

U.S.-JAPAN SECURITY SYMPOSIUM

OCTOBER 16, 1996

Diplomatic Corps

AMBASSADOR MATSUNAGA, VICE MINISTER HAYASHI, DEPUTY PRIME MINISTER KASEMSRI (THAILAND), DISTINGUISHED GUESTS, LADIES AND GENTLEMEN: IT IS A PLEASURE TO ATTEND THIS SYMPOSIUM AND OFFER MY VIEWS ON THE STATE OF U.S.-JAPAN RELATIONS. ^{UN} I ESPECIALLY WANT TO THANK MY OLD FRIEND AMBASSADOR MATSUNAGA FOR HIS CONTINUING DEVOTION TO THE SENSIBLE DISCUSSION OF THE GREAT ISSUES.

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I WILL FOCUS ON OUR SECURITY TIES, WHICH ARE THE FOUNDATION OF OUR BILATERAL COOPERATION, AND WHICH SERVE AS THE LINCHPIN OF ASIAN SECURITY. YOU MAY FIND MY REMARKS SIMILAR TO VICE MINISTER HAYASHI'S ^{excellent speech} ELOQUENT SPEECH, WHICH SHOWS HOW CLOSELY OUR TWO GOVERNMENTS VIEW SECURITY ISSUES.

X-X-X

SIMPLY PUT, OUR SECURITY STRATEGY IS TO PREVENT CONFLICT. DEFENSE SECRETARY PERRY IDENTIFIES FOUR ELEMENTS OF THIS "PREVENTIVE DEFENSE" STRATEGY: ALLIANCES, REGIONAL

CONFIDENCE BUILDING, CONSTRUCTIVE ENGAGEMENT WITH CHINA, AND THE FRAMEWORK AGREEMENT WITH NORTH KOREA.

ALLIANCES

AMERICA'S ALLIANCES WITH JAPAN AND KOREA ARE THE BACKBONE OF OUR SECURITY PRESENCE IN ASIA. THEY ALLOW US TO BE ON THE SCENE WHERE CREDIBLE MILITARY STRENGTH OFFERS THE BEST DETERRENT TO POTENTIAL AGGRESSORS. OUR ALLIANCE WITH JAPAN IS THE CORNERSTONE OF THIS STRATEGY; WE SHARE STRATEGIC INTERESTS, WE WORK WELL TOGETHER IN PURSUIT OF THESE INTERESTS, AND WE SHARE RESPONSIBILITIES.

REGIONAL CONFIDENCE BUILDING

COMPLEMENTING KEY ALLIANCES IN ASIA, THE U.S. ACTIVELY PURSUES REGIONAL SECURITY INITIATIVES. THE ASEAN REGIONAL FORUM (ARF) IS A GOOD EXAMPLE OF THE MULTILATERAL DIALOGUE THROUGH WHICH REGIONAL PLAYERS CAN OPENLY DISCUSS SECURITY RISKS AND COME TO AN UNDERSTANDING WITH EACH OTHER. THE U.S. AND JAPAN ARE, OF COURSE, KEY PLAYERS IN THIS AND OTHER REGIONAL DIALOGUES.

ENGAGING CHINA

THE UNITED STATES BELIEVES THAT ENGAGEMENT WITH CHINA IN PARTICULAR IS VITAL TO REGIONAL STABILITY. WE HAVE DIFFERENCES ON HUMAN RIGHTS, NON-PROLIFERATION, TRADE AND OTHER ISSUES, BUT WE BELIEVE THAT A STRENGTHENED DIALOGUE WITH CHINA IS ESSENTIAL TO FINDING COMMON GROUND AND ADDRESSING TENSIONS WHERE THEY EXIST. JAPAN SHARES THIS VIEW.

NORTH KOREA FRAMEWORK

SECRETARY PERRY'S FOURTH ELEMENT OF REGIONAL SECURITY, THE FRAMEWORK AGREEMENT WHICH BROUGHT NORTH KOREA BACK FROM THE BRINK OF DEVELOPING NUCLEAR WEAPONS, IS A KEY EXAMPLE OF CLOSE REGIONAL COOPERATION. THE U.S. WORKED CLOSELY WITH JAPAN AND THE REPUBLIC OF KOREA TO REACH THIS AGREEMENT AT A VERY TENSE TIME IN EAST ASIA TWO YEARS AGO -- AND OUR COOPERATION IS ONGOING.

THERE ARE STILL MAJOR TENSIONS AND UNCERTAINTIES ON THE KOREAN PENINSULA, AS THE RECENT SUBMARINE INCIDENT REMINDS US, BUT THE AGREEMENT WITH PYONGYANG IS WORKING. WE ARE ON A MUCH BETTER FOOTING.

AS THESE FOUR "PILLARS" INDICATE, U.S. SECURITY STRATEGY IN EAST ASIA CENTERS AROUND DETERRENCE. OUR FORWARD DEPLOYED FORCES MAKE THIS DETERRENCE CREDIBLE. IN THIS REGARD, BASES PROVIDED TO THE UNITED STATES UNDER THE U.S.- JAPAN SECURITY TREATY ARE ABSOLUTELY ESSENTIAL TO AMERICAN SECURITY, JAPANESE SECURITY, AND STABILITY IN EAST ASIA.

FORTUNATELY, THE ASIA-PACIFIC REGION IS NOW STABLE, BUT THE FUTURE POSES MANY UNCERTAINTIES. AS I NOTED, THE KOREAN PENINSULA REMAINS DIVIDED AND DANGEROUS. INTERNAL DEVELOPMENTS AND THE EXTERNAL POLICIES OF SOME KEY REGIONAL PLAYERS COULD MOVE IN UNSETTLING DIRECTIONS. THERE ARE A RANGE OF UNRESOLVED TERRITORIAL ISSUES, AND WE SEE INCREASING MILITARY SPENDING BY MANY COUNTRIES. *- Coarney*

America's dependency may trigger competition
KEY REGIONAL SEA LANES LIE VULNERABLE TO THESE MANY UNCERTAINTIES. COMPETITION FOR RESOURCES *especially energy* IS LIKELY TO INCREASE AS ASIA'S DYNAMIC ECONOMIES PURSUE AMBITIOUS DEVELOPMENT PLANS. IN THIS FLUID ENVIRONMENT, WE CANNOT TAKE STABILITY FOR GRANTED.

