Japan-U.S. Security Relations: Alliance under Strain

A Conference Report

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Cosponsored by
The Japan Institute of International Affairs
The Consulate General of Japan in San Francisco
and the
Pacific Forum CSIS

Co-hosted by
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Issues & Insights
Vol. 8- No. 13

J.W. Marriot Hotel
San Francisco, USA
March 2008

Japan Institute of International Affairs

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Acknowledgements

The Pacific Forum CSIS wishes to thank the Japan-U.S. Security Treaty Division in the North American Affairs Bureau of the Ministry of Foreign Affairs, the Consulate General of Japan in San Francisco, and The Japan Institute of International Affairs for their support and guidance in this project. Additionally, we are grateful to the many security specialists, in and out of government, both in Japan and the United States, who took time out of their busy schedules to join us in San Francisco to discuss and develop recommendations for improving the vital U.S.-Japan security relationship.

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 delighted in 2008 to once again co-host the 14th annual Japan-U.S. San Francisco Security Seminar on March 28-29, 2008 in the city where the alliance was established. We had much to discuss.

The U.S.-Japan security alliance continues to evolve. Changes in Japan, the U.S., and within the alliance, don't occur within a vacuum. They are a response to, and are affected by, changes in Asia and elsewhere. Political, economic, and military developments are reshaping relationships within the region; Northeast Asia, in particular, is being buffeted by these forces. Officials in both governments are working on ways to deal with those changes. Their ability to focus on the future is another departure from the past and another indicator of recent successes: problems that once threatened to cause crises have been deftly handled by alliance managers.

Our annual meetings continue to assist government officials in both countries to gain a greater appreciation of the changes and challenges that lie ahead. Our two countries must now maintain the momentum that has been established, overcome the obstacles that lie ahead, and strive to meet the rising expectations that have been created by our unprecedented cooperation.

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 for their generous support for this project.

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Executive Summary

The Japan-United States security alliance has entered a transitional phase. While the foundations of the alliance remain strong, the political environment in both capitals is changing, transforming the context in which alliance-related decisions are made. Both governments are distracted.

There is mounting concern about Tokyo's ability to continue making a meaningful contribution to the alliance and regional affairs, particularly given the decline in Japanese power relative to that of China and political inertia in Tokyo. There are worries about Tokyo's ability to follow through on promises already made, which in turn risks marginalizing the alliance in the eyes of U.S. decision makers. This is by no means guaranteed – but introspection that becomes policy paralysis is a dangerous possibility.

Adverse economic trends – increasing uncertainty in the global economy, amplified by the downturn in the United States; growing skepticism of free trade, magnified by the U.S. election campaign; a shrinking dollar; rising energy prices; and rising inflation – reflect and exacerbate the shift in the great power balance, a process that has been underway for some time. China in particular casts a long shadow. Its economy continues to set the pace for the region and the world. That dynamism fuels double-digit defense budget increases. The steady modernization of China's armed forces has strategists worried about a shift in the military balance in the Taiwan Strait. Calculations are further complicated by advances in China's asymmetrical capabilities in cyberspace and outer space. The change in government in Taiwan provides new challenges and opportunities for cross-Strait relations and coordination among Japan and the U.S. and consistent signals to Beijing are essential. The two governments must also be working more closely together to deal with North Korea. The election of Lee Myung-bak as the new South Korean president opens the door to renewed trilateral cooperation between Seoul, Tokyo and Washington on this and other issues.

The future of the alliance depends in large part on development of a national consensus in Japan on its international role and purpose. Political division in Tokyo has hampered that process and hinders the evolution of a national security strategy. Structural change may be the only solution, but that promises to be slow and incremental. This seeming inertia feeds fears in Tokyo that Japan is being "passed" as the U.S. engages a more dynamic China. This zero-sum thinking is problematic for the alliance. Trilateral relations among Japan, the U.S., and China should be seen in positive sum terms.

Both governments need to better engage their publics, and especially that in Japan. Frustration with politics is mounting and voters are demanding more accountability from their leaders. The failure to win over voters will erode the foundation of the alliance.

More attention should be paid to the U.S. extended deterrent. There is a perception among Japanese of declining U.S. reliability as an ally and the shrinking credibility of the U.S. nuclear umbrella. Japan seeks renewed reassurances from the U.S. regarding its

commitment to Japan's defense. This requires both pledges from the top levels of the U.S leadership and better understanding of how deterrence works and each partner's expectations of the other.

The key challenge for the two countries is making a 60-year old alliance capable of dealing with new problems – fragile states, terrorism, and the proliferation of nuclear technology and weapons that makes deterrence much more problematic – and therefore relevant to the next generation of decision makers. The two countries should emphasize the values that they share and which act as a buffer and tether in times of friction. That does not mean that values should be at the forefront of foreign policy for each country. Functional cooperation may be an appropriate focus.

The two countries should frame their alliance more broadly. They should be working together to manage the rise of China. They should be identifying and preparing for new threats such as pandemic diseases, climate change, and other environmental dangers.

Japan has important contributions to play in the region and around the world and cannot afford to wait for the political situation to resolve. Failure to act will diminish Japan's value as a partner to the U.S. While Japan is navigating uncharted political waters, the self abuse must stop. The U.S. could help by doing more to aid Tokyo's bid for a permanent seat on the UN Security Council.

While substantial constituencies in both capitals support the alliance and recognize the critical role it can play, much more has to be done. The two countries must proceed on two tracks, implementing agreements that have already been made and looking over the horizon to new challenges. Each country must develop its national strategy and better understand where the alliance fits within it. Once those national visions have been developed, the two governments can work together to align priorities and realize shared aims and interests. This must be a cooperative and mutual process: both countries must develop and define a shared vision.

Ultimately, it is critical, as participants from both countries noted, that the alliance solve problems and make active contributions to regional peace and security through the joint resolution of global concerns. That will serve both countries' national interests, which will in turn ensure that the alliance stays relevant to both governments. That is the best way to provide Japan the reassurance it seeks during a time of great change in the global balance of power, the regional security environment, and tumult at home. The Japan-U.S. alliance is a means to an end. As long as both governments remember that, and ensure that it serves to solve problems, it will remain a priority and it will thrive.

Conference Summary

Brad Glosserman, Rapporteur

The Japan-United States security alliance has entered a transitional phase. While the foundations of the alliance remain strong, the political environment in both capitals is changing, transforming the context in which alliance-related decisions are made. Both governments are distracted. Japan is grappling with unprecedented division in its legislature and a weak and unpopular Cabinet, while U.S. attention, already preoccupied with events in Iraq, is even more dissipated by the 2008 presidential election campaign. These mindsets shaped discussions among some 56 senior experts and 10 Pacific Forum CSIS Young Leaders at the 14th Japan-U.S. Security seminar, which convened in San Francisco, California March 28-29, 2008.

Most worrisome, while both sides applauded the soundness of the alliance and took great satisfaction in the progress and evolution since our first San Francisco meeting in 1995, there was mounting concern about Tokyo's ability to continue making a meaningful contribution to the alliance and regional affairs, particularly given the decline in Japanese power relative to that of China and political inertia in Tokyo. Japanese participants, in particular, expressed concern about Tokyo's ability to follow through on promises already made, which in turn risks marginalizing the alliance in the eyes of U.S. decision makers. This is by no means guaranteed – but introspection that becomes policy paralysis is a dangerous possibility.

The meeting began with Minister Ishii Masafumi delivering a keynote address by Japanese Ambassador to the United States *Kato Ryozo*, a founding member of the security seminar, who identified many of the themes that would dominate discussions during the next two days. He highlighted Japan's shrinking economic prospects, a powerful contrast to China's vibrant outlook, and the many uncertainties in the regional and global security environment. China poses the most basic challenge for the Japan-U.S. security alliance and the two governments can only succeed in dealing with it if they have a common assessment of what China will look like and how to respond to various contingencies. The alliance is likely to be a center piece of efforts to tackle issues ranging from North Korea to a more muscular Russian diplomacy, but coordination among allies, friends, and countries with shared concerns – including even China – will be a determinant of success. It is alarming, then, that in Kato's eyes alliance cooperation is more focused on protocol than substance: alliance managers have to get back to agendas and setting timetables for concrete progress. For Kato, 2010 is a critical date: new governments will be in power in Tokyo and Washington and they will be able to reaffirm their commitment to the alliance on its 50th anniversary.

In his **Overview of the Global and Regional Security Environment,** former U.S. Ambassador to Japan *Michael Armacost* echoed many of the ideas laid out by Ambassador Kato. He began with a depressing catalogue of adverse economic trends: increasing uncertainty in the global economy, amplified by the downturn in the United States; growing skepticism of free trade, also magnified by the U.S. election campaign; a

shrinking dollar; rising energy prices; and rising inflation. These both reflect and exacerbate the shift in the great power balance, a process that has been underway for some time. China and Russia are most advantaged by many trends. China is benefiting from its economic dynamism and doubts about U.S. policy. Russia is exploiting its energy reserves to regain international influence and has shown no hesitation to flex its diplomatic muscles. But, as is inevitably the case, all such actions have reactions and there appears to be hedging toward both countries in other capitals. The U.S. position is not helped by its fixation on Iraq, the war on terrorism, or the switch to election mode. Armacost closed with thoughts about the U.S. election and its potential impact on U.S. policies: most significantly, he noted that it will take time for any administration to get up to speed and missteps during this time are not uncommon. And given the mood of the country, Armacost noted the conventional wisdom that the elections are for the Democrats to lose and their win is likely to herald a more "liberal internationalist" approach to foreign policy, a move that could change the context of alliance deliberations and actions.

Ina Hisayoshi of the *Nikkei Shimbun*'s editorial board then provided a Japanese perspective that sounded similar to Armacost's. For him, rising energy prices are a key feature of the global outlook but he also reminded the audience not to ignore longstanding flashpoints such as the disputes between India and Pakistan and North and South Korea. Ina also lamented Japan's lack of dynamism and its impact on the bilateral alliance. To rejuvenate the relationship, he called on his government to pass a permanent law on overseas deployment of Self-Defense Forces (SDF) and urged the two governments to broaden their security cooperation in both geographic scope and functional areas. He was not optimistic about any of those options given the political environment in both capitals.

As in previous years, China cast a long shadow across discussions of the strategic landscape. Its economy continues to set the pace for the region and the world; the biggest concern of Chinese policymakers is whether the economy is growing too fast. That dynamism fuels double-digit defense budget increases. The steady modernization of China's armed forces has strategists worried about a shift in the military balance in the Taiwan Strait. Calculations are further complicated by advances in China's asymmetrical capabilities in cyberspace and outer space.

We met amid the global outcry over China's suppression of protests in Tibet and the tumult surrounding the torch relay for the 2008 Summer Olympic Games in Beijing. One participant warned that this could be a pivotal moment in China's future: if the Olympics do not live up to Chinese expectations – if they do not win the applause they think they deserve – then it could transform the terms on which China engages the world; yet if China successfully suppresses dissent on its own terms, then it could breed overconfidence. It is plain that there continue to be many uncertainties when thinking about China and consultation, cooperation, and coordination between the U.S. and Japan are essential to successfully engaging China and helping it make the right choices.

A change of government in Taiwan poses a new set of challenges for Beijing. The victory of Ma Ying-jeau of the Nationalist Party (KMT) in the March presidential elections means that the government in Taipei is now headed by a man who seeks a constructive relationship with the mainland. It remains to be seen whether the PRC is prepared to help solidify a Taiwanese leadership with which it can make common cause. The new cross-Strait dynamic will have an impact on China's relations with Japan and the U.S. Here, too, bilateral coordination and consistent signals to Beijing are essential.

Equally perplexing is North Korea, a "schizophrenic state," opined one participant with considerable experience dealing with Pyongyang. The security seminar met just after the New York Philharmonic Orchestra made a triumphant stop in North Korea. This visit – with unprecedented openness, cooperation, and support – occurred amid an impasse in the Six-Party Talks to dismantle the North's nuclear weapons programs. Pyongyang was three months overdue in making the complete declaration of its nuclear programs and there was little sign that a breakthrough was imminent. Instead, U.S. participants who had discussed the negotiations with senior North Korean officials spoke of Pyongyang's desire for "work arounds" that would allow the U.S. and the North to move forward in their bilateral relations without getting hung up on the details of the six-party commitments; American urgings to the North to come clean and make a deal with the Bush administration appeared to have little impact. While all agreed that "creative ambiguity" should not be permitted, several participants did remind the group that shutting down and dismantling Yongbyon – thereby halting plutonium production – was a real accomplishment.

It is also clear that North Korea has not made the strategic decision to abandon its nuclear ambitions and rejoin the community of nations. There has been no move toward real and enduring economic reform, nor an attempt to wean the North Korean economy from its dependence on Chinese and South Korean largesse. North Korea remains a ward of the international community, a bankrupt and starving state with a nuclear arsenal and a penchant for brinksmanship.

One of the most significant changes in Northeast Asia since the seminar last convened is the change of government in Seoul. Lee Myung-bak, the new South Korean president, seeks new relationships with Japan and the U.S. Significantly, he also has a parliamentary majority to support his program. Participants from both countries acknowledged the importance of this opportunity and urged their counterparts to take advantage of this moment. Tokyo and Washington should be working together to make sure they send the same message to Seoul and that they construct a positive, forward-looking agenda with which to engage the new administration there. "We should not just talk about North Korea, but tell Seoul we are its partners," counseled one Japanese participant. An American cautioned that Lee's activism – he has made rebuilding relations with the U.S. his number one priority – also raises the bar for Japan: there is likely to be a subtle competition for Washington's affections between Seoul and Tokyo. Yet another American cautioned against unrealistic expectations. The new government in Seoul is inexperienced, conservatives have been out of power for a decade, and while the country has tired of ideological politics, the public is still deeply divided. Lee has little

margin for maneuver and his electoral pledges of economic growth – the basis for his election win – may be broken by the recession in the U.S., the mood in Congress, and the anti-free trade sentiment that has descended during the campaign season.

While national interests transcend administrations, one U.S. participant cautioned that there are likely to be some important shifts in U.S. policy after the next election. In his words, "the U.S.'s post-Sept. 11 strategy has been discredited: democracy promotion, preemptive war, and unilateralism have all failed." There needs to be an assessment of U.S. policy and a reckoning on how to rebuild U.S. power and influence and how best to use its considerable assets. Japan can play a role in this debate and should seek to maximize its influence within the alliance, and that of the alliance in the world.

Attention then turned to **U.S. and Japan Alliance Strategies: Recent Changes, Future Plans, and Impact on Alliance Management.** *Watanabe Tsuneo's* overview focused on Japanese politics since, he argued, "strategy is irrelevant if it can't be implemented." Watanabe first explained the structural bias toward the status quo that exists in all Japanese organizations. There is little reward for initiative and a great reluctance to depart from past practices. That explains in large part the stagnation that characterizes Japanese politics. But while Watanabe, like many Japanese, misses the dynamism of former Prime Minister Koizumi Junichiro, he is optimistic that the current phase is transitional and mounting public frustration will break the current deadlock.

