



# Japan-U.S. Security Relations: A Testing Time for the Alliance

A Conference Report

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# Japan-U.S. Security Relations: A Testing Time for the Alliance

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The views expressed here do not necessarily represent the views of the U.S. 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 15th annual Japan-U.S. San Francisco Security Seminar on March 27-29, 2009. It was a timely and important discussion, coming at a time when we jointly face a global economic crisis on a scale not seen since the Great Depression. This has fueled (mis)perceptions of a decline in U.S. power and influence. Decision makers in Tokyo worry that the Obama administration may be shifting focus from Japan to China, turning from an ally unable to act because of domestic political turmoil toward a more confident and assertive partner in Beijing. Those doubts magnify concerns about the U.S. commitment to protect Japan and the credibility of the U.S. extended deterrent.

Nonetheless, our participants remain committed to the bilateral alliance, while pressing for renovation of the security partnership to keep it relevant and resilient. Japan and the U.S. should reach out to other security partners – China and South Korea in particular – to diminish suspicions about our bilateral security alliance and to build a stronger foundation for multilateral security cooperation. Japan must forge a national consensus on its place in the world, the role of the alliance in its foreign policy, and its role within the alliance. Integral to this process is rethinking the definition of security. By focusing on nontraditional challenges, Japan can develop ways to contribute to peace, security, and stability that do not conflict with its constitutional constraints. Not only does this afford Japan more options, but it better aligns with the new U.S. administration's agenda and thinking.

Our annual meetings continue to assist government officials in both countries to gain a greater appreciation of the changes and challenges – and the opportunities for cooperation – that lie ahead. While the hurdles are formidable, the unprecedented cooperation of recent years, and our shared values and interests, give us reason to be optimistic.

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 also would 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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## Key Findings from the 15<sup>th</sup> Japan-U.S. Security Seminar San Francisco, California, March 28-29, 2009

The 15<sup>th</sup> Japan-U.S. Security Seminar convened in San Francisco, California, March 28-29, 2009. Fifty experts and policy makers from the two countries assessed the state of the alliance and identified future challenges. Key findings from that meeting include:

The global economic crisis tops the list of security concerns in both countries.

The U.S. financial system has been harder hit by the crisis than has Japan, but the real economy in both countries is hurting.

The crisis has done particular damage to the U.S. It accentuated and accelerated the decline of the United States in the regional balance of power, decreased U.S. assets while increasing its debt, shook the foundation of its banking system, damaged the capitalist and regulatory model the U.S. had backed, and forced the U.S. to refocus on domestic issues.

While the crisis offers opportunities for U.S.-Japan cooperation, they have not been exploited.

Japan worries about the priorities of a Democratic administration: there is a belief in Tokyo that a Republican White House is more sympathetic to Japanese interests.

- The Obama administration has recognized those fears and attempted to assuage them: Secretary of State Hillary Clinton's first stop on her first trip abroad was in Tokyo; Prime Minister Aso Taro was one of the first visitors to the White House.

- Nevertheless, Japanese insecurities continue to grow. These reflect concern that U.S. and Japanese priorities in handling North Korea are different; Tokyo worries that the U.S. will be content to manage North Korean proliferation rather than denuclearize the Peninsula.

- Japanese experts worry that political tumult is making it harder for Tokyo to fulfill U.S. expectations when it comes to acting on behalf of the alliance.

- In contrast, China appears ready to work with the U.S. on key concerns. Japanese fear stronger U.S.-China ties will come at the expense of their relationship with the U.S.

Japanese strategists are concerned about the credibility of the U.S. extended deterrent.

This is in large measure the projection on to the U.S. of Japanese doubts about their own capability to be a good partner.

President's Obama twin commitments – to pursue disarmament and maintain the defense of the U.S. and its allies – reinforce Japanese fears. Japan welcomes a serious U.S. commitment to disarmament. But it also worries that a reduction in strategic arsenals undermines the U.S. deterrent relative to China. Japanese fear that a cut in the U.S. arsenal to 1000 warheads could encourage Beijing to race to parity.

There is a troubling focus among Japanese strategists on numbers of U.S. strategic weapons. This reflects unease about the bilateral relationship: in the absence of goodwill, numbers become the most important metric. Contributing to this miscalculation is a lack of sophistication among Japanese strategists concerning nuclear weapons.

Japanese participants believe that China is shifting the balance of power in Asia. The economic crisis has done more damage to the U.S. than China. The balance of power is shifting in the Taiwan Strait. China's military modernization program, especially that of its navy, is eroding – if not eliminating – U.S. advantages.

Trilateral cooperation is an increasingly essential element of Northeast Asian foreign policy.

The U.S. and Japan should engage China together and as an alliance. This will encourage Beijing to be a better stakeholder and temper Chinese perceptions of the bilateral alliance. It will allay Japanese fears that the U.S. and China will make decisions that go against its interests and encourage China to see Tokyo as a key interlocutor.

The U.S., Japan, and the ROK should also pursue trilateral cooperation. Despite the fact that the three governments have never been more closely aligned in their assessment of regional concerns, cooperation is still stunted. History impedes permanent progress and both Japan and South Korea tend to first see the other as a potential adversary rather than a friend.

Japan must forge a national consensus on its place in the world, the role of the alliance in its foreign policy, and Japan's role within the alliance. Too often, Japan rationalizes policies by saying "they help the U.S." That politicizes the alliance.

At the military level, Japan must find a comfortable level of asymmetry in its partnership with the U.S.

Instead, Japan should find the most appropriate contribution that makes it a more valuable partner to the U.S. Integral to this recalibration is the reconceptualization of security. By focusing on nontraditional challenges, Japan can develop ways to contribute to peace, security, and stability that don't conflict with its constitutional constraints. Not only does this afford Japan more options, but it also aligns with the Obama administration's agenda and thinking.

## Conference Summary

Brad Glosserman, Rapporteur

The 15<sup>th</sup> annual Japan-U.S. Security Seminar convened amidst a ringing of alarm bells. A global economic crisis challenged the capability of states to sustain growth and prosperity and the philosophy that has dominated the postwar economic order. The prospect of a North Korean “satellite test” threatened regional stability and raised questions about the ability of global institutions, the United Nations in particular, to check misbehavior. The possibility of the first non-Liberal Democratic Party (LDP) government taking power in Tokyo by means of the ballot box raised questions about Japan’s future outlook and orientation. All of this provides the backdrop for the 50<sup>th</sup> anniversary of the Japan-U.S. alliance, which will occur next year.

At this “testing time,” 50 policymakers and scholars from the two countries met in San Francisco, March 27-28, 2009 to assess the state of the bilateral relationship. In addition to those senior experts, 11 Pacific Forum Young Leaders joined as back benchers to lend a next-generation perspective on an alliance that is, reported Nogami Yoshiji, president of the Japan Institute of International Affairs and the meeting co-host, “under serious stress.”

A global economic crisis that could rival the Great Depression in its scope and intensity has fueled perceptions of a decline in U.S. power and influence. While this situation poses opportunities for Japan and the U.S., the world’s two largest economies, to step up cooperation and coordination, the moment is not being seized. In fact, decision makers in Tokyo worry that the new administration in Washington is shifting focus from Japan to China, turning away from an ally unable to act because of domestic political turmoil toward a partner that is more confident and assertive. Those doubts about the American outlook contribute to concerns about the U.S. commitment to protect Japan’s national interests in general and the credibility of the U.S. extended deterrent in particular.

Looking forward, two paths should be pursued in parallel. First, Japan and the U.S. should reach out to other security partners – China and South Korea in particular – to diminish fears about the purpose of their bilateral security alliance and to build a stronger foundation for multilateral security cooperation. Second, and most important, Japan must forge a national consensus on its place in the world, the role of the alliance in its foreign policy, and Japan’s role within the alliance. Japan should find the most appropriate contribution that makes it a more valuable partner to the U.S. Integral to this recalibration is the reconceptualization of security. By focusing on nontraditional challenges, Japan can develop ways to contribute to peace, security, and stability that do not conflict with its constitutional constraints. Not only does this afford Tokyo more options, but it also aligns with the Obama administration’s agenda and thinking.

## Strategic Priorities at 50

As in the past, discussions began by taking stock of the security environment. Unlike previous meetings, however, this year's most ominous development was a worldwide financial crisis. As *Michael Armacost* (Stanford University) explained, while global in its impact, this crisis has done more damage to the U.S. than many other nations. It accentuated and accelerated the decline of the United States in the regional balance of power, decreased American assets while increasing its debt, shook the foundation of the banking system, damaged the image of capitalism and the regulatory model the U.S. had backed, and forced the U.S. to refocus on domestic issues. It has shaped the U.S. agenda toward Asia, altered macroeconomic balances, pushed regulatory measures to the top of the agenda, and reinforced the need to fight against protectionism.

An equally important development is the election of Barack Obama as U.S. president. The departure of George W. Bush would have provided an instant bounce for whoever won the November ballot, but Obama's multicultural pedigree and his foreign policy platform, with its traditional Democratic Party emphasis on multilateralism, was even more appealing to overseas audiences. There was a bump in U.S. soft power, although the realities of governing may smooth that out. Obama is eager to focus on the domestic agenda; the financial crisis accentuated that inclination. Some worry that a Democratic president would be captive of (or more inclined to) protectionist elements in his party. Thus far, Obama has not shown any such inclination, although Armacost fears that trade policy will not be a priority for the new administration; the slow pace at which Obama nominated a trade representative – it was the last Cabinet member who deals with economic issues to be selected – suggests that assessment is correct. Armacost, like other participants, gave Secretary of State Hillary Clinton high marks for her performance. Making her first trip abroad an Asian tour and starting in Japan was a good sign. She has “hit the right notes.” Armacost worries that the administration's focus on Pakistan and Afghanistan suggests that Asia policies will tilt toward South Asia.

From his perspective, China appears to have weathered the financial downturn better than most governments. Coming on the heels of a successful Olympics, Beijing is feeling its oats: it is more ready to criticize the U.S. and assert its interests in international settings. U.S. relations with North Korea remain troubled. The Six-Party Talks are stalled and there are growing doubts about Pyongyang's commitment to denuclearization. South of the 38<sup>th</sup> parallel, U.S. relations with South Korea have improved. ROK desires to align with the U.S. and realize a more global partnership, but President Lee Myung-bak has been weakened by the economic crisis and political divisions, and the status of the Korea-U.S. Free Trade Agreement (KORUS) continues to languish, which inhibits movement toward a stronger relationship.

The change in administrations in Taiwan has contributed to the reduction of tensions in the Taiwan Strait. While China still worries about the prospect of a return to power by the independence-minded Democratic Progressive Party, Beijing has focused on winning the hearts of Taiwanese. Further south, Southeast Asia struggles to cope with the economic downturn as regional governments are hard hit by shrinking export markets.

Finally, Armacost turned to Japan, America's "most important Pacific ally." Japan is buffeted by adverse winds. Its economy is strong, but it is shrinking; its democracy is resilient but politics are adrift. Current uncertainties mean that important issues that should be addressed instead are being kicked down the road. That is not helpful to Japan or for the alliance.

*Masashi Nishihara* (Research Institute for Peace and Security) echoed many of those concerns. Topping his list of worries is the global economic crisis; a close second was the growth of Taliban influence in Afghanistan and Pakistan. He also focused on U.S.-Russia relations. Nishihara fears that Moscow is trying to restore its influence and flex its muscle. While applauding the recent "reset" in relations, he, like other Japanese, is worried about the impact of arms reductions on the strategic balance and whether the U.S. extended deterrent will be hurt as a result.

Closer to home, he too expressed dismay at the lack of progress in the North Korean denuclearization talks. He identified China's increasing maritime presence in the western Pacific as a sign that the U.S. Navy is losing preponderance. Reports that the PLA Navy will develop aircraft carriers could tilt the balance of power in the Taiwan Strait. The loss of Taiwan to the mainland is not, he argued, in Japan's national interest.

Turning to the Japan-U.S. alliance, Nishihara started with the convergence of interests among the two states. Tokyo and Washington seek the same goals – a politically stable, economically open, and viable region – and support U.S. supremacy in the region and they understand that their alliance must be prepared for traditional as well as nontraditional security challenges. At the same time, however, he noted critical divergences. The two countries have different views of the North Korean threat. Nishihara, like many Japanese, believes the nature of the threat posed against Japan by Pyongyang is fundamentally different from that posed against the U.S. Similarly, geography means that Taiwan's relationship with China has more profound implications for Japan than it does for the U.S. Those differences have planted seeds of doubt in Japan about the credibility of the U.S. extended deterrent and how the U.S. would respond in the event of an attack against Japan. This is part of another concern in Japan about the nature of U.S.-China relations. While Tokyo does not want to see tensions in that relationship, it worries if the two countries get too close. Some Japanese fear that a condominium of the two countries would relegate Tokyo to the sidelines and Washington might make decisions that would not be in Japan's national interest.

Discussion focused on three issues. The first was the economic crisis and its impact on global governance. Economic issues have not been prominent in these meetings for several years; a decade ago, economic issues were agenda items; more recently, they have only sporadically made it to the table. This year, the topic dominated the meeting.

A basic question loomed over our discussion: would the crisis shift the balance of power? While there was no arguing with Armacost's observations about the crisis' impact on the U.S., the second half of the question – whether other countries, particularly China benefited as a result – is not so certain. Several years ago, economists were arguing that

Asia's rise was "decoupling" the region's economy from that of the rest of the world; in other words, the region would be insulated from adverse economic developments elsewhere. In fact, however, Asia remains tightly linked to the rest of the world, primarily because it does not consume all the products it creates. Trade patterns have shifted, and intra-regional trade has expanded, but markets outside of the region are still indispensable to Asia's continued prosperity. This analysis still obtains. Regional financial institutions may be better prepared for shocks – thank the 1997-98 crisis – but the real economy in the region is being hard hit by the downturn.

The crisis has pushed countries in the region to shore up regional mechanisms to deal with these problems, but several participants noted that global mechanisms remain critical. There are no more questions about the need for and relevance of the International Monetary Fund (IMF). There are discussions about the need to reform institutions, the IMF in particular, to account for new economic realities. The resort to the G-20 rather than the G-7 is one sign of a new international balance of power. But several participants noted that institutional reform is an important opportunity for U.S.-Japan cooperation; there were questions whether the two governments were making the most of it. One Japanese participant bemoaned "an incredible lack of consultation" between Tokyo and Washington to deal with the crisis.

The idea of a shifting balance of power focused on China. Policymakers in Beijing have expressed dissatisfaction with U.S. financial leadership. The call by the governor of the People's Bank of China to reconsider the dollar's status as the international reserve currency reflects that unease; several U.S. participants cautioned against taking that complaint too literally. Rather, it was a shot across the bow to signal Chinese discontent, not a serious proposal. Opined one U.S. participant, "this is merely the start of a debate."

Chinese unease with existing financial institutions and mechanisms should not be exaggerated. While Chinese are no doubt flattered by calls for a G-2 of the U.S. and China to tackle global problems, there was consensus that China does not want that kind of responsibility. Rather, China's leaders remain focused on domestic issues. They see their best contribution to global economic growth and prosperity as keeping their own economy on track and their country stable. Participants from both countries challenged the assumption that Beijing will succeed in that task. We should, insisted one U.S. participant, question the reality of a continuously rising China. Planners in Japan and the U.S. would do well to explore scenarios in which China's growth falters: how would Beijing cope? What would be its implications for China, the region, and the world? One Japanese participant warned about the potential for a resurgence of nationalism.

That may be already underway. Several participants noted a growing assertiveness on the part of Beijing, especially after the successful 2008 Olympic Games. The readiness to express Chinese dissatisfaction is one manifestation of this new confidence – "a new swagger," suggested one U.S. participant. A Japanese participant noted that bilateral cooperation between Japan and China in disputed territory has halted.

Most U.S. participants flatly denied the notion that the balance of power is shifting in China's favor. One U.S. speaker warned against straight-line projections in times of crisis. Another reminded the group that "the balance of power doesn't favor China except where the PLA can walk or drive." While considerable attention is being paid to Chinese military modernization efforts, the U.S. has beefed up its presence in the Asia-Pacific region, modernized its alliances, and upgraded its capabilities. Nonetheless, and worrying for several Americans, there is a perception that the U.S. is not keeping pace. The question is whether those doubts will become self-fulfilling prophecies.

Lurking just below the surface of this discussion were questions about the future U.S.-China relationship and where that would leave the Japan-U.S. alliance. Talk of a G-2, no matter how unrealistic that concept might be, raises fears among Japanese that their partnership with the U.S. would be eclipsed. Several Japanese speakers endorsed trilateral discussions among Japan, the U.S., and China to tackle pressing regional concerns: climate change invariably tops the list, but Japan and the U.S. could also work together to promote transparency in China, especially on military matters, the rule of law, and dealing with North Korea. While institutionalized mechanisms would ensure that all three sets of views are heard, equally important is the fact that formal institutions will help ease Japanese insecurities by ensuring it has a place at the table.

Japanese insecurities were also evident in the discussion of North Korea. For several years now, Japanese experts and officials have complained about U.S. policy toward Pyongyang. Tokyo has argued that Washington has not given due regard to Japanese sensitivities and national interests, that U.S. policy has changed course and Japan has not been adequately consulted. Some Japanese worry that the U.S. is prepared to "manage" North Korea's nuclear weapons, arguing that if Pyongyang does not proliferate, then the U.S. will accept its nuclear arsenal. U.S. participants acknowledged that consultation between the two governments could have been better, but they also insisted that the U.S. has not changed its goals. Like Japan, the U.S. remains committed to the denuclearization of the Korean Peninsula.

