

# Background

No. 1749  
April 26, 2004



Published by The Heritage Foundation

## A New Security Agenda for the U.S.–Japan Alliance

*Balbina Y. Hwang*

March 31 marked the 150th anniversary of the Treaty of Peace and Amity between the United States and Japan. During this period, U.S.–Japan relations have been complex, shifting from friendship to enmity and back to friendship again. Today, Japan is one of America's staunchest allies and is a key strategic partner in Northeast Asia.

Japan's decision in late 2003 to dispatch 1,000 Self-Defense Forces (SDF) troops to Iraq marks an important milestone in the U.S.–Japan alliance and is one example of greater cooperation between the two allies on a range of important security issues. Japan's response—not just its response to regional threats such as North Korea, but also its assistance in global conflicts such as in the war on terrorism and Iraq, as well as its cooperation on ballistic missile defense (BMD)—demonstrates that this alliance is reliable in times of crisis.

Yet, if the U.S.–Japan alliance is to remain strong and endure as a true partnership in the 21st century, the United States should not just rely on common security threats in the present to forge cooperation in the future. To provide vision for and direction to the alliance, the Bush Administration should:

- **Issue** a clear statement articulating the valued role that the U.S.–Japan alliance plays in America's regional and global security strategy, as well as explicit goals for the future;
- **Encourage** Japan's continued progress toward deploying a missile defense system;
- **Urge** Japan to maintain its firm stance against

### Talking Points

- Japan's decision in late 2003 to dispatch 1,000 Self-Defense Forces (SDF) troops to Iraq marks an important milestone in the U.S.–Japan alliance and is one example of greater cooperation between the two allies on a range of important security issues.
- If the U.S.–Japan alliance is to remain strong and endure in the 21st century, the United States should not just rely on common security threats in the present to forge cooperation in the future. Instead, Washington and Tokyo should make concerted efforts to clarify and establish a set of long-term objectives that take into consideration the post-September 11 security environment.
- Koizumi's firm stance on pursuing a more proactive foreign policy indicates Japan's desire to become a more equal partner of the United States and should be seen as an important act of foreign policy independence.

This paper, in its entirety, can be found at:  
[www.heritage.org/research/asiaandthepacific/bg1749.cfm](http://www.heritage.org/research/asiaandthepacific/bg1749.cfm)

Produced by the Asian Studies Center

Published by The Heritage Foundation  
214 Massachusetts Avenue, N.E.  
Washington, DC 20002–4999  
(202) 546-4400 [heritage.org](http://heritage.org)

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

North Korean nuclear programs and proliferation activities; and

- **Facilitate** increased cooperation on counter-terrorism efforts, such as intelligence sharing.

### A Framework for Future U.S.–Japan Cooperation

While Japan has risen to the challenges of the war on terrorism and now Iraq, the Washington–Tokyo dialogue on security issues remains overly focused on responding to short-term crises without adequate attention to long-term capabilities and strategies. For example, although Japan’s military and financial contributions to the war efforts in Iraq and Afghanistan are significant and important, the two countries have not developed a clear definition of their regional alliance’s role in extra-regional conflicts. Moreover, less immediate issues, such as how the alliance should address China’s rise as a regional power, have been pushed to the background by more immediate threats such as North Korea.

Rather than drifting along, reacting to crises as they arise, Washington and Tokyo should make concerted efforts to clarify and establish a set of long-term objectives for the alliance that take into consideration the post–September 11 security environment and possible strategic shifts in the region, such as the collapse of North Korea.

Japan can begin to do this by revisiting its *1991 Guidelines for Japan–U.S. Defense Cooperation* and specifying security threats and interests beyond the current loose application of the “defense of Japan as well as areas surrounding Japan.”<sup>1</sup> Japan’s security commitments have already expanded beyond the strict parameters of previous security frameworks and should be rearticulated to reflect current needs and threats, especially the proliferation of weapons of mass destruction, anti-terrorist activities, and peacekeeping and reconstruction efforts.