At the same time, Watanabe sees a Japanese public relatively content with the status quo when it comes to security policy: credit 60 years of peace, security, and stability, as well as fears and some suspicions about the potential cost and impact of a higher profile in security affairs. That tendency is reinforced by an institutional environment that frowns on innovation and a political culture that favors compromise and logrolling to bold initiatives. That certainly hampers Prime Minister Fukuda, who is in many ways a traditional Japanese politician.

While the political situation makes it "almost impossible" for Japan to take steps forward in security policy now, the mid-term perspective is more positive. Watanabe detects dissatisfaction among the Japanese public with the current situation; polls that put Cabinet approval ratings in the low 30s support that reading of public sentiment. Continuing deadlock will increase unease, and the next election is likely to induce structural change in Japanese politics, whether it be a realignment of forces within the ruling Liberal Democratic Party (LDP) and the opposition Democratic Party of Japan (DPJ) or the much-anticipated DPJ victory. A grand coalition of the two is even an option. No matter what happens, however, Watanabe believes that it is vitally important for Japan to develop a cadre of security specialists outside the government, to infuse energy and ideas into security policy and process.

The discussion that followed revealed striking differences in the two countries' perspectives. Japanese participants bemoaned the decline in their country's fortunes in recent years. Once the world's second largest economy with a GDP 60 percent that of the U.S., Japan's GDP today is one-third the size of the U.S.'s. As one Japanese participant

complained of the "relative decline of Japanese power" by just about every measure, another worried that Japan was marginalizing itself in the world. Some complained about the introspection that has increased in recent months in Tokyo, a product of the political gridlock. Virtually all Japanese speakers saw China as overshadowing Japan and worried about the long-term impact of a continued slide in their country's prospects. As a Japanese warned, "Japan is slowly disappearing from the international political scene."

Those concerns were magnified by fears that U.S. engagement with China could lead to a strategic relationship that would eclipse the U.S.-Japan alliance. While Americans dismissed such dark speculations, Japanese participants pointed to Washington's attempts to strike a deal with North Korea – one called it a "betrayal" – as a harbinger of future shifts in U.S. policy. Concerns about a U.S. "tilt" toward China are not new, but they have become more pronounced in recent years. This was a central theme during a Japan-U.S. "strategic dialogue" held earlier this year. Key findings from that meeting can be found in Appendix C.

To remedy these ills, several Japanese endorsed creation of a new document that would articulate a common vision for the alliance. This statement should be global in scope, and take up a wide range of security threats and challenges, including climate change, environmental protection, and energy security. In addition to energizing a relationship that is, in Japanese eyes, flagging, the process of developing the declaration would engage the two bureaucracies and provide a focal point for the two countries' leadership when it was complete. Several Japanese suggested 2010 as the target date for the new vision statement.

Americans agreed that the alliance is becoming troubled. But from their perspective, the problem is the inability to follow through on promises and commitments already made. One U.S. speaker rolled off a list of bilateral pledges going back to 1996 that remain unmet. Completing the DPRI process, relocating U.S. forces in Japan, helping fund the transfer of forces to Guam as well as host nation support, and ensuring the smooth implementation of the status of forces agreement (SOFA), should be priorities – not the development of a new joint statement or declaration. "We want to put our energy into accomplishing goals already set, not new aspirational documents," argued one U.S. speaker. "We don't have the luxury to wait to 2010," warned another U.S. participant. "We could have a much more difficult situation in one year as the new U.S. administration takes time getting the wind in its sails and there is worse political gridlock in Japan."

Americans warned their Japanese counterparts against zero-sum thinking when looking at China. Improvements in U.S.-China relations do not have to come at Japan's expense. (The U.S. does not worry about the "ice melting" between Tokyo and Beijing; in fact, Washington welcomes improving relations between the two Asian powers.) Similarly, Americans were befuddled by Japanese charges that Tokyo has been betrayed by U.S. policy toward North Korea. U.S. participants flatly denied the assertion that the U.S. was prepared to accept a North Korea with a nuclear capacity

Several speakers also cautioned against indulging in "nostalgia" for the Koizumi era. While the prime minister had remarkable political instincts and took the U.S.-Japan alliance to new heights, many of the initiatives for which Koizumi got credit came from the bureaucracy and were developed and advanced by career officials. While the political leadership in Tokyo may be weaker, that infrastructure still exists. Indeed, several speakers noted that the current situation requires even more initiative from working-level alliance managers. That task is harder when key players, such as the Ministry of Defense, are engulfed in scandal, but one Japanese participant explained that the situation is improving and the right people are now in position to move the alliance forward.

Participants from both groups expressed concern about the role of the opposition in Tokyo. While there are strong supporters of the alliance and experts on security affairs in both the ruling and opposition parties, Japanese and U.S. participants worried that the DPJ appears to be playing politics with the bilateral security alliance. One Japanese participant endorsed greater U.S. engagement with the opposition to better shape and influence DPJ thinking about security policy.

Both governments need to better engage their publics, and especially that in Japan. Frustration with politics is mounting and voters are demanding more accountability from their leaders. The failure to win over voters will erode the foundation of the alliance.

Discussion also underscored the need for the two governments to address the critical role played by the U.S. extended deterrent. The questions that have surfaced in recent years suggest there is a perception among Japanese of declining U.S. reliability as an ally and the shrinking credibility of the U.S. nuclear umbrella. The previously referenced bilateral strategic dialogue hosted by the Pacific Forum CSIS focused on this very issue and revealed growing concern among strategists in both capitals: both sides agreed that this topic had to be addressed directly. Discussions in San Francisco reached the same conclusion.

Japanese participants are worried not only that Washington is prepared to accept a nuclear North Korea, but that the civilian nuclear agreement with India also sends the wrong signal to would-be proliferators. One Japanese participant pointed out, however, the difference in nature between the Indian and Korean cases, and that argued the unified Korea case should be dealt with independently as a different issue. There is a fear among Japanese that U.S. policy is undermining the foundation of the global nonproliferation order. This is not only problematic for Japanese security policy, but it damages a key pillar of Japan's postwar diplomacy. Moreover – and remarkably, to American ears – there is an assumption among Japanese that the U.S. would tolerate a unified Korean Peninsula with nuclear weapons – and this new nuclear state would be hostile to Japan. More than one Japanese warned that such a scenario might force Japan to overcome its nuclear allergy.

Japanese participants called for renewed reassurances from the U.S. regarding its commitment to Japan's defense. These pledges must come from the very top: while

Secretary of State Condoleezza Rice's statements following the October 2006 North Korean nuclear test were welcome, several Japanese speakers insisted that such remarks had to come from the president to achieve their intended effect. A U.S. participant cautioned that such statements have diminishing utility: the more often they are made, the less credible they sound.

Equally important is the need for the two governments to discuss extended deterrence so that both understand how it works and they appreciate each partner's expectations of the other. For example, one Japanese warned that the prospect of a conventional U.S. response to a WMD attack on Japan "would fundamentally destroy Japanese trust in extended deterrence." Several Japanese speakers suggested that these talks take up the broad questions of U.S. strategy in Asia, the role of the military in that strategy, and more specifically the role of nuclear weapons. A U.S. participant suggested the addition of missile defense and command and control arrangements to the agenda. With a new administration taking office in Washington and the legislative mandate for a new Nuclear Posture Review (NPR), several participants recommended that Japan seize the opportunity to make its views on these issues known to Washington and try to shape the context in which the NPR is developed.

There was no agreement on either side on another suggestion: that Japan revise its three nonnuclear principles – that it will not have, make, or possess nuclear weapons – to permit the stationing of U.S. nuclear weapons on its soil. This triggered considerable discussion. Some suggested that this could reassure Japanese and bolster the credibility of the U.S. commitment to defend their country. Others argued that it was a bad idea, insisting that it would generate enormous friction with little real gain. All agreed this was not feasible given current political circumstances in Japan. One American insisted that forward basing is the key to U.S. credibility and deterrence, and drastic shifts in Japanese policy are likely to make the alliance a political football. A Japanese countered that the U.S. forward presence is no longer enough to reassure Japan.

Nonetheless, as one Japanese reminded the group, a large and powerful China and a North Korea with knowledge of how to produce nuclear weapons are geopolitical realities that will not go away. Security planners and alliance managers in both countries have to develop means to deal with both. As the two governments try to craft their strategies, two intertwined dilemmas have emerged. One, noted by a Japanese speaker, is that the success of the bilateral alliance has traditionally encouraged pacifism in Japan, which makes steps to revitalize and modernize the relationship more difficult. As the saying goes, "If it aint broke, don't fix it." At the same time, Americans hear Japanese increasingly concerned about the shifting geopolitical balance of power – and so worried about the reliability of the U.S. commitment to their defense that they are contemplating revision of their cherished nuclear principles – yet unwilling to take other steps that could shore up the alliance. This disconnect is difficult to understand.

Patrick Cronin's overview of U.S. alliance strategy took a broader perspective. He sees the U.S. as caught between long-term trends and short-term thinking: "American watches are still set for 2001." Meanwhile, the global structure of power is changing.

Regional powers are emerging even though the world is not yet truly multipolar. A key part of this process is the shift of economic power from the West to the East; the U.S. remains the world's only superpower but every U.S. administration faces growing economic constraints on its activities. A core component of all major power strategies is energy security, although the U.S. seems less focused on this issue, at least if energy policy is to be part of a more broadly formulated strategy that includes environmental issues.

Equally important in this new world is the continuing revolution in information affairs, and the ways this phenomenon dilutes and disseminates power. This has empowered nonstate actors and shifted the national security framework. Cronin highlighted the "changing character of conflict," which includes new security actors as well as new threats that interact in complex ways: fragile states, terrorism, and the proliferation of nuclear technology and weapons that makes deterrence much more problematic. Significantly, argued Cronin, "these drivers and trends do not equal a global war on terrorism."

He, like most other people at the seminar, sees the Japan-U.S. alliance as a critical tool to deal with these issues. But changes are needed. The U.S. has to do more to restore its legitimacy and influence in the world. It must export hope, not fear. A better balance between hard and soft power has to be found: to use the parlance of two conference attendees, the two countries need to use their "smart power." Both countries, and especially the U.S., need more active engagement: showing up at meetings not only with good ideas, but also ready to listen to others. Critical to the alliance's future success is a shared vision. Cronin suggested that it be based on shaping choices. Close to home, the two countries should create incentives for a rising China and sustain movement on the Korean Peninsula.

The key issue, suggested one U.S. participant, is how to make a 60-year old alliance relevant to the next generation of decision makers. There was agreement among all participants that the two countries should emphasize the common values that they share and which act as a buffer and tether in times of friction. These provide a framework for relations that neither Tokyo nor Washington has with, say, China. And, as several participants pointed out, these values are also shared with South Korea.

Nonetheless, there was disagreement about the role such values should play in the foreign policy of each country. Promotion of democracy and market economics, respect for human rights and the rule of law are longstanding components of U.S. foreign policy; Japan has been a champion of such values since the end of World War II. Both governments will continue to put them at the rhetorical forefront of their national strategies. But that does not mean that such values are the only – or even the primary – determinants of how Japan and the U.S. engage other countries. There was virtual unanimity in our discussions that functional cooperation is the appropriate focus. For example, all countries that can contribute to promoting safety of navigation should be enlisted in maritime security efforts. A functional approach is likely to have greater

success in winning Indian and Australian participation in regional security initiatives than one that focused on values.

Given the mood in Japan, insisted one Japanese speaker, it is increasingly important for "Japan to convince the U.S. that 'you need us.'" This will be easier, argued several Japanese speakers, if the two countries make better use of multilateral mechanisms. That requires the U.S. to rethink its position on multilateralism. It would also help if Japan got that permanent seat on the United Nations Security Council. For its part, Japanese should abandon the thinking that separates the U.S.-Japan security alliance and its international cooperation efforts. The two must be better integrated.

Strengthening the Nuclear Nonproliferation Treaty and the global nonproliferation regime should be a priority. Not only must the two governments do more to stop the proliferation of nuclear weapons, but they should also do more to reduce existing nuclear threats. This should be part of an attempt to broaden the foundation of the alliance. This will bring new participants and new energy into bilateral discussions. One U.S. participant explained how the mobilization of civilians will help revitalize the relationship as well as help cut the costs of cooperation.

The third and final session explored **Visions of the Future Alliance.** *Joseph Nye* called on the two countries to see our alliance more broadly. He acknowledged the malaise that has crept back into the bilateral relationship, blaming it on the U.S. emphasis on the Middle East and terrorism in the aftermath of Sept. 11, the uneasiness in Tokyo about U.S. policy toward North Korea, and the structural inequalities in the alliance. That is a product of Japan's constitutional constraints, but it also reflects the fact that the U.S. is the world's only superpower: any relationship with it must be definition be unequal.

Nye, like many Americans, is troubled by the fear in Japan that the U.S. might abandon the alliance for a new strategic relationship with China. This makes no sense. The U.S. and China don't share values; the U.S. and Japan do. China is a threat to the U.S. in the classical realist sense; Japan isn't. Moreover and most significant, the two countries have a long list of accomplishments and a bipartisan consensus backs the alliance.

Most critically, the U.S. and Japan should be working together to manage the rise of China. Both countries seek to both engage Beijing and hedge against untoward developments. Those strategies will work much better when implemented in concert.

Nye called on the two countries to conceptualize the alliance in broad terms. They should be identifying and preparing for new threats such as pandemic diseases, climate change, and other environmental dangers. This shift will create new frameworks for thinking about and engaging China too. The key is "to use the alliance in new and creative ways." In short, the two governments should be using their "Smart Power," particularly to supplement the traditional military focus of the alliance.

Central to this effort is trust. Planning and implementing programs is a trust building exercise. Nye suggested that the new U.S. president make his or her first trip abroad – even before the inauguration – to Asia, to listen to ideas and signal his or her intention to engage the region in new ways. It is obvious to Nye that the first stop on that trip should be Tokyo.

Miyake Kunihiko offered a darker look at the future. Repeating a theme that dominated our discussions, he argued that vision is disappearing in Tokyo. That is a critical loss since new trends and developments require increasing cooperation and coordination among nations. Indeed, policies must be formulated and implemented on three levels simultaneously: global, regional, and local.

Vision is increasingly important given the long list of concerns that includes traditional security issues as well as new global issues, such as the environment, energy security, and nuclear proliferation. Like Nye, Miyake endorsed a new emphasis on the nonmilitary element of alliance cooperation (while remembering that the military remains at the heart of the alliance). Japan and the U.S. should reach out to other like-minded nations, such as Australia, India, China, and Russia, to construct a common nonmilitary global agenda. He suggested that it is time to pursue a regional security architecture, which would demand serious and quiet engagement of China.

Such initiatives will require political leadership in both Japan and the U.S. But, as Miyake noted at the outset – and many Japanese pointed out throughout the seminar – it is unrealistic to expect leadership from Japan today. When the country is ready – and Miyake suggested that there is not much time to lose – its leaders should be guided by a simple principle: ask not what Japan can do for the U.S., but what Japan can do for herself.