All agreed that this issue is a test case for coordination between the two governments. The security seminar convened as North Korea threatened to launch a "satellite." (It in fact occurred on April 5.) Several participants called on Tokyo and Washington to work closely with Seoul to muster a response at the United Nations and in the Six-Party Talks. It was also suggested that the three governments should be preparing for other contingencies on the Korean Peninsula, such as regime collapse or instability in Pyongyang. Such coordination would also be important as Japan, the U.S., and China cooperate to address their shared concerns. The two trilateral discussions need to be coordinated to ensure that they do not work at cross purposes and no government feels excluded.

Japanese concerns about the U.S.-China relationship and U.S. policy toward North Korea contribute to unease in Tokyo about the Obama administration's "twin commitments" to reduce nuclear weapons and to protect the U.S. and its allies. Participants were heartened by President Obama's call for big reductions in global nuclear arsenals and

his pledge to assume leadership in this effort to build a safer world. Several Japanese participants also voiced their “understandable concern” about the credibility of the U.S. extended deterrent as U.S. stockpiles are reduced. U.S. officials have provided reassurances to Japanese counterparts that the U.S. nuclear umbrella remains robust, most recently when Obama met Japanese Prime Minister Aso Taro and during Secretary of State Clinton’s visit to Tokyo in February. But Japanese worry about how this will continue; there are fears that a reduction in the U.S. nuclear arsenal will entice China abandon its current minimal deterrence policy and build up its own nuclear inventory to match that of the U.S. Equally worrisome are reports, such as The Schlesinger Task Force, that indicate lax stewardship of U.S. nuclear forces. Japanese participants urged the U.S. to make sure its commitment to Japan’s defense is underpinned by sufficient capabilities.

Japanese participants also noted that the credibility of the extended deterrent depends on the efforts of both nations. Japan helps by ensuring that the U.S. maintains a visible U.S. force posture in Asia. As one Japanese participant explained, Japanese support for U.S. forces in Japan is “a shining example of deterrence.” (For more on this important topic, see the key findings of the second U.S.-Japan Strategic Dialogue, hosted by Pacific Forum CSIS on Feb. 9-10, 2009 – Appendix C).

At dinner, former Deputy Secretary of State Richard Armitage delivered a L.W. “Bill” and Jean Lane Lecture in Diplomacy that provided his unique gloss on the situation in Asia and the role of the Japan-U.S. alliance. Armitage is pessimistic about the odds of separating North Korean leader Kim Jong-il from his nuclear weapons. That puts a premium on Japan, U.S., and South Korean cooperation to prepare for the Dear Leader’s passing. He is optimistic that the Lee Myeung-bak government in Seoul is ready to work with the governments in Tokyo and Washington to get ready for that contingency – and a host of other issues of shared concern.

Armitage is worried about political developments in Thailand, where the middle classes appear to be undermining a once vibrant democracy, and he’s concerned about the potential for instability in Malaysia. Burma remains stuck and, he argued, it is time for the U.S. to reassess its policy there. All is not bleak in Southeast Asia, though: Indonesia’s impressive performance under President Susilo Bambang Yudhoyono is a cause for hope.

China presents a mixed bag. The country is shedding its past and trying to take a slightly more proactive role on the world stage, but “in the cupboard of international cooperation of China, it’s awfully bare.” While there are opportunities for Japan and the U.S. to work with China, Deng Xiaoping’s guidance remains operative: the country should hide its capabilities, be patient, carefully assess all situations, and never claim leadership.

Turning to the Japan-U.S. relationship, Armitage gave the new administration high marks for its start. He urged Tokyo “to take ‘yes’ for an answer” and accept the Obama administration’s pledge to make the alliance a priority. That means looking forward rather than back, resisting the temptation to indulge in nostalgia, and seizing the many opportunities to shape the world in ways that help realize the two countries’ national interests.

## Stasis in Tokyo

The second session provided a U.S. perspective on political developments in Tokyo. *Sheila Smith* (Council on Foreign Relations) argued that as Japan contemplates a historic change in government – an alternation in power brought about by voters and not internal political shifts – the key U.S. concern isn't turmoil in Tokyo but stasis. An unpopular government has made an opposition victory increasingly possible, and stakeholders throughout Japan are preparing for that eventuality. The result is a political system that is increasingly inward-looking, focused on elections rather than policy, and frustrations are rising as a result. The ruling Liberal Democratic Party (LDP) knows it is weak and disadvantaged; for its part, the opposition Democratic Party of Japan (DPJ) has avoided deep discussion of issues, both to avoid alienating voters as well as out of a sense that “regime change” itself would help solve many of the problems that bedevil Japan.

In the hothouse Japanese media environment, the result is a great deal of speculation about the upcoming Lower House election – which must be held no later than September 2009 – and precious little of substance. Without issues to discuss, personalities – always a big factor in Japanese politics – become even more dominant.

Smith concluded that the hubhub about historic change may be “much ado about nothing” as far as the alliance is concerned. For her, the most important questions concern the two countries' priorities and interests. Does the election change them? Does it challenge the ability of the two countries to work together? Or does it merely necessitate a revision in procedures that have historically been used to manage the alliance? She, like many Americans, feels that a change in governments in Tokyo should not threaten the alliance. Alternation of governments is a fact of life in many U.S. alliances. Japanese interests won't change, and neither will Japan's ability to contribute to the partnership.

The real concern, for Smith, is ingovernability. Introspection saps Japan's will. Politicians and bureaucrats are distracted, and the public is losing confidence in the elite's ability to manage. Corruption charges surface with alarming regularity; even DPJ head Ozawa Ichiro has been touched by a recent scandal (a development that has raised concerns about the political use of prosecutorial authority). The opposition has no track record of running a government. The result is a country on the edge, “waiting for a larger transition.”

The U.S. fears the alliance will become a topic of contest in electoral politics in Japan. There are reasons to be concerned: there is longstanding frustration in Japan over the U.S. base presence. Moving them is welcome; the hefty price tag paid with Japanese tax revenues is not. There is a perception that the U.S. has been pushing Japan to be more aggressive in sending its forces overseas; whether such moves are in Japan's national interest has not been fully debated. Smith noted, however, that the Diet debate over the extension of legislation to allow Maritime Self-Defense Forces to aid in the refueling of coalition forces in the Indian Ocean was constructive in airing views and forcing politicians to tackle such thorny questions.

Smith, like many Americans, wants to know to what degree criticism of the U.S. serves as the foundation of DPJ politics. The answer is unclear – but so are many DPJ policies. The party, like the LDP, contains a broad spectrum of political positions; how it will accommodate them all and who will prevail on which issue will shape the party's future. But, no matter who wins, the lesson from last year's U.S. election and the upcoming Tokyo ballot is that both governments need to better understand opposition thinking about the alliance. That should be part of a cross-party dialogue in both countries about the long term goals of the alliance.

Like politics itself, discussions began with a focus on political personalities. A Japanese participant explained that neither party enters this election from a position of strength. Both parties see the opposing leadership as weak and therefore, the DPJ wants Aso to lead his party into the election, while the LDP wants Ozawa to do the same. Both see the other as a polarizing figure and liable to antagonize voters. This focus on personalities reflects broader uncertainties, most notably about the DPJ's platform. A question hanging over the election is how the DPJ will govern if it wins the upcoming ballot. One participant suggested the DPJ will adapt to existing policies, as the Socialists did when Murayama Tomoichi became prime minister. That approach was contrasted with that of Roh Moo-hyun's tenure in Seoul, which was characterized by greater attempts to change the status quo and the relationship with the U.S. (Americans challenged that interpretation of Roh's policy; he was more accommodating of the alliance than many believe.)

Several participants argued that the upcoming election will not resolve the uncertainty in Japan. Since both major parties include politicians spanning the political spectrum with dovish and hawkish wings, there is likely to be considerable shuffling of members and realignment over time. One election is unlikely to stabilize Japanese politics. The alliance will remain contested because Japanese elites and the public have not reached a consensus on the basis of the alliance with the U.S. and Japan's appropriate role within it. (There is some common ground: a Cabinet Office Survey showed that 76 percent of Japanese favor continuation of the alliance; in what form is not clear.) A Japanese participant explained that there is a need to talk about alliance transformation in Japan – not because of domestic politics, but because of a perceived change in the country's external situation. An American participant noted that this manifests itself in a troubling development: during alliance debates, there is a tendency to do things “to help the U.S.” rather than because they are in Japan's national interest. A Japanese speaker warned that Japan may play a larger role in relation to United Nations-mandated operations. This could be seen as a turn away from the alliance, but that would not be true, he explained.

Most Japanese participants believed there will be continuity in alliance policy. They expect the bureaucracy to step in, as it has so often in the past, and protect Japan's national interests. Bureaucrats, said one, “are confident about how to deal with political uncertainty.” An American expert reminded the group that bureaucratic professionalism isn't always enough: the public must believe that its needs are being met, and that government is fulfilling its part of the social contract. As long as the public remains

unsatisfied, uncertainty will dominate politics. As far as the alliance is concerned, that means this issue must be framed in terms of meeting Japan's own needs.

### **A New Administration in Washington**

*Fumiaki Kubo* (Tokyo University) then provided a Japanese perspective on developments in the U.S. In contrast to the desultory mood in Tokyo, Americans were enthusiastic about the election. (Kubo noted polls that showed Japanese had higher interest in the U.S. election than did Americans.) He characterized the Obama agenda as "ambitious" in both domestic and foreign policy; the flipside of that ambition was the charge that it lacks focus.

While the new president pledged to create a new spirit of bipartisanship in Washington, Kubo noted that his efforts to reach across the aisle had not been reciprocated. Indeed, Obama even risked losing centrist Democrats as he pursued a more traditional (read: "liberal") Democratic agenda; Kubo asked, as have some Americans, if the call for "bipartisanship" is more of a PR strategy than a real approach to governing.

Fortunately, the U.S.-Japan relationship has not become a focus of partisan rancor. Kubo credited the alliance modernization efforts of the last 15 years for reinforcing its foundation. But he anticipates tests in the weeks ahead. Stresses include the forthcoming North Korean missile test and Obama's call for more allied contributions to help in Afghanistan. In contrast to the concerns expressed in the previous session, Kubo noted that the overall foreign policy outlook of the Obama administration matches the mood in Japan: it is internationalist, globalist, and pro-engagement.

At the same time, there are grounds for concern. Kubo fears that overtures to hostile countries like Iran and Syria could distract the U.S. and make it look weak. In echoes of the earlier discussion, he worries that U.S.-China discussions could create the impression that the U.S. is siding with Beijing on key issues and could be prepared to sacrifice its ally for a better relationship with the rising Asian power. To avoid that possibility, he called on Japan and the U.S. to focus on the future and explore their shared interests and values.

Several Americans cautioned against oversimplifying U.S. politics. One U.S. participant argued that the notion that there are separate Democratic and Republican foreign policies is mistaken. The more meaningful split is between elite-internationalists and populist-isolationists. Another U.S. participant suggested that Obama's agenda is not ambitious by choice: rather, he faces a broad array of challenges that must be addressed.

One of the most pressing of those challenges is the North Korean missile launch. The ability of the two governments to fashion a coordinated response will be critical to how the two publics – and especially the Japanese audience – see the alliance. A U.S. participant noted that fears that the Obama administration would be more accommodating to North Korea – a (mistaken) outgrowth of the president's promise to extend his hand if adversaries will unclench their fists – have subsided.

Consistent with the economic issues that dominated the opening discussion, several speakers highlighted the economic dimension of the alliance, a field that many believe has not received the attention it deserves. A U.S. participant explained that economic issues and multilateral engagement are integral to the new administration's regional strategy. The Asia Pacific Economic Cooperation (APEC) forum should figure highly in both governments' thinking. With the annual leaders' meeting to be hosted by Singapore in 2009, Japan in 2010, and the U.S. in 2011, APEC has a singular opportunity to become a core instrument of regional integration. (To put it another way, failure to seize this moment could result in the U.S. writing APEC off.) This makes the stasis in Tokyo even more worrisome: Japan has to provide energy and ideas to keep APEC relevant. As a U.S. participant warned, showing up is not enough: there has to be a robust agenda.

Progress at APEC is even more important as the world battles the economic downturn. Countries are being tempted to embrace protectionist measures; many already have, despite pledges to resist their siren song. With the Doha round of trade talks stalled, regional efforts to stimulate trade have to take the initiative. As one American warned, APEC has to set a higher standard: protectionist measures are permitted under the WTO format. If APEC does not raise the bar, then the economic downturn will be longer and more severe than many expect.

### **Future of the Alliance**

The future of the alliance depends on the two countries' abilities to close the gap between the potential inherent in their relationship and what they actually accomplish. According to *Yukio Okamoto* (Okamoto Associates), the greatest danger to the alliance is empty rhetoric. Japan claims to be committed to "liberty" and "democracy" but he considers those to be throwaway phrases that don't serve much purpose or have shared meaning. Yes, the U.S. and Japan are the world's first and second largest economic powers, but that is a platitude that means little in real terms. Japan remains largely unaffected by globalization. Said Okamoto, "we are married to a stereotyped notion of our alliance without finding a new philosophy to support it."

A changing global political economy requires a new institutional order. In 1977, OECD nations accounted for 77 percent of global wealth; emerging nations held 31 percent. By 2000, the OECD accounted for 53 percent of wealth, and developing nations claimed 40 percent. Yet institutions have not kept pace with this change. Japan and the U.S. should be working to reform them and fit them to today's political and economic realities.

Worse, Japan is immobilized because its political system refuses to take on entrenched interests. While Japan could make valuable contributions to help deal with new security threats, its record is not impressive. Overseas Development Assistance (ODA) has declined 42.5 percent since its peak. Japan is increasingly marginalized at international meetings and conferences.

Okamoto's advice is blunt: Japan should become a smart power, using its assets more effectively. Okamoto argued the country could use the economic crisis to rid the

political system and its economy of inefficiencies that would otherwise be entrenched. He warned however, that smart power does not mean ignoring traditional security concerns that linger on Japan's horizon.

In contrast to Okamoto's "alarmist version, *Joseph Nye* (Harvard University) has a more optimistic outlook. For him, the starting point for the alliance is the great progress that the two countries have made over the last decade. The alliance is "extraordinarily more robust" and enjoys bipartisan support in the U.S. As always, there are challenges. He identified them as China's rising power (both economic and military), the need to think about security in new ways, and the dilemma for Japan (and the alliance) that arises as the U.S. rethinks its nuclear policy.

Nye encouraged the participants to see China as part of a broader phenomenon – the shift of wealth and power to Asia. The key to dealing with China is to fashion a broader Asian strategy, of which relations with China are but one component (albeit an important one). Tokyo and Washington should be leading efforts to construct a multilateral framework, regional and global, that manages China's rise. Containment is, in Nye's view, not an option: "only Chinese can contain China." But the Chinese leadership should be aware that its actions can and will generate reactions: China is responsible for its own future.

Rethinking the nature of security threats plays to Japanese strengths. By focusing on nontraditional challenges, Japan can develop ways to contribute to peace, security, and stability that don't conflict with its constitutional constraints. Not only does this afford Japan more options, but it also aligns with the Obama administration's agenda and thinking.

Finally, Nye urged Japanese to resist the temptation to fixate on numbers when thinking about extended deterrence and the U.S. commitment to Japan's defense. That is a Cold War trap. The viability of the U.S. extended deterrent depends on both capability and credibility. For Nye, the presence of forward-based U.S. troops is worth much more than the number of U.S. nuclear weapons. But, Nye reminded the group, a focus on credibility shifts the burden of maintaining the extended deterrent away from the U.S. and divides it between the two nations – it is up to them both to make the alliance viable and important and thus give both nations something meaningful to commit to. This shared responsibility is especially important for the U.S.-Japan alliance as it approaches its 50<sup>th</sup> anniversary. Nye urged both governments to double efforts to educate their publics on the value and continuing vitality of their partnership.

Discussants focused on ways to achieve that objective. One division quickly became evident: whether the U.S.-Japan alliance should be considered regional or global in scope. A U.S. participant urged the two governments to be realistic and "stop talking about the fiction of a global alliance." In recent years, Tokyo has focused more closely on regional developments – understandably so, given increasing uncertainty in the region. According to him, the alliance should focus on promoting stability in East Asia. He also dismissed Japanese "handwringing" about contributions to peacekeeping operations.

Japanese policy makers should make a cold hard assessment of the worth of those efforts: he believes that the value is considerably less than the capital and time expended. While that view was contested, it was not dismissed. A Japanese participant acknowledged that out of area cooperation between the two allies is “an area of diminishing returns.” He blamed shrinking ODA funds – a casualty of the Koizumi budget reforms – as well as organizational issues with Japan’s Foreign Ministry. He explained that only the North American Affairs Bureau is accustomed to working with the U.S.; there is little inclination to cooperate with the U.S. in other bureaus. (This is a striking contrast with the U.S. State Department, where other bureaus seek out Japanese counterparts to tackle issues.)