I BELIEVE THE NATIONS OF NORTHEAST ASIA SHARE THIS PERSPECTIVE AND RECOGNIZE THAT THE ONGOING ALLIANCE BETWEEN JAPAN AND AMERICA IS ONE OF THE MOST IMPORTANT MECHANISMS TO ENSURE THE SECURITY AND STABILITY OF THE REGION.

BOTH THE U.S. AND JAPAN RECOGNIZE THAT WITH THE END OF THE COLD WAR, THERE IS A NEED TO REVIEW AND REDEFINE THE BASIS FOR THE SECURITY TREATY TO ENSURE CONTINUED PUBLIC UNDERSTANDING AND SUPPORT. THIS BECAME PAINFULLY APPARENT AFTER THE TRAGIC INCIDENT IN OKINAWA ONE YEAR AGO SEPTEMBER THAT RAISED SERIOUS QUESTIONS IN JAPAN ABOUT THE CURRENT U.S. BASE STRUCTURE HERE.

OVER THE LAST TWO YEARS, BOTH GOVERNMENTS HAVE TAKEN THIS CHALLENGE SERIOUSLY. THE U.S. PRODUCED THE EAST ASIA STRATEGY REVIEW, OR NYE REPORT, THAT ARTICULATED THE RATIONALE FOR U.S. STRATEGY IN THE REGION. JAPAN COMPLETED ITS NATIONAL DEFENSE PROGRAM OUTLINE IN LATE 1995, UPDATING ITS DEFENSE STRATEGY. AT LAST APRIL'S ENORMOUSLY SUCCESSFUL SUMMIT, PRESIDENT CLINTON AND PRIME MINISTER HASHIMOTO SIGNED A JOINT DECLARATION WHICH, DRAWING ON BOTH OF

THESE DOCUMENTS, REAFFIRMED OUR MUTUAL COMMITMENT TO STRENGTHENED SECURITY TIES.

THIS DECLARATION CHARACTERIZES OUR ALLIANCE AS THE FOUNDATION OF ASIAN PROSPERITY AND AFFIRMS OUR INTENT FOR STILL DEEPER COOPERATION IN THE FUTURE. IT OFFERS A COMPREHENSIVE, INTEGRATED VISION OF WHY OUR SECURITY RELATIONSHIP IS SO CRITICAL.

WHILE REAFFIRMING OUR SECURITY COMMITMENT, BOTH GOVERNMENTS RECOGNIZE THE NEED TO MAKE ADJUSTMENTS IN THE U.S. BASE PRESENCE IN OKINAWA WITHOUT REDUCING OUR FORCE CAPABILITY OR READINESS, TO ENSURE THE CONTINUED SUPPORT OF THE PEOPLE OF THAT PREFECTURE. LAST NOVEMBER, WE UNDERTOOK THE SACO PROCESS FOR THIS PURPOSE.

THROUGH SACO, WE HAVE ALREADY AGREED ON A NUMBER OF IMPORTANT STEPS. THE INTERIM REPORT IDENTIFIES THE RETURN OF 20 PERCENT OF THE LAND USED BY OUR FORCES IN OKINAWA, FOR EXAMPLE, INCLUDING THE RETURN OF MAJOR PORTIONS OF THE NORTHERN TRAINING AREA, AS WELL AS THE RETURN OF GIMBARU TRAINING AREA, SOBE COMMUNICATIONS

SITE, YOMITAN AUXILIARY AIRFIELD, AND A SUBSTANTIAL LIST OF OTHER SITES.

THE INTERIM REPORT ALSO REFLECTS OUR MUTUAL AGREEMENT TO TERMINATE ARTILLERY LIVE-FIRE TRAINING OVER HIGHWAY 104. RELOCATION EFFORTS ARE WELL UNDERWAY TO PERMIT APPROPRIATE TRAINING OPPORTUNITIES ELSEWHERE IN JAPAN. WE ARE ALSO RELOCATING PARACHUTE DROP TRAINING, TERMINATING MARCHES ALONG PUBLIC ROADS IN OKINAWA, AND INSTITUTING SIGNIFICANT NOISE-REDUCTION MEASURES.

THESE ARE SOME OF THE KEY ISSUES AT THE HEART OF THE SACO INTERIM REPORT. THE REPORT IS THE WORK OF THE SPECIAL ACTION COMMITTEE, WITH THE EMPHASIS ON "ACTION" -- BOTH SIDES ARE MAKING REAL PROGRESS ON THE IMPLEMENTATION OF ADJUSTMENTS INDICATED THEREIN.

THE FINAL REPORT DUE NEXT MONTH SHOULD ALSO CLARIFY QUESTIONS ABOUT THE RELOCATION OF FUTENMA, WHICH REMAINS THE MOST IMPORTANT BASE ISSUE IN OKINAWA. JUST PRIOR TO THE APRIL SUMMIT, OUR TWO GOVERNMENTS ANNOUNCED THEIR MUTUAL COMMITMENT TO RETURN FUTENMA AIR BASE AS SOON AS A SUITABLE ALTERNATIVE WAS

LOCATED. THREE OPTIONS HAVE EMERGED AS POSSIBLE SOLUTIONS. ONE POSSIBILITY IS THE RELOCATION OF MOST OF FUTENMA'S FUNCTIONS TO KADENA AIR BASE, WHILE A SECOND OPTION INVOLVES THE TRANSFER OF SIGNIFICANT OPERATIONS TO CAMP SCHWAB FARTHER NORTH.

