship with the South, creating a national sense of crisis and confrontation, and now by planning to show its technical prowess through a missile launch. The requirement to do whatever it takes to strengthen the new leadership's hand and foster the succession has even trumped diplomacy, as we have now seen by the North's willingness to throw away the gains that would have resulted from the Feb. 29 agreement.

The Obama Administration was right to have called the "Leap Day" agreement a "modest" step. Doing so rightly recognized the fragility of the deal, which the North Koreans seem now to have all but killed.

As I look around the Asia-Pacific region today, the Korean Peninsula and the potential for miscalculation or conflict there top my list of strategic concerns. Even if the

DPRK decides not to carry out more military provocations out of concern that the South will retaliate, a satellite launch may well be followed by additional missile and nuclear tests in the coming months, particularly if the UNSC responds to the launch with additional sanctions or other measures. Meanwhile, it goes without saying that the goal of denuclearizing North Korea remains more elusive than it has ever been, and may now have moved beyond our grasp. Dealing with North Korea will be a particularly urgent priority for US-Japan coordination in the coming weeks and months.

Turning to China, in 2010 we were all concerned about Beijing's "assertiveness" or "triumphalism," as the PRC threw its newfound military, political, and economic weight around the region. In 2011, the PRC appeared to recognize that it had overplayed its hand. It moderated its rhetoric and reined in some of its more outspoken military officers. But Beijing continued to probe selected targets, including Japan, as a reminder that it has not backed off its views on territorial issues. China's actions on rare earth metals also sent an ominous signal about Beijing's preparedness to play hardball in the trade sphere.

In 2011, the United States and China used summitry to try to reset bilateral ties, with some success. And in 2012 the visit of China's president-in-waiting, Xi Jinping, to Washington was viewed a success by both sides. At a minimum, it seems to have added a measure of stability and decorum to bilateral ties, even if it has not succeeded in dissipating latent suspicions between the two powers. Despite Xi's visit, China's emerging leadership remains a largely unknown factor for the United States, and it remains to be seen what Xi Jinping will actually do when he assumes power. And the dramatic ousting of Bo Xilai from the ranks of aspiring Politburo Standing Committee members is a sign that all may not be well within the ranks of the leadership. It is far from clear who will serve on that all-important body that shapes and decides Chinese policy, and what policy direction that body will take.

Until this autumn's Party Congress, Hu Jintao is still president of the PRC, with all his reported shortcomings. And at his side is Premier Wen Jiabao, whose main contribution to our thinking about China's future was to remind us only a few days ago that he could not rule out the possibility of another Cultural Revolution in the PRC.

Clearly, something is happening in China, including at stratospheric levels inside the CCP. Forces advocating political and social reform seem to be asserting themselves, and at least one neo-Maoist, Bo, has been toppled. But lest anyone think that China is poised for a turn toward liberal democracy, one need only look at the continuing intimidation of writers, artists, and advocates of political reform. And the tough, even brutal, measures being taken against dissidents in Xinjiang and Tibet and elsewhere in China testify to the overwhelming dominance of the security apparatus in the lives of every Chinese citizen.

Meanwhile, the list of China's internal challenges – corruption, skewed growth, environmental degradation, exploitation of farmers and workers, a growing gap between rich and poor, a deteriorating social safety net, and much more – shows no signs of shrinking. All of these things will continue to weigh China down in the years to come.

And despite having lifted hundreds of millions out of poverty, a triumph by any standard, China's new wealth and economic dynamism seems to be creating as many problems as it is solving. And the political and social reforms that might help deal with these challenges seem to be a bridge too far for the current Chinese leadership.

A "trust deficit" between Beijing and Washington has become a drag on efforts to improve ties. Despite the efforts of US and PRC leaders to enhance transparency and identify new areas for bilateral cooperation, mutual suspicion continues to dog the relationship. Many in China, including many among the elites, remain convinced that the United States seeks to "contain" or "encircle" China. At the same time, some in the United States believe China wants to dominate the Asia-Pacific and drive the US out of the region.

China's military establishment, its strategic plans and priorities, and its budget remain largely black boxes to the outside world, contributing further to suspicion and mistrust. Reports of China's cyber-probing of US military and other targets do little to enhance trust in China's intentions. While it is hard for me to imagine a major military confrontation between the US and China, at a recent conference in New York City some noted Chinese experts did not rule out such a possibility.

There are ongoing efforts to deepen and broaden military-to-military dialogue between the United States and China. This is useful, but much more must be done if the two countries are to make a dent in the current level of mutual suspicion. Meanwhile, budget makers, force planners, and strategists in each country are eyeing the other as a potential enemy.

In the midst of these trends, the US "strategic pivot" to the region, despite our best efforts to portray it otherwise, is seen by many in Beijing as directed at China. As the United States continues to rebalance its global force posture and as military assets and resources flow into the Asia-Pacific region, a major priority for the United States will be the need to balance the goal of reassuring our allies and partners about our commitment and staying power with the need to avoid being seen by China as gearing up for a potential confrontation. Washington must also take pains to avoid placing allies and friends in the position of having to "choose" between the United States and China. The United States' ability to strike the right balance in this regard will be made more difficult by the continuing concern among Southeast Asian nations about China's territorial claims. Those on the receiving end of China's territorial assertions want the United States to play a high-profile role as a stabilizing force in the region. For its part, China seems likely to continue to see the United States' efforts in this regard as an attempt to stir up anti-China sentiment, or worse.

Together with the evident commitment of leaders in Washington and Beijing to improved relations, there is other good news in US-China ties. The longstanding potential for Taiwan to serve as a flashpoint of potential conflict has greatly subsided, thanks to prudent and pragmatic policies pursued by Taipei, Beijing, and Washington. Cross-Strait dialogue and cooperation has blossomed, and there are now some 16 cross-Strait agreements in place, including the Economic Cooperation Framework Agreement (ECFA),



that have reduced tension, enhanced economic, cultural, and educational exchanges, and built a structure of cooperation between Beijing and Taipei. The re-election of Ma Ying-jeou as president has further eased concerns across the Taiwan Strait, and given the two sides four more years to explore new ways to enhance dialogue. But the easy tasks in cross-Strait dialogue have largely been accomplished. The PRC and Taiwan now need to decide whether and to what extent they can explore the potential for political and security talks and confidence building steps, including in the military arena. Neither side seems to want to move too quickly in this area, which is probably a good thing as long as Beijing remains patient and Taiwan takes no steps to assert independence.

Moving back to the Korean Peninsula, next month will see parliamentary elections in the ROK, followed by a presidential election in December. It is still early days, and Korean politics are notoriously dynamic and fickle, but there is a real prospect that the dominant center-left party, the Democratic United Party (DUP), could emerge victorious in both votes.

In the campaign thus far, the DUP has laid out a domestic and foreign policy agenda that is greatly at odds with that of the ruling conservatives. The DUP has made the revision and even the repeal of the US-ROK Free Trade Agreement (KORUS FTA) one of its major goals. Both the DUP's predecessor, who launched the FTA negotiations, and the ruling conservatives had heretofore touted the FTA as one of the new pillars of the US-ROK alliance. The DUP does not appear to accept this characterization; a fact that could seriously color relations with the United States should the DUP win.

While attention has been focused on the FTA, there are other bilateral agreements in the queue that will come up for review or renegotiation on the watch of the next ROK government. These include the US-ROK nuclear cooperation accord, the bilateral missile agreement (which limits the range and payload of ROK ballistic missiles), and the US-ROK burden-sharing agreement. Together with ROK policy toward North Korea, it is easy to imagine any one – or all – of these areas becoming points of contention between the United States and a DUP-led ROK government.

Finally, let me say a brief word about the assets that the United States will bring to bear dealing with all of these challenges, and others, in the coming years. The Obama administration has usefully and properly underscored its determination to make available the military and other tools necessary to underwrite our commitment to the Asia-Pacific region. But even under the best of circumstances austere budgets will almost certainly tax our ability to fulfill our commitments in this region and others for years to come.

I am certain that the administration means what it says when it attaches a major priority to the Asia-Pacific region. But we should not underestimate the budgetary pressures that the United States will have to contend with. Nor should we ignore the possibility that unexpected contingencies in other areas could place new strains on our military capabilities. To deal with future uncertainties, enhanced burden-sharing cooperation, creative basing arrangements, and an increased willingness on the part of our allies to boost their own capabilities will be essential. As America's leading Asia-Pacific

ally and a major economic and diplomatic power in its own right, Japan has a special role to play and a special responsibility in the region.

Outside the Asia-Pacific region, coordination on Iran policy needs to be made a particular priority for the United States and Japan. If additional measures prove necessary in our effort to convince Tehran to forego the development of nuclear weapons, Japan's cooperation in crafting, implementing, and enforcing these measures will be essential. In that connection, the recent negotiation on Japan's oil imports from Iran may be a harbinger of even more complicated US-Japan discussions to come. Finally, and again outside the Asia-Pacific region, a few words about Afghanistan. Support inside the United States for our mission in Afghanistan is eroding. The Afghan response to the Koran burning incident and the horrific murders of civilians by a US soldier have caused many Americans, including politicians on both sides of the aisle, to rethink their support for our mission. While the Obama administration has said it will stay the course and continue to implement the current withdrawal plan, one wonders how viable that plan will be once we are past the presidential election. It is not too early to think about the implications for Afghanistan, and for regional stability, of an earlier-than-anticipated departure.

Let me close by thanking you for your kind attention. I hope I've said a few things that will provoke the sort of frank discussion that has always been the hallmark of this forum. Thank you.

**Beyond Tomodachi:  
Domestic Politics in Japan and the US-Japan Alliance**  
By L. Gordon Flake

Amid the multiple tragedies of March 11, 2011 there was also some hope that a disaster the scale of the triple impact of the earthquake, tsunami, and nuclear crisis might prove sufficient to alter Japan's political landscape and forge some type of a new national coalition capable of dealing with the longer term challenges facing the nation. Likewise the success of operation Tomodachi, closer cooperation between the US and Japan as allies in responding to the disasters, and historically high public approval for the US-Japan alliance raised hope that the US and Japan might be able to make meaningful progress in addressing some long standing challenges faced by the alliance. While the pace of change in Japan is often incremental, and it may still be too soon to draw any firm conclusions, the one year anniversary of 3/11 does provide a useful framework for taking stock of domestic political developments and trends in Japan, as well as their impact on US-Japan alliance relations.

**Key Domestic Challenges in Japan**

*Japan's Fiscal Crisis*

There are of course many factors, but one legacy of Japan's "lost decade" has been that years of central government spending in efforts to stimulate the economy, coupled with the double-edged sword of demographic trends that reduced revenue and increased social outlays for an aging population have meant that Japan now has the highest debt to GDP ratio of any major economy in the world. At near 213 percent of GDP, Japan's rate is the highest in the G8 and significantly higher than the 150 percent rate which has bedeviled Greece and threatened the entire euro-zone. The only factor that has prevented Japan from being in a similar crisis to Greece is that only a small portion of that debt is held internationally, around 5 percent, meaning that Japan does not face significant pressure from international creditors and that as long as the Japanese public is willing to continue purchasing Japanese Government Bonds there is no imminent crisis.

Given Japan's accelerating demographic shift, there does now appear to be a broad consensus across the political spectrum in Japan that the current trends and policies are not sustainable. When combined with social security payments, service on Japan's debt now consumes over 50 percent of Japan's annual budget. Since, by the year 2030, over 40 percent of Japan's population is estimated to be age 65 or older, the situation only gets worse with time. This is not a new or unanticipated development; it has been understood but avoided by all major political parties in Japan for some time.

The global financial shock of 2008 provided additional impetus to getting Japan's fiscal house in order, and at least conceptually there is broad recognition among most political leaders in Japan that Japan's relatively low tax rates will ultimately have to be increased, while at the same time there will be need for both administrative reforms and cuts in government spending. Prime Minister Noda has made an increase in Japan's

consumption tax the legislative centerpiece of his Cabinet since taking over last September 2011. He introduced and is still working to pass a bill that would increase the consumption tax from 5 to 8 percent by April of 2014 and then to 10 percent by October of 2015. While most economists agree that this increase alone will not be sufficient to address Japan's fiscal imbalance, even this increase has proven to be a very heavy lift.