Participants from both countries counseled against succumbing to that reductionist temptation. They insist that Japan can make meaningful contributions outside the region. Just as important, however, was the need to fight the impulse in Japan to retreat and merely concern itself with regional issues. While the region may be the appropriate focus for “hard security” concerns, these participants felt Japan can and should do more. One speaker noted that more than half the time during Secretary of State Clinton’s talks with Japanese leaders during her recent visit was taken up with issues outside the region.

There was agreement that the ultimate success of the alliance is best guaranteed if it is presented as a provider of public goods – security – in Asia. This requires the two governments to pursue wide cooperation on nontraditional security challenges such as humanitarian assistance and disaster relief, counterproliferation, counterpiracy, and counterterrorism. They should use the alliance as a starting point for engagement with other countries, casting as wide a net as possible for partners.

Curiously absent from discussions of regional cooperation was South Korea. Several participants expressed dismay over this omission since there has never been greater opportunity for Japan, the U.S., and the ROK to work together. The change of government in Seoul constitutes a sea change in thinking in the Blue House and aligns South Korea more closely with Japan and the U.S. Several speakers noted that there is cooperation, usually quiet and out of the public eye, typically on safe and noncontroversial topics. A Japanese participant explained that there are quiet efforts to put their bilateral relationship “in a broader context.” But history continues to impede permanent progress and both Japan and South Korea tend to first see the other as a potential adversary rather than a friend. (It is also worth noting that 2010 is an anniversary for South Koreans – the 100<sup>th</sup> anniversary of the annexation of the Korean Peninsula. That is sure to color South Korean perceptions of attempts to commemorate the alliance with the U.S.)

Presenting the alliance as a public good will help win over domestic audiences, but it is not going to be enough. Several participants decried the tendency to rationalize Japanese action with the argument that it is needed “to help the U.S.” Rather, alliance supporters should say that such action is in Japan’s national interest. The Japanese public needs to be reminded that they are partners, that the alliance serves their interests too, and for it to work, both sides have to create a more substantively equal partnership. That does not mean that both sides are equal. Any military partnership with the U.S. will be unequal;

the key is finding mutually acceptable levels of participation. In the words of one U.S. participant, “the two countries must find comfortable levels of asymmetry.”

The most obvious place to begin is a discussion of roles, capabilities, and missions. These are spelled out in the 2005 Security Consultative Committee statement, but as one U.S. participant conceded, these are “just a list of areas,” not specific objectives and changes in each country’s responsibilities. The two governments need to flesh out those assignments, but doing so depends on agreement on where the alliance is going. Expectations have to be realistic and that requires a better sense of what each country can do and what its public will support.

This forging of a national consensus is more important – and more difficult – when a country faces political confusion and the prospect of a historic change of government. Ultimately, the burden is on Japan to deal with its domestic situation; the U.S. must wait for Tokyo to develop a foundation for engagement with its partner. Several participants suggested that the dire predictions for the alliance in the event of a DPJ victory in the next general election are exaggerated. The DPJ is an amalgam of views, but the leadership, especially party head Ozawa, is not anti-American or anti-alliance. “Ozawa is practical, not a pacifist,” insisted one U.S. participant. He argued that the Ozawa policy of seeking prior UN authorization before any overseas dispatch will make it easier for the Japanese public to accept Japanese efforts to protect regional security. Several participants urged the group to reject the notion that multilateralism, especially within the UN-context, is antithetical to being a good alliance partner.

Each country must contribute as it can. Several Japanese suggested expanding ODA and peacekeeping operations. At a minimum, constitutional revision is required to permit Japan to take more actions that can promote regional security. But Japan’s most important contribution is the forward bases it provides the U.S. The “unsinkable aircraft carrier” is not just a metaphor. The two countries have developed a plan to realign and transform the U.S. presence in Japan in a way that does not weaken U.S. capabilities; nor will it undermine the U.S. commitment to Japan’s defense. Achieving those objectives requires implementation of that plan as designed. Central to that goal is relocation of the Futenma Air Station. That move has been a thorn in the side of the alliance for over a decade; progress is being made, but ultimate resolution is by no means guaranteed.

Failure to move forward on that project highlights another way in which uneven contributions create frictions. The growing unease in Japan about the credibility of the U.S. extended deterrent is the outgrowth of a fear that Washington will not feel compelled to defend Japan in a crisis. Implicit in this fear is the belief that the U.S. insufficiently values its ally. Lacking that reassurance, Japan resorts to crude measures of commitment – the number of U.S. nuclear weapons. American participants urged their Japanese counterparts to avoid this simplistic assessment. Deterrence is a complex phenomenon that rests on perceptions among partners and adversaries. Its components include nuclear and conventional forces; doctrine and tactics that make the use of strategic forces plausible also shape thinking about the credibility of a deterrent.

If Japan worries about being undervalued by its ally, the right solution is to make itself more valuable to the U.S. Moving forward with the Futenma relocation plan would demonstrate Japan's commitment to the alliance and recognition on its part of the value of the bilateral relationship. Incurring costs on behalf of the alliance shows that Japan values that alliance – and constitutes a contribution to the alliance itself.

Japan has other ways to signal its commitment to the alliance. It can – and should, suggested one U.S. participant – do more to help relocate bases to Guam and provide more protection for Guam. The new National Defense Program Guidelines, which will be published this year, give Japan another opportunity to help forge the national consensus on the alliance and Japan's role within it.

It is mildly disconcerting then that one Japanese participant warned that “things will get worse before they get better.” If so, then there is an even higher premium on consultation and close coordination between the two governments. But, this Japanese warned, the consultation should have results, and not just be consultation for its own sake. That sounds easy, but as several speakers reminded the group, the U.S. has not always been good at consultation. Plainly, both sides have much to do to prepare their alliance for its 50<sup>th</sup> anniversary next year and to lay the foundation for an equally long-lived future.

## Asia: Where are we? Where are we going?

By Richard L. Armitage

It is an honor to be back here, giving another “L.W. ‘Bill’ and Jean Lane Lecture in Diplomacy.” What a difference a year makes. Last year the podium was on the other side. Beyond that, we all had some money. We were feeling pretty lusty and bold about ourselves. But the year of the rat really didn’t treat us very well did it? I’m not sure the year of the ox is going to be so much better, at least in the near term. It’s been really rough for all of us.

I started out last year talking about Asia being the center of gravity, with the biggest GDP, biggest population, largest military, biggest hunger for petroleum and resources. Some of that is still true and some is not. And all the problems that existed in Asia 30 years ago are still right there.

So I’m just going to mention a few of the countries and share what I think at least, are interesting anecdotes.

I want to start with North Korea. Let’s be clear about one thing: they will fire a missile. I don’t know how well they’ll do it, but they will do it. They’re not going to be dissuaded from this and they’ve had success in these kinds of tactics in the past. Prime Minister Aso, President Obama, and President Lee of Korea have decided and said they will, in a non-hysterical manner, refer this to the UN Security Council as a violation of UN Security Council Resolution 1718, but not overreact. North Korea is not unlike a kid pounding on his high chair with his spoon for attention. That’s what’s happening.

But I want to be equally clear that in my view, there is no chance of separating Kim Jong-il from his nuclear weapons. There is none. It is useful to have the Six-Party Talks, but we’re not going to separate this man from his nuclear weapons. That leaves us with two choices. We can simply move to a counter proliferation strategy or wait for a better day. Which leads me to the first point: if the United States, Korea, and Japan are not involved in in-depth discussions about what to do when Kim Jong-il passes, then we ought to be. And he will pass. A man having a medical event like he had is three times more likely to suffer another as any heart doctor or stroke doctor will tell you. He will not live forever and that’s when we’ll have an opportunity perhaps to maybe change the equation in some small way.

South Korea. I had a delightful opportunity to visit with President Lee in the late fall and he had several interesting things to say. I asked “Mr. President, why did you come to visit a lame duck president in the last months of his administration [then U.S. President George W. Bush] when you could have waited and been an honored guest early on in the new administration no matter who won?” He said, “the reason I did that was because my message wasn’t for the American people, it was for the Korean people. I was sending a message to the Korean people, that there’s a new leadership here and we have a different view of the U.S. relationship and I wanted to demonstrate that.” And he said further,

“that’s why I stopped in Japan on the way back. That wasn’t a message for the people of Japan it was a message for the people of Korea, that we wanted a different relationship with Japan.” All of a sudden my appreciation for President Lee grew enormously. It made sense to me. I had never considered his motives.

He went on to say that Americans shouldn’t underestimate the difficulty of the task he had in the Republic of Korea. He said 10 years of what he described as left-leaning governments had left him with a national intelligence service that didn’t collect intelligence, except on friendly diplomats. They viewed themselves as the conduit for relations with North Korea. And that’s what they concentrated on. He said likewise of the military, “did you know about this spy we caught?” A mata-hari spy had been running around for three years. I said “yes sir, I heard about it.” And he said “maybe what you don’t know is that not only were field-grade military officers giving her documents – not just telling her – but she was also allowed free access on to Korean military bases to teach a class.” Can anybody guess what the class was in? *Juche*, the philosophy of Kim Il Sung and Kim Jong-il.

That was how things had drifted in 10 years. This left me with the understanding that we have a lot of work and President Lee has a lot of work to do in restoring the Republic of Korea and the U.S. relationship. I would say the same is true of Japan. So I hope you’d reach out for President Lee because he’s put a hand out to Japan and to the United States.

Now let me take a moment to speak about Thailand and Malaysia. This is a terrible situation we’re seeing when the democratic process is being reversed by middle-class people. Middle-class people are upset that poor people, poor farmers, have the same vote weight that they do. This is undermining democracy in a large way at the same time that you have that nagging insurgency in the south. The three provinces of southern Thailand do not look at themselves as Thai. I don’t think the other Thai provinces look upon them as Thai either.

Malaysia is looking at the possible end of UMNO rule after 50 years or however long it’s been since independence. For the first time in my adult life racial tensions are on the surface. And you can see them. It’s no longer sufficient for Chinese and Indians to just have economic power and not partake in political power. Things are changing rapidly in Malaysia and badly.

Here’s something that surprises me. If you told me a year or two ago that one of the biggest success stories in Asia was Indonesia, I would have thought it mad. But it is true. What President Susilo Bambang Yudhoyono has done in his Indonesian fashion is remarkable. It’s a very vibrant and in Southeast Asia *the* most vibrant democracy. It’s really magnificent. Now they’ve started tackling corruption. We’re trying to gently improve our relationship notwithstanding some legislation that makes it difficult for us to engage the army. Japan has been welcomed by President Yudhoyono to be part of Indonesian life, and I desperately hope that you’ll grab that.

The other difficult parts of the region you know well. Let's start with Burma. I was quite heartened by Secretary of State Clinton's comments about Burma, that maybe we ought to listen to some others and think about another way of doing this. I visited Aung San Suu Kyi 12 years ago and nothing's changed since then. We've had the same policy, and if the definition of insanity is doing the same thing over and over again and expecting a different result, then we must be insane because we're not getting a different result. It's time to rethink our approach. Whether we decide we're on the right track or not, it's a good thing to do.

Now, a little about China. This particular year when anyone speaks about the People's Republic of China they tick off dates: 60 years since the founding of the People's Republic of China; 50 years since the invasion of Tibet; 30 years since the Taiwan Relations Act and our normalization with China; 20 years since Tiananmen; 10 years since we stuck a missile in their intelligence room in Belgrade by accident. It's full of management data points for our Chinese friends. And these are no longer fellows who said that they were going to try to remain humble in the world. They're acting now like a great power and they're speaking much more like a great power. They have tremendous problems, as we all know. But they are really shedding their past and trying to take a slightly more proactive role on the world stage.

I'm not going to be a China basher. I am going to point out some facts. If you look, as the *Economist* magazine said, in the cupboard of international cooperation of China, it's awfully bare: on big issues for us – Iran, Sudan, Venezuela, Burma – nothing. We'll see what happens if we refer the missile shot from North Korea to the UN Security Council and see what China does. They have been modestly helpful in the Six-Party Talks – I think we have to acknowledge that – but modestly, not over the top. They have been slightly more modestly helpful in counter-terrorism but beyond that I think to engage China and to expect to engage China on what we would call strategic issues is a fool's errand right now. That's because they don't view them as strategic – to us it's strategic – but not to them. They need access to oil and they're not going to be denied. That does not mean we can't find ways to engage China. In fact, Japan and the United States can very definitely engage China in climate change, environment, water management. All of these things help them and their desperate need, and it helps us, and it helps the general public good.

China has had some difficulties. I said I think they're trying to take a more proactive stance in the world stage. Remember Deng Xiaoping's admonition when he was the paramount leader. He said that China should hide its capabilities, be patient, carefully assess all situations, and never claim leadership. I believe to some extent that guidance still remains, but in some areas they're starting to step out a little bit. After the Olympics we saw some claws starting to come out, steel claws, and particularly over the question of Tibet. Having demonized the Dalai Lama for so long, they find it difficult to engage him when he is actually the moderate compared to the rabble rousers in Lhasa.

This 50<sup>th</sup> anniversary of going into Tibet is going to be tough. You saw how the Chinese reacted to President Sarkozy of France. President Obama is certainly going to

meet with the Dalai Lama. I hope when he comes to Tokyo, whoever is the prime minister at that time will meet with the Dalai Lama. South Africa proved themselves again to be feckless for not issuing a visa to the Dalai Lama. How the Chinese manage Tibet is going to be a sign for all of us of how it's going to behave in the modern world.

We've had our own recent difficulties with China about 75 miles south of Hainan island. The Chinese are doing exactly what they did in March and April of 2001. They're trying to push us a little bit to see how much they can get us to back up. This was not just a message to the United States; by the way, the incident with the *Impeccable* was not the first; we've had a bunch of these. The U.S. Navy has been kept relatively silent by the U.S. Defense Department. They're just trying to push us back a little bit. We got the message and we reacted appropriately. The message is for the Senkakus and the Spratlys. This is where they're really sending the message. I'll predict to you the Spratlys will be the next thing that the Chinese encroach. They are going to see how much they can get away with. Nobody begrudges the Chinese having a modern military. Nobody reacted when Defense Minister Hamada was told that the Chinese were going to develop a carrier. After all we have 12 or so, they could certainly have one or two. As I said last year, they're not going to subcontract protection of the sea lanes of communication to the Seventh Fleet. They are going to want to assure their access to it.

All these things are understandable and we're not in a position in which they are dominant. We still are, and particularly we and Japan are overwhelmingly more powerful than China. But not knowing their intentions and not knowing the ultimate direction and the pace in which China is moving make it difficult for us to guess. Until China can be more transparent we will continue to have questions.

You have heard a lot about the so-called "G2" meeting coming up in London. I hate this terminology. I think China probably hates it too because it puts a little pressure on China. Some people say that right now is not unlike the Great Depression when Great Britain had been the financial leader of the world but was exhausted after World War I. They were unable to lead. We were coming back after the Great Depression rather rapidly but we were unwilling to lead for a time. And then we did take financial leadership.

Some people are wondering if the United States is Great Britain? Is China the United States of the depression years? I've thought about this and I came to the conclusion that the answer is 'no,' and I don't think that the guidance of Deng Xiaoping has been swept away. I think they are not going to claim leadership, particularly as they're not sure how this is going to come out, this whole economic crisis. They will grudgingly put \$50 billion or so in the IMF but they won't really do a Full Monty. They've got a lot of anger about the countries they think have got them into this, us and the Europeans. But after a recent trip to Asia I came back with one overwhelming conclusion: right now subterranean or beneath the surface of the water, there's a real competition of ideas going on. We will see whether a free market democratic system can emerge from this crisis more quickly and more regularly than an authoritarian, command-driven for the most part, economy, like China. Make no mistake, an authoritarian command driven economy has some attraction

to some nations in Asia and beyond. So the stakes in this are high, and they are high for Japan, not just for the United States.

Now a little bit about the United States. I was thrilled that Secretary Clinton went to Asia on her first trip. I thought she did an overall magnificent job. I think she struck out on one issue and that was human rights in China, as the Chinese pocketed her comments and moved on. But other than that I thought she behaved splendidly, really knew her brief, and was terrific. I wouldn't criticize a thing about it. I was so happy she went to Japan and so happy that her first trip was to Asia because she knew that she had a reputation left over from her husband's eight-year presidency. I was delighted that President Obama took what everyone assumed to be a very lame duck prime minister and had him in as the first visitor.

So I'm going to ask our Japanese friends to accept it. Take "yes" for an answer, for heaven's sakes. Is that sufficient? No. Do the United States and Japan have to continue to look for ways to enhance this relationship? Absolutely. And those words are fine but they're not sufficient. But it's March. Take "yes" for an answer for a couple of months, I think that this administration is sincere and I very much hope that Kurt Campbell and our good friend Chip Gregson are soon nominated and confirmed. Both will be in their respective positions within a month or so and I think we can then take a deep breath and relax a little bit. Then we'll have some pretty good oversight of U.S.-Japan management and that's a good thing.

Now let me turn to Japan. We're not in good shape today in our relationship. Are we in terrible shape? No, but we're not where we were. And we're not where we were for a couple of reasons, some are on our side and some are on yours. On our side I think we have to understand that personalities got in the way of the Six-Party Talks and the abductees issue, and it happened. If you don't want to forget it, you have to forgive it or if you don't want to forgive you have to forget it. But it happened and it's over and we have to move on and not make the same mistake again.