There was virtual unanimity that the biggest challenge is getting Japan to overcome its own political problems. Japan has important contributions to play in the region and around the world and cannot afford to wait for the political situation to resolve. Failure to act will diminish Japan's value as a partner to the U.S. While Japan is navigating uncharted political waters, the self abuse – "Japan bashing by Japanese," marveled one U.S. participant – must stop. "Get over it," advised another American. Focus on the quality of your contributions, not the quantity, suggested a third.

More specifically, Americans called on Japan to realize its latent, and squandered, economic potential. By one estimate, the Japanese economy would be 25 percent larger if it had grown at its potential rather than the anemic rates of the last decade. As important is the articulation of a coherent policy that will permit Tokyo to use that wealth to further its national interests: Japan should develop and release a national security strategy. Finally, several participants called on Japan to pass legislation that would protect secrets, a longstanding request of the U.S. Such a law would facilitate sharing of intelligence between the allies and would be a confidence building measure in its own right.

One American suggested that the alliance has stalled because it lacks ambition: it is running in place. The two governments are merely reacting when they should be shaping regional developments. The two countries should try to build something instead. That requires a vision that goes beyond the goals of creating stability and growth. Another American echoed that sentiment, insisting that the pieces are in place to start new initiatives. A new government in Taiwan should reduce tensions in the strait, which could facilitate new cooperation with Beijing. The new Seoul government creates possibilities for another form of trilateral cooperation: that among the U.S., Japan, and the ROK.

Several Japanese participants argued that their government needs to better integrate the alliance with the other dimensions of its foreign policy. Efforts to broaden cooperation among the two allies and extend their activities both functionally and geographically will require better coordination both within each government's bureaucracies and between the two countries. A U.S. official explained how Japan is seen as a vital part of efforts to deal with global problems: increasing numbers of regional and functional desks at Foggy Bottom are working with Japan. Bilateral engagement is no longer restricted to alliance issues.

Japanese participants suggested that the United Nations become a focus of bilateral cooperation. They asked the U.S. to do more to help Tokyo get its permanent seat on the UN Security Council. An American participant suggested that this could be part of a broader effort to help make international institutions better reflect the current structure of power, rather than that which prevailed at the end of World War II.

By all appearances, the U.S.-Japan alliance is transitioning to a new era. One Japanese participant pointed out that the Japan-U.S. alliance faces a "priority gap." Japanese are concerned about the present state of the alliance. Americans, show no appetite for the development of a new declaration in 2010. While substantial constituencies in both capitals support the alliance and recognize the critical role it can play, much more has to be done. The two countries must proceed on two tracks, implementing agreements that have already been made and looking over the horizon to new challenges. Each country must develop its national strategy and better understand where the alliance fits within it. Once those national visions have been developed, the two governments can work together to align priorities and realize shared aims and interests. This must be a cooperative and mutual process: both countries must develop and define a shared vision.

A number of participants saw a new joint declaration as a vital part of this process. Not only would it commemorate the 50th anniversary of the security alliance, it would also engage the two bureaucracies during this transitional period, keep the alliance in the public eye, and ensure that alliance concerns stay at the forefront of the political process, especially as budgets tighten and priorities evolve.

Ultimately, it is critical, as participants from both countries noted, that the alliance solve problems and make active contributions to regional peace and security through the

joint resolution of global concerns. That will serve both countries' national interests, which will in turn ensure that the alliance stays relevant to both governments. That is the best way to provide Japan the reassurance it seeks during a time of great change in the global balance of power, the regional security environment, and tumult at home. The Japan-U.S. alliance is a means to an end. As long as both governments remember that, and ensure that it serves to solve problems, it will remain a priority and it will thrive.

Challenges for the Japan-U.S. Alliance

By Ryozo Kato

Dear friends and colleagues, it has been more than six years since I took the post of Japanese ambassador in Washington. All the distinguished participants at this seminar must be tired of seeing my face. As I approach the end of my service in Washington – I believe the proper military term is "decommissioned" – I want to assure all of you that I will remain engaged in working to further enhance the Japan – U.S. alliance.

Today, I would like to share my thoughts on the challenges and opportunities that our alliance will face in the years and decades to come.

First, I have to start with my own country. In relative terms, the size of Japan's economy is destined to decline compared to China. Many people believe that China's GDP will overtake Japan's in 10 years time. It is an absolute necessity that Japan identifies and promotes new sources of national strength, such as innovation and technology. This is important not only for Japan's economy, but also for its foreign policy. Japan should be stronger in order to be more optimistic and to be optimistic, Japan definitely needs a strong U.S. as an ally: strong, not only in the military sense, but also in its legitimacy and persuasiveness.

Second, we cannot escape from uncertainties in China. It would be virtually impossible to contain China; engagement is our only viable option. The problem is that the future of China is full of uncertainties; not only in a political and military sense but also on the social and economic front. Therefore, the key is to strike a good balance between engagement and hedging.

Japan is determined to enhance our mutually beneficial relations with China based on obvious common interests such as a strong economy, a cleaner environment, and energy issues. But, we also believe that we should not give China veto power over things we believe in.

We also need to come up with a common assessment of what China will be like 10 years out, or to around the year 2020. Then, we need to formulate a set of policies that can be launched now to address those issues.

Third, North Korea. We need to make the utmost efforts in successfully denuclearizing the Korean Peninsula. But we should be also ready and prepared for a possible collapse or "implosion" of North Korea that may lead to the eventual unification of the Koreas. Once this starts, it would bring about substantial change in the strategic environment in Northeast Asia, not to mention the future of our alliance. We need to continue to enhance and update our planning for this scenario and to start thinking about steps beyond the usual coordination amongst us. In one way or another, China, in addition to the ROK, will have to be involved in this exercise sometime in the future. To this end, coordination among allies is crucial.

Fourth, Russia. Russia's strategic interest in maintaining its sphere of influence has been pursued in various forms: its opposition to the United States' missile defense posture in Europe (as well as in Japan); its interest over Kosovo's future; or its arm-twisting in energy diplomacy. We have to closely watch how Russia re-emerges as a "global" player. In particular, Russia has been seeking a more robust posture on its Asian front: more emphasis in economic development of its Far East and eastern portions of Siberia; arms sales to China and other East Asian countries, and more importantly, more active movement of its military forces in the Far East. This presents renewed challenges to and opportunities for our alliance. We should remind ourselves of the deterrent effect our alliance has in relation to Russia. And at the same time, we should not miss opportunities to engage Russia in the Asia-Pacific (they will host APEC in Vladivostok in 2012).

Last, we should continue to work together in managing such global challenges as the fight against terrorism and the proliferation of weapons of mass destruction worldwide. Right now, the international community is focused on Iran, Afghanistan, and Pakistan. Careful attention, however, should go well beyond those three countries: Southeast Asia, Central Asia, the Middle East, and Africa need our continued vigilance and preventative action such as assistance in capacity building.

Our alliance will continue to be the center piece in tackling all these challenges and addressing the opportunities. The stronger our alliance is, the better the prospects are for security and prosperity in Asia Pacific and beyond.

We should also broaden the network among allies. A true success story has been the enhanced security ties between, Australia, Japan, and the United States, which has led to trilateral cooperation. Now we have a chance to reengage another alliance partner, the Republic of Korea. We should discuss with the new ROK government issues beyond the Korean Peninsula. I am confident that they are ready to recognize the regional and global role they are already playing.

The more difficult challenge is India. It is perhaps naïve to believe that India would become our ally. But, India has such huge potential and there is much room for improvement in the way we work with India. It would not be too difficult to dramatically enhance our economic ties with India. The greater challenge is how to engage India in a regional security infrastructure. There has been some progress on that front. Last year, Japan held two joint naval exercises with India and the United States and these were not achieved by accident. After all, these three countries are indispensable ingredients when we talk about securing the safety of sea lines of communication (SLOC). One additional point is that China happens to share the same SLOC. What it means and how we can translate this into a specific policy is a challenging question that should be answered sooner rather than later.

If I can be candid, I am getting a bit concerned about the state of our security cooperation. Aren't we spending more time on protocol, such as organizing meetings and visits than on establishing specific policies with tangible substance? I can sense it even

in the military-to-military relationship that has always been the foundation and core of our alliance. With the rising uncertainty in China and the reemergence of Russia (among other important issues), isn't this the time to sit down and have thoughtful, productive meetings where we can set the agenda and policies for our future? Seminars like this one would work as a perfect catalyst for policy makers to have such an endeavor.

In looking back over my six plus years in Washington and over an even longer period of time, it is encouraging to see in attendance those who have been involved in the alliance business before and since the formation of the1996 Joint Security Declaration.

In looking into the future, I have a hunch that, in every respect, the year 2010 will present us with another historic opportunity. 2010 marks the 50th anniversary of the Japan-U.S. Security Treaty and it is also when Japan will host the APEC meeting, which also means a U.S. presidential visit to Japan. 2010 will give us another opportunity to realign our priorities to move our relations to an even higher and closer level.

In closing, I must confess that I have been borrowing – well maybe stealing – an analogy first put forth by Ambassador Armacost. Ambassador Armacost said the Japan-U.S. alliance is like a garden and needs to be tended to ensure its vigor and to provide a healthy harvest. Expert gardeners such as Ambassadors Armacost and Armitage are excellent at watering, pruning, and weeding. I have been excellent at fertilizing.

While some of these tasks are more enviable or prestigious, all of these tasks need to be performed for a garden to be successful. Otherwise, there would be neither sakura nor dogwood trees to welcome the Spring.

I am sorry that I cannot be with you in person, but rest assured that I as I said in the beginning of my remarks, I will be engaged and ready to play my role. I firmly believe in what the beloved Ambassador Mike Mansfield said: "The U.S.-Japan relationship is the most important bilateral relationship in the world, bar none."

Best wishes on a successful seminar. Thank you.

Asia: Less Continuity, More Change

By Richard L. Armitage

Years ago I gave a speech about the U.S.-Japan alliance and Asia security called "continuity and change." And if you look at Asia now, there's an awful lot of change and I don't think there's so much of the continuity. Look at Australia, we've got new leadership with Kevin Rudd, who met with our president today in Washington. And this is going to have implications for us. We talked about China today, but we ought to talk about our trilateral cooperation with Japan, Australia, and the U.S. I think that Mr. Rudd, who is a very fine guy and has a great affection for the U.S.-Australia Alliance, probably won't have the same affection for our trilateral talks as his predecessor. He may engage in them, but I don't think there will be the same amount of cooperation.

Another change is Thailand today; there's new leadership in Thailand with a real nasty and nagging insurgency in the south. It doesn't seem to be getting much better. How about Malaysia, where UMNO was dealt a stunning setback in recent elections, and where you're seeing more and more dissatisfaction by the Chinese and India population? This will affect our mutual friend in Singapore.

We talked about the change in the Russian Federation and I think we've been lazy in Asia regarding the Russian Federation. We have been allowed to be lazy. Here is a nation that spans the Eurasian continent, but has always spent much more attention on Europe than on Asia. Well, they are not immune to understanding that the whole center of gravity of the world is shifted to Asia. So I predict we will see a much more active Russian Federation in Asia. That's not necessarily a bad thing, but it's going to be a thing of change we're going to have to deal with.

We talked about Taiwan today. This is an interesting case. President-elect Ma Ying-jeou campaigned on his three no's – no independence, no reunification, and no change in the status quo, but he also campaigned on economic improvement. And the only way Ma Ying-jeou is going to be able to improve his economy is by improving his relationship with the Mainland. He must deal with investment caps and tourism and direct trade and direct flights – all those things. As someone suggested today, is China going to be able to respond? They already have about 1,000 missiles across the Taiwan Strait. Do you think that the PLA could afford to pull back 80 or 100 just as a gesture? They probably won't, but they probably should!

South Korea has also changed leaders. President Lee Myung-bak will likely be much more congenial toward Japan, much more congenial to the United States, and maybe we can get some meaningful trilateral cooperation going. I certainly hope so, but I don't know. Looks to me like President Lee got a little quick off the mark in the last couple days announcing how strongly he was going to condemn human rights in North Korea, which I think is the right thing. But, you need to think about this and indicate to the North Koreans what you are going to do. Don't surprise; don't do these things all of a sudden. It may be a sign of immaturity; it may be a sign of some rough sledding ahead.

You saw how North Koreans responded by throwing some South Korean managers out of the Kaesong Industrial Zone and by firing off their short range missiles this morning.

So there is plenty of change, and there is more on the way. After the G-8 meeting, there may be elections in Japan, and then we've got our own coming in the U.S.

So there's going to be a lot of changes in Asia. But there's other change beyond that. There's a change in India and its "look East" policy. I agree with Ambassador Ryozo Kato and with Yukio Okimoto, that India is not going to be an ally of Japan or necessarily an ally of the United States. Certainly it can be a friend, however; we share a lot of common interests. But for Japan in particular, the relationship between India and Japan is one that is actually much better than people realize. And it's rooted in the fact that many Indians note that during the war Japan only occupied a small part of India and in a very real way unpried the colonial hand from around the throat of India. And Japan gets credit for this. And of course it was an Indian judge at the Tokyo tribunals who didn't want to apply the death sentence to those who were ultimately convicted of war crimes. These things are well understood both in India and in Japan. This is why Prime Minister Abe was so well greeted when he went to India.

But beyond that, there is still more change. Notwithstanding our present recession or the present stagnation in Japan, we are in a period of the greatest wealth creation the world has ever seen. *Forbes* magazine had 83 billionaires in Russia (in 2007) and I don't think the number is known for China. But the question is whether that wealth is getting distributed in a timely enough fashion. If 300 million people today comprise the middle-class of China – and that's our whole population in the United States – there are still at least 600 million who live below the poverty line ($2 dollars a day). So although we are in a period of great wealth creation, are we going to be in a period where, if this wealth is not spread out in a timely enough fashion, the expectations of the populace could lead to turmoil? Beyond that, there are changes in the consumption of oil as well as the thirst for oil and for raw materials. Finally the changes in the environment which you can read about, frankly you can sometimes taste on any summer day in Tokyo coming from China – the damage to the environment, the problems of global warming and climate change.