The United States should do its part by articulating a more clearly defined strategic vision for the alliance, based on the October 2000 Armitage–Nye Report,<sup>2</sup> which called for a thorough re-examination of the U.S.–Japan relationship in the context of the uncertain post–Cold War regional environment. The priority goals outlined in the report are a blueprint for developing long-term bilateral strategic relations, which was sidetracked by the events of September 11, 2001, and the ensuing war on terrorism.<sup>3</sup>

The American strategic policy statement should also go beyond the Armitage–Nye Report by defining the requirements of a more dynamic approach to bilateral defense planning and by more clearly articulating U.S. expectations of Japan as an alliance partner. The leadership in both countries should be prepared to discuss openly how much Japan is willing and able to participate in both military and civilian activities beyond current levels and areas, given legal and political restrictions on greater Japanese participation in collective defense efforts.

Ongoing U.S.–Japanese cooperation in several key areas—such as the North Korean nuclear issue, missile defense, and the war on terrorism—is important to the continued growth and evolution of the bilateral alliance. The two allies should continue these efforts by addressing long-term goals and aligning their strategic visions so that they can rely on each other as true partners. With such a concrete vision, the alliance could shape a stable, peaceful, and prosperous security environment that serves the shared interests of both allies rather than reacting to short-term crises.

### Evolving Japanese Foreign Policy

Japan’s security policy since World War II has largely been reactive, serving the primary goals of ensuring a stable regional and international security environment that is conducive to trade and investment. This has meant relying on the United States

1. For the full text, see Ministry of Foreign Affairs of Japan, “The Guidelines for Japan–U.S. Defense Cooperation,” at [www.mofa.go.jp/region/n-america/us/security/guideline2.html](http://www.mofa.go.jp/region/n-america/us/security/guideline2.html) (April 13, 2004).

2. For the full text, see Richard L. Armitage *et al.*, “The United States and Japan: Advancing Toward a Mature Partnership,” Institute for National Strategic Studies *Special Report*, October 11, 2000, at [www.ndu.edu/inss/press/Spepreprts/SR\\_01/SFJAPAN.PDF](http://www.ndu.edu/inss/press/Spepreprts/SR_01/SFJAPAN.PDF)

3. For a detailed status report on the Armitage–Nye Report’s recommendations, see the Appendix.

to promote stability in East Asia. At the same time, Japan has shied away from activist military and security roles commensurate with its economic might as the world's second largest economy.

Several factors explain this phenomenon. Domestically, Japan developed a profound aversion to militarism and an interventionist foreign policy in the aftermath of World War II. Japan's post-war constitution embedded this legacy in its political institutions, dramatically limiting the power of the military in Article 9. Internationally, the strategic environment in Northeast Asia remained stable during the Cold War, allowing Japan to rely on the United States for its security.

A confluence of recent developments, however, has led Japan to become more proactive in its foreign policies. Economically, Japanese interests have shifted from Southeast Asia toward Northeast Asia, particularly China. In 2003, Japan's trade with China exceeded \$132.4 billion, setting a record high for the fifth consecutive year. Japanese exports to China surged 43.6 percent to \$57.2 billion, while imports from China rose 21.9 percent to \$75.2 billion.

In contrast, Japan-U.S. trade has been declining, with exports falling 2.6 percent and imports increasing by only 1.7 percent in 2003. Since 2002, Japanese imports from China have exceeded imports from the United States.<sup>4</sup> South Korea remains an important economic partner. Thus, Japan's interests in promoting and maintaining stable and secure relations in Northeast Asia have never been more important.

Politically, Prime Minister Junichiro Koizumi has been instrumental in promoting a more proactive foreign policy. Since assuming leadership in April 2001, Koizumi has overseen an increasing centralization of policy decision-making amidst the decreasing popular prestige of the Ministry of Foreign Affairs (MOFA) and the Liberal Democratic Party (LDP), the institutions and bureaucracies that have traditionally controlled foreign policy decision-making.

Perhaps most important, Japan's security environment has become more unpredictable and unstable because of North Korea's increased belligerence, including its 1998 test launch of a long-range ballistic missile over Japan and its current nuclear programs. While Japan remains primarily a status quo power, other countries in the region are not. For example, China has territorial disputes with its neighbors and great power ambitions, while North Korea remains dedicated to revisionist goals.

