

The US-Japan alliance in action: Threats to thwart, opportunities to seize

Co-Hosted by the American Enterprise Institute (AEI) and the Japan Institute of International Affairs (JIIA)

(Summary^{*})

Date: 13 March 2013

Venue: American Enterprise Institute (AEI), Washington, DC

^{*} JIIA is responsible for this summary.

Opening Remarks:

Mr. Yoshiji Nogami, Japan Institute of International Affairs

At the same time as a shift in economic gravity toward the Asia-Pacific region, geopolitical tensions have been growing in the region. North Korea is threatening the region and world with nuclear and missile development, and China is increasingly nationalistic. Japan and the United States have responsibility and vital interests in preserving open and rule-based security and political architecture which has served the region well. It is important to look at the security landscape of the region and develop a shared understanding of the challenges we face. I hope this seminar will serve such efforts.

Mr. Jim Zumwalt, US Department of State

I am fundamentally optimistic about U.S.-Japan relations. When Prime Minister Abe visited Washington last month the leaders provided a vision for us and the responsibility is now on us to realize that vision. The discussions focused on the four pillars of our relationship: 1) our security alliance, 2) our global partnership, 3) and mutually beneficial economic relationship, and 4) our people to people exchanges.

The security alliance has been strong for 60 years because we share common interests and values. The ability to station US forces in Japan enables the United States to play a role in securing regional peace and security. We have a lot of work ahead in realigning our forces in Japan, but the fundamental goal is a strong and enduring alliance. I am confident that because we share these objectives we will be able to work through the difficult issues that we face.

Our global partnership is really remarkable. Japan is a part of the solution to many of the issues we face. Virtually everyone in the State Department today sees a part of their role as working together with Japan.

In terms of economic ties, we have a strong vibrant relationship. Japan is an important market for the United States, but also a source of investment, providing good jobs for American workers.

The main reason I am fundamentally optimistic about the U.S.-Japan relationship is that we have strong public support in both countries for strong relations.

Question-and-Answer Session

Q: Yesterday, China announced that is planning to send a survey team to the Senkaku Islands. Do you think this kind of action is legitimate? Also, do you see any sign of Japan and China dealing with this issue with cooler heads?

Mr. Zumwalt: It is possible for countries to manage their territorial disputes and still have a positive relationship. Troubles between Japan and China will have an impact beyond the two countries, so we have been calling on both sides to make attempts to reduce tensions and work to resolve this issue using peaceful means.

Q: Regarding Japan's military spending and consequent posture of engaging more actively in alliances with the US around the world, how do you see that developing?

Mr. Zumwalt: Japan's military budget has declined for 10 years in a row so even with the increase this year spending on defense is less than 10 years ago. Obviously we are very interested in working together with Japan to strengthen our alliance, and I think you will see new areas where we will be working together.

Mr. Nogami: In terms of cooler heads, Japan has always said that the door is open for discussion, but it is extremely difficult to have coolheaded discussion when provocation continues.

Q: What is your assessment of the Asia rebalance and what are the implications for Japan and Japanese foreign policy?

Mr. Nogami: I think the United States policy of Asia rebalancing is welcomed not only by Japan but by many countries in the region. However, the allocation of resources by the United States is essential in securing this policy orientation.

Q: When Prime Minister Abe visited the United States, many people were disinclined to expect a positive outcome. How far you believe each side will need to go to bring Japan formally into the TPP?

Mr. Nogami: Prime Minister Abe's economic policy consists of three arrows: 1) monetary and quantitative easing, 2) fiscal policy, and 3) structural policy. Joining the TPP is seen as a litmus test for the Abe government to fully implement the third arrow of structural reform policy. I think it is therefore a matter of time before Prime Minister

Abe announces Japan's determination to join the TPP, despite opposition within the party.

Mr. Zumwalt: While most of the focus is on expanding export markets, there are three areas where countries that participate in the TPP benefit. As well as market access, there is also structural reform. Implementing trade liberalization requires difficult political decisions about economic reforms that lead to greater economic growth. There is also strategic value to Japan of seeing regional trade liberalization include the United States. I think the Prime Minister is considering all of those aspects in making his decision on TPP. The TPP would also be a much more meaningful agreement for the United States with Japan in it.