So there's an agenda of change out there that is enormous by anybody's standards. Let me talk about a couple of the countries who are major actors. First of all about China. I just returned from China. I must say that my personal impression is there's a great deal of buyer's remorse in China. Zhu Rongji famously said in the year 2000, "it's a good thing we didn't try in 2000, or we didn't get the Olympics, because we weren't ready." Well, I think privately some of the Chinese will tell you today they'd question whether they are ready now. Can they organize for the games? Sure! But there are so many things that get out of their control. The myth of ethnic harmony flew out the window on March 14. Chinese are coming to grips with the fact that this phenomenon of Tibet will probably bedevil them right up to the Olympics. I would suggest, though I'm not an expert in the ways and customs and culture of San Francisco, that when the Olympic torch runs through San Francisco you're going to see a few

demonstrators out here who have a few things to say about Tibet and what the Dalai Lama would call the genocide on the Tibetan culture that the Chinese are putting into effect. In a way I almost feel sorry for our Chinese friends because they put themselves in a cul-de-sac. On the one hand they vilify the Dalai Lama; he's the devil incarnate and they vilify him. But on the other hand today the Dalai Lama is the moderate one. Apparently many in Tibet, or at least some are frustrated with his message of peaceful persuasions and peaceful demonstrations. Many protesters are a little intemperate and impatient. So after having vilified the Dalai Lama, China finds it very difficult to talk to him. Meanwhile, what are Chinese leaders going to do when the Falun Gong unfold a banner on the Fifth Ring Road? Are the People's Armed Police going to come in and smash people on their heads, because that will certainly distract attention from diving and track and field, etc. Well, their initial desire would be to go and crack a few heads on this matter and to snuff it out quickly. But they're not ready for 2 or 3 or 4 simultaneous problems, and it appears to me that any country, be it Japan, the United States or elsewhere, would have difficulty handling 2, 3, or 4 problems at once.

But China has even more difficultly because of the structure of its leadership. But it goes beyond that and beyond Falun Gong and beyond Tibet. There are some things that they absolutely can do nothing about, like the environment. They can do absolutely nothing about it. They can stop their industrial plants, they can keep their cars off the road, but they can't shut off their coal-fired plants. The environment and degradation coming from China is so great that Lake Tahoe finds it in its filters now. With an economy 1/5 the size of the United States, China has surpassed the United States as an emitter of CO^2 gases. That's pretty phenomenal. So they are facing real problems. But wait, there's more. They forgot to handle inflation. I don't know if it's the case, I was told that in Beijing, in some commodities inflation in the countryside can go as high as 28 percent. So how the People's Republic of China deals with these issues, whether they come out of this in a very grumpy mood, is going to have a big effect on all of us in Asia for some time to come.

And then finally there's a question of Chinese decision making. Earlier at dinner I was reminded of Secretary Perry's and General Shalikashvili's decision to send the carriers into the Taiwan Straits in 1996. Of course it was the *Kitty Hawk*. So to some extent the Chinese not allowing the *Kitty Hawk* to go into Hong Kong even though naval courtesy during a storm should have allowed it, is understandable because there is a history with China and the *Kitty Hawk* – not the least of which is that the *Kitty Hawk* stationed in Japan is a constant reminder of our alliance and our relationship with Japan. So on the one hand I can see a lot of reasons why the Chinese might want to make an example of the *Kitty Hawk*. I can see no reason why earlier they would've denied access during a storm to a couple of minesweepers, however; this is not in keeping with naval courtesy.

Likewise the anti-satellite test. Beijing is now trying to make the point that there's no difference between the PLA shooting down its satellite and the United States recently taking out an out-of-control satellite tumbling toward earth. I have tried to point out that we were public, transparent, gave two weeks notice, did all the safety checks, and

then destroyed the whole target. They did it in secret and left 41,000 pieces of debris that others can run into at their own leisure in space. So there are miles and miles of differences.

Now the question that then comes to mind is did the leadership of China know? Probably there are as many opinions about this as there are belly buttons here tonight. I think that, without a doubt, the leadership knew; they probably had to sign off. But the real question is did the leadership understand what they were doing? Did they understand the implications? I don't think they did. And this gives me great concern, I would prefer they understood it, and did it, than they not understood it but did it anyway. And I think it's the latter, but I can offer you no empirical data.

As you might have gotten from the tenured tone of some of my comments today, I'm a little skeptical about what's going on in North Korea. I think to some extent the North Koreans have again saved us from ourselves. I was very worried, I'll be frank with you, that we were about to do something that great powers don't do, namely trade-off our relationship with a great power to develop a relationship with a small power. Now if there are any Japanese in this room who will stand up and tell me there is not a great deal of distrust surrounding the Six-Party Talks and our participation in them, I'll buy you breakfast in the morning. I don't think it's going to happen. But we have to understand this. This was deliberate on the part of the North Koreans to some extent. They are going to have a harder time now driving a wedge between South Korea and Japan than they had earlier, but this was deliberate. Part of it was the way we negotiated it. Part of it is the way the North Koreans negotiate and part of it is the expectations of the People's Republic of China.

I think my purpose here tonight is to lay out some possible agenda points and also to be somewhat provocative. So I'll make the following statement. As I'm leaving town tomorrow, I can get out of town before you can pin me to the wall on it. I've come to the conclusion that regarding North Korea, although the People's Republic of China hates the idea of a nuclear armed North Korea, they would be willing to settle for it if that's the price of stability. Now that's just a personal view; the thing to debate tomorrow is whether or not U.S. policy is morphing in front of your eyes. Are you seeing a policy that's slowly, not rhetorically, but actually is morphing from one of denuclearization of the Peninsula to a program of capping the nuclear program and turning into counter proliferation? I think the jury is out on that. I'd be interested in our Japanese friends' views.

And finally just a question about the abductees issue. Jim Kelly and I put North Korea on the terrorists list because of the issue of abductees. This was not done thoughtlessly; it was not done wildly; it wasn't done on the spur of the moment. It was done with the feeling, first of all, there was a great deal of political interest in Japan; there's no question about that. But it was done with a feeling that this would be an excellent way to test North Korea. Nobody expected North Koreans to be able to come up with the living abductees. But we certainly had a right to expect that they'd come up with some truthful answers. And the test case was whether or not North Korea could be

expected to accord the basic consideration to human rights, and I'd say abductees' families deserve a basic consideration of human rights. If they could not find it in themselves to live up as much as possible to their responsibilities on the abductees issue, how could we trust them to live up to an international agreement particularly given the previous agreements we had in 1994 that they didn't live up to? So for Jim Kelly and for me, this was not a hard thing to do. It was a good basis on which to test the intentions of the North Koreans. But I agree with what was generally said here today, that if they were the Washington Redskins, they have gone to the ground game; they are running out the clock, and they're going to try to get a better deal from the next administration.

A word on South Korea, I have spoken a little bit about it. President Lee is coming to Washington. I don't understand why he wanted to have this visit so soon with a president who's at 30 percent popularity and is going out the door. I would have preferred, if I were President Lee, to have waited until the new U.S. president (he or she or whomever) is in office and then made my first call then. But he wants it, and he represents a very favored ally and so he will be coming to Washington later this month, and we need to make sure the visit goes well.

Finally, let me turn to our alliance. There are some good possibilities, I think, for the U.S. and Japan. Well, no secret here, at a minimum, Japan is in a period of stagnation politically. Mr. Fukuda and Mr. Bush enjoy about the same favorable ratings of 30/31 percent, which for us is quite low but for some former Japanese prime ministers is actually pretty good. It's not good enough for the present day, however. And I think this whole political weakness was shown in two ways. Obviously the recent difficulties surrounding the governor of the Central Bank. But the decision on the Indian Ocean is one that really showed a great deal of political weakness and it showed an opposition who felt that the duty of the opposition was solely to oppose, no other duties or responsibilities. I must say that the day I saw the final delivery of the Marine Self Defense Force to the Pakistani naval vessel in the Indian Ocean, I cried out of anger and frustration and humiliation for the Maritime Self Defense Force sailors, who had to stand on their ship while Pakistani sailors in dress uniform stood and offered a *banzai sanjo* to the Maritime Self Defense Force. So they had to scuttle back to Japan after that.

How would you feel if you were a member of the naval services under such conditions. So I was one of those who was thrilled when Prime Minister Fukuda did finally prevail in the Lower House and passed the Indian Ocean deployment legislation. But immediately after that, Japanese mass media was immediately calling all around Washington to anyone who could spell "Japan," asking "does the United State appreciate this IO deployment?" Does the United States appreciate? Of course we appreciate it. But that's not the question. The question is not whether we appreciate it, it's how Japan feels about what it's doing, and how others in the international community who are recipients feel about it. How Pakistan feels about it, how Afghanistan feels about it, and what this says about Japan's place in the world. That's the question to be asked. Of course we appreciate it, but you shouldn't do it because we appreciate it, you do it because of what it says about Japan in the world.

Let's move on to the United States. You're watching what I think is a very regrettable and not very uplifting political campaign right now, particularly on the Democratic side. Issues find it very difficult to intrude their way into the debate, it's all personal and I'm not smart enough to know in the long run what it will auger. Senator McCain offered a couple days ago his vision of foreign policy which, as regards Asia, was quite good I think – at least pretty good, I would say it's quite good, because I was involved in it. But I'll let the rest of you decide if you think it's good or not. He said something that was particularly noteworthy. He said that Joe Nye and I found out when we did our "Smart Power" report that public diplomacy is not a matter of being louder than others or saying the same thing over and over till someone gets it. Everyone knows what the United States thinks on almost every issue. The question is whether we know what they think. And this is why Senator McCain said something and I think frankly Mrs. Clinton and Mr. Obama would embrace this same statement. They'll put it in their own words, but it would be the same sentiment. We do believe in the power of our ideals and our ideas. We will try to persuade friends and allies around the world. But, if we are going to try to persuade them, we must in turn be prepared to be persuaded by them. This has been missing for the last seven years. And this alone is a very important development in the political campaign.

But beyond that there's not much out there, it's just so personal and unfun. The good news is I think that our recession will be relatively short. Although it used to be said when we sneeze the world catches a cold, a lot of those places that used to catch a cold when the U.S. economy went down are now not so export dependent. They developed their own internal consumption. So although they can't decouple from the U.S. economy, they are less severely hurt by a moderate to mild recession and that's very good news. But I expect to see out of this election, whoever wins, a United States, which is a somewhat more humble player on the world stage, but still intent on being an absolute player.

So what about the U.S. and Japan? Where are we? I listened carefully to Ryozo Kato's keynote address today. I had heard a similar comment, but he was a little more earthy. He talked about the Alliance being something that needed watering and gardening and constant care, but also said that from his observation some of the leaves in this garden were turning a little brown. I completely agree with him. I've been saying that we're adrift. I like his characterization better. There are folks in this audience, both in State/MOFA and Defense/MOD, in uniform and civilian, working like crazy to try to keep this relationship going the right way, valuing it the way it should be valued. But what are they missing? They're missing political guidance and leadership and they're missing perhaps strategic vision. It is not a secret that, because of myopia over Iraq and Afghanistan, we haven't been tending this garden of Asia, not just U.S.-Japan, but Asia in general. When the secretary of state misses the ASEAN Regional Forum 2 out of 3 times, what does it say? I'll tell you what they say in Singapore, they told me that it's not that we miss Dr. Rice at the ARF, it's that we didn't miss her. What bigger warning could one have about not paying attention to Asia?

Now this question of strategic vision. If I asked each of you what is a strategy I'm sure I'd get many different answers and I've got a different one of my own. A strategy is what you follow to reach a goal. So the first question I have is, what is our goal in the U.S.-Japan Alliance? Do we share the same goals? It might surprise you maybe we don't. Maybe on some issue we do, and maybe some others we have a slight difference of opinion. If I were in Tokyo I think I might have a question on whether the reunification of Korea is an absolutely good idea. It's just something to discuss, given historical neuralgia, etc. But I think the first thing that we ought to do, starting in this session and beyond, is to use that strategic dialogue to figure out first of all what is our goal.

Then something that will please my colleague and friend Joe Nye no end, is what we have in common: we are the two greatest soft powers of the world. No question about it. We've got arrows in our quivers or, if our Japanese friends like it better, we've got tools in our tool kit. Let's figure out what they are. Let's figure where we should use them in concert and where we should use them, perhaps the Americans on one side and the Japanese somewhere else. These are things that we ought to be doing now. We've got hard power, that's a different question. But we ought to be thinking about this soft power and applying it now where it meets our interest. And beyond that, it seems to me there are some discussions that ought to be had. We hear a lot about Japan becoming a normal nation. But what does that mean? Does anyone want to define what it means? Does that mean being like the United States?

I'd say the U.S. is about the most abnormal nation. How many other nations would put troops in harm's way when their vital interests aren't always at risk? How many other nations don't desire more than the six feet necessary to bury their dead after engaging in some of these activities? This is very abnormal. But I'd ask, what is a normal nation? And how does a normal nation behave? Does it mean always working under UN auspices? I don't particularly like that personally. I think we ought to give ourselves a little bit of flexibility. But these are things that we ought to debate.

How about defense reform? How about the nuclear posture of the United States? How about Japan? Japan is number 134th as regards the percentage of GDP spent toward defense. These are things we ought to be talking about and working out. I'm very sympathetic with what's going on with my friends in the Defense Ministry now. They've had 6 defense ministers in a year, scandals, the Aegis leakage problem, now a collision at sea. Every time you think that the defense agency or defense ministry is getting back on its feet and moving forward, there's another problem. So I hope those are behind us; I hope we can start concentrating on the big issues and get away from (if you'll pardon my French) pole vaulting over mouse turds; and it seems to me that we shouldn't pole vault over mouse turds.

Now finally I don't think that Dr. Perry or Ralph Cossa or Joe Nye, Jim Kelly, Sak Sakoda, or others here, have spent the majority of their lives to support the notion that the United States belongs in Asia without good cause or logic. I think we've spent the majority of our adult lives in the notion that we want to prolong and preserve our

preeminence as a force for good as long as humanly possible. And I suspect that's a statement that, when slightly changed, could be applied to Japanese patriots here who spent the majority of their lives working hard to prolong and preserve their country's ability to be a factor in the world.

Now there was a headline that Ryozo Kato called me about not long ago; somebody was saying that the demise of the Japanese economy was inevitable. I suggested that about 15 years ago it was "Japan Inc." that was inevitable and none of us could compete and you can't get there from here, and oh my God, they're invincible. Well, those who used to talk about Japan Inc. were as wrong, I trust, as those who talk about the inevitability of decline in Japan. So our task seems to me quite easy in one way. We've got to renew our own faith in this alliance, get the basics to answer these questions about what is our goal, what tools do we have, and how do we get there? It seems to me going back to basics right now is probably a pretty good idea.

The Global and Regional Security Environment

By Michael Armacost

In reporting on the regional and global security environment, as always, there is good news and bad. First, the bad…

Global economic uncertainties are growing amid fears that a U.S. recession has either already commenced or soon will. While the Asian economy has demonstrated impressive resilience, the extent to which its short-term growth trajectory is tied to ours remains unclear. But this has to be bad news on both sides of the Pacific.

The U.S. elections – particularly the struggle for the Democratic nomination – is exerting a malign influence on U.S. trade policy. NAFTA is taking a beating from Senators Hillary Clinton and Barack Obama as they compete for the favor of trade unions in our primary season. This has already delayed ratification of free trade agreements (FTAs) with Columbia and South Korea – both of which are of strategic as well as commercial importance. Whether they can be ratified later this year appears increasingly problematic.

As interest rates decline in the U.S. and growth slows, the dollar has gotten weaker with all the predictable effects for Asian exporters who rely on the U.S. market.