Despite support for such an increase in the opposition LDP, for tactical reasons LDP leaders have refused to cooperate with Prime Minister Noda's cabinet on passing such an increase and there are also deep divisions in the DPJ...particularly from Ozawa Ichiro and Hatoyama Yukio who pledged to block such tax increase as part of their platform which swept the DPJ into power in 2009. They and others in the DPJ are especially wary of passing such a tax increase absent support and thus political cover from the LDP...particularly since polls now show that some 56 percent of the public is opposed to an increase at this time.

While the status of this bill remains volatile, there is some speculation that Prime Minister Noda will make a real push for its passage when he returns from the Nuclear Security Summit in Seoul on March 28. So far there is little indication that the LDP is willing to forego use of this issue as a mechanism to pressure Prime Minister Noda to call a general election...something LDP Chief Tanigaki clearly wants to see happen before he is likely forced to relinquish his leadership of the LDP in September 2012. Passage of the consumption tax increase is increasingly shaping up to be a referendum on Prime Minister Noda and unfortunately a prerequisite for movement on other issues of national and international priority such as whether or not Japan will accede to negotiations over a Trans-Pacific Partnership (TPP).

### ***Tohoku Reconstruction***

The world was amazed at the sense of community spirit, determination, and dedication which characterized Japan's response to the horrible events of 3/11. In particular the role of local leaders and civic organizations has rightly been praised as the recovery and clean-up of the areas devastated by the tsunami and earthquake has proceeded at historic pace. Likewise the role of the Japanese Self Defense Forces which mobilized 100,000 soldiers in less than a week and the US contribution through operation Tomodachi are both regarded as great successes. However, the role of the central government in both disaster response and reconstruction continues to be widely criticized. After an all too short initial period of collaboration, political opposition and DPJ infighting blocked passage of supplemental reconstruction funding bills and any meaningful national plan on reconstruction for far too long. While two supplementary funding bills were finally passed under Prime Minister Noda, it was not until February of 2012 that a national "Reconstruction Administration" was established to streamline the process. What is yet to be seen is whether the Reconstruction Administration will have any real authority over the diverse Ministries which will likely continue to clash over resources and priorities in the reconstruction process. Of political significance, there remain some 240,000 displaced individuals unable to return home, including more than 60,000 whose homes are in the exclusion zone near the crippled Fukushima reactor. One need only consider the political

weight of a handful of families impacted by the North Korean abduction of Japanese citizens to understand the influence that this population, particularly those from near Fukushima who will not be able to return home for decades, if ever, could have on Japanese politics.

### *The Future of Nuclear Power and Japan's Energy Security*

Prior to the events of 3/11, Japan operated 54 nuclear power plants and generated some 29 percent of its electricity from nuclear power. Japan's ambitious national energy plan called for further increasing its reliance on nuclear power to over 50 percent in the coming decades.<sup>1</sup> While the immediate physical damage from 3/11 was limited to the disaster at the Fukushima facility and relatively minor damage to a few other facilities, the short-term impact has been to shut down nearly all nuclear power generation in Japan even at those facilities far from the Tohoku region. All Japanese nuclear power plants are required to cycle off for maintenance and inspection every 13 months and by custom, if not by law, they require local government approval before resuming operation. In the current political environment, with former Prime Minister Naoto Kan and others openly campaigning against nuclear energy and growing public distrust of industry, at present only two of Japan's 54 nuclear power plants are operating. Moreover, TEPCO plans to shut down the number 6 reactor at its Kashiwazaki-Karaiwa plant next week, March 26, 2012. That will leave the Tomari plant in Hokkaido as Japan's sole operating reactor and that too is scheduled to be off-line by May 2012, meaning that for the first time since 1966 Japan will be obtaining none of its electricity from nuclear power.

There is an ongoing process for restarting some of the reactors which are currently idled. The government's main regulator, the Nuclear and Industrial Safety Agency (NISA), endorsed the results of a computer-modeled "stress test" for reactors number 3 and 4 at Kansai Electric's Oi plant on Feb. 8 and Japan's independent Nuclear Safety Commission also endorsed these results in mid-March. These results are scheduled to be next reviewed by relevant ministers in the Noda Cabinet before seeking the approval of local leaders. However, the governor of Fukui Prefecture, where the Oi plant is located, is pushing for further revisions to safety regulations and there is no clear timeline for when second-stage tests of the reactor might take place. In recent polls over 50 percent of local governments favor resuming operation at nuclear power plants – presumably in part due to their reliance on revenues associated with the plants, and Japanese industry is increasingly vocal in their concerns about the economic consequences of abandoning nuclear power. As such there is a growing presumption that at least some currently idled plants will inevitably come back on line although the exact process and timeframe is unclear. What is less clear, however, is whether there is any prospect for Japan to return to its standing plans to expand the use of nuclear power.

Through tremendous collective conservation and other emergency measures, Japan was able to get through the summer of 2011 without major disruption in electricity supplies. However, with nearly 30 percent of its power generating capacity now off-line

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<sup>1</sup> This was in part driven both by energy security concerns and in an effort for Japan to meet its carbon reduction targets under the Kyoto Protocol.

and not fully replaced by interim measures, Japan will face even greater challenges in the summer of 2012. In the short run, Japan has dramatically increased its purchase of liquefied natural gas. However, purchased at short-term rates this has proven exceedingly expensive and threatens the viability of Japan's utilities, which are politically unable to raise rates and are dealing with a host of other challenges including liability, rising international oil prices, and the risk of further disruption to key supplies from Iran.

### *National Competitiveness*

For the first time since 1963, Japan posted a merchandise trade deficit in 2011. This was in part due to the events of 3/11 and their ripple effects through Japan's supply chain and its broader economy. At the same time, longer-term trend lines seem to suggest that Japan may be losing its competitiveness, particularly as a base of production.<sup>2</sup> Even prior to 3/11, growing numbers of Japanese manufacturers were moving production out of Japan, a trend that can only increase given concerns about the cost of electricity in Japan. Further concerns include the relatively high value of the yen which has impacted the competitiveness of Japan's exports and more macro-level concerns about the impact of raising taxes, however needed, at a time when Japan's economy is still recovering.

### **Domestic Politics in Japan: Transitional Leadership and the Certainty of Uncertainty**

Since the resignation of Prime Minister Koizumi in 2006, political uncertainty and the frequent – almost annual – resignation of prime ministers have come to characterize Japanese politics. Equally important, the rate of turnover in other key Cabinet-level positions, especially key positions such as minister of foreign affairs and minister of defense, has made continuity of policy and of personal relationships with international counterparts a challenge. Moreover, beginning with the divided Parliament when the DPJ took over the Upper House in July 2007 and continuing through the August 2009 Lower House election when the DPJ took over the government, Japan has been going through what can only be termed a transitory period in government. The DPJ's initial and by some accounts truncated effort to empower the political class at the expense of the bureaucracy has added to the discontinuity. Coupled with daunting fiscal challenges, deep divisions within the Democratic Party itself, and a primarily opposition party (LDP) that has little experience functioning as an opposition party, it should be of little surprise that both politics and policy have been somewhat chaotic. More recently, the failure of either the LDP or the DPJ to gain significant traction with and support from an increasingly skeptical public has led to the emergence of support for “none of the above,” or “pox on both of their houses” views which may prove to be fertile ground for nascent political movements such as the Osaka Restoration Association led by Mayor Toru Hashimoto.

Rather than focus on short-term questions such as whether Ichiro Ozawa will be acquitted and if so whether he will bolt the party, or if and when Prime Minister Noda will

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<sup>2</sup> See Richard Katz in East Asia Forum, <http://www.eastasiaforum.org/2012/03/13/is-japan-losing-its-competitiveness/>

be forced to call a general election, I instead focus on a few factors that are likely to influence the trajectory of Japanese politics:

### ***Continuing Divisions within the Democratic Party***

Ichiro Ozawa has been considered down and out countless times. Yet despite the fact that he has been indicted and that testimony in his corruption trial has recently wrapped up and a verdict is pending, Ozawa maintains considerable sway over the Democratic Party. In recent weeks Ozawa has threatened to work to overthrow Noda's Cabinet if it agrees to dissolve the Lower House to pass the consumption tax, indicating that he might side with the opposition in a no-confidence vote and there is widespread speculation that if he is indicted that he might bolt the party altogether taking his loyalists with him. In some respects, however, Ozawa is only the most prominent public manifestation of a much deeper ideological divide within the DPJ. Furthermore, Ozawa's recent threats highlight some of the structural problems with the Diet and with long-standing practices that developed under single party-rule, but which are not conducive to a modern Japan with a relatively more open political system. The Council of Foreign Relations' Shelia Smith described the phenomenon best:

*Japan's challenges are many, but its priority should be to revamp the national legislative body itself with the aim of creating a system of sustained and constructive national leadership. For half a century, single-party dominance, which ended in the 1990s, concealed some of the flaws in Japan's postwar Parliament. Bureaucrats had a powerful role in setting Japanese policy priorities and in sustaining the day-to-day running of the country.*

*Today, as Japan moves to alternating parties in power, the policymaking habits of the old system have yet to be reformed. Efforts to weaken Cabinets, such as the December 2011 censure motions in the Upper House, have made it virtually impossible to govern. The practice of bartering to bring down a Cabinet in return for legislative compromise denies Japan sustained leadership. A thorough rethinking of parliamentary practice is long overdue, and the time has come for Japan's legislators to turn the national Diet into a serious mechanism for policy deliberation and decision-making. This is the only way in which Japan's hard decisions can be confronted.<sup>3</sup>*

### ***Zero-Sum Opposition***

Over the past several years much has been written about how the Liberal Democratic Party was not prepared and is indeed not structured to function as an opposition party. Despite numerous public opinion polls showing support for some form of a DPJ-LDP grand coalition and expectations of collaboration in the immediate aftermath of the events of 3/11, the top leadership of the LDP has remained focused on bringing down the DPJ under the presumption that the failure of the DPJ will return the LDP to power. There is

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<sup>3</sup> <http://www.cfr.org/japan/beyond-quake-japans-political-aftershocks/p27602>

now a sufficient body of polling to suggest that despite some minor improvement in favorability ratings for the LDP compared to the DPJ, in absolute terms, public support for the LDP remains abysmal. The LDP's position is further complicated by its own politics, particularly the fact that current LDP President Sadakazu Tanigaki will be forced to face an internal LDP election this September which he would almost certainly lose – hence his priority on forcing Prime Minister Noda to call a general election in the short run.

### ***The Emergence of an Alternative***

A recent *Kyodo News* poll conducted March 20, 2012 found that preferences for the next government after a presumed House of Representatives election in the summer of 2013 were 38.3 percent for a “new political framework,” 23.4 percent for a DPJ-LDP coalition, 13.4 percent for an LDP-led coalition, and only 8.3 percent for a DPJ-led coalition. Though it is still too early to tell, much of the attention around the potential for a new political party has focused on Osaka Mayor Toru Hashimoto's *Osaka Ishin no kai* (Osaka Restoration Association) which has indicated interest in training national-level candidates as a first step toward becoming a national political party.

### ***Slow and steady....the Loach as a Turtle***

The same *Kyodo* poll shows that support for the Noda Cabinet has increased slightly since February 2012 to 31.6 percent. While not stellar, and perhaps tied to sentiment surrounding the anniversary of 3/11, this support is worth noting in light of the scenarios described above and given the normal trajectory of popular support for recent Japanese prime ministers at similar junctures. Of note, the Noda Cabinet polls significantly better than the DPJ as a whole. When compared to his immediate predecessors, Noda is seen as a sincere and serious leader who, despite facing significant obstacles, may yet prove that slow and steady wins the race.

### ***Public Trust***

Public trust in government, the private sector, and civic institutions in Japan has traditionally been quite robust and has fluctuated very little over time. When the long-term impacts of the tragedy of 3/11 are tabulated, however, one of the more concerning developments is likely to be the sharp erosion of trust in public institutions in Japan. The Edelman “Trustbarometer”<sup>4</sup> which tracks trends over time, found a precipitous double-digit decline in public trust in Japan over the past year. For example, trust in the media declined 21 percent, in banks 20 percent, in the industry 46 percent, and most sharply trust in official government spokesmen contracted 68 percent to just 8 percent.