At the same time, Japan's growing economic interaction with China raises troubling strategic issues for the future as China's economy continues to grow while Chinese security objectives in the region are uncertain. In addition, new non-state threats, including global terrorism, have come to the fore.

As a result, the Japanese government has taken unprecedented steps in its foreign policy in recent months. In addition to deploying SDF troops to Iraq and three destroyers to the Indian Ocean, the Japanese Diet in May 2003 passed three wartime preparedness bills that specify the government's ability to mobilize military forces and adopt other emergency measures.

Despite this positive trend toward a more proactive Japanese foreign policy, some significant factors remain that could inhibit Japan's ability to embrace an international role commensurate with its economic power.

*First*, while popular aversion to an overtly activist role overseas has lessened in recent years, it has not completely disappeared. These sentiments continue to block a vigorous public debate over the constraints imposed by Article 9 of the constitution and some of its more restrictive interpretations, despite new policies such as the deployment of SDF forces to Iraq.

*Second*, Japan's sluggish economy and the government's inability to institute sweeping political and economic reforms undermine Japan's credibility, both domestically and abroad. In addition, more than a half-century after World War II,

4. Chi Hung Kwan, "Japan's 'China Syndrome' Dissipating as Exports to China Surge," March 1, 2004, at [www.rieti.go.jp/en/china/04030101.html](http://www.rieti.go.jp/en/china/04030101.html).

Japan's Asian neighbors continue to harbor resentment against Japan's perceived reluctance to own up to its wartime history, further undermining Japanese leadership in the region.

*Third*, ironically, Japan's close and enduring security alliance with the United States is the greatest constraint on Japanese foreign policy initiatives. As long as Japan relies on the U.S. security guarantee, it has little reason to initiate more active policies.

Thus, both the United States and Japan should work toward transforming their respective roles in the alliance by seeking new areas of cooperation and developing responses to future threats. The two partners have successfully coordinated their efforts in three key areas: North Korea, missile defense, and the war on terrorism.

### **U.S.–Japan Cooperation in the Region: North Korea**

Of all the countries in Northeast Asia, Japan is probably the most vulnerable to North Korea's missile and nuclear capabilities. The missile threat became clear when Pyongyang launched a three-stage, medium-range Taepodong missile over the Japanese main island of Honshu in August 1998. According to the Japanese Defense Agency, North Korea has more than 100 short-range Nodong missiles that could strike Japan and more than 30 Taepodong missiles<sup>5</sup> with an estimated range of 3,500 kilometers, which could reach Alaska and the westernmost islands of Hawaii. The CIA reports that North Korea is developing the capability to miniaturize its nuclear warheads to fit these missiles.

North Korea's shocking admission to kidnapping Japanese citizens and refusal to allow their families to return to Japan, pursuit of clandestine nuclear programs in flagrant violation of interna-

tional agreements and treaties, withdrawal from the Nuclear Non-Proliferation Treaty, and proliferation of missiles<sup>6</sup> constitute a threat to peace and stability in the region and are intended to undermine America's bilateral alliances in the region.

Thus, any peaceful resolution of the North Korean nuclear issue will require Japan's strong support and cooperation in the six-party talks with North Korea. Prime Minister Koizumi made clear his intention to forge a new relationship with North Korea when he visited Pyongyang in September 2002. While North Korea dashed hopes of an immediate turnaround in bilateral relations by mishandling the issue of kidnapped Japanese citizens, Japan will likely play a key role in any future breakthrough in easing diplomatic tensions with Pyongyang.

### **Cooperation on Missile Defense**

North Korea's threatening posture has clearly provided the impetus for Japanese cooperation with the United States on missile defense. In turn, missile defense has become a focal point of America's changing relationship with Japan as well as a catalyst for Japan to reconsider its entire security strategy.