On the Japanese side, there's something sneaking in as well. I was making something of a joke about taking yes for an answer, but I have followed editorial opinion and writings in your magazines recently and there is, as in the United States, a weariness with what I call "gas bag politicians." There's weariness with the inherited Diet seats in Japan. There are questions about bureaucrats and how dedicated they are and the people are a little tired of bureaucracy. There seems to be a longing for the period with a Tokugawa Shogun. It was a time when we weren't bothered by such things as black ships and foreign encroachment, although that's not quite true.

At any rate there is a longing for the past when you could close yourself in. This phenomenon is not only in Japan. You see this in the Middle East. We call it protectionism to some extent in the United States. We're feeling a little adrift since we can't handle all our relations by ourselves. But you can't turn back the historical clock. And in the writings, going back to the Tokugawa Shogun, or longing for it, there's a bit of anti-

Americanism. It's creeping in. But as I said you cannot turn back the historical clock and we've got to move on.

I read Vice Minister Yamanaka's recent presentation to the Gaiko Forum. It was good, and he was talking about Japanese "smart power." It was a pretty good exposition of what Funabashi Yoichi used to call "civilian power." Civilian power – it wasn't smart power, it was soft power. There was no mention of PKO, no mention of dispatch of SDF. So it was soft power. We're missing a beat, particularly after all that Japan has done in the last eight years. We should try to consolidate what we've done in the past eight years, what you've done, and build on it.

We've got the 50<sup>th</sup> anniversary of the U.S.-Japan security treaty coming up. I think some in Japan and some in the United States think that in 2010 automatically we're all going to fall in love again with our security treaty. It's not going to happen. If we want to make this event notable and noteworthy then we better appoint either bilateral working groups or bilateral envoys, somebody to make this happen. And this is not a matter of issuing a statement with some flowery language. In my view we should forward not only principles to guide us but objectives to achieve. We're going to try to achieve these objectives, our goals – not goal – as we move forward. And what an opportunity we've got. There's the APEC leaders' meeting in Yokohama. It is not beyond the imaginable that the president of the United States could go early or stay a day late and have a bilateral exposition of this with whoever is the prime minister of Japan. But we better start working on this now and not have our sights set too low. Likewise in March 2010 Japan is going to issue its National Defense Program Guidelines. This is going to be our first look at Japan's long-range planning. We ought to let Japan in a little bit to see what our QDR is looking like so we can see where the holes are in our defense capabilities. This is what allies can and should do. I personally believe we ought to expand on what's happened with missile defense for the United States. Japan has made an exception to the principles on arms exports. I would like to have very greatly enhanced defense cooperation. Some in Japan want this, certainly your Defense Ministry wants it now. Certain members of the Diet have historically spoken about it. This is a good objective. Cooperation in space is another important subject. How can we get rid of space debris? Or C4ISR? I'm not talking about weapons in space. I'm talking about the other aspects of space in which we share a common interest in preserving and expanding our capabilities and also cleaning up some of the debris. This is something that Japan has expertise in, and we've got some ourselves. We can make a big, big difference.

We ought to be trying to expand our trilateral relationship with India. We're doing this in sort of a subterranean way. We're having the *Malabar* exercises in the Indian Ocean and we'll run exercises with the Indians and then we'll exercise bilaterally with the Japanese and then Japan will exercise bilaterally with the Indians while we all steam around and ignore each other. It's a good start. I like it, but we ought to build on it. Certainly India is keen to do that. I would have said Australia would be keen too but the present government is not going to do it. So let's not fight that problem.

How about sitting down and having an in-depth discussion between United States and Japan on Taiwan? The direction of Taiwan to me looks fairly set. What does this mean to us strategically? I think it means a lot. We're not going to stop it; we can't stop it. We wouldn't want to if we could if this is what the people of Taiwan want. But what does it mean to us if Taiwan were part of the mainland in whatever fashion? Does it change our defense procurements? Does it change our abilities? Does it change the desirability of the use of Japanese bases in their home islands and in Okinawa? I don't know. But it's something that we ought to talk about. There are a whole host of different issues we can talk about and we can speak meaningfully to each other.

I don't have the answers. I have a lot of questions. But I do know one answer and that is we should take stock of where we are. I hope if you haven't already, then tomorrow we will acknowledge where we're angry at each other, and get it out and get over it, and start thinking about the future. If we find out and identify where we both are today and we lay out some objectives for where we want to be tomorrow and the next day, we can get there. But if we don't know where we are and if we don't know where we want to go, all roads will lead there. That's not the kind of relationship that I think most of you have given the majority of your adult life to – I certainly haven't, nor Jim Kelly, Jim Auer, or Joe Nye. We don't have all the answers but I think we've got some of the questions that could and should be asked.

## **Questions and Answers**

### Question 1: Are you concerned about the implications of a change of government in Japan and the Democratic Party of Japan taking power?

The question had to do with what if a new government comes to power in Japan and they have a different view of the relationship, the stationing of forces and maybe want to work more under a UN mandate, etc. These are some of the things that we've heard from time to time from Mr. Ozawa, the president of the DJP. Just for the record, we've heard almost everything from Mr. Ozawa from time to time. Second, I don't think we need to put Mr. Ozawa's personality on this because the DJP itself is very wide and it's a very broad coalition of folks. So, regarding the U.S.-Japan security relationship: if the government of Japan asked us to change things we'd argue, we'd kick and scream, but ultimately we'd have to do it. We would try to talk you out of it, we'd do everything we could, but at the end of the day we would do it. Second, as for working under the UN, it's good when it works but I mentioned China being completely unhelpful in most Security Council deliberations on major issues. I don't know how you would expect to get a PKO mandate from the UN for Japanese troops to be dispatched with China sitting there. But at the end of day we have to accept what the Japanese people decide. I also believe that at the end of the day, having had discussions with Okada-san and Hatoyama-san and the rest of the people in the DPJ, that once they're in power, just like Mr. Obama, just like Mr. Bush, just like every U.S. president, they will change the rhetoric that they use to get in power. I remain committed to the idea that working under a UN mandate is great but it's second to working under the U.S.-Japan Security Treaty.

Question 2: In the past, you supported a U.S.-Japan free trade agreement. Do you still?

I continue to think that a U.S.-Japan FTA is a very good idea. I think under present management in the U.S. and under the present situation – this longing for the past in Japan – it's probably unreasonable so I'd keep it as a future goal now. I think the president is going to have his hands full trying to manage the protectionists in his party. I think the FTA is not very feasible right now and I'm sorry to say that. I also noticed that in Japan when I gave that speech a couple of years ago I talked about agriculture and how we had liberalized fruit and everybody said it was going to be the end of the world and Japan got a very good niche market. I would think the same is true of rice and other things. But given the way editorials and others in Japan are talking about going back to being self sufficient in all of this, it's unlikely on both sides of the ocean, unfortunately.

Question 3: North Korea looks ready to launch a ballistic missile even though they say it's a satellite. How should the U.S. and Japan respond?

Our three governments, the U.S., Japan, and the Republic of Korea, ought to refer this immediately to the Security Council and have discussions there and not get hysterical about it. Japan has moved military forces – not just their ships to join our two Aegis ships off the coast of North Korea. There are other missile defense systems along the coast. If this missile goes awry then we'll be in an different ballgame if it doesn't go straight up. But I strongly urge not to get hysterical and I wish that our leaders would not use terms like "they must not" or "they cannot," because what are we going to do to stop them? We should use terms like "this is not in their interest," or "this will be harmful in the international community and to their international reputation." We should quit putting ourselves into a cul-de-sac which is what we do when use this very bold and almost inflammatory language – "they must not do this." Well, what if they do it? It makes you look stupid and they look like they're bold. So I think we need to calm things down. We need to take it easy.

Thank you.

# Survey of the Security Environment in Asia

By Michael Armacost

Arguably the two biggest changes in the security environment arise from developments in the United States: (1) the global financial crisis that had its origins here, and (2) the election of Barack Obama as president.

The financial crisis has accentuated and accelerated the decline in America's relative power in the Asian balance in a variety of ways.

- It has devoured trillions of dollars worth of American assets, and increased our national debt by trillions more.
- It has shaken the foundations of our banking system, diminished the luster of U.S. financial institutions, and evoked sharp criticism of U.S. risk management practices from Asian central bankers.
- It has reinforced the disposition of U.S. politicians to focus their attention primarily on domestic problems, and in that regard it has fueled populist sentiments on the home front, and encouraged protectionist sentiments on trade.
- Above all, it has forced a belated recognition on the part of Americans that we cannot continue to live beyond our means. We spend too much; we save too little; and that has to change. This has gigantic implications for Asia, since, heretofore, the U.S. consumer has provided much of the demand that has stoked the growth of export-led Asian economies.
- The myth of Asia's "decoupling" from the Western economy has been dashed, at least for the time being. [That presumption of a "decoupled" Asia arose out of the dramatic growth of China and India, plus the rapid rise of intra-Asian trade. But much of that rise was attributable to the movement of Japanese production facilities offshore. But the intermediate products that were manufactured elsewhere still wound up in China or Southeast Asian countries for assembly and subsequent shipment to the U.S., Europe, or Japan. As that source of final demand withered, so has Asian growth.] This could provoke two possible consequences: (1) adjustment in Asian balances between domestic savings and local investment, as countries seek to generate stronger domestic demand, and (2) stronger regional defenses against economic or financial contagion originating in the West.
- As the United States confronts the consequences of its past profligacy, its dependence on Asian creditors becomes even more inescapable. The U.S. public is increasingly conscious of the fact that Chinese investors (essentially its government) finance much of our current account deficit – with a good deal of help from Japan and South Korea. The Chinese can (and probably will) continue to help finance U.S. consumption to sustain demand for PRC exports. We are, after all, their market of last resort. But if this arrangement does not seem to be working, i.e., if their investment in U.S. Treasuries appears increasingly at risk, they have a fall-back option – using more of that money to

generate domestic demand back home. A debtor nation's options are more limited.

- Finally, our financial crisis, which has now contributed to a global recession, shapes the agenda for our relations with Asia. We must tackle three main goals: (1) coordinating national programs to stimulate growth, (2) undertaking parallel efforts to establish new macroeconomic balances – in the U.S. between savings and consumption; in Asia between savings and domestic investment, and (3) averting a relapse into a protectionism. In short, it has eroded America's power and presented it with a daunting agenda.

The second biggest change is the victory of Barack Obama in last fall's U.S. presidential sweepstakes. The effects of this change have been more benign. It has given the U.S. a political "bounce" in Asia, as elsewhere, because the president's name is no longer "Bush." Beyond this, President Obama's multicultural pedigree is appealing in Asia, as is the fact that he lived for some time in Indonesia during his youth. So this gives U.S. "soft power" a boost. It is a bit early to offer an assessment of how he will change U.S. policy toward Asia, but herewith a few general observations:

- Like most Democratic presidents, he comes to office eager to focus on a domestic agenda, an inclination that has been strengthened by the economic mess he inherited. But the "mess" has a powerful international dimension which he cannot escape. And the G-20 meeting in April, which president Obama inherited, represents a venue and a deadline for action that is helpful.
- Like every president who reflects a change in party control when the White House changes hands, Mr. Obama is under pressure to act swiftly and boldly on foreign as well as domestic policy. This inclination is encouraged by a number of factors – the belief that for a president, first impressions are the most durable; the conviction that power is evanescent, and that if you don't use it, you lose it; the desire to move aggressively to acquit promises made during the campaign; the pressure from advisers who believe their influence can better be maximized by offering dramatic initiatives than by urging sober second thoughts; and the steady pressure from the press and media who will compare Obama with Roosevelt in terms of what he managed to get done in the first 100 days. Unfortunately, a new administration in Washington is not too well equipped to act boldly at the outset. The change in political control is accompanied by the removal of virtually the entire echelon of top policy-makers in Washington. And it takes the new folks months to be appointed and confirmed, to establish firm policy priorities, to develop effective working relationships with the Congress and the press, and to get their ducks in a row. Poor Mr. Geithner is having to cope with unprecedented policy challenges at the Treasury with virtually no other political appointees in place. The same is true at State and Defense, though both Hillary Clinton and Bob Gates at least have Deputies who have been confirmed, and Mssrs. Mitchell, Holbrooke and Ross are in place and taking the lead on three of the most pressing foreign policy challenges the U.S. faces.

- Beholden as the Democratic candidates were to the unions for funds and foot-soldiers during the campaign, President Obama's came to office committed to slow down efforts to liberalize international trade. He was late in choosing his trade representative. His pick, Mr. Kirk, has neither the status of a major political figure nor the expertise of a trade lawyer (the usual credentials). Public commitments focus on monitoring existing trade agreements rather than negotiating new ones. Completed FTAs with Panama, Colombia, and South Korea remain in limbo. Plenty of senior people in the White House and Cabinet, to be sure, recognize the merits of free trade. But in the face of rising unemployment and its political twin – the protection of U.S. jobs – the priority the administration will accord free trade remains uncertain.
- At the same time, he inherits the Democratic Party's commitment to "liberal internationalism," and in that connection has asserted a resolve to play an activist role in promoting multilateral solutions to global warming, arresting the spread of weapons of mass destruction, encouraging the development of clean forms of energy, and other transnational concerns.
- Another legacy of the campaign – borne of the need to look "tough" on national security during the run-up to the general election – is the president's commitment to take on a more assertive role in Afghanistan, and, hence, Pakistan. He shall be doing so at a time when security conditions on the ground are deteriorating, and the additional troops need a new strategy. Among the results, U.S. policy toward Asia will continue to tilt south, and the U.S. will be hounding its allies for expanded contributions of troops or aid in Afghanistan.
- These considerations notwithstanding, Secretary of State Clinton got Asia policy off to a sensible start with her trip to the region in February. She hit the right notes in stopovers in Korea, Indonesia, Japan, and China, and, generally speaking, provided reassurance that the U.S. will remain heavily engaged in Asia, and that Asians need not fear radical discontinuities in U.S. policy toward the region.

Turning to developments in Asia, there we also see some big time changes over the past year. The most consequential, I suppose, is the continuing rise of China. While it has not eluded the damaging consequences of the global economic downturn, it has fared better than virtually any other state. Its growth is way below its usual average, but high by any relative standard. And despite the domestic challenges a slowdown inevitably brings, Beijing appears to be feeling its oats.

- It has adopted a more assertive stance on a variety of issues.
- Its defense budget is up again at a double digit rate.
- It has become more direct in its criticism of U.S. economic policy.
- It has proposed changes in the structural arrangements of the international economy which would reduce the role of the dollar and require adjustments in voting rights in the IMF.
- It is active in bolstering Asian defenses against economic contagion, and testing the efficacy of new regional fora (e.g., The Three Minus ASEAN)

- It recently confronted a U.S. intelligence collection vessel in its EEZ.
- It seems to be backing away from the joint development of resources with Japan in contested off-shore areas.

These actions suggest that China has become more self-conscious of its growing clout in Asia and the wider world. We should not be surprised by this evidence of its determination to be accorded the respect and prerogatives it believes its growing power has earned. Still, Beijing appears generally satisfied with the general contours of its relationship with the United States and anxious to maintain them. And the Obama administration, after a few missteps, is looking forward to an April summit in Europe with Hu Jintao, and is positioning itself for wider cooperative endeavors with the PRC.

The fruits of such collaboration will probably be tested most rigorously in Korea. The Six Party Talks are stalled. The North, evidently preoccupied with its own succession process, has turned more truculent – resisting verification of its nuclear declaration, dismantling its relationship with Seoul, telling visitors that they should get used to the idea of a nuclear North Korea, and preparing to test-launch a satellite as a way of demonstrating an intercontinental missile capability. “Rolling back” a nuclear program is proving to be a lot tougher than “freezing” it short of a demonstrated capability.

Doubts about the feasibility of “denuclearization” are growing. For Pyongyang, giving up its “nuclear devices” and whatever weapons and capabilities it may have stashed away, would arguably weaken the regime’s legitimacy (testing a nuclear “device” was a political bonanza for Kim Jong-il), diminish the quality of its deterrent (not least in the eyes of its own military), forfeit an “equalizer” with the South, and relinquish a bargaining chip of established efficacy. The DPRK, moreover, probably doubts the durability of agreements struck with either the U.S. or ROK, and this in turn fortifies a presumptive preference for just doing what has worked in the past – manipulating the level of tension in the expectation that one or several of its interlocutors will trade tangible resources for a suspension of objectionable conduct – at least for awhile.

The Obama administration has positioned itself to persist with the Six Party Talks, and is currently reviewing its strategy for these negotiations. It inherited a very tough problem and is playing with a weak hand, given its preoccupation with other matters and the absence of acceptable military options. To be sure, policy coordination with the ROK will be easier given the Lee government’s insistence on reciprocity and its intent to link economic concessions to forward progress on the nuclear issue. Still, the Chinese retain a decisive role, and seem no more eager than ever to exchange their “convenor” and “broker” role for that of lead player in pressing Pyongyang to relinquish its “nukes.”

The South Korean government has publicly avowed its eagerness to align itself with the U.S. in a more global political partnership. It is not clear whether we will capitalize on this opportunity. President Lee is weaker at home now than he was a year ago. The ROK economy has been hit hard. And KORUS – our FTA with the ROK – remains in limbo in the Congress. Further U.S. hesitation to ratify this agreement has

prompted the ROK to focus on concluding FTAs with others in Europe, the Middle East, and Asia. Whether this will spur faster action by the U.S. Congress remains to be seen.