Oil prices remain at extraordinary levels, putting hard currency in the hands of lots of trouble-makers (e.g., Burma, the Sudan, Venezuela, Iran, etc.), while fueling inflation elsewhere. Unfortunately, the consuming nations have done little to balance and check the power of the producers.

The *Great Power balance* continues to change, and the main adjustments scarcely favor the United States or Japan. Growth in the relative power of China and Russia has been especially visible during the past year.

Beijing has sustained its robust economic growth, double-digit increases in its defense spending, and a reasonably supple diplomacy to continue its "rise." Given the uncertainties as to how it will eventually utilize the power it is rapidly accumulating, some of its actions (e.g., the January 2007 antisatellite test, the clumsy and counterproductive response to Tibetan demonstrations, continuing deployment of additional missiles across the Taiwan Strait and in its nuclear forces, and development of a blue-water navy) inspire wariness among neighbors, and a tendency on their part to hedge their bets. At the same time, the fundamentals of PRC foreign policy appear intact. China continues rather single-mindedly to accelerate its internal modernization. It recognizes a collateral need to preserve peace on its borders. Thus, it continues to offer "reassurance" to its neighbors about its peaceful intentions.

Russia's international influence has expanded with the dramatic increases in the price of oil and other fuels, and President Vladamir Putin steadfastly uses resource

diplomacy not only to secure commercial advantages, but to restore Moscow's international status and prestige – at times by sticking his finger in our eye.

Japan's power has been resuscitated by the resumption of steady though modest levels of economic growth, the continuing reevaluation and modification of self-imposed limits on its defense policy, and its general readiness to shoulder somewhat more ambitious international security responsibilities. But an "introversive" mood and stalemated relations between the major parties on key issues diminish the Japanese government's current diplomatic maneuverability.

Some see U.S. power in Asia slipping. U.S. military forces are "stretched in the Middle East" and are being gradually reduced in the Pacific; U.S. economic power in the region is diminished as it piles up growing indebtedness to major Asian trading nations; our "soft power" continues to atrophy; and Washington remains heavily preoccupied with developments and concerns in an area far from Asia – the Middle East.

Washington's relations with Moscow remain rather fragile, and it has managed neither to subordinate its penchant for publicly offering gratuitous advice on Russian domestic matters nor its determination to push ahead on missile defenses in Central Europe and NATO expansion (Ukraine and Georgia), thereby complicating a genuinely serious effort to enlist Moscow's cooperation in blocking Iran's nuclear ambitions.

Sino-U.S. relations are in reasonable shape, but election periods in the U.S. provide their usual incentives for dredging up sources of bilateral contention.

U.S.-Japan relations are pretty solid; none of the current sources of irritation appear unmanageable, but the current dialogue on alliance matters seems frozen; both governments are mired in domestic preoccupations, and they display a certain tendency to take each other for granted.

In the *Middle East* Washington remains up to its armpits in alligators. On Iraq, Afghanistan, Iran, and the Israeli-Palestinian issues, there has been little change in the fundamentals.

The security situation has modestly improved in Iraq, but with no sustainable security architecture yet visible, and some of the perceived benefits of the "surge" currently at risk. In Afghanistan, the conflict is still raging, and U.S. and allied troops are stretched thin. The Taliban remain formidable; the Pakistanis have not deprived them of sanctuaries; dependence of the insurgency on the drug trade is growing, and NATO allies remain generally reluctant to put more troops at risk.

With respect to Israeli-Palestinian negotiations, the U.S. has belatedly chosen to engage more directly and actively to push for some progress before it leaves office. Its effort to play the role of "honest broker," while creditworthy, is likely to wind up "a day late and a dollar short." [It is not the first time a U.S. administration has jumped in with both feet during its last year in office. Reagan did so in 1988; Clinton in 2000. In both

cases some intriguing proposals were tabled. But in both the clock ran out without significant agreements being struck.]

Teheran continues to play a defiant role, apparently confident that it can exploit the fissures that divide the U.S., Russia, China, Japan, and the Western Europeans to ward off consequential sanctions and buy further time to work on their nuclear program. While the Sunni states in the region are obviously anxious about Iran, there is little evidence that they will forge anything like an effective geopolitical counterweight any time soon. The project to "democratize the Greater Middle East" has pretty much gone the way of all flesh.

Efforts to construct an *Asian Regional Community* continue. This is not necessarily bad news, but from Washington's perspective they are evolving primarily within a pan-Asian rather than a trans-Pacific context, and the U.S. is essentially on the sidelines. ASEAN Plus Three appears the most buoyant regional forum; APEC remains rather moribund; the East Asian Summit is in the wings, but hasn't acquired much weight yet. The Shanghai Cooperation Organization is fostering collaboration in Central Asia designed, among other things, to limit U.S. military access to the region. Meanwhile, the U.S. and Japan have also promoted an informal League of Democracies bringing Australians, Indians, Americans, and Japanese together in pursuit of "values-based" diplomacy. Changes in the governments of Australia and Japan have taken some of the wind out of this project's sails, and its future appears problematic, though the efforts of these countries to cultivate closer bilateral ties should and will persist.

I would applaud the Bush administration for devoting substantially more diplomatic effort to all these problems over the past year, but they have not yet achieved much traction. The major legacy of the Bush administration to its successor – apart from reasonable relations with the major powers – will be daunting problems and limited resources to devote to them. The major Democratic candidates' proposals for dealing with some of these issues are unlikely to survive their first encounter with reality – the frequent fate of campaign promises.

What about the "good news?" There is some…

The current impasse in the Six-Party Talks over North Korea's nuclear declaration notwithstanding, there has been progress in disabling the Yongbyon reactor and recapping Pyongyang's plutonium program. Discussions about the North's list of nuclear facilities continue sporadically, but forward movement is difficult to discern. It's possible that the North has already settled into a "waiting game" during our elections. That would leave the nature of the DPRK's uranium enrichment effort, the character and extent of its collaboration with Syria, and its inventory of fissionable materials and nuclear "devices," unclear. It would also leave to a successor administration in Washington, decisions regarding the conditions under which they would take the North off the Terrorism and Trading with the Enemy lists.

Of course, this issue could still be managed more successfully in the months ahead. The Bush administration is eager to register a more substantial legacy on the Korean nuclear issue, and the ROK's recent policy shift could add weight to that effort. But the procedural methods for handling the current dilemma – e.g., a secret protocol or a Shanghai Communiqué-like formula – don't seem very promising.

I would also cite as good news the nonpartisan efforts of George Shultz, Bill Perry, Henry Kissinger, and Sam Nunn to put the issue of strategic nuclear arms reductions back on the U.S. policy agenda. Whether one regards the "zero option" with enthusiasm or apprehension, this group has identified a variety of practical steps – e.g., a beefed Nunn-Lugar program, separating nuclear warheads from delivery vehicles, dramatic reductions in the numbers of strategic weapons, more effective international controls over the nuclear fuel cycle, ratification of a CTBT, etc. – which might evoke serious levels of political support in the United States, if the requisite support from others (above all, the Russians) can be galvanized.

From Washington's standpoint, recent election outcomes in South Korea and Taiwan have been especially salutary. Lee Myung-bak's views on foreign policy are much more congenial than those of his last two predecessors. They herald better days ahead for the U.S.-ROK alliance, diminished tensions between South Korea and Japan, and closer coordination among the three on policy toward North Korea. Meanwhile, the defeat of the Democratic Progressive Party (DPP) in both legislative and presidential elections in Taiwan should open the door to progress on cross-Strait issues and facilitate the avoidance of crises in U.S. relations with Taipei, and with the PRC over the Taiwan issue.

More broadly internal changes in governments throughout Northeast Asia have eased tensions among Japan, China, and South Korea – a result that the U.S. surely welcomes. The fact that so many internal transitions are taking place in so many capitals, of course, poses its own challenges to all.

Some lament what they perceive as retrogression away from democracy throughout the world, including Asia. But there is no straight-line trend. Pakistan, Sri Lanka, Bangladesh, and the Philippines highlight the risks of backsliding toward "illiberal democracy." But South Korea, Taiwan, Indonesia, and Mongolia serve as reminders of the durability of democratic transitions in other important countries in the region.

I would close with a comment or two about the U.S. elections. First, our elections add major uncertainties to this picture. Many people both here and abroad welcome the prospect of change. Still the nature and extent of those changes remain uncertain.

Second, this is the first election since 1952 in which neither of the major party candidates will have previously held national office. And whoever is elected, he or she will come from the Senate – an outcome that has only two precedents over the past 100 years (Warren Harding and Jack Kennedy). Whoever wins, there will be a wholesale

change in the White House. Even John McCain will not necessarily preside over a "friendly takeover."

Having a senator as chief executive will be different. Four of our last five presidents have inherited that responsibility from governorships. They brought precious little foreign policy experience with them, and were surrounded by coteries of advisers from their home states (generally with even more provincial attitudes toward the world). Senatorial candidates have the advantage of having been in Washington for some time, and possess up-to-date contacts with experts who have been dealing with contemporary diplomatic issues. But the legislature is a "deliberative" body. It debates one issue, and then moves on without much attentiveness to policy execution and the achievement of results.

Third, in our system, patronage dips deep into the Executive Branch. Thousands of newcomers to Washington will stream into town next year to take up unfamiliar duties at or near the top of our bureaucracy. Getting them confirmed, and inducing them to work smoothly as a team will take time. Major foreign policy miscues often occur early in new administrations, not least because they are under great pressure to get off to a swift start, yet the early months of their "start up" phase are not necessarily a time when they are best equipped to launch thoughtful or complex initiatives on controversial issues. Expect significant policy discontinuities as a new president seeks to get a new team in place, priorities straight, relations with the Congress established, and ducks in a row.

I suspect this will be a Democratic year. The normal rhythm of our politics usually gives each party no more than two terms in the White House. Bush has low approval ratings. The number of people who identify themselves as Republicans has gone down. In primary voting, the Democrats have showed up in numbers about three times as great as Republicans, and are raising a lot more money. Economic conditions favor the party out of power. All that said, our elections boil down to a contest between two individuals; events are often decisive; and anything can happen.

But if the odds do favor the Democrats, we are likely to see in the next administration an admixture of "liberal internationalism" and the natural tendency to scale back on ambitious U.S. efforts to reshape the world. That does not, unfortunately, tell us much about how much attention a new administration will pay to Asia or what it will choose to do there. So fasten your seatbelts. It should be an interesting ride.

Challenges We Are Facing

By Hisayoshi Ina

Some of the challenges we face are global, some are regional, some are national, and some are local. All are sometimes mixed together in a "globalized world."

Global challenges

Environment issues are often mentioned, in the context of claims that environmental destruction is a threat to civilization. At the same time, what Thomas Friedman called "petrolism" should be noted. This is his term for the corrupting, antidemocratic governing practices in oil-producing states. Countries operating on the principle of petrolism are called "petroist." According to him, Angola, Chad, Iran, Nigeria, Russia, Saudi Arabia, Sudan, Syria, Uzbekistan, and Venezuela (in alphabetical order) are petroist states. He wrote, "The biggest threat to America and its values today is not communism, authoritarianism or Islamism. It's petrolism." When he wrote this article the price of oil was $60 a barrel. Now it is $100.

If we share his concerns then the obvious question is: what we should do? If the solution is to deter petroist states, this may be easy to say but not easy to do. If our economic and social systems shifted to less dependence on oil, petroist states would be compelled (to a certain degree) to change their policies. Greenhouse gas issues are strategic challenges for the U.S.-Japan alliance in this context.

Regional challenges

There are changed and unchanged aspects in the Asia-Pacific region. Two significant changed aspects are the emergence of China and India. One mostly unchanged aspect is the Taiwan Strait situation, even though Ma Ying-jeau was elected president. With regard to the Korean Peninsula, some say it has changed, while others say it hasn't.

U.S.-Japan bilateral relations

Many changes have taken place since the U.S.-Japan Joint Security Declaration was issued in April 1996. In dealing with the challenges or changes identified above, one policy option is re-reconfirmation of the alliance. The changes include:

1. Growth of China (China's GDP when measured by purchasing power parity is now larger than Japan's);
2. The rise of India;
3. The reemergence of a strong Russia;
4. The Six-Party Talks on the Korean Peninsula (joint statements have been written but not implemented;
5. North Korea's nuclear tests (the most serious threat for Japan);

6. The Sept. 11, 2001 terror attacks (Japan sent Maritime Self-Defense Force units to the Indian Ocean).

The 1996 declaration was followed by the U.S.-Japan Defense Cooperation Guidelines, the Surrounding Areas Situation Law, the Anti-terrorism Special Measures Law, and the Special Measures Law on Iraq. If re-reconfirmation were to occur, what would follow?

A permanent law on international cooperation is already under discussion within the ruling party. Experts say reinterpretation of the constitution to permit exercise of the right of collective self-defense is inevitable in drafting the permanent law and making it substantial. Prime Minister Fukuda is reluctant to pursue this for domestic reasons.

Broadened and deepened alliance

To deal with the changes mentioned above, the alliance should be not only deepened but broadened.

- Broader in scope, from regional to global; and
- Broader in substance: joint human security cooperation.

Where is Japan Heading in the Political Confusion?

By Tsuneo Watanabe

There is considerable discussion of how Japan's domestic political stalemate is causing trouble for the implementation of the U.S.-Japan Roadmap for Realignment or U.S.-Japan policy coordination and reinterpretation or amendment of Article 9 of the Constitution. I would like to focus on the current Japanese political structural problem and its future prospects.

I went back to Japan in March 2005 after 10 years working at CSIS in the U.S. I joined a Japanese company and I have a little trouble adjusting to Japanese corporate culture. I have gradually learned how organizational coercion tends to overwhelm individuals.

For example, it is easier to survive in an organization by not initiating new things and following past precedents. It is very difficult to initiate new programs for which there are no precedents. This may also apply to security and defense issues, action on which is limited by the Japanese Constitution. In fact, many troubled practices continue and are accepted without reviewing their rationale or efficiency. That may explain the huge road construction budget or the incredibly poor management of – and the missing – 50 million individual national pension accounts.

The current volatility of Japanese politics comes from popular skepticism about and frustration with poor governance by the central government. This is not hyper-populism but rational criticism.

Nature of Japanese stagnation and policy making

Japan watchers or investors outside Japan may miss Koizumi Junichiro, who quickly implemented a series of new policies that ranged from economic deregulation to dispatching Self-Defense Forces to the Indian Ocean and Iraq.

As I mentioned, status-quo oriented organizational pressure is strong. Regulations easily sneak into the daily life unless there are relentless deregulation efforts. It seems to me that constitutional constraints on security policy are similar to regulatory policy in this sense. Japan's body politics tends to choose the status quo. It is easier not to initiate new adventures in the security arena. The easiest excuse is to say "We cannot do X because of the Constitution."

Deregulation in the economic area requires policymakers to use huge amounts of energy because groups who benefit from the status quo strongly resist. Defense policy initiatives that move past existing constitutional interpretations also require huge amounts of energy. In this case, status quo constituencies are Japanese citizens, who enjoy freedom from international security burdens.