The erosion of public trust and growing disillusionment with government preceded the events of 3/11. In some respects the elections of 2007, which turned over the Upper House, and the election of 2009, which brought the DPJ to power, were just as much a

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<sup>4</sup> <http://trust.edelman.com/trusts/path-forward/japan-trust/>



referendum on the LDP as they were support for the DPJ. This is in part reflected in the fact that none of the major parties is able to secure more than 20 percent of public support.

### **Domestic Politics and the alliance**

In comparison to the difficult adjustments of 2009 and 2010, by almost every measure domestic politics in Japan represent less of a challenge for US-Japan relations today. The natural learning curve of the Democratic Party, the change in individual personalities in the Japanese leadership, and some recalibration of US expectations have served to smooth the relationship. Add to that the tremendous goodwill generated in both the US and Japan in the course of responding to the events of 3/11 and the relationship is stable, if somewhat stagnant. Several specific influences are worth emphasizing:

#### ***Tomodachi effect***

From a US perspective, much of the attention to the Tomodachi Initiative has focused on the US role and the outpouring of public gratitude from Japan for US actions, a growing sense among the Japanese public that the US-Japan alliance is not only strategic in nature, but also has immediate benefits and a role for Japan, and the related historic high positive views for the United States. In the long run, however, it may be changing Japanese perceptions of their own Self-Defense Forces that have the most impact. The SDF has affirmed its role in the lead in responding to Humanitarian Assistance and Disaster Relief (HADR.) Whether this leads to a broader reassessment of the role of the military more broadly remains to be seen, but is a development worth monitoring.

#### ***Continuity of Leadership/ Relationships Matter***

The challenge posed by frequent transition among the top Japanese leadership is well covered territory. So much so that for US officials, recounting the number of prime ministers, defense ministers, etc. they have interacted with during their tenure has almost become a stock joke for speeches along the lines of “A priest and a rabbi walk into a bar...” Moreover, much of the energy of analysts of Japan is expended on speculation over the timing and outcome of the next political transition in Japan.

It is worth noting that Noda has only been prime minister since September and we have already seen two defense ministers and given that the narrative in Tokyo about current Defense Minister Naoki Tanaka has focused on cold medicine, coffee breaks, his expertise in the subject matter, and almost predictably controversial comments about the ever sensitive issues of Okinawa – this time the number of helicopters observed – there are already doubts as to his tenure.

Perhaps the best way to make this point is to list the missed opportunities for past summits which were postponed, cancelled, or not even considered due to uncertainties about the staying power of Japanese leaders. The anticipated visit by Prime Minister Noda in early May is an excellent case in point. While both of our governments will work hard to gather “deliverables” for the meeting, if Noda is not able to get his consumption tax bill through the Diet, there will remain the possibility of slippage even at this late date. Even in the best-case scenario it would be appropriate, if seemingly unfair, to compare both the

optics and the substance of the presumed Noda visit to that of ROK President Lee Myung Bak last October.

***Missed opportunities/ common agenda***

Ultimately, the greatest impact of domestic politics in Japan on the US-Japan relationship will not be a specific area of controversy such as Futenma, but rather on the missed opportunities for defining a forward-looking agenda for the broader relationship. If Japan is unable to move forward on TPP, as appears to be the case at least until progress is made on the consumption tax bill, there may indeed be another bus. However, the real question is what the opportunity cost of missing the first bus might be.

# **US Foreign Policy in a Time of Change**

By Toshihiro Nakayama

Many of the points I was going to touch upon were covered in yesterday's session. This in a way shows that domestic factors on both sides are critically important in maintaining the alliance.

I believe Sen. Kerry recently said that the US domestic political situation is the largest threat to American foreign and national security policy. Domestic factors are always important, but it seems that with the changing world environment and changing political cultures in both our countries, it is more so than previously thought.

The issues taken up yesterday – budget constraints, Congress' low approval ratings, the polarization of US politics, and the viability of not a pivot but of rebalancing, – are here to stay. Fortunately, Asia-Pacific policy in the US has been bipartisan. I am sometimes skeptical, but Evans reassured us that it's a brave new world and the US is trying to adapt. With all this, it is difficult to add a new element to the discussion, but I'll try and try to focus on the broad context.

Recently, I've been participating in number of workshops, study groups on the future of East Asia and Japan's position in that brave new world. Most of them are aimed at 15 to 30 years in the future. JIIA has done a study, and the Tokyo Foundation is conducting one this year. It is sort of like the NIC report which comes out every five years. It is not necessarily a prediction of the future but of a brainstorming about what could happen. These kinds of studies were not popular in Japan but since the world is so unpredictable there is an urgent need and awareness for Japan not just to react but to be more forthcoming in shaping the regional order. That is the context in which these studies are being conducted.

Three pillars of this study are the future of China's rise, Japan's political transformation, and the US position in the world and in East Asia in particular. The task I'm given, as an America-watcher, is to predict the future of the US role and presence in the region. Usually in these studies we are given some basic questions to tackle. In my case, the questions are: is the US in decline? Is isolationist sentiment/tendency rising? Will the US remain committed to the region? Would there be a G2 arrangement? A couple of years ago, questions probably would have included, will the neocons return? Is US unilateralism coming back? Is the US trying to contain China?

It is apparent that there is a perception that the US swings from one pole to another quite rapidly. This is partly our fault, and reflects a shallow understanding of the US, but we tend to follow the rhetoric flowing from the US, so in a sense our perception is a mirror image of how you talk about yourselves.

The answers I give to the questions that I've been posed are quite boring. They are common-sense oriented answers, which go like this: for the foreseeable future, the US will remain committed to the region, and it will remain a country with a global scope, and it is a

rational – and the best – choice for Japan to maintain a firm relationship with the US – not just because the US is an ally but because we share fundamental values and the same notion of the desirable order in this region. This is the classic “alliance-handler’s” answer.

But then I ask myself: are recent developments the usual cyclical up and down, once-in-a-decade epidemic? Are they a direct result of the economic downturn/collapse of 2008? In the 1990s, all over the US, people were talking about the closing of the American mind, the disuniting of America, and the rise and fall of great powers. To counter that argument, Professor Nye wrote “Bound to Lead.”

This time around you see books like “The Frugal Superpower” by Michael Mandelbaum, “The Post-American World” by Fareed Zakaria, and the like. In book stores there are piles of books on American decline. Dr. Nye is again countering that argument very effectively and wisely. I think most declinist theories are worthless, except for Zakaria’s book, which is not really about American decline. It’s about a world in which the era of American over/super performance has ended and the rest of the world’s average or in some cases super performance has started. So it’s not about American decline but America’s relative position in the world.

To put this into the present foreign policy context, the main thrust of President Obama’s foreign policy is to adjust the US to the changing world. In other words, it is about the search for a new foreign policy structure in the post-American world. During the campaign, candidate Obama was spotted reading “The Post-American World.” Of course as president, he can never use this phrase – he would immediately be labeled a declinist. He is already being criticized as “leading from behind” and being a “manager of decline.”

If you look at the Republicans, there is the heated rhetoric of the primaries so you have to forgive the provocative statements, but you do see a difference in worldview. The Republican worldview seems to lie in the old Reaganite notions of (and I do tend to agree with this) “American weakness is provocative,” “peace through strength” and that the 21st century has to be an American century. While this is partly election rhetoric, there is some element of truth in these statements. And in fact, the foreign policy implications of who is in the White House are quite big.

How this would play out in the East Asian context is unknown. We were told yesterday that the multilateral shift is bipartisan but it’s still difficult to imagine some GOP foreign policy experts sitting at the East Asian Summit, the ASEAN Regional Forum, APEC, and others. But I do think Asia-Pacific policy is the least partisan. It is still to a certain degree, and thankfully, guided by wise men.

Professor Nye said yesterday that America’s China policy has been constant since the 1990s. A little note on this: in an essay titled “How to Beat Obama” (on the *Foreign Policy* website), Karl Rove and Ed Gillispie called for the politicization of foreign policy issues in the presidential campaign, but China was never mentioned. So even Mr. Rove agrees with Dr. Nye. So I’m not really sure how this clash of world views would play out in East Asia.

I do believe that President Obama is trying to do something quite audacious and fundamental, so the reaction could and should be quite strong. This change in perception will not suddenly turn into policy but it does have a long-term effect on the US psyche. This soul searching is a reflection of a changing world, but at the same time it reflects a fundamental shift in how the US sees itself. I sense a changing attitude toward the basic social compact in the US. It's not a collapse but doubts are rising. For the first time in nearly half a century, you see groups like the Tea Party Movement (TPM) and Occupy Wall Street raising their voice on polar opposite sides of issues. US political institutions can no longer suck up the frustration on both fringes. In the '60s you saw groups like SDS and YAF on each end of the ideological spectrum. It was a wild decade – it produced Jimi Hendrix. But both groups were competing for their own vision of what America could be. You don't see this in TPM and Occupiers around the nation. It is a reaction to what America has become.

Will this lead to isolationism, or will the bipartisan foreign policy establishment be able to contain these “impulse-led movements” that seek to influence the foreign policy infrastructure? It most likely will contain them, but these are signs that should not be ignored.

So as a whole, although the 2012 election is not as exciting as the 2008 election – unless something quite dramatic happens there won't be a movie like “Game Change” from the 2012 vote – substantially it might be as important. In 2008, you could say that there was a consensus to get over the eight years of the Bush administration. Sen. John McCain was also a candidate of change in this respect. But in 2012, there will be a fundamental difference in the way the two camps approach the world. So the 2012 election, although not exciting, is a more consequential election than it might seem.



# Japan and Asia-Pacific Economic Integration

By Yoshiji Nogami

First I would like to discuss the Trans-Pacific Partnership (TPP). There aren't any insurmountable difficulties when it comes to the rules aspect of TPP. The only problem Japan will have to face in joining TPP concerns fairly limited areas of market access. The P-9 members' rule say that there will be no exceptions but if you look at existing FTAs, there are exceptions. I may be a bit technical, but when it comes to tariff lines of, say, rice, there are about 34 tariff lines, which is only about 0.3 percent of total Japanese tariff lines. Even the US-Australia FTA only covers 98 percent. Most US FTAs have about 97-98 percent of trade liberalization, so there is still room to negotiate.

I was talking to Professor Nye about how much customs duty US consumers pay for imported peanut butter – 180 percent. Very few people know this. US beef import duties are about 26 percent, whereas the Japanese import duty on beef is about 38 percent. That's not much different. So there is some room for maneuvering. The Japanese government is also spending huge amounts of money on direct payments to farmers. If these direct payments are well organized and well-targeted, some difficult agricultural commodities can be addressed.

So the difficulty of Japan joining the TPP is not insurmountable. And on top of that, if Japan is to be a part of rule-based Asia-Pacific trading community the TPP is the only route, because the WTO Doha round is getting nowhere, unfortunately.

One question I have concerns the atmosphere in the United States. Trade is a dirty word in US politics at the moment. At the end of the day, whether the United States can eliminate this dirty image about external trade is one important element in establishing this rule-based trading community in the Asia-Pacific region.

I would like to take this opportunity to say a few things about what Robert Madsen said. Yes, demography is very important, not only for Japan but also in China. China is going to lose its population bonus in perhaps 2-3 years' time. This is going to happen because the sad thing about demography is what can be estimated at this juncture is really going to happen. So demography is a serious issue. And of course aging is a serious problem for mobilizing the labor force, but changes in demographics, particularly an aging society, is changing the way the political agenda is formed.

I am an old man, one of the oldest here, with Okamoto Yukio or Jim Kelly. For an aging society, the political agenda is getting narrower and narrower. Older people tend to see the world around themselves, so larger political issues cannot be on the political agenda of an aging society. This is a very serious issue that all democracies have to face sooner or later. Even in China this will happen.