There has also been a significant and welcome change with respect to the other residual Cold War legacy in the region – the Taiwan issue. The atmosphere prevailing in the Taiwan Straits area is as tranquil as I can remember it. This is mainly attributable to the political changes that have occurred in Taiwan following President Ma Ying-jeou's inauguration. But it also owes something to the facts that China is courting rather than threatening Taipei; the U.S. remains strategically clear in its policy toward the dispute; and both sides embrace the prospect of further integration of the mainland and island economies.

Southeast Asia has been hit hard by the global recession. Some of the worst victims have been states like Singapore whose economies are so heavily trade-dependent. But tough economic times have yielded neither inter-state conflicts nor major internal political backsliding (e.g., Indonesia). Vietnam remains eager to bolster political and economic ties with the U.S., and the Obama administration has signaled a possible easing of some restrictions as part of a new approach to Burma.

I've said nothing of Japan. It remains our most important Pacific ally, and the alliance remains strong. Its economy remains second in size only to our own, but is experiencing the consequences of the global slowdown. Its democracy is resilient, but on matters of policy it is hard to avoid some sense of drift. The political paralysis in the Diet, the unsettled state of electoral politics, and uncertainties as to how the DJP would approach international security issues, if it should win a parliamentary majority, leave large question marks over the near term-future of policy coordination with the U.S. A host of issues have been kicked down the road during our respective political campaign seasons. They will have to be addressed. They include strategy toward North Korea, the nature of Japan's role in Afghanistan, and the implementation of agreed-upon adjustments of U.S. bases in Okinawa, to mention just a few.

Mrs. Clinton's visit to Tokyo and Prime Minister Aso's trip to Washington were helpful in creating an appropriately cordial setting for tackling these problems, but the heavy lifting remains to be done. I for one am confident that it will be.



# Strategic Priorities at 50

By Masashi Nishihara

## Japan's Global Security Concerns

In March 2009, one of Japan's top global concerns relates to the global financial and economic crisis and how the world can get out of it. The fast decline of trade and manufacturing seen across the globe will make an early economic recovery impossible. It will cause extensive unemployment, giving rise to protectionism and xenophobic nationalism. This will in turn lead to domestic and external tensions for many countries concerned.

The global economic crisis also will transform power relations. In coping with it, G8 is almost being taken over by G20, which includes China and India, two rising powers in Asia. The relative positions of Japan and Europe have declined as a result, although Japan still retains power to help South Korea and Southeast Asia, can contribute to the IMF, and purchase U.S. bonds on a significant scale. Russia, which in August last year was confident in crushing Georgian forces and setting up "independent" states of South Ossetia and Abkhazia, now looks much less confident. It faces difficulties, for example, in building facilities in time to host the 2012 APEC leaders meeting in Vladivostok.

Another strategic concern of Japan's is U.S.-Russian relations. The Obama administration has expressed its willingness to "reset" relations with Russia, which have been aggravated over the last few years. The two governments are now in agreement to negotiate a new treaty succeeding START I, which expires at the end of this year. This is a good move for international peace. However, if a new treaty should bring down the level of nuclear arsenals to 1,000 warheads for each side, it may create an unbalanced deal because the U.S. will have to face some 300 Chinese warheads. It may weaken the U.S. nuclear extended deterrent for Japan. The U.S. and Russia also have about ballistic missile defense (BMD) in Eastern Europe in exchange for Russia's cooperation in containing Iran's nuclear programs. This is a welcome development for Japan. Yet there are several indications Moscow is still attempting to expand its own external influence and challenge the U.S. position overseas. They include sending naval ships to Venezuela, inviting Cuban President Raul Castro to Moscow, and having Kyrgyzstan close its U.S. bases. Reportedly, Russia also may deploy strategic bombers to Cuba and Venezuela and establish naval ports in Syria, Libya, and Yemen. The Russian air force has increased flight activities in the Western Pacific. In July 2007 a Russian bomber (Tu95MS) flew around Guam, and in February 2008 one flew over a U.S. aircraft carrier sailing in the western Pacific. Last year the Russian fleet also crossed the Tsugaru Strait, a strait between Hokkaido and Honshu. These Russian moves are a security concern for Japan.

Still another global security concern for Japan is the political turmoil in Afghanistan and Pakistan. Some 50 nations are involved in multilateral efforts in trying to bring the Taliban/Al-Qaeda forces under control. Political situations in Pakistan are

aggravated, raising concern about the Taliban's influence in Pakistan politics as well as the safety of its nuclear arsenal.

### **Japan's Regional Security Concerns**

A more immediate regional security concern for Japan is North Korea's hostile external behavior. Pyongyang has announced that between April 4 and 8 it will launch a satellite, which the Aso government regards as a clever cover for a ballistic missile test. Kim Jong-il has apparently recovered from some kind of stroke, but his poor health will continue to be a security factor for North Korea's neighboring countries, despite his expected re-election at the Supreme People's Assembly to be held April 9.

The basic security issues that Japan faces there are, of course, North Korea's nuclear program, the future of U.S.-North Korean talks, and the role of the Six-Party Talks. During the second term of the Bush administration, the United States made unnecessary concessions to North Korea without gaining any substantial returns. Many Japanese were disappointed or even felt "betrayed" by the U.S., which delisted North Korea from the terrorist list without resolving the abduction issue.

North Korea may now demand mutual verification of suspected sites of nuclear facilities, including U.S. naval ships visiting South Korea. The Six-Party Talks have now become a side show of the U.S.-North Korean bilateral talks. However, they still provide a useful function for Japan in that Japanese officials can meet North Korean counterparts and raise the matter of Japanese abductees. Closer coordination among Japan, the United States, and South Korea in the form of TCOG (Trilateral Coordination and Oversight Group) should be revived to input trilateral interests into U.S.-North Korea talks.

A larger long-term regional security concern for Japan is the growth of Chinese power in all respects. The United States and China have deepened their economic interdependence and as a result they cannot expect to have armed conflicts.

Meanwhile, China's military power is expanding. Its naval presence in the western Pacific demands greater attention, as is seen in the recent case of Chinese naval ships harassing U.S. surveillance ships in the South China Sea. Its conventional and nuclear submarine forces are remarkably powerful and have become more active. In October, last year four naval ships sailed around Japan. In December, China's surveillance ships conducted their activities within the territorial waters of Senkaku.

The U.S. naval is losing preponderance in the western Pacific, although it is still more powerful than the Chinese Navy. As the U.S. seeks to avoid armed conflict with China, the latter expands its naval sphere of influence. China's submarines have become noticeably active, and Beijing has made public its plan to construct aircraft carriers.

As Taiwan under President Ma Ying-jeou develops closer ties with the mainland, it may become difficult for Ma to sustain his "three No's." The balance of power across the

\Strait has tilted to the mainland. If Japan and the U.S. should lose the “Taiwan card,” Taiwan may become a second Hong Kong, another satellite state of Beijing.

Consequently, the balance of power is tilting toward China. This is not in Japan’s interests and not a welcome development for the region. Japan should seriously consider increasing its defense capabilities.

### **Japanese and U.S. Strategic Interests: Convergence and Divergence**

Basically, Japan and the United States share common strategic objectives in the Asia-Pacific region. They seek a politically stable and economically viable, open region. Both would like the U.S. to maintain its strong presence in the region. Both want to play an active role in the field of nontraditional security. However, there are some areas of divergence of their interests, which include:

Will the U.S. really see that North Korea abandons its nuclear programs? Japan, being geographically so close to the Peninsula, North Korea’s nuclear arms pose a direct security threat to Japan.

While both governments talk about the U.S. commitment to extended nuclear deterrence, do they really believe that the U.S. will make nuclear retaliation against a North Korean or Chinese nuclear attack on Japan?

While both governments officially welcome Taiwan’s increasing ties with the mainland, do they really think this development will serve their respective security interests? Japan regards the current status of Taiwan as more important to its security than the U.S. might.

While the U.S. seems to consider the benefit of “a U.S.-China condominium,” Japan does not. Bilateral consultations at the ministerial level are useful, as they have been in the past, but not a bilateral summit or “G2.”

The U.S. has begun to consider Afghanistan and Pakistan as an inter-connected problem. While the U.S. may have diplomatic and military capabilities to lump the two countries together, does Japan want to follow this idea? Do Afghanistan and Pakistan want to be lumped together? Japan may like to pursue a coordinated but different approach.



## Regime Change in Tokyo

By Sheila Smith

I'm going to give you a few of my thoughts and to share with you a little bit of what I sense is some of the trepidation in Washington. I'm not 100 percent convinced that there is much to have trepidation about. I don't think that tumult and turmoil are necessarily the right words to use right now about Japanese politics. What many in Washington worry more about is stagnations and stalemate, the lack of things moving. Neither of those images necessarily is correct but I think what we all understand is that there will be a Lower House election this year. It's 2009 and the time is up. There is much anticipation and media frenzy over this. Most of the Japanese press covers this in minute detail every day. The latest iteration of trouble in Tokyo this year is Ozawa Ichiro's corruption scandal. Before that Prime Minister Aso was under fire for his stimulus package, etc. Politics seems very personality driven when you read the Japanese newspapers but you can also sense a deep sense of unease about what this upcoming transition might bring for Japan.

There's been a certain level of frustration when I talk to friends who work in the policy-making community and the bureaucracies in Japan. There's been a great deal of frustration since the Upper House election in 2007. Last summer I spent several months in Tokyo and made a point of going to talk to Diet members because I didn't have a sense of what the next generation of political leaders in Japan was thinking about the U.S.-Japan alliance. Most of them were consumed with the impending election. I didn't have a very deep discussion about alliance issues. There was very little appetite for deep discussions on longer-term strategic issues. Both parties of course have their own challenges. I think the LDP has postponed, and postponed, and postponed this election. Perhaps not to its benefit. We've gone from Prime Minister Abe to Prime Minister Fukuda to Prime Minister Aso and some speculation in the corridors of the LDP that we might have a Prime Minister Yosano. But the idea is to get more public support before the impending election if at all possible. So the LDP senses its own weakness.

The DPJ has put out a mantra of regime change or transition in power. But again for electoral reasons, I think they are worried about getting too in-depth when discussing issues. And so the goal of transition in power has taken on this idea that transition itself will solve Japan's problems. That doesn't help us think through where the alliance might up in that process.

Public opinion polling in the media has been extraordinarily sensitive to these personality issues. I'm somewhat suspect of polling data, although I follow it religiously. I pay attention to *Asahi*, *Yomiuri*, *Nikkei*. It's volatile and it changes quite significantly but it doesn't change with large margins. So you get 2 or 3 percentage point shifts when asked if the public supports this person or is disappointed in this party more or less; but you don't get massive fluctuations. Right now the polling is focused on whether Ozawa should resign. There is a fairly overwhelming sense that there's a disappointment in Ozawa himself but that this corruption scandal may in fact impede the DPJ's chances at the next

election. I think the Chiba election is the potential opportunity for what I was calling a *hanamichi* or an exit strategy for Ozawa. I don't know that Mr. Ozawa is likely to take it frankly, so I expect a DPJ-LDP electoral challenge or contest with Ozawa and Aso at their respective helms.

But is this much ado about nothing? Is this really tremendous impending change in Japan or is this really more muddling through and we shouldn't expect too much? I'm going to suggest that it's a little of both. As an academic, I get to say things like that. But I think we need to understand better especially on the American side some of the dynamics in Japan. Yesterday, we left off the conversation talking about Japan's priorities and the degree to which we share a common goal and as we discuss this alliance and this election specifically we should keep focused on this question: does this election challenge our capacity to work together, or will it reveal differences and divergences between Japan and the United States? Or is this just a shifting the way in which we talk about alliance management? The capacities and energy that Japan brings to this partnership are really what many people in Washington are focused on. They are hoping to energize the relationship. We have a new administration in Washington, so that's fairly natural. There's a hope that once we get this election behind us, then there will be a greater capacity and more energy for the partnership.

Whether you're a bureaucrat, a politician or the public, Japanese have more experience with regime change in Washington, with the transition of government than we have with yours. There has been single-party dominance for more than half a century. So we're all nervous about something because we don't know what's coming. We have had past era's in postwar history where there's been either the threat of a more competitive party system or a loss of LDP power. The early 1950s, for example, was a pretty contentious time in Japanese politics. In the 1970s, the LDP fear that it would lose power reached the point that someone like Sakata Michita began to rethink defense policies so that it would be supported a cross party lines should the LDP lose power. So, this moment is not new in the U.S.-Japan relationship nor is it new in Japanese politics. But we have to now imagine the possibility of a regular alternating process of transition in government and that's what this mantra of *seiken kotai* as a prescription for reform is all about.

Back in the early 1990s we had this idea that two party competition in Japan would produce more competition and ideas. We would have a heartier policy debate as a result of that kind of competition. There are also structural changes in Japanese society as you move from a more producer-oriented society to a more consumer-driven society.

So this is not just about parties, and not just about political systems here. We're also watching a transformation at a broader social level in Japan and a desire for greater and better types of political participation. We all know the sequence of events throughout the 1990s with Ozawa leading people out of the LDP. We saw the Hosokawa Cabinet and a very brief floatation with an alternative leader, an eight-party coalition for nine months or so. We had reforms in political laws in Japan that changed the electoral system as well as introduced new dynamics to deal with anticorruption efforts. And in the 1990s you had this kaleidoscopic process of realignment. I was teaching at the time and I couldn't

remember the names of all the political parties let alone who was with whom at any particular time.

There were odd bedfellows. Japan's socialist party joined the LDP to run the government. But today it is fundamentally different and there is a serious contender for power. The Democratic Party of Japan formed in 1996 is really the first serious contender for this two party image of Japanese politics. Ozawa has brought his electoral skill; whatever you may think of Ozawa and his ideas, you have to give him credit for winning elections. That's what he's done and he's done it well in the Upper House election for the Democratic Party.

The larger question is this question of governance in Japan and how far public confidence in not only politicians, but also the bureaucrats in Japan have diminished. There is a real questioning in the Japanese public about whether government works and whether it satisfies the new complexity of social and international issues that Japan faces. You have some legacies of that single-party system. You have an opposition party that may now have electoral shot but it doesn't have a track record. If there's no track record it's difficult to garner established interests. I had lunch the other day with a very senior business leader from Tokyo who said that even Keidanren-type Japanese corporations were hovering on the edge but weren't quite ready to swing to a real opposition party. I have a feeling if you talk across the board – whether to business leaders or journalists or people in government – that Japan is waiting for a larger transition. So if you have an electoral victory for the DPJ, you may see some very fundamental shifts in alliances and allegiances beyond the political system.

The country is waiting nervously to see whether the person next to them is really willing to give this opposition party a chance. The bureaucracy has been severely challenged, in terms of its policy-making power and this goes back of course to the 1990s. Almost every major bureaucracy went through challenges or scandals, and was charged with not putting citizen interests first. In this recent Ozawa prosecutors standoff over the corruption charges against his secretary, there is a certain aura of the prosecutors being tainted, being a little bit more biased in favor of the LDP. The DPJ prescription of course is to lop off the head of the bureaucracy and they have on the table a plan should they come to power to get rid of the higher levels of leadership in almost every major bureaucracy in Japan.

That's a threat that I imagine many people in Japan or in the Japanese bureaucracies take very seriously. It's structural; an attempt to shift power away from the bureaucracy and further into the hands of political leadership in Japan. But the one thing that we can't really gauge and one thing we all feel strongly but we can't really understand until we have this election, is just how much public confidence in government has eroded.

The *Yomiuri* did a poll on impressions of Ozawa and whether he should stay in the party, etc. At the same time they asked questions about public confidence in the bureaucracy. I was astounded that 74 percent of Japanese people still think the bureaucrats are not acting in the public interest. We have a remnant here of collusion or suspicion of

collusion. The complex problems of structural reform are the economy, pension, healthcare systems, reform, Japan's aging society, etc. etc., these are all challenges that the Japanese public feel very strongly about.

There are new political dynamics and I'm not going to go through all these because I think you know them well. But we now have as a norm in Japan coalition government. We think of the LDP as a majority government but it has been in a coalition for some time. This two-thirds majority in the Lower House is an aberration; the 2005 election Prime Minister Koizumi left an *omiyagi* of this two-thirds majority in the Lower House that made it possible for the LDP to govern since then.

There has been a divided Diet since 2007, with the opposition's dominance of the Upper House; that has made for uncomfortable negotiation between the Upper and Lower House. This has been a focal point for a lot of criticism but the divided legislatures are not abnormal in other parliamentary systems. Divide, twisted, or contorted as it may seem to the Japanese, it is not something that Australians or British or others have not had experience with. This is party politics as its best. It's not necessarily a nightmare scenario.

Japan is going to have to grapple with the need to develop new policy-making patterns. So let me talk a little bit about what I think those new policy making patterns might be as they relate to the alliance. One of the hardest things for most of us to understand is whether the alliance has become a topic of contest in electoral politics in Japan. If you sit in Washington there's a fear, I don't know if it's realistic or not, but there's a fear that the alliance could become a political football. In addition, there is concern that short-term political interests will make the Alliance something that the Japanese public will have to make choices about that are not necessarily choices we'd like them to make.

There is a certain amount of demonizing of Ozawa's alliance statements that, I think is unfounded. I don't know him personally but I think we should be a little bit cautious about that kind of demonizing. The extent to which is the U.S.-Japan relationship is a cause for support of the DPJ among the Japanese people, is hard for me to tell. Last year at this conference we talked about anti-Bush sentiment. It suffices to say that criticism of the Bush administration policies is something we've seen in other alliances, and it is not restricted to Japan. It just doesn't get articulated that way it does in Tokyo.