THE THIRD OPTION -- THAT OF THE SO-CALLED FLOATING OFFSHORE FACILITY (FOF) -- HAS GENERATED THE MOST DISCUSSION. WE ARE PLEASED WITH U.S.-JAPAN COOPERATION AS WE CONTINUE STUDYING THE FEASIBILITY OF THIS OPTION IN MORE DETAIL. THIS IS A LARGE UNDERTAKING, BUT WE HOPE TO HAVE AGREEMENT BY THE END OF NOVEMBER ON WHETHER AND HOW TO PROCEED WITH THIS IDEA.

THE OPTION CHOSEN IN THE END MUST ENABLE US TO: 1) MAINTAIN OUR CAPABILITY AND OPERATIONAL READINESS, AND 2) REDUCE THE BURDEN OF BASES ON OKINAWA.

LAST APRIL, PRESIDENT CLINTON AND PRIME MINISTER HASHIMOTO ALSO AGREED THAT OUR DEFENSE COOPERATION GUIDELINES WOULD BE REVIEWED. THE FIRST SUCH REVIEW SINCE 1978, THIS EFFORT FOLLOWS THE DIRECTION SET BY JAPAN'S NEW

NATIONAL DEFENSE PROGRAM OUTLINE (NDPO)
RELEASED IN NOVEMBER OF LAST YEAR.

BOTH GOVERNMENTS HAVE AGREED THAT THE REVIEW WILL NOT CHANGE THE NATURE OF THE U.S.- JAPAN SECURITY TREATY OR THE ALLIANCE, AND THAT IT WILL BE CONDUCTED WITHIN THE FRAMEWORK OF JAPAN'S CONSTITUTION. THE REVIEW WILL BUILD UPON EXISTING COOPERATION UNDER THE CURRENT DEFENSE COOPERATION GUIDELINES, WITH THE GOAL OF AN EVEN MORE EFFECTIVE RELATIONSHIP IN A NEW SECURITY ENVIRONMENT. IT IS IMPORTANT TO EMPHASIZE THAT THIS EFFORT IS NOT DIRECTED AT ANY OTHER NATION AND THAT IT IS DEFENSIVE IN NATURE.

OUR JOINT GOAL IS TO COMPLETE THE REVIEW BY AUTUMN OF NEXT YEAR. IT IS A COMPLEX PROCESS, ADDRESSING: 1) MODES OF COOPERATION AND DETERRENCE IN "NORMAL" (PEACETIME) SITUATIONS, 2) GUIDELINES FOR RESPONDING TO AN ARMED ATTACK (OR IMMINENT ATTACK) AGAINST JAPAN, AND 3) POSSIBLE JOINT RESPONSES TO REGIONAL SITUATIONS WITH AN IMPACT ON JAPAN'S PEACE AND SECURITY.

CLOSE COOPERATION ALREADY EXISTS IN ALL AREAS UNDER CONSIDERATION, BUT AS I STATED PREVIOUSLY, THE SPECIFIC DIVISION OF LABOR AND COOPERATIVE STRUCTURES MUST BE ADAPTED TO A NEW REGIONAL ENVIRONMENT. KEY AREAS UNDER DISCUSSION INCLUDE, FOR EXAMPLE, IMPROVED INTELLIGENCE SHARING, JOINT TRAINING AND POLICY STUDIES, AN IMPROVED SECURITY DIALOGUE, AND BETTER POLICY COORDINATION.

AS NOTED IN A REPORT ISSUED BY THE SECURITY CONSULTATIVE COMMITTEE (THE 2 + 2) IN WASHINGTON LAST MONTH, "IT IS EXTREMELY IMPORTANT FOR BOTH COUNTRIES TO ESTABLISH A SMOOTH AND EFFECTIVE MECHANISM TO ADDRESS SUCH SITUATIONS [AS THOSE DESCRIBED ABOVE]. THROUGH THIS MECHANISM, BOTH NATIONS CAN BETTER PREVENT, CONTROL AND MANAGE SITUATIONS, FROM PRE-CRISIS THROUGH POST-CRISIS PHASES."

AS THIS PASSAGE CLEARLY SHOWS, THE GUIDELINES REVIEW FITS WELL INTO OUR DETERRENT STRATEGY. WE ARE NOT ONLY TRYING TO PREPARE FOR A CRISIS MORE EFFECTIVELY, WE ARE REVIEWING COOPERATIVE MECHANISMS TO AVOID A CRISIS.

THIS GUIDELINE REVIEW HAS BEEN CHARACTERIZED BY SOME COUNTRIES IN THE NEIGHBORHOOD AS DESIGNED TO EXPAND JAPAN'S DEFENSE RESPONSIBILITY INTO NEW AREAS. AS I HAVE NOTED, THIS IS NOT THE CASE.

ANOTHER KEY FACTOR IN OUR COOPERATION IS THE GENEROUS HOST NATION SUPPORT THAT JAPAN SUPPLIES TO U.S. FORCES. THIS AMOUNTS TO MORE THAN FIVE BILLION DOLLARS ANNUALLY -- OR 70 PERCENT OF OUR NON-SALARY COSTS -- AND IS UNMATCHED IN THE WORLD.

Before
JUST ~~PRIOR TO~~ THE APRIL SUMMIT, WE ALSO SIGNED AN ACQUISITION AND CROSS SERVICING AGREEMENT (ACSA), WHICH WILL ALLOW US TO WORK MORE CLOSELY TOGETHER ON PEACEKEEPING AND HUMANITARIAN RELIEF EFFORTS, AS WELL AS ON PEACETIME TRAINING MISSIONS.

CONCLUSION

IN CONCLUSION, I SHOULD EMPHASIZE THAT U.S.- JAPAN COOPERATION GOES FAR BEYOND OUR STRONG SECURITY TIES. WE WORK WELL TOGETHER IN MANY POLITICAL, ECONOMIC, CULTURAL, AND DEVELOPMENTAL AREAS AROUND THE GLOBE. TOGETHER WE CONTRIBUTE TO THE BETTERMENT OF

OUR COMMON WORLD IN A WAY THAT NO OTHER ALLIES CAN DO. BUT SECURITY REMAINS AT THE CENTER OF THIS RELATIONSHIP -- SINCE PEACE AND STABILITY ARE THE PILLARS UPON WHICH ALL OTHER COOPERATION IS BUILT.