Panel I: The challenges of the Asia-Pacific

Moderator: Mr. Michael Auslin, AEI

(1) Mr. Yusuke Anami, Tohoku University Graduate School

The rise of China exposes various challenges to the order of the Asia-Pacific region, but opinions among Japanese scholars are divided. One group believes that economic development in China will continue and inevitably lead to development of the PLA capabilities, allowing China to reshape the order of the Asia-Pacific region. This image is widely shared by the Japanese media. Another group indicates that the governance of the Chinese Communist Party is starting to crumble from the bottom and the major challenge to the Asia-Pacific region will come from domestic turmoil within China.

More than 80% of the GDP of Shanghai is produced by state-owned enterprises, and studies show that nearly 70% of the wealth of China belongs to the state rather than the private sector. The party controls all the major banks, industries and resources. This concentration of wealth has allowed the CCP to strengthen the PLA to hedge domestic and international pressure to democratize China, and also allowed the CCP to carry out huge space and construction projects as well as the Olympic Games, boosting the image of a rising China. However, this image has been established by sacrificing minimum social welfare for the Chinese people. This is no longer sustainable, with growing frustration among the peasant classes. The fact that the budget for internal security recently surpassed the publicly announced defense budget proves that China is suffering from critical domestic instability. The Gini index in China is approaching 0.5, and this extremely unequal situation is tearing the country apart.

The CCP relied on xenophobic nationalism to distract the Chinese people from this unfair reality of the Chinese society. The image of China under siege was recreated through the media and education, mainly targeting Japan. Scholars in Japan warned this would not solve China's domestic problems, and would lead to worsening relations with Japan. This concern was shared by Hu Jintao and Wen Jiabao, who led the CCP from 2004 until recently. China and Japan agreed on a “mutually beneficial relationship based on common strategic interests,” but the negative influence of the xenophobic nationalism built up since the 1990s prevented the joint development plan on natural resources in the East China Sea from being realized. Since then the Senkaku Islands has become a major issue. We now don't know where to start to rebuild the strategic relationship to solve these problems.

(2) Mr. Bruce Klingner, Heritage Foundation

I will focus my remarks on North Korea. There are many uncertainties regarding North Korea, including their capabilities and objectives. The widespread depiction in the last few weeks has focused on North Korean statements outlining the threat of nuclear war. We can point to precedent in that there are ongoing US-South Korean military exercises which happen every March, and the attack on the Cheonan occurred in March. Combined with recent breakthroughs in North Korean capabilities, one can be fairly nervous. One concern is an increased risk of miscalculation and retaliation. Kim Jong-un is less experienced than his predecessors and may stumble across a line that his predecessors would have known to stop short of. Also the new president of South Korea Park Geun-hye has made very clear that her policy of trust-politik is built on a pillar of strong deterrence, and she will respond forcibly to any attack. Even a limited response could escalate to an all-out conflict.

(3) Mr. Tetsuo Kotani, Japan Institute of International Affairs

I am going to focus on maritime security issues, especially the Senkaku Islands confrontation. China never claimed the ownership of the Senkaku Islands between 1895 and 1971. China's assertiveness over the Senkaku Islands started in 1992 when China enacted the law on the territorial seas and included the Senkaku Islands, the Spratly Islands, and other islands in the Western Pacific into Chinese territory. In 2010 China enacted the islands protection law, under which all uninhabited islands are under state ownership. The Japanese government purchased the islands to respond to China's creeping expansion in the Western Pacific. In history, China has occasionally become assertive in the West Pacific when the United States left Asia, but today China has become assertive in the context of the US rebalancing, testing the US strategic position

in Asia. This could be viewed as a strategic counteroffensive in order to become the dominant power in the region.

We have three future scenarios in Asia: 1) China continues to grow its military power becoming the dominant power in the region with all countries in the region losing their independence, 2) Japan, the US and other regional countries align to balance the rising Chinese military power, and 3) Japan, the US and other regional countries welcome China as a constructive and responsible partner and we all behave based on international law. Our task is to guide China and the region into this third scenario. Prime Minister Abe's diplomacy is known as value-based diplomacy to realize the shared values in this region, and also establish a rule-based order in this region. Obviously the US in Japan shares the same strategic goal of a liberal Asia, and to achieve this goal the two countries need to collaborate closely.