Discussions with the United States on missile defense cooperation began in the mid-1980s, but Japan resisted committing itself until North Korea's missile test in August 1998. A year later, in August 1999, U.S. and Japanese officials agreed to conduct joint research on a sea-based interceptor system for deployment on ships equipped with Aegis radar. Japan already has four Aegis destroyers, with two more under construction.<sup>7</sup>

More recent North Korean threats and the threat of global terrorism have created greater public momentum to consider building a missile defense in cooperation with the United States. A white

5. Brendan Pearson, "Japan to Expand Ballistic Missile Defense," *Australian Financial Review*, June 23, 2003.
6. In addition to violating the terms of the 1994 Agreed Framework, the Nuclear Non-Proliferation Treaty, the Joint Declaration of the Denuclearization of the Korean Peninsula, and the International Atomic Energy Agency Safeguards Agreement. For further detail, see Balbina Y. Hwang, Larry M. Wortzel, Ph.D., and Baker Spring, "North Korea and the End of the Agreed Framework," Heritage Foundation *Backgrounder* No. 1605, October 18, 2002, at [www.heritage.org/Research/AsiaandthePacific/bg1605.cfm](http://www.heritage.org/Research/AsiaandthePacific/bg1605.cfm), and Balbina Y. Hwang, "Resolving the North Korean Nuclear Issue," Heritage Foundation *Executive Memorandum* No. 875, May 8, 2003, at [www.heritage.org/Research/AsiaandthePacific/em875.cfm](http://www.heritage.org/Research/AsiaandthePacific/em875.cfm).
7. Steven Hildreth and Amy Woolf, "Missile Defense: The Current Debate," Congressional Research Service *Report for Congress*, February 2003, p. 23.

paper published in August 2003 by the Japan Defense Agency (JDA) emphasized the need to bolster anti-missile measures to counter North Korean and terrorist threats.<sup>8</sup> Based on this report, the Japanese Diet has approved \$1 billion for ballistic missile defense in its annual budget for the coming fiscal year. The proposed BMD system would consist of SM-3 missiles deployed on Aegis destroyers and land-based Patriot Advanced Capability (PAC-3) anti-missile systems.<sup>9</sup> The entire system is expected to be operational by March 2006.

Many difficult issues remain unresolved, ranging from managing costs to legal, policy, and constitutional issues. Legal and constitutional limitations pose impediments to full cooperation in a U.S. missile defense system. Although Japan's constitution does not explicitly prohibit collective self-defense actions, the accepted interpretation of Article 9 since its adoption in 1947 has been non-involvement in such activities.

This interpretation also poses obstacles for Japan's provision of logistical support for joint exercises, maneuvers, and other cooperative activities with the United States, Japan's only treaty ally. For example, under current Japanese law, the SDF cannot intercept missiles unless the prime minister issues an order for defense mobilization. However, a Nodong missile launched from North Korea would take only nine to 10 minutes to reach Japan. Hence, Japan needs to ease the conditions governing defense mobilization.<sup>10</sup>

In addition, the SDF itself, including its ability to mobilize forces, needs to be reorganized. Since its establishment in 1954, the SDF has existed primarily as an organization with limited capabilities

that merely maps out operational exercises.

In 1992, the SDF began to take part in U.N. peacekeeping operations in various parts of the world. Since then, it has been subject to increasing public scrutiny on how it fulfills its duties. Three contingency bills passed in June 2003 improve the legal framework for the SDF to carry out necessary activities in times of civil and military emergencies, but the SDF is still limited in its ability to deploy an effective missile defense system.<sup>11</sup>

As for constitutional impediments, Japanese officials have, for now, avoided addressing the collective defense issue arising out of the U.S. missile defense strategy and have concentrated instead on protecting Japan's option to acquire a BMD capability. Under its constitution, Japan is allowed to intercept missiles bound for Japan, which would constitute an act of self-defense.

The JDA has now officially stated that intercepting missiles flying over the archipelago but not targeting Japan would not violate the constitution's ban on collective defense,<sup>12</sup> although this has been much disputed within the context of a joint U.S.–Japan missile defense system. The JDA has also stated that the planned introduction of the missile defense system would not presume Japan's involvement in the defense of a third country. In other words, the constitution is still interpreted as prohibiting Japan from intercepting a missile that does not fly over the country, even if it is targeted at the United States.