In both areas, only gutsy initiatives can get over the status quo. It is no coincidence that the Koizumi Cabinet took remarkable steps in security policy as well as economic deregulation.

Why did the Fukuda Cabinet become so powerless?

When I worked at CSIS, I had opportunities to participate in policy discussion with Fukuda Yasuo with my former bosses, Bill Breer and John Hamre. Fukuda's foreign policy view was impressive. But Prime Minister Fukuda suffers from low approval ratings. I am puzzled why a decent person who has good policy knowledge has quickly become powerless.

I am interested in the differences in political positions held by Fukuda and Koizumi. It may be related to their political relations to status quo powers within the LDP. When Fukuda was elected president of the LDP, LDP senior leaders desperately needed a new party leader after the unexpected resignation of Abe Shinzo. Fukuda received overwhelming support from all factions of the LDP. It was a contrast to Koizumi, who was elected by challenging the strong and powerful Hashimoto faction in the LDP election. He even refused an offer to cooperate with that faction. It was a critical decision. As a result, Koizumi could ignore the pressure of status quo-oriented members of the LDP on issues such as privatization of postal services, abolishing special appropriations for road construction from a gas tax, and dispatching the SDF to the Indian Ocean and Iraq. Again, it is not coincidental that LDP status-quo members tend to be against constitutional amendment.

In contrast to Koizumi, Fukuda was elected with full support of LDP status quo members. It is very difficult for Fukuda to ignore them.

The Fukuda government is unable to pass the Special Tax Measure, which is blocked by the largest opposition, the Democratic Party of Japan (DPJ), which has a majority in the Upper House. Without the Special Tax Measure, the tax on gas will be cut and gas prices will fall \26 per litter. That's 0.96 dollar per gallon.

That is good news for car drivers but it may cause 2.6 trillion ($26 billion) revenue shortfall in central and local government road construction and maintenance. It is bad news for local construction companies and rural economies, which are dependent on public works. Also, it is big trouble for the LDP's road construction lobby.

This is a structural problem of Japanese politics. The Special Tax Measure for a gas tax has been a strong political tool of the LDP for more than 30 years. It secures the road construction budget since the law dedicates the gas tax revenue for road construction.

The Koizumi Cabinet advocated that this out-of-date practice be abolished and the gas tax be put into the general account. The Abe Cabinet also continued to abolish the special measures account. However, the Fukuda Cabinet tried to maintain it because

Fukuda is supported by members of the road construction lobby such as Nikai Toshihiro, chairman of general affairs in the LDP, and Koga Makoto, chairman who heads the party's election campaign. And, by the way, they take cautious positions on constitutional amendment, too.

That is why Fukuda could not take a bold action on the special measures account until the last moment, when the fiscal year is about to expire. Japanese citizens are critical of the Fukuda Cabinet on this issue as special measures tax revenues were utilized not only for construction but for recreation fees or trip fees for road-construction-related public organizations in an opaque manner.

Looking at Japanese domestic politics, then it is clear that problems are not simply a matter of the prime minister's leadership troubles but also reflect the LDP's status quo-oriented structure. That is why foreign investors don't hesitate to sell Japanese company's stocks – even those of Toyota, which is making more profits outside Japan.

Implications for implementation of agreed policies

Given these volatile politics, it is difficult to expect Japan to take positive steps on overdue defense policy adjustments, including reinterpretation of the exercise of the right of collective defense as well as implementation of the U.S.-Japan roadmap for realignment of U.S. bases and enhancing cooperation between the U.S. and Japan.

As I pointed out, domestic-oriented status quo conservatives tend to be reluctant to change Japan's defense policy.

Will Japanese political paralysis continue? When will it end?

The good news is that this status quo structure is not popular and is no longer stable when dealing with nonsecurity issues.

The next election has the potential to induce drastic structural change in politics. When will this ballot be held? One possibility is in April; another is some time between September and November in this year, or early next year or in September 2009, when members' terms expire.

If the Fukuda Cabinet continues to have trouble, the DPJ is likely to win and the problem of divided government may be solved. DPJ leader Ozawa Ichiro may oppose extension of SDF refueling activity in the Indian Ocean, but he would be pressed to seek alternative ways to show responsibility in international security affairs, such as joining the International Stabilization forces in Afghanistan (ISAF) or joining UN peacekeeping operations as he has already advocated. The DPJ includes security experts who even expressed support for refueling operations.

If the DPJ does not win a majority but gains many seats at the LDP's expense, there would be a chance for political alignment. In this case, some LDP members may

leave the party and create a new party and form a coalition. This coalition government would be less aggressive on defense policy given the nature of likely LDP defectors, which may be dovish.

If LDP does not lose many seats and holds its majority in the Lower House, they will desperately need a majority in the Upper House. In this case, a DPJ group may create a new party that includes many from the Upper House to form a coalition with the LDP. In this case, DPJ defectors may be realists.

In other cases, instability continues and the next election will have to be held soon.

Of course, all possibilities are dependent on political momentum inside and outside Japan, including the regional security situation.

Currently, Japanese politics are paying the transition costs of democracy. It will take time to have smooth change of government and to create a rational policy making process. The organizational status quo may be its peak because the Japanese fiscal situation no longer allows the government to keep spending on road construction and other public works.

For rational policy making in Japan, we need policy thinking outside the government as well as constant government changes, including movement in jobs among government officials.

Will Japan's political stalemate continue? I don't think so. The existing system is being eroded. Voters are realizing how costly reality is: the missing individual pension accounts are one example. That is why the DPJ is hanging on despite its poor political tactics. Voters tend to choose poor performing alternatives rather than a more harmful status quo.

A rational policy making process is critical for Japan-U.S. alliance management. If someone asks Japanese experts if Japan will be able to take the initiative for U.S. base realignment, the person would have to answer it is not a good time because the Ministry of Defense is in deep trouble given the maritime accident that involved an MSDF vessel and the corruption scandal that snared the former vice minister. That may reflect political reality, but it is not a rational policy making process. Domestic institutional scandals should not influence a sovereign state's security policy priorities. That is a negative aspect of Japan's traditional bureaucracy-led status quo policy making. Japan urgently needs to separate its policy making process from the bureaucracy and create a bipartisan minimum consensus outside the government. The U.S. policy making community is a model.

Annex:

Is Japan heading toward rational policy making? My answer is yes. Strong pressure on Japan for rational policy making is a must in the economic arena. Japanese company stock prices are suffering worse than their U.S. counterparts although Japan has far less damage from financial troubles from sub-prime loans. This is because Japanese regulatory policies and policy stagnation send a negative message to the markets, a fact that is being shared with Japanese leaders and people. Nowadays, a favorite subject on TV is why Japanese leaders fail to send positive signals to the market. Even in the economic arena, Japan must create a rational and transparent policy process. This is one of largest challenges for Japan in the era globalization. Japan can no longer insist on a "black box policy process" by claiming that it has a unique political culture or idiosyncratic economic strength. I believe this process will spill over to foreign and security policy. People are gradually realizing that the myth of Japan's uniqueness is no longer beneficial.

Annex 2: Bank of Japan Governor

The Fukuda Cabinet failed to appoint the governor of the Bank of Japan. The DPJ opposed the promotion of Vice Governor Muto Toshiro to the post, saying ex-MOF bureaucrats are not wise choices when the job requires the separation of financial and fiscal policy. Fukuda's second choice, Tanami Koji, another former MOF vice minister, was also rejected. This is a proxy war between the MOF and the BOJ. Before Fukui Toshihiko, the former BOJ official who took over from Hayami Masaru as governor, BOJ governors alternated between the MOF and BOJ. Now, MOF would like to resume that practice and push through bureaucrats. The BOJ wants to keep MOF at a distance and the DPJ is backing the BOJ.

U.S. Security Strategy: Recent Changes, Future Plans, and Impact on Alliance Management

By Patrick M. Cronin

Trapped Between Time Zones: 9/11 and Future Trends

The terror strikes of Sept. 11, 2001 created a new paradigm for U.S. security strategy. Indeed, the departure has been so profound that, writing in 2008, it is as though time itself has stopped. The watches of U.S. national security planners are seemingly stuck to 9/11 time, even while the world has continued to move on. U.S. security actions have been at least perceived to have been preoccupied with the greater Middle East, short-term and tactical, and largely unilateral in spirit. They have also been heavily reliant on military power, lacking strong diplomatic and economic underpinnings. And they have, over time, created an influence deficit, by which I mean that American power may remain objectively strong, but the ability to translate that strength into influence on the world scene has been sharply diminished.

Meanwhile, time has not stopped. In fact, global trends appear to be relentlessly creating a very different world of which 9/11 is only a small part. Eight trends appear to be driving this future.

Eight Global Trends

First, political trends are at work in the emergence of new power centers. If the Cold War was bipolar and the post-Cold War a unipolar moment, then the new era is a nonpolar moment heading toward a multipolar world. No one power can impose its agenda, and yet the group of world powers is a far from coherent constellation of international security managers.

Second, economic trends are creating a shift in wealth from West to East, from across the Atlantic Ocean to across the Pacific and Indian Oceans. While the global marketplace remains a key driver of security strategy for many rising powers, the United States appears committed to shouldering costly security responsibilities, notwithstanding budget constraints and indebtedness.

Third, future economic prosperity centers on energy security and access to a clean environment, food, water, and other commodities. Yet access to hydrocarbons is becoming more competitive and dangerous, as many resources are governed by regimes that are undemocratic and recidivist. While some hydrocarbon resources remain plentiful, they are also causing a certain if disputed role in warming the planet, and global climate change threatens to have a far-reaching impact on humankind.

Fourth, the flow of information is continuing to cause revolutionary change, capable of mobilizing mass movements, and susceptible to the spinning of broad but compelling narratives that appeal across national boundaries. Counter-intuitively, as we

gain more information, we may be getting dumber, at least in the sense that words and pictures are shared with many more communities, but usually without a deep cultural understanding or appreciation for the full context of what is meant.

Fifth, many states remain fragile, handicapped by weak governance incapable of providing security, prosperity, and freedom. The bottom billion, as Paul Collier has written, are stuck in a world of little hope and are searching for a way out. Their poverty is increasingly not just our moral burden but our security problem, as their weakness breeds weak states that could be ungoverned sanctuaries for transnational threats ranging from terrorism to pandemic disease.

Sixth, transnational terrorism and criminality are posing a danger that was previously unimaginable when states maintained a more effective monopoly on destructive power. Globalization creates the prospect of small groups of people with access to highly lethal weapons tapping into local communities feeding off radicalized narratives used to justify indiscriminate killing. Terrorist campaigns end, but we have not come to grips with how to tackle transnational networks.

Seventh, the character of conflict is changing, with conventional war giving way to persistent irregular or asymmetric war and counterinsurgency. We are heading to a period when this irregular war may coexist with the threat or use of weapons of mass destruction and even major conventional combat operations – what Frank Hoffman has called "hybrid warfare."

Eighth and finally, the proliferation of weapons of mass destruction is threatening to create a second wave of nuclear weapon states. A poly-nuclear Middle East, for instance, could call into question the fundamental stability of deterrence, while the flow of nuclear know-how and material could fall into the hands of groups that might not be capable of being deterred. The challenge of trying to stem or reverse nuclear proliferation is now again a pressing issue. In the longer-run, there are questions about the pervasiveness of highly lethal biological weapons that could be created by individuals, not just states.

The Need for U.S. Recalibration

America cannot and should not be the world's policeman. The signal challenge for the next U.S. administration will be to seek to restore American legitimacy and influence, and to use that restored power to build coalitions to solve the major and diverse set of challenges on the horizon as suggested by the eight aforementioned trends. Without a universal global security enforcer, international security continues to hinge on the constructive role of the United States in helping to provide security; but increasingly security burdens will have to be borne by others.

To strengthen alliances and create new coalitions of the willing, the United States will have to put forth a long-term vision based on clear common interests. That vision must, as Richard Armitage has said, export hope, not just fear. Second, a recalibrated

U.S. security policy must harness comprehensive power, not simply the tools of intimidation and coercion, but also the power of persuasion and cooperation. The breadth of the challenges and sustainable responses demand "smart" power, including far more economic and diplomatic approaches, which in turn will require a considerable strengthening of civilian capacity within the U.S. government and society. Finally, the United States will have to remain persistently and actively engaged, not only showing up to talk and listen, but also arriving with sleeves rolled up and ready to solve problems: recently, the United States has been seen a destabilizing force rather than central to the solution.

Alliance Management in East Asia

The U.S.-Japan and U.S.-Korea alliances face three cardinal challenges in the next five years. First, the U.S. suffers from a far greater credibility gap with public opinion in Japan and Korea, as in many countries, than is generally understood in the American body politic. Second, the array of global challenges is so complex and varied that it is difficult to articulate a clear set of common priorities that are well understood by the average citizen of our countries. Finally, and in large measure as a result of these first two problems, domestic politics imperil the success of these bilateral relationships, both with respect to security and economics.

The U.S.-Japan and U.S.-ROK alliances have been highly successful, and they have adapted considerably since the end of the Cold War. Even so, we cannot rest on our laurels and assume the alliances endure in the new environment of this century. As George Bernard Shaw wrote, "We are made wise not by the recollection of our past, but by the responsibility for our future." The forward vision of the alliance holds three major democratic economies tackling a wider range of regional, global and transnational challenges of our century.

One fundamental issue for the future of alliance management is ensuring greater mutual respect as the crucial foundation for cooperation. This means our leaders need to understand and then articulate the core common interests of the relationship. To convince public opinion, the leaders will also have to be frank about differences and challenges in the relationship in a manner that avoids politicizing the relationship – that is, using the other country for gaining domestic political support. The best way to demonstrate that the alliances are a two-way street and a full partnership is by completing the process begun with the end of the Cold War, at which time the United States launched a decade-long plan for moving from a leading to a supporting role in the alliance.

A second issue is to embrace comprehensive power as an alliance, an ambitious goal but which if realized can benefit both powers and provide for more far-sighted and strategic approaches to global issues. Today's complex challenges increasingly require not single instruments of power but an adroit mixture of comprehensive power and whole-of-government and whole-of-community approaches. Japan and Korea can help the United States avoid reaching for the military toolkit when economic and political solutions may be a wiser course of action.

One reason for optimism about the alliances is the sheer weight of the challenges facing three of the world's major free-trading democracies. Although there are many ways to classify the diverse set of challenges in the 21st century, permit me to simplify them into four categories: a Korean Peninsula with a residual Cold War; an Asia-Pacific region with a strong sense of 19th-century balance of power politics; a greater Middle East with entrenched pre-modern and even Medieval tendencies in parts; and a global arena increasingly dominated by post-modern transnational and nonstate challenges. Each of these frames presents a serious challenge, and each can be dealt with far more effectively through a close partnership.