SECURITY STRATEGIES ARE NOT STAGNANT. WE MUST REMAIN FLEXIBLE. WE WILL CONTINUE TO MAKE ADJUSTMENTS IN OUR FORCE STRUCTURE AND BASING STRATEGY AS THE REGIONAL SITUATION EVOLVES, AS WE CONTINUE TO BUILD AN ALLIANCE FOR THE 21ST CENTURY. BUT I AM CONFIDENT THAT WHATEVER CHANGES WE SEE IN THE REGION, THE U.S. AND JAPAN WILL CONTINUE TO SUPPORT A ROBUST U.S. PRESENCE IN JAPAN AS THE LINCHPIN OF REGIONAL STABILITY.

THE US. JAPAN ALLIANCE IS ONE OF THE WORLD'S GREATEST ENGINES FOR PEACE. EVERYONE BENEFITS. THAT IS WHY ALMOST EVERY NATION IN THIS REGION SUPPORTS THE CONTINUANCE OF THE AMERICAN SECURITY PRESENCE MADE POSSIBLE BY OUR ALLIANCE. BOTH THE AMERICAN AND THE JAPANESE PEOPLE OVERWHELMINGLY SUPPORT ITS CONTINUANCE. THIS REGION AND THE WORLD COULD NOT HAVE BETTER NEWS.

THANK YOU.

CONFIDENCE BUILDING, CONSTRUCTIVE ENGAGEMENT WITH CHINA, AND THE FRAMEWORK AGREEMENT WITH NORTH KOREA.

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AMERICA'S ALLIANCES WITH JAPAN AND KOREA ARE THE BACKBONE OF OUR SECURITY PRESENCE IN ASIA. THEY ALLOW US TO BE ON THE SCENE WHERE CREDIBLE MILITARY STRENGTH OFFERS THE BEST DETERRENT TO POTENTIAL AGGRESSORS. OUR ALLIANCE WITH JAPAN IS THE CORNERSTONE OF THIS STRATEGY; WE SHARE STRATEGIC INTERESTS, WE WORK WELL TOGETHER IN PURSUIT OF THESE INTERESTS, AND WE SHARE RESPONSIBILITIES.

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Mr. Masaki Orita, Director, North American Affairs
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H.E. Nicholas Platt, President of the Asia Society

Mr. Akihiko Tanaka, Professor, Institute of Oriental
Culture, University of Tokyo (coordinator of the
panel)

Mr. Masakazu Yamazaki, Professor, Graduate School of
Integrated Science and Arts, University of East Asia

Symposium on Japan - U.S. Security Arrangements

Domestic PR Div.

Gaimusho

Date: 14:00 - 17:00 Wednesday, October 16, 1996

Venue: International Conference Hall, United Nations University
(53-70, Jingumae 5 chome, Shibuya-ku, Tokyo, 150)

Sponsor: Japan Institute of International Affairs

in cooperatin with Ministry of Foreign Affairs of Japan
and The Yomiuri Shimbun

Theme (provisional): Japan - U.S. Security Arrangements towards 21st
Century

Programme

Opening remarks H.E. Nobuo Matsunaga, President, Japan Institute
of International Affairs

Keynote speech Mr. Sadayuki Hayashi, Vice Minister for Foreign Affairs

H.E. Walter Mondale, Ambassador of the U.S. to Japan

Panel Discussion Mr. James E. Auer, Director, Center for U.S.-Japan
Studies and Cooperation at the Vanderbilt Institute
for Public Policy Studies and Research

H.E. M. R. Kasem Samosorn Kasemsri, Deputy Prime
Minister of Thailand

Nick Platt, Pres. Asia Society



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November 13, 1996

MEMORANDUM

TO: The Ambassador

THRU: DCM - Minister-Counselor Rust Deming
A/EX *Me*

FROM: Chief, MDAO - Col Tom Brown *TLB*

SUBJECT: Defense Technology Cooperation

The purpose of this memorandum is to update the Ambassador on the major Department of Defense (DOD) technology cooperation programs ongoing with Japan.

The level of defense technology cooperation with Japan continues to grow. Today, Japan is our leading Asia-Pacific partner in the defense technology arena. This fact is underscored by the increased interest DOD has placed on accessing Japanese defense-related technologies and the level of personal involvement DOD has committed to engaging the Japanese in armaments cooperation.

In the past, DOD access to Japan's defense technologies was primarily through cooperative programs between the U.S. services and the Technical Research and Development Institute (TRDI), the research and development (R&D) arm of the Japan Defense Agency (JDA). We are now on the verge of expanding that access to Japan's private sector through cooperative R&D programs between DOD and Japanese industry.

The *Systems and Technology Forum (S&TF)* is DOD's primary vehicle for identifying and implementing cooperative R&D programs with Japan. This body meets annually at the executive level. Dr. Paul Kaminski, Under Secretary of Defense for Acquisition and Technology, is the current U.S. cochairman. His counterpart on the Japan side is Mr. Tokita, Director General of the JDA Bureau of Equipment. The working parts of this forum and the current activity in each are described below.

a. The *Technical Steering Group (TSG)* is the steering committee for the S&TF. It monitors the level of activity in our *Data Exchange Agreements* with JDA and oversees the functioning of our *Joint Working Groups*, *Preliminary Study Groups*, and *Technical Review*

Groups, all of which are described below. The TSG also develops initiatives to enhance future technology cooperation between DOD and Japan. Some of the latest initiatives include:

(1) *U.S.-Japan Industry Forum for Security Cooperation*. Once fully implemented, this forum will represent a long sought after channel for U.S.- Japan defense industry dialogue. Its focus will be on exploring opportunities for future industry to industry armaments cooperation, and it will function as an advisory body to the S&TF. Membership will include representatives from the National Security Industries Association (U.S.) and the Defense Production Committee of Keidanren. The first meeting is scheduled for January 31, 1997.