Mr. Madsen also talked about Chinese power. I hate to say this but he failed to mention the definition of power he is using. Chinese GDP in terms of purchasing power is big, but in terms of market rates or exchange rates it's about as big as Japan's, perhaps

slightly bigger. This is a perception of power, particularly outside China. Nobody these days talks about Japan's big economy but people talk about China's big economy, even though the size of the two economies is about the same. So this is a perception problem.

China's per capita income is as high as Paraguay or Nicaragua. I have nothing against Paraguay or Nicaragua but nobody talks about "a great country such as Paraguay or Nicaragua." External perception is perhaps determined by GDP size but domestic politics is always determined by per capita income. I don't know how China is going to deal with this dichotomy. Another important thing, as I mentioned yesterday, is that China has lost its growth model. It can't rely heavily on exports, it can't rely heavily on fixed capital formation. The Chinese are talking about increasing private consumption. It is going to be very, very difficult unless you rapidly increase wage levels. John Maynard Keynes made a very important remark: consumption will not increase unless income or wages increase. It's very simple. So I don't know how successfully China can deal with this issue.

Another important aspect is that China doesn't have effective macro-economic instruments like other advanced economies. The problem for advanced economies is that those macro-economic instruments can't be effectively utilized because of political constraint. This is a point I also want to make about China but it is very difficult for Japanese to speak about the future of Chinese economy because everyone will say, "oh it's just sour grapes."

I will stop here. Thank you.



# **Friends in Decline**

By Robert Madsen

Relations between the United States and Japan have improved greatly over the last two decades. In 1992 George Bush and Bill Clinton were contending for the presidency of the United States in an atmosphere of strong anti-Japanese sentiment, and political activists were televised destroying a Toyota automobile. Today, by contrast, Americans feel much better about Japan. The two countries responded positively and cooperatively to the natural disaster of March 11, 2011, and US citizens no longer see Japan as a serious threat to their economic and geopolitical interests. Such warmth, however, obscures a more worrisome underlying reality. For only if a country is strong and decisive enough to be respected – dare one say “feared”? – can it function as a powerful ally. Japan’s position in the world has weakened over the last 10 or 20 years, and that is part of the reason that ordinary Americans view the country so benignly. By the same token, however, the alliance between Tokyo and Washington is less able to affect the course of international affairs. The purpose of this paper is to explain why the alliance structure is weaker now than in the past and to suggest some ways in which to lessen the scale of the relative decline.

## **The Decline of Japan**

Japan’s pre-eminence in East Asia was long based on a transitory balance of power subject to the eventual rise of the much more populous China. Japan’s demographic trends aggravated that vulnerability, for the aging of the domestic population and the consequent deceleration in GDP growth in the 1990s and 2000s coincided with the acceleration in economic development across the sea. Political dysfunction in Tokyo and a national debt that has already reached unsustainable dimensions – a fact that does not imply a crisis in the near future – also reduce the scope for Tokyo to offer firm international leadership. The question, therefore, has for over two decades been how will Japan manage what has become a progressively more obvious decline relative to China and other developing countries.

Adjusting to a rising country without resorting to war is a common problem in history, and there are basically three ways of doing so. The first may be termed the British model. When World War II transformed the United States from a secondary power into the dominant one, London reacted by forming a tight alliance that enabled Britain to function as an extension of American might. This kept the UK prominent and influential but limited its autonomy. A second approach might be termed the French, or institutional model, according to which Paris helped form a range of international bodies on whose governing boards it sat. This strategy accommodated the expanding importance of both the United States and Germany, who were forced in the UN, the EU and many other agencies to treat France as an equal. The third model embodies the Swiss experience, in which a country voluntarily withdraws from most forms of international exchange and focuses on maintaining its own internal harmony and living standards. At a high level of abstraction, these three scenarios indicate the range of options that have been available to Tokyo.

My view is that Tokyo should have opted for the French approach, meaning the creation of multilateral institutions in East Asia that would perpetuate Japan's role as a regional great power. The proper time for such an initiative would have been the early or middle 1990s, when Beijing was still a comparatively weak state that would have reacted eagerly to offers by Tokyo to interact as equals. The time for such an approach has now passed, though, for China no longer feels that it requires any assistance in establishing a dominant position in East Asia. By default, therefore, Japan slid into the Swiss pattern, emphasizing domestic affairs more than international ones and seeking primarily to bolster its standard of living rather than to shape its global environment.

The Swiss model may ultimately prove inappropriate for Japan. For it is a massive economy with considerable military resources in a region that is not as stable as central Europe. Other countries simply cannot ignore such a state no matter how much it would like them to do so. Moreover, Japan's fiscal situation is such that the current living standard cannot be sustained for much longer than another decade. It is therefore entirely possible that the country will eventually undergo a fiscal crisis that damages many other economies and reduces Tokyo's prestige and influence substantially. Nor, in these circumstances, will Japan be able to spend as much on its armed forces as it has in the past.

### **The Decline of the West**

Much the same thing, sadly, is true of the rest of the Western alliance system. *Pax Americana* was never based solely on US power. The foundation of the system was a tripartite alliance in which the countries of Western Europe helped protect Western interests and values in their continent, Northern Africa, and the Middle East while Japan played the same role in East Asia. It was only when those three forces worked in unison that the alliance system approached its full potential

The problem is that Europe and the United States have both made some of the mistakes that Japan has committed. Although Tokyo's profligacy is unparalleled in peacetime, the truth is that since the early 1980s all of the advanced industrialized economies have increased their debt levels dramatically. The 2008-2010 global financial crisis both resulted from that indebtedness and contributed to more government borrowing, pushing those countries even faster toward the limits of fiscal health. What this means for the United States is that the next 10 or 20 years will be difficult. Much of the country's political energy will be consumed in trying to cut spending and increase taxes in order to avoid a fiscal disaster, leaving somewhat fewer resources with which to address international problems. Even in those instances where the United States decides to act assertively, it will have to do so in the most economical way possible.

Europe's situation is worse, in the short term, than those of either the United States or Japan. The recent Greek bailouts have not solved the problems in the euro zone, which will see more defaults – and perhaps departures from the common currency – over the next few years. Throughout this period the continent will be preoccupied with its internal affairs and comparatively disengaged from global affairs. There is also a financial problem looming, for even Germany will see its debt/GDP ratio rise over time as it absorbs more

peripheral debt or suffers a major economic contraction due to the partial collapse of the euro zone. So even after the currency crises abate, the continent will labor under financial constraints like those that hamstring Japan and the United States. Thus all three partners in the Western alliance system are weaker now than they were five years ago, must curtail their military spending, and have less ability to counteract the rise of China and other new powers.

### **Making the Best of Things**

The challenge for the United States and Japan in East Asia is managing their decline relative to a China whose general economic trajectory should remain strong for another decade. Two of the critical elements in this process are the Trans-Pacific Partnership (TPP) and India.

The TPP question stems from the French model of institutional integration that Japan failed to pursue in the early 1990s, when it may have been possible to bind China into an organizational structure in which both Tokyo and Beijing enjoyed equal status. While the time for such an approach is past, there is still a chance for the United States and Japan to use the regional free-trade process to strengthen their position vis-à-vis China. Bringing Japan into the TPP, in short, would transform that body from a group of secondary economies and a distant, and probably distracted, superpower into a much more significant organization; one with a greater commitment to Western legal and commercial norms and enough muscle to engage China as an equal. For this to work, however, Tokyo must agree to concessions of a magnitude that it has not in the past been willing to contemplate. The TPP must emerge as a union of dedicated partners rather than as another marginal institution that inspires little international respect. Whether this is possible depends in large measure on Japan's internal politics and the ability of the government to overcome industrial resistance.

India matters because its values, political system, and geopolitical interests are somewhat closer to those of the West than China's. In addition, although its economy will not outperform China's anytime in the next several years, by the 2020s its growth rate should be considerably higher and its international reputation much improved. Put simply, India will appear a natural counterpoise to Chinese might. With this in mind, it would make sense for both Tokyo and Washington to build extensive institutional ties to New Delhi more rapidly than they presently are. There are obstacles to such a relationship – corruption and insufficient infrastructure, for example, and the caste system and limited trade ties – but many of these obstacles will diminish with the passage of time. Getting the process started now could accelerate those reforms while also ensuring that the more powerful India of tomorrow has deeply engrained habits of cooperation with the United States and Japan.

### **Conclusion**

The members of the Western alliance system have made a mess of their economies, and the consequence will be slower GDP growth, fewer diplomatic and military resources,

and more difficulty organizing joint international efforts. China suffers from a number of political and economic flaws, to be sure, but it is less indebted and has more command over its own development. Such advantages usually translate into increased geopolitical clout. Maintaining Western influence in East Asia will therefore require more sagacious policies, including the transformation of the TPP into a more powerful and more overtly pro-Western organization and the cultivation of India as a future counterweight to Chinese power. The goal would be to expand the less formal elements of the US-Japan friendship to embrace additional sympathetic countries and to establish institutions that are committed to the promotion of their shared economic and political values.

# The US-Japan Alliance in 2012 and Beyond

By James J. Przystup

## The “Pivot” to Asia

While headline and attention getting, this is an unfortunate choice of words for a number of reasons. Pivoting to Asia seems to imply that, at sometime the United States had pivoted away from Asia, or that we had never paid particular attention to it, or that we could pivot away at some future time. The “pivot” follows on the Obama administration’s earlier “We’re Back/Returning to Asia” rhetoric. But as *PacNet* #7 “Return to Asia: It’s Not All about China,” makes clear the United States never left the region, and, going back to the East Asia Strategy Initiative of 1990 has long focused on the challenges of the Asia-Pacific region. To quote from the document:

*It is essential we position ourselves now to meet the challenges of the 21<sup>st</sup> century. Our goal in the next decade must be to deal with the realities of constrained defense budgets and a changing threat environment while maintaining our resolve to meet American commitments. In this context we believe that our forward presence in the Asia-Pacific region will remain critical to deterring war, supporting our regional and bilateral objectives and performing our military missions.*

Similar East Asian Security documents followed in 1992, and, under the Clinton administration, in 1995 and 1997. The failure of the George W. Bush administration to issue such a document does not mean that US security policy toward the region was missing in action. One has only to recall the efforts made to strengthen and mature the US alliances with Japan, the Republic of Korea, and Australia. While Southeast Asia did not enjoy similar political attention, the presence of the US private sector grew significantly in the period 2000-2010. US trade with ASEAN grew from \$133.39 billion in 2000 to \$178.12 billion in 2010. And, the numbers for US trade with Japan, China, and the Republic of Korea, when added to the ASEAN trade figures, paint a picture of a dynamic US presence in the Asia-Pacific region in the first decade of the 21<sup>st</sup> century.

Today, from friends across the region, the question *du jour* is: is this engagement sustainable? First on the commercial side, in the absence of a worldwide economic disaster along the lines of a 1930s-like depression, the answer for the United States is “yes.” As President Obama and Secretary of State Clinton have made clear “Harnessing Asia’s growth and dynamism is central to American economic and strategic interest ... Open markets in Asia provide the United States with unprecedented opportunities ... Our economic recovery at home will depend on exports and the ability of American firms to tap into the vast and growing consumer base of Asia.” (*Foreign Policy: ‘America’s Pacific Century,’* November 2011.) Or to steal a line from that prolific, Depression-era bank robber Willie Sutton and pivot it from banks to the Asia-Pacific region – “that’s where the money is.” And should TPP ever come into effect, the answer is “yes, unquestionably.”

As for sustainability on the security side, all eyes are on the Obama administration's budget. There are undeniably legitimate questions as to the impact of the budget on defense and the US force structure. But, as Edward Luce pointed out in his Jan. 29, 2012 article in the *Financial Times*, "US defense spending has almost doubled in real terms since the 2001 World Trade Center Attacks. Mr Obama's cuts would shave 8 percent from the budget over the next decade... But even this overstates the reduction. Since Mr. Obama's headline \$487 billion cut" is from a 10-year projection that assumed yearly increases." By 2017, when the cuts are in full force, "US defense spending will be \$567 billion against what would have been \$622 billion. That is still almost six times what China spends today and more than the next 10 countries combined."