Eventually, the government will have to review the interpretation of Article 9 that Japan cannot exercise the right of collective self-defense. The pursuit of a missile defense system not only reflects, but

8. The overall budget request represents an increase of 0.7 percent over the current year, due to measures to deal with foreign spy ships, invading military units and terrorists, and possible attacks with nuclear, biological, and chemical weapons. Hiroshi Hiyama, "Japan Defense Agency Asks for Budget for Ballistic Missile Defense," Agence France-Presse, August 29, 2003.
9. The PAC-3 system is designed to destroy short-range ballistic missiles in the terminal flight stage, not long before impact. It is an improved version of the PAC-2 system. Japan already has about 120 PAC-2 missiles deployed throughout the country. The SM-3 is a more ambitious system, designed to destroy ballistic missiles in the midcourse phase, beyond the Earth's atmosphere. SM-3s would be deployed on Aegis destroyers reconfigured to accommodate the weapons. Asahi News Service, "Fear Alters Missile Defense Plan," June 6, 2003.
10. Pearson, "Japan to Expand Ballistic Missile Defense."
11. "Stronger Defenses Needed Following Contingency Laws," *The Yomiuri Shimbun*, June 9, 2003.
12. "Japan Claims Right to Hit Missiles Flying Past Nation," *The Japan Times*, June 23, 2003.

also requires a broader rethinking within Japan about its defense posture. The country's security and defense policy is already slowly being transformed from a constitutional prohibition on the use of force toward a more active security profile.

Continuing re-interpretation of the constitution may not necessarily result in a re-militarized Japan, but rather a healthy, increased participation in the security alliance with the United States. This trend would not be a source of concern within the region were it not for tensions raised by Japan's refusal to offer its neighbors a genuine and official apology for its wartime wrongdoing.<sup>13</sup>

### U.S.–Japan Cooperation in the War on Terrorism and Iraq

For the past half-century, the U.S.–Japan alliance has served as the cornerstone of stability and prosperity in Northeast Asia. In the aftermath of September 11, 2001, Japan has shown that it can also play a critical role in promoting stability in other regions around the world.

Japan has also been a strong supporter of the war on terrorism. In October 2001, the Diet passed the Anti-Terrorism Special Measures Law, authorizing more active political and military participation with the United States in the global war on terrorism. For example, this important legislation allowed Japan to send naval vessels to the Indian Ocean to provide logistical support for the war effort in Afghanistan.

In 2003, the Diet enacted further legislation that defined the Japanese military's role in case of foreign attacks on Japan. In July, the Diet authorized the government to send troops to overseas trouble spots to offer medical assistance, repatriate refugees, reconstruct buildings and roads, and give administrative advice.<sup>14</sup> This provided the legal basis for missions dispatched in November to provide rearguard support for the U.S.-led war on terrorism in Afghanistan, in addition to \$500 million in financial assistance.

Prime Minister Koizumi's December 18, 2003,

authorization to send 1,000 non-combat SDF personnel to Iraq to assist reconstruction efforts is significant because it marks Japan's first military deployment overseas since World War II.

The deployment is also significant for the U.S.–Japan alliance, due to the political risk that Prime Minister Koizumi undertook by cooperating with U.S. efforts in Iraq. The killing of two Japanese diplomats in Iraq in July 2003 raised overwhelming popular opposition to a Japanese deployment to Iraq, and Koizumi faces increasing pressure from the main opposition Democratic Party, which gained a significant number of seats in the November elections. Nevertheless, Koizumi has stated that Japan will stand firm in the face of terrorist attacks and has pledged \$5 billion for Iraqi reconstruction efforts.

Koizumi's firm stance on pursuing a more proactive foreign policy indicates Japan's desire to become a more equal partner of the United States. While some may criticize Japan's contribution to Iraq as stemming from obedience to U.S. demands, it should instead be seen as an important act of foreign policy independence.

Moreover, Japan's active involvement in Iraq lays the groundwork for future contributions to international security not just in the region, but also beyond. The U.S.–Japan alliance has proven the test of time, but both partners must make the effort to ensure that it will remain relevant and productive in the future.