(2) *Joint Study of Methods and Structures*. This bilateral study will serve to improve both sides' understanding of the legal, structural and policy issues which affect DOD - Japan cooperation in armaments and defense technology programs. Participants and funding for this study are currently being identified.

(3) *Technical Research and Development Agreement*. The outcome of this agreement will be an umbrella MOU to streamline the process of negotiating technology cooperation programs between DOD and JDA. It will eliminate having to repeatedly negotiate language which is standard in all of our technology MOUs with JDA. This initiative is acceptable to JDA, but MOFA still has some concerns regarding the scope and necessity of such an umbrella document. The U.S. has answered MOFA's concerns; we are still awaiting a final Japan decision.

(4) *Engineer and Scientist Exchange Program (ESEP)*. Though hampered by legal "red tape" in years past, ESEP is staging a comeback. The Air Force was given authority (last month) to begin negotiating a Japan ESEP MOU. Once established, the ESEP will allow the reciprocal exchange of defense personnel to work in the other country's defense laboratories. Since the Japanese are excited about this program, an MOU signing is expected in the near term.

b. *Data Exchange Agreements (DEA)*. DOD and JDA presently exchange technical data in 38 technology areas of interest to both parties. Examples include: mine detection, robotics, ballistics, rocket propulsion, surface ship design and ammunition stability.

c. *Joint Working Groups (JWG)*. Joint Working Groups are fully funded cooperative R&D programs where each side shares equally in the work share and cost. We have four JWGs in place.

(1) *Ducted Rocket Engine JWG*. This is a \$20 million project to develop an air breathing rocket engine which could have application in future medium-range, surface-to-air missile programs. Begun in 1992, this was our first JWG and has been a very successful joint venture. Work on this project should cease in about a year.

(2) *Advanced Steel JWG*. Nearly a year old, this \$35 million project is focused on developing advanced welding technology for ship and submarine hulls. Excellent progress and cooperation have been noted in this program thus far.

(3) *Ceramic Engine JWG*. Also a year old, this \$26 million project seeks to enhance the efficiency of large fighting vehicle diesel engines through the application of ceramic engine components. Shortfalls in FY 96 Nunn funding delayed progress in this program. We are concerned about funding cuts again this fiscal year; however, Dr. Kaminski has pledged his personal involvement in finding money to keep this important program alive.

(4) *Eye Safe Laser JWG*. Established in September of this year, this \$20 million project is to develop an eye safe laser obstacle avoidance system for helicopters. The system will also have the ability to do terrain mapping and target range finding. This program appears to be off to a good start, but here, too, future funding is a concern. Again, Dr. Kaminski has pledged his support.

d. *Preliminary Study Groups (PSG)*. Preliminary Study Groups are formed to examine specific technology areas of interest for future bilateral cooperation as either a JWG or a DEA.

(1) We currently have seven PSGs exploring a wide range of technologies: *shallow water antisubmarine warfare (ASW)*, *remotely controlled mine detector*, *unmanned underwater vehicles*, *improved ejection seat for lightweight pilots* (American females and Japanese males), *enhanced magnetic sensing for ASW*, *low vulnerability ammunition* and *robotics*.

(2) All of the above technologies show good potential for future collaboration. The brightest prospects are the mine detector and ejection seat proposals. Both have high level support from DOD and JDA.

e. *Technical Review Groups (TRG)*. Technical Review Groups are established for broad categories of interest to identify possible JWG or DEA candidates. Two TRGs are active at this time.

(1) *Air Defense TRG*. This TRG was established in 1984 to explore opportunities for cooperation in air defense systems and associated technologies. Proposals under consideration are *hybrid rocket engine* (adjustable speed rocket), and *imaging infrared seeker* (for surface-to-air and air-to-air missiles). The leading prospect is the hybrid rocket engine project. It has great support in JDA and is the Air Force's number three candidate for international cooperation. Future theater missile defense-related cooperative proposals would be reviewed under this TRG.

(2) *Communications TRG*. Established in 1985, this group seeks opportunities for cooperation in a vast range of communications and command and control technology areas.

Promising prospects are *digital beam forming radar* (high resolution radar) and *conformal array antenna* (antennas shaped to conform to the design of a wing, fuselage, etc.). The radar project appears to have more likelihood for success given the level of enthusiasm on both sides. Should the Japanese show continued interest in space-based sensor cooperation, related proposals would be examined by the Communications TRG.

MDAO also pursues defense cooperation in armaments through other avenues outside the realm of the Systems and Technology Forum. They are:

a. *The MITI Channel*. We have set up a direct line of communications with MITI to establish industry to industry cooperation in developing technologies of interest to DOD. This has resulted in several projects involving both U.S. and Japanese industry. Two specific technology projects undergoing joint development include *manufacturing processes using composite material* and *low temperature micro processing*.

b. *Cooperative Research and Development Agreement (CRDA)*. A CRDA is an agreement between a federal laboratory and industry, either domestic or foreign. The laboratory provides personnel, facilities or other resources with or without reimbursement. The industry partner provides funds, people, services, facilities or equipment to conduct specific research or development projects which are consistent with the laboratory's mission. The beauty of the CRDA is that it allows DOD to collaborate with Japanese industry at the basic research level where Japan's restrictions on the export of defense technology do not apply. Currently, two CRDA's are being coordinated between the Air Force and Japanese industry in the area of composite fibers and material.

Conclusion. Defense technology cooperation is a critical element in our security relationship with Japan. It not only promotes interoperability, it also provides a cost effective means for both countries to develop state of the art defense equipment and upgrade the numerous systems we currently share. Progress in this area has been slow but steady. Two years ago, DOD had only one cooperative research and development program with Japan. Today there are four programs with several others to begin in the upcoming year. As for the future, we'll probably never achieve the level of technology cooperation with Japan that we desire. However, the future looks bright, especially in light of Japan's recent interest in collaborating in such technology intensive areas as theater missile defense and space-based sensors. MDAO's charter for the coming years will be to whittle away at the impediments to progress while continuing to build on our current successes and relationships.