Yes, sequestration is looming, but it is difficult to believe that Congress will put US security at risk at the expense of ideology and special interests. And, if Mitt Romney is elected in November, there will be a 300-ship Navy coming soon to seas in your neighborhood.

### **What is the Significance of Darwin Rotations?**

At one level, the Darwin initiative, along with the deployment of the littoral combat ships to Singapore, is the military complement to the Obama administration's high-level political and diplomatic engagement with Southeast Asia. Adm. Willard, in his Feb. 28, 2012 testimony before the Senate Armed Services Committee, noted that PACOM, during the Global Posture Review, had "expressed a need to redistribute postured forces closer to Southeast Asia and South Asia, in order to more efficiently meet the force presence and response demands of the Asia-Pacific sub-region." The Darwin rotation and the decision to "operate US air forces from Australia's northern air bases" represent "initial efforts to rebalance PACOM force posture for the future."

Strategically, the two decisions stand as a quiet reminder of US interests in issues related to Southeast Asia, in particular the South China Sea and freedom of navigation through the region. A force posture rebalanced toward Southeast Asia serves to reinforce stability, deter conflict, assure allies and friends of US security commitments and ensure US of continued access to the region.

To put the Darwin decision into a historic perspective, since the failure of the US-Philippine base negotiations in 1991, the United States strategy toward the region has aimed to expand "access"; the first instance being the taking up of Singapore's access offer. During the US-Philippine base negotiations, the State Department's Policy Planning Staff was engaged in developing an alternative, non-base, "access" strategy. PACOM Commander Adm. Charles Larsen turned that concept into a bumper sticker – "Places Not Bases" – proving in the process to be not only a first-rate admiral but a first-rate marketer as well. Twenty years later, his successor Adm. Willard told the Washington Foreign Press Club that the US has "no aspirations for bases in Southeast Asia" but welcomes the opportunity to rotate forces in the region.

At the same time, even as the Southeast Asia initiatives play out, in Northeast Asia the US alliances with Japan and the ROK will remain the cornerstones of the United States security strategy toward, and the foundation of the U.S. presence strategy in, the broad Asia-Pacific region. The alliances are virtually irreplaceable.

### **What Expectations does Japan have of US Deterrence Policy?**

At a recent conference in Washington, DC, Sugio Takahashi of Japan's National Institute for Defense Studies spoke to this question and made the following points.

Japan is concerned with the nuclear threat posed by North Korea and relies on US extended nuclear deterrence to deal with Pyongyang. Japan is also faced with the possibilities of a limited North Korean attack, conventional provocations, and the consequences of a collapse scenario. With regard to China, the threat is not so much a conventional attack on mainland Japan as it is the possibility of China's opportunistic expansion in the East China Sea or with regard to territorial claims, so called "gray area." Japan is concerned that China would take advantage of a perceived power vacuum to engage in opportunistic expansion. To deal with this, Japan, in the 2010 National Defense Program Guidelines, developed the concept of dynamic deterrence, focusing on ISR and patrol activities to preclude any vacuum from developing.

US expectations are focused on Japan remaining under the US nuclear umbrella. Takahashi cited the assurances of 2006 and 2009 following North Korea's nuclear test.<sup>5</sup> Nevertheless, Japan is concerned that a US acceptance of mutual strategic vulnerability could open the door to lower-level regional challenges.

On lower-level regional challengers, from a deterrence perspective, US conventional capabilities and those of our allies are a key component of extended deterrence as are forward-deployed US forces and power-projection capabilities. Non-military instruments, such as diplomacy as well as economic and legal measures also contribute to extended deterrence by either increasing costs or reducing benefits of any action, or by inducing restraint. There is also the intangible overall health of the alliance relationship, and, judging by the June 2011 "2+2" Joint Statement, the alliance, with all its irritants and complications (Futenma, realignment, and Guam relocation), remains alive and well. And the more the United States and Japan train and operate together in the waters off Japan, the less chance of a vacuum appearing in the East China Sea and in the vicinity of Japan's Southwest islands.

As for concerns that mutual vulnerability will be enhanced as the number of US nuclear weapons goes down, the most recent *Nuclear Posture Review (NPR)*, *Ballistic Missile Defense Review*, and *Quadrennial Defense Review (QDR)* all reflect a desire to

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<sup>5</sup> In this context, President Obama's answer to a question about the meaning of having "Israel's back" namely that "we have always cooperated with Israel with respect to the defense of Israel, just like we do with a whole range of other allies – just like we do with great Britain, just like we do with Japan..." – should be reassuring.

increase reliance on nonnuclear means to accomplish the objectives of deterrence and reassurance. This is not new; it has been a theme of both the 1994 *NPR* and 2001 *NPR*. To the extent that allies and potential adversaries may perceive conventional strike capabilities as more usable – and thus more credible – this would serve to enhance deterrence against a growing spectrum of threats against which the use of nuclear weapons may not be credible.

A final comment on deterrence: to be able to extend credible deterrence to our allies, the United States must be able to “access” our allies. Going back at least as far as the opening of Japan, access has been at the core of US strategy toward the Asia-Pacific region. Concerns about a possible denial of access to the markets of China resulted in the Open Door Notes. And we have gone about securing access in a number of ways: balance of power under Theodore Roosevelt, aligning with Japan against Russia; multilateralism in the Washington Conference treaty system; and the bilateral alliance structure since the end of World War II. Thus, the possible denial of access as a result of the development of A2/AD capabilities is both a challenge to long-standing US strategic interests as well as to extended deterrence in the contemporary world.

In the 2010 *QDR*, Secretary of Defense Robert Gates tasked the services with developing the capabilities to fight and prevail in an anti-access/area-denial environment. This charge again was set out as one of the Primary Missions of the US Armed Forces in the January 2012 Strategic Guidance.

A month later, in the Feb. 20, 2012 edition of *The American Interest*, Gen. Norton A. Schwartz, US Air Force chief of staff, and Adm. Jonathan W. Greenert, chief of naval operations co-authored the article “Air-Sea Battle – Promoting Stability in an Era of Uncertainty.” In it, they wrote that AirSea Battle aims to provide “the concepts, capabilities and investments needed to overcome the challenges posed by emerging threats to access...” The driving force behind the development of the concept “stems from the importance of our nation’s military capacity for protecting allies and partners as well as assuring freedom of access to key areas of international air, sea, space and cyberspace.”

In discussions about AirSea Battle in early 2010, a senior Japanese defense official remarked that “AirSea Battle cannot work without Japan; we want to be planned in” and there are indications that Japan is moving toward cooperation in making the AirSea Battle concept operational. Steps taken by Japan to strengthen ballistic missile defense, to enhance anti-submarine warfare capabilities and to harden base sites serve to support US efforts to sustain access to Japan and, in turn, to extend deterrence. And, as AirSea Battle continues to evolve, enhanced cooperation between the United States and Japan will serve to strengthen deterrence

### **Do These Changes Offer the Alliance Opportunities for Burden Sharing and a More Equal Relationship and, If So, How?**

The short answer is “yes.”



Both the United States and Japan are facing an increasingly complex regional and international environment as well as daunting fiscal and social challenges that will inevitably affect our respective defense postures. In this context, the way ahead is to enhance prospects for security cooperation, and the road ahead is well marked. Major mileposts include: the 2010 report of the Council on Defense and Security Capabilities in the New Era; the subsequent New National Defense Program Guidelines; and Section III of the June 21, 2011 Joint Statement of the US-Japan Security Consultative Committee. Collectively, these documents both recognize the need and call for an intensified US-Japan security relationship. The specific recommendations are all well-known and need not be repeated here. What is needed is for those recommendations to be acted on and implemented.

Among its recommendations, the Advisory Council called for a reconsideration of the longstanding prohibition on the right of collective self-defense in order to allow for enhanced US-Japan alliance cooperation. The Council also recommended enhanced alliance cooperation in the areas of ballistic missile defense and in maintenance of order in space and cyber space. Space and cyberspace are areas that call for active and intense cooperation between Japan and the United States, whose sophisticated financial, industrial and government infrastructures are at the heart of national prosperity and security.

With regard to the defense of Japan, the 2010 NDPG called for the development of a dynamic defense force, one that demonstrates “national will and strong defense capabilities, through such timely and tailored military operations as regular intelligence, surveillance, and reconnaissance activities” and an “increasing operations tempo, placing importance on dynamic deterrence, which takes into account such operational use of the defense forces.” As for the alliance with the United States, the NDPG called for cooperation in intelligence, bilateral contingency planning, operational cooperation in SIASJ contingencies, ballistic missile defense, equipment, and technology and “consultations to improve the credibility of extended deterrence.”

The recommendations of the Council and the NDPG comport well with the US interest in strengthening capabilities that respond to an A2/AD environment. Other promising areas for alliance cooperation include: maritime domain awareness, ISR, space, and cyber – all areas related to the defense of Japan in which Japan can do more without coming up against issues of constitutional interpretation or restrictions.

But to maximize the benefits of cooperation, Japan must address issues related to security of classified information. The lack of standard and reliable procedures across the government results in the stove-piping of information and the inability of integrating information across ministries and agencies. This in turn works against effective contingency response and crisis management.

This leads to a couple of concluding observations on the US-Japan relationship. The first is the recognition, as expressed in the 2011 Defense White Paper, that “it has become extremely difficult for one country to deal with issues confronting the international community.” The second is the recognition of need for cooperation within the international

community and in particular between Japan and the United States. A third is that joint planning and training between Japan's Self-Defense Forces and the US military should be stepped up. Coordinated responses to HA/DR events, to contingencies involving the defense of Japan, as well as contingencies in areas surrounding Japan, such as dealing with a collapse of the regime in Pyongyang, need to be exercised to respond effectively as allies.

And finally, looking back to March 11, the contributions of the US military and the generosity of average Americans to the victims of that calamity speak to the friendship and values shared by both people. And, at a time when both countries are faced with daunting economic and financial issues, when limits have to be squarely faced, and when challenges to international stability and security are growing increasingly complex, there is one undeniable reality – we need each other. And we need actively to coordinate policies, economic, diplomatic, security, and technology, across the board, to promote a more prosperous and secure world. Neither of us can do it alone.

## **Has Japan Avoided Wasting the Crisis? A Somewhat Weak “Yes” By Matake KAMIYA**

One year ago, when we held the 17th Annual Japan-US Security Seminar in this conference room, participants from both Japan and the United States repeatedly expressed the conviction that if Japan did “not waste the crisis” and used the massive tragic disaster as a catalyst for adopting and implementing new policies in a range of fields, including security, it would be able to reconstruct itself as a strong nation full of vitality again. To achieve this, both Japanese and US participants agreed that strong political leadership was essential in Japan. After one year, has Japan successfully avoided wasting the crisis?

With regard to Japan’s security policy and its alliance relationship with the United States, the answer should be a “somewhat weak yes.” The answer should be yes because there has been a major change of mindset among the Japanese people regarding the military, thanks to the relief efforts by the Self-Defense Forces. The answer should be yes because the level of public acceptance in Japan of the US-Japan alliance has hit a record high, thanks to the joint efforts of the two countries to help the disaster-hit areas in Tohoku. The answer should be yes also because the Japanese government has adopted more than a few security policies that represented departures from longstanding policy principles which could be characterized as “passive.” But that yes is not a strong yes because most of the core problems that have stood in the way of Japan’s stepping up its security policy and the strengthening of the US-Japan alliance remain.

First of all, 3/11 has brought about change of mindset among Japanese people regarding the military. The JSDF has about 230,000 personnel. At its peak, more than 100,000 troops were involved in disaster relief efforts across the afflicted areas. For nearly seven decades after the end of World War II, the Japanese people were extremely cautious regarding all matters military. Having experienced reckless acts by military authorities that led to sovereign soil being turned into ashes, postwar Japanese were deeply suspicious of the validity and legitimacy of military power as a tool of state policy. As a result, the Japanese people’s pacifism has come to resemble anti-militarism.