Discussion

Q: We have seen China stretching the capabilities of the Japanese Coast Guard around Senkaku Islands. Do you see a role for space and air based maritime domain awareness to better coordinate Japanese responses and to include other allies in the region?

Mr. Kotani: The East China Sea is something of a blind spot for every country, but Japan and the US have relatively good situational awareness there. Space and also UAVs are very important assets for us to increase our maritime domain awareness.

Q: With regard to the different schools of thought on the future of China, where is the center of gravity among Japanese academics, and which scenario is more difficult to handle?

Mr. Anami: There is still a serious divide among the scholars. People are finally becoming aware that the current economic system is unsustainable. However, most academics think that the Communist Party will manage the situation and continue to expand their influence. A rising stable China is definitely easier for us to handle. If the Communist Party loses control of the society that is bad news for the entire world. It is a big irony that we need to support the Communist Party although they have different values to us.

Q: Three days ago the New York Times reported that South Korea is discussing having nuclear weapons of its own. What are your thoughts on a potential nuclear arms race in Korea?

Mr. Klingner: I can understand the idea that pursuing nuclear weapons would not trigger an arms race because China and North Korea already have nuclear weapons, and I can also understand the concern in South Korea with OPCON Transfer in 2015 that there will be reduced operational support and capabilities. However, I do not think it would be useful for Korea or Japan to pursue nuclear weapons. Instead, South Korea should devote resources to its response capability to conventional attacks from North Korea. The US is committed to defending its allies through all necessary means.

Q: Would it make sense to get China to cooperate in having the International Court of Justice address the issue of the Senkaku Islands?

Mr. Kotani: If China is willing to bring the case to the ICJ, of course Japan will accept this challenge.

Q: How do the US authorities view China's position toward North Korean provocation? And how you see the second term of the Obama administration's policy towards North Korea?

Mr. Klingner: The Chinese attitude towards North Korea is divided. There is increasing criticism towards North Korea, but we have seen that China has been more part of the problem than part of the solution, by being obstructionist in the UN Security Council, and failing to implement its resolutions. Regarding the second Obama Administration policy, the big question is what impact John Kerry will have. Mr. Kerry was eager to engage North Korea in the past, but he may be less enthusiastic than in the past, and he may face internal opposition.

Q: Can you elaborate on how the US government can bring in North Korea to the right direction?

Mr. Klingner: A three track policy is required. A combination of conditional engagement offers, a more comprehensive approach to punitive measures, and sufficient military measures.

Panel II: The US-Japan alliance in East and Southeast Asia

Moderator: Mr. Hideki Asari, Japan Institute for International Affairs

(1) Mr. Ely Ratner, Center for New American Security

The topic of how the United States and Japan are going to cooperate more broadly in the region is timely for a number of reasons. The United States is facing resource constraints, forcing US strategists to think about how to leverage the abilities of allies and partners. A heightened security environment is demanding that we think more creatively about the reach of the Alliance. And Japan is currently showing willingness to play a more active role in the region. The countries that the US and Japan reach out to should not be limited to a small number, as excluding partners would not be productive. Also, if the efforts are perceived simply as a balance against China, they will receive pushback.

On the military side, there are many ways that the US can move beyond a hub and spoke model. First is building cooperation among regional partners, with more capable countries contributing capacity in intelligence, surveillance and reconnaissance (ISR) as well as missile defense. It is also interesting to think about how the United States can support Japan's relationships in the region, as a more diversified set of strategic partners complicates the decision-making of potential adversaries, having a stabilizing effect. Fully regional efforts in humanitarian assistance, disaster relief, and intelligence sharing are also important.

On the economic side, for the United States commitment to be enduring and sustainable, there has to be a stronger economic element, and if Japan believes as others do that the United States should have a stronger economic role in the region, then the TPP plays an important part in that.

On the political issue, I think it would be more effective for Japan to cast the challenge from China as part of a broader set of issues related to regional security rather than a bilateral issue, working through regional institutions and with key countries in the region, as well as key outside players.