PRESS RELEASE



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Secretary of Defense William Perry Statement to the Press December 2, 1996 Tokyo, Japan

Fifty years ago, I began my career as a young Army engineer on Okinawa. My unit's task was to build roads, and create structure and form out of the wreckage of war. There, in the devastation of Okinawa, I witnessed the low point of a people. But I also saw a glimmer of a brighter future, born of cooperation rather than conflict. Working side by side, we laid the foundations for what today is the most important alliance we have, linking the two richest democracies on the globe in a true partnership -- with a common vision and common goals.

So today it is appropriate to speak about a new vision of the future for Okinawa.

In the fall of 1994, between the end of the Cold War and the onset of a new century, the U.S. and Japan stood back and took stock. Together we concluded that the peace and prosperity of the last 20 years in the Asia-Pacific region was not an accident of history, but is deeply rooted in the stability fostered by the U.S.-Japan alliance. We confirmed that our security partnership is essential to ensuring stability into the next millennium.

Since then, we have taken historic steps to secure that future. In April of this year, during the most important summit since the fall of the Soviet Union, President Clinton and Prime Minister Hashimoto signed the Joint Security Declaration, reaffirming the importance of both the Mutual Security Treaty and of the U.S. military presence in helping create an environment where economies can grow and ideas can prosper. They also set out a strategic course for enhancing cooperation.

Today's announcement on the Special Action Committee on Okinawa, or SACO, is the first leg of our journey down that road. It shows that being good neighbors is as important to us as being good allies. We have done what we set out to do just one year ago: in 26 areas, we have worked out ways to reduce the burden of our military presence on Okinawan communities. At the same time, we have maintained our full operational readiness and capabilities. We have reduced noise, enhanced safety, and agreed to return about 21% of the land our forces use on the island -- this includes Futenma Air Station. We aim to build a Sea-Based Facility that will absorb most of the functions of Futenma -- maintaining our operational capabilities while allowing us to make a real difference to the people living near Futenma today.

We have concluded the SACO process -- but there is still work to be done. Implementing the Final Report will be a top priority for both our governments.

I have said that the road to a stronger alliance leads through Okinawa. SACO reminded us that our partnership is founded on consultation, commitment and trust -- not only government to government, but people to people.

Today, the road ahead is clear. We have already taken the next steps by launching our review of the bilateral Defense Guidelines. Drafted almost 20 years ago, the Defense Guidelines addressed a world very different from today's, so it makes sense to look at them anew. To our friends and neighbors in the region, I'd emphasize that we are not seeking out new

enemies, nor are we altering the fundamentals of our alliance. Rather, we are enhancing our cooperation in ways that will enhance regional stability. We recognize that our work is important to the region. So, to enhance transparency, we will promote multilateral dialogue on the U.S.-Japan security relationship.

We must also push ahead with other key areas on our agenda: implementing the Acquisition and Cross-Servicing Agreement to enhance our logistic cooperation in training and humanitarian efforts; studying Ballistic Missile Defense; committing to yearly 2+2 meetings; and enhancing regional security dialogue.

Today we agreed to pursue seven new initiatives: consulting closely on U.S. military posture and the Quadrennial Defense Review; enhancing personnel exchanges; establishing an annual nation-wide U.S. Forces "Community Day;" enhancing bilateral training and exercise opportunities in areas such as peacekeeping, humanitarian and disaster relief operations; promoting technology and equipment exchange; improving communications through advanced technologies; and encouraging multilateral dialogue as noted above.

Two weeks ago in Australia, President Clinton confirmed the U.S. strategy for the Asia-Pacific region -- commitment to our forward presence of about 100,000 troops, engagement with China, and strengthening our alliances. Our work today is at the heart of this strategy.

In the spring of 1946, my engineer unit was laying roads and building foundations in Okinawa; at the same time, our nations began building a vision for the future. Today, we can say that through Okinawa we have reinforced that foundation, and have prepared the way ahead. The uncertainties we face are different from what they were 50 years ago. But our work with Japan shows that our strategic vision is not blurred, but is clear and focused on building an alliance that will help ensure the peace in a dramatically changing world.

■ ■ ■ ■

From David Shear.

THE IMPORTANCE OF THE ALLIANCE WITH JAPAN

The Alliance is Good for the Region

- o The U.S.-Japan security relationship has formed the core of regional stability for the past fifty years.
- o The U.S. military presence here has helped provided the stability necessary for the region to grow economically.
- o The U.S. has an increasing economic stake in the region. We're trading over \$400 billion per year with East Asia, and, despite the trade imbalance, many U.S. exporters benefit from regional stability and economic prosperity.
- o We also have a growing security interest in the region. We have fought three major wars in this region this century because we thought U.S. interests here were vital.
 - With Japan and China emerging as great powers and continued uncertainty in Russia, the region is even more strategically important to us.
- o We need an ally in order to maintain strong political, strategic, and economic influence in this region. Japan is a good choice for an ally.
- o There is no multilateral structure like NATO or the OSCE to absorb the shocks to regional international relations that are bound to occur in the coming years. There is no prospect of such a structure in sight. Without these, it would be shortsighted to reduce our commitments to the region prematurely.
 - Without these, it would be shortsighted to reduce out commitments to the region prematurely.

- o Other regional players welcome the alliance along with our military presence here as the best assurance that the U.S. will continue to play a stabilizing role in the region.