Even before the Great East Japan Earthquake, the JSDF frequently took part in relief efforts in areas afflicted by typhoons, earthquakes, and other disasters. In addition, since the 1990s, the JSDF has participated in international peace operations and has been positively praised by Japanese citizens. However, due to the fact that the JSDF is a military organization that has never been in combat, many citizens were not clearly aware of the benefits which the JSDF brings to their daily lives, until 3/11.

After 3/11, sincere efforts by the JSDF personnel demonstrated to the Japanese people how necessary the organization is in assisting their lives. Nearly 60 years have passed since the foundation of the JSDF, but this disaster seems to have finally cleared up residual allergies among the public toward the JSDF. This disaster seems to have also brought about an overdue move of Japanese pacifism away from antimilitarism. The result of the public opinion survey on the Self-Defense Forces and defense issues conducted by

the Cabinet Office, which was conducted in January of this year and was released a few weeks ago, clearly supports this observation. According to the survey, which has been conducted every three years since 1969, 91.7 percent of respondents said that they have a good impression of the JSDF. This figure represents the highest since the survey was started 33 years ago, and up 10.8 points from the previous survey in 2009. Among the respondents, 97.7 percent said that they appreciated the JSDF's activities in disaster-hit areas.

More importantly, when asked if someone close to the respondent decided to join the Self-Defense Forces, will the respondent support or oppose that decision, 72.5 percent of the respondents answered that they will support that decision. In the 1991 survey, which was conducted shortly after the end of the Cold War, the figure was only 29.5 percent, and 44.1 percent said that they would oppose it if someone close to them decided to join the SDF. Even in the 2006 survey, the figure was only 51.8 percent. In the 2009 survey, the figure rose to 64.7 percent, and now it is as high as 72.5 percent. These results clearly show that many Japanese did not want to see someone close to them join the SDF until quite recently. That was a clear indication that anti-military sentiment persisted among the Japanese public for many decades after the war. The 2012 poll shows that the Japanese people have finally started to overcome such sentiment, and have been recovering the sense that protecting the peace and independence of their country is a job to be proud of.

The waning of anti-military sentiment among the Japanese people is also reflected in the response to the question asking what they would do if Japan were attacked by a foreign country. In the 1991 poll, only 45.6 percent said that they would resist invaders by using force of some kind. Since the 1997 poll, the figure surpassed 50 percent. In the most recent poll, the figure hit a record high of 65.4 percent. Obviously, the Japanese people have been recovering the recognition that military force has an indispensable role to protect peace.

In addition, the earthquake has had a major influence on the Japanese people's view on the Japan-US alliance. The presence of the US military in Japan has provided Japan with a consistent deterrent since the end of World War II and has continually made a major contribution to the security of Japan. However, the success of the deterrent cannot be proved useful until it breaks down, as nothing has actually happened yet. Because of this, many Japanese people were not sure about the contribution of the US military presence in Japan to the security of Japan.

When the US-Japan alliance celebrated its 50<sup>th</sup> anniversary 11 years ago, on September 8, 2001, a huge commemorative conference took place here in San Francisco. There, while most of the participants from the two countries praised the half century of close cooperation and friendship that had been established between the two former enemies after World War II, some US participants pointed out that the US-Japan alliance had not been "tested" in any crisis, and expressed concern that it was unclear what Japan would be able to do in a crisis due to domestic constraints.

For Japan, 9/11, which occurred only three days after the 50th anniversary of the alliance, represented the first serious “test” whether Japan could effectively help the United States in an actual crisis. With the strong leadership of Prime Minister Junichiro Koizumi, the father of Shinjiro, Japan passed that test.

For the United States, however, the test was yet to come. Before 3/11, a considerable number of the Japanese people said that the United States might be simply using Japan for the purpose of its global or regional strategy. Some even questioned whether the US military would come to Japan’s need in emergency. However, with Japan facing its biggest national crisis since the war, the US military in Japan proved to the fullest degree that the United States is really a trustable ally for Japan.

In the January poll by the Cabinet Office on the Self-Defense Force and defense issues, 79.2 percent said that they have an impression that *Operation Tomodachi* was successful. Reflecting such wide-spread appreciation of the US efforts in that operation, the percentage of respondents who perceived the US-Japan alliance beneficial to the peace and security of Japan rose to a record high of 81.2 percent.

So, the atmosphere in the Japanese society surrounding the JSDF and the US-Japan alliance has improved considerably since we met here last year. Has this improved domestic atmosphere led to a drastic change in Japan’s security policy or its alliance policy?

On the face of it, the answer to this question seems to be negative. Three months after 3/11, in late June last year, at the first “2+2” meeting under the DPJ government held in Washington, DC, Tokyo and Washington issued the joint statement “Toward a Deeper and Broader Japan-US Alliance: Building on 50 Years of Partnership,” and revised the Common Strategic Objectives of 2005 and 2007. In the new common strategic objectives, the two sides expressed their shared willingness to respond to the rise of China by strengthening and deepening their bilateral alliance first, and then based upon that, by encouraging China through continuous dialogues to take responsible actions. This confirmed that Japan’s foreign and security policy remains centered on the alliance with the United States even after the change in the ruling party. And for the United States, the alliance with Japan is still the cornerstone of its East Asian strategy even after China’s GDP surpassed that of Japan. It all sounds very nice. But nine months after the announcement of the new Common Strategic Objectives, the Japanese government has taken few concrete measures to implement those objectives. With regard to the 2010 National Defense Program Guidelines, too, the implementation is, by and large, yet to come.

However, beneath the surface, the DPJ government, particularly since the launch of the Noda administration in September last year, has taken more than a few important policy actions that could lead to a major change in Japan’s security policy and its alliance policy in the not too distant future.

Prime Minister Yoshihiko Noda seems to understand both the opportunities and risks in the international environment. Shortly before he became prime minister, he contributed the article “Visions for an Administration” to the monthly journal *Bungei shunju*.” In that article, he said, “Like it or not, the world around us continues to undergo major changes.” While acknowledging that China’s economic development represents a “tremendous opportunity” for Japan, Noda also commented that “China’s increasing military capabilities and growing sphere of activities... are the biggest cause for concern for the region as a whole.” He emphasized the need to reinforce Japan’s own defense efforts to ensure national security in light of current conditions, while also underlining the importance of Japan’s alliance with the United States. “As well as the real-world benefits that the Japan-US alliance provides, we also need to be aware of our shared basic values, in terms of democracy, respect for human rights, the rule of law and the guaranteed freedom of the seas, skies, and cyberspace.” Noda also commented that, as well as fulfilling an “indispensable role in Japan’s security and prosperity,” Japan’s alliance with the United States represents an “international public good” that brings security and prosperity to the region and the entire world.

Noda understands that the greatest problem for Japanese politics in recent years has been the weakness of political leadership. In another article written for the monthly magazine *Voice* just after he was elected prime minister, Noda said that there were two problems that Japanese politics had been procrastinating over, namely the financial and economic situation and the security problem. In that article, Noda declared that he was “mentally prepared to bring difficult matters squarely to the attention of the Japanese people,” and that he was determined to tackle these problems. On Jan. 24, 2012, when Noda delivered his first administrative policy speech to the Diet since assuming office, he started by saying “As this year should be ‘the First Year for the Rebirth of Japan,’ I will aim, above everything else, to break away from ‘the politics that can’t decide,’ with the tendency of putting off the important issues of national policy.”

So far, Prime Minister Noda seems to be a political leader who is determined to implement his words by making necessary decisions. Last November, the Ground, Air, and Maritime Self-Defense Forces jointly conducted an unprecedented massive exercise in the Kyushu and Okinawa area. The main goal of the exercise was to improve the SDF’s capability to defend Japan’s isolated outlying southwestern islands, which was laid out as a key role of the SDF in the 2010 National Defense Program Guidelines. The SDF’s capability to defend remote islands is considered one of the major pillars of the so-called “dynamic defense.”

Since December 2011, Noda has made two major decisions to change Japan’s security policies. One of them was to ease the “three principles on arms exports.” Although the problems associated with maintaining these principles was recognized early on, such as preventing Japan from participating in international joint development and production of arms, in political terms, changing a mainstay of defense policy remains an extremely sensitive issue in Japan given the deep-seated pacifist orientation among the public. That is why successive administrations since the LDP era did not have the courage to revise the three principles on arms exports. However, on Dec. 27, the Noda administration decided on

new standards to allow international joint development and production of arms with “countries in cooperating relationship with Japan in security area,” and the overseas transfer of equipment “on cases related to peace contribution and international cooperation” under “strict control.”

The other major decision by Noda was the dispatch of over 300 Ground Self-Defense Forces in an engineering battalion to South Sudan to participate in the United Nations peacekeeping operations. A long-term commitment over five years is assumed for this dispatch. In a post-9/11 world, the importance of conflict resolution through international cooperation is growing, and is linked to preventing international terrorism. Nevertheless, Japan’s participation in international peace operations has remained strikingly modest among major countries. At a time when much of the nation’s resources must be spared to deal with recovery from the earthquake disaster and the nuclear power accidents, the decision to dispatch a peacekeeping mission to South Sudan, which is geographically far from Japan, was not easy in political terms. Noda, however, exercised political leadership to make the decision.

In addition to these decisions, it was recently reported that the Noda administration is considering loosening the rules of engagement (ROE) for SDF personnel taking part in international peace operations. It was also reported that the prime minister is planning to announce his doctrine on the future Asia-Pacific order at least in part as an effort to echo the Obama administration’s concepts of “America’s Pacific century” and the US “pivot” (or “rebalance”) to Asia.

The remarkable fact surrounding these developments is that such bold security policy initiatives taken by Noda have invited little ideological, postwar pacifist objections from the Japanese public. Despite the continuing divisions within the DPJ, and what Gordon Flake described as the “zero-sum opposition” from the LDP, Noda’s policy decisions as I have listed have been generally accepted by almost everybody quite quietly. This is another indication of the waning of anti-military sentiment among the Japanese people.

If the Japanese people allow Noda to stay in power for a sufficient period of time, he may be able to solve, or at least ease, many of the core problems that have stood in the way of Japan’s stepping up its security policy and the strengthening of the US-Japan alliance, such as the ban on the exercise of the right of collective defense.

The US “pivot” to Asia and the idea of the Darwin Marine rotations have been generally welcomed by the Noda administration because they indicate that the United States has become serious about maintaining the existing order and keeping peace and security in East Asia in the face of a rising China and an ever-more troubling North Korea.

Our US colleagues should recognize, despite the increasing salience of a rising China, North Korea remains the most serious security challenge for Japan. For example, the recent public opinion survey conducted by the Cabinet Office which I mentioned, shows that 46 percent of respondents worry about the modernization of Chinese military

power and China's maritime activities, a 15.6 percent increase from the 2009 survey. But 64.9 percent say that they have concerns about the situation on the Korean Peninsula. Under such circumstances, Japan perceives the US extended nuclear deterrent as indispensable for its security. In 2010, Tokyo was glad to see that the Obama administration's *Nuclear Posture Review* paid sufficient attention to the importance of maintaining the US nuclear umbrella over its allies. But concerns persist in Japan that the United States may be considering a new nuclear policy that may undermine the credibility of US extended deterrence. In that sense, some Japanese experts are worried about the following sentence in the "Defense Budget Priorities and Choices," released on Jan. 26, "An ongoing White House review of nuclear deterrence will address the potential for maintaining our deterrent with a different nuclear force." What does it mean?

I will stop here. Thank you for listening.



# **The Future of the Alliance**

By Hiroshi Nakanishi

The most significant change in the last year regarding the alliance is the change in the mindset of Japanese people. They are increasingly concerned about the future and the security of Japan. Hence people are becoming more forthcoming, and in a sense, waiting for changes in Japanese foreign and security policy.

Actually, this change has come about in the last five years, starting with the abrupt start of the US-North Korea bilateral talks in early 2007, the post-Lehman shock depression in 2008-2009, the Japan-US debacle on the Futenma Relocation Plan in 2009-2010, the 2010 Senkaku uproar with China, and the March 11 complex disasters in 2011. These experiences not only heightened the sense of insecurity among the Japanese but led them to realize the true value of Japanese society and culture based on traditional values and the peaceful nature of human behavior. This experience prepared the Japanese for the post-economic giant era.