Peace and stability on the Korean Peninsula remains the overriding priority and cannot be taken for granted. The DPRK is one of the last legacy threats of the Cold War. Indeed, the threat is so anachronistic that our bilateral alliance has been marred by strategic dissonance over how to deal with North Korea. Our publics view our policies as wavering between unconditional engagement, coercive diplomacy and even regime change. Washington's focus has been dominated by a concern about weapons of mass destruction, and North Korea's cooperation with the AQ Khan nuclear black market and recent reports that Pyongyang provided Syria with a nuclear reactor cannot be ignored, no matter how much the Korean on the street questions Washington's intentions.

But halting nuclear proliferation and providing limited economic support does not guarantee that the DPRK will avoid a succession crisis after the fall of Kim Jong-il. Although slightly less likely than a leadership crisis in the next five years, there is a chance that a succession crisis will precipitate the collapse of the North Korean state. Nassim Nicholas Taleb has described 'black swans' as low-probability, high-impact events that cannot be predicted in advance but seem rooted in trends from hindsight. We must remain ready for a succession crisis and a possible sudden reunification crisis, and our shared goal should be to work towards a peaceful reunification of the Peninsula. Trust and persistent engagement with the full toolkit are required to work through these challenges.

A second set of challenges is the fact that powers in Northeast Asia and Asia generally when one looks to India, are grounded in classic 19th-century balance of power politics, in which state power dominates and regional security architecture remains embryonic and works in progress. Territorial disputes retain currency in the region. Nationalism runs high in Asia and can easily peak in response to events, as seen recently over the Olympic torch relay. Much of China's rise is good news, and Korea, the United States, and Japan all benefit from closer economic engagement with China. But what remains unknown is the extent to which a powerful, even dominant, China in the decades ahead will seek to reshape the environment in ways detrimental to the interests of the other powers. Korea and the United States, and Japan and India for that matter, are better off working together to encourage a rising China in the direction of playing a cooperative stakeholder in the international arena.

A third set of international challenges centers on the greater Middle East, which is not simply an American diversion but a shared concern for the world. Parts of the region

are simply trending toward pre-modern, even medieval approaches, rejecting modernity with terrorism and violence, lagging in effective governance, and crying out for external support with stabilization and long-range economic growth. Whatever Japanese and Koreans think about the Iraq intervention of 2003, the reality is that conflict and instability in the greater Middle East will continue to demand support from international powers outside the region: if not the United States, Japan, and Korea, then which powers will contribute to regional stability?

Finally, the world is confronted with a set of post-modern transnational and global challenges to economic well-being, energy security, the environment, and disparities in development between prosperous states and fragile states. From climate change to global pandemics, from armed militias to poor economic governance, Japan, South Korea, and the United States will increasingly face an array of transnational challenges to their peace and prosperity.

In sum, the U.S.-Japan and U.S.-ROK alliances are not only exemplars of past accomplishment; they are also crucial pillars for preserving the mutual interests of both parties in the decades ahead.

The Future of the Japan-U.S. Alliance

By Joseph S. Nye, Jr.

In 2010, the U.S.-Japan security treaty will celebrate its 50th anniversary – a remarkable life span similar to the U.S. alliance with Europe. But like all long-term relationships, the alliance has had its ups and downs.

In the early 1990s, many observers believed that the alliance would be discarded as a relic of the Cold War. Trade tensions were high. Sen. Paul Tsongas ran for president with the slogan, "the Cold War is over and Japan has won." Books were published with titles like "The Coming War with Japan." The Clinton administration began with Japan-bashing, but after a two year process of joint re-evaluation, President Clinton and then Prime Minister Hashimoto Ryutaro issued a declaration in 1996 that proclaimed the alliance to be the bedrock of stability for post-Cold War East Asia. Unlike the Middle East where President George W. Bush departed radically from his predecessor's policy, there has been bipartisan continuity of policy in regard to Japan and China.

As the 50th anniversary approaches, however, some analysts detect a return of malaise in the alliance. Some of this relates to North Korea's nuclear weapons and a concern that the United States will not adequately represent Japan's interests (such as accounting for Japanese citizens abducted by North Korea years ago.) Other issues relate to the basing of U.S. Marines in Okinawa and sharing the costs of moving some to Guam. There is a long list of such items, but they might best be thought of as "housekeeping" issues. Many a couple can quarrel over housekeeping issues without ever contemplating a divorce.

There is a deeper level of malaise, however, and although it is rarely expressed openly, it relates to the Japanese concern that it will be marginalized as the U.S. turns toward China at Japan's expense. This is neither new nor surprising. When I was involved in negotiating the reaffirmation of the alliance in the mid 1990s, my Japanese counterparts rarely discussed China formally across the table, but late at night over drinks they would ask whether the United States would shift its interest from Japan to China as the latter grew in strength. Today some Japanese complain that China receives far more attention in the U.S. election campaign than does Japan, and see that as a cause for anxiety. They should not worry.

Such anxieties are not surprising because the defense capacities of the two allies are not symmetrical and that is bound to create anxiety in the more dependent party. Over the years, various suggestions have been made to make the alliance more symmetrical with suggestions that Japan become a "normal" country with a fuller panoply of military capabilities. Some experts have even suggested that Japan drop some of its anti-nuclear weapons principles and develop nuclear weapons or let the U.S. station nuclear weapons in Japan as a way of making extended deterrence more credible. But such measures would raise more problems than they would solve. Even if Japan took steps to become a "normal" country (whatever that ambiguous slogan may imply), it would still not equal

the capacity of the United States or remove the asymmetry. It is worth noting that during the Cold War, America's European allies had similar anxieties about dependency and abandonment despite their own military capabilities.

The real guarantee of U.S. resolve to defend Japan is the presence of U.S. troops and bases, and cooperation on issues such as ballistic missile defense to protect both Americans and Japanese. And there are two good answers to the question of whether the U.S. would abandon Japan in favor of China: values and threat. Japan and the U.S. are both democracies that share many common values. China is a long way from democracy. Moreover, both Japan and the United States face a common challenge from the rising power of China and have strong incentives to ensure that it does not become a threat. The U.S. sees a triangular relationship of Japan-China-U.S. as the basis of stability in East Asia, and wishes to see good relations in all three legs of the triangle, but the triangle is not equilateral because the U.S. is allied to Japan.

The rise of China is often seen as a threat to the U.S. and Japan, but need not become so if they maintain that alliance. A recent poll reports that one-third of Americans believe that China will "soon dominate the world," while 54 percent see the emergence of China as a "threat to world peace." Some commentators have argued that China will be as disruptive to the beginning of the 21st century as the Kaiser's Germany was to the 20th century.

But such views exaggerate China's power. Measured by official exchange rates, China is the fourth largest economy in the world and is growing at 10 percent annually, but its income per capita is only 1/25th that of the United States. If both the U.S. and China continue to grow at their current rates, it is possible that China's total economy could be larger than ours in 30 years, but U.S. per capita income will remain four times greater. In addition, China's military power is far behind, and it lacks the soft power resources such as Hollywood and world-class universities that the U.S. enjoys. In contrast, the Kaiser's Germany had already passed Great Britain in industrial production by 1900, and launched a serious military challenge to Britain's naval supremacy.

The fact that China is a long way from overtaking the United States does not prevent a possible war over Taiwan which China regards as a lost province, but such a conflict is not inevitable. China's internal evolution also remains uncertain. It has lifted 400 million people out of poverty since 1990, but another 400 million live on less that $2 per day. It has enormous inequality, a migrant labor force of 140 million, severe pollution and rampant corruption. Political evolution has failed to match economic progress. While more Chinese are free today than ever before in Chinese history, China is far from free. The danger is that party leaders, trying to counter the erosion of communism, will use nationalism as their ideological glue, and this could lead to an unstable foreign policy.

Faced with such uncertainty, a wise policy combines realism with liberalism. By reinforcing their alliance, the U.S. and Japan are able to hedge against uncertainty while at the same time offering China integration into global institutions as a "responsible stakeholder." The greatest danger is an escalating fear of enmity in the three countries

that becomes a self-fulfilling prophecy. In that sense, the U.S.-Japan alliance rests on deeply rooted joint interests and is likely to last for a long time.

There is a new dimension to the alliance, however, and to the relationship with China that needs further development. This year, China surpassed the U.S. as the world's largest emitter of green house gases. China argues correctly that it is still behind the U.S. and Japan in per capita emissions, but this does not reduce the costs it will impose on the world (including Japan and the U.S.) A cooperative program among the U.S., Japan, and China that helps China to burn its coal more cleanly is in the interests of all three countries.

In general, transnational threats such as climate change or the spread of pandemics can cause damage on a scale equivalent to military conflict. (In 1918, avian flu killed more people than died in World War I.) Responses to such threats requires cooperation, soft power, and non-military instruments, and this is an area where Japan is a much more equal and important ally. If anything, the new and growing dimension of transnational threats when added to the traditional security concerns discussed earlier makes the future of the Japan-U.S. alliance look more promising than ever as it approaches its 50th anniversary.

Vectors and Visions

By Kunihiko Miyake

It's been almost three years since I left Japan's Ministry of Foreign Affairs. As most American participants at this table may agree, nothing can compare to the joy of career change and free speech which seldom happens on the other side of the Pacific.

Today I have been asked to talk about "vision," which is according to Webster online "a power of imagination." So, I decided to discuss the kind of visions that might have been overlooked, if not lost, in recent years in the United States, and are probably disappearing now in Tokyo.

Previous presenters have referred to political developments or the lack thereof in our two capitols, the details of which I won't go into now. I will just say those visions must be based on the fact that the world is now enthralled in a huge undulation that cannot be fully addressed within the bilateral mentality of security arrangements we tend to have.

The undulation is neither related to international terrorism nor about economic globalization. It is much more fundamental than those two phenomena. It's not about multi- or non-polarization, either. Whenever I try to consider the basics, I always come back to Ryozo Kato's theory of "Three Concentric Circles," which I learned from him in Cairo when he was my supervisor at the embassy back in 1979.

Ryozo said that when you reflect on international issues and especially on the in which direction they are headed, put three concentric circles on the center of the issue and measure the vector in each circle. If all three move in one direction, the issue moves. If any one of them stays or moves in a different direction, there will be no movement. Not because the world is flat as my friend once put it. Rather, it is simply because regional security issues interact with one another in a real world. That's exactly why we are stalling now, whether we like it or not.

Global, Regional and Bilateral Circles

The first and largest circle is global and I don't see a vector in each circle headed in one direction. One of the reasons for this is what I referred to yesterday. The Sept. 11, 2001 attacks might have misled us. From my perspective as a former Arabic language officer of MOFA, the war against terrorism in the name of Islam or the democratization of the Middle East are more "regional" than "global" and may not be the first priority on the U.S. foreign policy agenda.

Indeed, we seem to have been so obsessed with the concept that we might have deviated from the traditional, more realistic and less idealistic, geopolitical or strategic perspectives that are still relevant in maintaining a balance of power on the Eurasian continent and securing sea lines of communications.

The critical problem is that the significance of the rises of China and India as well as the revival of Russia have been greatly underestimated and each dealt with separately. Recent events in Tibet or Kosovo show that the 1945 international borders of Eurasia may not be as stable as we think. We must have an integrated vision that addressing the war on terror and other regional challenges together. This lack of sense of direction really hurts and damages the credibility and legitimacy of our alliance.

Now, let me suggest seven points to be looked into when we consider such a vision.

First, in the global circle, nongeopolitical global issues, such as the environment or global warming are equally important. The most challenging of all could be nuclear proliferation in the Middle East and East Asia. However politically incorrect and defeatist I may sound, let's admit that this may prove to be an irreversible trend. If so, we may have to prepare for reinforcing nuclear deterrence vis-à-vis China and North (or a unified) Korea without arming Japan with nuclear weapons.

In the East Asian regional circle, the following points should be coordinated between Japan and the U.S.

The Korean Peninsula is the second point. The ultimate question is what kind of Korea the peninsula wishes to make. This will be eventually addressed by Koreans themselves. In this context, we may have to ask the Koreans whether the peninsula is a half "island" or half "part of a continent." If the former, we might be able to convince them to keep U.S. forces on their land as an extended insurance policy for them and a means to maintain the balance of power on the continent for us. If the answer is the latter, we may lose Korea as a buffer and beach-head state, which may change the nature of Japan-U.S. security arrangements.

Taiwan is the third issue. The ultimate question again is, despite all the merits of ambiguity, do we really have the guts to defend the island no matter what?

Russia is the fourth concern. For Russia, the point is how we can incorporate Russia into a stable virtual community of nations in this part of the world, which I will take up later. If necessary, Japan may have to expedite negotiations on the Northern Territories and a peace treaty with Russia.

India and Australia are the fifth issues. They shall also be dealt with at the end of this presentation.

China is the sixth issue. The most difficult part of our bilateral policy fine-tuning will concern China. We tend to see China more in the economic context but don't always put China in a strategic perspective. Thus, China found breathing space after Sept. 11, continued its military buildup, took initiatives on the Korean Peninsula, and effectively reached out in Southeast Asia.

Even reasonable Japanese policymakers suspect the U.S. might place China before Japan, while some, if not all, are reluctant to gang up on and confront China together with the U.S. There has been and will be no consensus among the Japanese on how to deal with China. Some reasonable thinkers even wonder why the U.S. can not be more vocal and active in expressing and demonstrating concerns about China. This is another credibility issue.

Another point I wish to point out is that many in Japan have instinctive suspicion about U.S. panda huggers' lack of objective knowledge about Japan and the delicate geopolitical environment that is seen from the standpoint of peripheral non-Chinese nations. Although this should not be a zero-sum game, we should also keep in mind that very delicate historical and emotional elements are involved. You can not simply convince the Israelis that the peace process is not a zero-sum game. This will not solve the issue.

Value diplomacy with China is a double-edged sword for Japan and the U.S.: liberals don't always want to apply them to China and hawks know they would backfire. Our missile defense program will only justify the PLA's missile modernization. Views about China are also sharply divided inside the U.S., and there hasn't been much policy fine-tuning between us at the summit level.

Going beyond the bilateral mentality

To break the deadlock, it may be time for Japan and the U.S. to try something new, such as seriously but quietly pursuing a regional security architecture in East Asia to engage China. The Six-Party Talks is now only a ritual to maintain the status quo and it's probably a non-starter. Enhancing NATO-Japan ties could be an option, and a security framework to create a nonmilitary common agenda that engages Australia and to a lesser extent India and Russia is another.

In any event, China will be on guard. To realize a balance will be extremely difficult and require sensitive professional handling.

The last but not least important issue concerns political leadership in Japan and the U.S. In Japan, a peculiar antinomy exists. On the surface the alliance developed favorably after 2001, but that did not emerge from a strategic vision. Rather, it was based on Koizumi Junichiro's political intuition.

I may be biased, but Abe Shinzo was uncommonly strategic in his vision, which was based on the view point of stabilizing the Eurasian continent and preventing any hegemon from emerging there. Unfortunately, while he had a vision he did not succeed in domestic politics. After the summer of 2007, that intuition and vision have stalled in a divided Parliament. More important, the bureaucracy can no longer expect political support, which is doing great damage to Japan's capability to maintain the alliance. If things go on this way without any grand realignment in politics, the consequences would be grave and Japan could easily lose another decade.