The Alliance is In Our Own National Interest

- o You do not need to have a common enemy in order to maintain an alliance, but you do need common security interests.
- o We share fundamental security interests with Japan. Both countries seek:
 - to engage China in a way that encourages its responsible participation in the East Asian political and economic order;
 - to maintain peace and stability on the Korean Peninsula and prevent North Korean development of a nuclear weapons potential;
 - reform and opening up of the states of the Indochinese peninsula;
 - freedom of the seas.
- o The alliance with Japan also answers difficult strategic questions for both sides that would have to be asked without it.
 - It simplifies our strategic planning for the region. As long as we are allied with Japan, it's potential power will be exercised in a way that is consistent with the alliance.
 - It also simplifies matters for Japanese strategists, who have to worry less about regional instability and uncertainty.
- o Our military presence here is a bargain. Despite the controversy associated with Okinawa, the Japanese Diet recently approved the new Special Measures Agreement on Host Nation Support.

- Under this and related agreements, the Government of Japan provides over \$5 billion per year to support the U.S. presence, over half of our total stationing cost.
- We are helping to maintain peace and stability with a force constituting about ten percent of our overall force levels in a region that generates 60% of world GNP.

The Alliance is Flexible

- o Our present force levels in Japan (47,000) and the region (100,000) are not written in stone. We adjusted force levels downward after the Cold War and we could do so again if the Korean Peninsula were more stabile.
- o We foresee that our allies and friends in the region assuming more responsibility for its peace and stability over the long term, but this must be a longer term evolutionary process.
- o This may take place along with the growth of more multilateral security fora or organizations, but it is too early to tell.
 - The U.S. and Japan have actively in encouraged regional security dialogue leading to more transparency and confidence among East Asian states.
 - This too must be an evolutionary process.
- o Whatever the growth of multilateral bodies, we foresee the need for alliances with Japan (and even a unified Korea) for the foreseeable future.
 - We should back permanent security interests with stabile security structures.

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GENERAL SERVICES ADMINISTRATION

*WRM - two papers
RM*AMERICAN ECONOMIC AND SECURITY INTERESTS
IN JAPAN

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A working paper for the second meeting of the Study Group on "American Interests in Asia: Economic and Security Priorities" sponsored by the Economic Strategy Institute, Washington, D.C., November 14, 1996.

For five decades, Japan's mercantile realism has treated economics and security as two sides of the same coin.¹ Economically, Japan protected its markets from foreign competition while taking advantage of U.S. markets to pursue an aggressive export growth strategy and acquiring American technology to move up the technological ladder. In terms of security, Japan relied upon America's defense commitment and provided U.S. access to bases on its territories in return. This arrangement obviated the need to spend huge sums on the military and facilitated Japan's re-entry into the international community. It even made the victims of Japanese aggression in East Asia more receptive to Japan's economic revival. Given America's interest in having Japan serve as the main bulwark against the spread of communism in East Asia, Japanese leaders shrewdly saw that the United States would tolerate bilateral asymmetries in market access so as to facilitate Japan's economic reconstruction.

As Japan moved to the economic forefront, its leaders responded in a piecemeal fashion to U.S. pressures and incrementally recalibrated the basic bilateral bargain in order to sustain it. In the economic sphere, Japan lowered tariffs, adopted voluntary export restraints, and accepted voluntary import expansion agreements. In the security sphere, it gradually built up and modernized its defense capabilities, participated in joint exercises, and increased its host-nation support for U.S. forces. Although economics and security were integrated in a comprehensive strategy, Japanese leaders usually tried to keep these two policy arenas separate when dealing with their American counterparts.² They did not want bilateral economic tensions to spill over to the security relationship. Therefore, Japanese negotiators would give in marginally at the eleventh hour to appease the Americans on the economic front. But these accommodations did not mean that Japan agreed to a wholesale opening of its economy and a shift away from its mercantilist orientation. The preservation of explicit and implicit social contracts at home as well as an interest in nurturing new technologies motivated Japanese resistance to America's

liberalizing agenda. American ambivalence about getting Japan to play a more prominent military role reinforced the mainstream Japanese view in favor of a minimalist defense policy that focused on homeland defense while relying on U.S. power projection and offensive capabilities. To what extent will Japan stick to this approach in the post-Cold War era?

The Economic Dimension of Japan's Foreign Policy

During the last decade, the most significant change in Japan's economic orientation has been the shift to East Asia. Interest in East Asia grew dramatically after the yen's sharp appreciation in the wake of the 1985 Plaza Accord. At first, Japan's outward direct investments expanded in all directions: to the United States in order to get around possible trade barriers and hedge against exchange rate fluctuations, to Europe in order to get in before the formation of a unified European market, and to East Asia in order to take advantage of low labor costs. But by the 1990s, Japan's foreign direct investments (FDI) became increasingly focused on East Asia (see Table 1). Compared to the United States and Europe, East Asian markets were expanding much more rapidly; and the return on investment was generally greater. In 1994, Japan's FDI in East Asia surpassed that in North America for manufacturing. Its two-way trade with East Asia now far exceeds that with North America, and East Asia has become a much larger outlet for Japanese merchandise exports than North America.

Ever since the early 1980s, Japanese business leaders have feared a "boomerang effect" whereby low-cost producers in East Asia's newly industrializing economies (NIEs) would outcompete Japanese firms in terms of price. The East Asian NIEs did challenge Japan in some sectors like steel, shipbuilding, consumer electronics, and semiconductors. But the negative impact on the Japanese economy has been much less than predicted. In most sectors, Japan moved ahead technologically and imported less advanced products

from East Asia. Rather than becoming an economic threat, East Asia's growth expanded business opportunities. Japan is not only East Asia's largest source of foreign economic assistance for infrastructure development, but also its biggest supplier of capital goods for industrial production. By replicating their *keiretsu* networks in the region, Japanese corporations have developed markets for their machinery and technologically advanced intermediate goods and components.

Instead of being hit by an East Asian boomerang, Japan has racked up significant trade surpluses with virtually all non-oil exporting East Asian countries. In 1995, its trade surplus with East Asia totaled \$71 billion. It would, however, be misleading to argue that Japan is using East Asia as primarily an export platform (see Figure 1). Japanese subsidiaries in East Asia sell more goods in local regional and Japanese markets than in the North American market, and Japan's imports from East Asia have indeed increased.