Japan's new identity is taking shape based on the perception of it as the "country in the middle" between the US and China. It is not only a geopolitical concept, but it is an economic and to some extent cultural or civilizational concept. Japan as such needs to make strategic decisions on the following matters:

- 1) Japan must associate itself with a Pacific power like the US, a continental power like China, or go independent. This question has been basically resolved by the US commitment to the Pacific, the willingness to mention the Senkakus as an area covered by the security treaty, and the patience of the US government as Japan makes up its mind.
- 2) How to strike a balance between association with Pacific democratic powers like the US, South Korea, Australia, India, etc., and increasing dependence on Asian economic growth led by China. Japan has been looking for its own form of engagement, based on international rules and social exchanges of values, welcoming Chinese tourists to Japan to see what Japan is really like. Japan tries to pose as a model of an Asian democracy and free economy.
- 3) How to adjust to ongoing strategic change in the surrounding region and maintain room for independent decision-making. This partly means matching the increasing Chinese A2/AD capability, preparing for North Korean military provocations, all under the condition of stringent fiscal and economic constraints of Pacific countries. But Japan also aims to keep its stance and be counted upon by countries in the region, including the US and China. That puts the roles and missions of the Japanese defense forces in a pivotal role in the northwestern Pacific, controlling the key zone to connect the Pacific and the Asian continent.

These policy calculations resulted in the relatively smooth passage of the New Defense Policy Guidelines in 2010, revision of the long-held arms export policy, and the decision to acquire the F35 as the next-generation fighter. But the Japan-US alliance will

shift its focus from having top-notch equipment like fifth-generation fighters such as the F22 or F35 to having less costly types, partly due to lack of financial resources, but partly due to the changing nature of security in coming years.

*Operation Tomodachi* can be a model for future operations in terms of the salient importance of the jointness and combined nature of operations, along with mobility and information/intelligence. Tomodachi set another important precedent: Japan took the lead and US forces followed. While Japan formed the Joint Task Force, the US took a Joint Support Force posture. Flexible changes in roles including who controls the entire operation will be another feature of the alliance in the future.

There are still huge obstacles before Japanese policies can move forward.

- 1) First, weak political leadership, governmental institutions that lack strong oversight and intelligence capability, a large fiscal shortfall, and long-term population decreases and aging. Still, in my view, the Japanese people are slowly awakening and trying to make progress.
- 2) Second, constitutional revision regarding collective self-defense continues to be a big obstacle. This issue can be addressed both by gradually expanding the area of roles and missions of Japan and by changing legal interpretations, rather than tackling the issue of constitutional reform head-on.
- 3) Third, Okinawa is a problem of its own. Japan and the US need to address the unique history and location of Okinawa. After all, Okinawa was a semi-autonomous state from the 16<sup>th</sup>-19<sup>th</sup> centuries. Commodore Perry signed a treaty with the Ryukyus in 1854, which was later nullified as Okinawa formally became part of Japan. Since Okinawa is at the maritime crossroads of the US, Japan, and China, the political willingness of the people in Okinawa to be part of the security framework will be more important. A bolder approach than the current readjustment of the realignment plan is desirable.

The alliance needs to expand its scope both in terms of geography as well as new frontiers. First, the trend of associating the alliance with South Korean, Australian, or Indian forces needs to be pursued. Second, particularly important for Japan is to enhance its roles in humanitarian disaster relief (HDR) operations in a multilateral setting. The Pacific Partnership and the ARF-VDR/Direx deserve credit for enhancing multilateral cooperation in this field. Third, revisions of Japanese arms export policy allows closer association with European powers (joint production is reportedly being discussed with the UK) or developing countries by providing Japanese equipment to local forces or third countries when Japan's SDF is engaged in peace-building missions. And fourth, security is extending into new spheres like space, cyberspace, and the maritime domain. Japan has been relatively slow in preparing to deal with these new frontiers, but it established a national information security center in 2005 and enacted basic laws on maritime affairs and space, in 2008 and 2009, respectively. These laws and institutions assemble scattered authorities around the government and attempt to form an integrated policy.

It is about time to consider revitalizing Asia-Pacific regionalism. Asia-Pacific regionalism has been in decline since the late 1990s, making way for a rising China to take the initiative on regional cooperation. Given the changed political economy after the Lehman shock, the stakes are huge since the global growth center lies in the Asia-Pacific. Japan and the US need to set the rules of conduct for this region, avoiding both the containment of rising Asia and subservience to rising powers. The TPP will be a good starting point.

Japan and the US need to address another aspect of the alliance: nuclear governance. The alliance is closely associated with Eisenhower's "atoms for peace" speech of 1953, the nuclear umbrella by the US, and Japan's disowning of an independent nuclear weapons capability by abiding by the NPT regime. This arrangement seems increasingly out of touch with reality on nuclear issues. The Fukushima accident is a rude awakening, but the weakening of the NPT by North Korea, Iran, India, and Israel also questions the validity of the NPT regime. In addition, the controversy over nuclear spent fuels around the globe, including in the US and Japan, hangs over the future of nuclear energy. There is no short-term solution, but Japan and the US need to tackle this issue on a long-term basis, independently from the urgent question of Japan maintaining its nuclear energy industry, science, and engineering.



# Japan: Look East to North America

By James A. Kelly

## Introduction

My thesis is that our successful and necessary alliance must undergo extensive changes in the near term years. Despite the Obama administration's "pivot" to Asia, which has a strategic heart amid its political hype and an unfortunate description, the relationship between Japan and America should continue to be significant yet it will not be static. This is an argument that within a changed world, the relationship – and its core, the alliance – of Japan and the US will probably be less significant than it has been unless it is enhanced in important ways. One solution that this paper – for the "Vision" segment of the conference – suggests, is to put the alliance in a larger and broader framework that goes outside of Asia, specifically to North America.

## Why has the Alliance been so Strong for So Long?

The 50+ years of the US-Japan alliance have coincided with that period's particular leadership role of the United States, coupled with the development of Japan's unique combination of geography and economic power. Japan's geography – belonging to but separated from the continent of Asia – has played a part, and will in the future. Japan is apart from its neighbors, as an island to be sure, but also as a mature economy whose modern-era development has been more advanced at every stage than the other Asian countries.

Japan's rapid rise to prosperity, second for years only to the US, was important, though the shared values of democracy, with deeper roots in Japan than most Americans realized, have been critical. The bipolar world of capitalism and communism provided impetus for the two to come together for mutual security, giving urgency to the process.

Of course, the post-WWII US occupation provided momentum, as exemplified by the unexpected 1950 role of what became the Maritime Self-Defense Forces, *kaigun giatai*, to provide crucial minesweeping support after North Korea's sudden and almost successful invasion of South Korea. But meeting the interests of both countries was the critical element, and that should certainly continue.

## Changes in Relative Positions

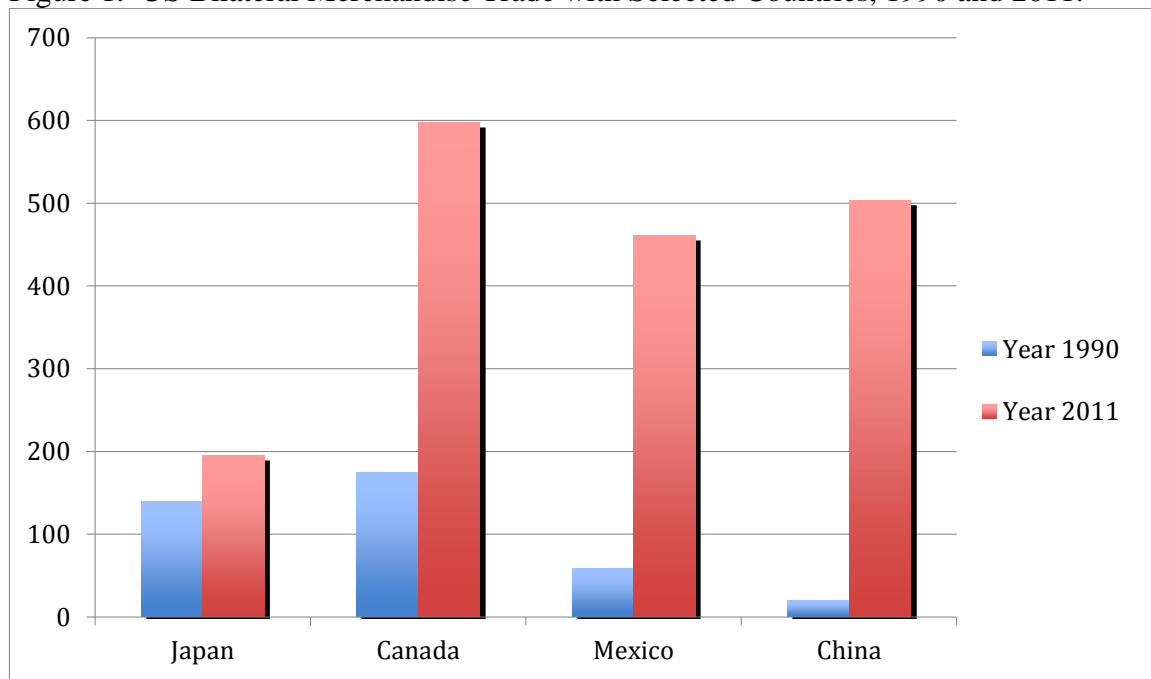
At the risk of belaboring the obvious, there is a very different set of political and economic factors in the world today, representing globalization, the rise of China, the super growth of the developing world, energy supply volatility, and the Eurozone's existential crisis. And all of these are now framed more by Sam Huntington's *Clash of Civilizations* than by the confrontation of conflicting ideologies, which marked the 20<sup>th</sup> century.

Japan's demographics – a population beginning to decline and aging rapidly – will also affect its ability to compete. And at the same time, there is also a sharpened global competition for natural resources, including energy, food, and raw materials. Recent trauma has resulted in policy changes in Japan that intensify these issues.

So as each individual's life proceeds, the changes – many quite profound – affect the environment within each country in ways that we scarcely perceive. To touch on some less appreciated changes, the writer has chosen 1990 as a comparison point (with 2011 trade figures) and used some important US trade relationships to illustrate. (See Figure 1.)

Since the 1970s, Japan was the United States' highest value trading partner, excepting only Canada, the neighbor sharing a long, peaceful border. All are aware of the huge growth of China's economy and the corresponding surge of trade with China by both Japan and the United States is well appreciated. But fewer have paid attention to the huge growth of both Canada-US and Mexico-US trade, due significantly to mid-1990s NAFTA, abetted by climbing energy costs.

Figure 1. US Bilateral Merchandise Trade with Selected Countries, 1990 and 2011.



Source: US Department of Commerce, Bureau of Census, Bureau of Economic Analysis

Japan still has world-class exporting companies, but its demographics and slowed economy have limited the growth of trade. Of course, many exports to the US by Japanese firms, with Japan-made components, now appear as finished goods on other countries' accounts. This tendency has been accelerated over the last year as effects of 3/11, including power and labor shortages, have caused some manufacturers to hurriedly move even more work out of Japan, especially China, South Korea, and Vietnam.

This is not to suggest that Japan's smaller share of US trade is less significant economically than it was or that its years of lessened economic growth have any impact on its larger relationship with the US. The alliance is bigger than this. But these figures do show that the explosive growth fostered by NAFTA within North America has shifted trading patterns. And that the world's axis – as so many assert – may not have wholly shifted to Asia.

At the same time, as energy costs skew trade patterns worldwide, changes in energy sources within Japan have strategic implications that are too new to have been adequately appreciated. The terrible twin blows of 3/11 have naturally shocked Japan, especially in the matter of nuclear power generation. News reports reflect drastic reaction to the Fukushima Daiichi Reactor meltdown, with its releases of radioactive materials. Japan's electric power generation, some 30 percent from nuclear reactors before 3/11, is being dramatically changed. Reports state that only two of 54 reactors nationally are still operating, with all reactors likely to be shut down soon. Clearance to restart is at the politically terrified discretion of local political leaders.