### What the Administration Should Do

The Bush Administration should:

- **Issue a clear statement acknowledging the valued role that the U.S.–Japan alliance plays in America's regional and global security strategy.** This statement should set out explicit goals for the future and provide specific guideposts by which progress can be measured.
- **Review and accelerate implementation of the recommendations of the Armitage–Nye Report.** The review should reassess some of the

13. Elizabeth Mills, "Report Suggests Japan Prepared to Increase Security to Counter North Korean Threat," World Market Research Center, June 23, 2003.

14. Associated Press, "Japan's Defense Agency Calls for Closer U.S. Ties," August 5, 2003.

recommendations given the changed global security environment. It should also consider goals beyond the report's initial recommendations by articulating a long-term vision for the security relationship that considers new and potential threats. This new assessment should contain a blueprint for addressing the long-term challenges of the rise of China, as well as changes on the Korean peninsula. One response should be to strengthen the relationship between Japan and South Korea and increased cooperation in all areas, including security, economic, and political exchanges.<sup>15</sup>

- **Urge Japan to review its 1997 Guidelines for Japan–U.S. Defense Cooperation** and update these guidelines to better reflect current security issues. The Japanese government should also use this opportunity to initiate a public dialogue on collective self-defense and the political restrictions that currently inhibit a more proactive role by Japan in its alliance with the United States.
- **Encourage Japan's progress toward deploying a missile defense system.** As part of these efforts, the Japanese government should be urged to articulate and explain the defensive nature of the missile defense system to the Japanese people, as well as neighboring nations. As a defensive system, missile defense is not a threat to North Korea, China, or Japan's other neighbors. Japan should also be encouraged to maintain transparency about the system's development to promote international understanding.
- **Urge Japan to maintain its firm stance against North Korean nuclear programs and proliferation activities.** Japan's continued cooperation in the multilateral process to press North Korea to abandon its nuclear weapons programs is critical. Japan's participation in Proliferation Security Initiative efforts to crack down on transfers of weapons and technology

related to missile and nuclear weapons development, as well as other efforts to stem North Korean trade in illicit materials such as drugs and counterfeit money, should be encouraged to continue.

- **Facilitate increased cooperation on counterterrorism efforts, such as intelligence sharing and capabilities.** The Administration should direct the U.S. Department of Homeland Security to send delegations to meet with counterparts in Japan on anti-terrorism. Opening channels of communication and exchanging information between relevant agencies in both countries should be encouraged.
- **Encourage Members of the U.S. Congress to meet often with their Diet counterparts.** While Congress's ability to conduct foreign policy is limited, it should nevertheless remain engaged on Japan issues. The goal should be to improve communication and cooperation on security issues and strengthen the existing ties between the two countries based on mutual values, such as democratic principles, international law, human rights, and free trade. The U.S. Congress should be encouraged to revive the Japan Caucus, which could organize such exchanges.

## Conclusion

The U.S.–Japan alliance was created in the aftermath of World War II and became the anchor for building stability and prosperity in Northeast Asia during the Cold War. The current security environment, however, is dramatically different. Some Cold War threats such as North Korea persist, while new threats from non-state actors, including terrorists, have emerged. Continued close cooperation between the United States and Japan could prove critical to defeating these threats.

—*Balbina Y. Hwang is Policy Analyst for Northeast Asia in the Asian Studies Center at The Heritage Foundation.*

15. For details on the Armitage–Nye Report's recommendations, see the Appendix.

## Appendix

### The Armitage–Nye Report: A Report Card

The October 2000 *Special Report on the United States and Japan: Advancing Toward a Mature Partnership*, also known as the Armitage–Nye Report, is an independent bipartisan study of the U.S.–Japan partnership. Many of the study’s participants are now senior members of the Bush Administration, serving as key policymakers on Asia, including Richard L. Armitage (Department of State); Michael J. Green (National Security); James A. Kelly (Department of State); Robert A. Manning (Department of State); Torkel L. Patterson (Department of State); Robin H. Sakoda (Department of State); and Paul D. Wolfowitz (Department of Defense).

The objectives stated in the report serve as a useful benchmark for progress in the U.S.–Japan relationship. The report lays out six key elements of the bilateral relationship that need improvement:

#### Politics

- **Recommendation.** “Japan’s risk-averse political leadership has held back the nation’s economic transformation, [and] the lack of clear direction from Washington also has taken a toll. Episodic executive branch leadership has failed to produce a well-conceived game plan for America’s relationship with Japan.”