But here is the rub. Whereas Japanese subsidiaries in East Asia serve three markets (the local regional, the Japanese, and the North American), U.S. subsidiaries there tend to direct their products back to the United States and to some extent the local regional market, but have difficulty penetrating the Japanese market. Since Japanese corporate networks can in effect modulate sales to their home markets, Japan is better able to temper the dislocative effects of imports from East Asia than the United States. Moreover, Japan's trade surplus with many of the East Asian countries pressures these economies to export aggressively abroad in order to improve their balance of payments. The United States as the most open market is the easiest target for this export drive. Put differently, the difficulty in penetrating the Japanese market deflects East Asian exports to the United States.

Even with the leap-frogging by some East Asian competitors in some sectors (e.g. South Korean semiconductor manufacturers), East Asian development still follows a stratified pattern that approximates the famous (or infamous) flying-geese model. With the region's reliance on Japanese aid, investments and production technology, Japan's

position as the lead goose appears relatively secure. As the East Asian NIEs have moved up, Japan has turned its attention to new Asian economic frontiers like China, Vietnam, and even Burma while deepening its stake in the ASEAN Four.

China is now by far the largest destination of Japanese direct investments in East Asia (see Table 1). Despite the uncertainties in China and the poor state of Sino-Japanese relations, Japanese business remains bullish on China. China ranks as the most promising FDI destination in both the medium and long term (see Table 2). Compared to the United States, Japan's trade balance with China-Hong Kong is quite favorable. Although Japan had a trade deficit of about \$14 billion with China in 1995, it ran a surplus with Hong Kong of \$14.6 billion.

It remains to be seen to what extent Chinese entrepreneurial networks and Korean chaebol can challenge the Japanese in East Asia's dynamic regional economy. Overseas Chinese might rival, perhaps even surpass, Japanese conglomerates in some third markets; but Japanese firms will still dominate at home. Asia may not be in Japan's embrace, but Japan is well-positioned to reap the benefits of East Asian growth while moderating the negative social consequences of expanding imports from the region.

Paradoxically, despite Japan's favorable position in East Asia, many Japanese economists warn of chronic stagnation, even structural crisis.³ Japan's excesses (overinvestment in productive capacity and reckless financial transactions) during the 1980s have contributed to the economic slowdown during the last four years. The need to maintain the "lifetime" employment system for at least "permanent" employees in large firms has hampered corporate restructuring to improve efficiency and increase productivity. Unemployment rates have crept up as recent graduates have had difficulty finding jobs. Fiscal stimulus packages coupled with low interest rates have been largely ineffectual in accelerating growth; and they have exacerbated the budget deficit problem.

The doomsayers argue that Japan must shift out of its developmental, catch-up mode. State regulations that once protected domestic markets and prevented "excessive

competition" now block the emergence of new businesses and obstruct a positive response to the information and telecommunications revolution. Employment practices that have given workers job security now prolong a mismatch between jobs and salaries and contribute to rising unemployment even in the context of a chronic labor shortage. And an educational system that effectively imparted critical skills is now seen as stifling the kind of creativity that is necessary if Japan wants to be at the scientific and technological forefront.

These problems might suggest that Americans need not worry that Japan will overtake the United States in terms of either productivity or technological prowess. But it would be misguided to underestimate yet again Japan's capacity to make the marginal adjustments necessary to get its economy back on track. The fundamentals are still sound: a highly skilled and motivated work force, plentiful savings for investments, low overhead costs either in terms of military expenditures or domestic strife, and an uncanny ability to absorb and transform new technologies into marketable products. Even without the drastic reforms advocated by some visionaries, I can imagine Japanese companies relaxing the seniority system and even incorporating an alternative job track that offers high remunerations at an early point in one's career in exchange for reduced employment security later on. I can also imagine Japan relaxing some regulations to permit resourceful domestic firms to take greater advantage of the telecommunications revolution, while still using industrial policy to promote innovation and competitiveness. But these changes can come without Japan discarding existing social contracts that have fostered social stability and without embracing the Thatcherite brand of neoconservative liberalism. Nor would it require that Japanese corporations revolutionize their business practices to open the floodgates for foreign imports. In short, Japan will renovate its system, not abandon it.

To hold down costs, Japanese firms can easily purchase inexpensive inputs from their subsidiaries in East Asia (and not from U.S. firms), while concentrating on higher value-added outputs at home. Although its weakness in basic research is Japan's Achilles

heel, it can seek to maintain its access to technological discoveries hatched in the United States and elsewhere. This is why despite the growth of intra-East Asian trade, the Japanese do not contemplate a self-contained East Asian economic sphere. The American market for Japanese exports may not be growing, but it is still large enough to matter. More importantly, to stay ahead of East Asian competitors, Japanese firms rightly see the need to keep a significant presence in the United States, the most technologically advanced country besides Japan. By competing in the U.S. market, the Japanese will be compelled to innovate. By investing in the United States, the Japanese can continue to tap America's technological fountain.

Therefore, even as Japan shifts its economic weight to East Asia, it wants to prevent a dividing line down the Pacific. Japan's flirtation with an East Asian Economic Caucus does not signal a desire to make another attempt at a Greater East Asian Co-prosperity Sphere. Rather it is an effort to cultivate regional coalitions in order to check American protectionism and aggressive liberalism and to counter NAFTA. That is why Japan stresses the notion of the "Asia-Pacific" more than "East Asia." In contrast to the United States, Japan's main objective in APEC is not trade and investment liberalization as such. Because Japan is already skillfully using its economic resources to negotiate its way into East Asian markets, the added benefits of free trade and investment rules are not all that great. Instead Japan's top priorities in APEC are (1) to keep the United States engaged in East Asia and opened to Japanese trade and investments, (2) to sustain East Asian development and growth, and (3) to integrate China into the regional economic system.



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