There are built up frustrations that the DPJ is capitalizing on regarding U.S. military basing issues. I've done work on this in the past so I won't go over it in detail. But you recall that Hosokawa wrote an article in *Foreign Affairs* in 1998 and his major question was the U.S. troop presence in Japan really necessary at the levels of the Cold War period. Frustrations over basing issues continue to reverberate among the Japanese people and the DPJ's manifesto reflects that.

I don't believe that we don't understand the DPJ. We have a pretty clear understanding on certain issues that they stand for, and there they will take a different tack on. The Upper House election in 2007 for example put an end to constitutional revision.

So this issue of revising Article 9 and deploying SDF abroad is over for the foreseeable future, that's something we should take on board. The refueling bill in the Diet became the locus of an in-depth conversation about the Iraq war and participation in anti-terror efforts, the accountability of the LDP and the role of the Diet in oversight of those kinds of decisions. It forced the LDP to defend its policy. It was a better Diet conversation than I've seen the past about the details of deployments and alliance cooperation. And it was more of a review of past LDP decisions than it was a vision of the future. But we didn't get a sense from the DPJ questioning and critique of what it thought Japan ought to do.

The DPJ manifest highlights U.S. forces in Japan problems, host nation support, Futenma relocation, social revision. In my interviews last summer my sense was that the realignment agreement is something that the DPJ will take issue with regardless of the Guam agreement that Secretary Clinton and Foreign Minister Nakasone signed.

But the theme last summer was why should the Japanese taxpayer pay for U.S. Forces? Clearly they have a hook on the U.S. Forces issue that has a lot to do with costs.

I don't know what to think about the Seventh Fleet quote by Ozawa but I have a feeling they will be developing a more articulate position when they have to.

We don't know about is North Korea policy for example. I couldn't get a clear sense of where the DPJ stood on abductees, of the Six-Party Talks. I don't know if there has been any public commentary on the missile test, for example. I did get the sense that the toxicity in domestic politics of the North Korea issue kept most DPJ members from wanting to talk about it.

On China, I heard a variety of views much similar to the variety of views inside the LDP. You have a broad array of thinking on China. My sense was it was very specific to the issue you were asking about: East China Sea, trade, military incursions, each gets a quite different answer.

I thought it was very interesting that Ozawa said to Secretary Clinton, or suggested, that the U.S. was somewhat naïve on China. I'm not sure that Ozawa has a very different point of view than many others in Tokyo. I don't know what he feels about regionalism, I don't know what the DPJ thinks about the financial crisis, or the extent what to the U.S. and Japan and China might be able to work together on those issues.

So there are things that we need to learn. It's been very obvious that we don't know enough maybe we won't learn enough until after the election. There's one footnote I would suggest here: no matter who wins the 2009 election we must in this relationship understand what the opposition parties in both countries feel about each other and about the Alliance. The Japanese must understand what our party out of power thinks and we must understand what the party out of power in Japan thinks about the alliance.

Turning to the year ahead, we have several events and planning processes. The national defense program outline came up yesterday. The Tokyo Foundation has issued a

report, that basically provides the intellectual foundations of the conversations that will be coming in the Katsumata Commission. The Katsumata Commission Advisory Group will be talking about their recommendations on issuing a report this summer. The Cabinet decision is expected by December.

Will the DPJ endorse this review process? Will they engage? It would be very helpful to have the commission engage with the DPJ. But I'm not sure the DPJ will want to engage back, but it's something to watch for.

That report from Tokyo Foundation talks about counter-strike capabilities, ballistic missile defense, and how to deal with Chinese incursions, among other things. Those are exactly the things that we would like to learn more about from the DPJ. The large question for the alliance though is can we synchronize with our own planning processes and will the election get in the way of that synchronization of our defense planning in the alliance.

The biggest unknown is developing an understanding and a dialogue with the DPJ and the LDP on what the longer-term goals of this alliance relationship ought to be. We need to begin that conversation now. It needs to be cross-party and what we're really looking forward to is a conversation about five years and 10 years and perhaps 20 years down the road. The time has come for us to have a much more forward-oriented consensus on where we want to go in the relationship and which problems need to be fixed over the short run.

# U.S.-Japan Relations under Obama

By Fumiaki Kubo

In June, last year, the Pew Research Center released an interesting poll taken in March and April of 2008, in 24 countries including the U.S. and Japan, asking “are you interested in the American presidential election?” In the U.S., 80 percent said yes. The highest country in Europe was Germany, where 56 percent said yes. In Japan? The figure was 82 percent, more than the U.S. and this poll was not taken just in Obama City in Fukui Prefecture. The top was Japan, the U.S. the second, and Germany the third. Japan beat the U.S. not just in the World Baseball Classic but also in the degree of interest in the U.S. presidential election.

In another poll in mid-October of last year, another interesting poll asked supporters of Obama and McCain each “how strongly they support their candidate,” enthusiastically, or satisfied, or as the lesser of two evils. I do not remember every number, but 52 percent of Obama supporters said “enthusiastically.” Only 14 or 15 percent of Obama supporters chose “lesser of two evils.” Among McCain supporters, more than 30 percent said they support him as the lesser of two evils and only around 26 percent said “enthusiastically.” It is really impressive that 52 percent of the Obama supporters support him enthusiastically. This suggests one of the unique features of the Obama presidency.

Now, I will talk about U.S. politics and U.S.-Japan relations in five parts.

The first is about very ambitious agenda of Mr. Obama.

President Obama is surprisingly ambitious not just in domestic politics but also in foreign affairs. As his domestic policy goals, he referred to economic recovery, reduction in budget deficit, universal health care, entitlement reform, energy, environment, and education, some of which entailed a proposal for a tax increase. I do not know whether he is trying to do too many things at the same time. A common view in Washington is that he lacks focus.

But this year, we already saw something that wouldn't happen under normal circumstances: a huge stimulus package passed in February. It's almost miraculous. Given the already deep budget deficit, the logical consequence of politics, based on a common sense, should have been spending cuts or tax increases or both. So, Mr. Obama might be right in being ambitious, and some of his big proposals might pass. In a crisis, common sense might not work. Please recall that most commentators with common sense predicted in December 2007 that Hillary Clinton would win the Democratic nomination and the race was over.

On foreign policy, President Obama is very ambitious as well. It seems that he is trying to change the diplomatic relations on many fronts. He just sent a video message to Iran. There might be a new approach to Syria. There will be extensive negotiations with

Russia on many things, including nuclear reduction, missile defense, and Iran. And there will be comprehensive talks with China on many things, too.

This is how President Obama approaches foreign policy. Needless to say, many things depend on what the other side will do.

My second point is about bipartisanship.

Bipartisanship is one of President Obama's major approaches to governing. Since the early stage of the campaign, Obama has been saying repeatedly that he will overcome the partisan divisions in Washington. As you know, his Cabinet has two Republicans and his national security adviser is a former McCain supporter. About 35 percent of the stimulus package consisted of tax cuts, which was also a part of the bipartisan approach.

But it seems that Obama's bipartisanship has not been reciprocated by the Republicans. Washington is still a very partisan place.

Rather, what is remarkable was the bipartisan nature of the opposition to Obama's stimulus package in the House. All the Republicans as well as 11 Democrats opposed the bill even though there was still the excitement of the Inauguration in the air. More than half of these Democrats are Blue Dogs.

I guess these moderate to conservative Democrats are key to Obama's legislative success this year or next year, especially in domestic politics. Bill Clinton's initiative on health care collapsed in 1994 not just because of Republican opposition but because the Democrats could not unite around the White House proposal.

Given his ambitious agenda, it is clear that President Obama's policy goals are pretty liberal. Therefore, we should understand his bipartisanship not necessarily in terms of policy substance but in terms of a public relations strategy. It seems that the public is giving a very low score to the Republicans. So to that extent, Obama's strategy might be working.

In foreign policy, there seems to be a little more bipartisanship. The foreign policy and national security team has bipartisan aspects, having moderate Democrats as its pillar, and moderate or realist Republicans as a kind of coalition partner. The team doesn't have left-wing liberals or neoconservative or hawkish people like John Bolton.

It is too early to say anything definitive about the reaction to Obama's broad and ambitious foreign policy initiatives. But my guess is that we cannot expect the bipartisanship will last. Antiwar groups will gear up opposition to the military campaign in Afghanistan pretty soon. Sooner or later, conservatives will voice a strong opposition to conciliatory approaches to Iran, Russia, Syria, China, and possibly North Korea. But if Mr. Obama can achieve visible outcomes, the administration could keep its momentum and a strong position.

Ideology thrives in a situation where everyone can claim that only his or her ideology is right, without being challenged by facts or reality. But when reality shows that a particular policy works, ideology that is not supported by reality has to recede.

This will be true especially with economic policy. If the U.S. economy is getting better in the fall of 2012, Obama will be reelected, however ferociously the Republicans shout and cry, using the word, socialism, again and again. And to some extent, this will be also true in foreign policy.

I now turn to the U.S.-Japan relations as my third point.

Fortunately, U.S. policy toward Japan is not a target of partisan rancor, as has been pointed out by many scholars and commentators including Dr. Joseph Nye on his article in the *Asahi Shimbun*. This is absolutely right. And this is where the policy toward Japan is quite different from policy toward China. The policy toward China is divided, not necessarily between Democrats and Republicans, but between pro-China groups and anti-China groups in both political parties. It is bound to be unstable. It is like a pendulum.

The assessment of U.S.-Japan relations, depends on who you ask. If you look at the current situation from a historical perspective, in terms of two or three decades, you must be impressed by the progress that has been made to strengthen the alliance.

If you are a neutral observer outside the government who looks at Japan from a comparative perspective with NATO countries, you would probably rate Japan as a weaker, ineffective ally, because Japan cannot fight for and with the U.S. in Afghanistan, and because Japan says it does not have a right to collective self-defense. Japan might even terminate its refueling operation in the Indian Ocean. Especially after Sept. 11, this element could become serious in alliance politics. During the Cold War, Japan did not have to think a lot about what it should do if the U.S. was attacked. But 9-11 showed that, when your ally is actually attacked, you feel and your ally feel that you need to help your ally in some way. Yet under the U.S.-Japan Security Treaty, Japan's obligation in such a case is merely to let the U.S. use military bases in Japan, and under the current interpretation of the constitution, it is understood that Japan could not fight for the U.S. even in such a situation. If something like 9-11 occurs again, the alliance might be tested in a very severe way. This is the most fundamental, and possibly the most serious, challenge posed for Japan after 9-11.

But if you are someone in government in charge of East Asian affairs, you would think that it is utterly unproductive to say this kind of thing in public – that Japan is not an effective ally – and it would be smarter for you to attract every kind of cooperation from a given situation, while saying the alliance is the cornerstone of the U.S. Asia policy.

As all of you are aware, it is not a great time for us to expect any breakthrough in U.S.-Japan security relations, given the gridlock and paralysis in the Japanese politics. There has been a time of great progress as well as gridlock or even a retreat in alliance relations, and now it is not the time to expect a big step forward.

But in certain areas, I think that we could expect some progress, even in this situation. The change in government in the U.S. and international circumstances are working in a positive way.

For example, it is tough for Japan to send troops to Afghanistan, but Japan could help stabilize the country in a variety of non-military ways. It is an opportune time to try that kind of approach, because it seems that the Obama administration itself, perhaps taking some of the lessons from the Bush administration, is trying various approaches, putting more emphasis on negotiation, economic incentives, and cooperation with neighboring countries. Afghanistan is probably a number one priority among foreign policy issues for the Obama administration. In this situation, Japan could contribute a lot. It is interesting that during her short stay in Tokyo, Secretary Clinton met Sadako Ogata, the president of JICA, the Japan International Cooperation Agency.

In Japan, there has been widespread concern about the new Democratic administration's policy toward Japan, especially in the business community and among politicians. But if you pay attention to aspects of the Obama foreign policy, I believe that we could find fertile ground for fruitful cooperation. In general, the Democrats tend to be more internationalist, more eager to engage the rest of the world, and more global in perspective than the conservative Republicans. These characteristics are in line with the basic principles of Japan's foreign policy.

Therefore, Japan could be a good partner in many fields including fighting global warming, helping the needy, particularly kids and women in the third world, helping primary education in such countries as Pakistan, strengthening international organization such as the UN, including its Security Council, and promoting the reduction in nuclear weapons in a way compatible with the Japanese national interest.

As the fourth point, I will mention some concerns.

Overtures to negotiation with countries such as Iran or Syria might work. But they could take a lot of time without producing concrete results, while the U.S. might look very weak. It is not easy to switch to a tough approach once you start negotiations. It's not easy to decide when is the time to stop negotiations. And even if you change course, you would be still criticized for having chosen a negotiation strategy that didn't work. Or, you might want to stick to negotiation even more, and end up conceding too much.

The second concern is about China policy. China is an interesting case. The Obama administration will hold an extensive, comprehensive dialogue with China on many issues. Some Japanese tend to believe that whenever the U.S. and China are together, they are colluding and excluding Japan. Of course, that's not the case.

The U.S. and China could cooperate on issues like stimulating the economy, finance, North Korea, nuclear proliferation, even arms reduction. But they will fight on as many issues, such as human rights, religious rights, Tibet, trade, currency, intellectual property rights, military buildup and its transparency, and relations with dubious regimes.

Obama and Clinton assume that they could have good relations with Japan and good relations with China at the same time, as they think the Bush administration did, which is probably true. It's important for Japan not to conclude too soon that the dialogue between the U.S. and China is inherently against Japan. The nature of relations that U.S. has with China and Japan are very different. Still, the dialogue with China under the Obama administration will be broad and comprehensive. It is important that the U.S. not appear to be conceding too much, or siding with China too deeply, especially in the area of its military buildup. We would like U.S. not just to talk, but be effective in this area.

Some final words.

Describing U.S.-Japan relations in an age of deadlock in the Japanese politics in an Obama-esque way, you could say: you could keep fighting over small things or things in the past, or you can continue the blame game, blaming each other for not doing enough, for doing too little too late, or doing too much too hastily.

But we could choose another path. We could pay a lot more attention to the future, to the shared interests and values, and to what we could do together if we are united, particularly in global affairs, to control global warming, to alleviate poverty, to lessen the number of the nuclear war heads, and, above all, in stabilizing such areas as Afghanistan and Pakistan.

There are fat years as well as lean years in the history of alliance politics. But there are several things we could do to strengthen our alliance even in a supposedly lean year if we have a lot of imagination and creativity. Don't stop thinking. Be hopeful.



# A Last Chance for Japan

By Yukio Okamoto

Despite the diverse views expressed, the atmosphere in this room has always been very warm and inviting – perhaps too warm.

But we, especially the Japanese side, must not be too complacent. Exactly a week ago, I was invited to deliver a commencement address at the National Defense University graduation. What I said there apparently did not please Prime Minister Aso, who spoke before me. I said that the expression “Japan is committed to liberty and democracy and is the second largest world economic power,” the standard phrase being used by Japanese prime ministers including Minister Aso, will not serve much purpose as we enter an era of globalization. Why is that? During the Cold War, the rationale for the Japan-U.S. alliance was very clear. But maybe we have remained married to the stereotypical notion of the alliance without finding a new philosophy; perhaps because our relationship was too comfortable.

I agree with Hitoshi Tanaka on the need to transform the alliance, but maybe for different reasons. We are in quite a different world. The key word is globalization. The word is not merely rhetoric but represents a very tangible development. The structures of the international decision-making process and resource distribution have changed completely. The United States remains the most important player without whose leadership, the world cannot come to a decision. But the world is no longer a place where the United States can decide things alone.

On the economic side, the collective power of industrialized states is in relative decline. In 1997 OECD countries contributed 70 percent to the growth world’s economy in emerging countries 31 percent. Ten years later there was a complete reversal with emerging countries contributing 53 percent of the world’s growth and OECD countries only 40 percent. Simple categorization of rich vs. poor or even developed vs. emerging countries will not be appropriate any longer.

Tom Friedman described the world as flat but this description is somewhat misleading because in a flat world the periphery at the outer rim is not linked to other parts of the world. Actually the world is very much a sphere without a periphery or without outer rims. Everybody is connected.

In an era of globalization, systems of values are beginning to merge. Even Chinese are now insistent about the importance of democracy, although with a cunning proviso that one should always respect national diversity.

The world is increasingly integrated under an umbrella of universal values. Even Iran, Venezuela, and Palestine – no matter how the United States dislikes them – are governed by free elections, one important feature of democracy.

In such an era, the notion of an alliance stemming out of a concentric circle will have less appeal. With disappearing enemy states, how are we to maintain and strengthen the archetype of the concentric circle alliance, especially when the Japan-U.S. Security Treaty itself is limited to the narrow task of preserving peace and security in the Far East.

For Japan there is a DPRK threat as Professor Nishihara said yesterday. There is China that still does not forgive Japan's past. And there is Russia with whom Japan has not even concluded a peace treaty. Japan is unique in the world in having serious territorial disputes with every single surrounding country and region – with Russia, China, Korea, and Taiwan. So fortunately or unfortunately, globalization does not register with the Japanese people, or Japanese don't feel the real impact of globalization.