Having said that, I do not buy the apocalyptic or masochistic views of our alliance. What Japan should ask is not what the United States can do for Japan. Rather, I say, Japan must ask what Japan can do for herself.

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.

Patrick M. Cronin is Director of the Institute for National Strategic Studies at the National Defense University. He took up the post at the beginning of 2008 after a 25-year career inside government and academic research centers and spanning defense affairs, foreign policy, and development assistance. Dr. Cronin served more than two years at the London-based International Institute for Strategic Studies, where he was Director of Studies, Editor of the Adelphi Papers, and Executive Director of the Armed Conflict Database. Prior to his move to London, Dr. Cronin was Director of Research and Senior Vice President at the Center for Strategic and International Studies (CSIS) in Washington, D.C. From 1998 until 2001, Dr. Cronin served as Director of Research at the U.S. Institute of Peace.

Brad Glosserman is Executive Director for the Pacific Forum CSIS in Honolulu, co-editor of *Comparative Connections*, and a contributing editor to *The Japan Times*, writing extensively on policy issues and international affairs. Mr. Glosserman holds a J.D. from The George Washington University and an M.A. from the School of Advanced International Studies of the Johns Hopkins University, both in Washington, D.C.

Hisayoshi Ina is a columnist and the vice chair of the editorial board of the *Nihon Keizai Shimbun* (The Nikkei Newspapers) in Tokyo. He received The 1998 Vaughn-Uyeda Memorial Prize (Japanese version of The Pulitzer Prize) for his outstanding news gathering and analysis in international affairs. His journalistic career includes four years in the Nikkei's Washington D.C. bureau as chief political correspondent and, subsequently, fellow at the Paul H. Nitze School of Advanced International Studies (SAIS) Foreign Policy Institute. He started working for the Nikkei in 1976 after receiving a B.A. in political science from Waseda University in Tokyo.

Ryozo Kato is Ambassador Extraordinary and Plenipotentiary of Japan to the United States of America. Ambassador Kato graduated from Tokyo University, faculty of law, in 1965, whereupon he entered the Ministry of Foreign Affairs. He has held numerous posts in the Ministry, as director of Security Affairs Division (1981-1984), Treaties Division (1984-1987), General Affairs Division (1990-1992), North American Affairs Bureau (1992-1994) and director-general of the Asian Affairs Bureau (1995-1997) and the Foreign Policy Bureau (1997-1999). Most recently, Ambassador Kato was the deputy minister for Foreign Affairs from 1999-2001.

Kunihiko (Kuni) Miyake joined the Ministry of Foreign Affairs of Japan in 1978, and experienced many posts including: Division Chief of the U.S.-Japan Security Treaty Division; Minister of the Embassy of Japan in Beijing; Minister of the Embassy of Japan in Baghdad. After he served as Deputy Director-General of the Middle Eastern and African Affairs Bureau, he resigned from the ministry in August 2005 and became president of AOI Group. He is also Visiting Professor of Ritsumeikan University of Kyoto. He served as Executive Advisor to the spouse of the Prime Minister in the Shinzo Abe Cabinet October 2006 though September 2007.

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.

Tsuneo "Nabe" Watanabe is Senior Fellow at the Mitsui Global Strategic Studies Institute in Tokyo and Adjunct Fellow at the Center for Strategic & International Studies (CSIS) in Washington, D.C. He is currently researching U.S.-Japan relations, Japan's security policy and North and South Americas regional studies since 2005. In 1995, Watanabe joined CSIS and provided analysis on Japanese domestic politics and policy implications in several positions while a research associate, a fellow and a senior fellow. Watanabe received his D.D.S. from Tohoku University in Sendai and his M.A. in Political Science from the New School for Social Research in New York.

APPENDIX A

14th 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 the Pacific Forum CSIS

March 28-29, 2008
J.W. Marriott Hotel • San Francisco

AGENDA

Friday, March 28

Participants arrive; Lunch at leisure

3:00-3:10PM ***Skyline Room B & C, 21st Floor***
Welcoming Remarks: Ralph Cossa, Pacific Forum CSIS

3:10-3:20PM **Opening Address**: Yukio Satoh, JIIA

3:20-3:30PM **Keynote Address:** Ryozo Kato, Ambassador of Japan to the United States (delivered by Masafumi Ishii)

3:30-5:30PM **Session I: Overview of the Global and Regional Security Environment**
U.S. Presenter: Michael Armacost, Asia Pacific Research Center
Japan Presenter: Hisayoshi Ina, *Nikkei Shimbun*

The opening session explores developments in the regional and global security environment since our last meeting. It is intended to identify priorities for the United States and Japan, within Asia and worldwide, and highlight both shared and divergent concerns. Topics could include issues related to China's growing status and influence in Asia (and the world); relations with Taiwan and the cross-Strait relationship, particularly after the presidential and parliamentary elections on the island; the North Korea denuclearization process; prospects for relations with Pyongyang; relations with South Korea after the ROK presidential elections; Middle East and Central Asian challenges; the role of multilateral institutions in Asia and the challenge posed by regional integration; and the role energy security plays in each country's foreign and national security policies. Is the regional balance of economic power shifting? How? What is its impact on the alliance? This overview will set the stage for subsequent discussions of U.S. and Japanese security policies and individual and bilateral efforts to address these challenges.

5:30 PM **Adjourn**

6:00 PM	**Reception**	***Skyline Room A, 21st Floor***
6:30- 9:00 PM	**Dinner**	***Skyline Room A, 21st Floor***
	Keynote Address:	Richard Armitage, President, Armitage International

Saturday, March 29

7:30-9:00AM	*Government officials-only breakfast meeting* ***Skyline Room A, 21st Floor***
8:00-9:00AM	*Continental Breakfast* - ***Skyline Room B & C, 21st Floor***
9:00AM -12:15PM	**Session II: U.S. and Japan Security Strategies: Recent Changes, Future Plans, and Impact on Alliance Management**
9:00-10:30AM	**Session II A: Japan Overview** *Japan Presenter:* Tsuneo Watanabe, Mitsui Global Strategic Studies Inst.

This session focuses on changes in Japan's security policy. What are key issues in national debates on Japanese security planning and how might they be resolved? How has the political situation in Japan affected the national security debate? What are the Fukuda government's national security policy priorities? Do they differ from those of its predecessors? How? How about the DPJ? How does Japan view its role and that of the Self-Defense Forces in regional and global security challenges and in the global war on terrorism? Have developments associated with Korean Peninsula denuclearization alleviated or increased Japanese concerns about extended deterrence? What is the status of the nuclear debate in Japan? What is the status of and prospects for constitutional reform? How has institutional change – the creation of the Ministry of Defense, for example – affected national security policy? What progress has been made on implementation of the May 2006 "United States-Japan Roadmap for Realignment Implementation"? What obstacles exist?

10:30-10:45AM	Break
10:45AM-12:15PM	**Session II - Part B: United States Overview** *U.S. Presenter:* Patrick Cronin, Institute for National Strategic Studies

This session examines U.S. security strategy as the 2008 elections approach. How can we characterize the U.S. national security strategy? Will Asian issues be a factor in the 2008 presidential election? If so, how? What changes and what continuities can be expected in U.S. foreign and security policy after the election? What role will Asia play in U.S. thinking? What is the impact of Iraq and the situation in the Middle East? What is

the U.S. seeking from its allies as it deals with challenges in Iraq, Afghanistan, and Iran? What progress has been made in implementing the May 2006 Roadmap? How does the force posture realignment in the Asia-Pacific region, especially in South Korea and Guam, affect the U.S.-Japan alliance and basing issues?

12:15-12:30PM **Session III: Future Vision of the Alliance**
U.S. Presenter: Dr. Joseph Nye, Harvard University

12:30-2:15PM Lunch ***Skyline Room A, 21st Floor***

2:30-4:30PM **Session III: Future Visions of the Alliance (cont)**
Japan Presenter: Kunihiko Miyake, AOI Foreign Policy Institute

How do the U.S. and Japan see their alliance evolving? What are key factors shaping cooperation and how can current levels of cooperation be sustained? How do values fit into the alliance? What do the U.S. and Japan expect of each other? What future challenges affect the alliance? What are the political/security-related areas in which future cooperation will be most important? How do the Six-Party Talks and regional security architectures fit into the alliance? Is more cooperation with South Korea desirable? If so, what can be done to facilitate such cooperation? How can the U.S. and Japan work together to encourage China to become a more responsible stakeholder? What will be the impact of the development of missile defense? Do we have a common vision regarding future security challenges and preferred responses? How can multilateral mechanisms and initiatives, including Japan-U.S.-Australia trilateral cooperation, enhance future bilateral cooperation? Where does India fit in Washington's and Tokyo's strategic calculus? How can Japan and the U.S. cooperate in other areas, for example, economics?

3:30-3:45PM Break

4:30-5:00PM **Session IV: 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.

6:40 PM Meet at lower lobby – street level

6:45 PM Bus departs for Consul General's residence

7:00 PM Reception/Dinner at Consul General Yasumasa Nagamine's residence

APPENDIX B

14th Annual

JAPAN-U.S. SECURITY SEMINAR

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March 28-29, 2008
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APPENDIX C

U.S.-Japan Strategic Dialogue
Maui, Feb. 25-26, 2008; Key Findings

The Pacific Forum CSIS and the Advanced Systems and Concepts Office of the Pentagon's Defense Threat Reduction Agency brought together a small, select group of Japanese and American security specialists 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 emerging from this off-the-record dialogue:

- Profound changes in the East Asian security environment pose new challenges for the U.S.-Japan alliance.

- The Korean Peninsula is a test as all concerned governments try to shape decisions in Pyongyang and Seoul; the U.S. and Japan seek closer relations with Seoul and trilateral coordination, especially within the six-party process, but tensions between Japan and South Korea make that difficult.

- There is no single interpretation in either country of Chinese intentions or a predominant perception of the Chinese threat, but clear recognition that the strategic balance in the region is changing.

- Engagement is the preferred strategy in Washington and Tokyo, but there are worries about long-term Chinese intentions, which cause both governments (and others) to embrace hedging strategies.

- There is one important divergence in thinking about China. Japanese worry about a meeting of the minds between Washington and Beijing that could cause a U.S. "tilt" toward China while there is little concern in the U.S. about Japan-China rapprochement.

- Both countries are working to close loopholes in the global non-proliferation regime but Japanese are uneasy with the U.S.-India civilian nuclear agreement, arguing it could set a precedent for the acceptance of another nuclear weapon state (perhaps after Korean reunification).

- There are concerns that proposals aimed at strengthening the global nonproliferation regime (fissile material cut-off) could limit the effectiveness of the U.S. deterrent and thus diminish Japan's security.

- Tokyo should engage the U.S. in a dialogue about what the next Nuclear Posture Review should say and its views on the U.S. deterrent, its evaluation of arms controls treaties and the impact of their expiration, how it sees the U.S.-Japan-China relationship,

and whether Washington and Tokyo can frame new arguments to demonstrate how a viable nuclear deterrent contributes to nonproliferation objectives.

- The degree to which nuclear weapons are central to the credibility of the U.S. deterrent is unclear. Ultimately, reassurance, like deterrence, is a political phenomenon, a state of mind.

- Changes in the strategic environment have eroded the taboo on nuclear debate in Japan, but that debate remains limited. The assumption that Japan's nonnuclear posture will be maintained at all costs could be mistaken. Japan has not acquired nuclear weapons because of a "cost-benefit calculation"; this could change as key variables change; confidence in the U.S. as a reliable ally is a key variable.

- A "normal" Japan is not necessarily or likely to be a nuclear weapons-equipped Japan. Characteristics could include having a "real" military (vice self-defense forces) that can put itself in harm's way in pursuit of a collective defense mission and possesses at least limited offensive military capabilities (e.g., missiles) and military satellites. A revision or reinterpretation of the Japanese constitution, a lifting of the arms export ban, increased defense spending, and a real debate on national security issues and aspirations are among other possibilities.

- The U.S. must not strike a deal with Pyongyang that appears to tolerate a "gray" nuclear capability or accepts less than a "correct and complete" accounting of its nuclear programs and activities; this would seriously undermine Japanese faith in the U.S. extended deterrent and its reliability as an ally and could even prompt reassessment of the nuclear option. - Another option for mutually reinforcing extended deterrence could be the abandonment of the third of Japan's three nonnuclear principles, which prohibits the introduction of nuclear weapons, although the stationing of U.S. nuclear weapons on Japanese soil or even in its territorial waters does not appear to be politically acceptable today.

- The two countries are still searching for a glue to bind them together in the post-Cold War era.

- There is a vision for the future – the roadmap laid out by the Security Consultative Committee (SCC) – and it is being implemented, but there is a long way to go and some issues, such as missile defense, will raise new issues for alliance managers. Success depends on discussion and the recognition of shared objectives, interests, and purposes.

- The national debate in Japan over the appropriate role for the military is inconclusive; this reflects uncertainty about Japan's national identity and role in the world. Japan is suffering a crisis of confidence.

- Trust is vital – and shaky. Japanese point to a dramatic reversal in U.S. policy in the Six-Party Talks, perceived backpedaling on the abductee issue, the Congressional resolution calling on Japan to apologize to the comfort women, a perceived lack of U.S. support for Japan's bid for a permanent seat on the UN Security Council, and the refusal to sell F-22s to Japan as possible signs that the U.S. is becoming a less reliable ally. Japan especially fears that it is being eclipsed by China or that the U.S. intends to "tilt" in Beijing's direction.

- While common values (plus overlapping interests and objectives) provide a basis for future cooperation bilaterally and perhaps multilaterally in Asia, considerable controversy surrounds "values-based diplomacy." It is still unclear exactly what the term implies and how that diplomacy will be realized; for some, it is code for isolating or containing China, which runs contrary to stated U.S. and Japanese objectives.

- Alliance cooperation in Southeast Asia could focus on issues such as anti-piracy, counter-terrorism, and nonproliferation that could sidestep Japanese domestic political disputes over the constitution. Attempts to play a leading role in Southeast Asia should not be couched as a competition with China, however.

- Critical to a vibrant and resilient alliance is Japanese self-confidence. While the burden is on Japan, the U.S. can help with predictable and consistent behavior and efforts to treat Japan as a partner, and by avoiding actions which, regardless of intent, serve to undercut Japan's self-confidence or its faith in the alliance.

- Japan and the U.S. should ascertain each country's strengths and create a division of labor for contingencies. The consultative process itself would demonstrate a commitment to partnership and could ease Japanese concerns.

- Turning the rhetoric of partnership into reality will build confidence among Japanese leaders and the public alike. Without mutual respect and trust, the solid foundation upon which the alliance currently rests could be severely shaken or even destroyed.

- Tokyo and Washington need a common definition of what constitutes a "normal" Japan and a common vision of Japan's future role and aspirations, one that can be clearly articulated to domestic audiences and concerned neighbors.

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