**Evaluation.** Slow but ongoing progress in instituting economic reforms in Japan. Washington has made much progress on prioritizing the U.S.–Japan alliance but needs to articulate a clearer vision for the future of the bilateral relationship.

#### Security

“The United States and Japan [should] develop a common perception and approach regarding their relationship in the 21st century...with an expanded Japanese role in the transpacific alliance...and a more dynamic approach to bilateral defense planning.” These include:

- **Recommendation.** “Reaffirming the defense commitment.”

**Evaluation.** Accomplished

- **Recommendation.** “Diligent implementation of the revised Guidelines for U.S.–Japan Defense Cooperation, including passage of crisis management legislation.”

**Evaluation.** Implementation of the guidelines is incomplete. Japan has successfully passed several emergency measures, including those to combat terrorism, but is still legally unable to participate in collective self-defense, and a serious national security emergency could precipitate a legal and constitutional crisis. Additional contingency legislation is needed.

- **Recommendation.** “Robust cooperation of all three U.S. armed services with their Japanese counterparts.”

**Evaluation.** Ongoing progress.

- **Recommendation.** “Full Japanese participation in peacekeeping and humanitarian relief missions.”

**Evaluation.** Japan has made great progress and was involved in U.N. peacekeeping operations in Cambodia, the Golan Heights, and East Timor in the 1990s. Japan has also deployed non-combatant forces to aid the reconstruction efforts in Afghanistan and Iraq.

- **Recommendation.** “Development of a U.S. force structure that has the characteristics of versatility, mobility, flexibility, diversity, and survivability. The United States should strive to reduce the American military footprint in Japan as long as capabilities can be maintained.”

**Evaluation.** Currently underway.

- **Recommendation.** “Making priority availability of U.S. defense technology to Japan.”

**Evaluation.** Ongoing progress, especially in missile defense cooperation.

- **Recommendation.** “Broadening the scope of U.S.–Japan missile defense cooperation.”

**Evaluation.** Substantial progress. On March 26, 2004, the Diet approved \$1 billion for mis-



sile defense in the upcoming fiscal year. In September, the U.S. Navy will deploy an Aegis destroyer to the Sea of Japan as the first step in building a missile defense system.

### Okinawa

- **Recommendation.** “The United States and Japan should complete implementation of the 1996 U.S.–Japan Special Action Committee on Okinawa (SACO) agreement, which called for the realignment, consolidation, and reduction of U.S. bases on Okinawa.”

**Evaluation.** Slow progress on completing SACO, as part of larger overhaul of U.S. force presence in East Asia. Preparations are currently being made to resume talks to revise the status of forces agreement between the United States and Japan, which governs the activities of U.S. forces stationed in Japan. Talks were suspended in August 2003 after the parties failed to reach agreement on several outstanding issues.

### Intelligence

“Greater cooperation and integration of intelligence capabilities between the two allies.” This includes:

- **Recommendation.** “The U.S. National Security Advisor must make strengthened intelligence cooperation a policy and intelligence priority.”

**Evaluation.** Solid progress. With coordination between National Security Council and Department of State, the intelligence exchange relationship between Washington and Tokyo has been upgraded on issues of mutual interest.

- **Recommendation.** “The U.S. Director of Central Intelligence must work with Japan to broaden cooperation in a way that fits with Japan’s national security priorities.”

**Evaluation.** Solid progress.

- **Recommendation.** “The United States should support Japan’s development of an independent intelligence capability, including its own satellites.”

**Evaluation.** Solid progress. The United States has supported development of Japanese intelli-

gence capabilities in the context of mutually shared concerns and targets, both regionally and globally.

- **Recommendation.** “The United States should prioritize joint-staffing of analytical centers, reciprocal educational programs, and initiatives to enrich the intelligence network.”

**Evaluation.** Solid progress. The joint staffing of some analytical centers focusing on targets of mutual interest has been streamlined and is operating smoothly.

- **Recommendation.** “Japan should do its part by reorganizing its government and prioritizing intelligence cooperation and management.”