Though matters stand the same with the United States, the Bush administration constructed the schema of either friend or foe, notion to which Japan subscribed. But this schema, which is unfit for the globalized world, will sooner or later have to be put to rest. There will come a day when America's enemies are no longer found, at least in East Asia.

The most natural way for Japan to preserve and even strengthen the alliance is for Japan to become a truly "Smart Power" as proposed by Joe Nye. But the important thing is not simply manifesting the "Smart Power" status, but making real contributions to the world, even if the cost is painful to Japan.

In a new world, enemies and threats come from somewhere else. The process of integration is accompanied by a simultaneous process of fragmentation. Fragmentation comes from those who are not enjoying the benefits of civilization. Statistics are astonishing. The world's richest 10 percent own 85 percent of the world's wealth. The world's poorest 50 percent own only 1 percent. *Forbes Magazine* says that the world's 793 billionaires own the wealth equivalent to the lower 60 percent of the world population or 4 billion people, the destitute at the bottom of the world's pyramid – the residents locked inside the Gaza strip, the poorest farmers in China's inland, desert people in Africa where Islamic fundamentalism is rapidly becoming popular. It is from these places that terrorists, pirates, and pandemic diseases are born. I'm even tempted to think that even nuclear proliferation is less likely to happen in affluent societies.

Last year in this meeting Joe Nye pointed out another security problem. He said that new problems come from loss of inhabitable land caused by rising sea levels. In theory Japan can make valuable contributions to these problems but unfortunately its record has not been impressive.

When an increased amount of actions to counter new threats are needed, Japan's ODA budget has declined 42.5 percent since its peak in 1997. Japan, once the world's number one donor, is now only number 5, with further declines in the rankings likely. Japan has a decreasing interest in international events. In turn, the international community has decreasing interest in Japan.

Two weeks ago I had to hastily attend a global governor's conference in Berlin because the organizer could not find any Japanese where participants from all over the world, including Henry Kissinger and Helmut Schmidt were gathering. This is one example of the Japanese not wanting to engage in international discussions that Yoshiji Nogami talked about this morning.

What was further shocking to me was that at this Berlin conference not once was the name of Japan mentioned. There were discussions about cooperation among the United States, Europe, China, and India. There were discussions about Russia, Brazil, and OPEC. But no word about Japan, except when I spoke. And it is not just limited to this conference; in the past two years or so, the same pattern has been evident at many other international conferences that I attended.

Japan's platitude is that the United States and Japan are the number one and number two economies in the world. Why is it that the number two economy of the world is seldom mentioned in this crisis? Mr. Nogami yesterday described the \$15 trillion in financial assets that are in the hands of Japanese households. This may be true but the problem is that an amazing 79.5 percent of this colossal wealth is held by persons over 60 years of age. In other words, four-fifths of the financial wealth is in the hands of non-consumers. The important bracket in terms of consumption (i.e., the 20 percent of persons between 31-49 years old) hold less than 5 percent of the country's financial wealth, if you subtract personal debt such as housing loans. In my view this is really the most serious problem of Japan. Not the decrease in population; Japanese population in 2050 will still be 50 percent more than the United Kingdom, which was recording very robust growth until a few months ago.

With such enormous wealth being immobilized and hoarded within the country the chances that Japan can contribute to the world as an economic force are diminishing. Political leaders are afraid of losing the votes of senior citizens whose election turnout is quite high and measures to transfer wealth between the generations are never taken.

I do not want to leave the impression that all is finished for Japan's economy. Many Japanese corporations will emerge very strong from this crisis. They are using this crisis as a pretext to get rid of inefficiencies they could not eliminate because of labor and shareholders opposition.

Japan cannot rely upon the efforts of a small cadre of American friends who understand Japan. If Japan wants to be considered an important global player it will have to reform, really itself.

U.S. emphasizes "Smart Power." Japan feels relieved by this that is exactly what we are good at so let's cooperate. But to think that it is now alright for there to be no military contribution is simply irresponsible. If Japan wishes to set the global standard in soft power; then it must first restore the previous level of economic assistance. Step up engagement in world security matters. If we think United Nations Peace-Keeping

Operations is important, we have to send many more soldiers than the current number – less than 40. As you know, China’s number is 2,000.

Afghanistan is another example. Japan can do much more on the ground, than sending about 70 staff and aid experts from Japan and Afghanistan. These individuals are making invaluable contributions without protection, and taking huge risks. At least 27 PLT’s have been sent, and soldiers or police protect specialists of their nationalities to work outside Kabul. It would be obvious for Japan to do the same.

Personnel working for a soft power nation need to be protected. Of all the embassies in Baghdad, Japan’s is the only one that is not protected by forces sent from the home country. We should change that. Japan really needs to examine itself to see if it has the conceptual skills and the ability to get things done with its eyes fixed upon the new horizon.

In the morning session Joe Nye asked if Japan is changing inward because it is comfortable. My answer is yes. I remember a *Newsweek* cover story in 2003 I think, the title of which I remember, “Japan takes it easy,” the former juggernaut becoming Switzerland of Asia, comfortable, rich, and irrelevant. My frank feeling is that we are at the final point, beyond which there will be no remedy. Thank you.

## A Glass Half Full

By Joseph S. Nye, Jr.

Yukio Okamoto told me yesterday that he was going to be pessimistic and I'm going to be optimistic, so between the two of us we'll see the glass half empty and then half full. You can decide what the right level is.

I would start by saying that I take on board everything that Yukio Okamoto said, it's very important that in our discussion we deal with those points. But it's also worth remembering the amount of progress we've made and how well we're doing.

I was looking at the heading for this conference and it's the 15<sup>th</sup> annual Japan-U.S. Security Seminar. I think I talked to this group in 1994 or 1995; it must have been one of the first or second sessions. What strikes me is that if you compare the alliance today with how it looked in 1994, it really is extraordinarily more robust today.

In the beginning of the Clinton administration, in Japan there was a group that was exploring, whether Japan should move gradually away from the U.S. alliance to a UN-centered neutrality. That would really would have made you the Switzerland of East Asia.

In the United States, the Clinton administration won the election in 1992 on the mantra "it's the economy, stupid." And there was a wide-spread view, not just on the Clinton side, but among people like Ed Lutwak and others who said geo-economics had replaced geo-politics and therefore Japan was the new threat, the new enemy. That was the climate at the beginning of the '90s.

Hitoshi Tanaka mentioned the negotiations that we had when we were trying to reverse this. What struck me at that time I think – it was the Murayama government – was that when we first started discussing ways to reaffirm the U.S.-Japan Security Treaty, I was told by Hitoshi and others we can't mention anything publicly. In other words, we have to keep this under wraps. We'll do technocratic adjustments but it's too dangerous politically to say anything publicly about the U.S.-Japan Security Treaty.

Of course by 1996 we had the Hashimoto-Clinton Declaration which said that the U.S.-Japan Security Treaty was the basis for stability of the post-Cold War world. That was unlike the view in the early 90s that the treaty was a relic of the Cold War to be discarded. By 1996 we had it declared as the basis for stability of the post-Cold War period.

Underlying this was the fact that there was a recognition of two great security problems. North Korea, which was the clear and present danger, and the rise of China, which was looming for the long run. So when we wrote the East Asia Strategy Report and published it in 1995 we developed a policy toward China which might be called "integrate but hedge." In other words, open opportunities for China such as joining the WTO and keeping trade open. But reaffirm the U.S.-Japan Security Treaty so that if China

misbehaves we have a hedge for both of us, the U.S. and Japan. What's interesting is that that approach to the alliance as a basis for stability in the post-Cold War period has had bipartisan strength.

When the Bush Administration came in, their attitude toward things in the Middle East was A-B-C; anything but Clinton. And they did exactly the opposite of Clinton. In East Asia, with the exception of Korea, there was a lot of continuity. There are some differences of tone and style, but by and large what's intriguing is that the issue of the U.S. policy toward East Asia with the exception of Korea, has been constant and bipartisan. I think that has been healthy and I think it's likely to continue and the fact that Hillary Clinton's first trip as Secretary of State was to Asia and her first stop on the trip was Japan was no accident. I think that indicates that this bipartisan approach is likely to continue. From that basis I would say that the glass is at least half full, and compared to 15 years ago when we were having the first conference here, things are a lot better.

But we also have to realize that the world hasn't stood still. New dimensions and changes have arisen, and we're going to have to adjust to these. And that if we don't adjust to these then we will have the half empty glass, that Yukio so ably described.

I would say that of the major new dimensions, one is the increase in the power of China. Whatever else you say about China; it's a lot more powerful today than it was 15 years ago, both in terms of the growth of the economy, but also military growth, which last year reached 18 percent.

The second new dimension is the growing importance of a new definition of security and new types of security and new types of security issues.

The third issue is the rise of questions about the role of nuclear weapons. If you try to go to a reduction of nuclear weapons which is demanded in the NPT Review Conference which has been proposed by the so-called "four horsemen" – Henry Kissinger, George Schultz, William Perry, and Sam Nunn – their proposal raises another set of questions. We have had a such large cushion of nuclear weapons that the worry about extended deterrence was not called into question by lower numbers. Now with people talking about extremely low numbers and possibly zero, it opens up a major problem, and a problem that is inherently contradictory inside Japanese policy. Japanese, because of history and politics, want a nonnuclear world. Japanese because of where they're located want American nuclear extended deterrence and that contradiction was one that didn't come to the fore because there was such a large cushion. As the cushion diminishes – if it does – that contradiction will come more to the fore.

Let me discuss these three new dimensions and how we respond to them. Let me first talk about the problem of extended deterrence, second, the question of China and how we deal with China for the long run and third, the new dimensions of security. I will then conclude by talking about what this means for our reaffirmation of the alliance which I trust we will do in 2010.

When it comes to extended deterrence I think there is a grave danger of getting fixated on numbers of nuclear warheads. It's the wrong way to think about extended deterrence. Japan is now discovering something that the Europeans discovered at the heart of the Cold War. There was this phrase which I remember from many a conference in Europe and many a discussion in the Cold War: Would you Americans really sacrifice New York for Berlin? The preservation of Berlin is totally untenable. You're never going to sacrifice New York for Berlin even as eminent a person as George Kennan at one point proposed getting out of Berlin. Fortunately that pessimism was not taken as policy and we now have a Berlin that is united and which is united on good terms.

At the time in the Cold War it seemed impossible and it was because people said that the extended deterrent over Berlin was not at all credible. That led during the Cold War to this fixation on nuclear weapons and numbers led to an excessive growth of nuclear arsenals. Paul Nitze, one of the leading figures of American foreign policy, used to say that if the Soviets had more warheads than we did, that would be perceived as a Soviet advantage which would embolden them to take risks. Therefore it was essential to have the same or more nuclear weapons that they did.

McGeorge Bundy, another important figure at the time, began to challenge that view, though he echoed that opinion before the Cuban missile crisis. He later said "I looked back at the Cuban missile crisis and the United States had something like a 17-1 advantage over the Soviet Union in numbers of nuclear weapons." He said "but we never, even though we knew we had that advantage, we never felt secure in pressing it." The reason is that the number of nuclear weapons that you need for effective deterrence is – one that goes off in one of your cities. According to Bundy, these numbers – if the Russians have 22,000, don't we have to have 22,000? – was irrelevant. You had to look at the survivability of your force, the deliverability of the weapons. But when it came down to what really mattered, it wasn't whether you could cover all the targets. It was whether there would be one weapon that would be guaranteed to go off inside a major city.

Those two views of nuclear weapons were residuals of the Cold War but they never really became the heart of our discussions in East Asia. I mean this wasn't the heart of the issue in Japan. Now, as you begin to reduce the numbers we're beginning to see mistakes of the Cold War period come back. Calculations of aging nuclear inventories – 1,000 Russian nuclear weapons possibly with 300 Chinese U.S. 1,000 U.S. weapons don't cause a change in the balance of power. This is representative of the kind of thinking that got us into trouble in the Cold War, which turned out to be totally irrelevant when you go to major questions like is Berlin free today or not. If we let ourselves get imprisoned in this we're going to worry public opinion and create a crisis in the alliance.

The right way to think about extended deterrence is to realize that it's a combination of capability plus credibility. Whether we had 23,000 nuclear weapons or 30,000 in the Cold War period was not going to deter the Soviets from invading Afghanistan because the Soviets knew that we would never risk New York for Afghanistan. We might risk it for Berlin but not for Afghanistan.

Extended deterrence has to rest not just on capability but credibility. As Bundy said, the amount of capability you need is relatively low. The amount of credibility you need is extraordinarily high for effective extended deterrence. What that means is when it comes to creating credibility in extended deterrence over Japan, forward based troops are worth much more than the number of nuclear weapons. Bismarck was once asked “how many troops on the ground do you need for this?” And he said “all I need is the bones of one dead Pomeranian Grenadier.” In other words, if something strikes Japan and one American airman or marine is killed, we’re in the game. That is the ultimate point of credibility of forward based troops.

As we ask about what we need for extended deterrence, we have to ask how do we explain to our publics the importance of forward-based troops. How do we show to the people that host nation support is a tremendous investment and far more important than whether the Americans have 1,000 or 1,300 nuclear weapons?

Extended deterrence rests on other things besides troops. Obviously our cooperation in ballistic missile defense is crucial here. And symbolism also matters. The fact that Hilary Clinton’s first trip was to Tokyo and that Obama’s first meeting was with Aso, these also contribute to extended deterrence.

I would urge people to think about extended deterrence, and as many people have said we need to discuss it more openly with each other. But let’s not fall into Cold War traps and Cold War thinking. We did learn a lesson there which is that the outcome of the Cold War, the unification of Germany, the preservation of Berlin which seemed impossible at one point, in fact were possible because there was credibility as well as capability on extended deterrence.

The second major dimension of change that I want to talk about is the rise of China. We have to put the rise of China in a broader perspective, which I would call the recovery of Asia. It’s not just China. Asia in 1800 was three-fifths of the world’s people and three-fifths of the world’s product; by 1900 it was three-fifths of the world’s people and one-fifth of the world’s product. What happened? The industrial revolution in Europe and America. What we’re seeing in the 20th and 21st centuries is that Asia is going to recover to the position where the proportion of population and product are going to be roughly the same. Now who led this? It was led by Japan. Japan was number one in the start of recovery of Asia. China is taking a larger role because of a billion people plus the growth of its GNP. This is something we should welcome not fear.

The question is to set up a structure in which we manage the rise of China. That’s what I would argue we did when we built the framework in the East Asian Strategy Report 15 years ago, which is find a way to integrate China to get them to become Bob Zoellick’s “responsible stakeholder,” while hedging. If the Chinese become bullies, if there are too many *Impeccable* incidents they essentially reinforce the hedge against them. That means that we want to see things in the terms of Bill Emmott’s book “The Rivals.”

Within this rise of Asia, we sometimes forget that there are differences between China and India, and China and Japan. The crucial point is to realize that we don't need to set up a doctrine of containment: that would be a grave mistake. The Chinese are the only country that's capable of containing China. If they become bullies, they reinforce this. That means that better relations between India and Japan is a good thing. We don't want to see a quadripartite alliance against China, of U.S.-Japan-India-Australia. We do want Chinese to know that if they misbehave that is a possibility they could bring about. At the same time as we extend the hand of responsible stakeholderhood, we have another option which they can put in play if they act as bullies. That strikes me as a robust strategy. By robust I mean that if our best option doesn't work out we've got a pretty good fallback. I think that strategy is the right way to think about the long-term. We want to see China develop, we want to see China integrated, but we have a framework where if China doesn't behave it will essentially produce a counterveiling coalition against itself.

That's why it's so important not only to keep the strength of the U.S.-Japan Security Treaty and alliance, but also to extend it.

The third dimension is the new dimensions of security. I referred to this somewhat last year. What would you pay in ballistic missile defense or air defense to prevent the loss of the whole area in San Francisco Bay from here to Sacramento? This is a very valuable area and if you said there was going to be an attack on it and that would do damage of hundreds of billions of dollars to the United States, you would pay a great deal to protect against that. If somebody said, "well, instead of bombers or missiles, its going to be flood waters as the sea rises, what would you pay to do something about that?" In principle you should pay the same amount you would pay to prevent it from being bombed.

We are going to have to think of security in broader terms. Climate change is one new threat; another one is pandemics. People forget that the 1918 Avian flu pandemic killed more people than died in World War I. That's a huge amount of people; more than 20 million people. When you ask why don't we donate to the World Health Organization or to helping develop the public health system of Cambodia and so forth, that is nothing near what we would pay if somebody said you're going to lose 20 million soldiers – what will you pay to inoculate them?

In that sense we have to think about security in a much broader sense. As we move in to these broader dimensions of security, we're playing to areas of Japanese strength. If you looked at the military alliance between the U.S. and Japan it is asymmetrical for historical reasons. On the military side the U.S. is going to be the stronger partner in the alliance and that's likely to continue for a good long time. But if you look at energy efficiency and the ability to deal with climate change Japan is better able to lead and has made more progress.

So as you begin to emphasize these other areas of the alliance and conceive of the alliance in terms of a broader definition of security you get a more symmetrical alliance. That more symmetrical alliance is healthy. It's also interesting that it plays into the agenda

of the new Obama administration. Obama has said that he is going to place major emphasis on climate and energy. He has talked about the need to do more with overseas development assistance dealing with development, not only in Afghanistan but also in places like Africa. And we'll have interests in UN peacekeeping capacity and UN peacekeeping operations.