(2) Mr. Yukio Okamoto, Massachusetts Institute of Technology

This region faces a dynamic evolution, with significant growth potential in many countries with growing populations. The growth prospects of China are both an opportunity for the world as well as a big challenge due to its sheer size. Looking at the

per capita GDP of China tells you how much growth potential they have, as it is currently that of Japan in 1976. Given that China has 11 times the population of Japan, we are seeing 11 Japans of 1976 today. That is a mighty challenge. We really have to induce China into observing international rules and abide by strong environmental protection.

However, the biggest instability is on the security side. My personal view of the Senkaku Islands issue is that it will get more serious, because of the long-term maritime strategy formulated around 1987, to gain military control of the South China Sea and East China Sea by around 2010. However, now they are moving into the second phase of the long-term naval strategy to have A2/AD capability in the Pacific Ocean facing Japan. Originally, the main purpose of this was to be able to attack Taiwan from the east, but now it is more for maritime resources in the region and sea lines of communication. In line with this the Senkaku Islands have gained much more importance, sitting at the gateway for China to the Pacific Ocean. Therefore China aims to seize it, or at least to neutralize it. There can be no hope for an improvement in the situation until a change of the leadership to a new generation with a more enlightened view about their international position. Until then we have to rely on the deterrence of the Japan-US security system.

Japan must try to do more in order to become a real ally for the United States. The main problem is a lack of action by the administration. I hope that things will start to change under Prime Minister Abe.

(3) Mr. Ernie Bower, Center for Strategic and International Studies

From the Southeast Asia perspective the US-Japan alliance is underutilized. The Southeast Asian nations would like to see a balance to a rising China, despite welcoming the rise of China, as there are questions about China's ambitions. For the US-Japan alliance there are immediate opportunities for regional cooperation in strengthening ASEAN connectivity, in the South China Sea, and in several other areas.

Southeast Asian countries question whether the US rebalancing will be sustained. The US was already present and will continue to be present on the military and security front, as well as in business interests. What is missing is a political commitment to Asia, and to realize this, American politicians must talk about why Asia is important to Americans. The United States and Japan need to cooperate on strengthening Myanmar,

strengthening the ASEAN Secretariat, and ASEAN connectivity. Japan is a stronger ally of the United States if it is a stronger partner of ASEAN, and the reverse is also true.

Discussion

Q: I get a sense in ASEAN regional forums on security issues that there is a hesitance among ASEAN countries against pushing forward with cooperation on security issues in case this provokes China. What are your thoughts on that? Is there a security architecture that will come out in the next decade or are we going to have to manage a web of relationships?

Mr. Bower: It will be both delicate work at the country level at the same time as building the architecture. The framework for the architecture is in place. The ASEAN Defence Ministers Meeting Plus (ADMM-Plus) is very important. Over time a significant pattern of coordination will be built.

Q: It seems that over the last 20 to 30 years there has been a naval race between Japan and South Korea. Would it not be better to overcome any differences and talk about a US-Japan-South Korea alliance instead?

Mr. Okamoto: The history between South Korea and Japan is a very touchy subject. I hope that there can be discussions to agree on a complementary nature of our arsenal.

Mr. Asari: Very few people think that there is a Japan-South Korea naval race. The issue of Takeshima is very different from the event in the East China Sea. There is a territorial dispute, but Japan never challenges this with physical force.

Mr. Ratner: Obviously it is in the interests of the United States to see Japan and South Korea cooperating. It can be frustrating because the strategic logic for the cooperation is so strong, thinking about the North Korea challenge.

Q: Like Japan, Australia's largest trading partner is now China, and Australia has a security agreement with the United States. Japan is also coming closer to Australia. How do you view this triangular security cooperation?

Mr. Bower: I think that describing structures that exclude China is not possible. China's economic growth and prosperity and feeling of security is important to every one of us. At some point the Chinese will understand that their actions in the South China Sea and

the Senkaku Islands are undercutting their own national interests. In describing structures that exclude China I am concerned that we might continue to provoke the Chinese into doing things that are counter-productive for themselves and for all of us.

Closing Comments:

Mr. Yoshiji Nogami, Japan Institute of International Affairs

I think that this kind of exchange is extremely important. There are many topics that we did not have time to cover, and there is still a huge task ahead of us in developing a shared understanding of the challenges that we are facing today, so we would like to continue this kind of exercise.