**Evaluation.** Solid progress. In recent years, the prime minister’s cabinet has focused on both broad and specific intelligence issues and prioritized cooperation with the United States.

### Economic Relations

“An economically healthy Japan is essential to a thriving bilateral partnership, and the restoration of sustained economic growth in Japan will depend in large measure on opening markets.” Specific measures include:

- **Recommendation.** “Further systemic reform of the Japanese economy and more openness to both domestic and foreign players.”

**Evaluation.** Greater progress needed. Japan’s recent modest improvement in economic performance has raised hopes that economic fundamentals are changing. Japan has made some progress in addressing structural problems, in particular strengthening the banking sector and restructuring the corporate sector, but uncertainty about Japan’s economic outlook remains, and much work remains to be done. For example, 70 percent of foreign businesses operating in Japan report that Japan’s tax administration policies significantly hamper their business activities and negatively affect their investment decisions in Japan.<sup>16</sup> Thus, there is urgent need to streamline tax laws and directives as well as to reduce burdensome taxes. One area of progress is the Diet’s Lower House passage in March 2004 of legislation for a new U.S.–Japan Tax Treaty.

- **Recommendation.** “Continued short-term fiscal and monetary stimulus.”  
**Evaluation.** Japan’s rapidly deteriorating fiscal position is of great concern. Government debt rose to nearly 150 percent of gross domestic product in 2003—the highest rate in the developed world.
  - **Recommendation.** “Greater transparency in accounting, business practices, and rule-making.”  
**Evaluation.** More progress needed.
  - **Recommendation.** “Deregulation should be accelerated.”  
**Evaluation.** More progress needed.
  - **Recommendation.** “Japanese free trade agreements should be encouraged.”  
**Evaluation.** Japan has made some progress on negotiating free trade agreements (FTAs). In November 2002, the Diet ratified the FTA with Singapore, and Japan concluded FTA negotiations with Mexico in March 2004. Japan is currently negotiating FTAs with South Korea, Thailand, the Philippines, and Malaysia. An FTA with the United States is considered unsuitable at this time, due to Japan’s reluctance to open its farm sector.
- Diplomacy**
- “The United States should continue to encourage Japan to play a larger international role through diplomatic cooperation.” Specific measures include:
- **Recommendation.** “Maintaining an engaged, forward-deployed American presence in Asia.”  
**Evaluation.** Continue U.S. policy, but clearer communication and assurances of policies is needed.
  - **Recommendation.** “Reforming the United Nations as an institution to deal more effectively with conflict prevention, peacekeeping and peacemaking activities, and supporting Japan’s quest for a permanent seat on the Security Council.”  
**Evaluation.** Slow progress.
  - **Recommendation.** “Increased U.S.–Japan strategic dialogue on encouraging China to become a positive force in regional and political economic affairs.”  
**Evaluation.** More progress needed.
  - **Recommendation.** “Fostering reconciliation on the Korean peninsula. Washington and Tokyo should continue to support the Trilateral Coordination group (TCOG) to address issues on the peninsula.”  
**Evaluation.** Strong progress in this area, with the creation of the Six-Party format to address the North Korean nuclear problem, but TCOG should not be allowed to lapse.
  - **Recommendation.** “Supporting Russian stability in the Far East; The United States and Japan should more effectively coordinate their policies towards Russia.”  
**Evaluation.** Prime Minister Koizumi has made steady progress on improving Japanese relations with Russia.
  - **Recommendation.** “Encouraging an activist, independent, democratic and prosperous Association of Southeast Asian Nations (ASEAN) and coordination of efforts to support the territorial integrity and revival of Indonesia.”  
**Evaluation.** Slow but steady progress.

16. Tochio Aritake, “International Taxes: Survey Finds Most Foreign-Invested Firms Negatively Affected by Japan’s Tax System,” Bureau of National Affairs *Daily Report for Executives*, January 16, 2004, p. 1, at [pubs.bna.com/ip/BNA/der.nsf/dlca4e0252a5528285256743006de14e/78al79e8b370](http://pubs.bna.com/ip/BNA/der.nsf/dlca4e0252a5528285256743006de14e/78al79e8b370).