So in that sense reducing Japan's commitment in these areas is counter-productive from Japan's point of view. The alliance is moving in the directions which should emphasize Japan's strength and the thing that worries me most is that won't live up to this because Japan is moving to this greater Switzerland in the Pacific.

The other point to notice is that there are areas where my second point about China and the third point about security can be combined. We could think of a number of tripartite projects between U.S., Japan, and China that would dramatize the fact that Japan is an equal partner. In other words if you're talking about projects that deal with energy and energy security or climate change and so forth, the three countries work together in win-win-win projects. And they dramatize the importance of Japan's equal role.

So to conclude let me say that the major problem we have is public opinion. That's always a problem in democracies. But we have an opportunity in 2010 to educate the public both in the United States and in Japan about the enormous progress we've made over the last 15 years and the extraordinary challenges we face in the next 15 years. That means that we should not engage in misleading Cold War analogies about numbers of nuclear weapons as we discuss extended deterrence. That would miseducate the public. We should get the public to think about the importance of Japan and Japanese leadership on some of these new dimensions of security. We can have a military-secure alliance and, a broadened alliance at the same time. Indeed we need both.

Smart Power refers to the combination of hard and soft power. It's not one or the other: it's both. We need to reaffirm the U.S.-Japan military alliance at the same time that we broaden our concept of the alliance to deal with the new threats to security. If we do that then I think we are in a position to say that 15 years from now we will have made as much progress as we've made looking back over the past 15 years. At that stage, some of these Young Leaders who will be present – I suspect I won't be – can say, “you know, the glass is finally full.”

## About the Contributors

**Michael H. Armacost** is Shorenstein Distinguished Fellow at APARC Stanford University's Institute for International Studies. He served as the fifth president of the Brookings Institution, the oldest U.S. think tank from 1995-2002. He has also served in senior Asian affairs positions in the State and Defense Departments and on the National Security Council. From 1982 to 1984, he was the ambassador to the Philippines and in 1989, he served as ambassador to Japan.

**Richard L. Armitage** is President of Armitage International, and a former U.S. 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 U.S. Naval Academy.

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**Masashi Nishihara** is President of the Research Institute for Peace and Security (RIPS). Until March 2006 he served as President of the National Defense Academy, Yokosuka, for six years. Prior to it, he had taught international relations at the academy. During that period, for 1993-95 he assumed the post of Director of the First Research Department of the National Institute for Defense Studies. He earned his M.A. and Ph.D. in political science from the University of Michigan. In 2001-2004 he was a member of Prime Minister Jun'ichiro Koizumi's Task Force on External Relations. In 2004-06 he also served as a member of the Weapons of Mass Destruction Commission, chaired by Hans Blix of Sweden.

**Joseph S. Nye, Jr.** is Chairman of the Pacific Forum CSIS Board of Governors. Dr. Nye is also the Sultan of Oman Professor of International Relations at the John F. Kennedy School of Government, and Distinguished Service Professor at Harvard University. From

1995-2004, he served as Dean of the Kennedy School. His government posts include Assistant Secretary of Defense for International Security Affairs (1994-1995), Chairman of the National Intelligence Council (1993-1994), and Deputy to the Under Secretary of State for Security Assistance, Science and Technology as well as Chairman of the National Security Council Group on Nonproliferation of Nuclear Weapons (1977-79). He has been awarded the Distinguished Service Medal with an Oak Leaf Cluster, the Intelligence Community's Distinguished Service Medal, and the Department of State's highest commendation, the Distinguished Honor Award.

**Yukio Okamoto** is a Managing Director of Pacific Fund. He is also a Co-Founder of the firm. Mr. Okamoto has more than 30 years of high-level business and government service. Well-versed in economic and government policy debates, he is a familiar figure both within Japan and within the United States government. He is the President of Okamoto Associates, Inc. (OAI). Mr. Okamoto sits on a number of corporate Boards, including Asahi Breweries, Mitsubishi Materials Corporation, and Tokai-Tokyo Securities. He also serves on the external advisory commissions of NTT DoCoMo and Toshiba. In late September 2001, he was named the Special Advisor to the Cabinet and the Chairman of the Prime Minister's Task Force on Foreign Relations. As a frequent contributor to leading Japanese newspapers and magazines, Mr. Okamoto is an oft-quoted source for U.S. media. He is a graduate of Hitotsubashi University.

**Sheila A. Smith**, an expert on Japanese politics and foreign policy, is senior fellow for Japan studies at the Council on Foreign Relations (CFR). Dr. Smith is directing the CFR's New Regional Security Architecture for Asia Program. Dr. Smith joined CFR from the East-West Center in 2007, where she specialized on Asia-Pacific international relations and U.S. policy toward Asia. She was also recently affiliated with Keio University in Tokyo, where she researched and wrote on Japan's foreign policy toward China and the Northeast Asian region on an Abe Fellowship. From 2004 to 2007, she directed a multinational research team in a cross-national study of the domestic politics of the U.S. military presence in Japan, South Korea, and the Philippines. Prior to joining the East-West Center, Dr. Smith was on the faculty of the Department of International Relations at Boston University (1994-2000), and on the staff of the Social Science Research Council (1992-1993). She has been a visiting researcher at two leading Japanese foreign and security policy think tanks, the Japan Institute of International Affairs and the Research Institute for Peace and Security, and at the University of Tokyo and the University of the Ryukyus. Dr. Smith earned her PhD and MA degrees from the Department of Political Science at Columbia University.

# APPENDIX A

## 15<sup>TH</sup> ANNUAL JAPAN-U.S. SECURITY SEMINAR

*Jointly sponsored by  
The Japan Institute of International Affairs (JIIA),  
the Consulate General of Japan in San Francisco,  
and Pacific Forum CSIS*

**March 27-28, 2009**  
*J. W. Marriot Hotel • San Francisco*

### Agenda

#### **Friday, March 27**

- |             |   |
|-------------|---|
| Morning     | Participants arrive   |
| Noon-2:00PM | Lunch at leisure  |
| 3:00PM      | <b>Welcoming Remarks</b> <i>Skyline Room B &amp; C, 21<sup>st</sup> Floor</i><br>Yoshiji Nogami, JIIA President<br>Ralph A. Cossa, Pacific Forum CSIS President |
| 3:30-5:30PM | <b>Session I: Strategic Priorities at 50</b><br><i>U.S. Presenter: Michael Armacost</i><br><i>Japan Presenter: Masashi Nishihara</i>                            |

The opening session explores the two allies' strategic priorities. As in previous years, speakers will focus on global and regional concerns, highlighting areas where interests and approaches overlap or diverge. Most important, the discussion should hone in on each partner's priorities and the degree to which they do or do not match. How will the current financial crisis affect the two governments' security policy? How will it affect countries and relationships in Asia more broadly? Can the U.S. sustain the current level of its force posture overseas? What is the impact of Japan's budgetary constraints? Are both countries thinking globally or is a regional focus more appropriate? How should the two governments balance traditional and nontraditional security threats? Topics could include the status of and prospects for the Six-Party Talks and other Korean Peninsula developments; China's rise and status as a "responsible stakeholder"; the cross-Strait relationship after the election of Ma Ying-jeou; ASEAN Plus Three and Japan-China-ROK cooperation; and attempts to find energy and environmental security. This overview will help set the stage for subsequent in-depth discussions of U.S. and Japanese security policies and our individual and bilateral efforts to address these challenges. This session can also address regional reactions to the Obama administration, but an assessment of any policy changes (or continuity) will be deferred to the next session.

6:00- 9:00PM Reception and Dinner *Skyline Room A, 21<sup>st</sup> Floor*  
**Keynote Address: Hon. Richard Armitage**

**Saturday, March 28**

8:00-9:00AM Government officials-only breakfast meeting,  
*Skyline Room A, 21<sup>st</sup> Floor*

8:00-9:00AM Continental Breakfast *Skyline Room B & C, 21<sup>st</sup> Floor*

9:00-10:15AM **Session II: Domestic Politics and the Japan-U.S. Security Alliance: Part A: Japan's Political Turmoil**  
*Presenter: Sheila Smith*

This session will focus on the political tumult in Tokyo. How will Japanese politics develop in the next year? What are the prospects for the government of Prime Minister Aso Taro? What is the outlook for the 2009 general election in Japan? What role will security issues in general and the alliance in particular play in Japanese politics and that election? What should the U.S. expect from Tokyo during this time and in the aftermath of the election? What can we expect from the current review of security policy and the next National Defense Program Outline? What are the prospects for implementing the roadmap outlined in the May 2006 Security Consultative Committee statement?

10:15-10:30AM Break

10:30-12:00PM **Session II: Domestic Politics and the Japan-U.S. Security Alliance Part B: The Obama Administration and a Democratic Congress**  
*Presenter: Fumiaki Kubo*

This session examines the security policy of the administration of President Barack Obama. What are its guiding principles, its primary objectives, and how will they likely be achieved? How will it differ from its predecessor? Has the administration adopted an Asia strategy and how will it be implemented? What role will alliances play and what does it expect of those allies, Japan in particular? What problems in the Japan-U.S. relationship will this administration inherit and how can it fix them? What is the impact on the alliance of a Democratic majority in the Congress? Will economic issues assume a new significance in the relationship?

12:00-1:30PM Lunch - *Skyline Room A, 21<sup>st</sup> Floor*

2:00-3:30PM **Session III: Future Visions of the Alliance**  
*Japanese Presenter: Yukio Okamoto*  
*U.S. Presenter: Dr. Joseph S. Nye Jr.*

This session will focus on how Japan and the U.S. see the alliance evolving. Do we have a common vision regarding future security challenges and preferred responses? How should the 50<sup>th</sup> anniversary of the alliance be commemorated? What are the future challenges that will affect the alliance? How should the alliance engage other U.S. alliance partners and allies? How can and should the two governments balance their alliance and multilateral security mechanisms and initiatives? How can the alliance tackle nonproliferation challenges; in particular how can the two countries work together to bring about a successful conclusion to the 2010 NPT Review Conference?

3:30-3:45PM            Break

3:45-5:00PM            **Session III: 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.

6:15 PM                Bus departs for Consul General's residence

6:30 PM                Reception/Dinner at Consul General Yasumasa Nagamine's residence



## APPENDIX B

### **15<sup>th</sup> Annual JAPAN-U.S. SECURITY SEMINAR**

*Jointly sponsored by  
The Japan Institute of International Affairs (JIIA),  
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and Pacific Forum CSIS*

**March 27-28, 2009**  
*J.W. Marriott Hotel • San Francisco*

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## APPENDIX C

### **U.S.-Japan Strategic Dialogue Maui, Feb 8-10, 2009; Key Findings**

The Pacific Forum CSIS brought a small, select group of Japanese and American security specialists together for the second time to discuss Japanese threat perceptions and concerns about the changing strategic environment in East Asia and the nature of extended deterrence. The following are the key findings from this off-the-record dialogue:

– Japanese remain concerned that some of the negative (to them) trends apparent in the last few years of the Bush administration may be sustained or even accelerated with the change of administration in Washington. Several concerns expressed at last year’s meeting were deepened or realized in the past year.

– These include: too much “flexibility” toward North Korea, and fear the U.S. will simply “manage” the proliferation problem rather than push forward with disarmament; increased concern over a diminishment in the value of the alliance in American eyes, caused by frustration over Japanese inertia and political stagnation; frustration over F-22 sales to Japan (or the lack thereof); and the ever-present recurring fear of a perceived U.S. “tilt” toward China.

– One major new concern was fear that Washington would move too quickly on nuclear disarmament or nuclear force reduction in a manner that would tempt China to abandon its current “minimal deterrence” strategy and seek strategic parity. There was also concern that the global economic crisis would accelerate the rise of China at Washington’s and Tokyo’s expense.

– On the plus side, Secretary of State Clinton’s decision to make her first overseas trip to Asia, with her first stop being Tokyo, was cause for great optimism and cast a positive light on discussions of the new Obama administration. Nonetheless, there was concern expressed over what the new administration would “expect” from Tokyo and if Washington would live up to its side of the force transformation/relocation bargain.

– From a U.S. perspective, major concerns focused on Japanese political inertia; the implications of the anticipated change of government in Tokyo, given uncertainty regarding opposition positions on key alliance issues including support to counter-terrorism operations; and fear that Japan would backslide on force transformation promises.

– More positively, there is little difference in regional and global perspectives between the two sides; both see the alliance as invaluable and accept as fact that each sees the other as

its key ally, even as each questioned if the other's level and depth of commitment was increasing or declining.

– *Korean Peninsula*: The removal of Pyongyang from the State Sponsors of Terrorism list without progress on the abductee issue was anticipated; the lack of a quid pro quo – a verification regime – from Pyongyang was not, and removed the political cover under which Tokyo could have publicly supported the U.S. gesture. This action increased doubts about U.S. reliability and about Washington's commitment to verifiable denuclearization. Japanese (and Americans) are increasingly skeptical over the Six-Party Talks prospects but see few good alternatives. The impending North Korean missile test also increased Japanese frustrations about the JSDF's inability to deter, preempt, or effectively respond to North Korean threats and possible hostile actions.

– *F-22 sales to Japan*: “We would rather be told ‘no’ than be kept hanging.” But only for the right reason: U.S. law prohibits F-22 sales to anyone. Should an exception be made for other allies and not Japan, this would cause a significant crisis of confidence. Japan may look at European alternatives if the U.S. refuses to sell the F-22.

– *Disarmament concerns*: Japanese idealistically support a nuclear weapons-free world; realistically they rely on American extended deterrence and are becoming increasingly concerned that proposals to significantly reduce U.S. nuclear arsenals would encourage China to increase rather than similarly restrict its nuclear arsenal. There are also concerns that a U.S. deal with Russia to remove missile defenses from Europe would be used by China or others to similarly reduce missile defenses in Asia, leaving Tokyo more vulnerable to North Korean (and Chinese) missiles.

– *Political issues in Tokyo*. Japan is experiencing a period of profound political and economic uncertainty and gridlock. While support for the alliance remains strong, questions about U.S. reliability are mounting. Yet, political gridlock, combined with a longstanding sensitivity about nuclear issues, means that Tokyo is unable to engage and address these issues, despite their centrality to Japanese concerns.

– *The rise of China*. China casts a long shadow. While ready to work with Beijing (and the U.S.) to encourage China to be a “responsible stakeholder,” Japanese remain acutely aware of, and are hedging against, the potential threat posed by a stronger, more confident China. China poses three distinct concerns: 1) the prospect of a new balance of power in East Asia; 2) the prospect of a U.S.-China condominium that relegates Japan to a secondary role (a fear compounded by Japan's political inertia); 3) uncertainties about the Sino-U.S. strategic relationship (will the U.S. accept mutual vulnerability with China and, if so, what would be the consequences for the U.S. extended deterrent?).

#### *Recommendations:*

– The U.S. and Japan should deepen consultation on nuclear doctrine and planning. While there are limits to how far such discussions can go, this effort will help build confidence among allies and facilitate reassurance.

- The U.S. should make greater efforts to include Japan (and other allies) in the process of developing the next Nuclear Posture Review. The need for reassurance should be guiding U.S. thinking. Greater collaboration in preparing for the 2010 NPT Review Conference would provide additional confidence.
- The U.S. should avoid any shift in nuclear strategy or doctrine that would encourage Beijing to abandon its minimum deterrent and embrace theater or limited deterrence. Japanese see missile defense as central to the alliance and the extended deterrent. Development and deployment must proceed
- Conversely, Japan must change its interpretation of the exercise of the right of collective self defense so that Japan can act against a missile that appears to be targeting the U.S. homeland. Japan should also pass laws to provide greater security of information. A law making illegal the disclosure of secret information should be a priority; its absence is an impediment to greater sharing of information.
- Fundamentally, Tokyo must re-conceptualize its contributions to international security. While these are alliance issues, they should first be seen as national security issues. Tokyo should be prepared to act regardless of its alliance commitments. The alliance with the U.S. is a vehicle for action, not necessarily a reason to act.
- Alliance supporters need to ensure that Congress understands the stake and has a realistic and accurate assessment of the U.S.-Japan relationship. For example, a failure by Congress to fund the Guam relocation, especially if it results in a U.S. request for more money from Japan, could strain the alliance.
- The U.S. and Japan should promote greater cooperation with other allies and security partners in Asia. Functional issues should provide the starting point for collaboration. In particular, the U.S., Japan, and South Korea should be planning trilaterally for contingencies on the Korean Peninsula.
- Washington needs to convincingly reaffirm its commitment to complete, verifiable, irreversible denuclearization of the Korean Peninsula.
- U.S. intentions regarding F-22 sales must be made clear: sell to no one or sell to Japan (among others).
- Washington and Tokyo both need to lay out their respective visions for East Asia and the role of the alliance in this broader regional vision; a new U.S. East Asia Strategy Report (last published in 1998) is needed.
- The core component of a credible U.S. deterrent is a visible U.S. conventional military presence in Asia. Implementation of the realignment initiatives set out by the U.S.-Japan Security Consultative Committee in the May 1, 2006 “United States-Japan Roadmap for Realignment Implementation” is critical to this credibility.

– *Bottom line:* Few Japanese would call the U.S. an “unreliable” ally, but most see Washington as less reliable today than four years ago, even while remaining cautiously optimistic that this trend will be reversed with a new U.S. administration. The challenge for the U.S. and Japan is to understand each other’s expectations, provide reassurance that those concerns will be respected, and then respond when interests are threatened.

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