Although the government has spoken of an orderly transition over many years from nuclear generation, that is not what appears to be happening. Rather there is a shift to oil, imports of which were increased 25 percent in 2011. Residents of the US state of Hawaii, however, may know better as their oil-fired electricity costs have increased by 23 percent in a few months. Low-sulphur Indonesian oil, with suddenly increased buying by Japan, has soared in price (estimates suggest \$135 and more per barrel) even more than have world supplies, currently at about \$107 per barrel.

This anomaly is interesting but not critical. But it does suggest that Japan will be even more dependent than it has been on Middle East and Southeast Asian oil, moving through sea-lanes that might be vulnerable someday. Japan has long worked for energy security, and it should be concerned now.

### **Considerations for Broadening the Alliance:**

The point of all this is to suggest consideration of a much closer tightening, beyond East Asia, of the US and Japan relationship. Although the China market is important to Japan and will stay so, Japan is a global economic player and should be seen as such. It is in Asia, but is highly unlikely to be East Asia's "leader." China will not be accepted as that "leader." But China's size alone, and its economic weight, will require all in Asia to be mindful of its will, even if China's newly fostered nationalistic hubris (read: some PLA statements) remains restrained.

Japan has been having strategic dialogues with other democracies, such as Australia and India. These are useful, but will only marginally enlarge Japan's options, as both are, most of all, distant. Australia is a worthwhile partner, but probably best done in three-way cooperation with the US. India has aversion to close relations that may go back to Cold War days. Cooperation and dialogue will be useful, but any alliance impact would

be, at best, far in the future. South Korea is the most obvious partner, but it has been hard to put a bad history far enough behind.

Participation in the Trans-Pacific Partnership, (TPP), the US trade initiative that Japan indicated would be considered at the November APEC Leaders' Meeting, remains in some doubt. TPP, assuming Obama's support of his own initiative – union election support, especially anti-trade auto unions, have shown an ability to paralyze the administration on trade issues. Exhibit "A" would be the case of KORUS FTA, all but ignored for three years, but finally sent to Congress and promptly ratified by a large, bipartisan margin. But TPP has picked up some momentum, and is intended to "set a template" for trade liberalization.

With nine TPP partners, and Japan as possible, and with Canada and Mexico keen to join, the measure could be quite significant. And trade agreements with the US have also served as underpinning for strategic relationships. It is not that TPP will benefit the alliance directly, but its failure could be costly. There is always concern for what some see as "three headed" trade policies followed by Japan. Despite reasonable coordination between MFA diplomats and METI trade officials, Japan's trade policies continue to be trumped frequently by agricultural interests concerned with protection of the status quo, such as it is, with farmers in Japan largely in their 60s and 70s. Over time then, agricultural issues – if they continue to block participation – may begin to have more serious implications. And with ever-greater oil dependence, that may be risky.

Meanwhile, North America, despite the United States' political stasis, ever-growing debt overhang that threatens serious inflation, and unemployment and income equality issues, has much residual strength. Canada emerged stronger from the world recession and its energy, crops, and metals are in high demand that is increasing. Mexico still has agonizing drug wars, but its middle class has appeared and is taking shape, its manufacturers are busy, and its economic outlook has never been better. A US recovery is emerging – slowly – in housing, and with new technology spurring exceptional natural gas development, an era of world shortages may leave North America in a new kind of leading position.

Japan has a special alliance with the US, but its future in working with the US in a broader, North American context, has real potential. With respect to energy supply, the developments in extracting shale gas in the US and elsewhere, plus strong oil stocks, may suggest to Japan that making the alliance even closer may be the best approach. The economies of the US (and in differing ways Canada and Mexico) can – in potential – provide options for Japan that are outside Asia.

It is premature to suggest that NAFTA be expanded to include Japan, but the idea – if carefully developed – might be useful to all. Japanese may find that North America may be more amenable to two-way trade expansion, not to mention political values, than many in Asia. Of course, Japan would have to be open much more than it has been to imports of food and grain. But given the stage of life of many Japanese farmers, that may become more acceptable.



And on energy, Japanese sources in North America may offer secure choices that would offer both reliable supply and reduced vulnerability to East Asian instability if that ever unfolds. Some Japanese companies might find that locations near reliable energy sources are in their interest. In such a case, some kind of preferred status would have value.

Japan and the United States have a fine, proven, and most successful alliance. But with the world changing and relative decline a factor, a look toward North America may put the relationship on an even longer-term footing than the steadfast comity that we have had.



## About the Contributors

**Richard L. Armitage** is President of Armitage International, and a former US Deputy Secretary of State. Prior to assuming that post, he was President of Armitage Associates L.C. from May 1993. He has been engaged in a range of worldwide business and public policy endeavors as well as frequent public speaking and writing. Previously, he held senior troubleshooting and negotiating positions in the Departments of State and Defense, and the Congress, including as Assistant Secretary of Defense for International Security Affairs. He is a graduate of the US Naval Academy.

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**James A. Kelly** is former Assistant US Secretary of State for East Asian and Pacific Affairs (2001-2005). From 1994-2001, Mr. Kelly was President of the Pacific Forum Center for Strategic and International Studies (CSIS) of Honolulu. Previously, Mr. Kelly served at the White House in Washington, DC as Special Assistant for National Security Affairs to President Ronald Reagan, and as Senior Director for Asian Affairs, National Security Council, from March 1986 to March 1989. From June, 1983 to March 1986, Mr. Kelly was at the Pentagon as Deputy Assistant Secretary of Defense for International Security Affairs (East Asia and Pacific.). He is currently President of EAP Associates, Inc., and Senior Adviser and Distinguished Alumni at CSIS.

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**James J. Przystup** is a Senior Research Fellow at the Institute for National Strategic Studies at the National Defense University. He has worked on issues related to East Asia for close to 30 years on Capitol Hill; on the House of Representatives Subcommittee on Asian and Pacific Affairs; as the Deputy Director of the Presidential Commission on U.S.-Japan Relations; in the private sector at IBM; on the Policy Planning Staff of the Department of State; in the Office of the Secretary of Defense; and as Director of the Asian Studies Center at The Heritage Foundation.

**Evans J.R. Revere** is Senior Director at Albright Stonebridge Group. He was former President and CEO of The Korea Society. In 2007, he retired after a long and distinguished career as a diplomat and one of the US Department of State's leading Asia experts. His last State Department assignment was at the Council on Foreign Relations in New York, where he helped launch its Independent Task Force on US-China relations and served as the task force's first director. Mr. Revere served as Acting Assistant Secretary of State for East Asian and Pacific Affairs and Principal Deputy Assistant Secretary. He was also Deputy Chief of Mission at the US Embassy in Seoul (2000-2003), and served as Charge d'Affaires at the embassy during most of 2001. His diplomatic career included service in China, Taiwan, and Japan and extensive experience in negotiations with North Korea. Mr. Revere is fluent in Chinese, Japanese, and Korean.

## **APPENDIX A**

18<sup>TH</sup> ANNUAL  
**JAPAN-U.S. SECURITY SEMINAR**  
March 23-24, 2012  
*J.W. Marriott Hotel • San Francisco, CA*

### **Agenda**

#### **Friday, March 23**

3:00PM **Welcoming Remarks**  
Yoshiji Nogami, JIIA President  
Ralph Cossa, Pacific Forum CSIS President

3:15-5:00PM **Session I: A New Strategic Setting?**  
*Japan Presenter:* Yasuhiro Matsuda  
*US Presenter:* Evans Revere

The opening session explores the two allies' strategic priorities, focusing on global and regional concerns, and highlighting areas where interests and approaches overlap or diverge as we design future strategies under a new strategic setting. Key issues include the death of North Korean leader Kim Jong Il and the assumption of power by his son Kim Jong Un; perceptions of China, and the impact of its leadership transition; January elections in Taiwan; March parliamentary elections in South Korea and the presidential ballot in the ROK in December; and the ramifications of the Russian presidential election. How will these events impact the security environment? Has the US outreach to Myanmar changed Southeast Asian dynamics? How? Have tensions over the South China Sea abated? How can the two governments deal with Iran's nuclear ambitions? How do speakers assess the development/maturation of multilateral security architectures in the region, such as the ASEAN Defense Ministers Meeting Plus, the East Asian Summit, and the Six-Party Talks? As always, this overview sets the stage for in-depth discussions of US and Japanese security policies and our individual and bilateral efforts to address these challenges.

5:00-5:30PM **Keynote Remarks:** Hon. Kurt Campbell

6:30- 9:00PM Reception/Dinner  
**Keynote Address:** Hon. Richard Armitage

#### **Saturday, March 24**

8:00-9:00AM Continental Breakfast

9:00-10:15AM **Session II: Domestic Politics and the Alliance**  
*US Presenter:* Gordon Flake  
*Japan Presenter:* Toshihiro Nakayama

This session examines the political setting in each country and its impact on the alliance. A Japanese presenter will focus on US developments. How do Japanese perceive US politics and how it affects US defense and security policy in general and the alliance in particular? Have the debt discussions impacted US leadership and standing? How will the 2012 US elections affect the alliance? A US presenter will look at developments in Japan. Are Japanese politics stable? If not, why not? What is the impact of a continuation of the political status quo in Tokyo? What are views of the DPJ as a security partner? What is the impact of Japanese political developments on the alliance? How have the events of March 11, 2011 impacted Japanese politics? The alliance more generally?

10:15-10:30 Break

10:45-12:00 **Session III: Non-military security relations, the region, and the alliance**

*Japan Presenter:* Yoshiji Nogami

*US Presenter:* Robert Madsen

This session explores the economic, political, social, and cultural dimensions of the alliance and regional security. Has the region recovered from the 2008 financial crisis? What has its effect been on the regional balance of power? How has it affected regional security? How does each country assess regional economic developments? How important, for example, is the Trans-Pacific Partnership (TPP)? Will Japan join? What happens if it doesn't? What has the impact been of the Korea-US Free Trade Agreement (KORUS)? How should the US respond to growing economic integration among the "Plus Three"? How do participants assess China's economic prospects and their potential impact on regional security? How do both sides broaden and deepen the non-military dimensions of the alliance, focusing on both common interests and common values?

12:00-1:30PM Lunch

**Keynote Address:** Tsuyoshi Yamaguchi  
Parliamentary Senior Vice-Minister for Foreign Affairs

1:45-3:00PM **Session IV: National Security Policies, Strategic Cooperation, and the Alliance**

*US Presenter:* James Przystup

*Japan Presenter:* Mataka Kamiya

This session explores the two governments' thinking about national security policies and deeper strategic cooperation. How do the two countries enhance their cooperation based on the Common Strategic Objectives presented by the last "2+2" Joint Statement (June, 2011)? What is the meaning and significance of the US "pivot" to Asia? How will it impact the alliance? What is the significance of the Darwin Marine rotations? What expectations does Japan have regarding US deterrence policy and how does it view the US global posture and nuclear umbrella? What are the implications of changes in US nuclear policy that lessen the role of nuclear weapons and enhance credible conventional

deterrence? Do these changes offer the alliance opportunities for burden sharing and a more “equal” relationship? How are the new National Defense Program Guidelines and Mid-Term Defense Program being implemented, in particular the idea of “dynamic deterrence”?

3:15-3:30PM Break

3:30-5:00PM **Session V: Visions for the Alliance**  
*Japan Presenter:* Hiroshi Nakanishi  
*US Presenter:* James Kelly

This session will focus on how Japan and the US see the alliance evolving. Do we have a common vision of future security challenges and preferred responses? How does the alliance fit? What is the significance of the Japanese decision to acquire the F-35? How does the decision to allow exports of components related to missile defense impact the alliance? What other countries should the US and Japan be working with to maximize their contributions (and that of the alliance) to regional security?

5:00-5:30PM **Session VI: Conclusions and Wrap Up**

This session provides participants an opportunity to make overall observations or to focus further on specific issues. The chairs will make concluding remarks.

6:30PM Reception/Dinner at Consul General Hiroshi Inomata’s Residence





## **APPENDIX B**

18<sup>TH</sup> ANNUAL

### **JAPAN-U.S. SECURITY SEMINAR**

March 23-24, 2012

*J.W. Marriott Hotel • San Francisco, CA*

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